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QUARTR

MODULAR FINANCE

Speakers

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Prepared Remarks

Svein J. Liknes
CEO | OKEA ASA

Good morning, and welcome to the OKEA presentation of our First Quarter Results for 2024. With me today, I have Birte Norheim, the CFO, who will take you through the financial details. But my name is Svein Liknes, CEO of the company, and I will take you through an operational update before Birte takes the floor. There is also a Q&A session after the presentation, and there is a link on our homepage that you can use to ask questions for the Q&A session thereafter.

Svein J. Liknes
CEO | OKEA ASA

For the first quarter of 2024, we are seeing record high production, above 42,000 barrels of oil per day. When we see this mainly from the Statfjord area, which now has been added to the volumes, but also we see strong performance on our operated assets with high production efficiency. Both Brage and Draugen are performing very well. And we see also added volumes from the Hasselmus, which is produced over Draugen, obviously. So that is increasing the production of Draugen significantly. On our partner-operated assets, we see stable production on the platforms.

Svein J. Liknes
CEO | OKEA ASA

We see some lower production on Ivar Aasen because we had to shut down one of the wells due to sand production, but we're actually in the process of actually getting a light well intervention vessel there now to actually fix that problem. On our portfolio, we are also very happy to announce that we have sanctioned the Bestla project, which previously was known as the Brasse project, which will be produced over the Brage.

Svein J. Liknes
CEO | OKEA ASA

I will get back to that a little bit later on, and we plan to submit the PDO on the 30th of April next week. The Draugen Power from Shore is progressing according to plan. As you may remember, that was sanctioned just before Christmas, so we are in the middle of execution on that one. We do see very high activities on infill drilling both on Brage and in the Statfjord area, because that is the main success for actually adding volumes and adding value from those assets.

Svein J. Liknes
CEO | OKEA ASA

And we are working very closely with Statfjord and also FLX within Equinor to increase performance and production over the Statfjord asset, and we are seeing some positive results already. On the financials, we have an operating income of more than NOK 3.4 billion, and an EBITDA of more than NOK 2.1 billion, and Birte will get back to those details. But again, a very strong financial quarter when it comes to operating income and EBITDA. We did have a goodwill impairment of NOK 260 million on the Statfjord asset. We will also get a little bit back to that later on.

Svein J. Liknes
CEO | OKEA ASA

But we also saw a reversal of previous impairments on Yme asset of NOK 102 million, which kind of balanced a little bit of that. Today, we are also announcing that we are launching a bond for the $125 million US dollar bond, which will be used for partly the Bestla project, which is now being sanctioned, but also for other things in the company, and the liquidity in the company.

Svein J. Liknes
CEO | OKEA ASA

The key figures during the quarter. Also happy to see that the serious incident frequency, which is a twelve-month rolling average, has dropped down to 0.6. The reason for that drop is obviously that one of the incidents in the statistics are more than a year old. So I'm also happy to see that there is no new significant and serious incidents that adds to that statistics. We have increased CO_2 emissions, but that is an annual basis of 25.3. We see, as I mentioned, a very high production of 42.1 or 42,100 barrels of oil per day, compared to just above 30,000 in the previous quarter.

Svein J. Liknes
CEO | OKEA ASA

We see high production efficiency, even higher than in the last quarter, and this quarter as well, we also had one week shutdown on Draugen, which was planned. So again, very strong performance on our facilities. Strong cash flow, a little bit lower than the previous quarter, but that is more due to the phasing of the lifting, and the payment of the lifting. We also see strong performance when it comes to arresting the production expense, and we see that actually has dropped below 200 now. So that is also a very positive trend that we want to maintain.

Svein J. Liknes
CEO | OKEA ASA

The production volumes and efficiency, again, very high numbers. Draugen at 90%, but as I just mentioned, during the quarter, we had a planned seven-day shutdown on Draugen, so it's good to see that that one is now behind us in Q1. Very high production efficiency, both on Brage and on Ivar Aasen. Yme and Nova had high production.

Svein J. Liknes
CEO | OKEA ASA

One of the wells, as I mentioned, has been shut in on Ivar Aasen, but again, very reliable performance, both on Ivar Aasen and Nova. We are also seeing steady performance on Yme. The reason for the lower production efficiency on Yme is mostly related to the weather, and when there is unfavorable weather conditions for the shuttle tanker, when it gets into a drift-off scenario in a zone, then you have to stop the production and the offloading, so therefore it hurts the production efficiency on Yme.

