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OKEA

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QUARTR

MODULAR FINANCE

Speakers

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Operator

John Olaisen
Analyst | ABG

Stig Hognestad
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Prepared Remarks

Svein Liknes
CEO | OKEA

Welcome to the OKEA second quarter results presentation for 2026. My name is Svein Liknes. I'm the CEO of the company, and as always, I have my CFO, Birte Norheim, with me that will also go through the financial section afterwards. There is a link on our homepage where you can address questions and also log on to the Q&A that will be after the presentation. I hope as many as possible will be able to also attend that one. For the second quarter, obviously have been dominated by macro picture around us, which has been very volatile.

Svein Liknes
CEO | OKEA

Starting with very strong prices, ending with low prices, and now in this quarter we are seeing prices go up again. For OKEA, the second quarter has also been dominated by planned maintenance on most of our assets except for Draugen, but all the assets are now back into operation again. This obviously has influenced the production. The production this quarter, due to the planned maintenance, has been lower. In the quarter, we have also done the concept selection for Talisker West and Brage, which is a very important project for Brage, and we expect first production there now in 2027.

Svein Liknes
CEO | OKEA

I will get back to more details on that later on. A plan for development and operation for the year, and PDO has been submitted to the authorities. Very important volumes into the year asset. Production from the Garn West South is expected in the third quarter this year. As we mentioned in April, we plan for the Garn West South to be started at Draugen in April. That has been postponed. We are basically moving the production profile from April and now starting up most likely in August.

Svein Liknes
CEO | OKEA

Very healthy financial quarter as well, with net profit after tax of $14 million and positive cash development at now $59 million. Production efficiency, and also the volumes, as you can see here, is lower in this quarter due to the planned maintenance. 27,000 produced, even though the sold volumes are higher, and that is because of planned maintenance on both the Brage, Statfjord, Gjøa, and Ivar Aasen. As you can see on Brage here, we are down to 56% production efficiency, and that is due to a five-week planned maintenance stop.

Svein Liknes
CEO | OKEA

We have 87% on Statfjord. We actually had seven weeks of Statfjord [Bravo] maintenance stop, but Statfjord is a very big and complex field, so it doesn't affect the production efficiency that much. Gjøa only had a five-day stop, and Ivar Aasen had a three-week stop during the quarter. As you can see on Draugen, we had high production efficiency there with 95%, and there is a planned maintenance stop for Draugen in September of three weeks. The maintenance stop on Brage lasted longer than expected. We had planned for a three-week shutdown. It actually lasted for five weeks.

Svein Liknes
CEO | OKEA

As I mentioned, all the assets are now back into operation again, producing as they did prior to the maintenance stop. We are still working on the Garn West South to start the production on Draugen. As we mentioned in April, the problem with the Garn West South was that two valves on the Christmas tree did not shut as expected.

Svein Liknes
CEO | OKEA

You have to pull the Christmas tree up from the seabed again, you have to preserve it, you have to do root cause analysis, you have to find a design that you actually can fix the problem, you have to test the design, and we now have a firm plan of completing this scope in August and install the Christmas tree in August and then get production prior to the shutdown of Draugen in September. We have also done quite a bit of Bestla scope on Brage during the maintenance stop. We are now still on track for startup early in 2027. All the pull-in of flow lines, etc, into Brage has now been completed, and we have also put down the production and gas lift flow lines on the seabed.

Svein Liknes
CEO | OKEA

The next big milestone for the Bestla field is installation of the Christmas trees, which will happen in September as per schedule. Going back to value creation. We want to show this one here again. You can see on the right-hand side, on the blue curve, actually that continues. We are now producing approximately four times more than when we took over the Brage asset. We have achieved this by pushing the boundaries and also extending the distances we are able to drill. That's how we also discover the Talisker development.

Svein Liknes
CEO | OKEA

Actually, there on Brage, we are increasing the oil export capacities, which was a situation nobody thought we would be in three years ago to actually manage the increase in production that we will see over the Brage asset over the coming years. We are continuing to drill long wells on Brage, and we are continuing to explore the area, and I will get a little bit back to that when it comes to the Tverrdal prospect that we want to drill in 2027 as well, which is a potential tie-back to Brage. We are maturing profitable volumes in the area.

