Norwegian Energy Company ASA

Third Quarter 2021

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Content

Report for the Third Quarter 2021

Norwegian Energy Company ASA

Highlights

Third Quarter 2021 summary

Operational:

- Strong operating performance, with hydrocarbon production of 27.2 mboepd in the third quarter. This compares to 27.3 mboepd in Q2 2021 and is in the upper range of Noreco's full year 2021 production guidance of 25.5 to 27.5 mboepd
- Tyra East topsides sailed away from Sembcorp Marine in July followed by successful offshore installation
- Activity levels on the Tyra project continue to be high at the yards and sail away dates for the remaining modules have been fixed
- Noreco announced Project Bifrost, a DUC partnership with Ørsted and DTU that is focused on progressing the potential for Carbon Capture & Storage in DUC

Financial:

- Total liquidity of USD 252 million at the end of third quarter, with cash on balance sheet of USD 152 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
- Successful written resolution obtained from bondholders of NOR14 to amend certain covenants. Based on this, the Company has sufficient leverage covenant headroom to the conclusion of Tyra project
- The Company entered into a USD 1.0 billion swap transaction to fix interest rate exposure under the RBL facility

Financial and operational summary	Unit	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Total revenue	USDm	150	135	157	390	420
EBITDA[1]	**USDm**	**65**	**58**	**79**	**153**	**211**
Adj. EBITDA[1]	**USDm**	**67**	**60**	**103**	**159**	**285**
Result before tax	**USDm**	**5**	**(7)**	**(16)**	**(30)**	**(12)**
Net result for the period	USDm	3	(20)	(3)	(25)	1
Net cash flow from operating activities[2]	USDm	84	19	111	(19)	246
Investments in oil and gas assets	USDm	55	50	49	161	170
Abandonment spent[1]	USDm	8	3	22	13	72
Reserve based lending facility - currently drawn	USDm	900	900	751	900	751
Net interest-bearing debt[1]	USDm	1,133	1,133	852	1,133	852
Oil production	mboepd	21.0	21.1	22.3	20.4	22.5
Gas production	mboepd	6.2	6.2	6.4	6.3	7.0
Total production	**mboepd**	**27.2**	**27.3**	**28.7**	**26.8**	**29.5**
Over/underlift	mboepd	(0.2)	(0.2)	(1.1)	(0.6)	(1.3)
Realised Oil price	USD/boe	72.5	69.5	43.3	68.0	38.2
+/- Effect of hedges	USD/boe	(15.5)	(12.0)	31.9	(11.2)	29.7
Effective Oil price[1]	**USD/boe**	**57.0**	**57.5**	**75.3**	**56.9**	**67.9**

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

2) YTD 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	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Total revenue	150	135	157	390	420
EBITDA	65	58	79	153	211
EBIT	38	30	30	71	51
Result before tax	5	(7)	(16)	(30)	(12)
Net result for the period	3	(20)	(3)	(25)	1
Earnings per share	0.1	(0.8)	(0.1)	(1.1)	0.1

The Company had ***revenues*** of USD 150 million in the third quarter of 2021 mainly related to oil and gas sales from the DUC fields; this compares to USD 135 million in the previous quarter. The increase compared to last quarter was related to increase in the realised gas commodity prices, net of hedging effects.

Production expenses amounted to USD 78 million in the third quarter of 2021 compared to USD 72 million in the previous quarter. The increase in production expenses compared to last quarter mainly reflects the positive one-off effect last quarter regarding stock value. This increase was partly offset by decreased production cost due to less workover activity in third quarter, lower tariff and transportation expenses and decrease in production G&A. In addition, production expenses were also impacted by changes related to crude oil inventory and overlift position. See note 3 for more details.

Operating result (EBITDA) in the third quarter of 2021 was a profit of USD 65 million, compared to USD 58 million in previous quarter. This increase mainly relates to higher revenue as a result of the current gas commodity price environment.