Svein J. Liknes
CEO | OKEA ASA

I'm also glad to show the last bar there, which is 89% production efficiency on Statfjord, which is actually a quite good performance compared to 2023, and that is also a result of very focused work when it comes to production efficiency and increasing the performance of the Statfjord field, which now OKEA is an integrated part of. Quick operational update on Draugen. Again, continues to deliver very good performance. Hasselmus is still delivering above plan, actually. We did also get the license extension to the 31st of December in 2040 during this quarter.

Svein J. Liknes
CEO | OKEA ASA

So we are very happy to have a long-term plan now for Draugen to actually see and more value in the area. So we now have a different horizon compared to previously with 2035. On Brage, slightly lower production due to normal decline, but we have drilled two wells during the quarter, which will be put into production, and we are also maturing development of a well in the Kim discovery that we announced last year, and we see one million barrels net to OKEA if we are then approving that the well in the license in May, most likely then drilling during September, October this year.

Svein J. Liknes
CEO | OKEA ASA

In the Statfjord area, four wells. The success case on Statfjord is, as we have mentioned in the past, high production efficiency, finding the drill targets and drill them out and put them into production. So there has been four wells which has been drilled in Q1 this year. There is slightly reduced volume expectations for 2024, and that is basically because of the performance of some wells which was drilled in Q4 last year, which has come in a little bit lower.

Svein J. Liknes
CEO | OKEA ASA

But we are working very closely with Statfjord, as you can see on the previous slide as well, with high production efficiency on Statfjord, and we are working to actually increase that even further. Ivar Aasen, a very stable producer, very good platform, a very good facility. We've had some well intervention there during the quarter, and we are maturing the infill or increased oil recovery program in 2026 with the new drilling on Ivar Aasen, so that's basically what's going on there.

Svein J. Liknes
CEO | OKEA ASA

On Gjøa and Nova, I just mentioned as well, the E1 well has been temporarily shut in due to sand production, and we do have a vessel arriving this month on the Gjøa field to actually go into the well to see what the problem is so we can fix the sand production and eliminate it. We are also securing or have secured a rig for the Nova field that needs continuous water injection for pressure support. So we will drill another injector during the second half of this year, which will again support the production from the Nova field. And then Yme operations is running quite well. It has been a bit hampered by weather that I mentioned earlier.

Svein J. Liknes
CEO | OKEA ASA

We have drilled one injection well in Q1, and we are looking into drilling a multilateral solution for the production well C8 during Q2 this year, which again will support the performance of Yme. So very strong quarter in Q4 last year. Again, a very strong quarter in Q1 this year from our assets. What you can see here is the increased production on Draugen since last year. So we actually now have the highest production level since 2019, which is driven a lot by the Hasselmus development, which has, you know, came on stream last year, but also very high production efficiency. We have increased the production efficiency by around 8% on Draugen since we took over, and that alone constitutes of 1.9 million barrels of oil.

Svein J. Liknes
CEO | OKEA ASA

So that really adds up to the value creation for Draugen. And if you're gonna operate a field to 2040, we still have to ensure we also meet the requirements and are focusing on our ESG. So we are also glad that we got the electrification project sanctioned last year, so we are rolling forward with that now, and we will reduce the CO2 emissions on Draugen by 95% when that is actually switched on in 2027. And the next operated asset is Brage. Again, strong quarter, the previous one, but also this quarter has been extremely strong with high production efficiency. And as you can see here, we are actually producing more now than compared to what we did back in 2012.

Svein J. Liknes
CEO | OKEA ASA

So very happy to see that the additional value potential that we identified when doing the Brage transaction actually has materialized, and this is something we want to continue with. So we are drilling more wells into Brage, and also being able to sanction the Bestla project is also very important for the asset catchment area. So we are very proud for the work that we have done together with the partnership in the Brasse area to actually bring a commercial development in, you know, for a field that has been tried to be developed in the past unsuccessfully. So now we have a strong project with a healthy break even of around $40 per barrel. And when it comes to the Bestla project, it's quite similar to what we did facility-wise on Draugen.

Svein J. Liknes
CEO | OKEA ASA

There are wells to be drilled, there is pipeline, there is umbilicals, and we are using the same vendors and suppliers and contractors that we did with Hasselmus. So again, this is also showing that the integrated work that OKEA is trying to do with their main suppliers actually, carries fruit. So, we are very happy to, to use the same, suppliers in this project as well, so we can actually bring this project forward and will be a healthy contribution in 2027 when this is put on stream over the Brage asset. So with that, I will hand over for Birte in the financial, section, and, I will get back with a summary thereafter. Thank you.

