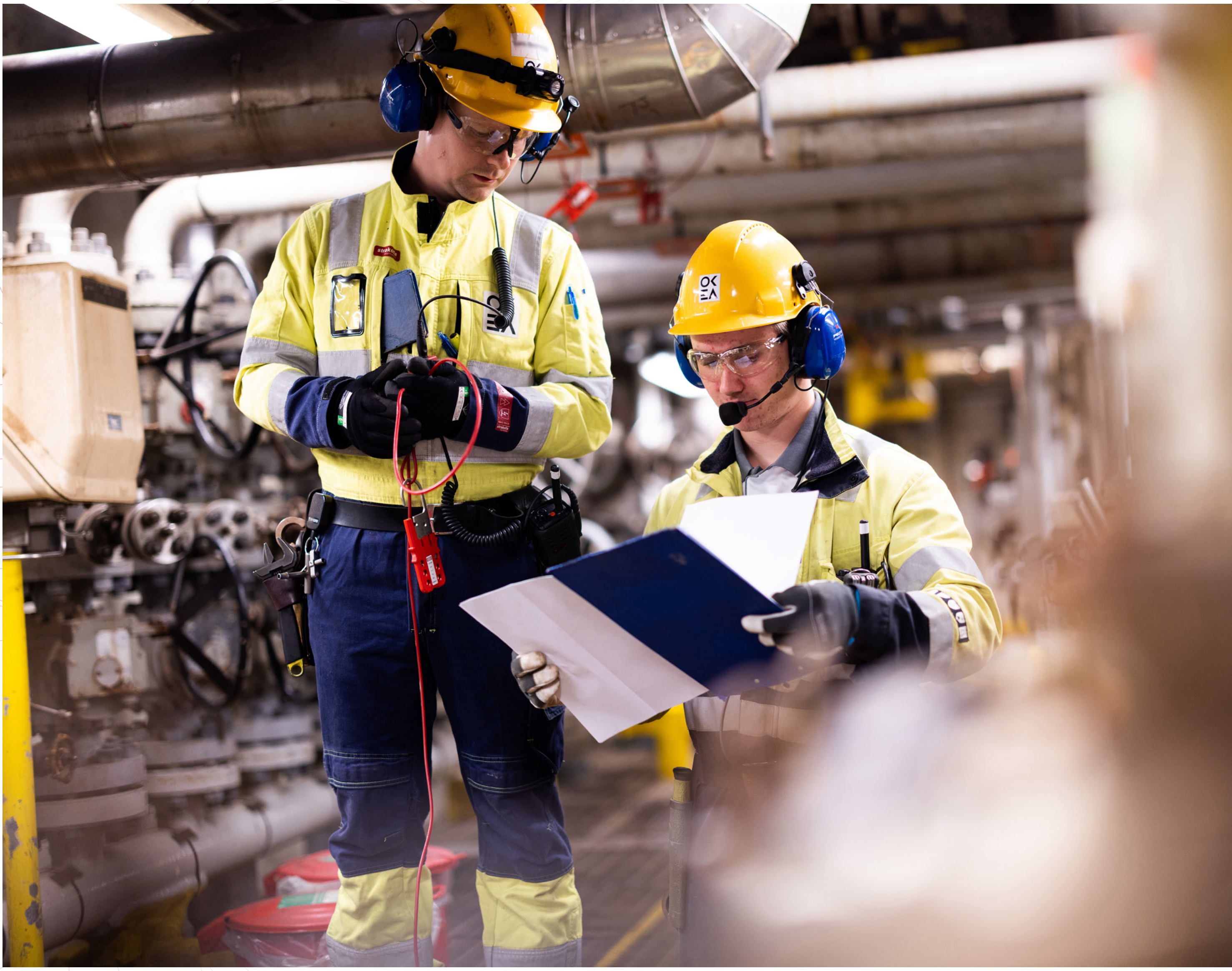
Annual report OKEA ASA

2022



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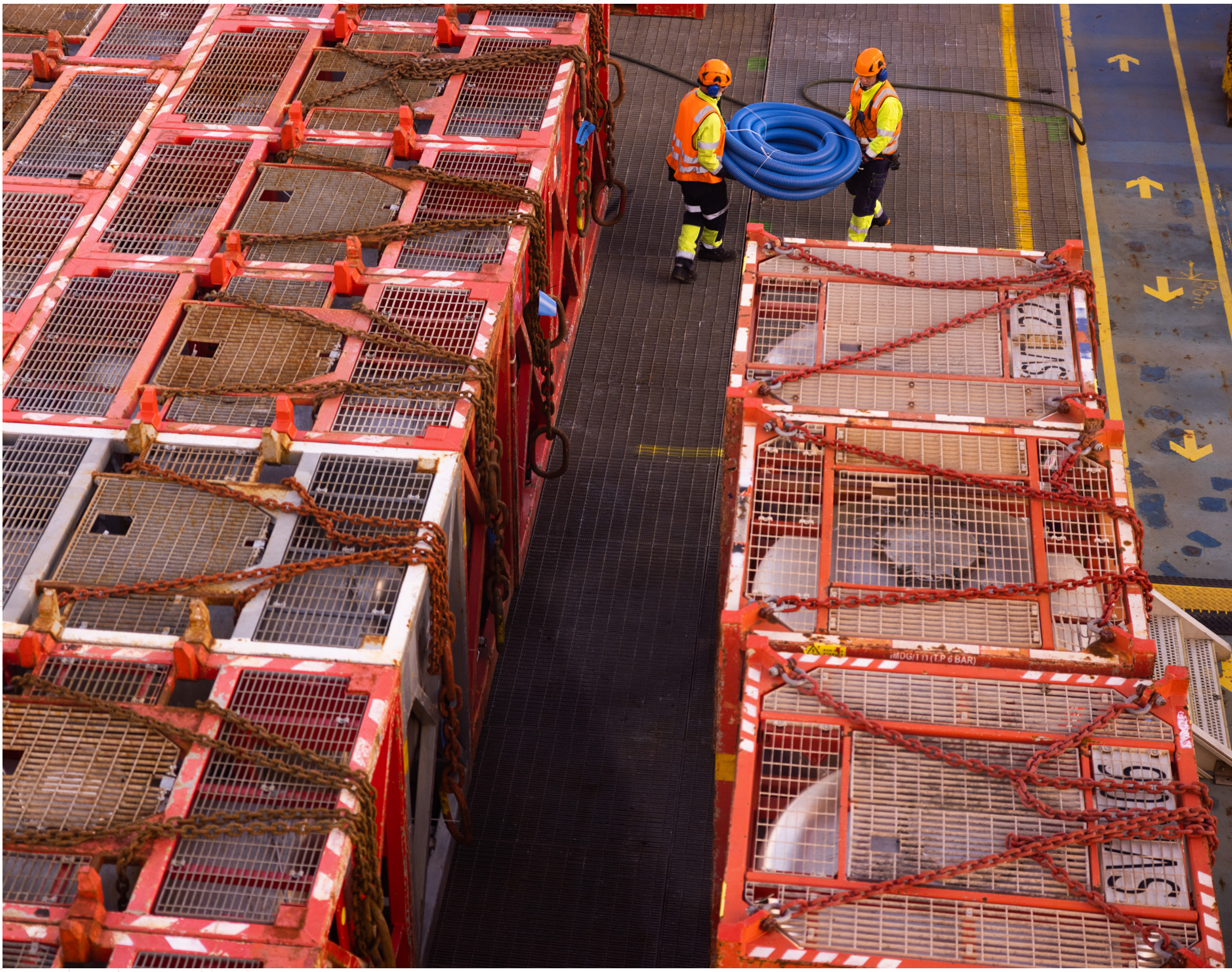


Letter from the CEO

2022 was an exciting year for OKEA and the excitement has continued into 2023. Most notably, the acquisition of working interests in Brage, Nova and Ivar Aasen from Wintershall Dea which was completed in 2022 increased production, reserves and resources by 30-40% and added another operatorship to OKEA's portfolio. The announced purchase of shares in the Statfjord Area from Equinor will further increase reserves and production level by 60-70% once completed in the fourth quarter of 2023. The acquisitions represent a step change for OKEA and both are fully financed by existing cash resources.

OKEA announced a revised strategy in the fall of 2021 with an ambition to be the leading mid- to late-life operator on the Norwegian continental shelf. I am really pleased that we already have been able to deliver two significant transactions which will increase production to well above 40,000 boepd in 2024, nearly three times higher than production level when the strategy was launched The transition of the Brage asset was completed in less than five months after signing the SPA with Wintershall Dea. Approvals from the Ministry of Petroleum and Energy (MPE), the Ministry of Finance (MoF) and the Petroleum Safety Authority (PSA) were granted without any conditions well in advance of the transfer date. The transfer process was achieved without any operational disruptions, undesired events (accidents/incidents) or downtime experienced to date caused by the transition/cut-over process.

The transfer of operatorship of the Brage asset increased the number of employees by 146 in the year. A key focus going forward as operator of Brage will be to realise potential and enhance further value of the asset and adjacent area.

The energy market has been tight following the Russian invasion of Ukraine. Petroleum prices have been highly volatile at relatively high levels during the year and with unprecedented price differentials in the European gas market. This critical political situation has resulted in high revenues for OKEA, but also heightened focus on security measures.

The Draugen asset has continued to perform well in 2022 under OKEA's operatorship with reliability as high as 96% for the year. This is a result of an efficient organisation that knows the asset well and supported by short decision paths. Work to realise further value at Draugen is ongoing. The Hasselmus gas tie-back project is progressing well with production start expected in the fourth quarter of 2023. Hasselmus is OKEA's first field development project as operator and demonstrates the organisations ability to deliver organic growth. Once Hasselmus is onstream, Draugen will no longer rely on gas import for fuel consumption but will have sufficient own gas production to use for both fuel and export for sale. In addition, a plan for development and operation (PDO) for electrification of the Draugen asset was submitted in the fourth quarter. The execution of this project will result in a reduction in CO_2 emissions from the Draugen field of 200,000 tonnes per year from 2027. The project is an important enabler in extending the field lifetime at Draugen as well as in the further development of Draugen as hub.

Some operational challenges have been encountered during 2022. Slower than anticipated production ramp-up and higher water-cut development at Yme lead to reduced reserves as announced in October. Infill drilling or similar measures may compensate for the reduced volumes. Drilling campaigns are ongoing expected completed in 2023. At Nova, water injector challenges resulted in lower than expected production in the fourth quarter and into 2023. Partial mitigating actions were already implemented in December and a side-track drilling operation rectifying the remaining issues is scheduled for the second quarter of 2023.

OKEA participated in three exploration wells in 2022 and made discoveries in two of them; Hamlet, close to the Gjøa platform and Calypso, close to the Draugen platform. Both discoveries are now under evaluation for potential development using existing infrastructure or in conjunction with other future developments.

In 2022, OKEA was in a position to distribute dividends for the first time. Dividends of NOK 0.90 per share were paid in the initial distribution in the second quarter and NOK 1.00 per share was paid in each of the subsequent quarters. This resulted in total distributions to our shareholders of NOK 301 million for the year. OKEA also paid NOK 1.00 per share in the first quarter of 2023 and has announced an intention to distribute NOK 1.00 per share in each subsequent quarter of 2023.

OKEA delivered record high net profit after tax of NOK 670 million for the year, largely driven by solid performance of key assets in the portfolio and favourable prices. This also resulted in strong cash flows from operations which were partly applied towards acquisition of assets, early redemption of the OKEA02 bond, and dividends to our shareholders.

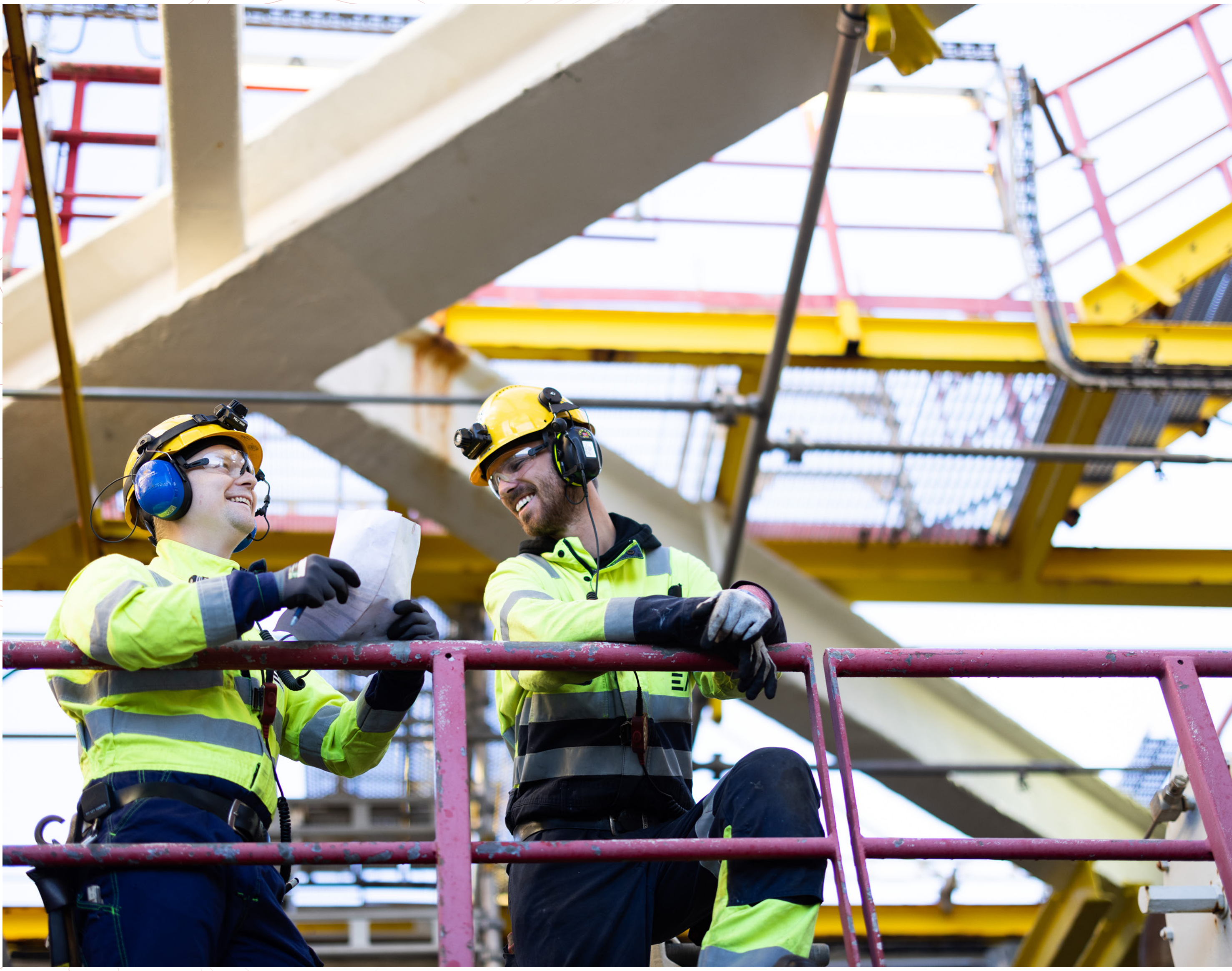
OKEA enters 2023 in a good position and with a clear ambition to further pursue value accretive growth opportunities through maturation of organic projects and execution of attractive M&A opportunities.

I want to thank our employees, shareholders, suppliers, partners and board of directors for all their efforts and for believing in and supporting our strategy and ambitions.

Signed

Board of directors' report

Annual report 2022



The board of directors

Chaiwat Kovavisarach – chairman of the board

Non-executive

Chaiwat Kovavisarach (born 1966) has been the President and Group CEO of Bangchak Corporation Public Company Limited since 2015. He also serves on the board of several listed and non-listed companies including, vice-chairman of BCPG and Director of BBGI, and is the chairman of Thai-Europe Business Council, vice chairman of the Federation of Thai industries, the executive chairman of the Board of Trustees of the Asian Institute of Technology and a Director of the Government Pension Fund. He holds a Master of Engineering from the Asian Institute of Technology (AIT), an MBA from Thammasat University and a Bachelor of Engineering from King Mongkut's Institute of Technology Ladkrabang (KMITL).

Rune Olav Pedersen – board member

Independent, non-executive
Chair of the audit committee

Rune Olav Pedersen (born 1970) has been President & CEO of PGS ASA since 2017. Mr. Pedersen has previously held the position of executive vice president & general counsel at the company. Prior to joining PGS he was partner in the oil and gas department of the law firm Arntzen de Besche. He has a law degree from the University of Oslo, a post-graduate diploma in European competition law from Kings College London and an Executive MBA from London Business School.

Finn Haugan – board member

Independent, non-executive
Chair of people and organisation committee and member of audit committee

Finn Haugan (born 1953) was from 1991 to May 2019 the CEO of SpareBank 1 SMN, before that deputy CEO of Fokus Bank (Danske Bank). Mr Haugan now holds positions as chairperson for the listed companies Norbit ASA and SpareBank 1 Sørøst-Norge. Further on he holds the position as chairperson for the non-listed companies Sinkaberg Hansen AS, Elekt AS and Solon Eiendom AS and as deputy chairperson for LL Holding AS. Mr Haugan holds a master’s degree in business administration (MBA).

Nicola Gordon – board member

Independent, non-executive
Chair of the sustainability and technical risk committee

Nicola Gordon (born 1957) has many years of experience from the energy industry. Ms. Gordon holds several board positions, among others as Chair of the audit & risk committee at the Scottish Environment Protection Agency and on Heriot-Watt University's Institute of GeoEnergy Engineering's Strategy Advisory Board. Gordon's experience at the Royal Dutch Shell Group includes vice president for Shell International, asset manager and board director at A/S Norske Shell and managing director at Shell Denmark. She is a Chartered Engineer and Fellow of the Energy Institute and holds an MSc in Petroleum Engineering from Heriot-Watt University and a BSc in Chemical Engineering from University of Newcastle upon Tyne.

Mike Fischer – board member

Non-executive
Member of the people and organisation committee and member of sustainability and technical risk committee

Mike Fischer (born 1958) has nearly 40 years' experience in the oil and gas industry. He is currently an Executive Advisor to the Natural Resources business unit of Bangchak. Dr. Fischer has previously held senior management positions at Ophir Energy, OMV, Woodside Energy and BP. He holds a PhD from the University of Wales and a BSc from the University of Leeds.

Grethe Moen – board member

Independent, non-executive
Member of the people and organisation committee

Grethe Moen (born 1960) has close to 40 years of experience in leadership positions within the oil, gas and energy industry, including 25 years (1982-2007) with Equinor (Statoil) and four years (2007-2011) with Shell Europe. From 2013 to 2021, she served as CEO of Petoro AS, the Norwegian State-owned oil company managing the State Direct Financial Interest in Joint Ventures (SDFI/SDØE), and previously as Vice President in Petoro from 2011 to 2013. She is currently member of the boards of NEO Energy (UK) and TGS-NOPEC ASA and chair of the board of Ideation AS as well as member of the boards of the technology companies Exedra and ThinkTank Maths Norway. She is also member of the Advisory Board to DNV's Cyber Security Business. Mrs Moen holds a master's degree in Chemical Engineering from NTNU.

Saowapap Sumeksri – board member

Non-executive
Member of the audit committee

Saowapap Sumeksri (born 1968) has 25+ years of experience in finance from the oil and gas industry. She is currently the executive vice president at Bangchak Corporation Public Company Limited and also serving a senior executive vice president Finance and Accounting (CFO) at BCPG Public Company Limited, a renewable energy company with solar power, hydropower and wind power business. She has extensive experience in funding with various types of financial instruments. She holds an MBA from West Coast University USA and a BBA from Chulalongkorn University.

Paul Murray – board member

Non-executive
Member of the sustainability and technical risk committee

Paul Murray (born 1969) has over 25 years' experience in venture capital and private equity investment across technology and natural resources. He was previously a director of 3i's technology investment team, Cazenove Private Equity, a partner at DFJ Esprit, and one of the founders of Seacrest Capital Partners. He holds a degree in Mathematics from Oxford University.

Jan Atle Johansen – board member

Employee elected
Member of the sustainability and technical risk committee

Jan Atle Johansen (born 1969) has 25+ years of experience as a Production Technician at the Draugen oil production platform. Mr Johansen is the trade union leader for SAFE (union for personnel working in the energy sector). He holds four years of technical higher education and has served in the Royal Norwegian Navy in the Coastal artillery.

John Kristian Larsen – board member

Employee elected
Member of the audit committee

John Kristian Larsen (born 1978) has 20 years of experience from the oil and gas industry in Norway. He currently serves as Drilling Superintendent Semisub & Exploration operations at OKEA. He has previously held most positions on- and offshore within Drilling and Wells for Norsk Hydro, Statoil, Det norske and AkerBP. He holds an MSc in Petroleum Engineering from Norwegian University of Science and Technology (NTNU), including an exchange year at UNSW, Sydney.

Anne Lene Rømuld – board member

Employee elected
Member of the people and organisation committee

Anne Lene Rømuld (born 1971) has 25 years of oil & gas industry experience. She currently serves as Principal Engineer Control & Automation at OKEA. Prior to Joining OKEA, Ms. Rømuld held the position as senior Reliability Engineer at A/S Norske Shell and Manager of Control and Automation at Shell Canada Ltd. She holds an MSc in Process Automation from Telemark University College and a BSc in Automation and Electrical Engineering from The Arctic University of Norway.

Board of directors’ report 2022

(Amounts in parentheses refer to previous year)

1.0. Description of the company

OKEA is a leading mid- to late-life operator on the Norwegian continental shelf (NCS). The company has a strong asset portfolio including the Draugen and Brage fields, which are operated by OKEA, as well as partner shares in the Gjøa, Ivar Aasen, Nova and Yme fields. In 2022, the portfolio produced 21,037 boepd including the portfolio of assets acquired from Wintershall Dea and Neptune Energy Norge which both was effective from 1 January 2022. OKEA has guided on a target production for 2023 of 22,000-25,000 boepd from this portfolio. In addition, 13,000-15,000 boepd is expected from the 28% WI in the Statfjord Area acquired from Equinor as announced in March 2023 (reference is made to note 37). OKEA also has activities in projects under development, including the Hasselmus gas discovery and Draugen power from shore. In addition, discoveries, such as Hamlet, Calypso and Brasse are under evaluation for development and further exploration licences with planned and possible wells in the future.

OKEA has its head office in Trondheim, with major operations centres in Kristiansund and Bergen and offices in Stavanger and Oslo.

As an operator on the NCS, OKEA carries out various activities related to production of hydrocarbons from existing assets, as well as development of new oil and gas fields. These activities take place at multiple locations both offshore and onshore. Each of the business functions within OKEA contributes to this work in a highly collaborative team effort, working closely with our third-party contractors and licence partners.

Environmental, social and governance (ESG) matters are of significant importance to the board of directors. Continuous focus on reducing emissions is essential for the company’s licence to operate as well as enabling long-term value creation for shareholders.

Completion of the Wintershall Dea transaction

On 23 May 2022, OKEA announced that an agreement had been reached with Wintershall Dea Norge AS (“Wintershall Dea”) to acquire a material portfolio of assets for an initial aggregate post-tax cash consideration of USD 117.5 million. The transaction comprised acquisition of 35.2% operated working interest (“WI”) in the Brage Unit, 6.4615% WI in the Ivar Aasen Unit and 6% WI in the Nova field with effective date 1 January 2022. In addition to the fixed consideration, OKEA shall pay an additional contingent consideration based on an upside sharing arrangement subject to oil price level and oil production performance during the period 2022-24. The contingent consideration will be paid if the average oil price for each of the six half year periods during 2022-24 exceeds USD 80/bbl. The split on the price exceeding 80 USD/bbl is 70% net after tax to Wintershall Dea and 30% to OKEA in 2022 and a net after tax split of 42.5% to Wintershall Dea / 57.5% to OKEA in 2023-24. Wintershall Dea retains responsibility for 80% of OKEA's share of total decommissioning costs related to the Brage Unit. The transaction was financed by existing cash resources.

The Wintershall Dea transaction was completed on 1 November and was recognised in the financial statements on a fair value basis from and including the fourth quarter. As the effective date of the transaction was 1 January, all transactions and activities in the 10-month period until completion were reflected as part of the purchase price allocation ("PPA") in the statement of financial position. Related transactions and activities in November and December were reflected in the statement of comprehensive income and key figures. Produced volumes stated in this report include volumes from the acquired assets from effective date. Sold volumes stated in this report include volumes from completion date only.

