



2020

Q2 Quarterly and half year
Report



Second quarter 2020 summary

Highlights

- No serious incidents at operated operations
- Managed the Covid-19 situation without production disruptions
- Managed production restrictions by rescheduling maintenance shutdown at Draugen
- New temporary tax regulation significantly improves liquidity position
- Agreement reached with bondholders in OKEA02 and OKEA03 for amendment of terms
- Production of 16,047 (20,045) boepd
- Operating income of NOK 275 (1,039) million
- Profit / loss from (-) operating activities of NOK -280 (367) million
- Net profit / loss (-) before tax of NOK -187 (311) million
- Cash flow from operations of NOK -3 (616) million

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

Financial and operational summary

	Unit	Q2 2020	Q1 2020	Q2 2019	Full year 2019
Total operating income	NOKm	275	551	1,039	3,020
EBITDA ¹⁾	NOKm	210	312	594	1,636
EBITDAX ¹⁾	NOKm	221	340	628	1,936
Profit/loss (-) before income tax	NOKm	-187	-926	311	419
Profit/loss (-) before tax per share	NOK/share	-1.83	-9.07	3.65	4.52
Net profit / loss (-)	NOKm	18	-785	18	-71
Cash flow from operations	NOKm	-3	21	616	2,111
Cash flow from investments	NOKm	-256	-333	-81	-847
Cash flow from financing activities	NOKm	-83	-92	208	5
Net interest-bearing debt ¹⁾	NOKm	1,904	1,752	1,158	893
Draugen	Boepd ²⁾	7,944	8,922	9,241	9,092
Gjøa	Boepd ²⁾	7,758	9,812	10,496	9,230
Ivar Aasen	Boepd ²⁾	345	365	308	341
Total net production	Boepd ²⁾	16,047	19,099	20,045	18,663
Over/underlift/inventory adjustments	Boepd ²⁾	-1,413	-3,289	5,865	818
Net Sold volume	Boepd ²⁾	14,634	15,810	25,910	19,481
Production expense per boe ¹⁾	NOK/boe	118.1	87.3	102.4	95.7
Realised liquids price	USD/boe	24.9	48.4	60.7	56.6
Realised gas price	USD/scm	0.05	0.10	0.15	0.16

¹⁾ Definitions of Alternative Performance Measures are available on page 29 of this report

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

Financial review

Managing the extraordinary circumstances

The first half of 2020 has been challenging for the entire oil industry due to the combination of the Covid-19 pandemic coupled with a dramatic fall in petroleum prices. OKEA reacted swiftly to manage through the turmoil and implemented a series of mitigating measures including safety measures in offices and operations, cost-cutting initiatives and managing the projected breach of covenant under the OKEA02 and OKEA03 bond loans. OKEA has been able to continue operations without disturbances to production and rescheduled the planned maintenance shutdown at Draugen to re-optimize the operation for the production restriction measures implemented by the Norwegian Government. By the end of June, OKEA had reached agreement with the bondholders to amend the terms under the bond loans to better suit the current outlook and the government had implemented temporary changes to the petroleum tax regulations which have a material positive liquidity effect for OKEA.

Agreement to amend terms in OKEA02 and OKEA03 reached

The company's proposed amendments to the bond agreements for OKEA02 and OKEA03 were adopted in bondholder meetings on 29 June 2020. The amendments secure financing terms for OKEA which is better tailored for the current outlook. In return, the bondholders were granted a waiver fee of 50 basis points (bps), increased redemption/call prices of 100 bps and a put option of 15% of the outstanding bonds at par which is exercisable in June 2021.

Temporary changes in tax regulations

The temporary changes to the petroleum tax regulations which were resolved by the Norwegian Parliament in June 2020, comprise direct expensing of capital expenditure with effect for the 56% special tax basis, an increase in the uplift-rate to 24%, and refund of tax value of losses for the tax years 2020 and 2021 settled through negative tax instalments. The temporary changes affect investments made in 2020 and 2021 and until planned production start for projects where a Plan for Development and Operation (PDO) is filed by the end of 2022 and approved prior to the end of 2023.

The changes to the tax regulation is a key enabler for the company to reassess plans for the profitable projects which were put on hold earlier this year as further described in the "outlook" section of this report. Current estimates indicate that the effect of negative tax instalments for 2020 may be somewhat higher than the initial indication provided of USD 60 million.

Statement of comprehensive income

Total operating income in the second quarter amounted to NOK 275 (1,039) million. The decrease from prior year was mainly due to significantly lower realised oil and gas prices following global market turmoil. In addition, income was lower due only one lifting at Draugen during the quarter compared to two liftings with larger cargos prior year. Income from Gjøa was lower compared to prior year due to lower sold volumes relating to general field decline as well as a planned shutdown due to tie-in projects.

Other operating income / loss (-) amounted to NOK 16 (-3) million. Net income during the quarter mainly related to tariff income from Gjøa of NOK 13 million and income from joint utilisation of logistics resources of NOK 5 million, partly offset by net loss from realisation of oil put option of NOK -3 million as the oil price

increased during the quarter until realisation date in May. The net loss prior year mainly related to costs and value adjustments of put options for oil.

Production expenses amounted to NOK 186 (186) million, corresponding to NOK 118.1 (102.4) per boe. Produced volumes net to OKEA were 16,047 (20,045) boepd. The reduction in produced volumes was due to general field decline, shut-in of the D2 well and maintenance turnaround at Draugen as well as planned shutdown due to tie-in projects at Gjøa. These effects were partly offset by the high regularity at Draugen.

Changes in over-/underlift positions and production inventory amounted to NOK 155 (-191) million. The increase in oil price during the quarter had a favourable impact on the valuation of over-/underlift and inventory positions as they are recognised at the lower of production cost and market value at balance sheet date. At the end of first quarter this year, inventory was recognised at market value due to the low oil price at balance sheet date. At the end of the current quarter, inventory was recognised at cost. In addition, produced volumes exceeded sold volumes by 1,413 boepd in the quarter while sold volumes exceeded produced volumes by 5,865 boepd in the same quarter prior year.

Exploration expenses amounted to NOK 10 (34) million for the quarter which mainly related to field evaluation activities at Hasselmus in the Draugen licence. Exploration expenses prior year related to seismic costs and other exploration activities.