Birte Norheim
CFO | OKEA ASA

Thank you, Svein. Following closing of the transaction with Equinor in late December, this is the first quarter where activities from Statfjord is included in volume reporting and profit and loss statement. In combination with strong operational performance, particularly from our operated assets, this results in a record high production, operating income, and EBITDA for the quarter. However, mainly due to two wells drilled at Statfjord late last year, now being concluded dry, a decrease in volume expectations results in a technical goodwill impairment of NOK 247 million.

Birte Norheim
CFO | OKEA ASA

As goodwill impairments are not tax deductible, it impacts the bottom line significantly. I will revert to further details on these matters and will start with our production and sales as usual. We produced 42.1 thousand barrels of oil equivalents per day.

Birte Norheim
CFO | OKEA ASA

This is an increase of 40% and was mainly due to activities from Statfjord being included in the quarter. Draugen continues to perform well, and Hasselmus is adding even more volumes to Draugen. Please note, however, that a prior period adjustment of volumes produced from Hasselmus in the fourth quarter increases production in the first quarter by about 1,000 barrels per day. Reported production volumes in Q4 is equivalently too low. Production at Yme, Ivar Aasen, and Nova remained stable throughout the quarter, and production at Gjøa was somewhat reduced by one well being closed due to sand production.

Birte Norheim
CFO | OKEA ASA

We sold 46.6 thousand barrels of oil equivalents per day, and the high volume sold was due to previous underlift positions at Ivar Aasen and Brage, in particular, being lifted in the quarter. Market prices for gas have been relatively stable, but on a downward trend during the last quarters. Gain on fixed price contracts realized in the quarter increased realized prices by $7.5 per barrel equivalent compared to the market price. The resulting average realized price for natural gas amounted to $55.1. Oil price volatility has decreased, and oil has been trending upwards during the quarter.

Birte Norheim
CFO | OKEA ASA

The average realized price for liquids amounted to $82 per barrel, and the combination of volume sold and realized prices resulted in a total petroleum revenue of NOK 3,421 million. The graph to the left illustrates the OKEA liftings of crude over the last five quarters, as well as the average market price, marked by the red dots.

Birte Norheim
CFO | OKEA ASA

The high lifted volume in the quarter, as, as also referred to before, is partly due to volumes from Statfjord and partly due to the underlift positions from previous quarters, particularly from Brage, but also on Ivar Aasen. We also illustrate the volumes expected lifted in the second quarter for the entire portfolio. The lower volume in the second quarter is mainly due to no liftings expected from Ivar Aasen and less liftings from Brage.

Birte Norheim
CFO | OKEA ASA

The graph to the right outlines the difference between the average market price of Brent for the quarter of $83.1 per barrel, compared to the averaged realized liquids price for OKEA of $82. The NGL discount of $3.8 was mainly offset by positive non-price adjustments from previous periods, timing effects, and the quality premium of OKEA oil.

Birte Norheim
CFO | OKEA ASA

On this graph, we illustrate the volumes of gas sold over the last five quarters and the observable average market prices for NBP in the same period, also here represented by the red dots. The material increase in gas production over the last two quarters is due to the contribution from Hasselmus since October and Statfjord since January. Moving on to the profit and loss statement. We deliver operating income of NOK 3,474 million, consisting of the petroleum revenue of NOK 3,421 million and other operating income of NOK 53 million.

Birte Norheim
CFO | OKEA ASA

The other operating income mainly comprises tariff income at Gjøa and Statfjord of NOK 79 million, partly offset by a net hedging loss of NOK 17 million and an increase in the fair value of contingent considerations of NOK 9 million.

Birte Norheim
CFO | OKEA ASA

Both of these offsets are a result of the increased forward prices for oil in the quarter. Production expenses amounted to NOK 839 million or NOK 198 per barrel. The higher production expense was mainly driven by Statfjord cost, recognized in the financial statements, and the reduction in production expense per barrel was mainly due to the prior period adjustment of gas volumes from Hasselmus.

Birte Norheim
CFO | OKEA ASA

We recognize a net impairment of NOK 158 million. NOK 247 million relates to technical goodwill from Statfjord, which is mainly driven by lower expected volumes in 2024, following the two wells now concluded dry. In addition, a customary updated completion statement from Equinor resulted in an impairment of ordinary goodwill of NOK 13 million. The goodwill impairments are not tax deductible and are non-reversible.