OKEA's acquisition of an additional 2.223% working interest in the Ivar Aasen field from Neptune Energy Norge AS was completed on 31 March 2022 with effective date 1 January 2022.

Operational review

In 2022, OKEA participated in production from six fields: Draugen (44.56% and operator), Brage (35.2% and operator), Gjøa (12%), Ivar Aasen (9.2385%), Yme (15%), and Nova (6%). Net production for the year averaged 21,037 (15,530) boepd, split between liquids and gas by 65% and 35% respectively. Net sold volumes for the year averaged 16,252 (15,843) boepd.

Draugen (Operator, 44.56%)
Draugen is an oil field in the southern part of the Norwegian sea. The water depth in the area is 250 metres. Draugen was discovered by Shell in 1984, the plan for development and operation (PDO) was approved in 1988, and production started in 1993. The field was developed using a fixed concrete facility with integrated topside and production comes from both platform and subsea wells. Oil is extracted from two formations. The main reservoir is in sandstone of Late Jurassic age (the Rogn Formation) while the western part of the field also produces from sandstone of Middle Jurassic age (the Garn Formation). The reservoirs lie at a depth of 1,600 metres, are of excellent quality and are relatively homogeneous across the field. Stabilised oil is stored in tanks at the base of the facility and two pipelines connect the facility to a floating loading-buoy from where it is offloaded and exported by tankers. Associated gas is currently used for power generation at the platform. Production start of Hasselmus is expected in the fourth

quarter of 2023 which will allow Draugen to use its own gas for power generation at the platform as well as export gas via Åsgard Transport.

Net OKEA production from Draugen was 6,767 (7,084) boepd in 2022. Production reliability[1] was 96% (98%) and production availability[2] was 94% (93%). The lower production was mainly due to general field decline.

A licence extension program was launched in 2019 with the aim of extending the Draugen licence and lifetime from 2024 to 2040. The comprehensive program involved several disciplines across the organisation and included development of a new application to document safe production and resource management towards 2040. Third-party analysis and evaluations were used where relevant to document the conclusions and modification requirements. The application was sent to the Petroleum Safety Agency and the Norwegian Petroleum Directorate in March 2023, which is one year prior to expiry of the existing consent.

During 2021, OKEA initiated work to mature additional reserves potential at Draugen through increased oil recovery initiatives. Several initiatives have been considered and one exploration well and one observation well were sanctioned in 2022 for planning and drilling in 2023. An investment decision for the Power from shore project was made and revised plans for development and operation (PDO) were submitted to the Ministry of Petroleum and Energy in the fourth quarter of 2022. The project will result in annual reductions of CO_2 emissions of approximately 200,000 tonnes from Draugen alone.

Brage (Operator, 35.2%)

Brage is an oil and gas field located in the northern North Sea, 125 kilometres west of Bergen. The water depth is 137 metres. Brage was discovered in 1980, and the plan for PDO was approved in 1990. Production started in 1993. Brage has been developed as a fixed integrated production, drilling and accommodation facility with a steel jacket. Brage produces oil from sandstone of the Early Jurassic age in the Statfjord Group, and sandstone of the Middle Jurassic age in the Brent Group and the Fensfjord Formation. The reservoirs lie at a depth of 2,000-2,300 metres. The main drainage strategy is water injection, with gas lift utilised in most wells. Brage oil is exported via the Oseberg Transport System (OTS) to the Sture terminal. The gas is exported via pipeline to Kårstø for processing and further export into the dry gas area of Gassled and the NGL are lifted by vessels from Kårstø.

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[1] **Production reliability** = actual production / (actual production + unscheduled deferment)
[2] **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.

The Brage field produced 2 568 boepd net to OKEA in 2022. Production reliability was 95%.

Drilling of new wells is a continuous activity on Brage to extend the lifetime of the asset. During the fourth quarter, drilling of an oil production well in the Talisker East area commenced. A geo-pilot section drilled as a part of this well, confirmed hydrocarbons in both the Cook Formation area and the Talisker area. The next well is planned as a gas producer in the Sognefjord Formation, to be followed by an oil producer in the Cook Formation. The Talisker West development project was initiated in December and is targeting approval from the authorities in 2023.

Gjøa (Partner, 12%)

The Gjøa field, operated by Neptune Energy Norge AS, was discovered in 1989, and the PDO was approved by the Norwegian authorities in 2007. Production started in 2010. The field was developed using a semi-submersible production facility with five subsea templates tied back to the facility for processing and export. Oil is exported by pipeline to Mongstad, and gas is exported by pipeline to St. Fergus in the UK. The semi-submersible Gjøa production unit is partly electrified by power from shore.

The Gjøa P1 segment, located in the northern part of the field, was developed as a tie-back to the main subsea facility via a 5 km oil pipeline and a 2 km gas pipeline at a water depth of 340 metres. Production from the P1 well started in February 2021.

The Gjøa field, produced 6,932 (8,137) boepd net to OKEA in 2022. Production reliability for the year was 98% (99%) and production availability was 90% (85%). The reduced production was mainly driven by tie-in activities related to Nova and Duva, and general field decline. The Gjøa partners started receiving compensation for the deferred production related to the Duva tie-in scope in 2021 and related to the Nova tie-in scope from July 2022. Compensation volumes received amounted to 668 (147) boepd in 2022.

Ivar Aasen (Partner, 9.2385%)

The Ivar Aasen field, operated by Aker BP ASA, was discovered in 2008 and is located at Utsira High in the North Sea. First oil from the field was produced on 24 December 2016, four years after the plan for PDO was submitted. The field is a coordinated development with the Edvard Grieg field, which is located ten kilometres southeast. Oil and gas are transported to the Edvard Greig platform for final processing. From there, oil is exported to the Grane oil pipeline and on to the Sture terminal.

The Ivar Aasen field produced 2,998 (255) boepd net to OKEA in 2022. Production availability was 82% (97%). The increased production was driven by the higher working interest following acquisition of 2.233% from Neptune Energy and 6.4615% from Wintershall Dea. An electrical failure on Edvard Grieg at the end of March resulted in a full production shut-down as Ivar Aasen relies on Edvard Grieg for final processing and export. Production commenced at reduced capacity at the end of April and at full capacity at the end of May. In December, Ivar Aasen was electrified through the joint Utsira high development of power from shore which will reduce joint emissions by 200,000 tonnes per year.

Yme (Partner, 15%)

The Yme oil field was discovered by Statoil in 1987 and started production in 1996. Low oil prices led to abandonment of the field in 2001. OKEA acquired a 15% ownership interest in Yme in 2016 and started preparing a new plan for development and operation (PDO). Yme started producing again on 25 October 2021 with Repsol Norge AS as operator. The water depth is 77-93 metres. The field comprises two separate main structures, Gamma and Beta, which are 12 kilometres apart. The Gamma and Beta structures comprise six deposits. The reservoirs are in sandstone of Middle Jurassic age in the Sandnes Formation, at a depth of 3,150 metres. They are heterogeneous and have variable reservoir properties. The field is producing from a leased jack-up rig equipped with drilling and production facilities. Oil is transported with tankers and associated gas is used for power consumption or reinjected in the reservoir.

The Yme field produced 1,429 (54) boepd net to OKEA in 2022. Full year production was well below expectations with plant availability as low as 21%. This was partly due to recompletion of production wells taking more time than anticipated combined with several production disturbances. A leakage in the recirculation line between the Inspirer platform and the subsea storage tank caused a three-weeks shutdown during second quarter. In addition, an incident with leakage in the topsides piping system caused a shutdown of production for approximately six weeks during third quarter. The repair was completed by the end of the quarter.

The Beta North drilling campaign, employing the Valaris Viking drilling rig, started in the third quarter and was successfully completed by January 2023. Beta North is a subsea tie-back to Yme and includes two new production wells and one injector well.

Drilling of new production wells and the injector well at Yme Gamma is expected to start in the first quarter of 2023 from Inspirer. The drilling campaign has been postponed due to recompletion delays and is expected to be completed in the fourth quarter of 2023.

Water-cut from the producing wells has been higher than initially expected which reduced expected production and reserves. It may, however, be possible to compensate for some of the reduction through infill drilling or similar measures in the future. As new production wells are yet to be drilled, an inherent uncertainty remains in the reserves estimate.

Nova (Partner, 6%)

The Nova field, operated by Wintershall Dea Norge AS, was discovered in 2012 and is located 120 kilometres northwest of Bergen and 17 kilometres southwest of Gjøa. The plan for PDO was approved in 2018, and the field started production in July 2022. The water depth is roughly 370 metres. The field consists of two subsea templates, one with three oil producers and one with three water injectors, tied back to the Gjøa platform.

The host platform provides gas lift and water injection to the field and receives the Nova hydrocarbons.

The Nova field produced 345 (0) boepd net to OKEA in 2022. Production availability was 81%.

Production was lower than expected in the fourth quarter due to challenges with the water injection wells. Some of the issues were resolved rapidly by a well-planned and executed Inspection Maintenance Repair Vessel campaign completed in December. A side-track drilling operation is planned for the second quarter of 2023 to improve the location of one of the injector wells and increase its effect on production. Further actions to improve water injection on the field are under evaluation.

Development projects

Hasselmus (Operator, 44.56%)

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

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

The project is progressing according to schedule. The production well and the rock installation to facilitate for the subsea infrastructure were successfully completed in 2022. Topside installation at Draugen is currently ongoing with a planned peak activity level during the planned Draugen maintenance campaign in the second quarter of 2023 followed by a subsea installation programme prior to commissioning and production start-up.

Draugen power from shore (Operator, 44.56%)

OKEA and Equinor in collaboration with the licence partners have established a joint project to electrify the Draugen and Njord A platforms. The partners made an investment decision and handed over revised plans for PDO to the Ministry of Petroleum and Energy in the fourth quarter of 2022.

Electrification of the Draugen and Njord A platform is a collaborative project, where OKEA will be responsible for developing the power infrastructure from shore to Draugen. Equinor will be responsible for the cable from Draugen to Njord and modifications and upgrades on Njord A.

Draugen and Njord will be connected to the power grid at Tensio's transformer station at Straum in Åfjord municipality. Statnett assesses the connection as operationally sound without a need for reinforcements of the power grid.

The project will result in annual reductions of CO_2 emissions of approximately 200,000 tonnes from Draugen and approximately 130,000 tonnes from Njord.

In addition to reducing CO_2 emissions, the project will result in lower cost of operations and extended economic lifetime of the field. The electrification of Draugen will also increase the attractiveness of potential future resources in the area.

Expected completion of the project is in the first quarter of 2027. The revised PDO and plan for construction and operation are subject to approval from the Ministry of Petroleum and Energy which is expected in 2023.

Aurora (Operator, 65%)

OKEA acquired the Aurora gas discovery, including the operatorship, from Equinor in 2020. OKEA and the licence partner Petoro are currently in the process of evaluating options to appraise the Aurora discovery and drill the Selene prospect in 2024 to ascertain the commerciality for a potential tie-in development to Gjøa. Other development options are also assessed.

Brasse (Partner, 50%)

In December, OKEA entered into an SPA with DNO Norge AS to enter into the Brasse licence (PL740) with 50% WI and effective date 1 January 2023. The transaction was at zero cost to OKEA and was approved by the Ministry of Petroleum and Energy in February 2023. The target of the new partnership is to undertake a fast-track, low-cost review to assess whether a value accretive development concept can be found for the estimated 30 mmboe recoverable volumes at Brasse, which is located only 13 km from the OKEA-operated Brage field.

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.

On 28 April, the company announced discovery of oil and gas in the Hamlet exploration well in the Gjøa licence (PL153, WI 12%) operated by Neptune Energy. The operator's preliminary resource estimate was 8-24 million barrels of oil equivalents, including resources in the northern part of the structure previously proven by well 35/9-3 T2 in 1997.

Maturation of a potential development of Gjøa Nord, including the Hamlet discovery, as a tie-back to Gjøa was concluded in December 2022 but an investment decision was not made in the licence group. Evaluation will continue with a view towards synergies with other potential developments to further reduce development costs.

In November 2022, the Neptune Energy-operated Calypso exploration well (6407/8-8 S) in PL938 was drilled and a discovery was made. The well was drilled to a vertical depth of 3,496 metre and encountered an estimated 8 metres thick gas column and 30 metres thick oil column in a 131 metres thick Garn Formation sandstone reservoir of good to very good quality. Estimated recoverable volume range are of 6-22 mmboe. The licence group is currently evaluating options for development utilising existing local infrastructure.

In the third quarter, OKEA entered into a licence swap agreement with Equinor Energy AS (Equinor) to acquire a 20% WI in the Equinor-operated PL1014 exploration licence, containing the Arkenstone project, in exchange for a 10% working interest in the OKEA-operated PL1119 licence, including the Mistral prospect. The agreement included transfer of operatorship of the licence from OKEA to Equinor. The agreement was approved by the authorities in November. Decisions to drill an exploration well in each of the licences were also made in November. The Arkenstone and Mistral wells are expected to be drilled in 2024.

A drill decision on the Springmus East prospect in the Draugen licence (PL093) was made in November, with an option to also drill the Springmus West prospect. These exploration wells will be combined with an observation well on the Garn West South IOR opportunity into a drilling campaign targeted for third quarter of 2023.

In the fourth quarter of 2022, OKEA invested in a large, modern, seismic dataset in the northern North Sea to strengthen regional mapping and competency in the area to build on existing exploration positions in the Gjøa and Brage area.

In January 2023, OKEA was awarded four new licences in the 2022 Awards in Predefined Areas (APA), two of which as operator. The two new OKEA-operated licences are located in the Norwegian Sea and the Northern North Sea, close to the OKEA-operated Draugen and Brage assets. The third licence, to be operated by Equinor, is located in the Norwegian Sea, west of Njord. The fourth licence, to be operated by Neptune, is located in the Northern North Sea, south of Gjøa. These new awards are good opportunities to build further on the near-field exploration activities around Draugen, Brage and Gjøa area. In addition, it represents added acreage in the Norwegian Sea near the Mistral and Fagn exploration licences.

Reserves and resources

At 31 December 2022, OKEA's 2P/P50 reserves were estimated to 60.2 (46.6) million barrels of oil equivalent (mmboe). The main contributors to the 29% increase in reserves are the acquisitions from Wintershall Dea as well as a significant increase in Draugen reserves due to the lifetime extension to 2040. This increase was partly offset by production during the year and a reduction in Yme reserves resulting from the early water breakthrough in wells.

Contingent resources (2C/Base) were 43.2 (24.2) mmboe. The increase was mainly due to acquired 2C resources at Brage and the Hamlet and Calypso discoveries.

2.0. Strategy

The board annually evaluates the company's financial status, strategy and goals. In the fall of 2021, OKEA launched a refreshed strategy based on the vision of being the leading mid-to-late-life operator on the NCS. There have been no changes to this strategy during 2022.

OKEA has a clear ambition to deliver competitive shareholder returns driven by solid growth, value creation and capital discipline and the strategy is 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 strategy also includes a clear capital allocation prioritisation with an overall aim to maximise shareholder return and a target to maintain a clear and credible ESG position. OKEA shall maintain a competent organisation fit for growth with direct management engagement and involvement in key projects and use risk-cost-benefit evaluations in all phases of the company's business activities.

3.0. The financial statements

OKEA prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and additional requirements following the Norwegian Accounting Act. New standards and amendments to standards and interpretations effective from 1 January 2022 did not have any significant impact on the company's financial statements and hence the accounting principles are in all material respects the same as in the financial statements for 2021.

4.0. Statement of comprehensive income

The financial results for 2022 were significantly influenced by high realised prices for petroleum products during the year in addition to solid operational performance on key assets. The average realised price for liquids (oil and natural gas liquids) of USD 98.4 (65.3) per boe was 51% higher than previous year, while average realised gas price of USD 138.5 (105.2) per boe was 32% higher than previous year.

Total operating income amounted to NOK 6,653 (3,882) million. Sold volumes were 5,931,945 (5,782,585) barrels of oil equivalents (boe).

Other operating income amounted to NOK 254 (101) million consisting of tariff income at Gjøa of NOK 132 (62) million, gain on commodity hedging of NOK 72 (16) million, income from joint utilisation of logistics resources of NOK 38 (23) million and change in fair value of contingent consideration of NOK 12 (0) million.

Produced volume was 6,108,797 (5,668,576) boe and production expenses amounted to NOK 1,616 (860) million. The increase in production expense compared to previous year was mainly due to 2022 being the first full year of production at Yme, in addition to increase in produced volumes following the acquired working interests in Ivar Aasen, Brage and Nova. Production expenses per boe amounted to NOK 237 (134). The increase in unit cost was mainly due to the recurring production issues at Yme during the year which resulted in higher cost as well as lower volumes. Reference is made to note 6 to the financial statements for further details.

Exploration and evaluation expenses amounted to NOK 328 (343) million. The expense mainly consists of costs related to the dry exploration well Ginny in PL1060 of NOK 65 (18) million and previously capitalised costs on the Hamlet well of NOK 79 (0) million. In addition, seismic purchases amounted to NOK 87 (47) million. Other exploration and evaluation expenses relates to activities in exploration licences. Main activities previous year was drilling of Jerv and Ilder prospects in PL973 and Ginny exploration well in PL1060. Reference is made to note 7 to the financial statements for further details.

Depreciation amounted to NOK 769 (672) million. The increase was due to increase in produced volumes.

Total impairment (-)/reversal of impairment was NOK -498 (364) million which related to the Yme asset with an offsetting change in deferred tax of NOK 388 (-284) million. The key drivers for the impairment were reserves revision and a re-phasing of volumes due to lower expected plant availability. Previous year's reversal of impairment was mainly driven by significantly increased forward prices of oil during 2021. Reference is made to note 9 to the financial statements for further details.

General and administrative expenses amounted to NOK 213 (95) million and represent OKEA's share of costs after allocation to licence activities. The high expense in 2022 compared to previous year was mainly due to transition activities related to the transfer of operatorship of the Brage assets in addition to corporate expenses related to the acquisition of assets from Wintershall Dea.

Net financial income/expenses (-) amounted to NOK -311 (-192) million and mainly comprise expensed interest of NOK -178 (-98) million and NOK -103 (-75) million in net exchange rate loss largely relating to USD denominated bond loans. In addition, call premium on early voluntary redemption of the OKEA02 bond loan amounted to NOK -24 (-6) million. Other financial expenses amounted to NOK -17 (-9) million. The increase in expensed interest was due to less capitalised borrowing costs as Yme started production in late 2021. Reference is made to note 12 to the financial statements for further details.

Profit/loss (-) before income tax amounted to NOK 3,215 (2,106) million. Tax expense amounted to NOK -2,545 (-1,503) million, whereof tax payable amounted to NOK -2,109 (-706) million and changes in deferred tax were NOK -436 (-797) million. The effective tax rate of 79% (71%) deviates from the standard tax rate of 78% mainly due to net financial and onshore items taxed at a low tax rate in addition to permanent differences offsetting the positive effects of uplift. Previous year’s low tax rate was lower than expected mainly due to uplift effect.

Net profit/loss (-) was NOK 670 (603) million and total comprehensive income/loss (-) was NOK 670 (603) million.

5.0. Statement of financial position

Total assets as per 31 December 2022 amounted to NOK 15,621 (12,373) million. The increase mainly related to the purchase-price-allocation (PPA) following the completion of the Wintershall Dea transaction on 1 November 2022. The transaction was recognised in the financial statements on fair value basis from this date. As the effective date of the transaction was 1 January 2022, all transactions and activities in the ten-month period until completion were reflected as part of the PPA in the statement of financial position. Reference is made to note 16 in the financial statements for further details on the PPA.

Goodwill amounted to NOK 1,297 (769) million whereof ordinary and technical amounted to NOK 163 (163) million and NOK 1,133 (606) million, respectively. The increase in technical goodwill of NOK 528 million mainly relates to the PPA’s following the Wintershall Dea transaction. Reference is made to note 16 and 17 to the financial statements for further details.

Oil & gas properties amounted to NOK 6,556 (4,685) million. The increase from previous year mainly related to asset additions through business combinations of NOK 1,958 (0) million and investments in fields in production and under development of NOK 1,080 (1,250) million. The increase was partly offset by asset impairment at Yme of NOK 498 (-364) million and unit of production depreciation of NOK 742 (645) million.

Right-of-use assets amounted to NOK 233 (234) million, mainly related to logistical resources on operated assets and lease of offices. The addition of new office leases in Bergen and Stavanger was offset by depreciation of lease contracts during the year.

Total asset retirement reimbursement right amounted to NOK 3,662 (3,108) million and relates to Shell and Wintershall Dea’s obligations to cover decommissioning costs for Draugen/Gjøa and Brage respectively. The increase mainly relates to the Wintershall Dea transaction. NOK 3,662 (3,025) million was classified as non-current assets and NOK 0 (83) million as current assets. Reference is made to note 19 to the financial statements for further details.

Trade and other receivables were NOK 1,744 (1,053) million, mainly comprising of accrued revenue, working capital from joint venture licences and underlift of petroleum products.

Cash and cash equivalents amounted to NOK 1,104 (2,039) million. Cash generation from operations was as high as NOK 3,344 (2,515) million for the year after accounting for tax payments of NOK 2,289 (-355) million during the year. The reduction in cash balance compared to prior year was due to settlement of acquisitions of assets from Wintershall Dea and Neptune for a total cash payment of NOK 1,240 (0) million, early voluntary redemption of debt of NOK 1,402 (217) million, further investments in oil and gas properties of NOK 1,052 (664) million and distribution of a total of NOK 301 (0) million to shareholders as dividends.

Spare parts, equipment and inventory was NOK 800 (253) million. The increase mainly relates to oil inventory which was lifted in early 2023, with NOK 263 million relating to oil inventory at Brage where the inventory was valued at fair value in the PPA.

Total provisions for asset retirement obligations amounted to NOK 5,915 (4,237), whereof the non-current portion amounted to NOK 5,915 (4,133) million and the current portion amounted to NOK 0 (104) million. The obligation is partly offset by the total asset retirement reimbursement right described above. Reference is made to note 24 to the financial statements for further details.

Deferred tax liabilities amounted to NOK 2,835 (1,736) million. The increase was mainly due to effects from the PPA’s. Reference is made to note 13 and 16 to the financial statements for further details.

Interest-bearing bond loans amounted to NOK 1,179 (2,295) million consisting of the OKEA03 bond. The decrease was mainly due to the voluntarily early redemption of all remaining outstanding OKEA02 bonds in July of NOK 990 million, partly offset by unrealised FX loss on the OKEA03 bonds of NOK 240 million. Reference is made to note 27 to the financial statements for further details.

Total other interest-bearing liabilities was NOK 508 (493) million, whereof the non-current share was NOK 462 (455) million and the current share was NOK 46 (39) million. The amount represents OKEA's share of the net present value of the future obligations under the bareboat charter (BBC) agreement for the Inspirer rig.

Trade and other payables amounted to NOK 2,220 (787) million mainly relating to working capital from joint venture licences of NOK 1,061 (431) million, payment quantity agreements of NOK 507 (0) million and other accrued expenses of NOK 295 (86) million.

Income tax payable was NOK 477 (773) million and mainly comprise remaining accrued tax payable for 2022.

At balance sheet date, OKEA had issued a total of 103,910,350 (102,870,350) ordinary shares. Each ordinary share has one vote at general meetings. There are no (80,000) warrants outstanding.

Share capital amounted to NOK 10 (10) million and total equity amounted to NOK 2,078 (1,708) million, corresponding to an equity ratio of 13% (14%). Total liabilities amounted to NOK 13,543 (10,664) million.

6.0. Statement of cash flows

Net cash flows from operating activities amounted to NOK 3,344 (2,515) million, including net taxes received/paid (-) of NOK -2,289 (355) million. The increase in cash flow from operations was mainly a result of the significant increase in realised prices for liquids and gas.

Net cash flows used in investing activities of NOK 2,434 (941) million mainly related to cash paid in relation to acquisitions of working interest in Brage, Ivar Aasen and Nova of NOK 1,240 (0) million. In addition, NOK 1,052 (664) million was invested in oil and gas properties and NOK 316 (167) million was used for exploration and evaluation assets. This was partly offset by cash received from sales of financial investments of NOK 210 (-210) million.

