NOREO

Norwegian Energy Company ASA

Second Quarter and Half Year 2021

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Content

Report for the Second Quarter and Half Year 2021

Norwegian Energy Company ASA

Highlights

Second Quarter 2021 summary

Operational:

- Strong operating performance, with hydrocarbon production of 27.3 mboepd in the second quarter. This compares to 25.8 mboepd in Q1 2021 and is at the upper end of Noreco's full year 2021 production guidance of 25.5 to 27.5 mboepd
- The Noble Sam Turner rig program commenced a planned well workover and maintenance campaign late in the first quarter, with an ongoing positive effect on operating performance during the second quarter
- Activity levels on the Tyra project continue to be high with the fabrication of topsides close to sail away and progress being made towards first production in Q2 2023

Financial:

- Successful closing of Noreco's USD 1.1 billion RBL facility that matures in 2028. This is an amendment of the Company's existing USD 900 million facility, while providing access to significant additional liquidity at the same time as deferring amortisation payments to the second half of 2024
- Total liquidity of USD 245 million at the end of second quarter, with cash on balance sheet of USD 145 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	Q2 2021	Q1 2021	Q2 2020 restated[2]	YTD 2021	YTD 2020 restated
Total revenue	USDm	135	105	140	240	264
EBITDA[1]	**USDm**	**58**	**29**	**75**	**87**	**132**
Adj. EBITDA[1]	**USDm**	**60**	**31**	**101**	**92**	**181**
Result before tax	**USDm**	**(7)**	**(28)**	**12**	**(36)**	**3**
Net result for the period	USDm	(20)	(9)	28	(28)	4
Net cash flow from operating activities[3]	USDm	18	(122)	73	(104)	135
Investments in oil and gas assets	USDm	50	56	55	106	121
Abandonment spent[1]	USDm	3	2	30	5	49
Reserve based lending facility - currently drawn	USDm	900	751	751	900	751
Net interest-bearing debt[1]	USDm	1,133	1,059	888	1,133	888
Oil production	mboepd	21.1	19.2	21.2	20.1	22.5
Gas production	mboepd	6.2	6.6	6.7	6.4	7.4
Total production	**mboepd**	**27.3**	**25.8**	**27.9**	**26.5**	**29.9**
Over/underlift	mboepd	(0.2)	(1.5)	0.3	(0.8)	(1.4)
Realised Oil price	USD/boe	69.6	60.4	24.2	65.5	35.6
+/- Effect of hedges	USD/boe	(12.0)	(4.5)	44.9	(8.7)	28.6
Effective Oil price[1]	**USD/boe**	**57.5**	**55.9**	**69.1**	**56.8**	**64.2**

1) See the description of "Alternative performance measures" at the end of this report for definitions.
2) The restatement was a result of the revised purchase price allocation in relation to the acquisition of SOGU within the measurement period in IFRS, please see note 1 and note 7 for further explanations.
3) In Q1 2021 the VAT liability related to 2020 of USD 156 million was paid, 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	Q2 2021	Q1 2021	Q2 2020 restated	YTD 2021	YTD 2020 restated
Total revenue	135	105	140	240	264
EBITDA	58	29	75	87	132
EBIT	30	4	24	34	21
Result before tax	(7)	(28)	12	(36)	3
Net result for the period	(20)	(9)	28	(28)	4
Earnings per share	(0.8)	(0.4)	1.2	(1.2)	0.2

The Company had ***revenues*** of USD 135 million in the second quarter of 2021 mainly related to oil and gas sales from the DUC fields; this compares to USD 105 million in the previous quarter. The increase compared to first quarter this year was related to higher volumes of oil and gas sold and increase in the realised commodity prices, net of hedging effects.

Production expenses amounted to USD 72 million in the second quarter of 2021 compared to USD 71 million in the previous quarter. Cost in the second quarter reflected the ongoing workover activity that began late in Q1 (mid-March) after the arrival of the Sam Turner rig and production G&A related to project studies. This was offset by the reversal of the additional write down of stock value in 2019, lower tariff and transportation expenses due to seasonality in gas transportation. In addition, changes related to crude oil inventory and overlift position.

Personnel expenses in second quarter of 2021 was USD 3 million compared to USD 3 million in the previous quarter.

Other operating expenses was USD 2 million for the second quarter of 2021 compared to USD 2 million in the previous quarter.

Operating result (EBITDA) in the second quarter of 2021 was a profit of USD 58 million, compared to USD 29 million in previous quarter. This increase mainly relates to higher revenue as a result of the supportive commodity price environment.

Net Financial items amounted to an expense of USD 37 million for the second quarter of 2021, compared to an expense of USD 32 million in the previous quarter. The increase in net financial items in current quarter was mainly related to the change in net present value of the amortised cost on the amended RBL facility, unrealised loss on derivatives due to increase in commodity prices and a net foreign exchange loss compared to a foreign exchange gain in last quarter due to fluctuation in the USD/DKK exchange rate and gain from FX contracts in Q1 2021. This was partly offset by the positive fair value adjustment related to NOR13’s embedded derivative, compared to a negative fair value adjustment in Q1 2021.

Income tax amounted to USD 12 million for the second quarter of 2021 compared to positive USD 20 million for the previous quarter. The increase in income tax was partly due to the difference in operating results and partly due to the recognition of the deferred tax asset on investment uplift on an annual rather than quarterly basis. YTD 2021 the tax income amounted to USD 15 million, which corresponds to a 64 % tax on result before tax on hydrocarbon income in Noreco Oil Denmark and Noreco Petroleum Denmark, 0 % tax on result before tax in Norway and UK and 22 % tax on result before tax in Noreco Olie- og Gasudvinding Denmark and Noreco DK Pipeline.

Net result for the second quarter of 2021 was a loss of USD 20 million, compared to USD 9 million loss for the previous quarter.

Selected data from the consolidated statement of financial position

All figures in USD million	30.06.2021	31.03.2021	31.12.2020	30.06.2020 restated
Total non-current assets	2,720	2,640	2,533	2,371
Total current assets	269	161	429	498
Total assets	2,989	2,801	2,962	2,869
Total equity	524	581	630	647
Interest bearing debt	1,191	1,055	1,043	1,028
Asset retirement obligations	960	954	950	930

Total non-current assets amounted to USD 2.7 billion at the end of second quarter of 2021, of which USD 1.7 billion related to property, plant and equipment, in addition to intangible assets of USD 170 million, deferred tax asset of USD 581 million and USD 209 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 269 million at the end of second quarter of 2021, USD 61 million in trade- and other receivables, mainly related to oil and gas revenue, USD 13 million in prepayments mainly related to the offshore insurance premium that has been paid in advance, USD 145 million of cash and USD 50 million related to inventory.

Total equity amounted to USD 524 million at the end of the second quarter of 2021, compared to USD 581 million at the end of Q1 2021. The decrease in equity was related to the fair value adjustment of derivative instruments and loss for the period.

Interest-bearing debt amounted to USD 1,191 million at the end of second quarter of 2021. The convertible bond loan NOR13 had a book value of USD 143 million at the end of the second quarter of 2021. 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 was drawn USD 900 million and had a book value of USD 854 million at the end of the second quarter. The senior unsecured bond loan NOR14 had a book value of USD 169 million at the end of the period. The RBL facility and the unsecured bond loan are valued at amortized cost. In addition, the interest-bearing debt includes deferred consideration with a book value of USD 25 million at the end of the second quarter.