Total impairments amounted to NOK 298 (43) million and relate to the Yme asset under development of NOK 244 million (pre-tax amount with an offsetting change in deferred tax of NOK 190 million) and technical goodwill on Draugen and Gjøa for a total of NOK 54 million. Impairments recognised in the quarter were primarily driven by the strengthening of NOK against USD, increased capital expenditures estimates for the Yme project and reduced reserve estimates for the P1 project on Gjøa, partly offset by increased forward prices for oil and the favourable impact of the new tax regulations. Impairments prior year related to Gjøa. Reference is made to note 10 for further details.

General and administrative expenses amounted to NOK 23 (35) million and represent OKEA's share of costs after allocation to licence activities. The decrease from prior year was mainly due to cost cutting measures. In addition, second quarter prior year included costs incurred in relation to the Initial Public Offering (IPO).

Net financial items amounted to NOK 92 (-56) million. The financial gain in the quarter was mainly due to strengthening of NOK against USD which led to unrealised currency gain on bond loans of approximately NOK 238 million, partly offset by unrealised currency losses on bank accounts, one-off costs relating to the bond amendment process and interest expenses. Reference is made to note 11 for further information.

Profit / loss (-) before income tax amounted to NOK -187 (310) million for the quarter.

Tax expenses (-) / tax income (+) for the quarter amounted to NOK 205 (-293) million representing an effective tax income rate of 110% (94%). The deviation from the expected 78% was mainly caused by impairments that are not tax deductible and financial items which are tax deductible by approximately 23%. These effects were partly offset by the effect of uplift.

Net profit / loss (-) for the period was NOK 18 (18) million and earnings per share were NOK 0.18 (0.21).

Statement of financial position

Goodwill amounted to NOK 772 (1,430) million. The reduction compared to prior year was due to impairments as further described in note 10.

Right-of-use assets amounted to NOK 131 (181) million at the end of the quarter and mainly related to logistical resources on operated assets. The reduction compared to prior year was due to shorter remaining lifetime of lease contracts. Right-of-use assets are offset by the lease liability (IFRS16).

Total tax refund amounted to NOK 518 (0) million, split into non-current refund from exploration costs of NOK 29 (0) million and refund from current year tax loss of NOK 489 (0) million following the new tax regulations.

Cash and cash equivalents amounted to NOK 917 (1,329) million. The reduction compared to prior year was mainly due to investments made in addition to the final payment of the pro & contra settlement for Draugen and Gjøa in January 2020. These effects were partly offset by proceeds from the share issue in relation to the Initial Public Offering (IPO).

Spare parts, equipment and inventory amounted to NOK 258 (159) million, whereof NOK 166 (38) million related to oil inventory at Draugen.

Equity amounted to NOK 919 (1,755) million at the end of second quarter. The reduction was due to net losses partly offset by the share issue in relation to the IPO.

Provisions for asset retirement obligations amounted to NOK 4,069 (3,917) million. The increase was caused by accretion effects and general updates in assumptions.

Interest-bearing loans and borrowings amounted to NOK 2,821 (2,487) million. The increase mainly related to foreign currency effects as NOK has weakened against USD during the year (NOK 281 million) as well as an increase in the bond redemption price (NOK 28 million) following the amendment of terms executed in June. These effects were partly offset by a partial buy-back of OKEA02 during the first quarter for a nominal amount of NOK 67 million.

The lease liability relating to IFRS 16 is split into a non-current liability of NOK 104 (136) million and a current liability of NOK 27 (46) million and mainly related to logistic resources on operated assets.

Trade and other payables amounted to NOK 900 (945) million and mainly related to working capital from joint licences, trade creditors and prepayments from customers.

Statement of cash flows

Net cash flows from operating activities in the quarter amounted to NOK -3 (616) million. The reduction compared to prior year was mainly due to the lower revenues, payment of the final tax instalment for 2019 and changes in working capital.

Net cash flows from investment activities in the quarter amounted to NOK -256 (-81) million, of which investments in oil & gas properties amounted to NOK -251 (-215) million, mainly relating to the Yme New Development project and the P1 project at Gjøa. Net cash flows from investments prior year included a release of restricted cash of NOK 139 million.

Net cash flows from financing activities in the quarter amounted to NOK -83 (208) million, of which interest paid amounted to NOK -83 (-75) million. During second quarter prior year the company issued shares with net proceeds of NOK 283 million in relation to the IPO.

Operational review

OKEA produced 16,047 (20,045) boepd in the second quarter. The average realised liquid price was USD 24.9 (60.7) per barrel and gas was realised at an average price of USD 0.05 (0.15) per standard cubic metre (scm). The significantly adverse price development relates to the market impact from Covid-19 and the unbalanced supply-demand situation for petroleum products.

Production restriction measures implemented by Government

In an effort to contribute to a faster stabilisation of the oil and gas industry following the demand disruptions caused by Covid-19, the Norwegian Government announced in April its decision to implement production restriction measures for oil production for 2020. For OKEA's portfolio, the main impact relates to the Draugen field, as the Gjøa field (12.00%) is exempted from the production limitations.

Permitted production volumes for Draugen (44.56%) for June and H2-20 have been reduced from a total of 3.63 million bbls to a total of 3.43 million bbls. In order to re-optimize the operation and production at Draugen, the license decided to move the planned maintenance shutdown from September to late June. On this basis, OKEA maintains the production guidance for 2020 of 14,000 – 15,000 boepd on average for the year.

Draugen (Operator, 44.56%)

Net production to OKEA from Draugen was 7,944 (9,241) boepd for the quarter and production regularity was 91 % (86%). Measures have been implemented to manage the risk of Covid-19 infection on the installation by reducing activity level and reprioritising maintenance work and project activities. The production level was stable and above plan during the quarter despite the reduced manning. The reduction in volumes compared to prior year was due to general field decline and start of the planned maintenance turnaround on 23 June. The maintenance turnaround is scheduled to be completed at the end of July.

The D2 well is still shut-in due to a failed downhole safety valve. During the quarter, an attempt to repair the valve failed. OKEA is currently planning for a well intervention campaign to attempt to achieve continued production from the D2 well.

Gjøa (Partner, 12.00%)

Net production to OKEA from Gjøa in the quarter was 7,758 (10,496) boepd and production regularity was as high as 99% (95%). As a risk-reducing measure from Covid-19, the Gjøa operator has reviewed the maintenance turnaround plan with a target to defer non-critical work.