Net cash flows used in financing activities amounted to NOK 1,969 (422) million and relate to repayment of the OKEA02 bond loan of NOK 1,402 (217) million, interests paid of NOK 194 (196) million, dividend payments of NOK 301 (0) million and payments of lease arrangements of NOK 31 (25) million.

Net increase/decrease (-) in cash and cash equivalents, including exchange rate effect on cash held, amounted to NOK -935 (1,168) million.

7.0. Going concern and liquidity

Pursuant to §3-3 of the Norwegian Accounting Act, the board confirms that conditions for continued operation as a going concern are present and the annual financial statements for 2022 have been prepared under this assumption.

OKEA's financial position strengthened significantly during 2022 supported by strong oil prices and record high gas prices. This enabled OKEA to execute a full redemption of the OKEA02 bond, close the transaction with Wintershall Dea for Brage, Ivar Aasen and Nova without any further financing and at the same time initiate a dividend plan. OKEA's current financial position and liquidity is considered solid, and the company is well positioned for continuing to execute on its growth strategy. Cash flow from operations, combined with available liquidity, is expected to be sufficient to finance the company's commitments in 2023.

In the board's view, the annual accounts give a true and fair view of OKEA's assets and liabilities, financial position and results. The board is not aware of any factors that materially affect the assessment of OKEA's financial position as of 31 December 2022, or the result for 2022, other than those presented in the board of directors' report or that otherwise follow from the financial statements.

8.0. Allocation of profit for the year

Total comprehensive profit for 2022 amounted to NOK 670 million. The board proposes the following allocation:

Profit for the year of NOK 670 million is to be transferred to retained earnings.

After the transfer, retained earnings amount to NOK 421 million.

9.0. Risks related to OKEA's business and industry

Comprehensive, transparent, and dynamic risk management, supported by necessary framework, tools, and practice, is of great importance for OKEA's ability to deliver on its strategy and stated goals. The overall purpose of risk management in OKEA is to ensure the balance between creating value and avoiding accidents, damages and losses. As a result, the company is continuously undertaking risk management activities, embedded in the company's management system and operational practices, at all levels of the organisation. Both senior management and the board of directors regularly review major risks and mitigating actions.

Measures and actions to manage and mitigate risks are identified, managed and reported on a continuous basis. Assurance and verification of the company's management systems and structures are governed by risk-based and dynamic audit and verification plans. The plans are developed and maintained based on the company's three lines of defence model, which differentiates verification activities owned by operational management and activities with a higher degree of independence.

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

OKEA currently has production from six assets: Draugen, Brage, Gjøa, Nova, Yme and Ivar Aasen. The introduction of Brage and Nova in the company's production portfolio, as well as increased ownership in the Ivar Aasen unit, improved asset diversification in 2022. The addition of the 28% WI in four fields in the Statfjord area acquired from Equinor with effect from 1 January 2023 further improves the diversification going forward. However, operational issues affecting availability and reliability of production from any of these fields may have a material impact on the company. Growth and diversity in the company's production portfolio will seek to further mitigate this risk in combination with diligent operational follow-up and management of both operated and partner-operated assets.

Creating value through near-field exploration, production optimisation and extension of field life is a key factor in OKEA's strategy. Maturing well targets and development projects, utilising new technology and innovation, and sanctioning profitable volumes is therefore of significant importance. The company's exploration and project portfolios (operated and partner-operated) carry technical, geological and operational uncertainty. The company, together with licence partners, continuously strives to mitigate exploration and project risks and ensure progress to meet defined targets and milestones. However, the inherent complexity of projects may result in delays, cancellations and/or cost increases.

Changes in national and/or international framework conditions, (e.g. changes in regulations related to ESG, QHSSE or taxation) can lead to increased costs, reduced value of the company's asset base, and can potentially impact feasibility of new development projects. Unfavourable changes to governmental regulations for the petroleum industry, such as potential lack of new exploration areas granted, reduced production permits or failure to extend production permits may have considerable impacts to OKEA's business.

Activities throughout the company value chain (exploration, development, production, and decommissioning) within the oil and gas industry have considerable inherent environmental and safety risks. In case of incidents, these risks can result in significant losses and cost increases. OKEA is continuously working to assess such risks and to implement measures to eliminate the probability of occurrence as well as to mitigate any adverse consequences of such incidents. This work includes focusing on both threats and opportunities with respect to the company's overall strategy, as well as operational and field development related activities. ESG is embedded in the business and all operational activities, and identifying, managing and controlling all material issues related to ESG is important to OKEA. This includes assessing financial risk exposure imposed by climate related risk as further outlined in the ESG report for 2022.

Sufficient organisational capabilities are essential for realising the corporate growth strategy as well as improvement initiatives and synergies. Evaluating organisational robustness considering expected scenarios is therefore important to OKEA. The company is dependent on robustness in the organisation as well as competence and capability of personnel in senior management positions and throughout the entire organisation. Not being able to hire, retain or replace key members of the organisation, or lack of short- or long-term access to competent staff, may result in an inability to realise the company's strategy and further expand the business.

In addition, OKEA has several key partners and suppliers and relies on their competence and capacity for successful execution of the company's strategy and roadmap. OKEA foresees a high activity level in the industry in the coming years, with potential capacity and competence constraints as well as cost inflation. Any adverse events or conditions impacting our key suppliers' ability to deliver as agreed may impact the company's performance, lead to increased cost, operational disruptions and/or project delays. In addition, the company is dependent on alignment with, and endorsement from, licence partners for operated assets. For partner-operated assets, OKEA exercises it's "see-to-duty" diligently through regular partner meetings and other means as required. However, the company is dependent on the various operators' management and performance and the voting arrangements in each joint venture.

Information security events (e.g. cyber-attacks) may threaten the confidentiality, integrity and availability of company data and information which, in turn, could adversely impact the company's business activities.

The invasion of Ukraine in late February 2022 resulted in a rapidly evolving geo-political situation and introduced a new set of challenges with respect to maintaining business continuity. In response, OKEA has enforced control mechanisms to manage the elevated security threats imposed to the industry and maintain a close dialogue with Offshore Norway and relevant authorities. OKEA is monitoring international sanctions and trade control legislation to mitigate the potential impact on the company's operation particularly in respect of potential interruptions of supply chains and third-party services.

Financial risk factors

OKEA is exposed to a variety of financial risk factors. Oil and gas prices are highly volatile, and the company regularly enters into derivative contracts in order to hedge portions of its oil and gas production to manage market price risk. Reserves and contingent resources are by their nature uncertain with respect to inferred volumes which are also sensitive to oil and gas prices. OKEA will continue to manage these risks in accordance with a defined risk management policy.

OKEA is exposed to foreign exchange rate risk as revenues are denominated in USD for oil sales and in GBP and EUR for gas sales, whilst operational and development costs are mainly denominated in NOK, and all income taxes are denominated in NOK. OKEA manages currency risk by making frequent currency exchanges and utilising hedging instruments when deemed appropriate. However, fluctuations in exchange rates may adversely affect the financial performance of the company. The outstanding bond debt was issued in USD, the same currency as the major revenue streams, which limits currency risk. Net interest-bearing debt was reduced significantly during 2022, and the company is nearly net debt free, which limits refinancing risk. A voluntary full redemption of the OKEA02 bond was carried out in July, and the remaining OKEA03 bond matures in December 2024.

OKEA also has an interest-bearing liability in USD which represents OKEA's share of the net present value of future obligations under the bareboat charter (BBC) agreement between the Yme licence and Havila Sirius AS for the Inspirer rig. This liability will be repaid quarterly until October 2031.

OKEA currently has no major exposure to interest rate risk. The company has no interest-bearing debt with floating interest rate, as the OKEA03 USD 120 million senior secured bond loan and the Inspirer liability both carry fixed interest rates. However, any new debt financing will be subject to the prevailing marked environment.

The OKEA03 bond agreement may limit OKEA’s ability to enter into new financing arrangements. The key financial covenants comprise Capital Employment Ratio (paid-in equity divided by paid-in equity plus interest-bearing debt), Leverage Ratio (net interest-bearing debt divided by 12-month EBITDA), and minimum free liquidity of USD 10 million.

Operating in a capital-intensive industry, OKEA is exposed to liquidity risk and has taken mitigating actions to ensure that sufficient liquidity is secured under normal as well as extraordinary circumstances. The company conducts detailed cash flow forecasting, including sensitivity analysis on key variables, to meet financial liabilities as they fall due without incurring unacceptable losses or risking damage to the company’s reputation.

OKEA’s exposure to credit risk for counterparties to default on their payment obligations is considered limited, as sales agreements and derivative contracts are only entered into with reputable counterparties.

Financial risk is managed by the finance department under policies approved by the board. OKEA management continuously monitors the risk picture and reports to the board regularly. The overall risk management policy seeks to minimise potential adverse effects on financial performance from unpredictable fluctuations in financial and commodity markets.

The fiscal regime for the Norwegian petroleum sector has generally been stable and supportive of the industry. Following the impact from the Covid-19 pandemic and market turmoil in the beginning of 2020, the Norwegian Parliament resolved to implement temporary changes to the petroleum tax regime to stimulate increased activity and secure employment and competence in the Norwegian oil services industry. The temporary changes were highly favourable for OKEA’s near term cash position as well as for financial parameters for qualifying projects and continues to apply for projects where a PDO is submitted prior to the end of 2022 and approved prior to the end of 2023. The Norwegian government implemented a new petroleum tax regulation in 2022, introducing immediate expensing of investments in the special tax regime (cash flow tax) with effect from 1 January 2022. The change in tax regime will result in a lower tax shield, but with an earlier utilisation and are not expected to significantly impact the financial position and solidity of OKEA.

OKEA is listed on Oslo Stock Exchange (ticker “OKEA”) and the market valuation of, and active trading in, OKEA’s shares and bonds may impact the company’s ability to obtain funding at favourable terms.

10.0. Environmental, social and governance (ESG) topics

ESG is about how OKEA handles risk related to climate change and environmental challenges, how the company deals with people and social conditions, and how corporate governance is practised.

The effect of OKEA’s operations on people, society and the environment is presented in a separate ESG report, which has been approved by the board of directors. The report is available at www.okea.no/investor/reports/. The report includes information regarding OKEA’s due diligence assessment, as required in the new Transparency act entering into force on 1 July 2022.

OKEA aims to be an attractive employer and a preferred business partner, as well as a respected corporate citizen. OKEA's most important contribution to society is to create value and develop a future-oriented company that operates in a sustainable, ethical and socially responsible manner. Profitability is a prerequisite for achieving these goals.

OKEA continuously works towards more efficient exploitation of petroleum reserves, including implementation of new and innovative technology.

OKEA has initiated a process to prepare the reporting required under the EU Taxonomy Regulation, entering into force in the first half of 2023. The preliminary analysis indicates that most of the company's revenue and investments are outside the scope of the taxonomy.

Quality, health, safety, security and environment (QHSSE)

Safe production with adherence to the highest standards within health, safety and environmental (HSE) performance and continuous focus on reducing emissions are essential factors for the company's licence to operate as well as enablers of long-term value creation for the company's shareholders. OKEA considers its employees and contractors as its key assets and is focused on motivating employee participation, innovation, and experience transfer to create and sustain a company culture which fosters efficient and cost-effective collaboration and solutions and best practice QHSSE, operational and financial performance.

OKEA had no serious incidents in its activities in 2022. Incidents with serious potential (serious incident frequency, SIF) and total recordable injuries frequency (TRIF) increased from 0% to 1.46% and from 3.54% to 5.12% respectively. Improving safety performance remain a top priority for OKEA and targeted measures will be implemented going forward. A more detailed reporting on QHSSE matters in the ESG report for 2022. The report is available at www.okea.no/investor/reports/.

Organisation and equal opportunities

OKEA promotes a healthy working environment for all employees, vendors and contractors involved in its activities. OKEA has established a working environment committee covering all locations, offshore and onshore. Absence due to sickness in the year was 2.1% (3.3%).

The company strives to maintain a working environment with equal opportunities for all based on qualifications, irrespective of race, gender, age, disability, sexual orientation, religion, political views, national or ethnic origin ethnicity or any other characteristic that may compromise the principle of equality. The company's code of conduct contains principles and standards for promoting equality and preventing discrimination and harassment, including sexual harassment. There is no tolerance for unlawful unequal treatment, exclusion or discrimination of colleagues or others working for OKEA.

A large part of our workforce work within engineering and technology, including offshore work, which are disciplines that have traditionally attracted most male applicants. This is reflected in the workforce demographics, which as of end of the year consisted of 25% female and 75% male employees. At the end of 2022, the senior management team consisted of three females (30%) and seven males (70%). The board of directors consisted of eleven members, four of whom are female, with three deputy members, of whom two are female.

The working environment in OKEA during 2022 was considered “very good” by the employees as demonstrated by the yearly employee satisfaction survey which was conducted during the autumn of 2022. The employee engagement index was above 85%, which places OKEA amongst the leading companies across a range of industries. The response rate was also excellent with a total of 97% and 95% participation amongst onshore and offshore employees respectively.

Pursuant to section 3-3a and 3-3c of the Norwegian Accounting Act and section 26a of the Norwegian Act on Gender Equality and Prohibition of Discrimination, the board of directors has provided a more detailed reporting on organisation and equal opportunities matters in the ESG Report for 2022. The report is available at www.okea.no/investor/reports.

Corporate governance

The company is committed to create sustained shareholder value and respecting the company’s various stakeholders. To achieve this, the company remains committed to maintaining a high standard of corporate governance. The company has established policies and guidelines that lay out how business shall be conducted, including clearly defining the roles and responsibilities of the board and the senior management, as well as the relationship between them. Corporate governance principles as well as the implementation of those principles are subject to annual reviews by the board of directors.

Pursuant to section 3-3b of the Norwegian Accounting Act the 2022 statement on corporate governance is provided in a separate section of the annual report. The company complies with relevant rules and regulations for corporate governance, including the most recent version of the Norwegian Code of Conduct for Corporate Governance, published on 14 October 2021.

Reporting of payments to governments

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

11.0. Insurance for board members and chief executive officer

The company has an insurance policy for the board members and the chief executive officer for potential liability to the company and third parties. The board considers the coverage to be reasonable.

12.0. Subsequent events

APA 2022 licence awards

In January 2023, OKEA was offered interests in four new production licences on the Norwegian continental shelf, two of which as operator, through the Awards in Pre-Defined Areas (APA) for 2022.

Dividend payment

In January 2023, the board of directors of OKEA resolved to distribute a cash dividend payment of NOK 103.9 million (NOK 1.00 per share) which pas paid on 15 March 2023.

Acquisition of 28% WI in Statfjord Area

On 20 March 2023 – OKEA announced that it has entered into an agreement with Equinor Energy AS ("Equinor") to acquire 28% working interest ("WI") in PL037 (Statfjord Area) with effective date 1 January 2023 for an initial fixed consideration of USD 220 million plus a contingent consideration for defined thresholds of realised prices for oil and gas in 2023-2025. No new financing is required for funding the transaction as the majority of the purchasing price, based on current forward prices, will be covered by cash flows generated by the assets prior to completion. The transaction is conditional upon Norwegian governmental approval and is expected to be completed in Q4 23.

13.0. Outlook

Following the invasion of Ukraine, oil and gas prices have been highly volatile at relatively high levels throughout 2022. The critical situation has resulted in high realised prices for OKEA, but also a significant focus on security measures. Management is continuously assessing the market to mitigate commodity price volatility and have entered into forward sales contracts for gas for approximately 20% of the net after tax exposure for first quarter of 2023 at a weighted average price of 417 GBp/th and around 10% of the net after tax exposure in the second quarter of 2023 at a weighted average price of 505 GBp/th.

High realised prices and solid operational performance from key assets, resulted in strong cash generation from operations in 2022 which gave opportunity for acquisition of new assets, early voluntary redemption of the OKEA02 bond, and distribution of dividends to shareholders.

OKEA has delivered on its growth strategy during the 2022 and 2023 Most notably, the acquisition of working interests in Brage, Nova and Ivar Aasen from Wintershall Dea which was completed in 2022 increased production, reserves and resources by 30-40% and added another operatorship to OKEA's portfolio. The announced purchase of shares in the Statfjord Area from Equinor will further increase reserves and production level by 60-70% once completed in the fourth quarter of 2023. The acquisitions represent a step change for OKEA and both are fully financed by existing cash resources.

In addition to pursuing inorganic growth opportunities, OKEA is also working to mature the portfolio of development projects. The Hasselmus gas project is progressing toward planned production start in the fourth quarter of 2023 and a plan for development and operation for the power from shore project at Draugen was submitted in November. With expected gross plateau production of 4,400 boepd from Hasselmus, it will allow Draugen to use its own gas for power generation at the platform as well as exporting gas to the marked. Electrification of Draugen with power from shore will result in annual reductions of CO_2 emissions of approximately 200,000 tonnes from 2027 and is an enabler for extending the field lifetime at Draugen.

Furthermore, a discovery was confirmed in the Calypso well in early December and OKEA was awarded four licences in the APA round for 2022, whereof two as operator. In December, OKEA entered into an SPA with DNO Norge AS for 50% WI in the Brasse field near Brage for zero consideration. The new awards represent good opportunities to build further on the near-field exploration activities around Draugen, Brage and Gjøa area in particular. The target of the Brasse partnership is to undertake a fast-track, low cost review to assess whether a value accretive development concept can be found for the estimated 30 mmboe recoverable volumes, which is located only 13 km from the OKEA-operated Brage field.

OKEA's clear ambition is to deliver competitive shareholder returns driven by solid growth, value creation and capital discipline, and the strategy is 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.

OKEA's dividend policy is an important commitment to its shareholders. The company launched a dividend plan in 2022 and distributed 0.90 NOK per share in the second quarter followed by an increase to 1 NOK per share for each of third and fourth quarter. The company also paid 1 NOK per share in the first quarter of 2023 and has reaffirmed an intention to distribute NOK 1.00 per share in each subsequent quarter of 2023. Future dividend payments in 2023 are subject to an authorisation from the general meeting and may be revised due to changes in the market environment, company situation and/or value accretive opportunities available.

Production performance was good at Draugen, Ivar Aasen and Gjøa throughout the year. The Yme field experienced several challenges including a reduction in reserves resulting in impairments. Challenges with the water injectors at Nova resulted in a push forward of volumes expected following the start-up of the field in July. Production guidance for 2022 was subsequently reduced from an initial estimate of 18,500-20,000 boepd to 15,000-16,000 boepd and ended at 15,822 boepd excluding production from the assets acquired from Wintershall Dea.

OKEA's production guiding for 2023 is 22,000-25,000 boepd from the current portfolio. In addition, 13,000-15,000 boepd is expected from the 28% WI in the Statfjord Area to be acquired from Equinor in 2023. Capex guiding, excluding capitalised interests, for 2023 amounts to NOK 1,700-2,100 million for the current portfolio.

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

Board of directors, Trondheim, 29 March 2023

Chaiwat Kovavisarach
Chairman of the board

Grethe Moen
Board member

Mike Fischer
Board member

Paul Murray
Board member

Nicola Carol Gordon
Board member

Rune Olav Pedersen
Board member

Finn Haugan
Board member

Anne Lene Rømuld
Board member

Jan Atle Johansen
Board member

Saowapap Sumeksri
Board member

John Kristian Larsen
Board member

Svein J. Liknes
CEO

Corporate governance report

Annual report 2022

Statement on corporate governance 2022

1.0. Governance principles and objectives

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

OKEA is a public limited liability company incorporated and registered in Norway and subject to Norwegian law. The company's shares are listed on Oslo Stock Exchange under the ticker OKEA. As of the date of this statement, the company also has one bond on issue, OKEA03, which is listed on Oslo Stock Exchange.

As a public limited liability company with listed shares and bonds, the company is required to report on its corporate governance in accordance with the Norwegian Accounting Act section 3-3b, 3rd subsection as well as Oslo Rule Book II - Issuer Rules2, section 4 "Continuing obligations for Issuers of Shares" and section 6 "Continuing obligations for Issuers of Bonds", both available on www.oslobors.no. Further, the Oslo Stock Exchange requires listed companies to report annually on the company's corporate governance policy in accordance with the Norwegian Code of Practice for Corporate Governance (the "Code"). The Code is available on www.nues.no.

OKEA has an established corporate governance policy, code of conduct and various corporate governance instructions and guidelines that address the framework of guidelines and principles regulating the interaction between the company's shareholders, the board of directors (the "board"), the chief executive officer (the "CEO") and the company's senior management team. The corporate governance policy and relevant instructions and guidelines are available at www.okea.no. The board of OKEA is responsible for adherence to sound corporate governance standards, to plan and strategize goals and objectives for the short- and long-term good of the company, and to put mechanisms in place to monitor progress against the objectives.

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

OKEA complies with the current edition of the code, unless otherwise specifically stated. The following statement on corporate governance 2022 is organised in line with the structure of the Norwegian Code of Practice for Corporate Governance, most recently revised 14 October 2021.

Deviations from the code: None

2.0. Business

The company's operations comply with the business objective set forth in its articles of association:

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

OKEA is a leading mid-to late-life operator on the NCS. The company has a strong asset portfolio including the Draugen and Brage fields, both operated by OKEA, as well as partner positions in Gjøa, Nova, Ivar Aasen and Yme. In 2022, the portfolio produced 21,037 boepd and the target production for 2023 is 22,000-25,000 boepd. OKEA also has activities in projects under development, including the Hasselmus gas discovery and Draugen power from shore. In addition, OKEA has discoveries, such as Calypso and Brasse, which are in process of evaluation for development as well as a portfolio of exploration licences with planned and possible wells.

OKEA has a clear ambition to deliver competitive shareholder returns driven by solid growth, value creation and capital discipline and the strategy is 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 strategy also includes a clear capital allocation prioritisation with an overall aim to maximise shareholder return and a target to maintain a clear and credible ESG position. OKEA shall maintain a competent organisation fit for growth with direct management engagement and involvement in key projects and use risk-cost-benefit evaluations in all phases of the company's business activities.

Pursuant to section 3-3a and 3-3c of the Norwegian accounting act and requirements from Oslo Stock Exchange, OKEA has prepared an ESG Report for 2022, which describes how the company addresses ESG matters. The report is available at www.okea.no/investor/reports/.

Deviations from the code: None

3.0. Equity and dividends

3.1. Capital adequacy

As of 31 December 2022 OKEA's total equity was NOK 2,078 million (equity ratio 13.3%). The board aims to maintain a satisfactory equity ratio in support of the company's goals, strategy and risk profile, to ensure an appropriate balance between equity and other sources of financing.

As per the date of this report, the board considers the capital structure to be satisfactory. The board continuously monitors the company's capital situation to be prepared to take necessary steps if the company's equity and/or liquidity position is considered less than adequate including in order to pursue value accretive investment opportunities.

3.2. Dividends and dividend policy

OKEA is growing its business and a major part of surplus cash is anticipated to be used to fund ongoing and future projects and to manage its debt obligations. In 2022, the company initiated a dividend policy as a commitment to its shareholders. Dividends shall be maintained and determined on annual basis, while following OKEA's capital allocation principles which include: 1) maintaining financial flexibility, 2) ensuring a robust portfolio and 3) having a healthy balance between growth and dividends. For 2023, the company has stated an intention to distribute NOK 1.00 per share each quarter. Dividend payments are subject to an authorisation from the general meeting and may be revised due to changes in the market environment, company situation and/or value accretive opportunities available.

3.3. Board authorisations

At the ordinary general meeting on 12 May 2022, the board was granted an authorisation to increase the share capital by a maximum amount of NOK 2,080,000 in one or more share capital increases through issuance of new shares and an authorisation to increase the share capital for the company's incentive program by a maximum amount of NOK 95,000 in one or more share capital increases through issuance of new shares. The board was further granted an authorisation to approve the distribution of dividends based on the company's annual accounts for 2021. The board was also granted an authorisation to acquire shares in the company corresponding to up to 5% of the share capital, i.e. shares with a nominal value of NOK 519,352.

The authorisation is valid from the date of registration with the Register of Business Enterprises until the annual general meeting in 2023, however no longer than until 30 June 2023.

For supplementary information, reference is made to the minutes of the ordinary general meeting held on 12 May 2022, available from https://www.okea.no/investor/general-meetings/ and www.newsweb.no.

