



Norwegian Energy Company ASA
First Quarter 2022

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2	Highlights
3	Financial Review
7	Operational Review
12	Condensed Consolidated Statement of Comprehensive Income
13	Condensed Consolidated Statement of Financial Position
14	Condensed Consolidated Statement of Changes in Equity
15	Condensed Consolidated Statement of Cash Flows
16	Notes
17	Note 1: Accounting Principles
18	Note 2: Revenue
19	Note 3: Production Expenses
20	Note 4: Financial Income and Expenses
21	Note 5: Tax
23	Note 6: Intangible Assets
24	Note 7: Property, Plant and Equipment
25	Note 8: Trade Receivables and Other Current Assets
25	Note 9: Inventories
25	Note 10: Restricted Cash, Bank Deposits, Cash and Cash Equivalents
26	Note 11: Borrowings
27	Note 12: Trade Payables and Other Current Liabilities
28	Note 13: Financial Instruments
32	Note 14: Asset Retirement Obligations
33	Note 15: Shares and Share Capital
33	Note 16: Subsequent Events
34	Alternative Performance Measures
36	Information About Noreco

Highlights

First Quarter 2022 summary

Operational:

- Strong operating performance, with hydrocarbon production of 28.5 mboepd in the first quarter. This compares to 27.5 mboepd in Q4 2021. As a result, the annual production guidance for 2022 has been increased from of 23.5-25.5 mboepd to 24.5-26.5 mboepd
- High activity levels on the Tyra Redevelopment project with the successful sail away and completion of the offshore lift and installation campaign, seven out of eight platforms are now in place

Financial:

- Total revenues of USD 179.0 million in first quarter, with EBITDA of USD 106.8 million
- Total liquidity of USD 247 million at the end of first quarter, with cash on balance sheet of USD 146.8 million and available undrawn RBL capacity of USD 100 million
- Noreco continues to be fully funded to deliver the Tyra redevelopment project, with significant headroom based on current commodity price levels

Financial and operational summary	Unit	Q1 2022	Q4 2021	Q1 2021
Total revenue	USDm	179.0	175.3	105.2
EBITDA¹⁾	USDm	106.8	97.0	29.2
Adj. EBITDA¹⁾	USDm	107.6	99.1	63.4
Result before tax	USDm	(17.1)	35.4	(28.3)
Net result for the period	USDm	(44.9)	(27.9)	(8.6)
Net cash flow from operating activities ²⁾	USDm	87.0	69.0	(122.9)
Investments in oil and gas assets	USDm	52.5	66.9	55.8
Abandonment spent ¹⁾	USDm	1.9	8.1	2.1
Reserve based lending facility - currently drawn	USDm	900.0	900.0	751.2
Net interest-bearing debt ¹⁾	USDm	1,145.6	1,163.4	1,051.8
Oil production	mboepd	22.3	21.1	19.2
Gas production	mboepd	6.2	6.3	6.6
Total production	mboepd	28.5	27.5	25.8
Over/underlift	mboepd	(2.6)	(0.6)	(2.5)
Realised Oil price	USD/boe	99.9	78.7	60.4
+/- Effect of hedges	USD/boe	(31.2)	(18.4)	(4.5)
Effective Oil price¹⁾	USD/boe	68.6	60.3	55.9

1) See the description of "Alternative performance measures" at the end of this report for definitions.

2) Q1 2021 reflects the payment of the VAT liability related to 2020 of USD 156 million, the payment date was delayed to Q1 2021 by the Danish government as a response to the impact of COVID-19 on the economy

Financial review

Selected data from consolidated statement of comprehensive income

All figures in USD million	Q1 2022	Q4 2021	Q1 2021	YTD 2022	YTD 2021
Total revenue	179.0	175.3	105.2	179.0	105.2
EBITDA	106.8	97.0	29.2	106.8	29.2
EBIT	69.7	66.2	3.8	69.7	3.8
Result before tax	(17.1)	35.4	(28.3)	(17.1)	(28.3)
Net result for the period	(44.9)	(27.9)	(8.6)	(44.9)	(8.6)
Earnings per share	(1.9)	(1.2)	(0.4)	(1.9)	(0.4)

The Company had **revenues** of USD 179.0 million in the first quarter of 2022 mainly related to oil and gas sales from the DUC fields; this compares to USD 175.3 million in the previous quarter. The increase compared to last quarter was related to increased realised oil and gas commodity prices, net of hedging effects.

Production expenses amounted to USD 66.9 million in the first quarter of 2022 compared to USD 72.3 million in the previous quarter. Of this amount USD 70.7 million was directly attributable to the lifting and transport of the Company's oil and gas production and USD 4.7 million related to offshore insurance expenses, in addition to a positive impact of USD 6.3 million related to increased oil inventory, USD 4.6 million related to an under-lift adjustment and USD 2.3 million related to stock scrap cost. The cost per boe in the first quarter of 2022 amounted to USD 27.6 per boe compared to USD 27.0 per boe in the previous quarter. The current quarter is influenced by high activity on workovers to maintain base production.

Operating result (EBITDA) in the first quarter of 2022 was a profit of USD 106.8 million, compared to USD 97.0 million in previous quarter. This increase mainly relates to higher revenue as a result of the current oil and gas commodity price environment, in addition to lower production expenses.

Net Financial items amounted to an expense of USD 86.8 million for the first quarter of 2022, compared to an expense of

USD 30.8 million in the previous quarter. The increase in net financial cost was mainly related to a negative fair value adjustment on NOR13's embedded derivative compared to a minor positive fair value adjustment last quarter. The value of the NOR13's embedded derivative is influenced by the current quarters increase in Noreco's share price.

Income tax amounted to USD 27.8 million for the first quarter of 2022 compared to USD 63.3 million for the previous quarter. The decrease in income tax was partly due to the difference in operating results and more significantly, the fact that the previous quarter included effects of FX adjustment on tax losses carried forward in DKK as well as adjustments to prior years taxes. YTD 2022 current income tax amounted to a cost of USD 4 million and deferred tax movements amounted to USD 24 million, which corresponds to a statutory 64 % tax on result before tax on hydrocarbon income in Noreco Oil Denmark and Noreco Petroleum Denmark, adjusted with the effects of investment uplift, effective 0 % tax on result before tax in Norway and UK and effective 22 % tax on result before tax in Noreco Olie- og Gasudvinding Denmark and Noreco DK Pipeline.

Net result for the first quarter of 2022 was a loss of USD 44.9 million, compared to a USD 27.9 million loss for the previous quarter.

Selected data from the consolidated statement of financial position

All figures in USD million	31.03.2022	31.12.2021	31.03.2021
Total non-current assets	2,929.3	2,806.9	2,640.1
Total current assets	335.0	283.0	161.1
Total assets	3,264.3	3,089.9	2,801.2
Total equity	408.0	492.2	581.0
Interest bearing debt	1,217.6	1,204.3	1,054.8
Asset retirement obligations	1,035.3	1,029.2	953.9

Total non-current assets amounted to USD 2.9 billion at the end of first quarter of 2022, of which USD 1.9 billion related to property, plant and equipment, in addition to intangible assets of USD 164.4 million, deferred tax asset of USD 606.1 million, derivatives related to the RBL interest swap of USD 38.2 million and USD 204.1 million in restricted cash, relating to cash pledged to Total as security for DUC cash call obligations, security against Nini/Cecilie abandonment costs and withheld taxes.

Total current assets amounted to USD 335.0 million at the end of first quarter of 2022, USD 36.6 million in trade- and other receivables, mainly related to oil and gas revenue, USD 16.0 million in prepayments mainly related to offshore insurance premium that has been paid in advance, USD 146.8 million of cash and USD 57.1 million related to inventory.

Total equity amounted to USD 408.0 million at the end of the first quarter of 2022, compared to USD 492.2 million at the end of Q4 2021. Decrease in equity was related to the loss for the period and fair value adjustment on hedges, partly offset by realization of hedges.

Interest-bearing debt amounted to USD 1.2 billion at the end of first quarter of 2022. The convertible bond loan NOR13 had a book value of USD 164.4 million at the end of the first quarter of 2022. This is valued at amortised cost and the embedded derivatives are accounted for as a derivative liability at fair value through profit and loss. Noreco's USD 1.1 billion RBL facility, drawn at USD 900 million on 31 March 2022 and with maximum cash drawings capacity of USD 1.0 billion, had a book value of USD 859.0 million at the end of the first quarter. The senior unsecured bond loan NOR14 had a book value of USD 169.2 million at the end of the period. The RBL facility and the unsecured bond loan are valued at amortised cost. In addition, the interest-bearing debt includes deferred consideration with a book value of USD 25 million.