Gjøa was shut-in for two weeks in May due to tie-in work for the Nova project. Gjøa will be compensated for the deferred production when Nova is onstream in 2021. In addition, one of the producing wells at Gjøa was shut-in for the full month of May due to security pre-cautions relating to nearby drilling activities.

The P1 geo-pilot well was completed during the quarter. The drilling required more time than planned due to weather conditions and an additional side-track was required to obtain the required quality of reservoir data for placement of the planned producer wells. The results from the geo-pilot triggered a revision of the development concept for the P1 project which is now targeting one oil producing well and one gas producing well to be drilled. First production from the new wells is scheduled for Q4 2020.

Ivar Aasen (Partner, 0.554%)

Net production to OKEA from Ivar Aasen during the second quarter was 345 (308) boepd. As part of the Covid-19 management, the number of people on board was minimised during the quarter and all non-critical activities were removed or postponed. Planning work for the increased oil recovery campaign for 2020 was completed during the quarter and the associated offshore work is scheduled to commence in September 2020.

Development projects

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

Studies for Carbon Capture and Storage (CCS) has been initiated for the Grevling field development project. 50% of the total study-cost of NOK 4 million will be funded by Gassnova and the study is scheduled for completion in Q4 2020.

Further development of the Grevling / Storskrymten project is subject to results from the drilling of the two exploration wells in PL973 currently planned for the first half of 2021.

Yme (Partner, 15.00%)

Work to upgrade the jack-up rig *Maersk Inspirer* at Aker Solutions Yard in Egersund is ongoing. Mechanical completion and commissioning activities are near complete and onshore completion is expected in Q4 2020.

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

Lack of availability of personnel at the yard due to Covid-19 restrictions has adversely impacted the progress of upgrading the rig. However, the restrictions are being reduced and availability of manning is gradually improving. Due to delayed yard progress, expected start of production has been postponed to the first half of 2021. The delay has resulted in increased capital expenditures partly due to operational expenses classified as capital expenditure during construction.

Yme is expected to add production of 7,500 boepd net to OKEA at plateau.

Exploration licences

The two exploration wells in PL973 (Chrysaor operator, OKEA 30%) are scheduled for the first half of 2021. Well planning has intensified, and conclusion of the rig tender process is scheduled for the third quarter of 2020.

The plans for a Hamlet exploration well in the Gjøa licence (PL153) has been cancelled.

Work programmes for the new licences awarded through the Awards in Predefined Areas ("APA") 2019 round were initiated during the second quarter including planning of an exploration well for the Equinor-operated PL1060 licence scheduled for 2021.

The APA licensing round for 2020 has been announced by the Ministry of Petroleum and Energy with an application deadline in late September 2020. OKEA intends to participate in the licensing round with the target to continue to build the company's portfolio.

PL1003B lapsed and PL910 was surrendered during the quarter.

Health, safety and the environment (HSE)

OKEA continuously works to maintain good HSE results and to improve within HSE. During the second quarter there was no serious incidents nor any recordable injuries in OKEA's operations.

Activities in the second quarter remained influenced by the worldwide Covid-19 pandemic outbreak, which require additional awareness and measures to prevent infection onboard offshore and to ensure that the organisation is prepared in case infection should occur. Safeguarding the health of personnel and securing continuity of operations and activities remain highly prioritised. Measures implemented are in accordance with the recommendations from the Norwegian health authorities and from the Norwegian Oil and Gas Association. The Covid-19 situation has been managed without significant impact on the Draugen operations.

Report for the first half of 2020

	Unit	H1 2020	H1 2019
Total operating income	NOKm	825	1,804
EBITDA	NOKm	523	1,007
Net profit / loss (-)	NOKm	-766	8
Cash flow from operations	NOKm	18	1,110
Cash flow from investments	NOKm	-589	-347
Cash flow from financing activities	NOKm	-175	172

Total operating income amounted to NOK 825 (1,804) million for the first six months of the year. The reduction from prior year was the result of a combination of one less lifting on Draugen and substantially lower oil and gas prices.

Production expenses amounted to NOK 353 (330) million, equivalent to NOK 101.4 (92.2) per barrel of oil equivalent. Production expenses prior year included a deduction of NOK 29 million related to tariff income from Gja, which in 2020 were classified as "other operating income". The increase in production expenses per barrel was mainly due to lower produced volumes resulting from the planned shut-down at Gja due to tie-in projects and the maintenance turnaround at Draugen which commenced in late June.

EBITDA amounted to NOK 523 (1,007) million and net profit/loss (-) after tax was NOK -766 (8). The reduction in EBITDA was mainly due to significantly lower realised oil and gas prices and lower sold volumes. The net loss after tax was additionally impacted by impairments driven by substantially lower oil and gas price forecasts compared to same period prior year.

Cash flow from operations for the period was NOK 18 (1,110) million. The reduction was mainly due to the lower income, to the final payment of the pro & contra settlement for Draugen and Gja in January 2020 and changes in working capital.

Cash flow from investments amounted to NOK -589 (-347) million for the period, mainly related to the Yme new development and the P1 project at Gja.

Cash flow from financing activities was NOK -175 (172) million relating to interest paid and buy-back of OKEA02 bonds of NOK 52 million. Interest paid prior year was offset by net proceeds from share issue in relation to the IPO.

In January 2020, OKEA was awarded five new licences on the Norwegian Continental Shelf in the 2019 APA (Award in Pre-Defined Areas), whereof two as operator. Work programmes for the new licences were initiated during the second quarter including planning of an exploration well for the Equinor-operated PL1060 licence scheduled for drilling in 2021.

Reference is made to the sections "Managing the extraordinary circumstances", "Agreement to amend terms in OKEA02 and OKEA03 reached", and "Temporary changes in tax regulations" which are relevant also for the first half of 2020.

Risks and uncertainties

Investment in OKEA involves risks and uncertainties as described in the company's annual report for 2019. The company's revenues, cash flow, reserve and resource estimates, profitability and rate of growth depend on international and regional prices of oil and gas. Prices for oil and gas may fluctuate significantly based on factors beyond the company's control. The first half was impacted by very low petroleum prices following the Covid-19 pandemic outbreak combined with a supply-demand imbalance.

The company is also exposed to other financial risks as, but not limited to, fluctuations in exchange rates, increased interest rates and capital requirements. Reference is made to note 27 in OKEA's annual report for 2019 for further details on financial risks.