Asset retirement obligations amounted to USD 960 million at the end of second quarter of 2021, compared to USD 954 million at the end of Q1 2021. USD 888 million is related to the DUC assets, USD 68 million to Nini/Cecilie, USD 2 million to Lulita and USD 2.4 million to the Tyra F-3 pipeline. Part of the asset retirement obligation is secured through an escrow account of USD 68 million.

Selected data from the consolidated statement of cash flows

All figures in USD million	Q2 2021	Q1 2021	Q2 2020 restated	YTD 2021	YTD 2020
Cash flow from operating activities	18	(122)	73	(104)	135
Cash flow used in investing activities	(53)	(58)	(122)	(111)	(175)
Cash flow from financing activities	110	(9)	3	101	(19)
Net change in cash and cash equivalents	74	(189)	(45)	(115)	(58)
Cash and cash equivalents	145	70	227	145	227

Cash flow from operating activities amounted to USD 18 million at the end of second quarter of 2021, compared to negative USD 122 million for the previous quarter. Cash flow from operating activities excluding changes in working capital amounted to USD 58 million at the end of second quarter of 2021, compared to USD 30 million for the previous quarter. In Q1 2021 the VAT liability related to 2020 of USD 156 million was paid, with the payment date having been delayed to Q1 2021 by the Danish government as a response to the impact of COVID-19 on the economy.

Cash flow used in investing activities amounted to negative USD 53 million at the end of the quarter, compared to negative USD 58 million for the previous quarter. The cash flow used in investing activities were related to investments on the DUC asset of USD 50 million related to the Tyra Redevelopment and USD 3 million in abandonment expenditure were paid which were related to Tyra, Dan and Gorm.

Cash flow from financing activities amounted to positive USD 110 million at the end of the second quarter of 2021, compared to negative USD 9 million for the previous quarter. The cash flow from financing activities included a RBL draw down of USD 149 million.

Net change in cash and cash equivalents amounted to positive USD 74 million in the quarter compared to negative USD 189 million for the previous quarter. Cash and cash equivalents were in total USD 145 million at the end of second quarter 2021.

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 a combination of forward contracts and options.

As a result of the agreement to acquire SOGU, 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.

As required by Noreco’s hedging policy, the Company has entered into a combination of forward contracts and options with financial institutions in the market to reduce the Company’s exposure to commodity price volatility. These protect the minimum oil price Noreco will receive during 2021 to 2024 and are financially settled monthly.

In addition and 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 month forward period and based on this the Company is not required to meet the minimum hedging level for this period until the end of December 2021. At the end of Q2 2021, Noreco is in full compliance with these temporarily revised RBL hedging requirements.

	Volume hedged (mmboe)*	Average hedged price ($/boe)*
2021	3.6	55.0
2022	4.6	56.0
2023	4.0	52.4
2024	1.8	61.3

*Includes both liquids and gas

Operational review

Production

Key figures	Unit	Q2 2021	Q1 2021	Q2 2020	YTD 2021	YTD 2020
Dan hub	mboepd	8.4	8.5	7.5	8.5	8.0
Gorm hub	mboepd	5.5	3.2	4.2	4.4	4.6
Halfdan hub	mboepd	13.3	14.0	16.2	13.7	17.4
Tyra hub	mboepd	0.0	0.0	0.0	0.0	0.0
Total production	**mboepd**	**27.3**	**25.8**	**27.9**	**26.5**	**29.9**
Over/-underlift	mboepd	(0.2)	(1.5)	0.3	-0.8	(1.4)
Net sales	**mboepd**	**27.1**	**24.3**	**28.2**	**25.7**	**28.5**
Oil sales	mboepd	20.9	17.7	21.5	19.3	21.1
Gas sales	mboepd	6.2	6.6	6.7	6.4	7.4
Operating efficiency	%	83.1 %	77.0 %	81.0 %	79.8 %	85.0 %

Performance in Q2 was solid and in the upper range of the yearly guidance of 25.5 – 27.5 mboepd. The Noble Sam Turner rig program for planned well workovers and well maintenance had a positive impact on operating performance. Operating efficiency was 83.1 % for Q2 2021 compared to 77.0 % for Q1 2021, with Gorm reaching a 94 percent operating efficiency during May. Precautions for COVID-19 continued throughout the period. The restrictions impacted production through delaying the arrival of the Sam Turner rig.

Dan hub

Key figures	Unit	Q2 2021	Q1 2021	Q2 2020	YTD 2021	YTD 2020
Dan	mboepd	7.5	7.5	6.7	7.5	7.2
Kraka	mboepd	0.9	1.0	0.8	1.0	0.8
Operating efficiency		79.9%	84.0 %	74.0%	81.8%	76.0%

Second quarter average production was 8.4 mboepd from the Dan hub. This was slightly reduced compared to Q1 2021 due to lower operating efficiency and improved versus 2020 due to wells coming back online following successful workovers with the Noble Sam Turner jackup rig. Operating efficiency for the quarter was 79.9 %, compared to 84.0 % for the previous quarter and was primarily impacted by several minor unplanned compressor shutdowns.

Gorm hub

Key figures	Unit	Q2 2021	Q1 2021	Q2 2020	YTD 2021	YTD 2020
Gorm	mboepd	2.1	1.3	1.8	1.7	1.9
Rolf	mboepd	0.4	0.2	0.3	0.3	0.2
Skjold	mboepd	3.0	1.7	2.2	2.4	2.4
Operating efficiency		89.8%	50.0 %	69.0%	69.8%	74.0%

Second quarter average production was 5.5 mboepd from the Gorm hub. This is an improvement on both Q1 and Q2 2020 and is primarily due to improved operating efficiency. Operating efficiency for the quarter was 89.8 %, compared to 50.0 % for the previous quarter and driven by improved compressor performance combined with fewer unplanned shutdowns.

Halfdan hub

Key figures	Unit	Q2 2021	Q1 2021	Q2 2020	YTD 2021	YTD 2020
Halfdan	mboepd	13.3	14.0	16.2	13.7	17.4
Operating efficiency		82.7%	81.0 %	87.0%	82.0%	92.0%

Second quarter average production was 13.3 mboepd and the reduced production in Q1 and Q2 versus the prior year is primarily due to wells waiting for workover. The Noble Sam Turner jackup rig has moved to Halfdan in late Q2 and has commenced well workovers. Operating efficiency for the quarter was 82.7 %, compared to 81.0 % for the previous quarter and was primarily impacted by 'planned' compressor maintenance in April and May.

Tyra hub

Key figures	Unit	Q2 2021	Q1 2021	Q2 2020	YTD 2021	YTD 2020
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 expecting to increase net production by approximately 90 percent and unlock gross reserves in excess of 200 mmboe. 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 and produce enough gas to power what equals to 1.5 million homes in Denmark.

The execution of the project is both a global and local effort. In addition to fabricating installations in both Europe and Asia, project efforts are being executed locally in Esbjerg and offshore in the Danish North Sea. The scope of the project includes removing old facilities, modifying existing ones, and installing new features. The two existing process and accommodation platforms will be replaced by one new process platform and one new accommodation platform. The four wellhead platforms and two riser platforms will have their jackets extended by 13 meters, and the current topsides will be replaced.

High activity levels ongoing during 2021 are progressing the project significantly towards first gas. The Company provided the following update on 28 June:

<u>Sembcorp Marine (Singapore):</u> WHRP for Tyra East and Tyra West. Fabrication of the Tyra East WHRP is close to complete and the transport vessel arrived at the yard 20 June. The Tyra West WHRP is progressing towards sail away and installation during 2022. The temporary shutdown of the yard in May this year due to COVID-19 only had a limited impact on the Tyra project. As such the current progress at Sembcorp is not expected to create a risk to the first gas date.

