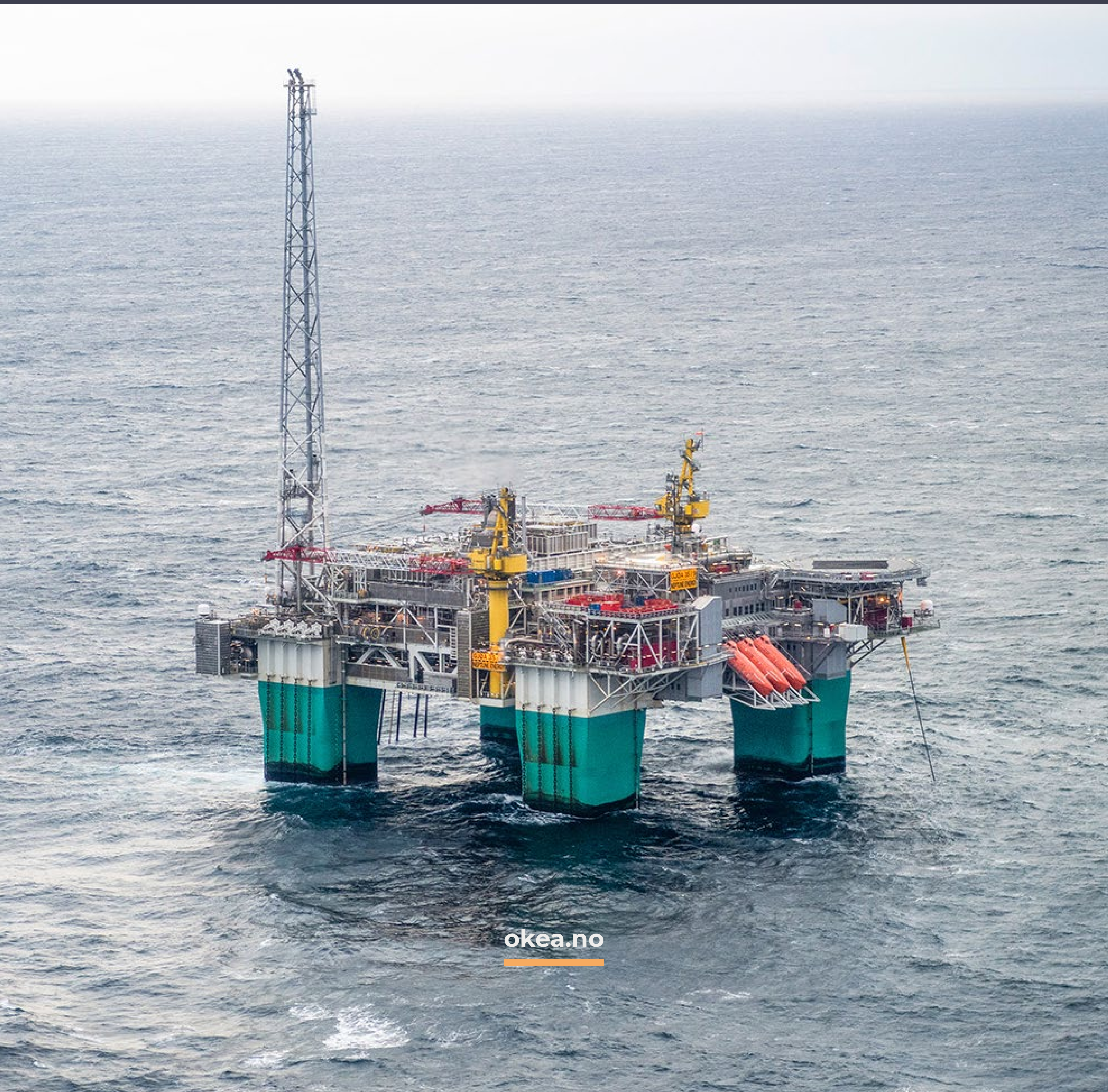
2019Q1

Quarterly Report



First quarter 2019 summary

Highlights

- OKEA reported total operating income of NOK 764 (2) million.
- Profit from operating activities of NOK 175 (-18) million for the first quarter 2019.
- Net profit / loss (-) was NOK 3 (0) million.
- The Gjøa license operator, Neptune Energy Norge, submitted development plans for the P1 project. Estimated overall capital expenditure of the Project is NOK 4 732 million, whereas OKEAs part (12%) is NOK 568 million.
- OKEA was awarded four new licenses on the NCS under the Award in Pre-Defined Areas (APA) for 2018, whereof three of them as operator.
- OKEA AS has in the quarter farmed into a 50% working interest and operatorship on PL958. PL958 is located 10 km east of the Draugen Field, where OKEA is operator, and east of PL1001 where OKEA is partner. The acreage is in the exploration phase.