Outlook

OKEA has managed through the turmoil experienced during the first half of the year without disruptions to operations and agreement was reached with the bondholders of OKEA02 and OKEA03 in June which secured financing terms better tailored for the current outlook. Management is very satisfied by the Norwegian Parliament's resolution in June for temporary changes to the petroleum tax system. The structure and terms of the amendments significantly improves the liquidity position of OKEA over the next twelve months.

Jointly, these issues concluded during June, constitute important enablers for the company to reassess plans for the profitable projects which were put on hold earlier this year. The target is to develop a project portfolio for Draugen which increases the resource base and/or reduces production expense. Hasselmus is one such potential project which may contribute to extending the economic lifetime at Draugen.

Preparations for the APA (Award in Predefined Areas) process 2020 is ongoing with a target to further develop the company's asset base. In addition to developing the organic growth potential of OKEA, Management will also continue to seek out new inorganic growth opportunities.



**› Financial
Statements with
notes Q2 and
half year 2020**

Statement of Comprehensive Income

		01.01-30.06		01.01-31.12	
		Q2 2020	Q2 2019	2020	2019
Amounts in NOK '000	Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues from crude oil and gas sales	6	258 997	1 042 370	762 657	1 790 486
YME compensation contract breach	6	-	-	-	22 098
Other operating income / loss (-)	6	15 587	-2 892	62 698	-8 877
Total operating income		274 584	1 039 479	825 354	1 803 707
Production expenses		-185 789	-185 938	-352 652	-330 045
Changes in over/underlift positions and production inventory		155 399	-191 284	121 905	-355 870
Exploration expenses		-10 452	-33 825	-37 892	-46 227
Depreciation, depletion and amortization	8	-192 033	-184 170	-373 655	-364 381
Impairment	8, 9, 10	-297 969	-43 010	-931 689	-96 658
General and administrative expenses		-23 321	-34 708	-34 147	-64 859
Total operating expenses		-554 165	-672 936	-1 608 129	-1 258 039
Profit / loss (-) from operating activities		-279 581	366 543	-782 775	545 668
Finance income	11	19 620	25 269	56 718	50 315
Finance costs	11	-104 115	-94 293	-181 922	-184 131
Net exchange rate gain/loss (-)	11	176 936	13 166	-205 429	41 013
Net financial items		92 441	-55 858	-330 632	-92 802
Profit / loss (-) before income tax		-187 140	310 684	-1 113 408	452 866
Taxes (-) / tax income (+)	7	205 466	-293 121	347 003	-444 577
Net profit / loss (-)		18 326	17 564	-766 404	8 289
Other comprehensive income, net of tax:					
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>					
Remeasurements pensions, actuarial gain/loss (-)		-	-	-	418
Total other comprehensive income, net of tax		-	-	-	418
Total comprehensive income / loss (-)		18 326	17 564	-766 404	8 289
Weighted average no. of shares outstanding basic		102 502 650	85 009 436	102 285 760	83 614 716
Weighted average no. of shares outstanding diluted		103 737 650	93 202 430	102 285 760	92 383 097
Earnings per share (NOK per share) - Basic		0,18	0,21	-7,49	0,10
Earnings per share (NOK per share) - Diluted		0,18	0,19	-7,49	0,09

Statement of Financial Position

Amounts in NOK '000	Note	30.06.2020 (unaudited)	30.06.2019 (unaudited)	31.12.2019 (audited)
ASSETS				
Non-current assets				
Goodwill	9, 10	772 487	1 429 711	1 425 568
Exploration and evaluation assets		20 845	11 389	15 927
Oil and gas properties	8	3 858 844	3 804 929	3 885 889
Buildings	8	85 563	90 188	87 875
Furniture, fixtures and office equipment	8	10 524	9 128	11 250
Right-of-use assets	3, 8	130 819	181 333	163 398
Tax refund, non-current	7	28 544	-	-
Other non-current assets	12	3 011 388	2 803 665	2 968 502
Total non-current assets		7 919 014	8 330 344	8 558 409
Current assets				
Trade and other receivables	14	465 776	755 983	621 913
Spareparts, equipment and inventory	17	258 207	158 803	142 291
Tax refund, current	7	489 373	-	-
Restricted cash		-	2 792	-
Cash and cash equivalents	15	916 958	1 329 263	1 663 478
Total current assets		2 130 314	2 246 841	2 427 682
TOTAL ASSETS		10 049 328	10 577 185	10 986 091
EQUITY AND LIABILITIES				
Equity				
Share capital	13	10 250	10 184	10 206
Share premium		1 912 462	1 912 195	1 912 462
Other paid in capital		10 537	2 152	6 855
Accumulated loss		-1 014 498	-169 092	-248 094
Total equity		918 751	1 755 439	1 681 430
Non-current liabilities				
Asset retirement obligations	16	4 069 235	3 916 736	4 024 420
Pension liabilities	3	28 326	-	26 857
Lease liability	3, 20	104 052	135 864	117 996
Deferred tax liabilities	7	1 001 330	695 385	830 417
Interest-bearing loans and borrowings	19	2 820 699	2 486 978	2 556 570
Total non-current liabilities		8 023 642	7 234 962	7 556 259
Current liabilities				
Trade and other payables	18	899 889	945 354	1 371 587
Income tax payable	7	145 704	569 134	294 704
Lease liability - current	3, 20	26 752	45 544	45 544
Public duties payable		34 589	23 205	32 798
Provisions, current		-	3 546	3 769
Total current liabilities		1 106 934	1 586 784	1 748 402
Total liabilities		9 130 576	8 821 746	9 304 661
TOTAL EQUITY AND LIABILITIES		10 049 328	10 577 185	10 986 091

Statement of Changes in Equity

Amounts in NOK `000	Share capital	Share premium	Other paid in capital	Accumulated loss	Total equity
Equity at 1 January 2019	8 220	1 624 104	1 361	-177 381	1 456 304
Total comprehensive income/loss (-) for the period				8 289	8 289
Share issues, cash	1 963	288 091			290 054
Share based payment			792		792
Equity at 30 June 2019	10 184	1 912 195	2 152	-169 092	1 755 439
Equity at 1 July 2019	10 184	1 912 195	2 152	-169 092	1 755 439
Total comprehensive income/loss (-) for the period				-79 001	-79 001
Share issues, cash	23	267			289
Share based payment			4 703		4 703
Equity at 31 December 2019	10 206	1 912 462	6 855	-248 094	1 681 430
Equity at 1 January 2020	10 206	1 912 462	6 855	-248 094	1 681 430
Total comprehensive income/loss (-) for the period				-766 404	-766 404
Share issues, cash	44				44
Share based payment			3 682		3 682
Equity at 30 June 2020	10 250	1 912 462	10 537	-1 014 498	918 751