Asset retirement obligations amounted to USD 1,035.3 million at the end of first quarter of 2022, compared to USD 1,029.2 million at the end of Q4 2021. USD 967.2 million is related to the DUC assets, USD 63.7 million to Nini/Cecilie, USD 2.2 million to Lulita and USD 2.1 million to the Tyra F-3 pipeline. The Nini/Cecilie asset retirement obligation is secured through an escrow account of USD 64 million.

Selected data from the consolidated statement of cash flows

All figures in USD million	Q1 2022	Q4 2021	Q1 2021	YTD 2022	YTD 2021
Cash flow from operating activities	87.0	69.0	(122.9)	87.0	(122.9)
Cash flow used in investing activities	(54.5)	(78.8)	(53.7)	(54.5)	(53.7)
Cash flow from financing activities	(8.3)	(20.0)	(12.5)	(8.3)	(12.5)
Net change in cash and cash equivalents	24.2	(29.8)	(189.2)	24.2	(189.2)
Cash and cash equivalents	146.8	122.6	70.2	146.8	70.2

Cash flow from operating activities amounted to USD 87.0 million for the first quarter of 2022, compared to USD 69.0 million for the previous quarter. Cash flow from operating activities excluding changes in working capital amounted to USD 113.5 million for the first quarter of 2022, compared to USD 91.3 million for the previous quarter. The decrease in cash flow from working capital relate to increases in trade and other receivables, increased under-lift position of oil, increase in inventory, decrease in trade payables and liabilities to the operator. This is partly offset by an increase in other current liabilities and public duties payable, in addition to decrease in prepayments.

Cash flow used in investing activities amounted to negative USD 54.5 million for the quarter, compared to negative USD 78.8 million for the previous quarter. The cash flow used in investing activities were mainly related to investments in the DUC asset of which USD 49.7 million related to the Tyra

Redevelopment and USD 1.9 million in abandonment expenditure were paid which were related to Tyra, Dan and Gorm.

Cash flow from financing activities amounted to negative USD 8.3 million for the first quarter of 2022, compared to negative USD 20.0 million for the previous quarter. Current quarter included paid interest on the RBL facility which was partly offset by sale of shares, while cash flow from financing activities last quarter included paid interest on the RBL facility and on NOR14.

Net change in cash and cash equivalents amounted to positive USD 24.2 million at the end of the quarter compared to negative USD 29.8 million for the previous quarter. Cash and cash equivalents were in total USD 146.8 million at the end of first quarter 2022.

Risk Mitigation

The Company actively seeks to reduce exposure to the risk of fluctuating commodity prices through the establishment of hedging arrangements. To achieve this, Noreco has executed a hedging policy in the market and entered into forward contracts.

As a result of the agreement to acquire Shell Olie- og Gasudvinding Danmark B.V. on 31 July 2019, Noreco had a liquid volume protection agreement with Shell that, from signing of the Sale and Purchase Agreement (SPA) until the end of 2020 (the "Protection Period"), provided a monthly liquid production guarantee at levels above the Company's internal forecasts. For the period 2021 to 2023 (the "Recovery Period"), a payment to Shell may be required if actual production exceeds a pre-agreed level. The production level at which any recovery payment would be made to Shell is currently above the Company's internal forecasts, and therefore the Company does not expect any payments to be required during the remaining term of this agreement. In any event, the amount refunded to Shell during the Recovery Period cannot exceed the value of Noreco's claims during the Protection Period and would only be paid if production far exceeded current guidance.

As required by Noreco's hedging policy, the Company has entered into forward contracts with financial institutions in the market to reduce the Company's exposure to commodity price volatility. These contracts protect the minimum oil and gas

prices Noreco will receive during 2022 to 2024 and are financially settled monthly.

Complementary to the Company's hedging policy, Noreco has a rolling hedge requirement as part of the RBL Facility that is based on the RBL banking case production forecast. This requires that price hedging be in place (at no less than 90% of the corresponding RBL banking case price forecast) for a minimum of 50% of oil equivalent volumes for the following 12 months, 40% in the period from 12 to 24 months and 30% in the period from 24 to 36 months, subject to a maximum level in each of these periods of 70%. Noreco received a waiver from its RBL bank syndicate related to the hedging requirements in the 24 to 36 months forward period and based on this the Company is not required to meet the minimum hedging level for this period until the end of June 2022. At the end of Q1 2022, Noreco is in full compliance with these temporarily revised RBL hedging requirements.

In addition to the Company's commodity price hedging, Noreco entered into an Interest Rate Swap in Q3 2021. The contract is to fix the floating SOFR interest rate (switched from LIBOR from 01 November 2021) applicable to the RBL Facility. The Company has fixed the interest rate for the maximum drawings of USD 1.0 billion of the facility from 01 November 2021 to 30 June 2024 at a blended average rate of 0.4041% with several RBL syndicate banks.

	Volume hedged oil (mmbbl)	Average hedged price (\$/bbl)	Volume hedged gas (MWh)	Average hedged price (EUR/MWh)
2022 (Apr-Dec)	3.1	55.7	570,005	72.4
2023	4.1	53.0	104,992	124.4
2024	2.4	62.2	-	0.0

Operational review

Production

Key figures	Unit	Q1 2022	Q4 2021	Q1 2021	YTD 2022	YTD 2021
Dan hub	mboepd	8.4	8.6	8.5	8.4	8.6
Gorm hub	mboepd	5.3	4.5	3.2	5.3	3.2
Halfdan hub	mboepd	14.8	14.4	14.0	14.8	14.0
Tyra hub	mboepd	0.0	0.0	0.0	0.0	0.0
Total production	mboepd	28.5	27.5	25.8	28.5	25.8
Over/under-lift	mboepd	(2.6)	(0.6)	(2.5)	(2.6)	(2.5)
Net sales	mboepd	25.9	26.9	23.3	25.9	23.3
Oil sales	mboepd	19.7	20.5	16.7	19.7	16.7
Gas sales	mboepd	6.2	6.3	6.7	6.2	6.6
Operating efficiency ¹⁾	%	92.6 %	85.2 %	77.0 %	92.6 %	77.0 %

¹⁾ Operating efficiency is calculated as: delivered production / (delivered production + planned shortfalls + unplanned shortfalls)

Performance in Q1 2022 was above the yearly guidance of 25.5 – 27.5 mboepd. The production from the Dan hub has been stable and high after the successfully completed workovers on three Dan wells end of 2021. Further, the scale squeeze of 11 Gorm wells end of 2021 has resulted in a significant production increase of the Gorm hub still effective end of Q1 2022. Finally, production on Halfdan has remained high after the successful completion of workovers in Q2 and Q3 2021. The Operator have high focus on a stable water injection especially into all 4 water injected fields, and a strategic ambition to improve operational efficiency to 90% for DUC overall by reducing unplanned shortfalls. This work is being implemented via various initiatives in all three hubs.

Dan hub

Key figures	Unit	Q1 2022	Q4 2021	Q1 2021	YTD 2022	YTD 2021
Dan	mboepd	7.7	7.5	7.5	7.7	7.5
Kraka	mboepd	0.7	1.1	1.0	0.7	1.0
Operating efficiency		92.8%	87.1%	84.0%	92.8%	84.0%

First quarter average production remained high at 8.4 mboepd from the Dan hub, due to successful workovers of three Dan wells. The reduced production from Kraka and increased production from the Dan field is due to a reallocation between the two fields. Operating efficiency for the quarter was 92.8 %, compared to 87.1 % for the previous quarter mainly due to fewer unplanned shortfalls based on the work to improve operational efficiency.

Gorm hub

Key figures	Unit	Q1 2022	Q4 2021	Q1 2021	YTD 2022	YTD 2021
Gorm	mboepd	1.7	1.8	1.3	1.7	1.3
Rolf	mboepd	0.2	0.3	0.2	0.2	0.2
Skjold	mboepd	3.4	2.4	1.8	3.4	1.7
Operating efficiency		89.3%	65.5%	50.0%	89.3%	50.0%

First quarter average production increased to 5.3 mboepd from the Gorm hub, primarily due to the scale squeeze on 11 of the Gorm wells maintaining a high production from the Gorm field, and the significantly increased operational efficiency and stable gas lift especially increasing the production from the Skjold field. Operating efficiency for the quarter was 89.3 %, compared to 65.5 % for the previous quarter due to less planned maintenance and fewer unplanned shortfalls.