Birte Norheim
CFO | OKEA ASA

Partly offsetting the goodwill impairments is NOK 102 million in reversal of previous impairments at Yme. The reversal is a result of positive developments and forward prices of crude during the quarter, combined with a reduction in expected discount for the Yme crude, specifically. Also this time, I will repeat that as both Statfjord and Yme are carried at fair value, any adverse changes in macro conditions or asset performance will result in further impairments going forward. In the case of Yme, any potential positive adjustments will result in reversal of previous impairments.

Birte Norheim
CFO | OKEA ASA

I can also outline that the technical goodwill arises as an offset to deferred tax in a purchase price allocation. Rather than being depreciated as a fixed asset, technical goodwill is instead subject to impairment testing on a quarterly basis.

Birte Norheim
CFO | OKEA ASA

As technical goodwill is not depreciated and Statfjord is carried at fair value, all else equals further impairments of technical goodwill is expected as volumes are produced. Exploration and operating expense amounted to NOK 91 million and comprise SG&A expense of NOK 41 million and exploration expense of NOK 50 million. Net financial expense amounted to NOK 144 million, and mainly relates to a net currency loss of NOK 76 million, following a weakening of kroner relative to dollars during the quarter. Net expense interest amounted to NOK 40 million. Tax expense amounted to NOK 1,129 million, which brings the net loss to NOK 49 million. The high tax rate of 105% was mainly due to the impairment of goodwill not being tax deductible, as well as financial items being deductible at a lower tax rate.

Birte Norheim
CFO | OKEA ASA

Moving on to the balance sheet, goodwill amounted to NOK 2 billion, of which NOK 756 million relates to technical goodwill at Statfjord. Asset retirement obligations of NOK 9.2 billion is partly offset by asset retirement receivables from Shell, Equinor, and Wintershall Dea of NOK 4.1 billion. Interest-bearing bond loans amounted to NOK 1.3 billion and comprised the OKEA 04 bond of $125 million. Other interest-bearing liabilities of NOK 494 million relates to the financial lease of the Inspirer rig at Yme. Income tax payable was NOK 2.3 billion and relates to the remaining tax payable for 2023, and accrued tax for the first quarter of 2024. Cash generated from operations was just above NOK 2 billion.

Birte Norheim
CFO | OKEA ASA

That is lower than the sales income should indicate, as Svein also mentioned, and that's mainly due to liftings taking place late in March and being received in the second quarter. Taxes paid of NOK 709 million relates to one of the three installments remaining for 2023, three, being paid in February. The NOK 800 million used in investment activities mainly related to investments in the Draugen Electrification Project, production drilling at Brage and Statfjord, and the Gas Lift project at Statfjord East.

Birte Norheim
CFO | OKEA ASA

Cash used for business combinations of NOK 627 million relates to the $60 million in the deferred consideration for the Statfjord transaction, which was paid in January. And the interest paid of NOK 72 million mainly relates to interest on the OKEA 04 bond, which is payable semi-annually. And finally, some info on guidance and outlook.

Birte Norheim
CFO | OKEA ASA

Production guidance remains unchanged at 35,000-40,000 barrels of oil equivalents per day. On CapEx, following sanctioning of the Bestla development project at the end of March, CapEx is increased by NOK 400 million to a range of NOK 3.2 billion-NOK 3.7 billion for 2024. About one-third of the CapEx relates to infill and production drilling at Statfjord and Brage, which has significantly shorter payback time than development projects. And last but not least, and as you may have already seen from our stock exchange notice this morning, and also as mentioned by Svein, we are in the market for a contemplated new $125 million senior secured bond. A roadshow will start today and will continue over the next few days.

Birte Norheim
CFO | OKEA ASA

Can also mention that in connection with the bond issue, we also plan to increase the size of the revolving credit facility up to the permitted 15% of outstanding bonds, which is an increase of $12.5 million. In combination, we believe that these measures will both strengthen liquidity and enhance our financial flexibility ahead of the investments in the Bestla development. We have also designed the maturity of the new bond to align with the production start of Bestla. That's all from me for now, and I'll give the word back to you, Svein, for some closing remarks. Thank you.

Svein J. Liknes
CEO | OKEA ASA

Thank you, Birte. And as a summary then for the quarter, as we mentioned, we are seeing record high production in OKEA of above 42,000 barrels per day. Mainly driven by the Statfjord volumes, which has been added, but also the additional Hasselmus volumes, which is being produced over Draugen. But also very glad to see strong performance with high production efficiency, especially on our operated assets, which shows that the strategy that we have chosen to actually drive more value creation from these mid to late life assets really holds.