Net Financial items amounted to an expense of USD 32 million for the third quarter of 2021, compared to an expense of USD 37 million in the previous quarter. The decrease 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, realised loss and cancellation of call options in second quarter. Net foreign exchange gain compared to a foreign exchange loss last quarter due to fluctuation in the USD/DKK exchange rate also contributed to the decrease. This was partly offset by the negative fair value adjustment related to NOR13's embedded derivative, compared to a positive fair value adjustment last quarter and increased interest expense on the RBL facility reflecting the additional drawdowns last quarter.

Income tax amounted to positive USD 2 million for the third quarter of 2021 compared to positive USD 12 million for the previous quarter. The decrease 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 as well as adjustments to prior years taxes. YTD 2021 the tax income amounted to USD 5 million, which corresponds to an effective 64 % tax on result before tax on hydrocarbon income in Noreco Oil Denmark and Noreco Petroleum Denmark, adjusted with the effects of prior year adjustments and investment uplift, 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 third quarter of 2021 was a profit of USD 3 million, compared to USD 20 million loss for the previous quarter.

Selected data from the consolidated statement of financial position

All figures in USD million	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Total non-current assets	2,789	2,720	2,533	2,401
Total current assets	291	269	429	510
Total assets	3,080	2,989	2,962	2,911
Total equity	495	524	630	642
Interest bearing debt	1,199	1,191	1,043	1,039
Asset retirement obligations	959	960	950	925

Total non-current assets amounted to USD 2.8 billion at the end of third quarter of 2021, of which USD 1.8 billion related to property, plant and equipment, in addition to intangible assets of USD 168 million, deferred tax asset of USD 624 million and USD 207 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 291 million at the end of third quarter of 2021, USD 62 million in trade- and other receivables, mainly related to oil and gas revenue, USD 20 million in prepayments mainly related to the offshore insurance premium that has been paid in advance, USD 152 million of cash and USD 56 million related to inventory.

Total equity amounted to USD 495 million at the end of the third quarter of 2021, compared to USD 524 million at the end of Q2 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 1,199 million at the end of third quarter of 2021. The convertible bond loan NOR13 had a book value of USD 150 million at the end of the third 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 856 million at the end of the third quarter. The senior unsecured bond loan NOR14 had a book value of USD 168 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 third quarter.

Asset retirement obligations amounted to USD 959 million at the end of third quarter of 2021, compared to USD 960 million at the end of Q2 2021. USD 888 million is related to the DUC assets, USD 67 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 67 million.

Selected data from the consolidated statement of cash flows

All figures in USD million	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Cash flow from operating activities	84	19	111	(19)	246
Cash flow used in investing activities	(59)	(55)	(73)	(168)	(248)
Cash flow from financing activities	(18)	110	(2)	80	(21)
Net change in cash and cash equivalents	8	74	36	(107)	(23)
Cash and cash equivalents	152	145	263	152	263

Cash flow from operating activities amounted to USD 84 million at the end of third quarter of 2021, compared to USD 19 million for the previous quarter. Cash flow from operating activities excluding changes in working capital amounted to USD 66 million at the end of third quarter of 2021, compared to USD 58 million for the previous quarter. The increased cash flow from working capital were related to increase in trade payable and liabilities to operator in third quarter, in addition to stable trade receivable which increased last quarter, this increase had a negative impact on cash flow for the previous quarter.

Cash flow used in investing activities amounted to negative USD 59 million at the end of the quarter, compared to negative USD 55 million for the previous quarter. The cash flow used in investing activities were related to investments on the DUC asset of which USD 55 million related to the Tyra Redevelopment and USD 8 million in abandonment expenditure were paid which were related to Tyra, Dan and Gorm.

Cash flow from financing activities amounted to negative USD 18 million at the end of the third quarter of 2021, compared to positive USD 110 million for the previous quarter. The cash flow from financing activities last quarter included a RBL draw down of USD 149 million.

Net change in cash and cash equivalents amounted to positive USD 8 million in the quarter compared to positive USD 74 million for the previous quarter. Cash and cash equivalents were in total USD 152 million at the end of third 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 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.

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.