Halfdan hub

Key figures	Unit	Q1 2022	Q4 2021	Q1 2021	YTD 2022	YTD 2021
Halfdan	mboepd	14.8	14.4	14.0	14.8	14.0
Operating efficiency		93.7%	90.4%	81.0%	93.7%	81.0%

First quarter average production increased to 14.8 mboepd, due to the successful workover campaigns which were completed in August 2021 and a high operating efficiency which was 93.7 %, compared to 90.4 % for the previous quarter.

Tyra hub

Key figures	Unit	Q1 2022	Q4 2021	Q1 2021	YTD 2022	YTD 2021
Tyra	mboepd	-	-	-	-	-
Harald	mboepd	-	-	-	-	-
Lulita	mboepd	-	-	-	-	-
Roar	mboepd	-	-	-	-	-
Svend	mboepd	-	-	-	-	-
Valdemar	mboepd	-	-	-	-	-
Operating efficiency	%	-	-	-	-	-

The Tyra Redevelopment project is, to date, the largest project carried out on the Danish Continental Shelf and is expected to increase net production by approximately 90 percent and unlock gross reserves in excess of 200 mboe. Redeveloped Tyra will decrease direct field opex to below USD 13 per barrel and lower emissions at the field by 30 percent. In addition, the project will extend field life by 25 years. With Tyra's gas contribution from next year, Denmark will be self-sufficient and at the same time be able to export surplus gas to the EU.

Project efforts are being executed locally in Esbjerg and offshore in the Danish North Sea, and the fabrication of the new installations have been completed in Italy and Singapore whereas work on the new Process Module continues at Batam in Indonesia. The scope of the project includes removing old facilities, modifying existing ones, and installing new features. The two existing process and accommodation platforms are being replaced by one new process platform and one new accommodation platform. The four wellhead platforms and two riser platforms had their jackets extended by 13 meters, and the topsides were replaced.

During the quarter, further progress on fabrication and offshore installation of the Tyra West Well and riser topsides and TEH accommodation module was made.

On April 13, 2022 Noreco announced the successful offshore lift and installation of the three Tyra West wellhead and riser platforms, the TEH Accommodation module and two bridges. Over a period of ten days, the world's largest crane vessel, Sleipnir safely lifted and installed the units in position at the Tyra field. This concluded this spring's offshore campaign with seven out of eight platforms in position.

The remaining TEG Process Module is constructed by McDermott in Indonesia. The process module is scheduled to sail away from yard in Q3 2022 followed by an offshore hook-up and commissioning.

Timing for first gas from Redeveloped Tyra is reaffirmed as Q2, 2023.

Health, Safety and the Environment

Noreco will conduct its business operation in full compliance with all applicable national legislation in the countries where it is operating. The Company is committed to carry out its activities in a responsible manner to protect people and the environment. Our fundamentals of HSEQ and safe business practice are an integral part of Noreco's operations and business performance.

Noreco puts emphasis on its employees performing company activities in line with the principals of business integrity and with respect for people and the environment.

Noreco will conduct its business operation in full compliance with all applicable national legislation in the countries where it is operating. The Company is committed to carry out its activities in a responsible manner to protect people and the environment. Our fundamentals of HSEQ and safe business practice is an integral part of Noreco's operations and business performance.

The Danish Offshore Safety Act is the legal framework for promotion of a high level for health and safety offshore and for creating a framework enabling the companies to solve offshore health and safety issues themselves. The Danish Offshore Safety Act generally applies to all offshore activities related to hydrocarbon facilities, infrastructure and pipelines connected hereto. Licensees under the Danish Subsoil Act are required to identify, assess and reduce health and safety risks as much as reasonably practicable, as well as be compliant with the ALARP (As Low As Reasonably Practicable) principle. Furthermore, the licensee shall ensure that operators are able to fulfil the safety and health obligations pursuant to the Danish Offshore Safety Act.

The outbreak of the coronavirus (COVID-19) and the global pandemic continues to impact the daily lives of people, as well as companies and markets globally. Noreco's business continuity actions provide us with infrastructure and systems that allow all staff to work remotely and, as such, we are able to fully continue operating the Company while safeguarding our employees.

Governance and organization

The number of employees was 28 at the end of the first quarter.

The board of directors of the Company wishes to maintain an appropriate standard on corporate governance and to fulfil the recommendations in the Norwegian Code of Practice for Corporate Governance. Corporate governance in Noreco is based on equal treatment of all shareholders through the activity that the board and General Assembly practice. Safeguarding the Company's people, assets and financial position remain the board's key priorities including how best to position the Company for future value enhancing opportunities.

The board has committees to further strengthening the corporate governance standard of the Company, the Nomination Committee, Audit Committee and the Remuneration Committee. In addition, an ESG Committee was established in 2020 supporting Noreco's commitment to ESG and evolving the Company's role as a contributor in the energy transition.

Risks and uncertainties

An investment in Noreco involves risks and uncertainties as described in the Company's annual report for 2021. Noreco's business, results from operations, cash flow and financial condition depend on the level of oil and gas prices and market expectations of these. Further, Noreco is dependent on successfully developing and producing oil and gas reserves that are economically recoverable. Unless the Company replaces its oil and gas reserves, its reserves and production will decline, which over time could adversely affect its business, financial condition and results of operations. Noreco is also exposed to risks such as, but not limited to, changes in exchange rates, interest rates, tax, regulations and access to capital.

Outlook

Noreco has built a stable business that is underpinned by the Company's position in the DUC. Noreco is well positioned going forward to navigate the impact of COVID-19 and any future oil- and gas price volatility as a result of price hedging arrangements the Company has in place and pro-active steps taken by the operator of the DUC. The Tyra Redevelopment is progressing and will significantly enhance Noreco's base production after start-up. The Company also expects field operating expenditure to decrease significantly after Tyra is back on production, with direct field opex below USD 13 per barrel. The Company expects the following production for 2022:

	Unit	2022 Guidance	2021
Production	mboepd	24.5-26.5	25.5-27.5

Condensed Consolidated Statement of Comprehensive Income

Noreco First Quarter 2022

All figures in USD million	Note	Q1 2022	Q4 2021	Q1 2021	YTD 2022	YTD 2021
Revenue	2	179.0	175.3	105.2	179.0	105.2
Total revenues		179.0	175.3	105.2	179.0	105.2
Production expenses	3	(66.9)	(72.3)	(71.1)	(66.9)	(71.1)
Exploration and evaluation expenses		0.2	(0.1)	(0.0)	0.2	(0.0)
Personnel expenses		(2.3)	(3.0)	(2.7)	(2.3)	(2.7)
Other operating expenses		(3.3)	(3.0)	(2.1)	(3.3)	(2.1)
Total operating expenses		(72.3)	(78.4)	(76.0)	(72.3)	(76.0)
Operating result (EBITDA)		106.8	97.0	29.2	106.8	29.2
Depreciation / amortisation	7	(37.1)	(30.8)	(25.5)	(37.1)	(25.5)
Net operating result (EBIT)		69.7	66.2	3.8	69.7	3.8
Financial income	4	5.8	8.8	11.6	5.8	11.6
Financial expenses	4	(92.6)	(39.6)	(43.7)	(92.6)	(43.7)
Net financial items		(86.8)	(30.8)	(32.1)	(86.8)	(32.1)
Result before tax (EBT)		(17.1)	35.4	(28.3)	(17.1)	(28.3)
Income tax benefit / (expense)	5	(27.8)	(63.3)	19.8	(27.8)	19.8
Net result for the period		(44.9)	(27.9)	(8.6)	(44.9)	(8.6)
Other comprehensive income (net of tax):						
Items that may be subsequently reclassified to profit or loss:						
Realized cash flow hedge, reclassified to profit or loss		77	66	2	77	2
Related tax - realized cash flow hedge		(49)	(42)	(1)	(49)	(1)
Changes in fair value derivative instruments price hedge		(223)	(2)	(111)	(223)	(111)
Related tax - changes in fair value		154	5	71	154	71
Currency translation adjustment		(1)	(1)	(2)	(1)	(2)
Total other comprehensive income for the period (net of tax)		(43)	26	(41)	(43)	(41)
Total comprehensive income for the period (net of tax)		(87)	(2)	(49)	(87)	(49)
Weighted average no. of shares outstanding, basic		24,156,074	24,110,852	24,119,296	24,156,074	24,119,296
Weighted average no. of shares outstanding, diluted		31,756,128	35,552,985	34,502,230	31,756,128	34,502,230
Basic earnings/loss USD per share		(1.9)	(1.2)	(0.4)	(1.9)	(0.4)
Diluted earnings/loss USD per share		(1.9)	(1.2)	(0.4)	(1.9)	(0.4)