(All amounts in brackets refer to corresponding period previous year)

Financial and operational summary

	Unit	Q1 2019	Q1 2018	Full year 2018
Revenue from crude oil and gas sales	NOKm	748	2	150
EBITDA [1]	NOKm	413	-13	149
Net profit / loss (-)	NOKm	3	0	-156
Cash flow from operations	NOKm	494	-14	235
Cash flow from investments	NOKm	-266	2	-2,257
Draugen	Boepd [2]	8,637	N/A	10,898
Gjøa	Boepd [2]	10,488	N/A	11,108
Ivar Aasen	Boepd [2]	373	369	363
Total net production	**Boepd [2]**	**19,498**	**369**	**22,369**
Production expense per boe [3]	NOK/boe	82.1	72.0	118.7
Realized Liquids price	USD/boe	56.2	46.6	67.8
Realized Gas price	USD/scm	0.24	0.23	0.29

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

2) Boepd is defined as barrels of oil equivalents per day (Full year 2018 for Draugen and Gjøa includes December figures only)

3) Production expense per boe is production expense based on produced volumes divided by number of barrels of oil equivalents produced in the corresponding period

Financial review

Statement of Comprehensive Income

(All amounts in brackets refer to corresponding period previous year)

Q1 2019 is the first quarter that includes activities from Draugen and Gjøa for a full quarter, and all the financial statement line items on operating income and expenses are largely influenced by this fact.

Total operating income for Q1 2019 amounted to NOK 764 (2) million. The accounting principle for over- and underlift was changed in the first quarter 2019 to the traditional Sales Method. Under the new accounting principle, over- and underlift are measured at production cost (including depreciation) and presented as part of "Total operating expenses" under "Changes in over/underlift positions and production inventory". Changes in other operating income was previously reported as part of "Total operating income". This principle represents the traditional Sales Method. This change will result in more volatile results in the various quarters, especially on Draugen due to few liftings. In addition, the Company has reclassified change in inventory of petroleum production, see note 16, from production expenses to "Change in over/underlift positions and production inventory". Figures in comparative periods have been restated. See further details in Note 3 to the interim financial statements.

Other operating income / loss (-) amounted to NOK -6 (0) million related to costs and value adjustments of oil options.

An amount of NOK 22 (0) million was recognised as income on YME compensation for contract breach during Q1 2019 when the partners agreed with the counterparty on the final amount of expense and legal costs to be deducted from the compensation previously recognised in 2018.

Exploration expenses amounted to NOK -12 (-11) million in the quarter, reflecting the activities in the exploration phase, mainly related to field evaluations on Grevling.

Production expenses were NOK 144 (2) million, equating to 82 (72) NOK/ boe.

Impairments amounted to NOK 36 million and is related to technical goodwill as described in note 9.

Employee benefit expenses were NOK 9 (11) million and Other operating expenses amounted to NOK 21 (4) million and both represent OKEA's share of costs after allocations to license activities.

Net profit for the period was NOK 3 (0) million after net financial expenses of NOK 37 (-5) million and tax expenses of NOK 135 (-13) million. The effective tax rate was 98% (96%). The high tax rate in Q1 2019 was caused by impairment of technical goodwill which does not carry deferred tax and effect of financial items which is taxed at a lower rate than 78%. The effect of uplift resulted in an offsetting effect in Q1 2019. In Q1 2018 the high tax rate was mainly due to the effect of uplift.

Statement of financial position

(All amounts in brackets refer to 31 December 2018)

At the end of first quarter 2019, total assets amounted to NOK 10 301 (10 022) million. The significant increase since the first quarter 2018 is due to the acquisition of the interests in the Draugen and Gjøa assets, as well as investments in the Yme New Development project.

Goodwill amounted to NOK 1 436 (1 472) million and the reduction is caused by impairment of technical goodwill as described in note 9.

Right-of-use assets were recognised for the first time this quarter caused by implementation of IFRS 16, at a net value of NOK 190 million and the corresponding Lease liability under non-current liabilities and current liabilities amounted to NOK 190 million. See further details in Note 3 to the interim financial statements.

Cash and cash equivalents amounted to NOK 586 (395) million. Restricted cash was NOK 142 million and was related to the bond loans as described in the Annual Report 2018. The amount of restricted cash in the first quarter of 2018 was NOK 860 million and relates mainly to proceeds from bond loan to finance YME development.

Spare parts, equipment and inventory amounted to NOK 228 (316) million and the reduction was mainly caused by realization of oil inventory at Draugen in the first quarter that was acquired and measured at fair market value as part of the Shell transaction in 2018.

Provisions for asset retirement obligations amounted to NOK 3 888 (3 859) million increased due to unwinding of discount.

Interest-bearing loans and borrowings were NOK 2 506 (2 529) million and decreased due to movement in the USD/NOK exchange rate.