Deviations from the code: None

4.0. Equal treatment of shareholders and transactions with close associates

4.1. Basic principles

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

As of 31 December 2022, BCPR PTE. LTD. (BCPR) owned 45.44% of OKEA. BPCR is a wholly owned subsidiary within Bangchak Corporation Plc. Group (BCP). The second largest shareholder, Pictet & Cie (Europe) S.A., owned 5.74%. OKEA HOLDINGS LTD, owned by Seacrest Energy Partners II L.P. and Seacrest NCS Fund LP (together the "Seacrest Funds") and Azimuth II Limited, a Seacrest affiliate ("Azimuth II") (the Seacrest Funds and Azimuth II together the “Funds”) was previously OKEA’s second largest shareholder with 15.47%. However, on 20 December 2022 the Funds distributed most of their shares to their underlying investors, retaining a share position of 1.76%.

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

Since the second half of 2021, BCP has been consolidating OKEA as a subsidiary in its financial statements. To enable BCP to execute such consolidation, OKEA discloses information as required for this purpose in line with the regulations in the Securities Trading Act. OKEA publishes its financial statements prior to publication of BCP’s financial statements.

4.2. Approval of agreements with shareholders and close associates

Any agreement between the company and any shareholder or other close associate shall be made in writing and entered into on arm's length terms. If applicable, the agreements will be presented for approval by the general meeting in accordance with the Norwegian Public Limited Liability Companies Act section 3-8. Related party transactions are disclosed in the company's financial statements.

Wavier of pre-emptive rights of existing shareholders were decided in share capital increases for long-term incentive shares to employees, in accordance with the mandate given to the board by the general meeting on 12 May 2022.

Deviations from the code: None

5.0. Shares and negotiability

OKEA's shares are freely negotiable securities and the company's articles of association do not impose any form of restriction on their negotiability. The company's shares are listed on the Oslo Stock Exchange and the company works actively to attract the interest of Norwegian and foreign shareholders. There is only one class of shares in the Company and all shares carry equal rights.

Deviations from the code: None

6.0. General meetings

The general meeting is the company's highest decision-making body. The general meeting is an effective forum for communication between the shareholders and the board and OKEA encourage shareholders to participate in the general meetings. Shareholders who cannot attend a general meeting in person will be given the opportunity to vote via advance electronical voting and/or proxies, both including options to vote on each individual matter.

The ordinary general meeting is normally held no later than the end of June, which is the latest date permitted by the Public Limited Liability Companies Act. The date of the next ordinary general meeting is included in the company's financial calendar, which is available at https://www.okea.no/investor/financial-calendar/. Extraordinary general meetings can be called by the board of directors at any time, or by shareholders representing at least 1/10 of share capital.

The board of directors decides whether to hold a general meeting as a physical or electronic meeting, in accordance with the Norwegian Public Limited Liabilities Companies Act section 5-8.

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

Further, according to the company’s articles of association section 7, the right to participate and vote at general meetings of the company can only be exercised for shares which have been acquired and registered in the shareholders register on the fifth business day prior to the general meeting. The board may decide that shareholders shall be able to cast their votes in writing, including through the use of electronic communications, for a period prior to the general meeting. For such voting, a reassuring method must be used to authenticate the voter. In 2022 the board allowed for advance voting through the use of electronic communications, with an option to vote on individual matters including elections.

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

The board proposes the agenda for the ordinary general meeting. The main agenda items are determined in compliance with the requirements of the Norwegian Public Liability Companies Act.

The chairman of the board of directors shall attend the general meeting and the meetings are normally chaired by the chairman of the board, or a person appointed by the chairman of the board. If the chairman of the board is conflicted in respect of any matters on the agenda, another person will be appointed to chair the meeting.

Minutes from the general meetings, including voting results, are published on www.okea.no.

Deviations from the code: The chairman of the board of directors was unable to attend the 2022 general meeting, and thus issued an authorisation to a board member who attended on his behalf and acted in the capacity as chairman.

7.0. Nomination committee

In accordance with the articles of association, the company’s general meeting shall elect a nomination committee, including its chair. The general meeting has approved a set of guidelines for the nomination committee’s work. The nomination committee and procedures around the organisation of the nomination committee is further laid down in the company’s articles of association. The articles of association states that the committee shall consist of three members. The nomination committee’s main purpose is to propose candidates for election to the board and propose the remuneration of the board members.

Deviations from the code: None

8.0. The board of directors; composition and independence

In accordance with the company’s articles of association, the board of directors shall consist of three to eleven board members. Board members and the chairman are elected by the general meeting for a term of two years. Members of the board of directors may be re-elected.

In addition to the board members elected by the general meeting, and pursuant to the public limited liabilities act section 6-4, the employees of the company have three elected board members and three deputy board members. The employee elected members are elected for terms of two years.

OKEA has an agreement with the employees of OKEA not to have a corporate assembly, in accordance with the Norwegian Public Limited Liability Companies Act section 6-35 (2) and has expanded employee representation in the board of directors as detailed above.

At 31 December 2022, the board of directors consisted of eleven board members. 3 of 8 shareholder elected board members were women. 1 of 3 employee elected board members were women and 2 of 3 deputies were women.

The composition of the shareholder elected board members aims to ensure that the board can attend to the common interests of all shareholders. The board shall have the necessary capacity and adequate competency to independently evaluate the cases presented by the senior management team as well as the company's operations. It is also considered important that the board can function well as a collegiate body. The board shall comply with all applicable requirements as set out in the Norwegian Public Limited Liability Companies Act, the Oslo Rule Book II – Issuer Rules and the recommendations set out in the Norwegian Code of Practice for Corporate Governance.

The composition of the board of directors is in compliance with the independence requirements of the Code, meaning that (i) the majority of the members of the board of directors elected by the company’s shareholders are independent of the company’s senior management and material business contacts, (ii) at least two board members elected are independent of the company’s main shareholders (shareholders holding more than 10%

of the shares in the company), and (iii) no member of the company's senior management team serves on the board of directors.

Members of the board of directors are encouraged to own shares in the company. The individual shareholdings for each board member are specified in note 10 to the financial statements.

In 2022, the board held a total of 10 board meetings. Attendance was 100% (including attendance of a deputy member for employee elected board members). The table below shows attendance on meetings in the period the person was part of and available for the board in 2022.

Name	**Position**	**# BoD meetings**	**# meetings attended**	**Attendance in %**
Chaiwat Kovavisarach	Chairman	10	10	100 %
Paul Murray	Member	10	10	100 %
Michael William Fischer	Member	10	10	100 %
Saowapap Sumeksri	Member	10	10	100 %
Finn Haugan	Member	10	10	100 %
Grethe Moen	Member	10	10	100 %
Rune Olav Pedersen	Member	10	10	100 %
Nicola Gordon	Member	10	10	100 %
John Kristian Larsen	Member (ee)	10	10	100 %
Anne Lene Rømuld	Member (ee)	10	10	100 %
Jan Atle Johansen	Member (ee)	10	9	90 %
Ragnhild Aas	Deputy member (ee)	0	0	N/A
Jens Arne Megaard	Deputy member (ee)	0	0	N/A
Gro Anita Markussen	Deputy member (ee)	1	1	100 %
Average		10	10	100 %

Employee elected (ee).

Deviations from the code: None

9.0. The work of the board of directors

The board of directors is responsible for the overall management of the company and shall supervise the company's management and company's activities in general.

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

The board of directors is responsible for determining the company's overall goals and strategic direction, principles, risk management, and financial reporting. The board of directors is also responsible for ensuring the company has competent management with clear allocation of responsibilities, as well as ongoing performance evaluation of the work of the CEO. Guidelines for the CEO, including clarification of duties, authorities and responsibilities, have been adopted.

In accordance with the company's guidelines, members of the board of directors and senior management are expected to notify the board if they have any material direct or indirect interest in any transaction entered into by the company. The board has routines for handling of conflict of interest and disclosure. If a conflict occurs, the relevant member of the board will abstain from participating in the board's discussion and decision making.

The board aims to hold an annual training session on governance and stock exchange related topics, as per requirements from Oslo Stock Exchange. In the board meetings, senior management contributes with developing the board's collective knowledge on topics and issues relevant to the company's business.

Evaluation of the board

The board evaluates its performance, capacity and expertise annually. Identified areas of improvement are implemented immediately if required or incorporated in the plan for the following year.

9.1. Board committees

The board establishes its own sub-committees based on legal requirements and the board's needs. The board will assess competence and interest when selecting members for its committees. As of the date of this report, the board has established the sub-committees of the board as listed below.

In addition to the below-mentioned committees, the board may in the future decide to establish various sub-committees with limited duration and mandate as deemed necessary.

Audit committee

The company has established an audit committee in accordance with the rules of the Public Limited Liability Companies Act chapter 6 V.

The function of the audit committee is to prepare matters to be considered by the board and to support the board in the exercise of its management and supervisory responsibilities relating to financial reporting, statutory audit, internal control and collaboration with the Financial Supervisory Authorities. Furthermore, the audit committee shall perform a separate financial review of contract commitments exceeding NOK 100 million (gross amount for operated licences and not for non-operated licences) as part of the internal control of major commitments.

The board has established a charter for the audit committee, stating its tasks and duties.

Sustainability and technical risk committee ("STR committee")

The company has established an STR committee as a sub-committee to the board. The STR committee shall follow up the company's management of ESG related matters, review main risks for exploration, reserves and resources, projects and investments, and monitor overall risk management and internal control.

The STR committee shall further contribute to the board's review of the company's most important areas of exposure to risk and its internal control arrangements.

Furthermore, the STR committee reviews opportunities related to business development and M&A and is authorised to:

- Approve relinquishment of exploration licenses
- Approve sale and purchase of exploration licenses within approved budgets
- Approve sale and purchase of assets up to NOK 300 million after tax for projects that are in line with OKEA's strategy and certain other criteria.

The board has established a charter for the STR committee, stating its tasks and duties.

People and organisation committee (P&O committee)

The company has established a P&O committee as a sub-committee to the board. The P&O committee shall evaluate and propose the compensation of the company's CEO, administer the company's bonus incentive program and advice the board on general compensation and organisation related matters as well as on the annual report on the compensation of the senior management team and other leading persons, pursuant to applicable rules and regulations. The P&O committee shall also advise the CEO on matters relating to other material employment issues in respect of the senior management.

The P&O committee shall endorse the overall limits for the annual salary adjustments for employees, within the budget set by the board.

The board has established a charter for the P&O committee, stating its tasks and duties.

Deviations from the code: None

10.0. Risk management and internal control

The board shall ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. The internal control and the systems shall encompass the company's corporate values and ethical guidelines as well as material aspects and risks related to ESG. OKEA applies a risk-based approach in planning, execution and monitoring activities as described in OKEA's management system.

Comprehensive, transparent, and dynamic risk management, supported by necessary framework, tools, and practice, is of great importance for OKEA's ability to deliver on strategy and stated goals. The following governing principles apply for risk management in OKEA:

- Uncertainty is handled through continuous risk management processes in top management, as well as in departments and projects
- Risk management processes shall be incorporated in the company management system framework
- Risk management shall be an important foundation for all major decisions
- Risk management shall address both threats and opportunities
- Risk management in OKEA shall be comprehensive, transparent, and dynamic

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

The CEO is the overall responsible for risk management in OKEA. Responsibility for managing risk on department or project/activity level belongs to respective appointed managers. The senior vice president for business performance is responsible for coordinating enterprise risk management across the company and provide the board with a status of the internal control, key risks and mitigation measures on a monthly basis. The board and the STR committee regularly review major risks.

The internal control of the financial reporting system shall ensure reliable and timely financial information and reporting. The company has implemented a framework for risk management and internal control of financial reporting based on the framework published by the committee of Sponsoring Organisations of the Treadway Commission (COSO). The framework has the following five components:

1. Control environment
2. Risk assessment and objective setting
3. Control activities
4. Information and communication
5. Monitoring activities

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

- Appropriate and effective identification of risks and events
- Establishment of relevant controls
- Information and communication of risks
- Monitoring of process compliance
- Provision of relevant, timely and reliable financial reporting that provides a fair view of the company’s business
- Prevention of manipulation/fraud of reported figures
- Compliance with relevant requirements of IFRS

OKEA makes use of third-party professional accounting expertise to support its internal and external financial reporting. Meetings are held regularly to ensure alignment and proper assessment of new events, risks and issues, to provide updates of status of operations and projects, and to provide additional capacity if required.

The company’s internal control environment is characterised by clearly defined responsibilities and roles between the board of directors, audit committee, management, the finance department and the accounting service providers.

OKEA has formalised and implemented processes in the management system for all areas deemed to have high risk of errors in the financial reporting or otherwise deemed important for internal control purposes. The formalised processes comprise:

- Assess impairment of goodwill and tangible and intangible assets
- Estimates for asset retirement obligations
- Tax assessment and tax calculation
- The financial statement closing process
- Revenue recognition
- Financial modelling and forecasting

The company has implemented a combination of manual and automatic controls, both preventive and detective. OKEA has formalised documentation and monitoring of internal controls in several areas. The processes established and the controls implemented are considered appropriate for a company of OKEA’s size and complexity. The internal control of financial reporting is continuously considered and adapted to the company's size and complexity.

Deviations from the code: None

11.0. Remuneration of the board of directors

The ordinary general meeting in 2022 approved the following remuneration:

Of the board of directors:

- For the chairman: NOK 47,000/month with an additional NOK 11,000/meeting

- For other shareholder elected members of the board: NOK 31,000/month with an additional NOK 8,000/meeting
- For the employee elected members of the board: NOK 18,000/month with an additional NOK 4,500/meeting

Additional fees for board sub-committees:

- For the committee chair: NOK 19,500/meeting
- For the shareholder elected members of the committee: NOK 14,000/meeting
- For the employee elected members of the committee: NOK 8,000/meeting

Committee fees are capped at 12 meetings per year.

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

Total remuneration of the board of directors for 2022 was NOK 7.69 million. The individual remuneration of the board members is specified in note 10 to the annual financial statements.

Nomination committee fees:

- For the committee chair: NOK 10,000/meeting
- For members of the committee: NOK 8,000/meeting

The nomination committee fees are capped at NOK 40,000 per year and NOK 32,000 per year for the nomination committee chair and members respectively, (based on a maximum of 4 committee meetings).

Total remuneration of the nomination committee for 2022 was NOK 80,000.

Deviations from the code: None

12.0. Remuneration of the senior management

Combined remuneration of senior management was NOK 55.5 million for 2022.

The individual remuneration of senior management is specified in a separate report "Remuneration of leading persons" and in note 10 to the financial statements.

Revised guidelines for salaries and other benefits to leading persons will be presented for voting to the annual general meeting in 2023 and subsequently published on www.okea.no, pursuant to appliable rules and regulations.

Deviations from the code: None

13.0. Information and communication

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

OKEA's investor relations (IR) team comprises the CEO, CFO, and vice president for communication and investor relations. The main responsibility for the company's IR work rests with the vice president for communication and investor relations.

The primary channels for investor communication are www.okea.no and www.newsweb.no.

OKEA provides interim and annual financial statements and issues other notices when appropriate, in accordance with Oslo Rule Book II - Issuer Rules2, section 4. "Continuing obligations for Issuers of Shares" and section 6 "Continuing obligations for Issuers of Bonds", and quarterly financial statements as required under the company's bond agreements. The information is made available on the company's website and at www.newsweb.no.

Deviations from the code: None

14.0. Takeovers

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

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

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

1. the board will not seek to hinder or obstruct any takeover bid for the company's operations or shares unless there are particular reasons for doing so;
2. the board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the company;

3. the board shall not institute measures with the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
4. the board must be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

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

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

Deviations from the code: None

15.0. Auditor

The company’s external auditor is PwC.

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

Furthermore, the board of directors requires the auditor to participate in meetings of the board of directors that deal with the annual financial statements. At these meetings the auditor reports on any material changes in the company’s accounting principles and key aspects of the audit, comments on estimated accounting figures and reports all material matters on which there has been disagreement between the auditor and the senior management of the company. The board of directors will meet with the auditor annually without representatives of company management being present.

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

The auditor’s independence in relation to the company is evaluated at least annually. The auditor submits a written confirmation that the auditor satisfies established requirements as to independence and objectivity. The auditor may carry out certain audit related or non-audit services for the company, providing these are not in conflict with its duties as auditor. The company has established an audit and non-audit service policy, including approval limits for the management and the audit committee.

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

Deviations from the code: None

Reporting on payments to governments

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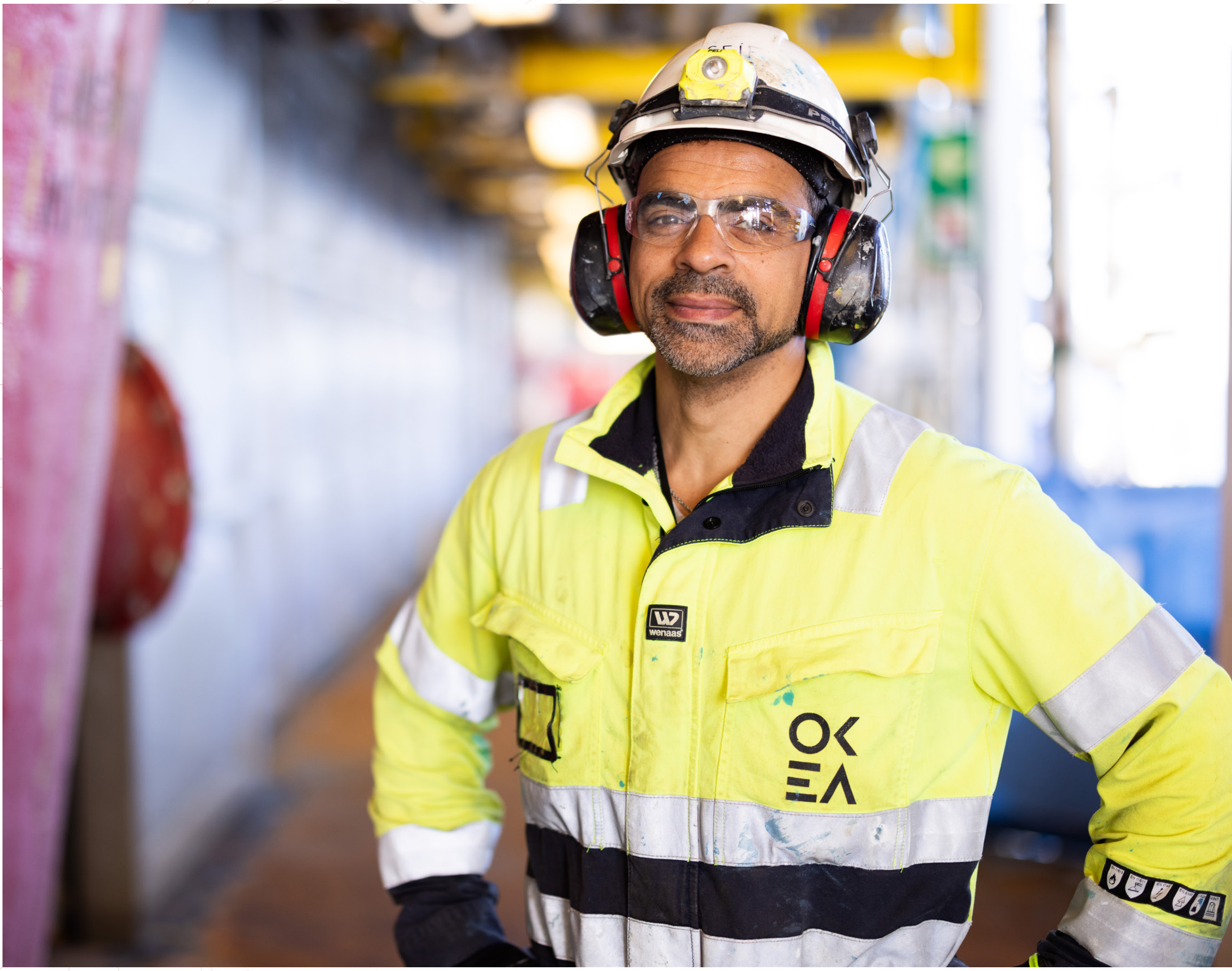

Reporting on payments to governments

This report is prepared in accordance with the Norwegian Accounting Act Section § 3-3 d and the Securities Trading Act § 5-5a which stipulates that companies engaged in activities within the extractive industries shall annually prepare and publish a report containing information about their payments to governments at country and project level. The Ministry of Finance has issued a regulation (F20.12.2013 no. 1682) stipulating that the reporting obligation only applies to reporting entities above a certain size and to payments above certain threshold amounts. In addition, the regulation stipulates that the report shall include other information than payments to governments, as included in section 6 of this report, and it provides more detailed rules applicable to definitions, publication, and group reporting.

The reportable payments are defined in the regulation (F20.12.2013 nr 1682) §3. Management has applied judgment in the interpretation of the regulation regarding the type of payments to be included in the reporting and on what level it should be reported. When payments are required to be reported on a project-by-project basis, OKEA reports by field. Management interprets the regulations as such that only gross amounts on operated licences are reportable, and only for the period when OKEA formally has been acting as operator. This is due to payments in each licence generally being cash calls transferred to the operator. Tax is reported on a corporate basis. All activities in OKEA within the extractive industries are located on the Norwegian continental shelf and all the reported payments below have been made to the Norwegian government.

1.0. Area fee

OKEA, as operator, has paid area fees for the following licences in 2022:

Licence	**Area fee paid in 2022 (NOK)**
Draugen	12 581 630
Hasselmus	220 068
Aurora	6 885 000
Brage	7 242 740
Total area fee paid	**26 929 438**

2.0. Income tax

Income taxes are calculated for OKEA ASA. Net tax paid in 2022 amounted to NOK 2 289 373 372 and relate to last three tax instalments for the income year 2021, the three first tax instalments for the income year 2022 and net residual tax for 2021.

3.0. CO_2 tax

The CO_2 tax paid in 2022 amounted to NOK 96 112 671 and relates to the Draugen field.

4.0. NOx

OKEA is a member of the NOx fund and all NOx payments are made to this fund rather than to the government. The total amount paid to the NOx fund in 2022 amounted to NOK 17 988 152.

5.0. Petroleum Safety Authority Norway (PSA)

In 2022 the company paid NOK 2 240 642 to the PSA mainly in relation to sector fees and supervisory activities on operated licenses.

6.0. Other information

OKEA is also required to report on investments, operating income, production volumes and purchases of goods and services. All reported information relates to OKEAs activities within the extractive industries on the Norwegian continental shelf:

- Total net investments amounted to NOK 2,434 million as specified in the statement of cash flows.
- Revenues from crude oil and gas sales amounted to NOK 6,399 million as reported in the statement of comprehensive income.
- OKEA's net production in 2022 was 6,108,797 barrels of oil equivalents as reported in note 6 to the financial statements.

Reference is made to the statement of comprehensive income and related disclosures notes for information about purchases of goods and services.