Condensed Consolidated Statement of Financial Position

Noreco First Quarter 2022

All figures in USD million	Note	31.03.2022	31.12.2021	31.03.2021
Non-current assets				
Licence and capitalised exploration expenditures	6	164.4	166.0	172.3
Deferred tax assets	5	606.1	526.3	523.3
Property, plant and equipment	7	1,915.9	1,898.7	1,736.1
Right of Use asset		0.6	0.7	0.4
Restricted cash	10, 13	204.1	205.5	208.0
Derivative instruments	13	38.2	9.7	-
Total non-current assets		2,929.3	2,806.9	2,640.1
Current assets				
Derivative instruments	13	2.8	-	-
Trade receivables and other current assets	8	128.2	108.9	57.3
Inventories	9	57.1	51.4	33.5
Bank deposits, cash and cash equivalents	10	146.8	122.6	70.2
Total current assets		335.0	283.0	161.1
Total assets		3,264.3	3,089.9	2,801.2
Equity				
Share capital	15	29.5	29.5	29.5
Other equity		378.5	462.7	551.5
Total equity		408.0	492.2	581.0
Non-current liabilities				
Asset retirement obligations	14	1,010.8	1,003.0	929.0
Convertible bond loan	11, 13	164.4	157.1	136.6
Bond loan	11, 13	169.2	164.9	173.0
Reserve based lending facility	11, 13	859.0	857.3	720.2
Derivative instruments	13	228.6	100.9	42.4
Other non-current liabilities	11	0.5	25.4	25.4
Total non-current liabilities		2,432.5	2,308.6	2,026.5
Current liabilities				
Asset retirement obligations	14	24.5	26.2	24.9
Tax payable	5	25.0	16.0	30.2
Derivative instruments	13	220.4	116.3	35.9
Trade payables and other current liabilities	12, 11	153.9	130.5	102.7
Total current liabilities		423.8	289.1	193.7
Total liabilities		2,856.3	2,597.7	2,220.3
Total equity and liabilities		3,264.3	3,089.9	2,801.2

Condensed Consolidated Statement of Changes in Equity

Noreco First Quarter 2022

All figures in USD million	Share capital	Share premium fund	Treasury share reserve	Currency translation fund	Cash flow hedge reserve	Other equity	Total equity
2021							
Equity as of 01.01.2021	29.5	707.0	(0.5)	5.6	14.3	(126.0)	629.9
Net result for the period						(8.6)	(8.6)
Other comprehensive income							
Realized cash flow hedge	-	-	-	-	2.0	-	2.0
Related tax - realized cash flow hedge	-	-	-	-	(1.3)	-	(1.3)
Changes in fair value	-	-	-	-	(110.6)	-	(110.6)
Related tax - changes in fair value	-	-	-	-	70.8	-	70.8
Currency translation adjustments	-	-	-	(1.7)	-	-	(1.7)
Total other comprehensive income	-	-	-	(1.7)	(39.1)	-	(40.7)
Share-based incentive program	-	-	-	-	-	0.4	0.4
Share buyback	-	-	-	-	-	-	-
Total transactions with owners for the period	-	-	-	-	-	0.4	0.4
Equity as of 31.03.2021	29.5	707.0	(0.5)	3.9	(24.8)	(134.2)	581.0
2022							
Equity as of 01.01.2022	29.5	707.0	(0.5)	2.6	(67.5)	(178.9)	492.2
Net result for the period						(44.9)	(44.9)
Other comprehensive income							
Realized cash flow hedge, reclassified to profit or loss	-	-	-	-	76.9	-	76.9
Related tax - realized cash flow hedge	-	-	-	-	(49.2)	-	(49.2)
Changes in fair value	-	-	-	-	(223.1)	-	(223.1)
Related tax - changes in fair value	-	-	-	-	153.5	-	153.5
Currency translation adjustments	-	-	-	(0.8)	-	-	(0.8)
Total other comprehensive income	-	-	-	(0.8)	(41.9)	-	(42.6)
Share-based incentive program	-	-	-	-	-	(0.1)	(0.1)
Sale of shares	-	-	0.2	-	-	3.2	3.4
Total transactions with owners for the period	-	-	0.2	-	-	3.1	3.3
Equity as of 31.03.2022	29.5	707.0	(0.3)	1.8	(109.3)	(220.7)	408.0

Condensed Consolidated Statement of Cash Flows

Noreco First Quarter 2022

All figures in USD million	Note	Q1 2022	Q4 2021	Q1 2021	YTD 2022	YTD 2021
Cash flows from operating activities						
Net result for the period		(44.9)	(27.9)	(8.6)	(44.9)	(8.6)
Adjustments for:						
Income tax benefit / (expense)	5	27.8	63.3	(19.8)	27.8	(19.8)
Tax paid / received		5.8	(10.3)	-	5.8	-
Depreciation	7	37.1	30.8	25.5	37.1	25.5
Share-based payments expenses		(0.1)	(0.7)	0.4	(0.1)	0.4
Net financial item	4	88.1	36.2	32.1	88.1	32.1
Net gain sale of assets		(0.2)	-	-	(0.2)	-
Changes in:						
Trade receivable	8	(18.8)	(25.9)	18.8	(18.8)	18.8
Trade payables ¹⁾	12	(1.6)	6.2	(169.6)	(1.6)	(169.6)
Inventories and spare parts	9	(5.7)	4.6	6.0	(5.7)	6.0
Prepayments	8	4.1	0.3	4.9	4.1	4.9
Over/under-lift	8, 12	(4.6)	(7.4)	(12.6)	(4.6)	(12.6)
Other current balance sheet items		0.0	0.0	(0.1)	0.0	(0.1)
Net cash flow from operating activities		87.0	69.0	(122.9)	87.0	(122.9)
Cash flows from investing activities						
Consideration sale of asset		0.3	-	-	0.3	-
Volume guarantee	8	-	-	14.6	-	14.6
Tax paid / received ²⁾		-	-	1.0	-	1.0
Investment in oil and gas assets	7	(52.5)	(66.9)	(55.8)	(52.5)	(55.8)
Investment in exploration licenses		(0.5)	(0.0)	0.3	(0.5)	0.3
Abandonment paid		(1.9)	(8.1)	(2.1)	(1.9)	(2.1)
Changes in restricted cash accounts	10	0.1	(3.8)	(11.8)	0.1	(11.8)
Net cash flow from investing activities		(54.5)	(78.8)	(53.7)	(54.5)	(53.7)
Cash flows from financing activities						
Lease payments		(0.1)	(0.1)	(0.2)	(0.1)	(0.2)
Sale of shares		3.4	-	-	3.4	-
Transaction costs related to financing		(0.0)	-	-	(0.0)	-
Interest paid		(9.9)	(18.4)	(11.3)	(9.9)	(11.3)
Settled hedges		(0.2)	0.1	(2.0)	(0.2)	(2.0)
Other financial items		(1.4)	(1.5)	1.0	(1.4)	1.0
Net cash flow from financing activities		(8.3)	(20.0)	(12.5)	(8.3)	(12.5)
Net change in cash and cash equivalents		24.2	(29.8)	(189.2)	24.2	(189.2)
Cash and cash equivalents at the beginning of the period		122.6	152.4	259.3	122.6	259.3
Cash and cash equivalents at end of the quarter		146.8	122.6	70.2	146.8	70.2

1) Q1 2021 reflects the payment of the VAT liability related to 2020 of USD 156 million, the payment date was delayed to Q1 2021 by the Danish government as a response to the impact of COVID-19 on the economy.

2) Tax paid which were attributable to the period before the acquisition is classified as investing activities.

Notes

1

Accounting Principles

Norwegian Energy Company ASA (“Noreco”, “the Company” or “the Group”) is a public limited liability company registered in Norway, with headquarters in Oslo (Nedre Vollgate 1, 0158 Oslo). The Company has subsidiaries in Norway, Denmark, Netherlands and the United Kingdom. The Company is listed on the Oslo Stock Exchange.

Basis for preparation

The interim condensed consolidated financial statements (the interim financial statements) for the first quarter of 2022 comprise Norwegian Energy Company ASA (Noreco) and its subsidiaries. These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. The interim financial statements do not include all the information and disclosures required to represent a complete set of financial statements, and these interim financial statements should be read in conjunction with the annual financial statements. The interim financial statements are unaudited. The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding. The interim financial statements for the first quarter were approved by the Board of Directors on 9 May 2022.