Lease liability effect from application of the new accounting standard on Leasing, IFRS 16 is split into non-current and current liability NOK 144 (0) million and NOK 46 (0) million, respectively.

Trade and other payables amounted to NOK 1 086 (1 145) million decreased mainly because of reduction in accrued consideration from acquisitions of interests in licenses and other accrued expenses as shown in note 17.

Statement of Cash flows

(All amounts in brackets refer to corresponding period previous year)

Net cash flows from operating activities was NOK 494 (-14) million. The change was mainly caused by the acquired assets Draugen and Gjøa which OKEA had for the first full quarter.

Net cash flows from investment activities was NOK -266 (2) million, of which investments in Oil & Gas Properties amounted to NOK -165 (-46) million for the quarter, mainly related to the Yme New Development and the modification project on Draugen.

Net cash flow from financing activities totalled NOK -36 (104) million, reflecting interest paid in Q1 2019 and net proceeds from share issues in Q1 2018.

Operational review

OKEA produced 1.8 (0.33) mmboe in the first quarter of 2019, corresponding to 19,498 (369) boepd. The average realized liquid price was USD 56.2 (46.6) per barrel, while gas revenues were recognized at market value of USD 0.24 (0.23) per standard cubic metre (scm). The price fluctuation between quarters for liquids is mainly due to change in product mix.

Draugen (Operator, 44.56%)

First quarter production from Draugen was 8,637 boepd net oil to OKEA. This represents an underlying reduction of approximately 8 percent compared to fourth quarter 2018 and was caused by planned shutdown for piping replacement in January and February. The piping replacement project was executed in a safe and efficient matter.

In 2019 Draugen has plans to change out Christmas trees on two wells, and there will be a five days shutdown to upgrade the control system in Q2.

Gjøa (Partner, 12.00%)

The Gjøa license operator, Neptune Energy Norge, submitted development plans for the P1 project during the first quarter. This is a re-development of the P1 segment of the Gjøa field. First production is expected in late 2020/early 2021. Total recoverable resources are estimated to be 32.6 million barrels of oil equivalents (boe). P1 is expected to yield around 24,000 boe/d at maximum production. Estimated overall capital expenditure of the Project is NOK 4 732 million, whereas OKEAs part (12%) is NOK 568 million.

First quarter production from Gjøa was 10,488 boepd net to OKEA. This represents an underlying reduction of approximately 6 percent compared to fourth quarter 2018, and was caused by field decline, as well as an unplanned shutdown on the St.Fergus terminal.

In 2019 there is a planned tie in in August which requires a field shut in. In addition, a light well intervention campaign for well B1 is planned which will cause reduced production.

Ivar Aasen (Partner, 0.554%)

The Ivar Aasen field is developed in coordination with the Edvard Grieg field, which provides Ivar Aasen with power, processing and export solutions. Production from Ivar Aasen reached 373 boepd net to OKEA in the first quarter, representing a decrease of one percent from the previous quarter.

Two new oil producers are planned to be drilled at Ivar Aasen this year. D-18 is a horizontal oil producer with sand screens and fishbones in the Aluvial fan formation and D-15 is a multilateral well with two branches completed with sand screens in the Skagerak 2 formation.

Development projects

Yme (Partner, 15.00%)

The Yme field in the Egersund Basin was discovered by Statoil in 1987 and was put in production in 1996. The field is located, in water depth of 93 meters. Yme ceased production in 2001 after having produced 51 mmboe, as operation was no longer profitable. In 2015, OKEA initiated the “Yme New Development” project and in 2018 a new PDO was approved by the authorities.

The Yme field is being developed with a jack-up MOPU equipped with processing facilities. This will be connected to the existing MOPUSTOR tank, and oil will be exported by tanker.

The PDO was delivered in December 2017 and approved by the authorities in March 2018. The project is on track towards first oil in 1H 2020, and the maximum plateau oil production rate is estimated to be approximately 38.000 boepd.

Exploration licenses

OKEA was awarded four licences in the APA 2018 round, announced by the Norwegian Ministry of Petroleum and Energy on 15. January 2019, three of which as operator. In addition, an operated 50% working interest in PL958, east of the Draugen field, was transferred from Shell to OKEA. There was no consideration, but OKEA covered the costs in the interim period with an amount of NOK 1 million. These new licences strengthen OKEA’s portfolio of potential upcoming development projects, as well as providing significant exploration opportunities near to the existing Draugen production hub.

PL973 is an exploration licence south of Grevling and Storskrymten which can provide future resources to the planned joint development project. PL1001 is operated by ConocoPhillips and lies north of the Draugen field and adjacent to PL958; both licences provide exploration opportunities which can build on OKEA’s knowledge of the Draugen area and provide future resources for the Draugen platform. It is planned to acquire 3D seismic data in all three licences.