<u>McDermott (Batam, Indonesia):</u> Processing module. Due to high frequency of COVID-19 cases in the area, enhanced precautionary measures have been implemented to minimize exposure and new cases. As a result, parts of the fabrication of the process module have progressed slower than expected. However, built-in contingency still allows the process module to sail away during 2022.

Rosetti Marine (Ravenna, Italy): Accommodation module. Due to COVID-19 impacts, fabrication is progressing slower than originally planned. Several strategic alternatives related to sail-away timing are currently being assessed, with no scenarios under current estimates that are expected to create a risk to first gas date.

The official budget of gross DKK 21 billion has not been revised since FID in 2017. However, and mainly driven by COVID-19, the Company is seeing upward pressure on costs. While the Danish Underground Consortium partnership (the "DUC") has not yet revised the official Tyra budget, Noreco as a non-operated partner internally assumes an estimated project cost of DKK 22 billion based on the Company's independent assessment of information provided by the operator.

While the global COVID-19 pandemic continues to be a challenge, including at fabrication yards, Noreco expects the ongoing proactive mitigation and preparedness strategies being exercised will safeguard the Tyra first gas date in 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.
The outbreak of the coronavirus (COVID-19) and the global pandemic continues to severely impact the daily lives of people, as well as companies and markets globally. In response, governments and other authorities have implemented necessary restrictions which limit the prerequisites for continuing normal business operations. This includes movements of people and their ability to get to their normal place of work. 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 27 at the end of the second quarter.

Risks and uncertainties

An investment in Noreco involves risks and uncertainties as described in the Company´s annual report for 2020. 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 announced 2P reserves of 201 mmboe, at the end of 2020, further described in the Company's Annual Statement of Reserves 2021. 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 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 the 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 2021:

	Unit	2021 Guidance	2020*
Production	mboepd	25.5-27.5	28.5

* Figures do not take into account the volume guarantee.

Report for first half 2021

	Unit	YTD 2021	YTD 2020 restated
Total production	mboepd	26.5	29.9
Effective Oil price	USD/boe	56.8	64.1
Total revenue	USDm	240	264
EBITDA	USDm	87	132
Net result for the period	USDm	(28)	4
Net interest-bearing debt	USDm	1,133	888

Net production of 26.5 mboepd in the first half of 2021, was in the upper range of Noreco's annual guidance. This compared to 29.9 mboepd for the same period in 2020, with the decrease across the periods being driven primarily by a lack of well restoration and workover activity due to the late arrival of the Sam Turner rig due to covid-19 and the natural decline from the DUC's hubs that are currently in production.

Effective Oil price of 56.8 USD/boe for the first half of 2021 compared to 64.1 USD/boe for the same period last year. The lower realised oil price incorporates the lower level of hedging, both in terms of barrels and exercise price, that Noreco had in place for the relevant period in 2021 compared to 2020.

During the first six months of 2021, the company reported ***consolidated revenues*** of USD 240 million compared to USD 264 million for the same period last year. Lower comparable revenue was a function of both lower production volumes and effective oil prices.

Production cost for oil and gas sold was USD 143 million in the first half of 2021 compared to USD 124 million for the same period last year. The increase in production cost was mainly related to the postponement of non-critical activities during 2020 in response to the COVID-19 pandemic as well as stronger DKK to USD exchange rate.

Operating result (EBITDA) amounted to USD 87 million for the first half of 2021 compared to USD 132 million for the same period last year. ***Net loss*** for the first half year 2021 was USD 28 compared to a net profit of USD 4 million for the first half year 2020.

Net cash flow to investment activities amounted to USD 106 million in the first half of 2021 compared to USD 121 million in the same period last year, driven by the company's investment in the Tyra re-development.

The company strengthened its liquidity by increasing and amending the exciting USD 900 million RBL facility to USD 1.1 billion in May 2021. The amended facility matures in 2028 and will provide access to significant additional liquidity while at the same time deferring amortization payments to the second half of 2024.

As of 30 June 2021, the company had ***net interest-bearing debt*** of USD 1,133 million and cash and cash equivalents of USD 145 million. ***Available liquidity*** totalled USD 245 million with the addition of available undrawn RBL capacity of USD 100 million.

STATEMENT PURSUANT TO SECTION 5-6 OF THE SECURITIES TRADING ACT

Today, the board of directors and the chief executive officer reviewed and approved the Norwegian Energy Company ASA consolidated half year financial statements as of 30 June 2021.

To the best of our knowledge, we confirm that:

• the Norwegian Energy Company ASA consolidated half year financial statements for 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union (EU), and additional Norwegian disclosure requirements in the Norwegian Securities Trading act, and that

• the report has been prepared in accordance with applicable financial reporting standards, and that

• that the information presented in the financial statements gives a true and fair view of the Group's assets, liabilities, financial position and results for the period viewed, and that

• the report gives a true and fair view of the development, performance, financial position, principle risks and uncertainties of the Group.

Oslo, 12 July 2021

Riulf Rustad Executive Chair	**Tone Kristin Omsted** Board Member	**Marianne Lie** Board Member	**Colette Cohen** Board Member
Robert J McGuire Board Member	**Jan Lernout** Board Member	**Peter Coleman** Board Member	**David B. Cook** Chief Executive Officer

Condensed Consolidated Statement of Comprehensive Income

All figures in USD million	Note	Q2 2021	Q1 2021	Q2 2020 restated	YTD 2021	YTD 2020 restated
Revenue	2	135	105	140	240	264
Total revenues		**135**	**105**	**140**	**240**	**264**
Production expenses	3	(72)	(71)	(62)	(143)	(124)
Exploration and evaluation expenses		(0)	(0)	0	(0)	(0)
Personnel expenses		(3)	(3)	(2)	(5)	(4)
Other operating expenses		(2)	(2)	(1)	(4)	(4)
Total operating expenses		**(77)**	**(76)**	**(65)**	**(153)**	**(132)**
Operating result (EBITDA)		**58**	**29**	**75**	**87**	**132**
Depreciation	8, 7	(28)	(25)	(51)	(54)	(110)
Net operating result (EBIT)		**30**	**4**	**24**	**34**	**21**
Financial income	4, 7	8	12	35	18	107
Financial expenses	4, 7	(45)	(44)	(47)	(87)	(125)
Net financial items		**(37)**	**(32)**	**(12)**	**(69)**	**(18)**
Result before tax (EBT)		**(7)**	**(28)**	**12**	**(36)**	**3**
Income tax benefit / (expense)	5, 7	(12)	20	16	7	1
Net result for the period		**(20)**	**(9)**	**28**	**(28)**	**4**
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		27	2	(1)	29	1
Related tax - realized cash flow hedge		(17)	(1)	0	(19)	(0)
Changes in fair value derivative instruments price hedge		(132)	(111)	(36)	(243)	177
Related tax - changes in fair value		85	71	23	155	(113)
Currency translation adjustment		0	(2)	(1)	(1)	0
Total other comprehensive income for the period (net of tax)		**(37)**	**(40)**	**(14)**	**(78)**	**64**
Total comprehensive income for the period (net of tax)		**(57)**	**(49)**	**14**	**(106)**	**68**
Earnings per share (USD 1)						
Basic		(0.8)	(0.4)	1.2	(1.2)	0.2
Diluted		(0.8)	(0.4)	0.8	(1.2)	0.1