Going concern

The Board of Directors confirms that the interim financial statements have been prepared under the presumption of going concern, and that this is the basis for the preparation of these interim financial statements. The financial solidity and the Company's cash and working capital position are considered satisfactory in regards of the planned activity level until Q3 2023.

Reference to summary of significant accounting policies

These interim financial statements are prepared using the same accounting principles as the annual financial statements for 2021.

For the full summary of significant accounting policies, reference is made to the annual financial statements for 2021.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The significant judgements made in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

2

Revenue

USD million	Q1 2022	Q4 2021	Q1 2021	YTD 2022	YTD 2021
Sale of oil	121.6	113.9	83.8	121.6	83.8
Sale of gas and NGL	55.6	59.8	19.7	55.6	19.7
Other income	1.8	1.6	1.7	1.8	1.7
Total Revenue	179.0	175.3	105.2	179.0	105.2
Oil - lifted volumes (mmbbl)	1.77	1.89	1.50	1.77	1.50
Effective Oil price USD/bbl¹⁾	68.6	60.3	55.9	68.6	55.9
Gas - lifted volumes (mmboe)	0.6	0.6	0.6	0.6	0.6
Effective Gas price EUR/MWh	50.6	51.7	16.0	50.6	16.0
Effective Gas price USD/boe	99.6	102.7	33.4	99.6	33.4

¹⁾ See the description of «Alternative performance measures» at the end of this report for definitions.

In the first quarter, Noreco's sale of oil amounted to USD 121.6 million and sale of gas amounted to USD 55.6 million, realised prices were USD 68.6 per bbl of oil and USD 99.6 per boe of gas lifted during the period, adjusted for settlement of price hedges in place with financial institutions.

During the first quarter, all of Noreco's settlement of price hedges that were put in place with financial institutions in the market matched the physical sale of oil and gas and were recognised as revenue.

3

Production Expenses

USD million	Q1 2022	Q4 2021	Q1 2021	YTD 2022	YTD 2021
Direct field opex	(51.1)	(53.1)	(46.0)	(51.1)	(46.0)
Tariff and transportation expenses	(10.1)	(9.5)	(14.5)	(10.1)	(14.5)
Production G&A	(9.5)	(5.6)	(10.3)	(9.5)	(10.3)
Field operating cost	(70.7)	(68.2)	(70.7)	(70.7)	(70.7)
Total produced volumes (mmboe)	2.6	2.5	2.3	2.6	2.3
In USD per boe	(27.6)	(27.0)	(30.5)	(27.6)	(30.5)
Adjustments for:					
Change in inventory position	6.3	(5.2)	(4.4)	6.3	(4.4)
Over/under-lift of oil and NGL	4.6	7.4	12.6	4.6	12.6
Insurance & Other	(4.7)	(5.3)	(5.5)	(4.7)	(5.5)
Stock Scrap	(2.3)	(0.9)	(3.0)	(2.3)	(3.0)
Production expenses	(66.9)	(72.3)	(71.1)	(66.9)	(71.1)

Production expenses for the first quarter directly attributable to the lifting and transportation to market of Noreco's oil and gas production are in total USD 70.7 million, which equates to USD 27.6 per boe produced during the period compared to USD 27.0 per boe in Q4 2021. The quarter is influenced by high activity on workovers to maintain base production.

In the current period Noreco recognised cost reductions of USD 6.3 million related to an increase in the Crude Oil inventory position and USD 4.6 million related to an increase in the under-lift position (measured at production cost). Stock scrap is a cost of USD 2.3 million.

4

Financial Income and Expenses

Financial Income

USD million	Q1 2022	Q4 2021	Q1 2021	YTD 2022	YTD 2021
Value adjustment derivatives and hedging contracts unrealized ¹⁾	2.8	1.0	-	2.8	-
Value adjustment of embedded derivatives ²⁾	-	0.7	-	-	-
Amortised cost RBL	0.2	0.2	-	0.2	-
Interest income	0.0	0.0	-	0.0	-
Foreign exchange gains	2.7	6.9	11.6	2.7	11.6
Total financial income	5.8	8.8	11.6	5.8	11.6

Financial Expenses

USD million	Q1 2022	Q4 2021	Q1 2021	YTD 2022	YTD 2021
Value adjustment of embedded derivatives ²⁾	(56.6)	-	(1.5)	(56.6)	(1.5)
Value adjustment - FX Contract	-	-	(1.0)	-	(1.0)
Utilisation of derivatives	(0.8)	(0.6)	(1.8)	(0.8)	(1.8)
Unrealized loss derivatives	-	-	(1.0)	-	(1.0)
Interest expense from bond loans	(11.6)	(11.6)	(10.1)	(11.6)	(10.1)
Interest expense from bank debt	(11.9)	(12.5)	(11.9)	(11.9)	(11.9)
Interest expenses current liabilities	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Accretion expense related to asset retirement obligations	(9.6)	(8.7)	(8.7)	(9.6)	(8.7)
Foreign exchange losses	(1.2)	(5.3)	(6.7)	(1.2)	(6.7)
Other financial expenses	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Total financial expenses	(92.6)	(39.6)	(43.7)	(92.6)	(43.7)
Net financial items	(86.8)	(30.8)	(32.1)	(86.8)	(32.1)

- 1) Fair value adjustment based on the value of bank hedging contracts deemed inefficient (i.e. above physical liftings that mature in the future).
- 2) Fair value adjustment of the embedded derivatives of the convertible bond.

5

Tax

Tax rates

Producers of oil and gas on the Danish Continental Shelf are subject to the hydrocarbon tax regime under which, income derived from the sale of oil and gas is taxed at an elevated 64 %. Any income deriving from other activities than first-time sales of hydrocarbons is taxed at the ordinary corporate income rate of currently 22 %. The 64 % is calculated as the sum of the "Chapter 2" tax of 25% plus a specific hydrocarbon tax (chapter 3A) of 52%, in which the 25% tax payable is deductible. Income generated in Norway and United Kingdom is subject to regular corporate tax at 22 %.

Tax expense**USD million**

Income tax in profit/loss (Danish corporate income tax and hydrocarbon tax)	Q1 2022	YTD 2022
Income tax current year	(4.1)	(4.1)
Income tax for prior years	-	-
Current income tax	(4.1)	(4.1)
Deferred tax movements	(23.7)	(23.7)
Prior year adjustment, deferred tax	-	-
Deferred tax expense	(23.7)	(23.7)
Tax (expense)/ income	(27.8)	(27.8)

Income tax in profit/loss is solely derived from the group's activities on the Danish continental shelf, of which the major part is subject to the elevated 64% hydrocarbon tax.

Tax (expense)/income related to other comprehensive income

Cash flow hedges	104.3	104.3
Tax (expense)/income related to other comprehensive income	104.3	104.3

Income tax on OCI is related to the unrealised fair value changes in derivatives designated in cash flow hedges. To the extent derivatives are associated with the sale of oil and gas, result from cash flow hedges are subject to 64 % hydrocarbon tax.

Reconciliation of nominal to actual tax rate:	Hydrocarbon tax 64%		Corporate tax 22%		In total
	Q1 / YTD 2022		Q1 / YTD 2022		
Income (loss) before tax	55.4		(72.5)		(17.1)
Expected tax on profit before tax	35.4	64%	(15.9)	22%	19.5
Tax effect of:					
Prior year adjustment	-	0%	-	0%	-
FX adjustment of net operating losses carried forward in DKK	(0.0)	0%	-	0%	(0.0)
Investment uplift on CAPEX projects ¹⁾	(6.9)	-13%	-	0%	(6.9)
Permanent differences ²⁾	-	0%	12.5	-17%	12.5
No recognition of tax assets in Norway and UK	-	0%	2.8	-4%	2.8
Tax expense (income) in profit/loss	28.5	51%	(0.7)	-1%	27.8

¹⁾ The tax cost in the hydrocarbon is significantly positively impacted by the 39 % investment uplift on the Tyra Redevelopment project.

²⁾ The permanent differences mainly relate to transfer of chapter 2 loss to corporate tax.