Svein Liknes
CEO | OKEA

The Bestla, as I have mentioned, had a break-even of $24/bbl when we sanctioned it two years ago. The Talisker West that we did discover in 2025, increased the volumes in 2026, in production in 2027, has a break-even of less than $10/bbl. Brage continues to deliver and exceed expectations. With this, we have also extended then the commercial lifetime for Brage by more than 10 years, and we also believe there could be added more years on this extension when we are continuing to explore the area around Brage.

Svein Liknes
CEO | OKEA

A lot of the stuff we have done on Brage is based on learnings from Draugen as well, but also the other way around. We are continuing to mature opportunities on Draugen. The Garn West South is one example of that will increase production when that comes into operation now, around 13,000 bpd, 14,000 bpd in the beginning, but then it will drop off quite quickly. We are also working on Springar East development that we will get back to later on this year to explain when and how we expect to tie that into Draugen. We are also learning on Draugen from Brage.

Svein Liknes
CEO | OKEA

The Garn West South would not have been possible if we had not done the drilling successes we have done on Brage, because the Garn West South well is the longest well which has been drilled on Draugen. We are continuing on the Power from Shore project on Draugen. We have extended the lifetime on Draugen until 2040+, reducing the emissions and have more control over the cost, both when it comes to CO2 taxes and also when it comes to cost of power generation is very important for the lifetime of Draugen. Back to the Talisker West development. As I mentioned, this was discovered in 2025. We have increased the volumes in 2026.

Svein Liknes
CEO | OKEA

We will start drilling first quarter in 2027, and we will have first oil by the end of 2027. This is a very good example of how you can mature resources around existing infrastructure, which is in the core of what OKEA is trying to do strategically in the mid- and late-life assets. We are going to take the final investment decision during this fall. As I mentioned, we have started drilling then early in 2027. We are not doing any drilling on Brage this year because we are upgrading and we are also maintaining the drilling package to actually be able to drill these challenging wells, which will come then in 2027.

Svein Liknes
CEO | OKEA

Very robust economics in this project that will be produced over the Brage asset with very high uptime that Brage has now achieved with the breakeven of less than $10/bbl. Organic growth is also an important part of the OKEA strategy. We need to find more resources. We want to also produce after 2030, we are building exploration portfolio that we believe can actually deliver on that. For this year, we are drilling the Alpehumle, which is operated by Aker BP, which is in the area. We have actually during June and July now drilled the top hole.

Svein Liknes
CEO | OKEA

By the end of July, early August, the drilling rig will come back and complete the Alpehumle prospect. We have the Kyllinglår, which will happen in early 2027, which is a tie-back to [LO drilling] and tie-back into Statfjord. Very important resources going over Statfjord. Tverrdal is something we plan to drill in the middle of 2027. This is a very important and also could be a very strategic development also for the Brage catchment area.

Svein Liknes
CEO | OKEA

We did have a plan to actually drill this in 2027, but to fully understand the full area development and potential around Brage, we have accelerated that well, we want to spread it then mid-2027. Last but not least, the Arkenstone well, which has been on the plan now for quite some time. We expect to spread that in the middle of 2027, which is in a very exciting area. There is no infrastructure in this area, but it could be a complete play opener in this area that we are really looking forward to actually get the results from Arkenstone next year. With that, I will get back with a summary after Birte have taken you through the financial section. With that, I'll hand over to you, Birte.

Birte Norheim
CFO | OKEA

Thank you, Svein. This second quarter was characterized by planned maintenance shutdowns at several assets, as Svein has already outlined. It was also characterized by high market prices during a majority of the quarter, which fell sharply towards the end of the quarter. The high price level resulted in an increase in revenues from sale of petroleum products despite lower volume sold. The decrease in forward prices at balance sheet date resulted in impairments as well as gains on our hedged positions. I will address all these matters, first, let's start with production and sales as usual.

Birte Norheim
CFO | OKEA

Production volumes of 27,000 bpd represents a decrease of 23% and was a result of the planned maintenance shutdowns on Brage, Statfjord Bravo, and Ivar Aasen. We overlifted volumes equivalent to 7,400 bpd, which resulted in sales of 34,400 bpd. The realized liquids price increased by 40%, from $74.2-$104.2/bbl. The realized crude price amounted to $116.9, which is a premium of more than $12 compared to the average market price of $104.5. The premium was mostly due to beneficial timing of our liftings, as a majority of the volumes were lifted early in the quarter when prices were at the highest.