PL1003 includes what is interpreted by OKEA and partner company Wellesley Petroleum as a significant missed gas discovery, Mistral, from a 1980s exploration well. 3D seismic data will be acquired.

Grevling / Storskrymten (Operator, 55.00% / 78.57%)

The Grevling discovery has been matured and the licence partnership has concluded to work with a Mobile Offshore Production Unit as the preferred solution. The neighbouring Storskrymten discovery, which was licensed to OKEA as operator in the APA 2018 round, is planned to be jointly developed as part of the Grevling project.

Health, safety and the environment (HSE)

Securing an accident free environment has the highest priority in all OKEA's operations and activities. The company had no serious incidents during the first quarter and has maintained the good HSE records.

Post Draugen operatorship transfer, OKEA works, among other things, to further improve and develop the management system and working processes. The "transfer process" is well passed and OKEA is now in the "transformation process". This includes working towards alignment and standardisation in accordance with common industry practice and regulatory requirements on the Norwegian Continental Shelf.

Sustainable energy and resource management is an integral part of OKEA's HSE objectives. OKEA has during the first quarter established a long-range plan for Draugen, emphasising OKEA's strong HSE engagement, including commitment to reduce and to minimise the impact on the external environment from the Draugen production processes.

Outlook

OKEA prepares for its first drilling operation targeting further upside potential within and surrounding the Draugen field, and the company has secured the semi-submersible rig Deepsea Nordkapp to drill two wells in the Draugen field area. The drilling operation is expected to commence in Q4 2019. The planned drilling program is a step in realizing the ambition of enhanced oil recovery from the Draugen field and prolonged production from the Draugen platform.

On 11 April 2019, OKEA retained Pareto Securities AS, SEB and SpareBank 1 Markets AS as Co-Lead banks in connection with the contemplated listing of the company's shares on the Oslo Stock Exchange. The listing could take place during first half of 2019 and could involve OKEA raising new equity to finance additional growth.

The YME new development project is progressing according to plan and on track for first oil in Q2 2020.

Going forward, the company will continue to pursue selective growth opportunities which will enhance production and grow profitable business.

Financial Statements with notes Q1 2019

Statement of Comprehensive Income

Amounts in NOK `000	Note	Q1 2019 (unaudited)	Q1 2018 (unaudited)	Restated Year 2018
Revenues from crude oil and gas sales	6	748 115	2 314	149 761
YME compensation contract breach	6	22 098	-	115 000
Other operating income / loss (-)	6	-5 985	-	44 326
Total operating income		**764 228**	**2 314**	**309 087**
Production expenses		-144 106	-2 390	-96 714
Changes in over/underlift positions and production inventory		-164 585	14 022	133 318
Exploration expenses		-12 402	-11 211	-74 782
Depreciation, depletion and amortization	8	-201 359	-5 883	-100 066
Impairment	9	-36 354	-	-
Employee benefit expenses		-9 227	-11 033	-34 183
Other operating expenses		-20 924	-4 317	-87 899
Total operating expenses		**-588 958**	**-20 811**	**-260 326**
Profit / loss (-) from operating activities		**175 270**	**-18 498**	**48 761**
Finance income	10	52 894	29 101	17 300
Finance costs	10	-89 838	-23 905	-366 263
Net financial items		**-36 944**	**5 197**	**-348 963**
Profit / loss (-) before income tax		**138 326**	**-13 301**	**-300 202**
Income taxes	7	-134 960	12 815	144 488
Net profit / loss (-)		**3 366**	**-486**	**-155 715**
Other comprehensive income:				
Total other comprehensive income		**-**	**-**	**-**
Total comprehensive income / loss (-)		**3 366**	**-486**	**-155 715**
EBITDA		**412 984**	**-12 615**	**148 827**