	Q1 / YTD 2022		Q1 / YTD 2022		In total
Other comprehensive income before tax	(171.8)		25.6		(146.2)
Expected tax on other comprehensive income before tax	110.0	64%	(5.6)	22%	104.3
Tax effect of:					
Non-taxable currency translation adjustment	-		-		-
Tax in other comprehensive income	110.0	64%	(5.6)	22%	104.3

Current income tax payable

Tax payable relates to the Group's entities in Denmark. The amounts payable as of 31.03.22 were:

Hydrocarbon tax pertaining to pre-acquisition period 2019 not indemnified by the Seller	(10.2)
Corporate tax for prior years (Denmark)	(9.3)
Corporate tax for 2021 (Denmark)	(5.5)
Tax payables	(25.0)

Current income taxes for current and prior periods are measured at the amount that is expected to be paid to or be refunded from the tax authorities, as at the balance sheet date. Due to the complexity in the legislative framework and the limited amount of guidance from relevant case law, the measurement of taxable profits within the oil and gas industry is associated with some degree of uncertainty. Uncertain tax liabilities are recognised with the probable value if their probability is more likely than not.

As of 31 March 2022, the Company has provided an estimated USD 10 million pertaining to hydrocarbon tax in the part of pre-acquisition period, which is not indemnified by the Seller.

Deferred tax

Deferred tax assets are measured at the amount that is expected to result in taxes due to temporary differences and the value of tax losses.

The recognized deferred tax asset is allocable to the following balance sheet items, all pertaining to the Groups activities on the Danish Continental Shelf:

USD million	01.01.2022	Effect recognized in profit/loss	Effect recognized in OCI	31.03.2022
Deferred tax and deferred tax asset				
Property, plant and equipment	624.6	(22.1)	-	602.5
Intangible assets, licenses	17.2	0.6	-	17.8
Inventories and receivables	26.7	-	-	26.7
ARO provision	(611.1)	(3.7)	-	(614.8)
Other assets and liabilities	-	(1.5)	-	(1.5)
Tax loss carryforward, corporate tax (22%)	(2.0)	2.0	-	-
Tax loss carryforward, chapter 2 tax (25%)	(22.8)	16.0	(36.5)	(43.4)
Tax loss carryforward, chapter 3a tax (52%)	(558.3)	32.4	(67.5)	(593.4)
Deferred tax asset, net	(525.7)	23.7	(104.0)	(606.1)

6

Intangible assets

USD million	Capitalised exploration expenditures	Licence	Total
Book value 31.12.2020	1.9	172.7	174.6
Acquisition costs 31.12.2020	1.9	186.0	187.8
Additions	(0.5)	-	(0.5)
Acquisition costs 31.12.2021	1.4	186.0	187.4
Accumulated depreciation, amortization and write-downs 31.12.2020	-	(13.3)	(13.3)
Depreciation / amortization	-	(8.0)	(8.0)
Accumulated depreciation, amortization and write-downs 31.12.2021	-	(21.3)	(21.3)
Book value 31.12.2021	1.4	164.7	166.0
Acquisition costs 31.12.2021	1.4	186.0	187.4
Additions	0.5	-	0.5
Acquisition costs 31.03.2022	1.8	186.0	187.8
Accumulated depreciation, amortization and write-downs 31.12.2021	-	(21.3)	(21.3)
Depreciation / amortization	-	(2.1)	(2.1)
Accumulated depreciation, amortization and write-downs 31.03.2022	-	(23.5)	(23.5)
Book value 31.03.2022	1.8	162.5	164.4

7

Property, Plant and Equipment

USD million	Asset under construction	Production facilities	Other assets	Total
Book value 31.12.20	607.7	1,093.9	2.1	1,703.7
Acquisition costs 31.12.20	607.7	1,258.7	3.2	1,869.6
Additions	210.8	17.5	0.1	228.4
Acquisition of abandonment assets	-	70.6	-	70.6
Currency translation adjustment	-	(0.2)	(0.1)	(0.3)
Acquisition costs 31.12.21	818.5	1,346.6	3.1	2,168.3
Accumulated depreciation, amortization and write-downs 31.12.20	-	(164.9)	(1.1)	(165.9)
Depreciation	-	(103.3)	(0.3)	(103.7)
Currency translation adjustment	-	0.0	0.0	0.1
Accumulated depreciation, amortization and write-downs 31.12.21	-	(268.2)	(1.4)	(269.6)
Book value 31.12.21	818.5	1,078.5	1.7	1,898.7
Acquisition costs 31.12.21	818.5	1,346.6	3.1	2,168.2
Sale of asset	-	(0.2)	(0.2)	(0)
Additions	52.1	0.4	0.0	52.5
Currency translation adjustment	-	(0.0)	(0.0)	(0.1)
Acquisition costs 31.03.22	870.6	1,346.7	2.9	2,220.2
Accumulated depreciation, amortization and write-downs 31.12.21	-	(268.2)	(1.4)	(269.6)
Sale of asset, reversal depreciation	-	0.1	0.0	0
Depreciation / amortization	-	(34.8)	(0.1)	(34.8)
Currency translation adjustment	-	0.0	0.0	0.0
Accumulated depreciation, amortization and write-downs 31.03.22	-	(302.8)	(1.4)	(304.3)
Book value 31.03.22	870.6	1,043.9	1.5	1,915.9

Impairment testing of our asset base is performed periodically and/or when impairment triggers are identified. In Q4 2021 Noreco carried out a periodical impairment test for the fixed assets and related tangible assets. The outcome of the impairment test was that no impairment was necessary. Noreco does not consider there are any indicators of impairment at the current time, consequently the assessment carried out in Q4 2021 remains valid.

8

Trade Receivables and Other Current Assets

USD million	31.03.2022	31.12.2021	31.03.2021
Current assets			
Trade receivables	36.3	40.4	5.7
Accrued revenue	69.8	47.1	33.5
Under-lift of oil/NGL	5.8	1.2	-
Prepayments	16.0	20.1	17.9
Other receivables	0.2	0.2	0.2
Total trade receivables and other current receivables	128.2	108.9	57.3

9

Inventories

USD million	31.03.2022	31.12.2021	31.03.2021
Product inventory, oil	23.9	17.7	(6.2)
Other stock (spares & consumables)	33.2	33.8	39.7
Total inventories	57.1	51.4	33.5

10

Restricted Cash, Bank Deposits, Cash and Cash Equivalents

USD million	31.03.2022	31.12.2021	31.03.2021
Non-current assets			
Restricted cash pledged as security for abandonment obligation related to Nini/Cecilie	63.6	65.0	67.5
Restricted cash pledged as security for cash call obligations towards Total ¹⁾	140.5	140.5	140.5
Total non-current restricted cash	204.1	205.5	208.0
Current assets			
Unrestricted cash, bank deposits, cash equivalents	146.9	122.7	70.2
Total bank deposits	351.0	328.1	278.2

- 1) Noreco has made a USD 140 million deposit into a cash call security account in accordance with a cash call security agreement with Total E&P Denmark A/S as operator of the DUC. All payment obligations from Noreco to the cash call security account have been made and there will be no further increase.

11

Borrowings

USD million	31.03.2022		31.12.2021		31.03.2021	
	Principal amount	Book value	Principal amount	Book value	Principal amount	Book value
NOR 13 Convertible Bond ¹⁾	192.4	164.4	185.0	157.1	177.9	136.6
NOR 14 Senior Unsecured Bond ²⁾	175.0	169.2	175.0	164.9	175.0	173.0
Total non-current bonds	367.4	333.7	360.0	322.1	352.9	309.6
Reserve Based Lending Facility ³⁾	900.0	859.0	900.0	857.3	751.2	720.2
Deferred Consideration ⁴⁾	-	-	25.0	25.0	25.0	25.0
Total non-current debt	900.0	859.0	925.0	882.3	776.2	745.2
Deferred Consideration ⁴⁾	25.0	25.0	-	-	-	-
Total current debt	25.0	25.0	-	-	-	-
Total borrowings	1,292.4	1,217.6	1,285.0	1,204.3	1,129.1	1,054.8

Note: book values reported on the basis of amortised cost for NOR14, the reserve-based lending facility and the convertible bond loan element of NOR13.

- 1) The Company issued a convertible bond loan of USD 158 million in 2019 where the lender was granted a right to convert the loan into new shares in the Company by way of set-off against the claim on the Company. The loan carries an interest of 8% p.a. on a PIK basis, with an alternative option to pay cash interest at 6% p.a., payable semi-annually.
- 2) The Company issued a senior unsecured bond of USD 175 million in 2019. The bond carries an interest of 9% p.a., payable semi-annually. In July 2021, Noreco's written resolution regarding the addition of further headroom under the Leverage Ratio covenant through to the end of 2023 was resolved and approved by the Company's NOR14 bondholders. Based on this written resolution, the maximum Leverage Ratio has been amended to 7.0x (from 5.0x) during the Tyra Redevelopment Period ending Q2 2023, 6.0x (from 3.0x) during Q3 2023 and 5.0x (from 3.0x) during Q4 2023. From Q1 2024 onwards, the maximum Leverage Ratio will revert to 3.0x per the original bond terms. In addition to the change in maximum permitted leverage, Noreco's minimum liquidity threshold has increased to USD 75 million until the end of 2023 (from USD 50 million until end Q2 2023 and USD 25 million during Q3 and Q4 2023).
- 3) The Company entered into an increased Reserve Based Lending Facility in Q2 2021. The facility has a seven-year tenor with a maximum limit of USD 1.1 billion, with a maximum of USD 1.0 billion available for cash drawdown by the Company. Interest is accrued on the repayment amount with an interest rate comprising the aggregate of SOFR and 4% per annum.
- 4) In accordance with the SPA with Shell USD 25 million of the consideration is due the earliest of March 2023 and finalising Tyra Redevelopment.