Condensed Consolidated Statement of Financial Position

All figures in USD million	Note	30.06.2021	31.03.2021	31.12.2020	30.06.2020 restated
Non-current assets					
Licence and capitalised exploration expenditures	6, 7	170	172	175	211
Deferred tax assets	5, 7	581	523	432	343
Property, plant and equipment	8	1,760	1,736	1,704	1,618
Right of Use asset		0	0	1	1
Restricted cash	11, 14	209	208	196	115
Derivative instruments	14	-	-	26	82
Total non-current assets		**2,720**	**2,640**	**2,533**	**2,371**
Current assets					
Derivative instruments	14, 7	-	-	34	96
Contingent consideration - volume protection	9	-	-	15	55
Trade receivables and other current assets	9	74	57	81	86
Inventories	10	50	34	40	33
Bank deposits, cash and cash equivalents	11	145	70	259	227
Total current assets		**269**	**161**	**429**	**498**
Total assets		**2,989**	**2,801**	**2,962**	**2,869**
Equity					
Share capital		30	30	30	30
Other equity		495	551	600	618
Total equity		**524**	**581**	**630**	**647**
Non-current liabilities					
Asset retirement obligations	15	935	929	927	888
Convertible bond loan	12, 14	143	137	131	119
Bond loan	12, 14	169	173	169	168
Reserve based lending facility	12, 14	854	720	719	716
Derivative instruments	14	84	42	20	28
Other non-current liabilities	12	26	25	26	26
Total non-current liabilities		**2,212**	**2,027**	**1,991**	**1,944**
Current liabilities					
Asset retirement obligations	15	25	25	24	42
Tax payable	5	32	30	27	52
Derivative instruments	14	99	36	5	2
Trade payables and other current liabilities	13	97	103	286	182
Total current liabilities		**253**	**194**	**341**	**277**
Total liabilities		**2,465**	**2,220**	**2,332**	**2,222**
Total equity and liabilities		**2,989**	**2,801**	**2,962**	**2,869**

Condensed Consolidated Statement of Changes in Equity

All figures in USD million	Share capital	Share premium fund	Treasury share reserve	Currency translation fund	Cash flow hedge reserve	Other equity	Total equity
2020							
Equity as of 01.01.2020 restated	**30**	**707**	**-**	**(2)**	**(14)**	**(131)**	**589**
Adjustments prior year				4		(4)	-
Net result for the period - restated						4	4
Other comprehensive income							
Realized cash flow hedge - restated	-	-		-	1	-	1
Related tax - realized cash flow hedge -restated	-	-		-	(0)	-	(0)
Changes in fair value - restated	-	-	-	-	177	-	177
Related tax - changes in fair value - restated	-	-	-	-	(113)	-	(113)
Currency translation adjustments	-	-	-	0	0	-	0
Total other comprehensive income	**-**	**-**	**-**	**0**	**64**	**-**	**64**
Share-based incentive program	-	-	-	-	-	0	0
Share buyback	-	-	(0)	-	-	(10)	(10)
Total transactions with owners for the period	**-**	**-**	**(0)**	**-**	**-**	**(10)**	**(10)**
Equity as of 30.06.2020 - restated	**30**	**707**	**(0)**	**3**	**49**	**(141)**	**647**
2021							
Equity as of 01.01.2021	**30**	**707**	**(0)**	**6**	**14**	**(126)**	**630**
Net result for the period						(28)	(28)
Other comprehensive income							
Realized cash flow hedge, reclassified to profit or loss	-	-	-	-	29	-	29
Related tax - realized cash flow hedge	-	-	-	-	(19)	-	(19)
Changes in fair value	-	-	-	-	(243)	-	(243)
Related tax - changes in fair value	-	-	-	-	155	-	155
Currency translation adjustments	-	-	-	(1)	-	-	(1)
Total other comprehensive income	**-**	**-**	**-**	**(1)**	**(77)**	**(0)**	**(78)**
Share-based incentive program	-	-	-	-	-	1	1
Total transactions with owners for the period	**-**	**-**	**-**	**-**	**-**	**1**	**1**
Equity as of 30.06.2021	**30**	**707**	**(0)**	**4**	**(63)**	**(154)**	**524**

Condensed Consolidated Statement of Cash Flows

All figures in USD million	Note	Q2 2021	Q1 2021	Q2 2020 restated	YTD 2021	YTD 2020 restated
Cash flows from operating activities						
Net result for the period		(20)	(9)	28	(28)	4
Adjustments for:						
Income tax benefit / (expense)	5	12	(20)	(16)	(7)	(1)
Depreciation	8	28	25	51	54	110
Share-based payments expenses		0	0	0	1	0
Net financial item	4	37	32	12	69	18
Changes in:						
Trade receivable	9	(22)	19	(31)	(3)	(3)
Trade payables[1]	13	(9)	(169)	22	(178)	5
Inventories and spare parts	9	(17)	6	7	(11)	3
Prepayments	9	5	5	5	10	11
Over-/underlift	9	2	(13)	(5)	(11)	(13)
Other current balance sheet items		-	-	-	-	-
Net cash flow from operating activities		**18**	**(122)**	**73**	**(104)**	**135**
Cash flows from investing activities						
Volume guarantee	9	-	15	17	15	51
Tax Paid[2]		-	-	(54)	-	(54)
Investment in oil and gas assets	8	(50)	(56)	(55)	(106)	(121)
Investment in exploration licences		0	0	0	0	(0)
Abandonment spent[3]		(3)	(2)	(30)	(5)	(49)
Changes in restricted cash accounts	11	-	(15)	-	(15)	-
Net cash flow from investing activities		**(53)**	**(58)**	**(122)**	**(111)**	**(175)**
Cash flows from financing activities						
Drawdown long-term loans	12	149	-	6	149	6
Lease payments		(0)	(0)	(0)	(0)	(1)
Share buyback		-	-	(1)	-	(10)
Transaction costs related to financing		(22)	-	-	(22)	-
Transaction costs related to equity issue		-	-	-	-	-
Interest paid		(11)	(11)	(18)	(22)	(31)
Settled hedges		(2)	(1)	17	(3)	17
Other financial items		(5)	3	1	(1)	1
Net cash flow from financing activities		**110**	**(9)**	**3**	**101**	**(19)**
Net change in cash and cash equivalents		**74**	**(189)**	**(45)**	**(115)**	**(58)**
Cash and cash equivalents at the beginning of the		70	259	273	259	286
Cash and cash equivalents at end of the quarter		**145**	**70**	**227**	**145**	**227**

1) In Q1 2021 the VAT liability related to 2020 of USD 156 million was paid, 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.
3) Abandonment spent reclassified from financing activities to 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 second quarter and first half of 2021 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 second quarter and half year of 2021 were approved by the Board of Directors on 12 July 2021.

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 Q2 2023.

Derivative financial instruments and hedging activities

Commodity contracts that were entered into and continue to be held for the purpose of the delivery of a non-financial item in accordance with the Group's expected sale requirements fall within the exception from IFRS 9, which is known as the 'normal purchase or sale exemption' or the 'own use' scope exception. For these contracts and the host part of the contracts containing embedded derivatives, they are accounted for as executory contracts. The Group recognises such contracts in its statement of financial position only when one of the parties meets its obligation under the contract to deliver either cash or a nonfinancial asset.

Reference to summary of significant accounting policies

These interim financial statements are prepared using the same accounting principles as the annual financial statements for 2020, except for a change in presentation of abandonment spent in the condensed consolidated statement of cash flows. From Q1 2021, the group is presenting these cash flows as investing activities, while they prior to 2021 have been presented as financing activities. The reason for the change is that in our view the abandonment spend is more closely linked to investing activities than financing and thus deemed more relevant to include under investing activities. The abandonment spent reclassified from financing to investing activities amounts to USD 30 million and USD 49 million in Q2 2020 and year to date 2020 respectively.