Statement of Financial Position

Amounts in NOK `000	Note	31.03.2019 (unaudited)	31.03.2018 (unaudited)	Restated 31.12.2018
ASSETS				
Non-current assets				
Deferred tax assets	7	-	89 456	-
Goodwill	9	1 436 073	8 057	1 472 428
Exploration and evaluation assets		9 320	5 752	6 324
Oil and gas properties	8	3 991 123	716 864	4 022 321
Buildings	8	91 344	-	92 501
Furniture, fixtures and office equipment	8	7 511	216	3 407
Right-of-use assets	3, 8	189 541	-	-
Other non-current assets	11	2 778 951	8 875	2 754 237
Total non-current assets		**8 503 863**	**829 219**	**8 351 218**
Current assets				
Trade and other receivables	13	840 921	132 084	912 159
Spareparts, equipment and inventory	16	228 154	-	315 500
Restricted cash	14	142 123	859 633	48 327
Cash and cash equivalents	14	585 949	121 230	394 670
Total current assets		**1 797 146**	**1 112 946**	**1 670 656**
TOTAL ASSETS		**10 301 010**	**1 942 165**	**10 021 874**
EQUITY AND LIABILITIES				
Equity				
Share capital	12	8 220	3 715	8 220
Share premium		1 624 104	595 991	1 624 104
Other paid in capital		1 754	157	1 361
Accumulated loss		-174 015	-22 153	-177 381
Total equity		**1 460 064**	**577 711**	**1 456 304**
Non-current liabilities				
Provisions	15	3 888 000	321 168	3 859 308
Lease liability	3, 19	144 034	-	-
Deferred tax liabilities	7	886 005	-	861 636
Interest-bearing loans and borrowings	18	2 505 875	918 091	2 528 589
Total non-current liabilities		**7 423 915**	**1 239 259**	**7 249 534**
Current liabilities				
Trade and other payables	17	1 086 437	116 145	1 145 923
Income tax payable	7	265 720	-	155 722
Lease liability - current	3, 19	45 544	-	-
Shareholder loan		1 141	1 141	1 141
Public dues payable		15 311	2 374	9 840
Provisions, current		2 878	5 535	3 410
Total current liabilities		**1 417 031**	**125 195**	**1 316 036**
Total liabilities		**8 840 946**	**1 364 454**	**8 565 570**
TOTAL EQUITY AND LIABILITIES		**10 301 010**	**1 942 165**	**10 021 874**

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 2018	24 738	470 755	-	-21 667	473 827
Net profit / loss (-) for the year				-155 715	-155 715
Capital reduction (equity restructuring)	-23 300	-452 590			-475 890
Share issues, conversion of debt (equity restructuring)	1 687	474 203			475 890
Share issues, cash	5 095	1 131 736			1 136 831
Share based payment			1 361		1 361
Equity at 31 December 2018	**8 220**	**1 624 104**	**1 361**	**-177 381**	**1 456 304**
Equity at 1 January 2019	8 220	1 624 104	1 361	-177 381	1 456 304
Net profit / loss (-) for the period				3 366	3 366
Share based payment			394		394
Equity at 31 March 2019	**8 220**	**1 624 104**	**1 754**	**-174 015**	**1 460 064**

Statement of Cash Flows

Amounts in NOK `000	Q1 2019 (unaudited)	Q1 2018 (unaudited)	Restated Year 2018
Cash flow from operating activities			
Profit / loss (-) before income tax	138 326	-13 301	-300 202
Income tax paid/received	-	-	20 885
Depreciation, depletion and amortization	201 359	5 883	100 066
Impairment goodwill	36 354	-	-
Accretion ARO	3 977	1 500	10 078
Interest expense	54 417	-	145 082
Change in trade and other receivables, and inventory	158 584	-11 876	-602 224
Change in trade and other payables	-72 157	49 049	693 180
Change in other non-current items	-26 838	-45 221	168 563
Net cash flow from / used in (-) operating activities	**494 024**	**-13 966**	**235 428**
Cash flow from investing activities			
Investment in exploration and evaluation assets	-3 588	-	-573
Business combination, cash paid	-	-	-2 725 220
Investment in oil and gas properties	-164 843	-46 366	-386 526
Investment in buildings	-	-	-1 001
Investment in furniture, fixtures and office machines	-4 105	-	-3 196
Investment in (-)/release of restricted cash	-93 796	48 166	859 472
Net cash flow from / used in (-) investing activities	**-266 332**	**1 800**	**-2 257 043**
Cash flow from financing activities			
Net proceeds from borrowings, bond loan	-	-	1 399 065
Net proceeds from borrowings, exploration loan	-	-	37 650
Repayment of borrowings, exploration loan	-	-	-40 000
Interest paid	-36 413	-	-143 403
Net proceeds from share issues	0	103 787	1 133 365
Net cash flow from / used in (-) financing activities	**-36 413**	**103 787**	**2 386 677**
Net increase/ decrease (-) in cash and cash equivalents	**191 278**	**91 621**	**365 062**
Cash and cash equivalents at the beginning of the period	394 670	29 609	29 609
Cash and cash equivalents at the end of the period	**585 949**	**121 230**	**394 670**
Restricted cash at the end of the period	142 123	859 633	48 327
Restricted and unrestricted cash at the end of the period	**728 071**	**980 862**	**442 997**

Notes to the interim financial statements

Note 1 General and corporate information

These financial statements are the unaudited interim condensed financial statements of OKEA AS for the first quarter of 2019. OKEA AS ("OKEA" or "the Company") is a limited liability company incorporated and domiciled in Norway, with its main office located in Trondheim.

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

In the 2018 Application in Predefined Areas Licensing round announced in January 2019 the company was awarded the following interests:
- PL972: 30% as operator
- PL974: 78.57% as operator
- PL1001: 20% as partner
- PL1003: 60% as operator

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 2018. The annual accounts for 2018 were prepared in accordance with the EU`s approved IFRS.