Interest payments (USD million)

Year	NOR13*	NOR14	Reserve Based Lending Facility	Deferred consideration	Total
Interest rate		9,0%	SOFR**	4,0%	
2022	-	15.8	40.7	1.0	57.5
2023	-	15.8	40.7	1.0	57.5
2024	-	15.8	40.3	-	56.1
2025	-	15.8	34.6	-	50.4
2026	-	7.9	21.4	-	29.3
2027	-	-	8.2	-	8.2
2028	-	-	0.5	-	0.5
Total	-	70.9	186.4	2.0	259.3

* NOR13 carries a variable interest charge of: (i) 6% per annum in cash, payable semi-annually, or; (ii) 8% per annum payment in kind ("PIK") cumulative interest, rolled up semi-annually, to add to NOR13 capital on conversion at expiry of the bond. Currently the company has elected the PIK interest of 8% and is therefore forecasting no cash interest payments on NOR13 in the above table.

** In Q3 2021 the Company entered a USD 1.0 billion swap transaction with a group of banks to fix the Company's floating interest rate (LIBOR/SOFR from 01 November 2021) exposure under its Reserve Based Lending Facility from 1 November 2021 until 30 June 2024. Noreco will as a result pay interest on its RBL cash drawings equal to 0.4041 percent plus the applicable margin.

12

Trade Payables and Other Current Liabilities

USD million	31.03.2022	31.12.2021	31.03.2021
Trade payable	0.3	5.4	0.5
Liabilities to operators relating to joint venture licences	56.0	73.4	82.1
Over-lift of oil/NGL	-	-	0.2
Accrued interest	2.6	2.5	1.7
Salary accruals	2.2	2.1	1.6
Public duties payable	16.4	14.0	6.4
Deferred consideration	25.0	-	-
Other current liabilities	51.5	33.1	10.2
Total trade payables and other current liabilities	153.9	130.5	102.7

13

Financial Instruments

13.1 Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs for the asset or liability that are not based on observable market data.

On 31.03.2022

USD million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Derivative instruments interest swap	-	3.8	-	3.8
Financial assets at fair value hedging instruments				
– Derivative instruments interest swap	-	2.8	-	2.8
– Derivative instruments price hedge	-	34.4	-	34.4
Total assets	-	41.0	-	41.0
Liabilities				
Financial liabilities at fair value through profit or loss				
– Embedded derivatives convertible bond	-	-	68.7	68.7
Financial liabilities at fair value hedging instruments				
– Derivative instruments price hedge	-	380.4	-	380.4
Total liabilities	-	380.4	68.7	449.1

On 31.12.2021

USD million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Derivative instruments interest swap	-	1.0	-	1.0
Financial assets at fair value hedging instruments				
– Derivative instruments interest swap	-	8.8	-	8.8
Total assets	-	9.7	-	9.7
Liabilities				
Financial liabilities at fair value through profit or loss				
– Embedded derivatives convertible bond	-	-	12.1	12.1
Financial liabilities at fair value hedging instruments				
– Derivative instruments price hedge	-	205.1	-	205.1
Total liabilities	-	205.1	12.1	217.2

13.2 Financial Instruments by Category

On 31.03.2022 USD million	Financial assets at amortised cost	Assets at fair value through profit or loss	Fair value - hedging instruments	Total
Assets				
Derivative instruments interest swap	-	-	6.6	6.6
Derivative instruments price hedge	-	-	34.4	34.4
Trade receivables and other current assets	0.2	-	-	0.2
Restricted cash	204.1	-	-	204.1
Bank deposits, cash and cash equivalents	146.9	-	-	146.9
Total	351.2	-	34.4	385.6

USD million	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Fair value - hedging instruments	Total
Liabilities				
Derivative instruments price hedge	-	-	380.4	380.4
Embedded derivative convertible bond	-	68.7	-	68.7
Convertible bond loans	164.4	-	-	164.4
Senior unsecured bond loan	169.2	-	-	169.2
Reserve based lending facility	859.0	-	-	859.0
Deferred consideration	25.0	-	-	25.0
Trade payables and other current liabilities	128.9	-	-	128.9
Total	1,346.5	68.7	380.4	1,795.6

On 31.12.2021 USD million	Financial assets at amortised cost	Assets at fair value through profit or loss	Fair value - hedging instruments	Total
Assets				
Derivative instruments price hedge	-	-	9.7	9.7
Trade receivables and other current assets	0.2	-	-	0.2
Restricted cash	205.5	-	-	205.5
Bank deposits, cash and cash equivalents	122.7	-	-	122.7
Total	328.3	-	9.7	338.1

USD million	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Fair value - hedging instruments	Total
Liabilities				
Derivative instruments price hedge	-	-	205.1	205.1
Embedded derivatives convertible bond	-	12.1	-	12.1
Convertible bond loans	157.1	-	-	157.1
Senior unsecured bond loan	164.9	-	-	164.9
Reserve based lending facility	857.3	-	-	857.3
Deferred consideration	25.0	-	-	25.0
Trade payables and other current liabilities	130.5	-	-	130.5
Total	1,334.8	12.1	205.1	1,552.1

13.3 Financial Instruments — Fair Values

Set out below is a comparison of the carrying amounts and fair value of financial instruments as on 31-Mar-22:

USD million	Total amount outstanding*	Carrying Amount	Fair Value
Financial assets			
Derivative instruments interest swap		6.6	6.6
Derivative instruments interest swap		34.4	34.4
Trade receivables and other current assets		0.2	0.2
Restricted cash		204.1	204.1
Bank deposits, cash, cash equivalents and quoted shares		146.9	146.9
Total		392.2	392.2

USD million	Total amount outstanding*	Carrying Amount	Fair Value
Financial liabilities			
Derivative instruments price hedge		380.4	380.4
Embedded derivative convertible bond		68.7	68.7
Convertible bond loans	192.4	164.4	123.7
Senior unsecured bond loan	175.0	169.2	175.0
Reserve based lending facility	900.0	859.0	900.0
Deferred consideration		-	-
Trade payables and other current liabilities		153.9	153.9
Total	1,267.4	1,795.6	1,801.7

* Total amount outstanding on the bonds and under the RBL facility

The convertible bond loan has been determined to contain embedded derivatives which are accounted for separately as derivatives at fair value through profit or loss, while the loan element subsequent to initial recognition is measured at amortised cost, a total of USD 5,3 million in transaction cost is included in the amortised cost. The embedded derivative is valued on an option valuation basis, the carrying value is USD 69 million (initial value USD 54 million). As a result of the buyback of 299,925 shares at a price of NOK 242 per share on 23 January 2020, the conversion price for the NOR13 subordinated convertible bond issue was adjusted in accordance with the bond terms, from USD 29.3398 to USD 28.9734 (NOK 240 to NOK 238), effective from the trade date of the purchase of shares. The fair value calculation for the option portion of the NOR13 bond includes this update to the conversion price.

The following table lists the inputs to the model used to calculate the fair value of the embedded derivatives:

		2022
Valuation date	(date)	31 March 22
Agreement execution date	(date)	24 Jul 19
Par value of bonds	(USD)	192,339,181
Reference share price at time of agreement	(NOK)	232
Fair value at grant date	(USD)	53,942,754
PIK interest rate	(%)	8.00%
Expected life	(years)	1.6
Number of options	(#)	6,385,140
Conversion price	(NOK)	238
Fixed FX rate of agreement	(USD:NOK)	8.180
Risk-free rate (based on government bonds)	(%)	2.52%
Expected volatility	(%)	46.71%
Model used		Black - Scholes - Merton

The RBL facility is measured at amortised cost, in addition a total of USD 53 million in transaction cost has been capitalized. Transaction costs are deducted from the amount initially recognised and are expensed over the period during which the debt is outstanding under the effective interest method.