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 Q3 2021, 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 LIBOR interest rate (SOFR rate from 01 November 2021) applicable to the RBL Facility. The Company has fixed the interest rate to the full value of the facility from 01 November 2021 to 30 June 2024 at a blended average rate of 0.4041% with several banks in the RBL syndicate.

	Volume hedged oil (mmboe)	Average hedged price ($/bbl)	Volume hedged gas (MWh)*	Average hedged price (EUR/MWh)
2021	1.4	56.1	600.000	28.6
2022	4.3	55.7	600.000	28.6
2023	4.0	52.4	-	0.0
2024	1.8	61.3	-	0.0

Operational review

Production

Key figures	Unit	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Dan hub	mboepd	8.5	8.4	8.2	8.5	8.0
Gorm hub	mboepd	4.4	5.5	5.1	4.4	4.7
Halfdan hub	mboepd	14.3	13.3	15.5	13.9	16.7
Tyra hub	mboepd	0.0	0.0	0.0	0.0	0.0
Total production	**mboepd**	**27.2**	**27.3**	**28.7**	**26.8**	**29.5**
Over/-underlift	mboepd	(0.2)	(0.2)	(1.1)	(0.6)	(1.3)
Net sales	**mboepd**	**27.0**	**27.1**	**27.6**	**26.2**	**28.2**
Oil sales	mboepd	20.8	20.9	21.3	19.8	21.2
Gas sales	mboepd	6.2	6.2	6.3	6.3	7.0
Operating efficiency	%	82.4 %	83.1 %	80.0 %	81.0 %	84.0 %

Performance in Q3 was solid and in the upper range of the yearly guidance of 25.5 – 27.5 mboepd. The successful execution of the work over program continues to positively impact production. Operating efficiency was 82.4 % for Q3 2021 compared to 83.1 % for Q2 2021. Precautions for COVID-19 continued throughout the period.

Dan hub

Key figures	Unit	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Dan	mboepd	7.5	7.5	7.3	7.5	7.2
Kraka	mboepd	1.0	0.9	0.9	1.0	0.8
Operating efficiency		81.3%	79.9 %	77.0%	82.0%	77.0%

Third quarter average production was 8.5 mboepd from the Dan hub, which is an increase compared to Q2 2021 due to wells coming back online following successful workovers with the Noble Sam Turner jackup rig. Operating efficiency for the quarter was 81.3 %, compared to 79.9 % for the previous quarter.

Gorm hub

Key figures	Unit	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Gorm	mboepd	1.6	2.1	2.4	1.7	2.1
Rolf	mboepd	0.3	0.4	0.3	0.3	0.3
Skjold	mboepd	2.4	3.0	2.3	2.4	2.4
Operating efficiency		71.3%	89.8 %	78.0%	70.0%	77.0%

Third quarter average production was 4.4 mboepd from the Gorm hub which is lower compared to second quarter, primarily due to planned maintenance shut down end of September which was successfully executed. Operating efficiency for the quarter was 71.3 %, compared to 89.8 % for the previous quarter due to planned maintenance.

Halfdan hub

Key figures	Unit	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Halfdan	mboepd	14.3	13.3	15.5	13.9	16.7
Operating efficiency		86.7%	82.7 %	82.0%	84.0%	88.0%

Third quarter average production was 14.3 mboepd which is higher compared to Q2 2021 due the successful workover campaigns. The Noble Sam Turner jackup rig moved to Halfdan during the end of Q2 and has commenced well workovers. Operating efficiency for the quarter was 86.7 %, compared to 82.7 % for the previous quarter.

Tyra hub

Key figures	Unit	Q3 2021	Q2 2021	Q3 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 during the third quarter of 2021 are continuing to drive the project significantly forward towards first gas. Tyra East Wellhead & Riser Platforms sailed away from Sembcorp Marine, Singapore, in July and arrived safely at the Tyra field in August. The three topsides were lifted and installed on jackets by the world's largest crane vessel, Sleipnir. The successful installation milestone is followed by the initial hook-up and commissioning campaign.