Birte Norheim
CFO | OKEA

NGLs constituted 20% of the sold liquid volumes and were realized at $55.3/bbl. The average market price for gas increased by 15%, from $76.5-$88.1 of oil equivalent. This resulted in total petroleum revenue of $313 million. Over to the profit and loss statement. We deliver a 40% increase in operating income. $334 million is the highest for OKEA ever on the top side, it consists of the petroleum revenues of $313 million and other operating income of $21 million. Other operating income mainly relates to a net hedging gain of $15 million and tariff income at Gjøa and Statfjord of $6 million.

Birte Norheim
CFO | OKEA

Production expenses remain somewhat high at $89 million, mainly due to cost for the planned maintenance shutdowns, in addition to a well intervention campaign on Draugen. In combination with a reduced production during the maintenance, the unit cost was unusually high at $34/bbl. The final planned major maintenance this year is on Draugen. The shutdown is scheduled to start in September and is expected to last for three and a half weeks. We therefore expect production cost to remain somewhat high also in the coming quarter, before it normalizes from fourth quarter onwards.

Birte Norheim
CFO | OKEA

We do not have any further planned maintenance shutdowns until the second quarter of 2027. Changes in underlift positions resulted in an expense of $28 million, as sold volumes exceeded produced volumes. Following two quarters with overlift, we have recovered the underlift position that had accumulated since last year, and we are more or less in balance at quarter end. Impairments of $94 million relates to an asset impairment of $86 million at Statfjord and a technical goodwill impairment of $8 million at Draugen.

Birte Norheim
CFO | OKEA

The impairments were a result of the reduced forward prices and had a post-tax effect of $27 million. As a reminder, technical goodwill impairments have no tax offset in the income statement and is not reversible. Asset impairments, on the other hand, have a tax offset in the income statement and is reversible. As we have two of our assets held at fair value, we may expect further impairments or reversal of impairments going forward, in line with changes in micro or macro conditions. Net financial items amounted to an expense of $2 million. Tax expense amounted to $51 million, which brings the net profit to $14 million.

Birte Norheim
CFO | OKEA

Moving on to the balance sheet. Goodwill of $85 million comprised $68 million in technical goodwill and $16 million in ordinary goodwill. Cash and cash equivalents amounted to $296 million, and in addition to the cash balance, $59 million was placed in money market funds, which is classified as other assets. Following entering into an agreement to divest Mistral for a fixed consideration of $30 million in April, the associated asset value of $19 million and the corresponding deferred tax liability of $15 million are reclassified to assets held for sale.

Birte Norheim
CFO | OKEA

An estimated gain of $25 million will be recognized upon closing, and that's expected in the third quarter. Interest-bearing bond loans of $296 million relates to the OKEA05 and OKEA06 bonds. Income tax payable of $138 million comprise accrued taxes for the first six months of 2026 of $163 million, which is partly offset by $20 million in tax refund for 2025, which will be received at the end of the year. Asset retirement obligations of $1 billion and $9 million is a pre-tax amount and is partly offset by asset retirement receivables of $481 million.

Birte Norheim
CFO | OKEA

Let's move on to the cash development for the quarter. Following the high realized prices in the quarter, cash generated from operations amounted to a solid $205 million. Taxes paid of $26 million relate to the three last remaining tax installments for 2025. We used $74 million for investments relating to drilling activities at Draugen and Statfjord and the development projects Bestla and Power from Shore. This resulted in an increase in cash balance of $86 million and brings total cash at the end of the quarter to $355 million.

Birte Norheim
CFO | OKEA

This is $59 million more than the value of our currently outstanding debt. Finally, in this financial section, an update on our guidance. We adjust our production guidance this quarter, largely as a result of the delay in getting Garn West South into production at Draugen, which defers volumes from this year to next year. Production guidance for 2026 is therefore reduced and narrowed to 29,000 bpd-32,000 bpd, and production guidance for 2027 is similarly increased to 39,000 bpd-43,000 bpd. We keep CapEx guidance unchanged at $300 million-$360 million for 2026 and $230 million-$290 million for 2027. That's all from me for now, and I'll give the word back to you, Svein, for some closing remarks. Thank you.