The senior unsecured bond loan is measured at amortised cost, in addition a total of USD 7.6 million in transaction cost are deducted from the amount initially recognised.

13.4 Hedging

The Group actively seeks to reduce the risk it is exposed to regarding fluctuating commodity prices through the establishment of hedging arrangements. To the extent more than 100% of the projected production is hedged any value adjustments to the instruments covering in excess of 100% are considered ineffective and the value adjustment is treated as a financial item in the Income Statement, in Q1 2022 no part of the hedging instruments was considered ineffective. Time Value related to hedging arrangements is considered insignificant and generally the valuation of the instruments do not take into consideration the time value.

Currently all the company's commodity price hedging arrangements is executed solely in the market through forward contracts.

Under its RBL facility, Noreco has a rolling hedge requirement based on a minimum level of production corresponding to the RBL banking case forecast. The company has entered a USD 1.0 billion swap transaction with a group of banks to fix the Company's floating interest rate exposure under its RBL facility from 1 Nov 2021 until 30 June 2024. Noreco will as a result pay interest on its RBL cash drawings equal to 0.4041 percent plus the applicable margin. Noreco applies hedge accounting to the Company's hedging arrangements. To the extent more than 100% of the Company's interest under its RBL facility is hedged any value adjustments to the instruments covering in excess of 100% are considered ineffective and the value adjustment is treated as a financial item in the Income Statement.

As of 31 March 2022	Maturity					
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	More than 12 months
Commodity forward sales contracts:						
Notional quantity (in mboe)	-	1,352	1,082	962	1,262	5,280
Notional amount (in USD million)	-	85	67	65	77	303
Average hedged sales price (in USD per boe)	-	63	62	67	61	57

Hedge Reserve Movement

The table below shows the movement in the hedge reserve from changes in the cash flow hedges

USD Million	Hedge Reserve
Balance as of 01.01.2021	14.0
Realized cash flow hedge	134.8
Related tax - realized cash flow hedge	(86.3)
Changes in fair value	(372.2)
Related tax - changes in fair value	241.8
Balance as of 31.12.2021	(67.5)
Realized cash flow hedge	76.9
Related tax - realized cash flow hedge	(49.2)
Changes in fair value	(223.1)
Related tax - changes in fair value	153.5
Balance as of 31.03.2022	(109.3)

14

Asset Retirement Obligations

USD million	Q1 2022	2021
Provisions as of beginning of period	1,029.2	950.3
Provisions and change of estimates made during the year	(1.6)	64.9
Accretion expense - present value calculation	9.6	35.2
Incurring cost removal	(1.9)	(21.0)
Currency translation adjustment	(0.0)	(0.2)
Total provisions made for asset retirement obligations	1,035.3	1,029.2
Break down of short-term and long-term asset retirement obligations		
Short-term	24.5	26.2
Long-term	1,010.8	1,003.0
Total provisions for asset retirement obligations	1,035.3	1,029.2

The balance as per 31.03.2022 is USD 967.2 million for DUC, USD 63.7 million for Nini/Cecilie, USD 2.2 million for Lulita (non-DUC share) and USD 2.2 million for Tyra F-3 pipeline.

Estimates are based on executing a concept for abandonment in accordance with the Petroleum Activities Act and international regulations and guidelines. The calculations assume an inflation rate of 2.0 percent and a nominal discount rate before tax of 5.0 percent. The credit margin included in the discount rate is 4.0 percent.

15

Shares and Share Capital

	No. of Shares	Share Capital*
Number of shares and share capital as of 31.12.2021	24,549,013	29.5
Number of shares and share capital as of 31.03.2022	24,549,013	29.5
	No. of Shares	Treasury share reserve*
Treasury shares as of 31.12.2021	(438,161)	(0.5)
Sale of treasury shares	186,666	0.2
Treasury shares as of 31.03.2022	(251,495)	(0.3)

* In USD million

16

Subsequent Events

On 27 April, Noreco published the Notice for the Annual General Meeting in 2022 that is to be held on 19 May. As part of this, the Board proposes certain changes to the Company's articles of association including a reduction in the par value of Noreco's shares from NOK 10.00000053560883 to NOK 0.10 per share. The purpose of this is to simplify the par value and increase flexibility for any future distributions and use in incentive schemes.

On 5 May, Noreco registered an increase in share capital by issuing of 17,257 new shares following the conversion of USD 500,000 of the NOR13 Convertible Bond at a conversion price of USD 28.9734.

Noreco chooses to disclose Alternative Performance Measures as part of its financial reporting as a supplement to the financial statements prepared in accordance with IFRS. This information is provided as a useful supplemental information to investors, security analysts and other stakeholders to provide an enhanced insight into the financial development of Noreco's business operations and to improve comparability between periods.

Abandonment spent (abex) is defined as the payment for removal and decommissioning of oil fields, to highlight the cash effect for the period.

Adj. EBITDA is adjusted for any claims under the volume guarantee in the quarter as this reflects a payment from Shell if the production performance of the business is below expectations set at the time of the signing of the SPA. This hedge is calculated to make whole Noreco's contribution from the operations had the performance been in line with expectations and is currently reflected in the company's cashflow statement and balance sheet only.

It is also adjusted for exceptional costs in relation to the transaction that are not reflective of the underlying performance of the business, cost from share-base payment arrangements.

Adjusted EBITDA

USD million	Q1 2022	Q4 2021	Q1 2021	YTD 2022	YTD 2021
EBITDA	106.8	97.0	29.2	106.8	29.2
Non-payment insurance	1.2	1.8	1.8	1.2	1.8
Share-base payment	0.0	(0.7)	0.4	0.0	0.4
Adj. EBITDA	108.0	98.0	31.4	108.0	31.4

EBITDA Earnings before interest, taxes, depreciation, depletion, amortization and impairments. EBITDA assists in comparing performance on a consistent basis without regard to depreciation and amortization, which can vary significantly depending on accounting methods or non-operating factors and provides a more complete and comprehensive analysis of our operating performance relative to other companies.

Effective Oil Price is defined as realised oil price adjusted for derivative effects.

Interest-bearing debt defined as the book value of the current and non-current interest-bearing debt.

Net interest-bearing debt is defined by Noreco as cash and cash equivalents reduced by current and non-current interest-bearing debt. The RBL facility and bond loans are included in the calculation with the total amount outstanding and not the amortised cost including transaction cost.

Interest-bearing debt

USD million	31.03.2022	31.12.2021	31.03.2021
Convertible bond loan	(164.4)	(157.1)	(136.6)
Senior Unsecured bond loan	(169.2)	(164.9)	(173.0)
Reserve based lending facility	(859.0)	(857.3)	(720.2)
Other interest-bearing debt	(25.0)	(25.0)	(25.0)
Interest-bearing debt	(1,217.6)	(1,204.3)	(1,054.8)

Net Interest-bearing debt

USD million	31.03.2022	31.12.2021	31.03.2021
Cash and cash equivalents	146.8	122.6	70.2
Convertible bond loan	(192.4)	(185.0)	(170.7)
Senior Unsecured bond loan	(175.0)	(175.0)	(175.0)
Reserve based lending facility	(900.0)	(900.0)	(751.2)
Other interest-bearing debt	(25.0)	(25.0)	(25.0)
Net interest-bearing debt	(1,145.6)	(1,163.4)	(1,051.8)

Information About Noreco

Head Office Noreco

Headquarter	Nedre Vollgate 1, 0158 Oslo, Norway
Telephone	+47 22 33 60 00
Internet	www.noreco.com
Organisation number	NO 987 989 297 MVA

Financial Calendar 2022

10 May	Q1 2022 Report
19 May	Annual General Meeting
12 July	Q2 2022 Report
26 October	Q3 2022 Report

Board of Directors

Riulf Rustad	Chair
Marianne Lie	
Tone Kristin Omsted	
Colette Cohen	
Robert J McGuire	
Jan Lernout	
Peter Coleman	

Management

Euan Shirlaw	Acting Managing Director and Chief Financial Officer
Marianne Eide	EVP, Upstream
Cathrine Torgersen	EVP, Investor Relations & ESG
Hege Hayden	EVP, People & Capability

Investor Relations

Phone	+47 22 33 60 00
E-mail	investorrelations@noreco.com

Annual Reports

Annual reports for Noreco are available on www.noreco.com

Quarterly publications

Quarterly reports and supplementary information for investors and analysts are available on www.noreco.com. The publications can be ordered by e-mailing investorrelations@noreco.com.

News Releases

In order to receive news releases from Noreco, please register on www.noreco.com or e-mail investorrelations@noreco.com.