During the quarter, further progress on fabrication of the three remaining modules have been made, allowing to lock in 2022 sail away dates:

- TEH Accommodation Module (Rosetti Marine, Italy): Remaining fabrication, which is to be completed by end of 2021, will take place in the yard in order to minimise cost and maximise efficiency. As a result, sail away will occur in Q1 2022 with installation in Q2 2022.
- Tyra West Wellhead & Riser Module (Sembcorp Marine, Singapore): Sail away due to occur during Q1 2022 with installation in Q2 2022.
- TEG Process Module (McDermott, Indonesia): Vessel locked in for transport and installation with sail away due to occur in Q3 2022.

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. 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 third 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 further strengthening the corporate governance standard of the Company; the Nomination 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 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 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

Condensed Consolidated Statement of Comprehensive Income

All figures in USD million	Note	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Revenue	2	150	135	157	390	420
Total revenues		**150**	**135**	**157**	**390**	**420**
Production expenses	3	(78)	(72)	(73)	(220)	(196)
Exploration and evaluation expenses		(0)	(0)	(0)	(1)	(1)
Personnel expenses		(3)	(3)	(2)	(8)	(7)
Other operating expenses		(4)	(2)	(2)	(8)	(5)
Total operating expenses		**(85)**	**(77)**	**(77)**	**(237)**	**(209)**
Operating result (EBITDA)		**65**	**58**	**79**	**153**	**211**
Depreciation	7	(28)	(28)	(50)	(81)	(160)
Net operating result (EBIT)		**38**	**30**	**30**	**71**	**51**
Financial income	4	5	8	28	23	110
Financial expenses	4	(37)	(45)	(73)	(124)	(173)
Net financial items		**(32)**	**(37)**	**(45)**	**(102)**	**(63)**
Result before tax (EBT)		**5**	**(7)**	**(16)**	**(30)**	**(12)**
Income tax benefit / (expense)	5	(2)	(12)	13	5	14
Net result for the period		**3**	**(20)**	**(3)**	**(25)**	**1**
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		39	27	0	69	1
Related tax - realized cash flow hedge		(25)	(17)	(0)	(44)	(0)
Changes in fair value derivative instruments price hedge		(128)	(132)	(12)	(371)	165
Related tax - changes in fair value		82	85	8	237	(105)
Currency translation adjustment		(1)	0	1	(2)	1
Total other comprehensive income for the period (net of tax)		**(33)**	**(37)**	**(3)**	**(111)**	**61**
Total comprehensive income for the period (net of tax)		**(30)**	**(57)**	**(6)**	**(136)**	**62**
Earnings per share (USD 1)						
Basic		0.1	(0.8)	(0.1)	(1.1)	0.1
Diluted		0.1	(0.8)	(0.1)	(1.1)	0.0

Condensed Consolidated Statement of Financial Position

All figures in USD million	Note	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Non-current assets					
Licence and capitalised exploration expenditures	6	168	170	175	185
Deferred tax assets	5	624	581	432	366
Property, plant and equipment	7	1,790	1,760	1,704	1,644
Right of Use asset		1	0	1	1
Restricted cash	10, 13	207	209	196	148
Derivative instruments	13	-	-	26	57
Total non-current assets		**2,789**	**2,720**	**2,533**	**2,401**
Current assets					
Derivative instruments	13	-	-	34	101
Contingent consideration - volume protection	8	-	-	15	26
Trade receivables and other current assets	8	82	74	81	83
Inventories	9	56	50	40	37
Bank deposits, cash and cash equivalents	10	152	145	259	263
Total current assets		**291**	**269**	**429**	**510**
Total assets		**3,080**	**2,989**	**2,962**	**2,911**
Equity					
Share capital		30	30	30	30
Other equity		465	495	600	612
Total equity		**495**	**524**	**630**	**642**
Non-current liabilities					
Asset retirement obligations	14	939	935	927	903
Convertible bond loan	11, 13	150	143	131	125
Bond loan	11, 13	168	169	169	173
Reserve based lending facility	11, 13	856	854	719	717
Derivative instruments	13	99	84	20	24
Other non-current liabilities	11	26	26	26	26
Total non-current liabilities		**2,238**	**2,212**	**1,991**	**1,967**
Current liabilities					
Asset retirement obligations	14	21	25	24	22
Tax payable	5	23	32	27	54
Derivative instruments	13	174	99	5	4
Trade payables and other current liabilities	12	130	97	286	223
Total current liabilities		**347**	**253**	**341**	**302**
Total liabilities		**2,585**	**2,465**	**2,332**	**2,270**
Total equity and liabilities		**3,080**	**2,989**	**2,962**	**2,911**