Statement of Cash Flows

		01.01-30.06		01.01-31.12	
		Q2 2020	Q2 2019	2020	2019
Amounts in NOK `000	Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flow from operating activities					
Profit / loss (-) before income tax		-187 140	310 684	-1 113 408	452 866
Income tax paid/received	7	-99 333	1 592	-149 000	1 592
Depreciation, depletion and amortization	8	192 033	184 170	373 655	364 381
Impairment	8, 9, 10	297 969	43 010	931 689	96 658
Accretion asset retirement obligations	11	779	4 022	1 557	7 999
Gain from sales of licenses	6	-	-	-	-
Interest expense	11	111 111	55 542	183 372	109 960
Loss on financial assets		-	-	10 615	-
Change in trade and other receivables, and inventory		4 808	154 289	3 710	312 873
Change in trade and other payables		-74 407	-113 989	-468 991	-186 147
Change in foreign exchange bond loans and other non-current items		-249 039	-23 021	244 715	-49 859
Net cash flow from / used in (-) operating activities		-3 220	616 299	17 915	1 110 323
Cash flow from investment activities					
Investment in exploration and evaluation assets		-3 192	-2 070	-4 919	-5 658
Business combination, cash paid		-	-	-	-
Investment in oil and gas properties		-251 430	-215 241	-572 007	-380 084
Investment in furniture, fixtures and office machines		-1 541	-3 077	-1 792	-7 183
Net investment in (-)/release of restricted cash		-	139 331	-	45 535
Investment in financial assets		-	-	-10 615	-
Proceeds from sales of licenses		-	-	-	18 716
Net cash flow from / used in (-) investment activities		-256 163	-81 057	-589 333	-347 389
Cash flow from financing activities					
Net proceeds from borrowings, bond loan		-	-	-	-
Repayment/buy-back of borrowings, bond loan		-	-	-51 690	-
Interest paid		-82 997	-74 816	-123 455	-111 229
Net proceeds from share issues		0	282 888	44	282 888
Net cash flow from / used in (-) financing activities		-82 997	208 071	-175 102	171 658
Net increase/ decrease (-) in cash and cash equivalents		-342 381	743 314	-746 520	934 593
Cash and cash equivalents at the beginning of the period		1 259 339	585 949	1 663 478	394 670
Cash and cash equivalents at the end of the period		916 958	1 329 263	916 958	1 329 263
Restricted cash at the end of the period		0	2 792	0	2 792
Restricted and unrestricted cash at the end of the period		916 958	1 332 055	916 958	1 332 055

Notes to the interim financial statements

Note 1 General and corporate information

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

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

Note 2 Basis of preparation

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

The interim financial statements were authorised for issue by the company's Board of Directors on 13 July 2020.

Note 3 Accounting policies

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

Note 4 Critical accounting estimates and judgements

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

Note 5 Business segments

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

Note 6 Income

Breakdown of petroleum revenues

Amounts in NOK '000	Q2 2020	Q2 2019	01.01-30.06		01.01-31.12
			2020	2019	2019
Sale of liquids	230 143	930 937	648 659	1 501 098	2 486 165
Sale of gas	28 854	111 433	113 997	289 388	449 470
Total petroleum revenues	258 997	1 042 370	762 657	1 790 486	2 935 635
Sale of liquids (boe*)	946 957	1 772 730	1 854 479	3 031 989	5 024 339
Sale of gas (boe)	384 719	527 147	915 915	1 112 101	2 086 178
Total Sale of petroleum in boe	1 331 676	2 299 877	2 770 394	4 144 090	7 110 517

*Barrels of oil equivalents

Other operating income

Yme compensation contract breach	-	-	-	22 098	22 098
Gain / loss (-) from put options, oil	-3 254	-2 892	27 632	-8 877	-14 819
Tariff income Gjøl	13 315	-	28 496	-	56 681
Sale of licenses	-	-	-	-	19 971
Joint utilisation of logistics resources	5 526	-	6 569	-	-
Total other operating income/loss (-)	15 587	-2 892	62 698	13 221	83 931

Note 7 Taxes

Income taxes recognised in the income statement

Amounts in NOK `000	Q2 2020	Q2 2019	01.01-30.06		01.01-31.12
			2020	2019	2019
Change in deferred taxes current year	-312 451	15 868	-170 914	-24 997	-72 117
Taxes payable current year	-	-310 581	-	-421 172	-430 778
Tax payable adjustment previous year	-	-	-	-	117 251
Tax refund current year	517 917	-	517 917	-	-
Change in deferred taxes previous year	-	-	-	-	-106 476
Tax refund adjustment previous year	-	1 592	-	1 592	1 592
Total taxes (-) / tax income (+) recognised in the income statement	205 466	-293 121	347 003	-444 577	-490 527

Reconciliation of income taxes

Amounts in NOK `000	Q2 2020	Q2 2019	01.01-30.06		01.01-31.12
			2020	2019	2019
Profit / loss (-) before income taxes	-187 140	310 684	-1 113 408	452 866	419 396
Expected income tax at nominal tax rate, 22%	41 171	-68 351	244 950	-99 630	-92 267
Expected petroleum tax, 56%	104 798	-173 983	623 508	-253 605	-234 862
Permanent differences, including impairment of goodwill	-42 317	-31 830	-511 376	-71 970	-61 583
Effect of uplift	87 231	6 942	102 299	13 257	47 993
Financial and onshore items	14 583	-27 492	-112 378	-34 221	-162 177
Effect of new tax rates	-	-	-	-	-
Change valuation allowance	-	-	-	-	-
Adjustments previous year and other	-	1 592	-	1 592	12 368
Total income taxes recognised in the income statement	205 466	-293 121	347 003	-444 577	-490 527
Effective income tax rate	110 %	94 %	31 %	98 %	117 %