Svein Liknes
CEO | OKEA

Thank you, Birte. To sum up the quarter before we go into the questions and answers. We are moving still into a quarter which will, I assume, be very volatile again. We need to focus on safe and reliable operations and to deliver on the projects that will deliver a very healthy production increase in the period to come. The Talisker West are progressing with first production to Brage in the second half of 2027. Production from Garn West South to Draugen is now expected in the third quarter. As been mentioned by Birte as well, this moves the production profile from April and then to start up in August.

Svein Liknes
CEO | OKEA

Bestla and the Draugen Power from Shore project is being developed according to plan. Actually, the Power from Shore project is being energized in the third quarter. There will be some weeks of testing, that means that the onshore facilities will be ready in the second half of this year to put power offshore. We do have a very solid balance sheet with a net cash positive position of $59 million at the end of this quarter. I hope as many as possible will be able to join us for the Q&A session. As I mentioned, you will find a link on our homepage that will enable you to join that part. Thank you very much.

Q&A

Operator

If you do wish to ask a question, you will need to press five star on your telephone keypad. To withdraw your question, press five star again. There'll be a brief pause while questions are being registered. Our first question comes from the line of John Olaisen from ABG. Please go ahead. Your line will be unmuted.

John Olaisen
Analyst | ABG

Thanks a lot for taking my question, questions, if that's all right. First, a question related to the Garn West South. Could you give an indication of the costs related to fixing the Christmas tree issue? That's question number one. Number two, you are in a net cash position. I wonder for two things. Why do you keep on hedging so much of your production? Secondly, some more details on the usual question on dividend. You mentioned that before that when Bestla is getting closer to production, you could reconsider paying dividend again. I wonder if you could give us an update on that view as Bestla is getting closer to production now. Thank you.

Svein Liknes
CEO | OKEA

Yeah. Thank you for your questions, John. The first one that I can take is on the Garn West South. The costs associated with it is around NOK 40 million-NOK 50 million, related to the work that we have to do here.

John Olaisen
Analyst | ABG

NOK 40 million-NOK 50 million?

Svein Liknes
CEO | OKEA

[inaudible]

John Olaisen
Analyst | ABG

NOK or dollars?

Svein Liknes
CEO | OKEA

NOK. NOK.

John Olaisen
Analyst | ABG

Okay.

Svein Liknes
CEO | OKEA

The two next ones, maybe you can take, Birte.

Birte Norheim
CFO | OKEA

Yes, I can. You are correct. We've had a very solid cash generation, especially in this quarter, but also in the previous. We have not entered into any new hedges. I think the ones we have was entered into last year and early parts of the year when we had a more pessimistic view on the market outlook. We are currently not entering into new hedges.

Birte Norheim
CFO | OKEA

As for dividends, you are correct, we have alluded to potential dividends to when Bestla is in operation, and we're starting to move into a more CapEx-light period. As you are aware, we have certain restrictions on distributions also under our bond agreements. At the moment, we are still slightly below what allows us to distribute with respect to the NPAT clause. We are now delivering profits, and we are rolling out the impairment-heavy quarters of this calculation.

Birte Norheim
CFO | OKEA

We're also seeing other positive developments that improve the visibility of dividend payments in the not too distant future. Some of these factors are driven by higher market prices, while others are the result of our own operational performance and deliveries. Did that answer all your questions, John?

John Olaisen
Analyst | ABG

Yeah, I guess so. Maybe specify on hedge policies going forward. Does this mean that you have, for now we should assume you will not do any more hedges going forward? Or-

Birte Norheim
CFO | OKEA

Well, this is-

John Olaisen
Analyst | ABG

...will we suddenly see if you get a bit more negative to the outlook then suddenly you will start hedging again?

Birte Norheim
CFO | OKEA

I think hedging is something we always look at with respect to our outlook on the market and also our outlook on our own liquidity. For example, when we have investment-heavy periods, we are more conservative with respect to hedging. Now we are, as you say, cash positive. We are moving into a more investment-light period. I would say we are not as conservative with respect to our hedging. It depends on how the market moves and what the opportunities are. When we see market being so volatile as it is now, it also impacts prices of hedging. It's not something we have been very eager to add more positions on at the moment.