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						1	1
Other comprehensive income							
Realized cash flow hedge	-	-		-	1	-	1
Related tax - realized cash flow hedge	-	-		-	(0)	-	(0)
Changes in fair value	-	-	-	-	165	-	165
Related tax - changes in fair value	-	-	-	-	(105)	-	(105)
Currency translation adjustments	-	-	-	1	-	-	1
Total other comprehensive income	**-**	**-**	**-**	**1**	**59**	**-**	**61**
Share-based incentive program	-	-	-	-	-	1	1
Share buyback	-	-	(0)	-	-	(10)	(10)
Total transactions with owners for the period	**-**	**-**	**(0)**	**-**	**-**	**(9)**	**(10)**
Equity as of 30.09.2020	**30**	**707**	**(0)**	**4**	**45**	**(144)**	**642**
2021							
Equity as of 01.01.2021	**30**	**707**	**(0)**	**6**	**14**	**(126)**	**630**
Net result for the period						(25)	(25)
Other comprehensive income							
Realized cash flow hedge, reclassified to profit or loss	-	-	-	-	69	-	69
Related tax - realized cash flow hedge	-	-	-	-	(44)	-	(44)
Changes in fair value	-	-	-	-	(371)	-	(371)
Related tax - changes in fair value	-	-	-	-	237	-	237
Currency translation adjustments	-	-	-	(2)	-	-	(2)
Total other comprehensive income	**-**	**-**	**-**	**(2)**	**(109)**	**(0)**	**(111)**
Share-based incentive program	-	-	-	-	-	1	1
Total transactions with owners for the period	**-**	**-**	**-**	**-**	**-**	**1**	**1**
Equity as of 30.09.2021	**30**	**707**	**(0)**	**3**	**(94)**	**(150)**	**495**

Condensed Consolidated Statement of Cash Flows

All figures in USD million	Note	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Cash flows from operating activities						
Net result for the period		3	(20)	(3)	(25)	1
Adjustments for:						
Income tax benefit / (expense)	5	2	12	(13)	(5)	(14)
Depreciation	7	28	28	50	81	160
Share-based payments expenses		0	0	1	1	1
Net financial item	4	32	37	45	102	63
Changes in:						
Trade receivable	8	(0)	(22)	11	(3)	7
Trade payables[1]	12	29	(8)	29	(149)	34
Inventories and spare parts	8	(6)	(17)	(4)	(16)	(1)
Prepayments	8	(8)	5	(8)	2	3
Over-/underlift	8	4	2	3	(7)	(10)
Other current balance sheet items		0	0	-	(0)	-
Net cash flow from operating activities		**84**	**19**	**111**	**(19)**	**246**
Cash flows from investing activities						
Volume guarantee	8	-	-	29	15	79
Tax Paid[2]		2	(1)	-	2	(54)
Investment in oil and gas assets	7	(55)	(50)	(49)	(161)	(170)
Investment in exploration licenses		0	0	(1)	0	(1)
Abandonment paid[3]		(8)	(3)	(22)	(13)	(72)
Changes in restricted cash accounts	10	2	(1)	(30)	(11)	(30)
Net cash flow from investing activities		**(59)**	**(55)**	**(73)**	**(168)**	**(248)**
Cash flows from financing activities						
Drawdown long-term loans	11	-	149	-	149	6
Lease payments		(0)	(0)	(0)	(1)	(1)
Share buyback		-	-	-	-	(10)
Transaction costs related to financing		(6)	(22)	-	(27)	-
Interest paid		(10)	(14)	(9)	(36)	(40)
Settled hedges		1	(0)	8	(2)	25
Other financial items		(2)	(2)	(2)	(3)	(1)
Net cash flow from financing activities		**(18)**	**110**	**(2)**	**80**	**(21)**
Net change in cash and cash equivalents		**8**	**74**	**36**	**(107)**	**(23)**
Cash and cash equivalents at the beginning of the		145	70	227	259	286
Cash and cash equivalents at end of the quarter		**152**	**145**	**263**	**152**	**263**