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

Amounts in NOK `000	30.06.2020	30.06.2019	31.12.2019
Tangible and intangible non-current assets	-1 991 045	-1 835 460	-1 945 367
Provisions (net ARO), lease liability, pensions and gain/loss account	1 148 657	1 164 430	1 163 869
Interest-bearing loans and borrowings	-6 987	-27 750	-14 661
Current items (spareparts and inventory)	-159 869	-25 920	-47 346
Tax losses carried forward, onshore 22%	1 190	679	1 190
Tax losses carried forward, offshore 22%	-	-	-
Tax losses carried forward, offshore 56%	-	-	-
Uplift, offshore 56%	6 723	28 637	11 898
Valuation allowance (uncapitalised deferred tax asset)	-	-	-
Total deferred tax assets / liabilities (-) recognised	-1 001 330	-695 385	-830 417

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

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

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

Specification of tax refund

Amounts in NOK `000	30.06.2020	30.06.2019	31.12.2019
Tax refund, non-current	28 544	-	-
Tax refund, current	489 373	-	-
Total tax refund	517 917	-	-

Non-current tax refund is the tax value of exploration expenditures, which is paid in November the following year due to pledged terms under OKEA03.

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

Specifiaction of tax payable

Amounts in NOK `000	Total
Tax payable at 1 January 2020	294 704
Tax instalment paid	-49 667
Tax payable at 31 March 2020	245 037
Tax payable at 1 April 2020	245 037
Tax instalments paid	-99 333
Tax payable at 30 June 2020	145 704

Note 8 Tangible assets and right-of-use assets

Amounts in NOK '000	Oil and gas properties in production	Oil and gas properties under development	Buildings	Furniture, fixtures and office machines	Right-of-use assets	Total
Cost at 1 January 2020	3 176 835	1 505 913	92 501	15 056	199 051	4 989 357
Additions	144 067	176 511	-	251	-	320 829
Reclassification from inventory	36 511	-	-	-	-	36 511
Removal and decommissioning asset	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Cost at 31 March 2020	3 357 413	1 682 424	92 501	15 308	199 051	5 346 697
Accumulated depreciation and impairment at 1 January 2020	-796 860	-	-4 625	-3 806	-35 653	-840 944
Depreciation	-169 557	-	-1 156	-1 235	-9 674	-181 622
Impairment	-	-35 060	-	-	-	-35 060
Disposals	-	-	-	-	-	-
Additional depreciation of IFRS 16 Right-of-use assets presented gross related to leasing contracts entered into as licence operator	-	-	-	-	-11 289	-11 289
Accumulated depreciation and impairment at 31 March 2020	-966 416	-35 060	-5 781	-5 041	-56 617	-1 068 915
Carrying amount at 31 March 2020	2 390 997	1 647 364	86 719	10 267	142 435	4 277 781
Cost at 1 April 2020	3 357 414	1 682 424	92 501	15 308	199 051	5 346 697
Additions	127 381	123 678	-	1 541	-	252 599
Reclassification from inventory	-	-	-	-	-	-
Removal and decommissioning asset	372					372
Disposals					-8 746	-8 746
Cost at 30 June 2020	3 485 166	1 806 101	92 501	16 849	190 306	5 590 923
Accumulated depreciation and impairment at 1 April 2020	-966 416	-35 060	-5 781	-5 041	-56 617	-1 068 915
Depreciation	-187 399	-	-1 156	-1 284	-2 194	-192 033
Impairment	-	-243 548	-	-	-	-243 548
Disposals					1 982	1 982
Additional depreciation of IFRS 16 Right-of-use assets presented gross related to leasing contracts entered into as licence operator					-2 659	-2 659
Accumulated depreciation and impairment at 30 June 2020	-1 153 815	-278 607	-6 938	-6 325	-59 487	-1 505 172
Carrying amount at 30 June 2020	2 331 351	1 527 494	85 563	10 524	130 819	4 085 751

Note 9 Goodwill

Amounts in NOK `000	Technical goodwill	Ordinary goodwill	Total goodwill
Cost at 1 January 2020	1 114 547	416 415	1 530 962
Additions through business combination	-	-	-
Cost at 31 March 2020	1 114 547	416 415	1 530 962
Accumulated impairment at 1 January 2020	-105 394	-	-105 394
Impairment	-352 735	-245 925	-598 660
Accumulated impairment at 31 March 2020	-458 130	-245 925	-704 054
Carrying amount at 31 March 2020	656 417	170 491	826 908
Cost at 1 April 2020	1 114 547	416 415	1 530 962
Additions through business combination	-	-	-
Cost at 30 June 2020	1 114 547	416 415	1 530 962
Accumulated impairment at 1 April 2020	-458 130	-245 925	-704 054
Impairment	-54 421	-	-54 421
Accumulated impairment at 30 June 2020	-512 551	-245 925	-758 475
Carrying amount at 30 June 2020	601 996	170 491	772 487

Note 10 Impairment

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

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

Below is an overview of the key assumptions applied in the impairment test as of 30 June 2020:

Year	Oil USD/BOE*	Gas GBP/therm*	Currency rates USD/NOK
2020	40,9	0,23	9,7
2021	41,9	0,33	9,7
2022	43,0	0,37	9,7
2023	49,4	0,41	9,3
2024	59,0	0,41	8,5
From 2025	65,0	0,43	8,0

* Prices in real terms

Other assumptions

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

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

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

Impairment testing of technical goodwill, ordinary goodwill and fixed assets

Based on the impairment test, NOK 298 million in impairment charge was recognised in the second quarter of 2020 and relate to Yme asset under development with NOK 244 million with offsetting change in deferred tax of NOK 190 million and technical goodwill on Draugen and Gjøa with NOK 54 million. Impairments recognised in Q2 2020 were primarily driven by strengthening of NOK against USD, increased capital expenditures estimates for the Yme project and reduced reserve estimates for the P1 project on Gjøa, partly offset by increased forward prices for oil and a favourable impact of the new tax regulations.

Sensitivity analysis

The table below shows what impairment would have been in Q2 2020 changing various assumptions, based on all other assumptions remaining constant. The total figures shown are combined impairment for CGUs Gjøa, Draugen, Ivar Aasen and Yme.