The interim financial statements were approved for issue by the company's Board of Directors on 6 May 2019.

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 2018. In addition the Company has adopted the IFRS 16 Leases effective from 1 January 2019.

IFRS 16
As described in the company's annual financial statements for 2018, IFRS 16 Leases entered into force from 1 January 2019. The implementation resulted in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Company adopted the standard using the modified retrospective approach. The implementation had no impact on net equity and resulted in an increase of NOK 198.4 million in property, plant and equipment with a corresponding increase in liabilities, of which NOK 152.9 million is classified as non-current liabilities and NOK 45.5 million is classified as current liabilities.

The Company has applied a gross presentation related to leasing contracts entered into as licence operator.

Change in accounting principle for valuation and presentation of overlift and underlift
The company has previously used a variant of the sales method where changes in overlift and underlift balances have been valued at its net realizable value and the change in over/underlift has been included as "other income". Due to recent development in IFRIC discussions, the company has decided to change to the traditional sales method from 1 January 2019. This means that changes in over/underlift balances are measured at production cost including depreciation and presented as an adjustment to cost. There was no impact on the restatement due to change in the accounting principle recorded for Q1 2018.

The following table shows the effects for the YTD 2018 figures.

Amounts in NOK `000	Audited 2018	Restated 2018	Change
Accounting line			
Other operating income	88 747	44 326	-44 421
Production expenses	-18 347	-96 714	-78 366
Changes in over/underlift positions and production inv.	0	133 318	133 318
Depreciation, depletion and amortization	-57 297	-100 066	-42 769
Trade and other receivables	944 397	912 159	-32 238
Income taxes	119 342	144 488	25 146
Deferred tax liabilities	886 782	861 636	-25 146
Accumulated loss	-170 289	-177 381	-7 092

Other accounting principles
Except for the changes described above, the accounting policies applied in the preparation of the interim accounts are consistent with those followed in the preparation of the annual accounts for 2018.

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 to be 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 2018.

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

Brekdown of petrolemum revenues

Amounts in NOK `000	**Q1 2019**	**Q1 2018**	**Year 2018**
Sale of liquids	570 161	24	58 550
Sale of gas	177 954	2 290	91 211
Total petroleum revenues	**748 115**	**2 314**	**149 761**
Sale of liquids (barrels of oil equivalent)	1 259 259	1 113	171 939
Sale of gas (barrels of oil equivalent)	584 954	7 877	232 701
Other operating income			
YME compensation contract breach*	22 098	-	115 000
Gain / loss (-) from put options, oil	-5 985	-	37 212
Sale of licenses	-	-	7 114
Total other operating income/loss (-)	**16 113**	**-**	**159 326**

* The compensation recognized in Q1 is based on the final amount received in Q1 2019. For further information refer to the 2018 Annual Report.

Note 7 Taxes

Income taxes recognised in the income statement

Amounts in NOK `000	**Q1 2019**	**Q1 2018**	**Year 2018**
Change in deferred taxes	-24 369	3 940	-494 048
Taxes payable	-110 591	-	638 370
Tax refund current year	-	8 875	-
Tax refund adjustment previous year	-	-	166
Total income taxes recognised in the income statement	**-134 960**	**12 815**	**144 488**

Reconciliation of income taxes

Amounts in NOK `000	**Q1 2019**	**Q1 2018**	**Year 2018**
Profit / loss (-) before income taxes	**138 326**	**-13 301**	**-300 202**
Expected income tax at nominal tax rate, 22% (2018: 23%)	-30 432	3 192	69 047
Expected petroleum tax, 56% (2018: 55%)	-77 463	7 183	165 111
Permanent differences, inclusive impairment of goodwill	-26 651	-215	-965
Effect of uplift	6 314	2 740	24 699
Financial and onshore items	-6 729	-85	-115 606
Effect of new tax rates	-	-	1 138
Adjustments previous year and other	-	-	1 064
Total income taxes recognised in the income statement	**-134 960**	**12 815**	**144 488**
Effective income tax rate	**98 %**	**96 %**	**48 %**

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

Amounts in NOK `000	31.03.2019	31.03.2018	31.12.2018
Tangible and intangible non-current assets	-1 954 515	-345 543	-1 777 715
Provisions (net ARO), lease liability and gain/loss account	1 160 580	247 028	1 020 694
Interest-bearing loans and borrowings	-30 197	-20 462	-39 409
Current items	-99 328	-12 124	-116 307
Tax losses carried forward, onshore 22%	449	-	-
Tax losses carried forward, offshore 22%	-	68 516	-
Tax losses carried forward, offshore 56%	-	119 455	-
Uplift carried forward, offshore 56%	37 006	32 587	51 100
Valuation allowance (uncapitalised deferred tax asset)	-	-	-
Total deferred tax assets / liabilities (-) recognised	**-886 005**	**89 456**	**-861 636**