1) YTD 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.
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 third quarter 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 third quarter were approved by the Board of Directors on 27 October 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 Q3 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 22 million and USD 72 million in Q3 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.

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	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Sale of oil	109	109	147	302	394
Sale of gas and NGL	40	23	6	83	21
Other income	2	2	3	5	6
Total Revenue	**150**	**135**	**157**	**390**	**420**
Oil - lifted volumes (mmbbl)	1.91	1.90	1.96	5.31	5.80
Effective Oil price USD/bbl[1)]	**57.0**	**57.5**	**75.3**	**56.9**	**67.9**

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

In the third quarter, Noreco’s sale of oil amounted to USD 109 million and realised price was USD 57.0 per bbl of oil lifted during the period, adjusted for settlement of price hedges in place with financial institutions.

During the third 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 match 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	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Direct field opex	(55)	(57)	(45)	(158)	(122)
Tariff and transportation expenses	(9)	(11)	(12)	(35)	(33)
Production G&A	(12)	(14)	(13)	(36)	(38)
Field operating cost	**(77)**	**(81)**	**(70)**	**(229)**	**(194)**
Total produced volumes (mmboe)	2.5	2.5	2.6	7.3	8.1
In USD per boe	(30.8)	(32.7)	(26.4)	(31.3)	(24.0)
Adjustments for:					
Change in inventory position	6	3	5	5	2
Over/underlift of oil and NGL	(4)	(2)	(3)	7	10
Insurance & Other*	(5)	(5)	(5)	(16)	(16)
Stock Scrap	2	14	(0)	13	2
Production expenses	**(78)**	**(72)**	**(73)**	**(220)**	**(196)**

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

Production expenses for the third quarter directly attributable to the lifting and transportation to market of Noreco's oil and gas production are in total USD 77 million, which equates to USD 30.8 per boe produced during the period compared to USD 32.7 per boe in Q2 2021. We continue to work with the operator to identify opportunities to increase base production, recognising there is a balance between expenditure and operational performance. The decrease in cost per boe was due to lower direct field opex due to slightly less workover activity in Q3 compared with Q2 as the rig moved in line with the rig schedule to abandonment activity late in Q3 but will return to workover activity early in Q4. Tariff and transportation expenses are lower by USD 2 million due primarily to a true up in costs on the oil transportation during the quarter. This reduction is offset by lower production G&A of USD 2 million primarily as a result of decreased project studies costs.

In the current period Noreco recognised a cost of USD 4 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 6 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 2 million.

4

Financial Income and Expenses

Financial Income

USD million	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Value adjustment derivatives and hedging contracts unrealized [1]	0	-	-	0	30
Value adjustment of embedded derivatives [2]	(1)	7	3	5	25
Value adjustment - amortized cost RBL	0	-	-	-	-
Hedge income realized	-	-	0	-	7
Interest income	0	0	-	0	2
Foreign exchange gains	6	0	24	18	46
Total financial income	**5**	**8**	**28**	**23**	**110**