Financial statements

Annual report 2022

Financial statements with notes

Overview of the financial statements with notes

Statement of comprehensive income

Amounts in NOK `000	Note	2022	2021
Revenues from crude oil and gas sales	4, 5	6 398 654	3 780 641
Other operating income / loss (-)	5	253 975	101 232
Total operating income		**6 652 629**	**3 881 873**
Production expenses	6	-1 616 020	-860 419
Changes in over/underlift positions and production inventory	6	296 523	23 087
Exploration and evaluation expenses	7	-327 506	-342 972
Depreciation, depletion and amortization	8	-769 359	-672 450
Impairment (-) / reversal of impairment	9	-497 584	363 765
General and administrative expenses	10, 11	-212 602	-95 024
Total operating expenses		**-3 126 549**	**-1 584 014**
Profit / loss (-) from operating activities		**3 526 080**	**2 297 860**
Finance income	12	126 041	79 884
Finance costs	12	-334 055	-197 001
Net exchange rate gain/loss (-)	12	-103 101	-74 761
Net financial items		**-311 115**	**-191 877**
Profit / loss (-) before income tax		**3 214 965**	**2 105 982**
Taxes (-) / tax income (+)	13	-2 545 357	-1 502 673
Net profit / loss (-)		**669 608**	**603 309**
Other comprehensive income (OCI), net of tax:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurements pensions, actuarial gain/loss (-)	14	110	-507
Total other comprehensive income, net of tax		**110**	**-507**
Total comprehensive income / loss (-)		**669 718**	**602 802**
Earnings per share (NOK per share)			
- Basic	15	6.45	5.86
- Diluted	15	6.44	5.86

Statement of financial position

Amounts in NOK `000	Note	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Goodwill	16, 17	1 296 591	768 946
Exploration and evaluation assets	17	184 317	10 759
Oil and gas properties	8	6 556 314	4 684 752
Furniture, fixtures and office equipment	8	40 622	11 143
Right-of-use assets	18, 8	232 901	234 199
Asset retirement reimbursement right	19	3 662 122	3 024 562
Total non-current assets		**11 972 868**	**8 734 362**
Current assets			
Trade and other receivables	20, 30	1 743 901	1 053 338
Financial investments	21	-	209 961
Spare parts, equipment and inventory	22	800 333	253 318
Asset retirement reimbursement right, current	19	-	83 412
Cash and cash equivalents	23, 30	1 104 026	2 038 745
Total current assets		**3 648 261**	**3 638 774**
TOTAL ASSETS		**15 621 128**	**12 373 136**

Amounts in NOK `000	Note	31.12.2022	31.12.2021
EQUITY AND LIABILITIES			
Equity			
Share capital	24	10 391	10 387
Share premium		1 627 307	1 927 859
Other paid in capital		19 140	19 064
Retained earnings/loss (-)		421 191	-248 527
Total equity		**2 078 030**	**1 708 783**
Non-current liabilities			
Asset retirement obligations	25	5 915 084	4 133 177
Pension liabilities	14	43 255	37 311
Lease liability	18	212 409	220 266
Deferred tax liabilities	13	2 835 089	1 735 720
Other provisions	26	39 107	-
Interest bearing bond loans	27, 30	1 178 610	2 294 873
Other interest bearing liabilities	28, 30	462 078	454 853
Total non-current liabilities		**10 685 633**	**8 876 200**
Current liabilities			
Trade and other payables	29, 30	2 219 658	786 535
Other interest bearing liabilities, current	28, 30	45 874	38 593
Income tax payable	13	476 850	773 020
Lease liability, current	18	49 643	43 032
Asset retirement obligations, current	25	-	104 265
Public dues payable		65 440	42 708
Total current liabilities		**2 857 465**	**1 788 153**
Total liabilities		**13 543 099**	**10 664 353**
TOTAL EQUITY AND LIABILITIES		**15 621 128**	**12 373 136**

Trondheim, 29 March 2023

Chaiwat Kovavisarach
Chairman of the Board

Grethe Moen
Board member

Mike Fischer
Board member

Paul Murray
Board member

Nicola Carol Gordon
Board member

Rune Olav Pedersen
Board member

Finn Haugan
Board member

Saowapap Sumeksri
Board member

Jan Atle Johansen
Board member

Anne Lene Rømuld
Board member

John Kristian Larsen
Board member

Svein Jakob Liknes
CEO

Statement of changes in equity

Amounts in NOK `000	Note	Share capital	Share premium	Other paid in capital	Retained earnings/loss (-)	Total equity
Equity at 1 January 2021		10 250	1 912 462	11 342	-851 329	1 082 725
Net profit/loss (-) for the year		-	-	-	603 309	603 309
Total other comprehensive income/loss (-) for the year		-	-	-	-507	-507
Share issues, cash	24	137	15 397	-	-	15 534
Share based payment	10	-	-	7 722	-	7 722
Equity at 31 December 2021		**10 387**	**1 927 859**	**19 064**	**-248 527**	**1 708 783**
Equity at 1 January 2022		10 387	1 927 859	19 064	-248 527	1 708 783
Net profit/loss (-) for the year		-	-	-	669 608	669 608
Total other comprehensive income/loss (-) for the year		-	-	-	110	110
Dividend paid	24	-	-301 264	-	-	-301 264
Share issues, cash	24	4	712	-	-	716
Share based payment	10	-	-	76	-	76
Equity at 31 December 2022		**10 391**	**1 627 307**	**19 140**	**421 191**	**2 078 030**

Statement of cash flows

Amounts in NOK `000	Note	2022	2021
Cash flow from operating activities			
Profit / loss (-) before income tax		3 214 965	2 105 982
Net income tax paid/received	13	-2 289 373	355 429
Depreciation, depletion and amortization	8	769 359	672 450
Impairment / reversal of impairment	9	497 584	-363 765
Expensed exploration expenditures temporary capitalised	7, 17	141 892	184 855
Accretion asset retirement obligations/reimbursement right	19, 25	11 768	5 034
Asset retirement costs from billing (net after reimbursement)	19, 25	-22 525	-3 770
Interest expense	12	172 369	94 256
Loss on financial investments	12	64	39
Change in fair value contingent consideration	26	-12 376	-
Change in trade and other receivables, and inventory		-799 208	-564 623
Change in trade and other payables		1 425 986	-94 307
Change in foreign exchange interest bearing debt and other non-current items		233 567	123 823
Net cash flow from / used in (-) operating activities		**3 344 073**	**2 515 403**
Cash flow from investing activities			
Investment in exploration and evaluation assets	17	-315 833	-166 671
Business combination, cash paid	16	-1 239 721	-
Investment in oil and gas properties	8, 12	-1 052 354	-664 129
Investment in furniture, fixtures and office machines	8	-36 422	-8 705
Cash used on (-)/received from financial investments	21	209 896	-210 000
Proceeds from sales of buildings	8, 18	-	109 000
Net cash flow from / used in (-) investing activities		**-2 434 433**	**-940 504**
Cash flow from financing activities			
Repayment/buy-back of bond loans	27	-1 401 531	-216 948
Repayment of other interest bearing liabilities	28	-42 730	-
Interest paid		-193 729	-195 788
Payments of lease debt	18	-30 544	-25 001
Dividend payments	24	-301 264	-
Net proceeds from share issues	24	716	15 534
Net cash flow from / used in (-) financing activities		**-1 969 082**	**-422 203**
Net increase/ decrease (-) in cash and cash equivalents		**-1 059 442**	**1 152 696**
Cash and cash equivalents at the beginning of the period		2 038 745	871 210
Effect of exchange rate fluctuation on cash held		124 723	14 839
Cash and cash equivalents at the end of the period	23	**1 104 026**	**2 038 745**

Notes to the financial statements

Note 1. Corporate information

OKEA ASA ("OKEA" or "the company") is a public limited liability company incorporated and domiciled in Norway. The company's registered business address is Kongens gate 8, 7011 Trondheim, Norway. OKEA'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). The company has a strong asset portfolio including the Draugen and Brage fields, which are operated by OKEA, as well as partner shares in Gjøa, Ivar Aasen, Yme and Nova. In 2022, the portfolio produced 21,037 boepd and current production guiding for 2023 is 22,000-25,000 boepd. Furthermore, OKEA has activities in projects under development, including the Hasselmus gas discovery and the Draugen power from shore, as well as discoveries being evaluated for development and exploration licences with planned and possible wells.

The financial statements of OKEA for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the board of directors on 29 March 2023.

Note 2. Accounting policies

Basis of preparation

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

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

Balance sheet classification

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

Interest in oil and gas licences

The company accounts for its interest in oil and gas licenses based on its ownership interest in the licence. The company recognises its share of each licence's income, expenses, assets, liabilities and cash flows, on a line-by-line basis in the company's financial statements.

Acquisitions of interests in oil and gas licences

Acquisitions of interests in oil and gas licences or similar joint operations where the joint operation constitutes a business, are accounted for in accordance with the principles in IFRS 3 Business Combinations (acquisition method).

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

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

Any provision for contingent consideration is after the acquisition date measured at fair value, and changes in fair value after the acquisition date that are not measurement period adjustments are recognised in the income statement.

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

Foreign currency translation and transactions

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

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

Revenue recognition

Revenue from the sale of petroleum products is recognised when the company's contractual performance obligation has been fulfilled and control is transferred to the customer, which will ordinarily be at the point of delivery when the title passes (sales method). The lifting schedule and allocation of lifts to OKEA will vary with the production profiles and commercial arrangements for the various petroleum products and assets. Dry gas from all assets is lifted on a daily basis. Crude oil from Draugen is lifted approximately once every quarter, crude oil from Gjøa is lifted more frequently, crude oil from Brage approximately twice a year, and for Ivar Aasen liftings have been infrequent in the past due to our relatively low working interest, but is expected to be more frequent from 2023 following the significant increase in working interest during 2022. Sale of petroleum products is mostly to large international oil companies with investment grade credit rating. The pricing of the sales of petroleum products is determined based on market pricing for each product.

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

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

Overlift and underlift of petroleum products

Over/underlift balances are measured at the lower of production cost including depreciation and net realisable value. Changes in over/underlift balances are presented as an adjustment to cost in the statement of comprehensive income.

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

Spare parts, equipment and inventory

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

Property, plant and equipment, including oil and gas properties

General

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

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

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

Right-of-use assets represent the right to use the underlying leased asset during the lease term according to IFRS 16. Reference is made to section “Leases” below for further details.

Depreciation of oil and gas properties

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

Development costs for oil and gas properties

For accounting purposes, a project is considered to enter the development phase when the technical feasibility and commercial viability of extracting hydrocarbons from the field are demonstrable, normally at the time of concept selection (Decision gate 2). Costs of developing commercial oil and/or gas fields are capitalised together with borrowing costs incurred in the period of development. Capitalised development costs and acquisition cost of fields in development are classified as tangible assets (oil and gas properties). Pre-operational costs are expensed when incurred.

Intangible assets

Goodwill

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

Goodwill is allocated to the Cash Generating Units (CGU) that are expected to benefit from synergy effects of the acquisition. The allocation of goodwill may vary depending on the basis for its initial recognition. The main part of the company's goodwill relates to the requirement to recognise deferred tax for the difference between the assigned fair values and the related tax base ("technical goodwill"). The fair value of the company’s licences, all of which are located on the Norwegian continental shelf, are based on cash flows after tax. This is because these licences are only sold in an after-tax market as stipulated in the Petroleum Taxation Act Section 10. The purchaser is therefore not entitled to a tax deduction for the consideration paid over and above the seller’s tax values. In accordance with IAS 12 paragraphs 15 and 24, a provision is made for deferred tax corresponding to the difference between the acquisition cost and the transferred tax depreciation basis. The offsetting entry is goodwill. Hence, goodwill arises as a technical effect of deferred tax. Technical goodwill is tested for impairment separately for each CGU which give rise to the technical goodwill. A CGU may be individual oil fields, or a group of oil fields that are connected to the same infrastructure/production facilities.

Exploration costs for oil and gas properties

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

Drilling costs of exploration wells are temporarily capitalised pending the determination of oil and gas reserves. If reserves are not found, or if discoveries are assessed not to be technically and commercially recoverable, the drilling costs of exploration wells are expensed.

Costs of acquiring licences are capitalised and assessed for impairment at each reporting date.

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

Exploration and evaluation assets

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

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

Exploration and evaluation assets are subject to unit-of-production depreciations if and when production from the field commences.

Financial assets

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

The company classifies its financial assets in two categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit and loss

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

<u>Financial assets at amortised cost</u>

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

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

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

Trade receivables are initially recognised at transaction price less impairment losses.

Financial assets at fair value through profit and loss

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

Impairment of assets

Property, plant and equipment and other non-current assets are subject to impairment testing when there is an indication that the assets may be impaired. The company makes such assessment on each reporting date. If an indication exists, an impairment test where the company estimates the recoverable amount of the asset is performed.

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

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

An impairment loss on assets will be reversed when the recoverable amount exceeds the carrying amount.

Provisions

General

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

The amount of the provision is the present value of the risk adjusted cost expected to be required to settle the obligation and is discounted by the estimated risk-free interest rate. Where discounting is used, the carrying amount of provision increases in each period to reflect the unwinding of the discounting by the passage of time. This increase in the provision amount is recognised as finance cost.

Asset retirement obligations

The company recognises an asset retirement obligation when the oil and gas installations are installed or at the later date when the obligation is incurred. The obligation is measured at the present value of the estimated future expenditures determined in accordance with current technology, local conditions and requirements for the dismantlement or removal of oil and gas installations.

Applicable asset retirement costs are capitalised as part of the carrying value of the tangible fixed asset and are depreciated over the useful life of the asset (i.e. unit-of-production method). The liability is accreted for the change in its present value on each balance sheet date. The accretion effect is classified as financial expense.

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

Contingent liabilities

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

Interest-bearing loans and liabilities

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

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

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that take a substantial period of time to get ready for their intended use or sale. Any investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they incur.

Derecognition of financial liabilities

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

Derivative financial instruments

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

Income taxes

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

Current income taxes

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

Current income tax relating to items recognised directly in equity is recognised directly in equity.

Deferred income taxes

Deferred tax/tax benefits are calculated on the basis of the differences between book value and tax basis values of assets and liabilities.

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

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

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

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

Changes in tax regime for oil and gas companies

A new cash flow based petroleum tax legislation was enacted by the Norwegian Parliament in June 2022, effective from 1 January 2022. The main feature of the legislation affecting the company is that investments in field facilities, production wells and pipelines incurred from 1 January 2022 can be expensed when incurred for Special petroleum tax (SPT) purposes. Such expensing replaces the previous 6 years depreciation for SPT and uplift. For projects where a plan for development and operation (PDO) was filed by the end of 2022 and approved prior to the end of 2023, an uplift of 17.69% of the investment can be deducted in the investment year 2022 for SPT purposes. From 2023 this has been reduced to 12.4% The tax effect on uplift is recognised when the deduction is included in the current year tax return and impacts taxes payable.

Employee benefits

Pensions

According to Norwegian law, all employees are members of the company's mandatory pension scheme ("obligatorisk tjenestepensjon"). The company's pension scheme is a defined contribution plan where contributions are paid to the pension insurer and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further obligations to fund the scheme (as the case may be under a defined benefit plan).

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

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

The current service cost and interest costs are recognised immediately and is presented as part of the salary and personnel cost in the income statement. Interest cost is calculated by using the discount rate of the liability at the beginning of the period on the net liability. Changes in net pension liability as a result of pension payments have been taken into consideration. The pension costs are recognised as part of chargeable costs to operated joint ventures and as such reflected in the income statement across several line items such as production expenses, exploration expenses, general and administrative expenses and as oil and gas properties in the balance sheet. Actuarial gains and losses are recognised through other comprehensive income and are not reclassified over profit and loss.

Share-based payment

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

Cash and cash equivalents

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

Cash flow statement

The cash flow statement is prepared using the indirect method. Interest paid is presented under financing activities.

Leases (as lessee)

IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. For each contract that meets this definition, except for short-term leases and leases of low value assets, IFRS 16 requires lessees to recognise a right-of-use asset and a lease liability in the balance sheet with certain exemptions for short term and low value leases. Lease payments are recognised as interest expense and a reduction of lease liabilities, while the right-of-use assets are depreciated over the shorter of the lease term and the assets' useful life. Lease liabilities are measured at the present value of remaining lease payments, discounted using the interest rate implicit in the lease contract, or if this is not available, the company's calculated borrowing rate per lease object. Right-of-use assets are measured at an amount equal to the lease liability at initial recognition. Leasing contracts entered into as an operator of a licence are presented on a gross basis when the contract is signed by the company on behalf of the licence.

Cost of equity transactions

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

Related parties

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

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

Events after the balance sheet date

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

New and amended standards and interpretations adopted by the company

New standards and amendments to standards and interpretations effective from 1 January 2022 did not have any significant impact on the financial statements.

New and amended standards and interpretations issued but not adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2023 and have not been applied in preparing these financial statements. None of these new standards and amendments to standards and interpretations are expected to have any significant impact on the company’s financial statements.

Note 3. Critical accounting judgements and estimates

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

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

Currently, the company’s most important accounting estimates relate to the following items:

Impairment

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

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

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

Fair value measurement

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

Asset retirement obligations

Production of oil and gas is subject to statutory requirements relating to decommissioning and removal. Provisions to cover such future asset retirement obligations is recognised at the time the statutory requirement arises, which is defined as when the equipment has been installed or a well has been drilled. The estimates are uncertain and may vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response the changes in reserves or changes in laws and regulations or their interpretation. A premise in the estimation for the future obligations is current technology and market conditions. As such, there is also inherent risk related to future developments in technology and market prices. Furthermore, future price levels, market conditions and development in technology can impact the timing of the closing of production and thus the timing of abandonment. The company is reviewing the estimates and assumptions related to asset retirement obligations to ensure the financial statements reflect the company’s best estimate at any reporting date.

Note 4. Segment reporting

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

Note 5. Operating income

Revenues from crude oil and gas sales:

Amounts in NOK `000	**2022**	**2021**
Sale of liquids	3 621 472	2 198 055
Sale of gas	2 777 182	1 582 586
Total revenues from crude oil and gas sales	**6 398 654**	**3 780 641**

Sales volumes in boe*	**2022**	**2021**
Sale of liquids	3 841 817	3 935 445
Sale of gas	2 090 128	1 847 140
Total sale of petroleum	**5 931 945**	**5 782 585**

Production volumes in boe*	**2022**	**2021**
Production of liquids	4 241 579	3 939 638
Production of gas	1 867 218	1 728 941
Total production	**6 108 797**	**5 668 579**

* Barrels of oil equivalents

Other operating income / loss (-):

Amounts in NOK `000	**2022**	**2021**
Gain / loss (-) from put/call options, oil	-	-32 766
Gain / loss (-) from forward contracts, gas	72 492	49 002
Change in fair value contingent consideration**	12 376	-
Tariff income Gjøa	131 596	61 960
Joint utilisation of logistics resources at Draugen***	37 512	23 036
Total other operating income / loss (-)	**253 975**	**101 232**

** See note 26.

*** Relates to joint utilisation of the offshore supply ship "Siem Pride" and supply base "Vestbase".

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

Production expenses:

Amounts in NOK `000	**2022**	**2021**
From licence billings - producing assets	1 420 803	753 181
From licence billings - assets under development - various preparations for operation	-	17 884
Other production expenses (insurance, transport)	179 295	89 354
G&A expenses allocated to production expenses	15 922	-
Production expenses	**1 616 020**	**860 419**
Production expenses	**1 616 020**	**860 419**
Less: processing tariff income	-131 596	-61 960
Less: joint utilisation of logistics resources	-37 512	-23 036
Less: preparation for operation asset under development	-	-17 884
Net production expenses	1 446 912	757 539
Produced volumes (boe)	6 108 797	5 668 579
Production expense NOK per boe*	**236.8**	**133.5**

* Barrels of oil equivalents

Changes in over/underlift positions and production inventory:

Amounts in NOK `000	**2022**	**2021**
Changes in over/underlift positions	196 372	15 852
Changes in production inventory	100 151	7 236
Total changes income/loss (-)	**296 523**	**23 087**

Volumes in boe	**2022**	**2021**
Produced volumes	6 108 797	5 668 579
Third-party volumes available for sale*	-217 542	-53 795
Sold own produced volumes	-5 714 403	-5 728 790
Total changes in boe	**176 852**	**-114 006**

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

Note 7. Exploration and evaluation expenses

Specification of exploration and evaluation expenses

Amounts in NOK `000	2022	2021
Share of exploration and evaluation expenses from participation in licences excluding dry well impairment, from billing	75 304	95 278
Share of exploration expenses from participation in licences, dry well write off, from billing*	141 892	184 855
Seismic and other exploration and evaluation expenses, outside billing	108 525	62 839
G&A expenses allocated to exploration expenses	1 786	-
Total exploration and evaluation expenses	**327 506**	**342 972**

* The drilling of exploration well Ginny in licence PL1060 was completed in Q1 2022 and the well was concluded dry. The discovery in the Hamlet exploration well in licence PL153 was concluded non-commercial in Q4 2022 and the well has been expensed.

Note 8. Oil and gas properties, buildings, furniture, fixtures and office machines, right-of-use assets

Amounts in NOK `000	Oil and gas properties in production	Oil and gas properties under development	Buildings	Furniture, fixtures and office machines	Right-of-use assets	Total
2022						
Cost at 1 January 2022	7 165 077	-	-	20 512	329 404	7 514 993
Additions	1 080 413	-	-	36 422	11 983	1 128 817
Additions through business combinations (see note 16)	1 957 730	-	-	-	17 315	1 975 045
Reclassification from inventory	2 969	-	-	-	-	2 969
Reclassification from exploration	-	-	-	-	-	-
Removal and decommissioning asset	69 858	-	-	-	-	69 858
Disposals	-	-	-	-4 284	-	-4 284
Transfer from development to production	-	-	-	-	-	-
Cost at 31 December 2022	**10 276 046**	**-**	**-**	**52 650**	**358 702**	**10 687 398**
Accumulated depreciation and impairment at 1 January 2022	-2 480 324	-	-	-9 370	-95 205	-2 584 899
Depreciation	-741 824	-	-	-6 942	-20 594	-769 359
Additional depreciation of IFRS 16 Right-of-use assets*	-	-	-	-	-10 003	-10 003
Impairment (-) / reversal of impairment	-497 584	-	-	-	-	-497 584
Disposals	-	-	-	4 284	-	4 284
Accumulated depreciation and impairment at 31 December 2022	**-3 719 732**	**-**	**-**	**-12 027**	**-125 802**	**-3 857 561**
Carrying amount at 31 December 2022	**6 556 314**	**-**	**-**	**40 622**	**232 901**	**6 829 837**

2021						
Cost at 1 January 2021	3 918 980	2 037 626	92 501	19 434	249 439	6 317 979
Additions	883 957	365 785	-	8 705	79 966	1 338 412
Reclassification from inventory	358	-	-	-	-	358
Reclassification from exploration	-	3 008	-	-	-	3 008
Removal and decommissioning asset	-44 638	-	-	-	-	-44 638
Disposals	-	-	-92 501	-7 626	-	-100 127
Transfer from development to production	2 406 419	-2 406 419	-	-	-	-
Cost at 31 December 2021	**7 165 077**	**-**	**-**	**20 512**	**329 404**	**7 514 993**
Accumulated depreciation and impairment at 1 January 2021	-1 468 663	-730 397	-9 250	-9 198	-70 204	-2 287 711
Depreciation	-645 029	-	-4 625	-7 798	-14 999	-672 450
Additional depreciation of IFRS 16 Right-of-use assets*	-	-	-	-	-10 003	-10 003
Impairment (-) / reversal of impairment	-366 632	730 397				363 765
Disposals	-	-	13 875	7 626	-	21 501
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**
Depreciation plan	Unit of Production	**)	Linear	Linear	Linear	
Estimated useful life (years)	N/A		20	3 - 5	2 - 20	

See note 18 for information about the sale and leaseback transaction for the property Råket 2 completed in December 2021.

*) Depreciation of IFRS 16 right-of-use assets are presented gross related to leasing contracts entered into as licence operator.

**) Depreciation starts when the asset is in production.

Amounts in NOK `000	2023	2024	2025	2026
Planned capital expenditure for existing licences (work program and budget)	1 900 000	1 865 000	1 166 000	434 000

Note 9. 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 2022:

	Oil	**Gas**	**Currency rates**
Year	**USD/boe***	**GBP/therm***	**NOK/USD**
2023	83.0	1.99	9.8
2024	76.6	1.91	9.6
2025	70.8	1.31	9.3
From 2026	67.6	0.70	9.0

Key assumptions applied in the impairment test as of 31 December 2021:

	Oil	**Gas**	**Currency rates**
Year	**USD/boe***	**GBP/therm***	**NOK/USD**
2022	74.7	1.61	8.8
2023	69.1	1.05	8.4
From 2024	66.3	0.48	8.0

* Prices per 31.12.2022 in real 2022 terms and per 31.12.2021 in real 2021 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% nominal post tax (2021: 9.0% nominal post tax). The main driver for the increased WACC was higher cost of debt.

The long-term inflation rate is assumed to be 2.0% (2021: 2.0%).

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

Total cost for CO2 comprises Norwegian CO2 tax and cost of the EU Emission Trading System and is estimated to gradually increase from NOK 1 523 per tonne in 2022 towards a long term price of NOK 2 000 (real 2020) per tonne from 2030 in line with price estimates presented by the Norwegian authorities in late 2021. NOx prices are estimated to increase from approximately NOK 17 per kg in 2022 to a level of approximately 28 NOK per kg from 2030. A future change in how the world will react in light of the goals set in the Paris Agreement could have adverse effects on the value of OKEA's oil and gas assets. Sensitivities on changes to environmental cost is reflected in the table below.