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

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

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

Note 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 2019	3 217 488	923 081	92 501	3 428	-	4 236 499
Additions	36 930	127 913		4 105	198 400	367 348
Removal and decommissioning asset	-	-	-	-		-
Cost at 31 March 2019	**3 254 418**	**1 050 994**	**92 501**	**7 534**	**198 400**	**4 603 847**
Accumulated depreciation and impairment at 1 January 2019	-118 249	-	-	-22	-	-118 270
Depreciation year to date	-196 041	-	-1 156	-1	-4 161	-201 359
Additional depreciation of IFRS 16 Right-of-use assets presented gross related to leasing contracts entered into as licence operator	-	-	-	-	-4 698	-4 698
Accumulated depreciation and impairment at 31 March 2019	**-314 290**	**-**	**-1 156**	**-22**	**-8 859**	**-324 328**
Carrying amount at 31 March 2019	**2 940 128**	**1 050 994**	**91 344**	**7 511**	**189 541**	**4 279 519**

Note 9 Impairment

Impairment tests of goodwill is performed annually or when impairment triggers are identified. In Q1 2019, technical goodwill has been tested for impairment. Technical goodwill arises as an offsetting account to the deferred tax recognized in business combinations and is allocated to each Cash Generating Unit (CGU). When deferred tax from the initial recognition decreases, more goodwill is as such exposed for impairments.

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

Year	Oil USD/BOE	Gas GBP/therm	Currency rates USD/NOK
2019	65.7	0.45	8.60
2020	65.4	0.48	8.48
2021	63.0	0.50	8.35
2022	61.3	0.52	8.23
2023	64.1	0.54	8.11
From 2024	60.0*	0.50*	7.99

* 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
For the CGUs Draugen and Ivar Aasen, no impairment is recognized in Q1. For the Gjøa CGU the impairment has been calculated as follows:

Amounts in NOK `000	**Gjøa**
Net carrying amount	1 068 602
Recoverable amount	1 032 248
Impairment Q1 2019	**36 354**

The impairment loss of NOK 36.4 million has been recognized to reduce the carrying amount of "technical" goodwill related to the Gjøa acquisition in November 2018. In Q1 2019, the reduced deferred tax and lower gas prices are the main reasons for the impairment.

Sensitivity analysis
The below table shows the effect on the impairment of goodwill when changing various assumptions, given that the remaining assumptions are constant. The total figures shown are combined impairment for both CGU Gjøa and Draugen.

		Total impairment of CGUs	
Assumptions (NOK '000)	**Change**	**Increase in assumption**	**Decrease in assumption**
Oil and gas price	+/- 10%	-	182 069
Currency rate USD/NOK	+/- 1.0 NOK	9 329	70 305
Discount rate	+/- 1% point	55 767	16 188
Inflation rate	+/- 1% point	22 990	49 119

Note 10 Financial items

Amounts in NOK `000	**Q1 2019**	**Q1 2018**	**Year 2018**
Interest income	333	733	9 062
Unwinding of discount asset retirement receivable	24 714	-	8 238
Put options, foreign exchange	3 514	-	-
Exchange rate gain	38 469	28 368	-
Total finance income	**67 030**	**29 101**	**17 300**
Interest expense bond loan	-59 093	-19 250	-157 088
Other interest expense	-89	-2	-3 844
Put options, foreign exchange	-	-	-28 164
Exchange rate loss	-14 136	-	-156 246
Unwinding of discount asset retirement obligations	-28 691	-1 500	-18 316
Other financial expense	-1 964	-3 152	-2 605
Total finance costs	**-103 974**	**-23 905**	**-366 263**
Net financial items	**-36 944**	**5 197**	**-348 963**

Note 11 Other non-current assets

Amounts in NOK `000	
Other non-current assets at 1 January 2019 (Indemnification asset)	2 754 237
Additions and adjustments	-
Unwinding of discount	24 714
Total other non-current assets at 31 March 2019	**2 778 951**

The amount consist of a receivable from seller Shell. The parties have agreed that Shell should cover 80% of the costs of decommissioning the acquired oilfields Draugen and Gjøa limited to an agreed cap. The net present value of the receivable is calculated using a discount rate of 3.6%.