The commodity contracts discussed above which are now subject to the 'normal purchase or sale exemption' and the related intangible assets and their amortisation. Prior to Q3 2020 these contracts were accounted for as financial assets with subsequent fair value changes recognised in profit or loss.

Comparative in the notes has been updated to reflect the revised PPA however it is not marked as restated. For further details see note 7 Acquisition of subsidiary – Final purchase price allocation.

For the full summary of significant accounting policies, reference is made to the annual financial statements for 2020.

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	Q2 2021	Q1 2021	Q2 2020 restated	YTD 2021	YTD 2020 restated
Sale of oil	109	84	135	193	247
Sale of gas and NGL	23	20	4	43	14
Other income	2	2	1	4	3
Total Revenue	**135**	**105**	**140**	**240**	**264**
Oil - lifted volumes (mmbbl)	1.90	1.50	1.95	3.40	3.85
Effective Oil price USD/bbl[1)]	**57.5**	**55.9**	**69.1**	**56.8**	**64.1**

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

In the second quarter, Noreco's sale of oil amounted to USD 109 million and realised price was USD 57.5 per bbl of oil lifted during the period, adjusted for settlement of price hedges in place with financial institutions.

During the second quarter, Noreco recognised the settlement of price hedges that were put in place with financial institutions in the market as revenue, when these price hedges matches the physical sale of oil. Price hedges in excess of actual lifting are treated as financial income or financial expenses based on the required accounting treatment for these instruments during the period.

3 Production Expenses

USD million	Q2 2021	Q1 2021	Q2 2020	YTD 2021	YTD 2020
Direct field opex	(57)	(46)	(37)	(103)	(78)
Tariff and transportation expenses	(11)	(14)	(10)	(26)	(21)
Production G&A	(14)	(10)	(11)	(24)	(26)
Field operating cost	**(81)**	**(71)**	**(58)**	**(152)**	**(124)**
Total produced volumes (mmboe)	2.5	2.3	2.5	4.8	5.4
In USD per boe	(32.7)	(30.5)	(22.9)	(31.7)	(22.8)
Adjustments for:					
Change in inventory position	3	(4)	(7)	(2)	(3)
Over/underlift of oil and NGL	(2)	13	5	11	13
Insurance & Other*	(5)	(6)	(6)	(11)	(11)
Stock Scrap	14	(3)	4	11	2
Production expenses	**(72)**	**(71)**	**(62)**	**(143)**	**(124)**

*Insurance cost in 2020 moved from G&A to production expense.

Production expenses for the second quarter directly attributable to the lifting and transportation to market of Noreco's oil and gas production are in total USD 81 million, which equates to USD 32.7 per boe produced during the period compared to USD 30.5 per boe in Q1 2021. We continue to work with the operator to identify opportunities to reduce operational costs, recognising there is a balance between expenditure and operational performance. The increase in cost per boe was mainly due to higher direct field opex due to the ongoing workover activity that began late in Q1 (mid-March) after the arrival of the Sam Turner rig. Workover activity has been successfully ongoing throughout Q2. Tariff and transportation expenses are lower by USD 3 million due to seasonality in gas transportation. This reduction is offset by higher production G&A of USD 4 million primarily as a result of increased project studies costs in line with expected phasing of expenditure across the year.

In the current period Noreco recognised a cost of USD 2 million related to an increase in the overlift position compared to the end of last quarter (measured at production cost). The Company also recognised a cost reduction of USD 3 million related to a decrease in the Crude Oil inventory position compared to the end of last quarter. Stock scrap is a cost reduction of USD 14 million mainly as a result of the reversal of additional stock write down from 2019.

4 Financial Income and Expenses

Financial Income

USD million	Q2 2021	Q1 2021	Q2 2020 restated	YTD 2021	YTD 2020 restated
Value adjustment derivatives and hedging contracts unrealized [1]	-	-	-	-	31
Value adjustment of embedded derivatives [2]	7	-	-	6	21
Value adjustment - volume protection [3]	-	-	23	-	23
Hedge income realized	-	-	1	-	7
Interest income	0	-	1	0	2
Foreign exchange gains	0	12	9	12	22
Total financial income	**8**	**12**	**35**	**18**	**107**

Financial Expenses

USD million	Q2 2021	Q1 2021	Q2 2020 restated	YTD 2021	YTD 2020 restated
Value adjustment derivatives and hedging contracts unrealized [1]	-	-	(9)	-	-
Value adjustment of embedded derivatives[2]	-	(2)	(1)	-	-
Value adjustment - FX Contract	-	(1)	-	(1)	-
Value adjustment - amortized cost RBL	(5)	-	-	(5)	-
Utilisation of derivatives	(1)	(2)	(1)	(3)	(1)
Unrealized loss derivatives	(6)	(1)	-	(8)	-
Interest expense from bond loans	(11)	(10)	(9)	(21)	(19)
Interest expense from bank debt	(9)	(12)	(12)	(21)	(25)
Interest expenses current liabilities	(0)	(0)	(0)	(0)	(0)
Accretion expense related to asset retirement obligations	(9)	(9)	(6)	(17)	(15)
Foreign exchange losses	(3)	(7)	(7)	(10)	(24)
Other financial expenses	(1)	(1)	(1)	(2)	(40)
Total financial expenses	**(45)**	**(44)**	**(47)**	**(87)**	**(125)**
Net financial items	**(37)**	**(32)**	**(12)**	**(69)**	**(18)**

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.
3) Fair value adjustment of the volume protection – contingent consideration based on the change in future market pricing expectations during the remaining period of the volume hedging agreement with Shell.

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)	Q2 2021	YTD 2021
Income tax current year	7	(5)
Income tax for prior years		-
Current income tax	7	(5)
Deferred tax adjustment	(20)	12
Prior year adjustment, deferred tax		-
Deferred tax expense	(20)	12
Tax (expense)/ income	(12)	7

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	137
Tax (expense)/income related to other comprehensive income	137

Income tax on OCI is related to the unrealised fair value changes in derivatives designated in cash flow hedges. To the extent derivates 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% YTD 2021		Corporate tax 22% YTD 2021		In total
Income (loss) before tax	**(20)**		**(16)**		(36)
Expected tax on profit before tax	(13)	64%	(4)	22%	(16)
Tax effect of:					
Prior year adjustment	-	0%	-	0%	-
Transfer of loss to 22 % tax	-	0%	-	0%	-
FX adjustment of net operating losses carried forward in DKK	-	0%	-	0%	-
Investment uplift on CAPEX projects[1)]	-	0%	-	0%	-
Permanent differences	-	0%	-	0%	-
No recognition of tax assets in Norway and UK	-	0%	9	55%	9
Tax expense (income) in profit/loss	**(13)**	**64%**	**5**	**33%**	**(7)**

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

Reconciliation of nominal to actual tax rate continues:	Hydrocarbon tax 64% YTD 2021		Corporate tax 22% YTD 2021		In total
Other comprehensive income before tax	**213**		**-**		**213**
Expected tax on other comprehensive income before tax	(137)	64%	-	22%	(137)
Tax effect of:					
Non taxable currency translation adjustment	-		-		-
Tax in other comprehensive income	**(137)**	**64%**	**-**	**22%**	**(137)**

Current income tax payable

Tax payable relates to the Group's entities in Denmark. The amounts payable as of 30.06.21 were:	
Hydrocarbon tax pertaining to pre-acquisition period 2019 not indemnified	(16)
Corporate tax for 2019 (Denmark)	-
Corporate tax for 2020 and 2021 (Denmark)	(16)
Tax payables	**(32)**

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 a some degree of uncertainty. Uncertain tax liabilities are recognised with the probable value if their probability is more likely than not.