Svein J. Liknes
CEO | OKEA ASA

When we launched this strategy, we were around 16,000 barrels of oil per day, and now we are at 42,000. So I really think the future still sits within mid to late life for OKEA. We are working very closely with Statfjord, and Equinor to improve, production, but also performance on the Statfjord field, which we also see a positive trend now, as you can see, with higher production efficiency now in the first quarter compared to what we saw last year. So we are now at 89%, are really working hard together with the operator as well, to see where can we improve further.

Svein J. Liknes
CEO | OKEA ASA

Also, the sanctioning of the Bestla in Q1 is important for our strategy, not only producing the assets and the, and the volumes that we see in these assets. Really important part of the value creation within our assets is also to mature more resources and more reserves. So getting these 24 million barrels of oil gross into Brage with a startup in 2027 is very important for our performance as well, and it will also add 10,000 barrels net to OKEA when it actually comes into production.

Svein J. Liknes
CEO | OKEA ASA

Last, as Birte mentioned, we are contemplating the $125 million bond today to strengthen the liquidity and also to give us more financial flexibility ahead of the investments on the Bestla projects. With that, I invite you all to participate in the Q&A session, and there should be a link on our homepage which will then allow you to send questions in. Looking forward to see you there in the Q&A session. Thank you very much.

Q&A

Operator

If you do wish to ask questions, please press five star on your telephone keypad. To withdraw your question, you may do so by pressing five star again. There will be a brief pause while questions in this call are being registered. The first question will be from the line of Roald Hartvigsen from Clarkson Securities. Please go ahead. Your line will now be unmuted.

Roald Hartvigsen
Research Analyst | Clarksons Securities

Good morning, Svein, and good morning, Birte. Congratulations on a very strong quarter production-wise. You maintain your volume guidance of 35,000-40,000 barrels per day, despite a very strong production at the start of the year. And now to reach the low point of your current guidance, you would need to only produce an average of 32,000 barrels per day the rest of the years, which, at least to me, seems kind of low. So I guess my question is: Should we think of the current guidance as just a carryover from your last presentation, just confirming that everything is on, is on track, or is the range the result of an active reassessment where you still land at the same figures? Thanks.

Birte Norheim
CFO | OKEA ASA

Thank you, Roald. Yeah, so it's a fair observation. Bear in mind that about 1,100 of the volumes in Q1 relates to an adjustment of a previous from Q4 from Hasselmus. Also, our maintenance program is more back-end loaded in 2024. And as of now, we have kept the guidance level. So, I'm not sure if I should add anything more to that, but obviously, we have started on a good track in respect of reaching our production.

Roald Hartvigsen
Research Analyst | Clarksons Securities

Would you say the confidence level for the range is now higher than when entering the year?

Birte Norheim
CFO | OKEA ASA

Well, I don't want to comment any more than that we have kept our guidance level. If we thought there was reason to change that guidance, we would have changed it for first quarter. But it's obviously comfortable to have started on such a good first quarter in production-wise.

Roald Hartvigsen
Research Analyst | Clarksons Securities

Thanks. Then I just briefly want to touch upon on CapEx. You increased the CapEx guidance by NOK 400 million, now following the sanctioning of Bestla. Is the whole increase attributable, attributable to Bestla, or are there other adjustments factoring into this adjustment as well?

Birte Norheim
CFO | OKEA ASA

It's only attributable to Bestla.

Roald Hartvigsen
Research Analyst | Clarksons Securities

Thanks. Can you give any further color on the expected CapEx split for the years ahead for Bestla?

Birte Norheim
CFO | OKEA ASA

We only guide on the current year, so we have indicated in our bond presentation, which we also have put on our website, that the total project CapEx is expected at NOK 6.3 billion on a growth basis.

Roald Hartvigsen
Research Analyst | Clarksons Securities

Okay. Much, much appreciated, Birte. Thanks. That's it from, from my side.

Operator

Thank you, Roald. The next question will be from the line of Teodor Sveen-Nilsen from SB1 Markets. Your line will now be unmuted.

Teodor Sveen-Nilsen
Analyst | SB1 Markets

Good morning, and thanks for taking my questions. First, on Statfjord, you said you had seen positive results with work together with Equinor. Could you just provide some more details on specifically what kind of results you have seen there and what kind of production impact you expect those results to have going forward? Second question, that is on the production cost. Those were pretty high this quarter. Could you shed some light on the cost for the overlifted barrels?