Assumptions	Change	Alternative calculations of impairment in Q2 2020 (NOK '000)	
		Increase in assumption	Decrease in assumption
Oil and gas price	+/- 10%	-	970 834
Currency rate USD/NOK	+/- 1.0 NOK	-	925 598
Discount rate	+/- 1% point	454 807	167 236
Inflation rate	+/- 1% point	197 999	417 981

Note 11 Financial items

Amounts in NOK `000	Q2 2020	Q2 2019	01.01-30.06		01.01-31.12
			2020	2019	2019
Interest income	271	555	2 703	887	5 037
Unwinding of discount asset retirement receivable (indemnification asset)	19 349	24 714	38 698	49 428	98 856
Gain on buy-back bond loan	-	-	15 318	-	-
Finance income	19 620	25 269	56 718	50 315	103 893
Interest expense and fees to bondholders*	-111 111	-60 315	-183 372	-119 408	-297 882
Capitalised borrowing cost, development projects	29 352	-	56 459	-	-
Interest expense shareholder loan	-	-	-	-	-116
Other interest expense	-235	-740	-785	-829	-12 300
Unwinding of discount asset retirement obligation	-20 127	-28 736	-40 255	-57 427	-114 944
Other financial expense	-1 993	-4 501	-13 969	-6 466	-19 639
Finance costs	-104 115	-94 293	-181 922	-184 131	-444 880
Put/call options, foreign exchange**	-	3 361	-	6 875	-42 171
Exchange rate gain/loss (-), bond loans	223 289	23 670	-295 153	51 060	-3 396
Net exchange rate gain/loss (-), other	-46 353	-13 864	89 725	-16 922	-21 210
Net exchange rate gain/loss (-)	176 936	13 166	-205 429	41 013	-66 777
Net financial items	92 441	-55 858	-330 632	-92 802	-407 764

*Interest expense bond loans in Q2 2020 includes waiver fees and costs related to increased redemption prices at maturity to 101% for OKEA02 and OKEA03, see note 19 for further information.

**Refer to note 21 for more information about derivatives.

Note 12 Other non-current assets

Amounts in NOK `000	
Other non-current assets at 1 January 2020 (Indemnification asset)	2 968 502
Changes in estimates	4 188
Effect of change in the discount rate	-
Unwinding of discount	38 698
Total other non-current assets at 30 June 2020	3 011 388

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

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

The net present value of the receivable is calculated using a discount rate of 2.6% and recognised in the financial statements.

Note 13 Share capital

Number of shares	Ordinary shares
Outstanding shares at 1.1.2020	102 064 050
New shares issued during 2020	438 600
Number of outstanding shares at 30 June 2020	102 502 650
Nominal value NOK per share at 30 June 2020	0,1
Share capital NOK at 30 June 2020	10 250 265

As per 30 June 2020 1,235,000 equity-settled warrants are still outstanding. See note 10 to the 2019 Annual Statements for further description.

Note 14 Trade and other receivables

Amounts in NOK `000	30.06.2020	30.06.2019	31.12.2019
Accounts receivable and receivables from operated licences	37 775	103 698	254 626
Accrued revenue	38 291	279 317	73 211
Prepayments	26 490	33 701	9 883
Working capital and overcall, joint operations/licences	121 035	90 311	17 249
Underlift of petroleum products	241 102	193 785	262 095
VAT receivable	1 082	14 098	4 063
Other short term receivables	-	40 377	-
Fair value put options, oil	-	698	786
Total trade and other receivables	465 776	755 983	621 913

Note 15 Cash and cash equivalents

Cash and cash equivalents:

Amounts in NOK `000	30.06.2020	30.06.2019	31.12.2019
Bank deposits, unrestricted	903 477	1 315 440	1 647 436
Bank deposit, employee taxes	13 481	13 823	16 041
Total cash and cash equivalents	916 958	1 329 263	1 663 478

Note 16 Asset retirement obligations

Amounts in NOK `000	Total non-current
Provision at 1 January 2019	3 859 308
Additions and adjustments	-
Changes in estimates	-536 803
Effects of change in the discount rate	586 971
Unwinding of discount	114 944
Total provisions at 31 December 2019	4 024 420
Provision at 1 January 2020	4 024 420
Additions and adjustments	-
Changes in estimates	4 560
Effects of change in the discount rate	-
Unwinding of discount	40 255
Total provisions at 30 June 2020	4 069 235

Asset retirement obligations

Provisions for asset retirement obligations represent the future expected costs for close-down and removal of oil equipment and production facilities. The provision is based on the company's best estimate. The net present value of the estimated obligation is calculated using a discount rate of 2%. The assumptions are based on the economic environment around the balance sheet date. Actual asset retirement costs will ultimately depend upon future market prices for the necessary works which will reflect market conditions at the relevant time. Furthermore, the timing of the close-down is likely to depend on when the field ceases to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

For recovery of costs of decommissioning related to assets acquired from Shell, see note 12.

Note 17 Spareparts, equipment and inventory

Amounts in NOK `000	30.06.2020	30.06.2019	31.12.2019
Inventory of petroleum products	165 807	37 620	22 909
Spare parts and equipment	92 400	121 183	119 381
Total spareparts, equipment and inventory	258 207	158 803	142 291

Note 18 Trade and other payables

Amounts in NOK `000	30.06.2020	30.06.2019	31.12.2019
Trade creditors	19 208	53 812	339 909
Accrued holiday pay and other employee benefits	45 051	57 972	69 294
Working capital, joint operations/licences	447 422	451 455	613 329
Accrued interest bond loans	5 116	9 647	6 120
Accrued consideration from acquisitions of interests in licenses	-	164 782	-0
Prepayments from customers	279 636	91 309	174 324
Fair value put options, foreign exchange	-	8 689	-
Loan from shareholder OKEA Holdings Ltd	1 257	1 141	1 257
Other accrued expenses	102 201	106 548	167 354
Total trade and other payables	899 889	945 354	1 371 587

Note 19 Interest-bearing loans and borrowings

Amounts in NOK `000	OKEA02	OKEA03	Total
Bond loans at 1 January 2020	1 540 153	1 016 417	2 556 570
Amortisation of transaction costs	4 938	2 672	7 610
Buy-back OKEA02	-67 008	-	-67 008
Increased redemption price at maturity to 101%	16 781	11 593	28 374
Foreign exchange movement	179 337	115 817	295 153
Bond loans at 30 June 2020	1 674 200	1 146 499	2 820 699

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

The company's proposed amendments to the bond agreements for OKEA02 and OKEA03 were adopted in bondholder meetings on 29 June 2020. The amendments secure financing terms better tailored for the current outlook

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

Leverage Ratio covenant:

Shall not exceed:

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

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

Capital Employment Ratio covenant:

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

Other terms:

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

Fees related to the waiver process to bondholders and advisors have been expensed as finance cost in Q2 2020.