As of 30 June 2021, the Company has provided an estimated USD 16 million pertaining to hydrocarbon tax in the part of pre-acquisition period, which is not indemnified by the Seller. No change as per Q2 2021.

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 Deferred tax and deferred tax asset	01.01.21	Effect recognized in profit/loss	Effect recognised in OCI	31.06.21
Property, plant and equipment	582	26	-	608
Intangible assets, licences	23	(6)	-	17
Inventories and receivables	22	(4)	-	19
ARO provision	(561)	(6)	-	(567)
Other assets and liabilities	-	-	-	-
Tax loss carryforward, chapter 2 tax (25%)	(1)	7	(53)	(47)
Tax loss carryforward, chapter 3a tax (52%)	(498)	(29)	(83)	(610)
Deferred tax asset, net	**(432)**	**(12)**	**(137)**	**(581)**

6 Intangible assets

USD million	Capitalised exploration expenditures	Contract own use	Licence	Total
Book value 31.12.2020	**2**	**-**	**173**	**175**
Acquisition costs 31.12.2020	**2**	**128**	**186**	**316**
Additions	(0)	-	-	(0)
Acquisition costs 31.03.2021	**2**	**128**	**186**	**316**
Accumulated depreciation, amortisation and write-downs 31.12.2020	**-**	**(128)**	**(13)**	**(141)**
Depreciation / amortization	-	-	(2)	(2)
Accumulated depreciation, amortisation and write-downs 31.03.2021	**-**	**(128)**	**(15)**	**(143)**
Book value 31.03.2021	**2**	**-**	**171**	**172**
Acquisition costs 31.03.2021	**2**	**128**	**186**	**316**
Additions	(0)	-	-	(0)
Acquisition costs 30.06.2021	**1**	**128**	**186**	**315**
Accumulated depreciation, amortisation and write-downs 31.03.2021	**-**	**(128)**	**(15)**	**(143)**
Depreciation / amortization	-	-	(2)	(2)
Accumulated depreciation, amortisation and write-downs 30.06.2021	**-**	**(128)**	**(17)**	**(145)**
Book value 30.06.2021	**1**	**-**	**169**	**170**

7 Acquisition of subsidiary – Final purchase price allocation

On 31 July 2019 the Company's acquisition of Shell Olie- og Gasudvinding Danmark B.V. was completed. Following the acquisition Noreco has a 36,8% interest in the Danish Underground Consortium (DUC) with 11 producing fields and related infrastructure. The transaction was considered to be a business combination and has been accounted for using the acquisition method of accounting as required by IFRS 3.

A provisional purchase price allocation (PPA) was performed in the third quarter of 2019 and a final PPA was completed in the third quarter of 2020. No adjustments was made to the estimated fair values of the identified assets and liabilities which were measured at the acquisition date. However, one commodity contract which was provisionally identified as financial assets, measured at USD 128 million in the provisional PPA, and for which subsequent value changes was recognized in profit or loss, was reassessed and determined to constitute intangible assets measured at a fair value of USD 128 million.

The basis for the revised determination is the fact that the commodity contract to which the fair values relate have now been determined to constitute 'normal purchase or sale' or so called 'own use contracts' which are exempted from IFRS 9, rather than financial assets as provisionally assumed. Subsequent to initial recognition these intangible assets are, in these restated financial statements, being amortized over the period of lifting of the underlying commodity volumes. The adjustment in total revenue is related to the timing difference between when the value of each hedge is set and when they are ultimately utilized. Total revenue, in these restated financial statements, reflects only the physical volumes delivered. See below table for a reconciliation of the reported and restated financial statement line items.

Comparative consolidated statement of comprehensive income

All figures in USD million	Q2 2020	Adj	Q2 2020 restated	YTD 2020	Adj	YTD 2020 restated
Total revenues	135	5	140	283	(20)	264
Total operating expenses	(65)		(65)	(132)		(132)
Operating result (EBITDA)	69	5	75	151	(20)	132
Depreciation	(24)	(27)	(51)	(58)	(52)	(110)
Net operating result (EBIT)	45	(22)	24	93	(72)	21
Financial income	(2)	4	2	86	(2)	84
Financial expenses	(55)	41	(14)	(170)	68	(102)
Net financial items	(57)	46	(12)	(85)	66	(18)
Result before tax (EBT)	(12)	24	12	9	(5)	3
Change in deferred tax / - asset	32	(16)	16	(3)	4	1
Net result for the period	20	8	28	6	(2)	4

Comparative Consolidated Statement of Financial positions

All figures in USD million	30.06.2020	Adj	30.06.2020 restated
Non-current assets			
Licence and capitalised exploration expenditures	177	34	211
Deferred tax assets	305	38	343
Property, plant and equipment	1,618		1,618
Right of Use asset	1		1
Restricted cash	115		115
Other non-current financial investments	-		-
Contingent consideration - volume protection	-		-
Derivative instruments	82	-	82
Total non-current assets	**2,298**	**72**	**2,371**
Current assets			
Derivative instruments	160	(65)	96
Contingent consideration - volume protection	55		55
Trade receivables and other current assets	143	(23)	120
Restricted cash	-		-
Bank deposits, cash and cash equivalents	227		227
Total current assets	586	(88)	498
Total assets	2,884	(16)	2,869

All figures in USD million	30.06.2020	Adj	30.06.2020 restated
Equity			
Share capital	30		30
Other equity	633	(16)	618
Total equity	**663**	**(16)**	**647**
Total non-current liabilities	**1,944**		**1,944**
Total current liabilities	**277**		**277**
Total liabilities	**2,222**		**2,222**
Total equity and liabilities	**2,884**	**(16)**	**2,869**

A. Consideration transferred

The following table summarizes the acquisition-date fair value of the total purchase price.

USD million	
Initial Cash payment	40
Cash payment 31.12.2018	**40**
Cash at Completion	1,104
Volume guarantee refund until June 2019	(33)
Total Consideration at completion 2019	**1,071**
Settlement of prepaid cost – reimbursed to seller	5
Volume guarantee for July 2019	(10)
Locked Box Interest	63
Total Cash payment 31.12.19	**1,170**
Adjustments:	
Deferred payment	25
Volume guarantee market value	(81)
Total Purchase price	**1,114**

B. Identifiable assets acquired and liabilities assumed

A purchase price allocation (PPA) has been performed and all identified assets and liabilities have been measured at the acquisition date at their fair values in accordance with the requirements of IFRS 3. The fair values of the identifiable assets and liabilities in the transaction have been estimated as follows:

USD million	SOGU	SOGUP	Provisional PPA	Adj SOGU	Final PPA
Assets					
Tangible and intangible fixed assets	1,712	2	1,714	128	1,842
Deferred tax assets	2	1	3	-	3
Financial assets at fair value	128	-	128	(128)	(0)
Inventories	61	-	31	-	61
Net working capital	99	24	123	-	123
Total Assets	**2,002**	**27**	**2,029**	**-**	**2,029**
Liabilities					
Asset retirement obligation	(918)	(1)	(919)	-	(919)
Trade and other payables	(118)	(0)	(118)	-	(118)
Tax payables	(144)	-	(144)	-	(144)
Total Liabilities	**(1,180)**	**(1)**	**(1,181)**	**-**	**(1,181)**
			-	-	
Total identifiable net assets at fair value			**848**	**-**	**848**

Fair value is based on an NPV calculation on a debt / cash free basis.