Impairment testing of technical goodwill, ordinary goodwill, fixed assets and right-of-use assets as of 31 December 2022
Based on impairment testing, NOK 498 million in impairment of the Yme asset was recognised in 2022 with an offset to changes in deferred taxes of NOK 388 million. The key drivers for the impairment was reserves revision and revised phasing of production.

There was no impairment or reversal of impairment for any of the other fixed assets or right-of-use assets in 2022. There was no impairment of ordinary or technical goodwill in 2022.

Impairment testing of technical goodwill, ordinary goodwill, fixed assets and right-of-use assets as of 31 December 2021
Based on impairment testing, NOK 364 million in impairment reversal of previous impairment of the Yme asset was recognised in 2021 with an offset to changes in deferred taxes of NOK 284 million. The key driver for the reversal of impairment was the production start of the Yme asset in October 2021 combined with significant increased forward prices of oil during 2021 as well as the transfer of ownership and operatorship of the Inspirer rig. There was no impairment or reversal of impairment for any of the other fixed assets or right-of-use assets in 2021. There was no impairment of ordinary or technical goodwill in 2021.

Sensitivity analysis 2022
The table below shows what the impairment (pre-tax) would have been in 2022 under various alternative assumptions for key variables in the calculation (all else equal). The amounts represent the combined impairment for CGUs Gjøa, Draugen, Ivar Aasen and Yme, Brage, Nova, and ordinary goodwill.

		Alternative calculations of pre-tax impairment/reversal (-) in 2022 (NOK '000)		Increase / decrease (-) of pre-tax impairment 2022 (NOK '000)	
Assumptions	**Change**	**Increase in assumption**	**Decrease in assumption**	**Increase in assumption**	**Decrease in assumption**
Oil and gas price	+/- 10%	-7 119	1 002 288	-504 703	504 703
Currency rate NOK/USD	+/- 1.0 NOK	-40 269	1 035 438	-537 853	537 853
Discount rate	+/- 1% point	544 758	448 948	47 174	-48 637
Inflation rate	+/- 1% point	393 562	598 712	-104 023	101 127
Environmental opex	+/- 20% point	567 774	427 395	70 190	-70 190

In addition, scenarios from the International Energy Agency (IEA) have been tested for impairment. Descriptions of these three scenarios can be found in OKEA's ESG report for 2022. The prices in these scenarios are provided in real 2021 terms for 2030 and 2050. Forward prices are applied for 2023 and linearly interpolated from average 2023 forward price to IEA scenario price 2030 and linearly interpolated from IEA scenario price 2030 to IEA scenario prices 2050. The numbers to the left are alternative calculations of impairment or impairment reversal (-) and the numbers to the right are changes from what is reflected in the income statement of a impairment of NOK 497 584 thousand.

IEA scenario	Prices 2030 & 2050	Alternative calculations of pre-tax impairment/ reversal (-) in 2022 (NOK '000)	Increase/ decrease (-) of pre-tax impairment 2022 (NOK '000)
Net zero emissions by 2050	Oil 35 - 24 $/bbl, Gas 38 - 32 pence/therm	641 468	143 884
Announced pledges	Oil 64 - 60 $/bbl, Gas 66 - 52 pence/therm	-99 030	-596 615
Stated policies	Oil 82 - 95 $/bbl, Gas 71 - 77 pence/therm	-366 632	-864 217

Only the Net zero scenario results in greater impairment than the current base case for OKEA's portfolio. The impairment figure in the Net zero case is mainly related to fixed asset value at Yme CGU, partly offset by changes in deferred tax. The reversal indicated in the Stated policies is capped at previous impaired fixed asset value of the Yme CGU. The analysis performed indicates the risk of any stranded assets in OKEA's portfolio is limited under the current IEA scenarios.

Sensitivity analysis 2021

The table below shows what the impairment (pre-tax) would have been in 2021 under various alternative assumptions for key variables in the calculation (assuming all other assumptions remaining constant). The amounts represent the combined impairment for CGUs Gjøa, Draugen, Ivar Aasen and Yme, and ordinary goodwill.

		Alternative calculations of pre-tax impairment/reversal (-) in 2021 (NOK '000)		Increase / decrease (-) of pre-tax impairment 2021 (NOK '000)	
Assumptions	**Change**	**Increase in assumption**	**Decrease in assumption**	**Increase in assumption**	**Decrease in assumption**
Oil and gas price	+/- 10%	-730 397	173 509	-366 632	537 274
Currency rate NOK/USD	+/- 1.0 NOK	-730 397	278 979	-366 632	642 743
Discount rate	+/- 1% point	-275 415	-455 873	88 350	-92 108
Inflation rate	+/- 1% point	-404 425	-322 381	-40 661	41 383
Environmental opex	+/- 20% point	-285 900	-441 629	77 864	-77 864

In addition, scenarios from the International Energy Agency (IEA) have been tested for impairment. Descriptions of these four scenarios can be found in OKEA's ESG report for 2021. The prices in these scenarios are provided in real 2020 terms for 2030 and 2050. Forward prices are applied for 2022 and linearly interpolated from average 2022 forward price to IEA scenario price 2030 and linearly interpolated from IEA scenario price 2030 to IEA scenario prices 2050. The numbers to the left are alternative calculations of impairment or impairment reversal (-) and the numbers to the right are changes from what is reflected in the income statement of a reversal of NOK 363 765 thousand.

IEA scenario	**Prices 2030 & 2050**	**Alternative calculations of pre-tax impairment/ reversal (-) in 2021 (NOK '000)**	**Increase/ decrease (-) of pre-tax impairment 2021 (NOK '000)**
Net zero emissions by 2050	Oil 36 - 24 $/bbl, Gas 29 - 27 pence/therm	169 434	533 199
Sustainable development	Oil 56 - 50 $/bbl, Gas 32 - 34 pence/therm	-321 688	42 077
Announced pledges	Oil 67 - 64 $/bbl, Gas 49 - 49 pence/therm	-570 548	-206 784
Stated policies	Oil 77 - 88 $/bbl, Gas 57 - 62 pence/therm	-730 397	-366 632

The Net zero scenario is the only scenario that will result in significant worse result than the current base case for OKEA's portfolio. The impairment figure in the Net zero case is mainly related to fixed asset values at Yme CGU which is partly offset in changes to deferred tax, and impairment of technical goodwill at the Draugen CGU. The reversal indicated in the Stated policies is capped at previous impaired fixed asset value of the Yme CGU. The analysis performed indicates the risk of any stranded assets in OKEA's portfolio is quite limited under the current IEA scenarios.

Note 10. Employee benefit expenses

Specification of employee benefits expenses included in general and administrative expenses

Amounts in NOK `000	**2022**	**2021**
Salary expenses	481 781	370 101
Employer's payroll tax expenses	73 966	59 411
Pensions	48 045	37 472
Share based payment	76	7 722
Other personnel expenses	16 204	10 053
Gross employee benefits expenses	**620 072**	**484 758**
Number of man-years during the year	249	215
Gross other general and administrative expenses, see note 11	336 209	196 276
Gross general and administrative expenses	**956 281**	**681 034**
Allocated to operated licences	-725 343	-581 578
Allocated to exploration and production expenses	-18 336	-
Reclassified to oil and gas properties under development	-	-4 432
Total general and administrative expenses	**212 602**	**95 024**

Pensions:

The company has a defined contribution pension scheme for all employees which satisfies the statutory requirements in the Norwegian law on required occupational pension (“lov om obligatorisk tjenestepensjon”). In addition, the company has a defined benefit pension plan to cover for the age 65-67 for offshore employees. Reference is made to note 14 for further details.

The company is part of the AFP ("avtalefestet pensjon") scheme and contributes to the AFP pension for all eligible employees in accordance with the AFP regulations.

Compensation to management in 2022: *

Amounts in NOK `000	Salary	Variable remuneration**	Pension	Other benefits***
Svein J. Liknes (CEO) [1)]	4 559 582	4 349 150	189 587	336 792
Birte Norheim (CFO)	3 280 731	2 560 386	189 587	113 342
Tor Bjerkestrand (SVP operations)	3 298 027	2 845 509	189 587	12 792
Andrew McCann (SVP subsurface)	2 865 414	2 305 030	189 587	12 792
Dag Eggan (SVP special projects)	2 870 110	1 902 073	189 587	12 792
Espen Myhra (SVP business development)	2 791 295	2 434 060	189 587	13 792
Knut Gjertsen (SVP projects & technology)	3 336 178	2 945 433	189 587	576 760
Marit Moen Vik-Langlie (VP legal)	1 850 706	1 887 987	189 587	21 258
Kjersti Hovdal (SVP business performance)	1 672 899	1 522 859	110 592	7 462
Børge Nerland (SVP drilling & wells)	491 667	737 667	31 598	2 132
Ørjan Johanessen, (VP drilling & wells)	936 978	262 426	78 994	5 330
Total compensation to management	**27 953 585**	**23 752 579**	**1 737 877**	**1 115 244**

* Compensation in form of salaries is included in the year paid. From 2021 variable and other compensations are included in year earned.

** Variable remuneration includes remuneration related to employee share insentive program and long-term incentive scheme.

*** Other benefits include fringe benefits, value of warrants triggered and other benefits.

[1)] Svein J. Liknes is entitled to 6 – 18 months severance pay, depending on the circumstances.

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

The CEO and senior management are eligible to participate in the company's long-term incentive program (LTIP). The purpose of the LTIP is to further align the interests of the company and its shareholders by providing a long-term program to incentivise and retain key employees. Each participant is eligible to be allocated and awarded a number of synthetic restricted stock units (RSUs), each of which will entitle the participant to receive the value equivalent to one share in the Company. Eligibility for the LTIP will be assessed by the CEO at the time of allocation and award. In 2022 OKEA bought 156 050 incentive-shares at average price of 58.98 NOK per share. The shares are subject to a lock-up period of 24 months.

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

Compensation to management in 2021: *

Amounts in NOK `000	Salary	Variable remuneration**	Pension	Other benefits***
Erik Haugane (former CEO) 1)	1 605	1 292	181	10 350
Svein J. Liknes (CEO) 2)	2 341	2 402	125	99
Dag Eggan (SVP business performance)	2 640	1 021	181	12
Tor Bjerkestrand (SVP operations)	3 303	1 096	181	12
Espen Myhra (SVP business development)	2 493	1 081	181	357
Andrew McCann (SVP subsurface & wells)	2 635	1 158	181	12
Birte Norheim (CFO)	3 005	1 301	181	313
Knut Gjertsen (SVP projects & technology)	3 138	1 455	181	564
Marit Moen Vik-Langlie (VP legal)	1 681	873	181	12
Total compensation to management	**22 840**	**11 677**	**1 572**	**11 731**

* Compensation in form of salaries is included in the year paid. From 2021 variable and other compensations are included in year earned.

** Variable remuneration includes remuneration related to employee share insentive program and long-term incentive scheme.

*** Other benefits include fringe benefits, value of warrants triggered and other benefits to the former CEO, see footnote 1).

[1)] Erik Haugane, CEO and member of the senior management team until 31.05.21. Mr. Haugane is entitled to receive base salary, bonus and pension/insurance/other benefits until end of February 2023. The estimated amount he is entitled to in this period is included in "other benefits".

[2)] Svein J. Liknes, CEO and member of the senior management team from 01.06.21. Mr. Liknes is entitled to 6 – 18 months severance pay, depending on the circumstances.

Compensation to Board of Directors in 2022: **

Amounts in NOK `000	Board fees	Sub-committee fees	Total fees
Chaiwat Kovavisarach (chairman)	658	14	672
Paul Murray (board member)	441	151	592
Mike Fischer (board member)	441	234	674
Saowapap Sumeksri (board member)	699	144	842
Finn Haugan (board member)	441	216	657
Grethe Moen (board member)	441	148	589
Rune Olav Pedersen (board member)	441	148	589
Nicola Gordon (board member)	441	230	671
John Kristian Larsen (board member)	254	62	316
Anne Lene Rømuld (board member)	254	63	316
Jan Atle Johansen (board member)	242	95	337
Ragnhild Aas (deputy board member)	-	-	-
Jens Arne Megaard (deputy board member)	-	-	-
Gro Anita Markussen (deputy board member)	11	-	11
Total compensation to board of directors	**4 764**	**1 504**	**6 267**

** The table shows the compensation paid out to the board of directors in 2022.

Compensation to Board of Directors in 2021: ***

Amounts in NOK `000	Board fees	Sub-committee fees	Total fees
Chaiwat Kovavisarach (chairman)	630	-	630
Paul Anthony Murray (board member)	435	75	510
Michael William Fischer (board member)	435	138	572
Saowapap Sumeksri (board member) 1)	-	-	-
Prisana Praharnkhasuk (board member) 3)	123	25	148
Finn Haugan (board member)	455	143	597
Liv Monica Stubholt (board member) 2)	127	25	152
Rune Olav Pedersen (board member)	435	88	522
Nicola Gordon (board member)	435	140	575
Grethe Moen (board member) 1)	258	63	320
John Kristian Larsen (board member) 1)	147	23	170
Ida Ianssen Lundh (board member) 2)	152	34	186
Anne Lene Rømuld (board member)	275	55	330
Jan Atle Johansen (board member)	275	70	345
Frank Stensland (deputy board member) 2)	-	-	-
Bengt Morten Sangolt (deputy board member) 2)	-	-	-
Bjørn Ingar Pettersen (deputy board member) 2)	-	-	-
Ragnhild Aas (deputy board member)	25	-	25
Gro Anita Markussen (deputy board member) 1)	-	-	-
Jens Arne Megaard (deputy board member) 1)	-	-	-
Total compensation to board of directors	**4 206**	**876**	**5 082**

*** The table shows the compensation paid out to the board of directors in 2021.

1) Board member from 03.05.2021.

2) Board member until 03.05.2021.

3) Board member until 28.04.2021.

Share based payment

Amounts in NOK `000	2022	2021
Warrants to employees	76	1 010
Incentive-shares to management	-	6 712
Total share based payment expense	**76**	**7 722**

Warrants to employees:
In February 2018, OKEA granted 1 250 000 equity-settled warrants to employees, each warrant with an exercise price of NOK 17.9.

Expiry date for the warrants was 1 October 2022. It was a requirement that the employees were still employed by OKEA when exercising the warrants. The assessed fair value at grant date of warrants granted was NOK 5.88 per warrant. The fair value at grant date was determined using a Black Scholes Model. The most significant inputs and assumptions in determining fair value at grant date was:
- Exercise price NOK 17.9
- Share price at grant date NOK 17.9
- Expected volatility 34.7%
- Risk free interest rate 1.5%
- Term of options 4.5 years

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

	Number of warrants[1)]	Expense recognised 2022	Expense recognised 2021
Dag Eggan (SVP special projects)	40 000	38	52
Tor Bjerkestrand (SVP operations)	40 000	38	52
Erik Haugane (former CEO)	250 000	-	572
Other employees and former management	920 000	-	333
Total	**1 250 000**	**76**	**1 010**

[1)] Warrants owned directly or indirectly by employee.

Overview of outstanding warrants in connection with share based payment:

	2022	2021
Outstanding warrants at 1 January	80 000	985 000
Warrants granted	-	-
Warrants forfeited	-	-40 000
Warrants exercised	-40 000	-865 000
Warrants expired	-40 000	-
Outstanding warrants at 31 December	**-**	**80 000**
Of which exercisable	**-**	**80 000**

Guideline and report on remuneration for leading persons
A guideline on remuneration for leading persons was endorsed by the annual general meeting on 12 May 2022. A revision of these guidelines for leading persons in 2023 will be presented at the annual general meeting scheduled for 11 May 2023, as well as a separate report on remuneration for leading persons published at the same time as the annual report.

Note 11. Other operating expenses

Specification of other operating expenses included in general and administrative expenses

Amounts in NOK `000	2022	2021
Technical and IT consultants	171 244	104 412
Administrative consultants	14 087	11 992
Travel expenses	15 936	7 977
Office rentals and other office expenses	14 867	11 851
IT software, hardware and other expenses	120 075	60 045
Gross other general and administrative expenses	**336 209**	**196 276**
Gross employee benefits expenses, see note 10	620 072	484 758
Gross general and administrative expenses	**956 281**	**681 034**
Allocated to operated licences	-725 343	-581 578
Allocated to exploration and production expenses	-18 336	-
Reclassified to oil and gas properties under development	-	-4 432
Total general and administrative expenses	**212 602**	**95 024**

Auditor's fees (ex. VAT)

Amounts in NOK `000	2022	2021
Auditor's fee	1 739	1 093
Other attestation services	101	632
Tax advisory	-	-
Other services	-	38
Total auditor's fees	**1 840**	**1 763**

Note 12. Financial items

Amounts in NOK `000	2022	2021
Interest income	22 165	1 120
Unwinding of discount asset retirement reimbursement right (indemnification asset)	103 876	78 764
Gain on buy-back bond loan	-	-
Total finance income	**126 041**	**79 884**
Interest expense and fees from loans and borrowings	-200 371	-210 907
Capitalised borrowing cost on development projects	28 059	116 709
Interest expense shareholder loan	-57	-57
Other interest expense	-5 268	-3 986
Unwinding of discount asset retirement obligations	-115 645	-83 797
Loss on buy-back/early redemption bond loan	-23 535	-6 364
Loss on financial investments	-64	-39
Other financial expense	-17 174	-8 558
Total finance costs	**-334 055**	**-197 001**
Exchange rate gain/loss (-), interest-bearing loans and borrowings	-296 881	-107 918
Net exchange rate gain/loss (-), other	193 780	33 158
Net exchange rate gain/loss (-)	**-103 101**	**-74 761**
Net financial items	**-311 115**	**-191 877**

Note 13. Taxes

Income taxes recognised in the income statement

Amounts in NOK `000	2022	2021
Change in deferred taxes current year	-436 027	-796 958
Taxes payable current year	-2 105 157	-711 980
Tax payable adjustment previous year	-4 173	1 508
Tax refund adjustment previous year	-	4 757
Total taxes (-) / tax income (+) recognised in the income statement	**-2 545 357**	**-1 502 673**

Reconciliation of income taxes

Amounts in NOK `000	2022	2021
Profit / loss (-) before income taxes	**3 214 965**	**2 105 982**
Expected income tax rate, 78.004% (2021: 78%)	-2 507 802	-1 642 666
Permanent differences, including impairment of goodwill	-25 612	-2 419
Effect of sale and leaseback transaction	-	39 839
Effect of uplift	102 044	196 977
Financial and onshore items	-105 620	-94 459
Effect of new tax rates	-104	-
Change valuation allowance	-	-4 887
Adjustments previous year and other	-8 264	4 941
Total income taxes recognised in the income statement	**-2 545 357**	**-1 502 673**
Effective income tax rate	**79 %**	**71 %**

From 1 January 2022 the corporate tax rate is unchanged at 22% and the special petroleum tax rate is increased from 56% to 71.8% with a deduction in the special tax basis of a calculated corporate tax. With this deduction the total effective tax rate is 78.004%.

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

Amounts in NOK `000	31.12.2022	31.12.2021
Tangible and intangible non-current assets	-4 372 336	-2 939 348
Provisions (net ARO), lease liability, pensions and gain/loss account	2 102 801	1 352 475
Interest bearing loans	-1 466	-3 429
Current items (spareparts and inventory)	-564 088	-145 419
Tax losses carried forward, onshore 22%	4 887	4 887
Total deferred tax assets / liabilities (-)	-2 830 202	-1 730 833
Valuation allowance for deferred tax assets	-4 887	-4 887
Total deferred tax assets / liabilities (-) recognised	**-2 835 089**	**-1 735 720**

Change in deferred taxes

Amounts in NOK `000	2022	2021
Deferred tax income / expense (-)	-436 027	-796 958
Deferred taxes charged to equity	-390	1 796
Deferred taxes from business combinations	-662 952	-
Total change in deferred tax assets	**-1 099 369**	**-795 162**

The tax calculation is from 2022 based on the new cash flow based petroleum tax legislation enacted by the the Norwegian Parliament in June 2022. The main feature of the legislation affecting the company is that investments in field facilities, production wells and pipelines incurred from 1 January 2022 can be expensed when incurred for Special petroleum tax (SPT) purposes. Such expensing will replace the previous 6 years depreciation for SPT and uplift.

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 56.004%, providing a total tax rate of 78.004%.

Specification of income tax payable

Amounts in NOK `000	2022	2021
Tax payable from business combinations	115 745	-
Tax payable (-) / credit recognised in the income statement	-2 105 157	-711 980
Tax payable recognised on acquisition, sale and swap of licences	382	6 399
Tax payable from previous years not settled	-14 207	-12 698
Tax refund received, to be repaid	-	-54 740
Advance tax paid	1 526 387	-
Total income tax payable (-)	**-476 850**	**-773 020**

Amounts in NOK `000	2022	2021
Tax payable years 2016-2019	-14 207	-12 698
Tax payable year 2021	-	-705 582
Tax payable year 2022	-1 989 030	-
Tax refund received for year 2021, to be repaid	-	-54 740
Advance tax paid for year 2022	1 526 387	-
Total income tax payable (-)	**-476 850**	**-773 020**

Note 14. Pensions

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

The defined contribution plan covers all employees. The defined benefit plan covers offshore employees and has 193 active members at year end 2022. The defined benefit plan is to cover for the age 65-67 for offshore employees, as they are required by Norwegian law to retire at the age of 65 offshore. There are no defined funds to meet the liability related to the defined benefit plan.

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

Pension cost:

Amounts in NOK `000	2022	2021
Service cost - employee benefit	4 655	2 777
Service cost - interest expense	703	541
Total pension related costs	5 358	3 318
Remeasurements pensions, actuarial loss/gain (-) recorded to OCI	-500	2 303
Taxes, 78.004% (2021: 78%)	390	-1 796
Remeasurements pensions, actuarial loss/gain (-), net after tax to OCI	**-110**	**507**

Movement in pension obligations during the year:

Amounts in NOK `000	31.12.2022	31.12.2021
Pension obligations January 1	37 311	31 988
Service cost - employee benefit	4 655	2 777
Service cost - interest expense	703	541
Remeasurements pensions, actuarial loss/gain (-)	-500	2 303
Pensions paid	-606	-298
Pension obligations 31 December	**41 564**	**37 311**
Pension liability individual plan	1 692	-
Total pension liabilities 31 December	**43 255**	**37 311**

Assumptions:	31.12.2022	31.12.2021
Discount interest rate	3.00 %	1.90 %
Annual projected increase in salary	3.50 %	2.75 %
Annual projected G- regulation	3.25 %	2.50 %
Annual projected regulation of pension	3.25 %	2.50 %
Number of employees included in the defined benefit scheme	193	92

Note 15. Earnings per share

	2022	2021
Net profit / loss (-) attributable to ordinary shares, in NOK `000	669 608	603 309
Weighted average number of ordinary shares outstanding basic	103 873 090	102 921 489
Weighted average number of ordinary shares outstanding diluted	103 947 610	102 921 489
Earnings per share (NOK per share)		
- Basic	6.45	5.86
- Diluted	6.44	5.86

The dilution effect of potentially shares from warrants was not presented in the income statement for 2021, as the average market price of the shares during the period did not exceed the exercise price of the warrants (i.e. they were not in the money).

Note 16. Business combinations

Acquisition of a 2.223% interest in Ivar Aasen
On 31 March 2022 OKEA completed the acquisition of a 2.223% working interest in the Ivar Aasen field from Neptune Energy Norge AS. The acquisition increased the ownership share in Ivar Aasen to 2.777%.

The transaction has been determined to constitute a business combination and has been accounted for using the acquisition method of accounting as required by IFRS 3. The economic date of the transaction, which will be used for tax purposes, is 1 January 2022. The acquisition date for accounting purposes (transfer of control) has been determined to be 31 March 2022.

A preliminary purchase price allocation (PPA) has been performed and all identified assets and liabilities have been measured at their acquisition date fair values in accordance with the requirements of IFRS 3. The agreed purchase price is USD 12 million, equivalent with NOK 105.2 million. Adjusted for interim period adjustments and working capital, the total cash consideration is estimated to NOK 39.6 million.

At this stage, the purchase price allocation is preliminary. As a result, the final PPA and the impact on the financial statements from the transaction may differ. The final PPA will be completed within 12 months of the acquisition at the latest.