Teodor Sveen-Nilsen
Analyst | SB1 Markets

It looks like the overlifted barrels has higher production cost than the average portfolio. Just please confirm that. And final question on Bestla. Of course, that is a fine project, but it's still a greenfield project, and your strategies focus on, like, late life assets. Just wondering, is it on agenda to tone down the Bestla project over the next few quarters? Thanks.

Svein J. Liknes
CEO | OKEA ASA

Yeah, thank you, Teodor. Just on the Statfjord field, first of all, we are working very closely with both Vår and also Equinor in Statfjord. The immediate kind of impact and effects that we have seen is an increased production efficiency during this quarter, compared to the performance in 2023. When it comes to additional upsides and improvements on Statfjord, that very much relates to the drilling plan and the drilling schedule, which is planned to actually get more wells and also the positioning of these wells. There is an improvement project in Statfjord that they call now FLX 20 on Statfjord.

Svein J. Liknes
CEO | OKEA ASA

What we have been contributing with there is our assessment and also our involvement in actually identifying new drilling targets and prioritization of which targets should be drilled first and last. We feel that our input has really been taken into consideration in the license. The plan and the updated plan for these improvements is something that will be firmed up in Q2. Short term, it is a production efficiency. Long term, it is the actual drilling program, which is, you know, important for Statfjord to deliver on the future volumes that we believe is there to be unlocked.

Svein J. Liknes
CEO | OKEA ASA

I can jump to the Bestla question, and then Birte can take the production cost of the overlifted volumes afterwards. But Bestla and that project, it is a greenfield project, and it's the same thing that we did with Hasselmus. We are identifying additional resources in the areas around our operated hubs. There is a, you know, double win in that kind of a scenario, because we will then produce Bestla to Brage, but it could also create a foundation for longer commercial production on the actual Brage reservoir, because you do have more tiebacks.

Svein J. Liknes
CEO | OKEA ASA

You know, that is the success case for quite a few of these mid to late life assets. So there is no plan to farm down in the, in the Bestla project. We are quite glad to see that we are able to get 24 million additional barrels over the Brage field, and we also think we have the best team in place to develop this, and we will do it in the same way as we did with Hasselmus. So when it comes to the production cost, Birte, maybe you could elaborate on that.

Birte Norheim
CFO | OKEA ASA

Yes. In general, our OPEX per barrel has been more or less $200 or $20 equivalent. In the overlift, as you correctly point out, that also includes any, what should I say? Inventoried depreciation. And given that we have quite a significant overlift of Brage in the quarter, and Brage, as you know, is a field where you have a lot of 2C potential, but not all of it has been realized to 2Ps. And when we assess our depreciation schedule, it's only based on the 2Ps, which drives up the depreciation level for Brage, and it's quite an unusually high overlift on Brage. So it's a good observation. It is higher per barrel overlifted than in the average quarter.

Teodor Sveen-Nilsen
Analyst | SB1 Markets

Okay, understood. And just one final question from me if I may, and then that is on coming back to the Bestla CapEx. The NOK 6.2 billion, that is a gross number, as far as I understand. But could you provide some profile, how much of that will be invested per year or next few years?

Birte Norheim
CFO | OKEA ASA

It's not something that we have; we are guiding on at the moment, Teodor. As mentioned in the CapEx guidance, about NOK 400 of it is expected this year for OKEA's share.

Teodor Sveen-Nilsen
Analyst | SB1 Markets

Okay. When is first oil for Bestla expected?

Svein J. Liknes
CEO | OKEA ASA

First half in 2027 is first oil for Bestla.

Teodor Sveen-Nilsen
Analyst | SB1 Markets

Okay, thank you. That's all from me. Thank you.

Operator

Thank you, Teodor. As no one else has signed up for questions in this call, I will hand it back to Anca for any written questions online.

Anca Jalba
Head of Investor Relations | OKEA ASA

Thank you, Patrick. This is Anca, head of IR here. So we're going to the first questions that we received. In writing, the first comes from Gunnar Wagle, alias Gunnar from Hafrsfjord. He has four questions. We'll take them one by one, and we'll address them. So the first one is, what is expected to be the production from Statfjord East after all five wells are online, and what will be total production from Statfjord area at the same time?

Birte Norheim
CFO | OKEA ASA

Well, we generally don't provide guidance on the field, by field basis, but the Statfjord Øst will be roughly 25%-30% of the total Statfjord production when, when all wells are up and running, and we should expect to see some increase in Statfjord volumes going forward, compared to what we see in this quarter. So I think that's about what we could share on that at the moment.