D. Goodwill

USD million	
Total consideration	1,114
Total identifiable net assets at fair value	848
Goodwill	**266**
Impairment	(266)
Goodwill	**-**

8 Property, Plant and Equipment

USD million	Asset under construction	Production facilities	Pipelines	Machinery & equipment	Total
Bookvalue 31.12.2020	**608**	**1,094**	**1**	**1**	**1,704**
Acquisition costs 31.12.2020	**608**	**1,259**	**2**	**2**	**1,870**
Additions	55	1	-	0	56
Currency translation adjustment	-	(0)	(0)	0	(0)
Acquisition costs 31.03.2021	**663**	**1,259**	**2**	**2**	**1,925**
Accumulated depreciation, amortization and write-downs 31.12.2020	**-**	**(165)**	**(0)**	**(1)**	**(166)**
Depreciation	-	(23)	(0)	(0)	(23)
Currency translation adjustment	-	0	0	(0)	0
Accumulated depreciation, amortization and write-downs 31.03.2021	**-**	**(188)**	**(0)**	**(1)**	**(189)**
Book value 31.03.2021	**663**	**1,071**	**1**	**1**	**1,736**
Acquisition costs 31.03.2021	**663**	**1,259**	**2**	**2**	**1,925**
Additions	53	(2)	-	-	50
Currency translation adjustment	-	0	0	0	0
Acquisition costs 30.06.2021	**715**	**1,257**	**2**	**2**	**1,976**
Accumulated depreciation, amortization and write-downs 31.03.2021	**-**	**(188)**	**(0)**	**(1)**	**(189)**
Depreciation / amortization	-	(26)	(0)	(0)	(26)
Currency translation adjustment	-	(0)	(0)	(0)	(0)
Accumulated depreciation, amortization and write-downs 30.06.2021	**-**	**(214)**	**(0)**	**(1)**	**(215)**
Book value 30.06.2021	**715**	**1,043**	**1**	**1**	**1,760**

An impairment review for the holding value of Noreco's oil and gas assets was performed following the announcement of a delay in first gas from the Tyra Redevelopment project in Q4 2020. The outcome of the impairment test was that no impairment was necessary. The company continues to monitor all relevant local and global economic markets for indicators of impairment. Noreco does not consider there are any indicators of impairment at the current time, consequently the assessment carried out in Q4 2020 remains valid.

9 Non-Current Receivables, Trade Receivables and Other Current Assets

USD million	30.06.2021	31.03.2021	31.12.2020	30.06.2020 restated
Current assets				
Contingent consideration – volume protection	-	-	15	55
Trade receivables	4	6	51	37
Underlift of oil/NGL	-	-	-	1
Prepayments	13	18	23	20
Other receivables	57	34	8	28
Total trade receivables and other current receivables	**74**	**57**	**96**	**141**

10 Inventories

USD million	30.06.2021	31.03.2021	31.12.2020	30.06.2020
Product inventory, oil	16	14	18	12
Other stock (spares & consumables)	34	20	21	21
Total inventories	**50**	**34**	**40**	**33**

11 Restricted Cash, Bank Deposits, Cash and Cash Equivalents

USD million	30.06.2021	31.03.2021	31.12.2020	30.06.2020
Non-current assets				
Restricted cash pledged as security for abandonment obligation related to Nini/Cecilie	68	68	71	65
Restricted cash pledged as security for cash call obligations towards Total [1)]	140	140	125	50
Total non-current restricted cash	**209**	**208**	**196**	**115**
Current assets				
Unrestricted cash, bank deposits, cash equivalents	145	70	259	227
Total bank deposits	**354**	**278**	**456**	**342**

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. From August 2020 until January 2021 the escrow increased by USD 15 million monthly, up to a total of USD 140 million. There will be no further increase.

12 Borrowings

USD million	30.06.2021 Principal amount	30.06.2021 Book value	31.03.2021 Principal amount	31.03.2021 Book value	31.12.2020 Principal amount	31.12.2020 Book value	30.06.2020 Principal amount	30.06.2020 Book value
NOR 13 Convertible Bond [1]	178	143	178	137	171	131	164	119
NOR 14 Senior Unsecured Bond [2]	175	169	175	173	175	169	175	168
Total non-current bonds	**353**	**312**	**353**	**310**	**346**	**299**	**339**	**287**
Reserve based lending facility [3]	900	854	751	720	751	719	751	716
Deferred Consideration [4]	25	25	25	25	25	25	25	25
Total non-current debt	**925**	**879**	**776**	**745**	**776**	**744**	**776**	**741**
Total borrowings	**1,278**	**1,191**	**1,129**	**1,055**	**1,122**	**1,043**	**1,116**	**1,028**

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.

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 $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 3-month LIBOR and 4% p.a., payable monthly.

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%**	**LIBOR + 4%**	**4,0%**	
2021	-	16	21	1	38
2022	-	16	37	1	54
2023	-	16	37	1	54
2024	-	16	37	-	53
2025	-	16	34	-	50
2026	-	8	34	-	42
2027	-	-	8	-	-
2028	-	-	1	-	-
Total	-	**87**	**211**	**3**	**292**

* 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.

13 Trade Payables and Other Current Liabilities

USD million	30.06.2021	31.03.2021	31.12.2020	30.06.2020
Trade payable	0	1	1	13
Liabilities to operators relating to joint venture licences	62	82	97	82
Overlift of oil/NGL	2	0	13	-
Accrued interest	2	2	3	3
Salary accruals	1	2	1	1
Public duties payable [1)]	13	6	159	71
Other current liabilities	16	10	13	12
Total trade payables and other current liabilities	**97**	**103**	**286**	**182**

[1)] Public duties payable at the end of 2020 of USD 159 million relate to Noreco's VAT liability covering sales during 2020. This amount was paid in the first quarter of 2021, with the payment date having been delayed by the Danish government as a response to the impact of COVID-19 on the economy.

14 Financial Instruments
14.1 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 30.06.2021

USD million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Contingent considerations	-	-	-	-
– Derivative instruments price hedge	-	-	-	-
Financial assets at fair value hedging instruments				
– Derivative instruments price hedge	-	-	-	-
Total assets	**-**	**-**	**-**	**-**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Derivative instruments price hedge	-	-	-	-
– Embedded derivatives convertible bond	-	-	12	12
Financial liabilities at fair value hedging instruments				
– Derivative instruments price hedge	-	171	-	171
Total liabilities	**-**	**171**	**12**	**183**

On 31.03.2021

USD million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Contingent considerations	-	-	-	-
– Derivative instruments price hedge	-	-	-	-
Financial assets at fair value hedging instruments				
– Derivative instruments price hedge	-	-	-	-
Total assets	**-**	**-**	**-**	**-**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Derivative instruments price hedge	-	-	-	-
– Embedded derivatives convertible bond	-	-	20	20
Financial liabilities at fair value hedging instruments				
– Derivative instruments price hedge	-	59	-	59
Total liabilities	**-**	**59**	**20**	**79**

On 31.12.2020 USD million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Contingent considerations	-	-	15	15
– Derivative instruments price hedge	-	3	-	3
Financial assets at fair value hedging instruments				
– Derivative instruments price hedge	-	57	-	57
Total assets	**-**	**60**	**15**	**75**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Derivative instruments price hedge	-	-	-	-
– Embedded derivatives convertible bond	-	-	18	18
Financial liabilities at fair value hedging instruments				
– Derivative instruments price hedge	-	7	-	7
Total liabilities	**-**	**7**	**18**	**25**