Note 12 Share capital

Number of shares	Ordinary shares	A ordinary shares	Total shares
Outstanding shares at 1.1.2019	7 319 389	901 061	8 220 450
New shares issued during 2019	-	-	-
Number of outstanding shares at 31 March 2019	**7 319 389**	**901 061**	**8 220 450**

Nominal value NOK per share at 31 March 2019	1
Share capital NOK at 31 March 2019	8 220 450

Note 13 Trade and other receivables

Amounts in NOK `000	31.03.2019	31.03.2018	31.12.2018
Accounts receivable and receivables from operated licences	108 544	16 157	125 072
Accrued Yme compensation	-	-	115 000
Accrued revenue	178 024	2 611	89 960
Prepayments	53 304	1 805	10 127
Working capital and overcall, joint operations/licences	142 392	10 507	156 306
Escrow receivable, Yme removal	-1 316	59 488	901
Underlift of petroleum products	323 140	19 523	398 526
Other short term receivables	30 035	-	-
VAT receivable	6 797	1 274	16 266
Tax refund	-	20 719	-
Total trade and other receivables	**840 921**	**132 084**	**912 159**

Note 14 Restricted cash, Cash and cash equivalents

Restricted cash:

Amounts in NOK `000	31.03.2019	31.03.2018	31.12.2018
Bank deposit, restricted, escrow account	142 123	859 633	48 327
Total restricted cash	**142 123**	**859 633**	**48 327**

Cash and cash equivalents:

Amounts in NOK `000	31.03.2019	31.03.2018	31.12.2018
Bank deposits, unrestricted	577 511	119 946	388 887
Bank deposit, employee taxes	8 437	1 283	5 784
Total cash and cash equivalents	**585 949**	**121 230**	**394 670**

Note 15 Provisions

Amounts in NOK `000	Total non-current
Provision at 1 January 2019	3 859 308
Additions and adjustments	-
Changes in Operator's estimate	-
Unwinding of discount	28 691
Total provisions at 31 March 2019	**3 888 000**

Asset retirement obligations
Provisions for asset retirement obligations represent the future expected costs for close-down and removal of oil equipment and production facilities. The provision is based on the Operator's best estimate. The net present value of the estimated obligation is calculated using a discount rate of 3%. The assumptions are based on the economic environment around the balance sheet date. Actual asset retirement costs will ultimately depend upon future market prices for the necessary works which will reflect market conditions at the relevant time. Furthermore, the timing of the close-down is likely to depend on when the field ceases to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

Note 16 Spareparts, equipment and inventory

Amounts in NOK `000	31.03.2019	31.03.2018	31.12.2018
Inventory of petroleum products	99 549	-	188 748
Spare parts and equipment	128 605	-	126 752
Total spareparts, equipment and inventory	**228 154**	**-**	**315 500**

Note 17 Trade and other payables

Amounts in NOK `000	31.03.2019	31.03.2018	31.12.2018
Trade creditors	34 721	7 191	76 871
Accrued holiday pay and other employee benefits	32 012	4 827	18 965
Working capital, joint operations/licences	471 100	54 617	446 961
Accrued interest bond loans	28 921	26 771	10 917
Accrued consideration from acquisitions of interests in licenses*	164 782	8 940	204 782
Prepayments from customers	183 769	13 799	96 353
Fair value put options, foreign exchange	12 050	-	15 564
Other accrued expenses	159 083	-	275 509
Total trade and other payables	**1 086 437**	**116 145**	**1 145 923**

* The amount is related to the acquisition of a 44.56% interest in Draugen and a 12% interest in Gjøa with A/S Norske Shell in 2018. The review of the final completion statement prepared by seller is still ongoing. There is uncertainty associated with this estimate, but the company does not expect the amount to increase.

Note 18 Interest-bearing loans and borrowings

Amounts in NOK `000	
Interest bearing loans and borrowings at 1 January 2019, bond loans (OKEA01 and OKEA02)	2 528 589
Amortization of transaction costs, bond loans (OKEA01 and OKEA02)	4 676
Foreign exchange movement, bond loans (OKEA01 and OKEA02)	-27 390
Interest bearing loans and borrowings at 31 March 2019	**2 505 875**

Note 19 Leasing

The Company has entered into operating leases for office facilities. In addition the Company has entered into operating leases as an operator of the Draugen field for platform supply vessel and associated Remote Operated Vechicle (ROV) upgrade, together with office and warehouse Draugen

Amounts in NOK `000	
Lease debt 01.01.2019	198 400
Accretion lease liability	2 490
Payments of lease debt	-11 311
Total lease debt at 31 March 2019	**189 578**

Break down of lease debt	
Short-term	45 544
Long-term	144 034
Total lease debt	**189 578**

Future minimum lease payments under non-cancellable lease agreements

Amounts in NOK `000	**31.03.2019**
Within 1 year	33 934
1 to 5 years	131 439
After 5 years	107 469
Total	**272 842**

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

Note 20 Derivatives

Amounts in NOK `000	**31.03.2019**	**31.03.2018**	**31.12.2018**
Premium commodity contracts	5 528	-	-
Unrealized loss commodity contracts	-1 938	-	-
Short-term derivatives included in assets	3 590	-	-
Unrealized loss currency contracts	12 050	-	15 564
Short-term derivatives included in liabilities	12 050	-	15 564

Note 21 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.

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

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