Anca Jalba
Head of Investor Relations | OKEA ASA

Second question, will offshore wind and power from southern North Sea shore be solution and to apply covering Yme?

Svein J. Liknes
CEO | OKEA ASA

No, that is, that is not in the current plans. When looking at how we can reduce emissions, obviously on all the assets, both those which we are operating, but also those we are partnering, we are, you know, looking for various options. When it comes to that solution, that is a solution which is not up running until quite, I think it's around 2030 or something. So that is quite late in the lifespan of Yme, so I do not consider that to be a relevant option. But, you know, we are looking at other possibilities of reducing our emissions, but there is no firm plans, to, to hook up to this one.

Anca Jalba
Head of Investor Relations | OKEA ASA

Thank you. The third question, the April, May funding, for bond for the facility, will this be linked to the M&A?

Birte Norheim
CFO | OKEA ASA

As we have stated, the key use of proceeds is the Bestla investment, and we also have some that could be used for general corporate purposes. I'll just remind also that the last two M&A transactions that we have done is, has been made without any new financing.

Anca Jalba
Head of Investor Relations | OKEA ASA

Thank you. The last question. Vår Energi has confirmed one disposal package. Can you say something about OKEA with regards to M&A and swap of assets?

Svein J. Liknes
CEO | OKEA ASA

Well, I can't comment specifically on that package, but I can comment on the M&A. Obviously, OKEA still is a firm believer of growth, where we can see there is extra value and more value to be extracted. So we are quite active in kind of our growth arm as well, when it comes to M&A, but we do not have any firm or cannot give any details of what we are looking at. But M&A is definitely an important part of our growth strategy, in addition to the organic growth we are seeing then from Bestla and the other projects.

Anca Jalba
Head of Investor Relations | OKEA ASA

The next question is from Carl Tongu. "Thank you, Svein and Birte. Could you elaborate on the high tax bill? I understand that impairments cannot be used for tax purposes, but this quarter, the impairments did not look that significant".

Birte Norheim
CFO | OKEA ASA

The total goodwill impairments amounted to NOK 260 million, and it's not tax deductible, so that is the key driver. In addition, the financial items, which had a net of NOK 144 million, is only tax deductible in the corporate tax, so 22% versus 78% for the other items on the income statement.

Anca Jalba
Head of Investor Relations | OKEA ASA

Thank you. The next is from a private investor. Do you think the RBL will be part of future financing of M&A?

Birte Norheim
CFO | OKEA ASA

You know, I would not exclude it as an option. That's something that we are always assessing, and we are in dialogue with the different RBL banks. As of now, we have considered that bonds are more better suited for our capital structure plans. But I will not exclude RBL as a future potential alternative.

Anca Jalba
Head of Investor Relations | OKEA ASA

The next question refers still to the Vår Energi disposal package. It has already been addressed in the previous question, so we're going to the question from Jon Håkon Finrank. He has two questions. The first one, is the expected 10,000 BOE per day from Bestla OKEA's share, or is it a total increase for the field?

Svein J. Liknes
CEO | OKEA ASA

That is, that is net to OKEA. So we expect production of, you know, excess of 22,000-23,000 barrels of oil. So this is the net share to OKEA when it is, when it started up. And we expect, you know, first half of 2027 for our first oil on this field.

Anca Jalba
Head of Investor Relations | OKEA ASA

Thank you. The second question, do you have an estimate for the average lifetime of the fields where you have the majority of your ARO?

Birte Norheim
CFO | OKEA ASA

It's not something that we are, kind of, sharing, but in the heart of our strategy is really to extend the lifetime of the field, so this is something that continues to change. And as we announced in this quarter, we have now received an approval for a license extension at the Draugen, for example, from until 2040. So this is a number that will also continue to change. Yeah.

Anca Jalba
Head of Investor Relations | OKEA ASA

The questions come from Ola Eikanger in SCB. Good morning, and thank you for the presentation. He actually has more than three questions here. The first one, how are you assessing your current capital allocation priorities and willingness to start redistributing dividends from the first quarter of 2025, assuming you are satisfying the dividend covenants?

Birte Norheim
CFO | OKEA ASA

Yes, I guess we get this question every quarter, and every quarter we respond with the kind of same boring answer. But this is something that we are continuously assessing, and as our capital allocation principle states, is that we have three core intentions. One is to maintain a robust balance sheet, and the two others is to have a healthy balance between direct distributions to shareholders and growth. And that will not change, and we, as we stated in the previous quarter, the board will revert to the market with a dividend plan when appropriate.