Financial Expenses

USD million	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Value adjustment derivatives and hedging contracts unrealized [1]	-	-	(1)	-	-
Value adjustment - volume protection [3]	-	-	-	-	(15)
Value adjustment - FX Contract	-	-	-	(1)	-
Value adjustment - amortized cost RBL	-	(5)	-	(5)	-
Utilisation of derivatives	-	(1)	(1)	(3)	(2)
Unrealized loss derivatives	-	(6)	-	(8)	-
Interest expense from bond loans	(11)	(11)	(10)	(32)	(29)
Interest expense from bank debt	(12)	(9)	(11)	(33)	(36)
Interest expenses current liabilities	(0)	(0)	(0)	(0)	(0)
Accretion expense related to asset retirement obligations	(9)	(9)	(12)	(26)	(27)
Foreign exchange losses	(4)	(3)	(37)	(14)	(61)
Other financial expenses	(1)	(1)	(1)	(3)	(2)
Total financial expenses	**(37)**	**(45)**	**(73)**	**(124)**	**(173)**
Net financial items	**(32)**	**(37)**	**(45)**	**(102)**	**(63)**

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)	Q3 2021	YTD 2021
Income tax current year	4	(1)
Income tax for prior years	8	8
Current income tax	12	7
Deferred tax adjustment	5	17
Prior year adjustment, deferred tax	(19)	(19)
Deferred tax expense	(14)	(2)
Tax (expense)/ income	(2)	5

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	193
Tax (expense)/income related to other comprehensive income	193

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, results from cash flow hedges are subject to 64 % hydrocarbon tax.

	Hydrocarbon tax 64%		Corporate tax 22%		
Reconciliation of nominal to actual tax rate:	YTD 2021		YTD 2021		In total
Income (loss) before tax	**2**		**(32)**		(30)
Expected tax on profit before tax	1	64%	(7)	22%	(6)
Tax effect of:					
Prior year adjustment	14	755%	(3)	9%	11
FX adjustment of net operating losses carried forward in DKK	12	661%	-	0%	12
Investment uplift on CAPEX projects[1)]	(33)	-1806%	-	0%	(33)
Permanent differences[2)]	(3)	-163%	-	0%	(3)
No recognition of tax assets in Norway and UK	-	0%	13	42%	13
Tax expense (income) in profit/loss	**(9)**	**-490%**	**3**	**11%**	**(6)**

[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.

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	**302**		**-**		**302**
Expected tax on other comprehensive income before tax	(193)	64%	-	22%	(193)
Tax effect of:					
Non-taxable currency translation adjustment	-		-		-
Tax in other comprehensive income	**(193)**	**64%**	**-**	**22%**	**(193)**

Current income tax payable

Tax payable relates to the Group's entities in Denmark. The amounts payable as of 30.09.21 were:	
Hydrocarbon tax pertaining to pre-acquisition period 2019 not indemnified	(10)
Corporate tax for 2019 (Denmark)	-
Corporate tax for 2020 and 2021 (Denmark)	(13)
Tax payables	**(23)**

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 30 September 2021, 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 Group's activities on the Danish Continental Shelf:

USD million Deferred tax and deferred tax asset	01.01.21	Effect recognized in profit/loss	Effect recognized in OCI	30-Sep-21
Property, plant and equipment	582	12	-	594
Intangible assets, licenses	23	(6)	-	17
Inventories and receivables	22	(4)	-	19
ARO provision	(561)	(6)	-	(566)
Other assets and liabilities	-	-	-	-
Tax loss carryforward, corporate tax (22%)		(4)		(4)
Tax loss carryforward, chapter 2 tax (25%)	(1)	22	(75)	(54)
Tax loss carryforward, chapter 3a tax (52%)	(498)	(14)	(118)	(630)
Deferred tax asset, net	**(432)**	**1**	**(193)**	**(624)**

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 30.06.2021	**1**	**128**	**186**	**315**
Accumulated depreciation, amortization and write-downs 31.12.2020	**-**	**(128)**	**(13)**	**(141)**
Depreciation / amortization	-	-	(4)	(4)
Accumulated depreciation, amortization and write-downs 30.06.2021	**-**	**(128)**	**(17)**	**(145)**
Book value 30.06.2021	**1**	**-**	**169**	**170**
Acquisition costs 30.06.2021	**1**	**128**	**186**	**315**
Additions	(0)	-	-	(0)
Acquisition costs 30.09.2021	**1**	**128**	**186**	**315**
Accumulated depreciation, amortization and write-downs 30.06.2021	**-**	**(128)**	**(17)**	**(145)**
Depreciation / amortization	-	-	(2)	(2)
Accumulated depreciation, amortization and write-downs 30.09.2021	**-**	**(128)**	**(19)**	**(147)**
Book value 30.09.2021	**1**	**-**	**167**	**168**