The fair values of the identifiable assets and liabilities in the transaction as at the date of the acquisition have been estimated as follows:

Amounts in NOK `000	
Assets	
Oil and gas properties	166 116
Net working capital	-89
Total assets	166 027
Liabilities	
Deferred tax liabilities	29 469
Asset retirement obligations	78 968
Income tax payable	50 063
Total liabilities	158 501
Total identifiable net assets at fair value	7 525
Total consideration	39 590
Goodwill	32 065
Goodwill consist of:	
Negative ordinary goodwill	-63 556
Technical goodwill	95 621
Total goodwill	32 065

The negative ordinary goodwill is mainly caused by the increase in the oil price in the period between the agreement date and the acquisition date. The technical goodwill arises as a consequence of the requirement to recognise deferred tax for the differences between the assigned fair values (which have been based on a post-tax market for such transactions) and the tax basis of assets acquired. The negative ordinary goodwill and the technical goodwill is recognised net as technical goodwill with NOK 32.1 million. None of the goodwill recognised will be deductible for income tax purposes.
A preliminary estimation of the impact from the transaction indicates that if the acquisition had taken place at the beginning of the year, total revenues for the year would have been approximately NOK 85 million higher and profit before tax would have been approximately NOK 66.3 million higher.

Acquisition of a 35.2% interest in Brage, 6.4615% interest in Ivar Aasen and 6% interest in Nova

On 1 November 2022 OKEA completed the acquisition of a 35.2% working interest in the Brage field, a 6.4615% working interest in the Ivar Aasen field and a 6% working interest in the Nova field from Wintershall Dea Norge AS. OKEA also assumed the operatorship of the Brage field effective from 1 November 2022. As part of the transaction, more than 140 employees were transferred from Wintershall Dea Norge AS to OKEA.

The transaction has been determined to constitute a business combination and has been accounted for using the acquisition method of accounting as required by IFRS 3. The economic date of the transaction, which will be used for tax purposes, is 1 January 2022. The acquisition date for accounting purposes (transfer of control) has been determined to be 1 November 2022.

A preliminary purchase price allocation (PPA) has been performed and all identified assets and liabilities have been measured at their acquisition date fair values in accordance with the requirements of IFRS 3. The agreed purchase price is USD 117.5 million, equivalent with NOK 1,221.1 million. Adjusted for interim period adjustments and working capital, the total cash consideration is estimated to NOK 1,165.4 million.

At this stage, the purchase price allocation is preliminary. As a result, the final PPA and the impact on the financial statements from the transaction may differ. The final PPA will be completed within 12 months of the acquisition at the latest.

The fair values of the identifiable assets and liabilities in the transaction as at the date of the acquisition have been estimated as follows:

Amounts in NOK `000	
Assets	
Oil and gas properties	1 791 614
Receivables on seller*	947 255
Net working capital	441 429
Income tax receivable (reduced tax payable)	165 808
Right-of-use assets	17 315
Total assets	3 363 421
Liabilities	
Deferred tax liabilities	633 483
Asset retirement obligations	1 926 780
Contingent consideration**	116 041
Lease liability	17 315
Total liabilities	2 693 618
Total identifiable net assets at fair value	669 803
Total consideration	1 165 383
Goodwill	495 580
Goodwill consist of:	
Negative ordinary goodwill	-500 811
Technical goodwill	996 390
Total goodwill	495 580

* The parties have agreed that Wintershall Dea will retain responsibility for 80% of OKEA's share of total decommissioning costs related to the Brage Unit, limited to an agreed cap of NOK 1520.6 million subject to index regulation.

** In addition to the fixed consideration, OKEA shall pay to Wintershall Dea an additional contingent consideration based on an upside sharing arrangement subject to oil price level during the period 2022-2024.

The negative ordinary goodwill is mainly caused by the increase in the oil price in the period between the agreement date and the acquisition date. The technical goodwill arises as a consequence of the requirement to recognise deferred tax for the differences between the assigned fair values (which have been based on a post-tax market for such transactions) and the tax basis of assets acquired. The negative ordinary goodwill and the technical goodwill is recognised net as technical goodwill with NOK 495.6 million. None of the goodwill recognised will be deductible for income tax purposes.
A preliminary estimation of the impact from the transaction indicates that if the acquisition had taken place at the beginning of the year, total revenues for the year would have been approximately NOK 1,441.1 million higher and profit before tax would have been approximately NOK 631.9 million higher.

Note 17. Goodwill, exploration and evaluation assets

Amounts in NOK `000	Exploration and evaluation assets	Technical goodwill	Ordinary goodwill	Total goodwill
2022				
Cost at 1 January 2022	10 759	1 114 547	416 415	1 530 962
Additions	315 450	-	-	-
Additions through business combination (see note 16)	-	527 645	-	527 645
Reclassification to oil and gas properties under development	-	-	-	-
Disposals	-	-	-	-
Expensed exploration expenditures previously capitalised	-141 892	-	-	-
Cost at 31 December 2022	**184 317**	**1 642 191**	**416 415**	**2 058 607**
Accumulated amortisation and impairment at 1 January 2022	-	-508 818	-253 198	-762 016
Impairment	-	-	-	-
Disposals	-	-	-	-
Accumulated amortisation and impairment at 31 December 2022	**-**	**-508 818**	**-253 198**	**-762 016**
Carrying amount at 31 December 2022	**184 317**	**1 133 374**	**163 217**	**1 296 591**
2021				
Cost at 1 January 2021	38 349	1 114 547	416 415	1 530 962
Additions	160 272	-	-	-
Reclassification to oil and gas properties under development	-3 008	-	-	-
Disposals	-	-	-	-
Expensed exploration expenditures previously capitalised	-184 855	-	-	-
Cost at 31 December 2021	**10 759**	**1 114 547**	**416 415**	**1 530 962**
Accumulated amortisation and impairment at 1 January 2021	-	-508 818	-253 198	-762 016
Impairment	-	-	-	-
Disposals	-	-	-	-
Accumulated amortisation and 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 18. Lease liability

The company has entered into operating leases for office facilities. In addition, as operator of the Draugen field, the company has on behalf of the licence entered into operating leases for logistic resources such as supply vessel with associated remote operated vehicle (ROV), base and warehouse for spare parts and hence gross basis of these lease debts are recognised.

Sale and leaseback of the property Råket 2

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

Amounts in NOK `000	**2022**	**2021**
Lease debt 1 January	263 298	179 235
Additions lease contracts	11 983	109 065
Additions through business combination (see note 16)	17 315	-
Accretion lease liability	15 527	11 357
Payments of lease debt and interest	-46 071	-36 359
Total lease debt at 31 December	**262 052**	**263 298**

Breakdown of lease debt		
Short-term (within 1 year)	49 643	43 032
Long-term	212 409	220 266
Total lease debt	**262 052**	**263 298**

Undiscounted lease liabilities and maturity of cash outflows

Amounts in NOK `000	**31.12.2022**	**31.12.2021**
Within 1 year	49 643	43 032
1 to 5 years	166 268	154 750
After 5 years	158 499	184 755
Total	**374 410**	**382 537**

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

Note 19. Asset retirement reimbursement right

Amounts in NOK `000	31.12.2022	31.12.2021
Asset retirement reimbursement right at 1 January (indemnification asset)	3 107 974	3 029 367
Additions through business combination (see note 16)	947 255	-
Changes in estimates	122 483	2 860
Effect of change in the discount rate	-529 368	-
Asset retirement costs from billing, reimbursement from Shell	-90 099	-3 016
Unwinding of discount	103 876	78 764
Asset retirement reimbursement right at 31 December (indemnification asset)	**3 662 122**	**3 107 974**
Of this:		
Asset retirement reimbursement right, non-current	3 662 122	3 024 562
Asset retirement reimbursement right, current	-	83 412
Asset retirement reimbursement right at 31 December (indemnification asset)	**3 662 122**	**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, and a receivable from the seller Wintershall Dea from OKEA's acquisition of the Brage asset in 2022.

<u>Receivable from the seller Shell from OKEA's acquisition of Draugen and Gjøa assets in 2018:</u>
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 757 million (2022 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 441 million (2022 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 3.9% (year end 2021: 2.6%).

<u>Receivable from the seller Wintershall Dea from OKEA's acquisition of the Brage asset in 2022 (see note 16):</u>
The parties have agreed that Wintershall Dea will retain responsibility for 80% of OKEA’s share of total decommissioning costs related to the Brage Unit, limited to an agreed pre-tax cap of NOK 1 520.6 million subject to index regulation.

The net present value of the receivable is calculated using a discount rate of 6.4%.

Note 20. Trade and other receivables

Amounts in NOK `000	31.12.2022	31.12.2021
Accounts receivable and receivables from operated licences*	234 811	68 275
Accrued revenue	422 885	487 424
Prepayments	79 009	48 300
Working capital and overcall, joint operations/licences	386 637	164 226
Underlift of petroleum products**	588 934	225 079
VAT receivable	21 049	7 317
Accrued interest income	-	830
Fair value forward contracts, gas***	10 578	51 885
Total trade and other receivables	**1 743 901**	**1 053 338**

* There is no provision for bad debt on receivables. The receivables mature within 12 months. Approximately 74% of the company's sales revenue recognised in 2022 is from sale to oil companies which are subsidiaries of an international oil company with Standard & Poor's long-term credit rating A+. In addition, approximately 22% of the company's sales revenue recognised in 2022 is from sale to oil companies which are subsidiaries of an international oil company with Standard & Poor's long-term credit rating A-2.

** The balance at 31.12.2022 consists of Draugen MNOK 171 (207), Gjøa MNOK 8 (20), Ivar Aasen MNOK 108 (-2), Yme MNOK 45 (0), Brage MNOK 241 (0) and Nova MNOK 17 (0).

*** Reference is made to note 31 for more information about the company's financial risk management.

Note 21. Financial investments

Amounts in NOK `000	31.12.2022	31.12.2021
Investments in money-market funds and combination funds	-	210 000
Unrealised gain/loss (-)	-	-39
Total financial investments	**-**	**209 961**

Note 22. Spare parts, equipment and inventory

Amounts in NOK `000	31.12.2022	31.12.2021
Inventory of petroleum products*	511 509	124 258
Spare parts and equipment	288 824	129 061
Total spare parts, equipment and inventory	**800 333**	**253 318**

* The balance at 31.12.2022 consists of Draugen MNOK 218 (118), Yme MNOK 15 (6), Brage MNOK 230 (0) and Ivar Aasen MNOK 49 (0).

Note 23. Cash and cash equivalents

Amounts in NOK `000	31.12.2022	31.12.2021
Bank deposits, unrestricted	1 010 492	1 035 711
Bank deposit, time deposit	-	980 000
Bank deposit, restricted, employee taxes	31 224	18 033
Bank deposit, restricted, deposit office leases	14 824	-
Bank deposit, restricted, other	47 486	5 001
Total cash and cash equivalents	**1 104 026**	**2 038 745**

Reference is made to note 21 for information about liquid assets not categorised as cash and cash equivalents.

Note 24. Share capital and shareholder information

Number of shares	Ordinary shares
Outstanding shares at 1.1.2021	102 502 650
New shares issued in exchange for cash	1 367 700
Number of outstanding shares at 31 December 2021	**103 870 350**
New shares issued in exchange for cash	40 000
Number of outstanding shares at 31 December 2022	**103 910 350**
Nominal value NOK per share at 31 December 2022	0.10
Share capital NOK at 31 December 2022	10 391 035

2022:
In 2022 OKEA issued 40 000 shares in connection with exercise of warrants in 2022. At 31 December 2022 there are no equity-settled warrants outstanding. 40 000 of the previous 80 000 outstanding warrants were exercised in 2022 and the remaining 40 000 expired in 2022. Reference is made to note 10 for further details.

Dividend paid in 2022 is NOK 301.3 million.

2021:
In 2021 OKEA issued 502 700 incentive-shares to certain members of management and other key employees at a subscription price of NOK 0.1 per share. The shares are subject to a 12-month lock-up period, with an exemption for sales necessary to cover any directly related tax liabilities limited up to 50% of the shares allocated. Reference is made to note 10 for further details.

In addition, OKEA issued 865 000 shares in connection with exercise of warrants in 2021. At 31 December 2021, 80 000 equity-settled warrants were still outstanding. Reference is made to note 10 for further details.

Shareholders at 31 December 2022:

Shareholder	Ordinary shares	% Share
BCPR PTE. LTD.	47 218 098	45.44 %
Banque Pictet & Cie SA	5 971 838	5.75 %
The Northern Trust Comp, London Br	5 743 464	5.53 %
The Bank of New York Mellon	3 461 605	3.33 %
SALT VALUE AS	2 114 751	2.04 %
OKEA Holdings Ltd.	1 827 628	1.76 %
SJÆKERHATTEN AS	1 535 000	1.48 %
BofA Securities, Inc.	1 492 959	1.44 %
Morgan Stanley & Co. LLC	1 199 868	1.15 %
The Bank of New York Mellon	1 194 367	1.15 %
CLEARSTREAM BANKING S.A.	965 943	0.93 %
The Bank of New York Mellon SA/NV	861 499	0.83 %
State Street Bank and Trust Comp	854 467	0.82 %
The Bank of New York Mellon SA/NV	791 572	0.76 %
SKJEFSTAD VESTRE AS	762 617	0.73 %
VERDIPAPIRFONDET DNB NORGE PENSJON	617 635	0.59 %
KØRVEN AS	609 285	0.59 %
Morgan Stanley & Co. International	595 175	0.57 %
SIX SIS AG	562 980	0.54 %
J.P. Morgan Securities LLC	481 650	0.46 %
OTHER SHAREHOLDERS	25 047 949	24.11 %
Total	**103 910 350**	**100.00 %**

Shares owned directly or indirectly by senior management and board of directors:

Shareholder	At 31 December 2022 Ordinary shares	% Share	At 31 December 2021 Ordinary shares	% Share
Espen Myhra (SVP business development)	224 936	0.22 %	211 186	0.20 %
Tor Bjerkestrand (SVP operations)	187 804	0.18 %	138 604	0.13 %
Dag Eggan (SVP special projects)	186 043	0.18 %	176 843	0.17 %
Andrew McCann (SVP subsurface & wells)	176 000	0.17 %	148 446	0.14 %
Knut Gjertsen (SVP projects & technology	163 587	0.16 %	132 000	0.13 %
Kjersti Hovdal (SVP business performance)[1]	159 200	0.15 %	-	0.00 %
Birte Norheim (CFO)	144 145	0.14 %	113 650	0.11 %
Svein J. Liknes (CEO)	140 345	0.14 %	100 000	0.10 %
Marit Moen Vik-Langlie (VP legal)	111 834	0.11 %	100 334	0.10 %
Chaiwat Kovavisarach (chairman of the board)	35 371	0.03 %	31 952	0.03 %
Paul Murray (board member)	182 303	0.18 %	-	0.00 %
Ragnhild Aas (deputy board member)	98 374	0.09 %	90 995	0.09 %
John Kristian Larsen (board member)	77 031	0.07 %	65 550	0.06 %
Anne Lene Rømuld (board member)	53 442	0.05 %	45 323	0.04 %
Finn Haugan (board member)	45 814	0.04 %	43 535	0.04 %
Jan Atle Johansen (board member)	45 605	0.04 %	40 810	0.04 %
Michael William Fischer (board member)	22 279	0.02 %	20 000	0.02 %
Nicola Carol Gordon (board member)	22 279	0.02 %	20 000	0.02 %
Rune Olav Pedersen (board member)	22 279	0.02 %	20 000	0.02 %
Jens Arne Megaard (deputy board member)	19 638	0.02 %	13 542	0.01 %
Gro Anita Markussen (deputy board member)	13 870	0.01 %	11 394	0.01 %
Saowapap Sumeksri (board member)[2]	2 279	0.00 %	-	0.00 %
Grethe Moen (board member)[2]	2 279	0.00 %	-	0.00 %
Total	**2 136 737**	**2.06 %**	**1 524 164**	**1.47 %**

[1] Not part of senior management in 2021

[2] Not part of board of directors 2021

Warrants:

Overview of outstanding warrants:

	2022	2021
Outstanding warrants at 1 January	80 000	985 000
Warrants forfeited (ref. note 10)	-	-40 000
Warrants exercised (ref. note 10)	-40 000	-865 000
Warrants expired (ref. note 10)	-40 000	-
Outstanding warrants at 31 December	**-**	**80 000**

Reference is made to note 10 for information about warrants granted to employees in connection with share based payment.

Note 25. Asset retirement obligations

Amounts in NOK `000	2022	2021
Asset retirement obligations at 1 January	4 237 442	4 199 866
Additions	89 343	9 327
Additions through business combination (see note 16)	2 005 748	-
Reclassified to other current provision (see note 29)	-	-10 000
Changes in estimates	418 756	-41 778
Effects of change in the discount rate	-839 226	-
Asset retirement costs from billing	-112 623	-3 770
Unwinding of discount	115 645	83 797
Asset retirement obligations at 31 December	**5 915 084**	**4 237 442**
Of this:		
Asset retirement obligations, non-current	5 915 084	4 133 177
Asset retirement obligations, current	-	104 265
Asset retirement obligations at 31 December	**5 915 084**	**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 3.1% (year end 2021: 2%). The assumptions are based on the economic environment at balance sheet date. Actual asset retirement costs will ultimately depend upon future market prices for the necessary works which will reflect market conditions at the relevant time. Furthermore, the timing of the close-down is likely to depend on when the field ceases to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

For recovery of costs of decommissioning related to assets acquired from Shell and Wintershall Dea, reference is made to note 19.

Note 26. Other provisions

Amounts in NOK `000	2022	2021
Provision at 1 January	-	-
Additions through business combination (see note 16)	116 041	-
Settlements/payments to Wintershall Dea	-34 748	-
Changes in fair value	-12 376	-
Other provisions at 31 December	**68 917**	**-**
Of this:		
Other provisions, non-current	39 107	-
Other provisions, current (classified within trade and other payables)	29 810	-
Other provisions at 31 December	**68 917**	**-**

OKEA shall pay to Wintershall Dea an additional contingent consideration based on an upside sharing arrangement subject to oil price level during the period 2022-2024. The provision for the contingent consideration is measured at fair value with changes in fair value recognised in Other operating income/loss in the income statement. The fair value is estimated using an option pricing methodology, where the expected option payoff is calculated at each future payment date and discounted back to the balance sheet date.

Note 27. Interest bearing bond loans

Amounts in NOK `000	31.12.2022	31.12.2021
Bond loan OKEA02	-	1 264 146
Bond loan OKEA03	1 194 705	1 068 911
Capitalised transaction costs bond loan OKEA02	-	-14 889
Capitalised transaction costs bond loan OKEA03	-16 095	-23 295
Total interest bearing bond loans	**1 178 610**	**2 294 873**

Changes in interest bearing bond loans:

Amounts in NOK `000	OKEA02	OKEA03	Total
Interest bearing bond loans at 1 January 2022	1 249 257	1 045 616	2 294 873
Amortisation of transaction costs	14 889	7 201	22 089
Bond buy-back/early redemption	-1 377 996	-	-1 377 996
Foreign exchange movement	113 850	125 793	239 643
Interest bearing bond loans at 31 December 2022	**0**	**1 178 610**	**1 178 610**

Amounts in NOK `000	2022	2021
Interest bearing bond loans at 1 January	2 294 873	2 400 297
Cash flows:		
Gross proceeds from borrowings	-	-
Transaction costs	-	-
Repayment/buy-back of borrowings	-1 401 531	-216 948
Total cash flows:	**-1 401 531**	**-216 948**
Non-cash changes:		
Amortisation of transaction costs	22 089	21 784
Foreign exchange movement	239 643	83 377
Loss / gain (-) on buy-back	23 535	6 364
Interest bearing bond loans at 31 December	**1 178 610**	**2 294 873**

Bond loan OKEA02:

In June 2018, the company issued a USD 180 million secured bond loan OKEA02 which matured in full in June 2023. The loan carried an interest rate of 3 month LIBOR plus 650 bps p.a. which was payable quarterly. The net proceeds from the bond issue was used to finance the acquisition of interests in the Draugen and Gjøa fields from A/S Norske Shell.

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

Bond loan OKEA03:

The USD 120 million secured bond loan OKEA03 was issued in December 2019 and matures in full in December 2024. The loan was issued at a price of 99% of the nominal value and carries a fixed interest rate of 8.75% p.a. with semi-annual interest payments.

Financial covenants OKEA02 and OKEA03
During 2022 and 2021, and at 31 December 2022 and 2021, the company was in compliance with the covenants under the bond agreements.

Revised bond terms affecting the covenants in the waiver period effective from 30 June 2020 to and 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 was in breach on two consecutive calculation dates.

From 01.01.2022 the covenants comprise of:
(i) Leverage ratio shall not exceed 2:1
(ii) Capital employment ratio above 35%
(iii) Minimum fee liquidity of USD 10 million

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

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

Note 28. Other interest bearing liabilities

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

The Yme licence has the right and the obligation to purchase the rig at the end of the lease period for NOK 1. In addition the Yme licence has the unconditional obligation to purchase the rig from Havila in case of any termination event during the lease period. The purchase price will then be the remaining amount paid by Havila to Maersk plus interest and other costs. The Yme licence also has the option to purchase the rig at any time during the lease period for the same price.

The liability carries a implicit interest rate of 5.21% p.a., and will be repaid with the lease payments to Havila with the last lease payment in October 2031. Repsol S.A. (RSA) is the parent company of the Yme licence operator Repsol Norge AS. On behalf of Yme, RSA has issued a parent company guarantee for the future lease payments to Havila.

Amounts in NOK `000	**31.12.2022**	**31.12.2021**
Liability Yme rig	507 952	493 445
Total other interest bearing liabilities	**507 952**	**493 445**
Of this:		
Other interest bearing liabilities, non-current	462 078	454 853
Other interest bearing liabilities, current	45 874	38 593
Total other interest bearing liabilities	**507 952**	**493 445**

Changes in other interest bearing liabilities:

Amounts in NOK `000	**Liability Yme rig**	**Total**
Other interest bearing liabilities at 1 January 2022	493 445	493 445
Financing Yme rig	-	-
Repayments	-42 730	-42 730
Foreign exchange movement	57 237	57 237
Other interest bearing liabilities at 31 December 2022	**507 952**	**507 952**
Of this:		
Other interest bearing liabilities, non-current	462 078	462 078
Other interest bearing liabilities, current	45 874	45 874
Other interest bearing liabilities at 31 December 2022	**507 952**	**507 952**

Amounts in NOK `000	**2022**	**2021**
Other interest bearing liabilities at 1 January	493 445	-
Cash flows:		
Gross proceeds from borrowings	-	-
Repayment of borrowings	-42 730	-
Total cash flows:	**-42 730**	**-**
Non-cash changes:		
Financing Yme rig	-	468 904
Foreign exchange movement	57 237	24 541
Other interest bearing liabilities at 31 December	**507 952**	**493 445**

Note 29. Trade and other payables

Amounts in NOK `000	31.12.2022	31.12.2021
Trade creditors	126 044	117 721
Accrued holiday pay and other employee benefits	146 858	110 947
Working capital, joint operations/licences	1 061 014	430 608
Overlift of petroleum products	47 952	24 555
Accrued interest bond loans	5 175	5 096
Other provisions, current (see note 26)	29 810	-
Prepayments from customers	506 637	17
Loan from shareholder OKEA Holdings Ltd	1 428	1 371
Accrued consideration from acquisitions of interests in licences	-	10 000
Other accrued expenses	294 740	86 220
Total trade and other payables	**2 219 658**	**786 535**

All payables mature within 12 months.

Note 30. Financial instruments

Financial instruments by category

Year ended 31 December 2022

Financial assets

Amounts in NOK `000	Amortised cost	Fair value through profit or loss	Total carrying amount
Trade and other receivables *	498 428	10 578	509 006
Financial investments	-	-	-
Cash and cash equivalents	1 104 026	-	1 104 026
Total	**1 602 454**	**10 578**	**1 613 031**

Financial liabilities

Amounts in NOK `000	Amortised cost	Fair value through profit or loss	Total carrying amount
Trade and other payables *	1 244 669	-	1 244 669
Interest bearing bond loans	1 178 610	-	1 178 610
Other interest bearing liabilities	507 952	-	507 952
Other provisions	-	68 917	68 917
Total	**2 931 232**	**68 917**	**3 000 149**

* Prepaid expenses, VAT receivable, accrued receivables and accrued expenses are not included. Forward contracts are included at fair value through profit or loss.