Anca Jalba
Head of Investor Relations | OKEA ASA

Thank you. The second question: What is the expected gross plateau at Bestla, and when are you expecting to reach this level? How long will Bestla maintain plateau production?

Svein J. Liknes
CEO | OKEA ASA

As I mentioned, the production will start in the first half of 2027. We expect a plateau of around between 22,000-25,000 barrels of oil gross from that field. It is a field that consists of two wells, and both wells will be completed when we actually start the field, so there is a rapid startup profile, and there is no pressure support that is needed, so we can expect to get into a plateau within, you know, the first two month or two of the start in the production.

Svein J. Liknes
CEO | OKEA ASA

And it's gonna be produced over Brage, and cease of production of Brage is in the current plans, around 2030-2031, but we are initiating work now to extend also the lifetime of Brage. So the duration obviously depends on how long we will extend the lifetime of Brage as well, obviously. But in the current project economics, we are planning to produce it until 2031.

Anca Jalba
Head of Investor Relations | OKEA ASA

You have the next question from Ola. What is your current assessment of Yme Plateau Production, and when are you expecting to reach this level?

Svein J. Liknes
CEO | OKEA ASA

I would say we are actually at Yme Plateau Production, and have been for some time now, because all the wells are in operation, all the wells are producing. And what we are doing now, for example, the multiple lateral, which, you know, the work which is gonna happen on C3, is to fight the decline. So I would say that Yme is on Plateau Production now, and the activity is related to well work, and this on Yme is actually to prolong production and decrease the decline on the field as such.

Anca Jalba
Head of Investor Relations | OKEA ASA

Thank you, Svein. The last question from Ola. Should we expect the quarterly impairment of the NOK 756 million technical Statfjord goodwill? If so, given a normal quarter without adverse effects to Statfjord, what would be a normalized quarterly impairment of technical goodwill as volumes are produced?

Birte Norheim
CFO | OKEA ASA

Yes, we should, like I mentioned in the presentation, we should expect future impairments of technical goodwill, and it depends on the macro environment and also on amount of volumes produced. So it's a net present value assessment that we do every quarter.

Anca Jalba
Head of Investor Relations | OKEA ASA

Thank you. The next question comes from a private investor. Do you have any assets for sale?

Svein J. Liknes
CEO | OKEA ASA

No, we don't comment specifically on, you know, M&A and BD activities as such. But the position that OKEA now has with a much larger portfolio and much more diversified portfolio obviously increases the options to actually do swaps in addition to doing ordinary M&A.

Anca Jalba
Head of Investor Relations | OKEA ASA

This question comes from Martin Persson. In the bond presentation from today, you state NOK 3.3 billion in free cash flow. First question, I assume that is after tax. Second question, what is your expected cash in bank growth the coming three quarters at the current prices?

Birte Norheim
CFO | OKEA ASA

That is not something we guide on, unfortunately. What we are guiding on is volumes, CapEx, and we are also stating that in the coming quarter, we have two tax installments payable, each just in excess of NOK 700 million.

Anca Jalba
Head of Investor Relations | OKEA ASA

Thank you. The next question is from David Mirzai. Given Bestla development must extend the Brage abandonment, what is the impact of longer production life on year-end 2023 reserves and resources on Brage existing production?

Svein J. Liknes
CEO | OKEA ASA

Yeah, that is something we don't have specific details on now. If we are, and as I just mentioned as well, we are working on a lifetime extension application for Brage. And then, obviously, the details, you know, and in a question like this, needs to come out of that kind of an assessment, so we don't have details on that now.

Anca Jalba
Head of Investor Relations | OKEA ASA

Last one, can you comment your legal claim against Equinor following the Statoil acquisition?

Svein J. Liknes
CEO | OKEA ASA

No, there is nothing more to comment on that, other than that is already in the written reports issued.

Anca Jalba
Head of Investor Relations | OKEA ASA

This concludes the questions submitted. Patrick, the operator, can you please check if there are any more questions on the call?

Operator

At this moment, there is no one has signed up for questions, so I'll hand it back to you.

Anca Jalba
Head of Investor Relations | OKEA ASA

This concludes the call for today.

Svein J. Liknes
CEO | OKEA ASA

Yeah. Thank you very much for attending the call and also your questions. Very good questions. So, again, a very strong quarter for us operationally, and I'm looking forward to speak to you again during the summer.