Note 20 Leasing

The Company has entered into operating leases for office facilities. In addition, the Company has entered into operating leases as an operator of the Draugen field for logistic resources such as platform supply vessel with associated ROV, base and spare part warehouse.

Amounts in NOK `000

Lease debt 1 January 2020	163 540
Additions lease contracts	
Accretion lease liability	4 673
Payments of lease debt	-37 409
Total lease debt at 30 June 2020	130 804

Break down of lease debt

Short-term	26 752
Long-term	104 052
Total lease debt	130 804

Future minimum lease payments under non-cancellable lease agreements

Amounts in NOK `000	30.06.2020
Within 1 year	26 752
1 to 5 years	104 707
After 5 years	53 918
Total	185 376

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

Note 21 Derivatives

Amounts in NOK `000	30.06.2020	30.06.2019	31.12.2019
Premium commodity contracts	-	3 390	4 785
Unrealised gain/loss (-) commodity contracts	-	-2 692	-4 000
Short-term derivatives included in assets	-	698	786
Premium currency contracts	-	-	-
Unrealised gain/loss (-) currency contracts	-	-8 689	-
Short-term derivatives included in assets/liabilities (-)	-	-8 689	-

Note 22 Fair value of financial instruments

It is assessed that the carrying amounts of financial assets and liabilities, except for interest-bearing loans and borrowings, is approximately equal to its fair values. For interest-bearing loans and borrowings, the fair value is estimated to be NOK 2 531 132 thousand at 30 June 2020. The OKEA02 and OKEA03 bond loans are listed on the Oslo Stock Exchange and the fair value is based on the latest quoted market prices (level 1 in the fair value hierarchy according to IFRS 13).

Note 23 Events after the balance sheet date

There are no subsequent events with significant accounting impacts that have occurred between the end of the reporting period and the date of this report that are not already reflected or disclosed in these financial statements.

Reconciliations of Alternative Performance Measures

	01.01-30.06		01.01-31.12		
EBITDA	Q2 2020	Q2 2019	2020	2019	2019
Amounts in NOK `000	3 months	3 months	6 months	6 months	12 months
Profit / loss (-) from operating activities	-279 581	366 543	-782 775	545 668	827 160
Add: depreciation, depletion and amortization	192 033	184 170	373 655	364 381	703 883
Add: impairment	297 969	43 010	931 689	96 658	105 394
EBITDA	210 421	593 723	522 568	1 006 707	1 636 437

	01.01-30.06		01.01-31.12		
EBITDAX	Q2 2020	Q2 2019	2020	2019	2019
Amounts in NOK `000	3 months	3 months	6 months	6 months	12 months
Profit / loss (-) from operating activities	-279 581	366 543	-782 775	545 668	827 160
Add: depreciation, depletion and amortization	192 033	184 170	373 655	364 381	703 883
Add: impairment	297 969	43 010	931 689	96 658	105 394
Add: exploration expenses	10 452	33 825	37 892	46 227	299 446
EBITDAX	220 872	627 548	560 461	1 052 934	1 935 883

	01.01-30.06		01.01-31.12		
Production expense per boe	Q2 2020	Q2 2019	2020	2019	2019
Amounts in NOK `000	3 months	3 months	6 months	6 months	12 months
Productions expense	185 789	185 938	352 652	330 045	708 649
Minus: tariff income	-13 315	-	-28 496	-	-56 681
Divided by: produced volumes (boe)	1 460 264	1 815 095	3 198 281	3 579 661	6 811 995
Production expense NOK per boe	118,1	102,4	101,4	92,2	95,7

	01.01-30.06		01.01-31.12		
Profit/loss (-) before tax per share	Q2 2020	Q2 2019	2020	2019	2019
Amounts in NOK `000	3 months	3 months	6 months	6 months	12 months
Profit / loss (-) before income tax	-187 140	310 684	-1 113 408	452 866	419 396
Divided by: weigh. average no. of shares	102 502 650	85 009 436	102 285 760	83 614 716	92 848 011
Result before tax per share (NOK per share)	-1,83	3,65	-10,89	5,42	4,52

	01.01-30.06		01.01-31.12		
Earnings per share	Q2 2020	Q2 2019	2020	2019	2019
Amounts in NOK `000	3 months	3 months	6 months	6 months	12 months
Net profit / loss (-) attributable to ordinary shares	18 326	17 564	-766 404	8 289	-71 131
Divided by: weigh. ave. no. of shares - Basic	102 502 650	85 009 436	102 285 760	83 614 716	92 848 011
or.div. by: weigh. average no. of shares - Diluted	103 737 650	93 202 430	102 285 760	92 383 097	92 848 011
Earnings per share (NOK per share) - Basic	0,18	0,21	-7,49	0,10	-0,77
Earnings per share (NOK per share) - Diluted	0,18	0,19	-7,49	0,09	-0,77

Net interest-bearing debt	30.06.2020	30.06.2019	31.12.2019
Amounts in NOK `000			
Interest-bearing loans and borrowings	2 820 699	2 486 978	2 556 570
Minus: Cash and cash equivalents	916 958	1 329 263	1 663 478
Net interest-bearing debt	1 903 741	1 157 715	893 092

Definitions of Alternative Performance Measures

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

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

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

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

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

Statement from the Board of Directors and CEO

We hereby confirm, to the best of our knowledge, that the unaudited interim financial statement for the period 1 January to 30 June 2020 of OKEA ASA have been prepared in accordance with IAS 34 Interim Financial Reporting and that the information presented gives a true and fair view of the company's assets, liabilities, financial position and results for the period viewed in their entirety and that the half year report gives a fair view of the information as described in the Securities Trading Act §5-6 fourth paragraph.

The Board of Directors of OKEA ASA
Trondheim, 13 July 2020

Chaiwat Kovavisarach
Chairman of the Board

Nicola Carol Gordon
Board Member

Anne Lene Rømuld
Board Member

Paul Anthony Murray
Board Member

Finn Haugan
Board Member

Prisana Praharnkhasuk
Board Member

Jan Atle Johansen
Board Member

Ragnhild Aas
Board Member

Liv Monica Bargem Stubholt
Board Member

Rune Olav Pedersen
Board Member

Michael William Fischer
Board Member

Erik Haugane
CEO



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

OKEA ASA

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