Year ended 31 December 2021

Financial assets

Amounts in NOK `000	Amortised cost	Fair value through profit or loss	Total carrying amount
Trade and other receivables *	180 006	51 885	231 891
Financial investments	-	209 961	209 961
Cash and cash equivalents	2 038 745	-	2 038 745
Total	**2 218 751**	**261 846**	**2 480 597**

Financial liabilities

Amounts in NOK `000	Amortised cost	Fair value through profit or loss	Total carrying amount
Trade and other payables *	336 930	-	336 930
Interest bearing bond loans	2 294 873	-	2 294 873
Other interest bearing liabilities	493 445	-	493 445
Total	**3 125 249**	**-**	**3 125 249**

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

Fair value of financial instruments
It is management's assessement 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 1,196 million at 31 December 2022 (2021: NOK 2,410 million). The OKEA03 bond loan is listed on the Oslo Stock Exchange and the fair value is based on the latest quoted market price (level 2 in the fair value hierarchy according to IFRS 13) as per balance sheet date.

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

Note 31. Financial risk management

Overview

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

Credit risk

The company has no significant credit risk. The company's exposure to credit risk for counterparties to default on their payment obligations is considered limited, as sales agreements are only entered into with solid customers and derivative contracts are entered into with reputable counterparties. Cash and cash equivalents at year end are deposits with DNB Bank ASA.

Liquidity risk

Liquidity risk is the risk of being unable to settle financial liabilities as they fall due. The company's has taken mitigating actions to ensure that sufficient liquidity is secured under normal as well as extraordinary circumstances. The company conducts detailed cash flow forecasting, including sensitivity analyses on key variables, to assure ability to meet financial liabilities as they fall due without incurring unacceptable losses or risking damage to the company's reputation.

The table below shows a maturity analysis for financial liabilities:

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

31.12.2022

Amounts in NOK `000	Carrying amount	Cash Flow	< 1 year	1-5 year	> 5 year
Trade and other payables	1 244 669	1 244 669	1 244 669	-	-
Interest bearing bond loans	1 178 610	1 194 705	-	1 194 705	-
Interest bearing bond loans, interest	-	207 003	103 502	103 502	-
Other interest bearing liabilities	507 952	507 952	45 874	207 539	254 540
Other interest bearing liabilities, interest	-	131 790	25 606	76 983	29 202
Other provisions	68 917	68 917	29 810	39 107	-
Total financial liabilities	**3 000 149**	**3 355 037**	**1 449 461**	**1 621 835**	**283 742**

31.12.2021

Amounts in NOK `000	Carrying amount	Cash Flow	< 1 year	1-5 year	> 5 year
Trade and other payables	336 930	336 930	336 930	-	-
Interest bearing bond loans	2 294 873	2 333 058	-	2 333 058	-
Interest bearing bond loans, interest	-	404 810	177 270	227 540	-
Other interest bearing liabilities	493 445	493 445	38 635	176 319	278 491
Other interest bearing liabilities, interest	-	142 876	24 962	78 244	39 669
Total financial liabilities	**3 125 249**	**3 711 119**	**577 797**	**2 815 161**	**318 161**

The table below shows a maturity analysis for financial assets:

31.12.2022

Amounts in NOK `000	Carrying amount	Cash Flow	< 1 year	1-5 year	> 5 year
Trade and other receivables	509 006	509 006	509 006	-	-
Financial investments	-	-	-	-	-
Cash and cash equivalents	1 104 026	1 104 026	1 104 026	-	-
Total financial assets	**1 613 031**	**1 613 031**	**1 613 031**	**-**	**-**

31.12.2021

Amounts in NOK `000	Carrying amount	Cash Flow	< 1 year	1-5 year	> 5 year
Trade and other receivables	231 891	231 891	231 891	-	-
Financial investments	209 961	209 961	209 961	-	-
Cash and cash equivalents	2 038 745	2 038 745	2 038 745	-	-
Total financial assets	**2 480 597**	**2 480 597**	**2 480 597**	-	-

Interest rate risk

At 31 December 2022 the company has no interest-bearing borrowings with floating interest rate conditions. The bond loan OKEA03 carries a fixed interest rate of 8.75% p.a, and the Yme rig liability carries a implicit interest rate of 5.21% p.a. The company was previous exposed to interest rate risk related to the bond loan OKEA02 which carried a floating interest rate of 3 month LIBOR plus 650 bps p.a.

Sensitivity analysis:

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

2022: At 31 December 2022 the company has no interest-bearing borrowings with floating interest rate conditions.

2021: If 3 month LIBOR had been 50 basis points higher/lower, the company’s profit after tax would have been NOK 4.9 million lower/higher.

Currency risk

The company is exposed to foreign exchange rate risk relating to the value of NOK relative to other currencies, mainly due to product sales in USD and GBP, operational costs in USD, development costs in USD and interest-bearing loans and borrowings in USD.

At 31 December 2022, the company's exposure to exchange rate risk mainly relate to bank deposits and interest-bearing loans and borrowings in USD.

Sensitivity analysis at 31 December 2022:

If NOK was 5% stronger against the USD on 31 December 2022, the company's profit after tax would have been NOK 52.5 million higher.
If NOK was 5% weaker against the USD on 31 December 2022, the company's profit after tax would have been NOK 52.5 million lower.

Sensitivity analysis at 31 December 2021:

If NOK was 5% stronger against the USD on 31 December 2021, the company's profit after tax would have been NOK 106.5 million higher.
If NOK was 5% weaker against the USD on 31 December 2021, the company's profit after tax would have been NOK 106.5 million lower.

Oil and gas price risk

The company’s revenue comes from oil and gas sales, which are exposed to fluctuations in the oil and gas price level.

The company uses derivative financial instruments to manage exposures to fluctuations in commodity prices. At 31 December 2022, OKEA had outstanding financial forward contracts (without physical delivery of gas) for;

Quantity - therms of gas	Fixed price GBp per therm	Expiration
235 000	341	Jan 2023
230 000	319	Feb 2023
235 000	291	March 2023

In addition OKEA has in 2022 entered into the following non-financial contracts with physical delivery of gas in 2023 at fixed price;
- 2 409 660 therms of gas in Q1 2023 at fixed price 519.5 GBp/therm
- 2 438 800 therms of gas in Q2 2023 at fixed price 504.5 GBp/therm

Revenue from these contracts will be recognised at delivery of the gas.

Capital management

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

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

Surplus liquidity is managed according to the company's liquidity management policy.

Note 32. Asset acqusitions, sales and swaps

During 2022 and 2021, the company completed the following acquisitions, sales and swaps of interests in licences on the Norwegian continental shelf, accounted for as acquisitions and sales of assets:

Acquisitions:

Year	Licence	Interest	Seller	Buyer	Effective date	Completion
2021	PL 972	40 %	Repsol Norge AS	OKEA ASA	01.01.2021	28.02.2021

Sales:

There were no sales of interests in licences in 2022 or 2021.

Swaps:

Year	Licence	Interest	Seller	Buyer	Effective date	Completion
2022	PL 1119	10 %	OKEA ASA	Equinor Energy AS	01.08.2022	30.11.2022
2022	PL 1014/1014B	20 %	Equinor Energy AS	OKEA ASA	01.08.2022	30.11.2022

On 31 March 2022 the company acquired 2.223% working interest in Ivar Aasen from Neptune Energy Norge AS and on 1 November 2022 the acquisition of 35.2% in Brage, 6.4615% in Ivar Aasen and 6% in Nova from Wintershall Dea Norge AS was completed. These transactions were determined to consitute as business combinations for accounting purposes. Refer to note 16 for further details.

Note 33. Climate change impact and risks

OKEA is a pure-play oil and gas company that contributes to meeting the world's demand for energy by supplying low-cost oil and gas that the world will continue to need for the foreseeable future, including in the Paris agreement's low-emission scenario. ESG is embedded in the strategy of the business and all operational activities, as a key element of the license to operate. This includes ensuring safe and responsible operations while generating long-term value creation for the company's shareholders, minimizing impact on the natural environment, and maintaining the highest standards on health and safety, corporate governance and business ethics. The company's strategy therefore focuses on creating value through extending the life of existing producing assets through operational improvements, maximizing the use of existing infrastructure, and reducing emissions.

Climate change and energy transition

As a pure play oil and gas company, the energy transition towards a low carbon economy and actions to tackle climate change through the Paris Agreement will impact OKEA and the energy sector as a whole. The energy tranition brings new regulatory frameworks, and increased scrutiny from stakeholders on reporting. OKEA remains committed to transparent reporting of greenhouse gas emissions across all scopes (okea.no/investor/reports), transition pathways, and climate related risks and opportunities. OKEA follows the TCFD guidelines for reporting on climate risk and opportunities.

Below are the key identified climate associated risks with potential for impacting OKEA's business:

- *Market and technology:* More competitive pricing on renewable energy sources will likely reduce pricing on oil and gas and adversely impact OKEA's financial results and shareholder returns. Several mitigating measures are possible, some of which has already been implemented. This includes cost reduction initiatives and co2 reducing measures like electrification of assets.

- *Policy and regulatory:* Regulation is an essential driver of the transition to the low carbon economy. Increased pricing of CO2 emissions and taxes in the EU ETS framework will drive operational cost up and provide uncertainty in the operating model. Regulations on production, development and emissions may reduce access to new exploration acreage, combined with restrictions on developing proven resources would potentially limit future growth opportunities.

- *Reputational:* Changing investor sentiment and risk perception for the long term outlook for the oil and gas sector may increase the cost of capital and/or limit potential access to new capital. Although the sentiment have changed somwehat and leaning more towards energy security during the recent year, several financial institutions have limited the capital available for financing of oil and gas companies. Increased scrutiny from the capital markets on ESG prompts a clear ESG strategy and engagement with stakeholders.

- *Physical:* Extreme weather events may impact operational as well and financial performance of the company's business.

Stranded assets are a potential risk of the transition to a low carbon economy. Several of the risk factors mentioned above, could in the longer term alone or together lead to an abrupt change in the market for oil and gas and lead to a sudden cease of production.

The potential risk of stranded assets and expediated asset retirement if proved reserves cannot be fully developed due to the global carbon budget is present, but somewhat limited, for OKEA. This is due to the majority of the revenue from OKEA's assets are near term. Several scenarios reflecting various aspects (short- and long-term) of potential economic, technological, and social developments and their implications for the energy market and, consequently, for OKEAs business have been assessed. Reference is made to note 9 for impairment test done under the assumptions of the IEA scenarios from the World Energy Outlook.

Note 34. Commitments and contingencies

During the normal course of its business, the company may be involved in disputes, including tax disputes. The company makes accruals for probable liabilities related to litigation and claims based on management's best judgment and in line with IAS 37 and IAS 12. As per end of 2022 and 2021, estimated exposures are not significant and no material provision were recognised.

Minimum work programs

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

Liability for damages/insurance

The company's operations involves risk for damages to property, equipment and the environment, including pollution. Installations and operations are covered by an operations insurance policy, including loss of production income insurance, and construction all risk insurance covering assets under development.

Insurance for board members and chief executive officer

The company has an insurance policy for the board members and the chief executive officer for potential liability to the company and third parties. The board considers the coverage to be reasonable.

Note 35. Related party transactions

Transactions with related parties:

Amounts in NOK `000	**2022**	**2021**
BCPR Pte Ltd *	-	234

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

Trade and other payables, related parties:

Amounts in NOK `000	**31.12.2022**	**31.12.2021**
BCPR Pte Ltd	-	-

Reference is made note 10 for information about compensation to senior management and board of directors.

Note 36. Reserves (unaudited)

Proven and probable reserves

Mill barrels oil equivalents (mmboe)	**2022**	**2021**
Balance at 1 January	46.6	41.6
Production	-6.1	-5.9
Acquisition of reserves	15.4	-
Projects matured / New developments	8.8	8.4
Revisions of previous estimates and other changes	-4.6	2.5
Total reserves at 31 December	**60.2**	**46.6**

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

Referece is made to the annual statement of reserves (ASR) report per 31 December 2022 available at www.okea.no/investor/reports/.

Note 37. Events after the balance date

In January 2023, OKEA was offered interests in four new production licences on the Norwegian continental shelf, two of which as operator, through the Awards in Pre-Defined Areas (APA) for 2022.

In January 2023, the board of directors of OKEA resolved to distribute a cash dividend payment of NOK 103.9 million (NOK 1.00 per share) in March 2023.

The Brasse (PL740) transaction from DNO ASA was approced by the MPE on 7 February 2023. Licence extension was granted at the same date.

In March 2023, OKEA signed an agreement to acquire 28% working interest in PL037 (Statfjord Area) from Equinor, with effective date 01.01.2023 and expected completion in Q4 2023. The acquisiton comprising 23.93123% WI in Statfjord Unit, 28% WI in Statfjord Nord, 14% WI in Statfjord East Unit and 15.4% in Sygna Unit. The transaction is conditional upon Norwegian governmental approval.

Confirmation from the board of directors and CEO

Pursuant to the Norwegian Securities Trading Act section 5-5 with pertaining regulations, we confirm that, to the best of our knowledge, the financial statements for the period from 1 January to 31 December 2022 have been prepared in accordance with IFRS as adopted by EU, with such additional information as required by the Norwegian Accounting Act, and give a true and fair view of the company's assets, liabilities, financial position and results of operations.

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

Trondheim, 29 March 2023

Chaiwat Kovavisarach
Chairman of the Board

Grethe Moen
Board member

Mike Fischer
Board member

Paul Murray
Board member

Nicola Carol Gordon
Board member

Rune Olav Pedersen
Board member

Finn Haugan
Board member

Anne Lene Rømuld
Board member

Jan Atle Johansen
Board member

Saowapap Sumeksri
Board member

John Kristian Larsen
Board member

Svein Jakob Liknes
CEO

Reconciliations of alternative performance measures

OKEA discloses alternative performance measures as part of its financial reporting as a supplement to the financial statements prepared in accordance with international accounting standards (IFRS). OKEA believes that the alternative performance measures provide useful supplement information to management, investors, bondholders and other stakeholders and are meant to provide an enhanced insight and better understanding into the financial development of OKEA and improve comparability between periods.

EBITDA	**2022**	**2021**
Amounts in NOK `000	**12 months**	**12 months**
Profit / loss (-) from operating activities	3 526 080	2 297 860
Add: depreciation, depletion and amortisation	769 359	672 450
Add: impairment	497 584	-363 765
EBITDA	**4 793 024**	**2 606 545**

EBITDAX	**2022**	**2021**
Amounts in NOK `000	**12 months**	**12 months**
Profit / loss (-) from operating activities	3 526 080	2 297 860
Add: depreciation, depletion and amortisation	769 359	672 450
Add: impairment / reversal of impairment	497 584	-363 765
Add: exploration and evaluation expenses	327 506	342 972
EBITDAX	**5 120 530**	**2 949 517**

Production expense per boe	**2022**	**2021**
Amounts in NOK `000	**12 months**	**12 months**
Production expenses	1 616 020	860 419
Less: processing tariff income	-131 596	-61 960
Less: joint utilisation of logistics resources	-37 512	-23 036
Less: preparation for operation asset under construction	-	-17 884
Net production expenses	1 446 912	757 539
Divided by: produced volumes (boe)	6 108 797	5 668 579
Production expense NOK per boe	**236.8**	**133.5**

Net interest-bearing debt	**2022**	**2021**
Amounts in NOK `000	**12 months**	**12 months**
Interest bearing bond loans	1 178 610	2 294 873
Other interest bearing liabilities	462 078	454 853
Other interest bearing liabilities, current	45 874	38 593
Less: Cash and cash equivalents	-1 104 026	-2 038 745
Net interest-bearing debt	**582 537**	**749 574**

Net interest-bearing debt excl. other interest bearing liabilities	**2022**	**2021**
Amounts in NOK `000	**12 months**	**12 months**
Interest bearing bond loans	1 178 610	2 294 873
Less: Cash and cash equivalents	-1 104 026	-2 038 745
Net interest-bearing debt excl. other interest bearing liabilities	**74 584**	**256 128**

Definitions of alternative performance measures

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.

To the General Meeting of OKEA ASA

Independent Auditor’s Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of OKEA ASA (the Company), which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

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

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 8 years from the election by the general meeting of the shareholders on 25 September 2015 for the accounting year 2015 with a renewed election on 24 April 2020.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Goodwill and Oil & Gas properties, and *Estimation of asset retirement obligations* have the same characteristics and risks as in the prior year, and therefore continues to be areas of focus this year. During 2022 the Company acquired working interests in the Brage, Ivar Aasen and Nova fields from Wintershall Dea Norge AS. The judgmental nature of purchase price allocation calculations made *Acquisition of working interests* a new Key Audit Matter for our audit of the 2022 financial statements.

Key Audit Matters	How our audit addressed the Key Audit Matter
Impairment of Goodwill and Oil & Gas properties OKEA ASA has oil and gas properties with a carrying amount of NOK 6 556 314 thousand at 31 December 2022. In addition, the carrying value of goodwill (including technical goodwill) was NOK 1 296 591 thousand at 31 December 2022. In line with OKEA's accounting policies for impairment of non-financial assets, management assessed whether there were impairment or reversal indicators. Based on identified impairment indicators, a calculation of recoverable amount by each CGU was prepared. Management's assessment of recoverable amounts of goodwill and oil & gas properties requires estimates and assumptions relating to operational and market factors and involves a significant amount of judgement. In addition, the calculation of recoverable amounts requires financial modeling of cash flows related to cash generating units, which can be inherently complex, and also require use of judgement. Based on the results of the assessment of impairment and reversal indicators and the corresponding calculation of recoverable amounts, a total impairment charge of NOK 497 584 thousand was recognized in 2022. We focused on this area because goodwill and oil & gas properties constitute a significant share of total assets in the balance sheet, and because the assessment of recoverable amounts is complex and involves significant management judgement which may have a direct impact on net profit. Please refer to note 9 for a description of management's assessment of impairment.	We assessed management's identification of impairment indicators and agreed that indicators were present. We obtained management's recoverable amount calculation as of 31 December 2022. Management's identification of cash generating units were in line with our expectations. For relevant cash generating units, including allocated technical goodwill, we assessed the key inputs in managements calculation of recoverable amount by: ● comparing management´s short-term price assumptions against external price forward curves, ● comparing long-term oil price assumptions against long-term price assumptions communicated by peers and other publicly available sources, ● comparing hydrocarbon production profiles towards information reported by the field operator in the 2023 RNB (reporting to Revised National Budget) numbers, ● comparing estimated future operating costs and capital expenditures towards information reported by the field operator in the 2023 RNB (reporting to Revised National Budget) numbers, ● benchmarking inflation and discount rates applied against external market data. We also assessed the mathematical and methodological integrity of management's impairment model. For ordinary goodwill, management determined that ordinary goodwill on 31 December 2022 was not impaired. We obtained and considered management's assessment supporting the carrying value of goodwill on 31 December 2022. We also calculated the market capitalization at 31 December 2022 based on the quoted share price

at year-end. We found support for the carrying value of oil and properties and ordinary goodwill at 31 December 2022.

We evaluated the appropriateness of the related note disclosures and found that they satisfied IFRS requirements.

Estimation of asset retirement obligations

Asset retirement obligations at 31 December 2022 were calculated for operated and non-operated assets. On 31 December 2022, asset retirement obligations represent NOK 5 915 084 thousand as a non-current provision in the balance sheet.

The estimation and measurement of asset retirement obligations requires a number of estimates and judgments to be applied. This includes timing of actual cash flows, amount of abandonment costs and discount rate. The timing of removal is also dependent on the reserves estimation and is impacted by the commodity price outlook. The calculation of the asset retirement obligation requires financial modeling of cash flows related to the removal and decommissioning cost. Such modeling can be complex and also require use of judgement.

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

Please refer to note 25 for a description of how management has accounted for the asset retirement obligations.

We obtained management's assessment and model for calculation of asset retirement obligations at 31 December 2022 and held meetings with management to understand the nature and details of the calculation. We found the methodology to be in line with requirements in IFRS.

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

For the Draugen field, the cost estimate is based on OKEA's internal assessment. OKEA involved a multi-discipline project team with experience from various technical areas. The calculation was based on several cost assumptions. We assessed the Draugen cost assumptions for reasonableness. This included, but were not limited to, number of wells to be plugged, rig rates per day, contingency level and level of management cost. We also tested the cash flows model used for calculating the asset retirement obligation and found that the model makes calculations as expected. We received management's assessment of the timing of decommissioning and removal activities for each field. We compared this to the operator's estimate as included in the government filing to the Revised National budget for 2023. We benchmarked the inflation rate and the discount rate used in calculation of the asset retirement obligation. Our testing substantiated that management assumptions were fair.

We evaluated and found that the related note disclosures in note 25 to the financial statements were reasonable.

Acquisition of working interests in the Brage, Ivar Aasen and Nova fields

During Q4 2022 OKEA completed the acquisition of working interests in the Brage, the Ivar Aasen and the Nova field from Wintershall Dea Norge AS. The agreed purchase price consisted of a consideration of USD 117,5 million.

The acquisition was determined to constitute a business combination and using the acquisition method of accounting in line with IFRS 3 requirements was deemed appropriate.

The purchase price allocation (PPA) and the measurement and determination of fair values required financial modeling of the cash flows relating to each tangible asset acquired and abandonment provision assumed, including tax effects. The modeling and the identification of assets is inherently complex and requires a number of estimates and judgements to be applied.

We focused on this area due to the significant value the investment represents in the balance sheet, and the applied level of management judgement in determining the value of the assets and liabilities acquired from the transaction and resulting subsequent potential impacts on the income statement.

Refer to note 16 for a description of the business combination and how management has accounted for the PPA.

We obtained and read the Sale & Purchase Agreement between OKEA ASA and Wintershall Dea Norge AS, and held meetings with management to understand the nature and details of the transaction.

Management prepared a purchase price allocation (PPA) showing the estimated fair value of assets and liabilities acquired in the transaction. We found the methodology to be in line with the requirements in IFRS, and that the model makes calculations as expected.

We challenged whether there could be other assets and liabilities not properly accounted for. As part of this process, we held several meetings where we discussed with management and obtained underlying documentation to support calculations and measurements in the PPA.

A major part of the value assumed in the transaction was allocated to oil and gas properties. Management has measured the value of the investment in oil and gas properties as the net present value (NPV) after tax of future estimated cash flows. We applied selected procedures to compare the estimated future cash flows related to production profiles, operating and capital expenditures to the information reported by the field operator in the 2023 RNB (reporting to Revised National Budget) numbers. For future crude and gas prices, we assessed applied prices for the first years to quoted market forward prices and the long-term prices to analyst and broker forecasts. We assessed the discount rate applied with reference to market data. Furthermore, we tested the estimated future foreign exchange rates against external quoted forward curves.

We reconciled management estimates for abandonment provision against information reported by the field operator in the 2023 RNB (reporting to Revised National Budget) numbers and tested for mathematical accuracy. For the asset retirement reimbursement right, we assessed consistency with assumptions used in the estimation for abandonment provision and tested for mathematical accuracy. For the net working capital, we tested against supporting documentation. We obtained from management a calculation of deferred and payable taxes as part of the business combination. We tested the mathematical accuracy of the tax calculation and the assumptions used and examined the application of tax regulations. A material part of goodwill from the transaction relates to technical goodwill calculated on the basis of the difference between the estimated fair market value and tax value of the assets acquired. We tested the mathematical calculation of technical goodwill.

We involved PwC valuation specialists as part of the audit team to assess material market participant assumptions made by management and applied in the valuation of assets and liabilities. The valuation specialists also assisted the audit team in testing and assessing the mathematical accuracy and methodology of management's valuation models. The results of our testing showed that management applied reasonable assumptions for the valuation of assets and liabilities assumed as part of the transaction, that the methods applied were in accordance with IFRS requirements and that the model was mathematically accurate.

We evaluated the appropriateness of the related note disclosures and found that they satisfied IFRS requirements.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility, and to the report on payments to governments.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

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

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

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of OKEA ASA, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name OkeaASA-31-12-22-en, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities
Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities
Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Stavanger, 29 March 2023
PricewaterhouseCoopers AS

Arne Birkeland
State Authorised Public Accountant

OKEA ASA is a leading mid- to late-life operator on the Norwegian continental shelf (NCS).

OKEA finds value where others divest and has an ambitious strategy built on growth, value creation and capital discipline.

OKEA ASA
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