14.2 Financial Instruments by Category

On 30.06.2021 USD million	Financial assets at amortised cost	Assets at fair value through profit or loss	Fair value - hedging instruments	Total
Assets				
Contingent considerations	-	-	-	-
Derivative instruments price hedge	-	-	-	-
Trade receivables and other current assets	74	-	-	74
Restricted cash	209	-	-	209
Bank deposits, cash and cash equivalents	145	-	-	145
Total	**427**	**-**	**-**	**427**

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	-	-	171	171
Embedded derivative convertible bond	-	12	-	12
Convertible bond loans	143	-	-	143
Senior unsecured bond loan	169	-	-	169
Reserve based lending facility	854	-	-	854
Deferred consideration	25	-	-	25
Lease liability	0	-	-	0
Trade payables and other current liabilities	97	-	-	97
Total	**1,289**	**12**	**171**	**1,472**

On 31.12.2020 USD million	Financial assets at amortised cost	Assets at fair value through profit or loss	Fair value - hedging instruments	Total
Assets				
Contingent considerations	-	15	-	15
Derivative instruments price hedge	-	3	57	60
Trade receivables and other current assets	81	-	-	81
Restricted cash	196	-	-	196
Bank deposits, cash and cash equivalents	259	-	-	259
Total	**537**	**18**	**57**	**612**

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	-	-	7	7
Embedded derivatives convertible bond	-	18	-	18
Convertible bond loans	131	-	-	131
Senior unsecured bond loan	169	-	-	169
Reserve based lending facility	719	-	-	719
Deferred consideration	25	-	-	25
Lease liability	1	-	-	1
Trade payables and other current liabilities	286	-	-	286
Total	**1,330**	**18**	**7**	**1,355**

14.3 Financial Instruments — Fair Values

Set out below is a comparison of the carrying amounts and fair value of financial instruments as on 30 June 2021:

USD million	Total amount outstanding*	Carrying Amount	Fair Value
Financial assets			
Trade receivables and other current assets		74	74
Restricted cash		209	209
Bank deposits, cash, cash equivalents and quoted shares		145	145
Total		**427**	**427**
Financial liabilities			
Derivative instruments price hedge		171	171
Embedded derivative convertible bond		12	12
Convertible bond loans	178	143	166
Senior unsecured bond loan	175	169	175
Reserve based lending facility	900	854	900
Deferred consideration		25	25
Lease liability		1	1
Trade payables and other current liabilities		97	97
Total	**1,253**	**1,472**	**1,546**

* 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 amortized cost, a total of USD 4,5 million in transaction cost is included in the amortized cost. The embedded derivative is valued on an option valuation basis, the carrying value is USD 12 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, 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:

		2021
Valuation date	(date)	30 June 21
Agreement execution date	(date)	24 Jul 19
Par value of bonds	(USD)	177,883,858
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)	2.4
Number of options	(#)	6,139,558
Conversion price	(NOK)	238
Fixed FX rate of agreement	(USD:NOK)	8.180
Risk-free rate (based on government bonds)	(%)	1.20%
Expected volatility	(%)	46.82%
Model used		Black - Scholes - Merton

The RBL facility is measured at amortized cost, in addition a total of USD 52 million in transaction cost. 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 amortized cost, in addition a total of USD 7.6 million in transaction cost are deducted from the amount initially recognised.

14.4 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. The ineffective amount in Q2 2021 charged to financial items in the Income Statement were a loss of USD 0.1 million. Time Value related to hedging arrangements is considered insignificant and generally the valuation of the instruments do not take into consideration the time value.

During Q2 2021 all call options contracts which covered the period Q3 2021 to Q2 2022 were terminated at zero cost, consequently, the company's hedging arrangements is currently 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. In Q2 2021 Noreco has entered into additional forward contracts covering some of the production in the coming 3 to 36 months period.

	Maturity					
As of 30 June 2021	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)	-	1,768	1,795	1,555	1,201	7,618
Notional amount (in USD million)	-	94	102	88	67	421
Average hedged sales price (in USD per boe)	-	53	57	56	56	55

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
Realized cash flow hedge	2
Related tax - realized cash flow hedge	(1)
Changes in fair value	(111)
Related tax - changes in fair value	71
Balance as of 31.03.2021	(25)
Realized cash flow hedge	27
Related tax - realized cash flow hedge	(17)
Changes in fair value	(132)
Related tax - changes in fair value	85
Balance as of 30.06.2021	(63)

15 Asset Retirement Obligations

USD million	2021 Q2	2021 Q1	2020 01.01.-31.12
Balance as of beginning of period	954	950	967
Provisions and change of estimates made during the year	1	(3)	23
Accretion expense - present value calculation	9	9	34
Incurred cost removal	(3)	(2)	(74)
Currency translation adjustment	0	(0)	0
Total provision made for asset retirement obligations	**960**	**954**	**950**
Break down of short-term and long-term asset retirement obligations			
Short-term	25	25	24
Long-term	935	929	927
Total provision for asset retirement obligations	**960**	**954**	**950**

The balance as per 30.06.2021 is USD 888 million for DUC, USD 68 million for Nini/Cecilie, USD 2 million for Lulita (non-DUC share) and USD 2.4 million for Tyra F-3 pipeline.

16 Subsequent Events

On 8 July 2021, Noreco announced that it would ask its NOR14 bondholders for approval, via written resolution, of a proposed amendment to the NOR14 bond terms. This proposed amendment, which are supported by more than two thirds of bondholders, increases headroom under the maximum leverage covenant until Tyra first gas, with an increase in minimum required liquidity and revised call structure. The voting period for the written resolution will expire on 23 July 2021.

Noreco may disclose alternative performance measures as part of its financial reporting as a supplement to the financial statements prepared in accordance with IFRS. Noreco believes that the alternative performance measures provide useful supplemental information to management, investors, security analysts and other stakeholders and are meant 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.

All figures in USD million	Q2 2021	Q1 2021	Q2 2020 restated	YTD 2021	YTD 2020 restated
EBITDA	58	29	75	87	132
Claim volume floor guarantee	-	-	24	-	45
Transaction cost	-	-	-	-	-
Non-payment insurance	2	2	2	4	4
Share-base payment	0	0	0	1	0
Adj. EBITDA	60	31	101	92	181

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. RBL facility and bond loan are included in the calculation with the total amount outstanding and not the amortised cost including transaction cost.

All figures in USD million	30.06.2021	31.03.2021	31.12.2020	30.06.2020
Convertible bond loan	(143)	(137)	(131)	(119)
Senior Unsecured bond loan	(169)	(173)	(169)	(168)
Reserve based lending facility	(854)	(720)	(719)	(716)
Other interest-bearing debt	(25)	(25)	(25)	(25)
Interest-bearing debt	(1,191)	(1,055)	(1,043)	(1,028)

All figures in USD million	30.06.2021	31.03.2021	31.12.2020	30.06.2020
Cash and cash equivalents	145	70	259	227
Convertible bond loan	(178)	(178)	(171)	(164)
Senior Unsecured bond loan	(175)	(175)	(175)	(175)
Reserve based lending facility	(900)	(751)	(751)	(751)
Other interest-bearing debt	(25)	(25)	(25)	(25)
Net interest-bearing debt	(1,133)	(1,059)	(862)	(888)

Information About Noreco

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Financial Calendar 2021

19 May	Annual General Meeting
11 May	Q1 2021 Report
13 July	Q2 2021 Report
28 October	Q3 2021 Report

Board of Directors

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

Management

David B. Cook	Chief Executive Officer
Euan Shirlaw	Chief Financial Officer
John Hulme	Chief Operating Officer
Cathrine Torgersen	EVP, Investor Relations & Communications
Hege Hayden	EVP, People & Capability

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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.