John Olaisen
Analyst | ABG

I think if I can give some feedback from what I think investors think, I think their view is to keep a strong balance sheet and ignore hedging. Hedging is something that the investors could do themselves. Because I think that's a little bit of feedback from investors and myself, to be honest.

Birte Norheim
CFO | OKEA

Yeah.

John Olaisen
Analyst | ABG

Anyway, thanks for taking my questions.

Birte Norheim
CFO | OKEA

Thank you, John.

Operator

As a reminder, press five star to ask a question. There will be a brief pause while new questions are being registered. As no one else has lined up for questions in this call, I'll now hand it back to the speakers for any written questions.

Stig Hognestad
VP of Investor Relations | OKEA

Good morning. We got a question from Mats Christensen. He asks, "Can you provide a more precise expected startup window for Garn West South and quantify how much production is assumed from the well in the revised 2026 guidance of 29,000 bpd-32,000 bpd and the increased 2027 guidance of 39,000 bpd-43,000 bpd?

Svein Liknes
CEO | OKEA

Thanks for that question. The startup window for Garn West South, the current plan is mid-August. Our aim is to get the production from that well started up so we can clean up the well prior to the planned shutdown on Draugen on September 2nd. That is kind of the big milestones. Mid-August is the current plan. The Christmas tree should be finished in the yard in Kristiansund by August 1st, and then obviously there is shipment offshore and then installation again. Mid-August is that one. We do not break down the guidance when it comes to each individual well or assets, but when Garn West South is in production, the net production to OKEA is 6,500 approximately barrels of oil.

Stig Hognestad
VP of Investor Relations | OKEA

Next question we got from Russell [Sorank]. "The recent farming to PL 1255 and PL 1255B, [Pridò] what is the exploration and development plan for this area?

Svein Liknes
CEO | OKEA

Thanks. There is no firm plan yet. This is part of our high grading of our portfolio and is also part of the divestment of a prospect that was called K2 that we did in this transaction. The reason why we did that swap was to get control in production license 1255, and we are now the operator there. Again, there is no firm plans other than it's being part of the overall exploration portfolio, which we are high grading continuously.

Stig Hognestad
VP of Investor Relations | OKEA

We have another question from Russell. "There have been a lot of asset swap deals recently in Norway, including your own deal at Mistral. Why did you sell Mistral when the discovery had a development pathway and an operator keen to fast-track?

Svein Liknes
CEO | OKEA

Yeah, thanks for that question. It's a good question. There is a fast track plan for that prospect, even though it has to go through different gates. Our review of and the reason why we divested it was the payment for this transaction we can use on other development opportunities in the Brage area and also in other areas. The Mistral was not exactly in our strategic area after all. Last but not least as well, we did get a very fair price for the Mistral and it also demonstrates that exploration can generate value not only when it starts production, but also following discoveries. Those were the main drivers.

Stig Hognestad
VP of Investor Relations | OKEA

We got question from [David Martai]. "Can you give us a sense of the forecast production levels at Brage from 2027 onwards? Will you be pushing up against facility capacity?

Svein Liknes
CEO | OKEA

Yes, we are pushing up against facility capacity. That's why we are also increasing the facility capacity, and that is due to, as you know, Bestla will come on stream early 2027. We also have the Talisker West discovery coming the second half of 2027. We are increasing the facility capacity already. When it comes to guiding, we don't break down the guiding on each asset, though it's a part of the overall guiding that we have announced. Good news is that we actually have to increase the capacity on Brage, and that is a good challenge to have.

Stig Hognestad
VP of Investor Relations | OKEA

Another question from David. "Your partner is considering selling their interest in Brage. How do you consider potential M&A opportunities?

Svein Liknes
CEO | OKEA

I believe you know that there will be continuous consolidation on the Norwegian continental shelf, and that there will also be M&A opportunities. We are continuously looking for inorganic growth as well. It needs to meet our strategic criteria, where we see that we can add value creation in the area and that it actually fits our portfolio. Operating mid and late life assets, we need a diverse portfolio also with good part of operated assets. Again, we are continuously assessing the market.

Stig Hognestad
VP of Investor Relations | OKEA

There are no further written questions. With that, we end this session and wish you all a happy summer.

Svein Liknes
CEO | OKEA

Yes, thank you very much. Happy summer. We'll speak again in Q3.

Birte Norheim
CFO | OKEA

Thank you