7 Property, Plant and Equipment

USD million	Asset under construction	Production facilities	Pipelines	Machinery & equipment	Total
Book value 31.12.2020	**608**	**1,094**	**1**	**1**	**1,704**
Acquisition costs 31.12.2020	**608**	**1,259**	**2**	**2**	**1,870**
Additions	108	(2)	-	0	106
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 31.12.2020	**-**	**(165)**	**(0)**	**(1)**	**(166)**
Depreciation	-	(49)	(0)	(0)	(49)
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**
Acquisition costs 30.06.2021	**715**	**1,257**	**2**	**2**	**1,976**
Additions	52	3	-	0	55
Currency translation adjustment	-	(0)	(0)	(0)	(0)
Acquisition costs 30.09.2021	**768**	**1,260**	**1**	**2**	**2,031**
Accumulated depreciation, amortization and write-downs 30.06.2021	**-**	**(214)**	**(0)**	**(1)**	**(215)**
Depreciation / amortization	-	(26)	(0)	(0)	(26)
Currency translation adjustment	-	0	0	0	0
Accumulated depreciation, amortization and write-downs 30.09.2021	**-**	**(240)**	**(0)**	**(1)**	**(241)**
Book value 30.09.2021	**768**	**1,020**	**1**	**0**	**1,790**

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.

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

USD million	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Current assets				
Contingent consideration – volume protection	-	-	15	26
Trade receivables	21	4	51	32
Prepayments	20	13	23	28
Other receivables	40	57	8	23
Total trade receivables and other current receivables	**82**	**74**	**96**	**109**

9 Inventories

USD million	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Product inventory, oil	23	16	18	17
Other stock (spares & consumables)	33	34	21	20
Total inventories	**56**	**50**	**40**	**37**

10 Restricted Cash, Bank Deposits, Cash and Cash Equivalents

USD million	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Non-current assets				
Restricted cash pledged as security for abandonment obligation related to Nini/Cecilie	67	68	71	68
Restricted cash pledged as security for cash call obligations towards Total [1)]	140	140	125	80
Total non-current restricted cash	**207**	**209**	**196**	**148**
Current assets				
Unrestricted cash, bank deposits, cash equivalents	153	145	259	263
Total bank deposits	**360**	**354**	**456**	**411**

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.

11

Borrowings

USD million	30.09.2021 Principal amount	30.09.2021 Book value	30.06.2021 Principal amount	30.06.2021 Book value	31.12.2020 Principal amount	31.12.2020 Book value	30.09.2020 Principal amount	30.09.2020 Book value
NOR 13 Convertible Bond 1)	185	150	178	143	171	131	171	125
NOR 14 Senior Unsecured Bond 2)	175	168	175	169	175	169	175	173
Total non-current bonds	**360**	**318**	**353**	**312**	**346**	**299**	**346**	**297**
Reserve based lending facility 3)	900	856	900	854	751	719	751	717
Deferred Consideration 4)	25	25	25	25	25	25	25	25
Total non-current debt	**925**	**881**	**925**	**879**	**776**	**744**	**776**	**742**
Total borrowings	**1,285**	**1,199**	**1,278**	**1,191**	**1,122**	**1,043**	**1,122**	**1,039**

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 $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/SOFR****	**4,0%**	
2021	-	16	36	1	52
2022	-	16	41	1	57
2023	-	16	41	1	57
2024	-	16	40	-	56
2025	-	16	35	-	50
2026	-	8	21	-	29
2027	-	-	8	-	-
2028	-	-	1	-	-
Total	-	**87**	**222**	**3**	**303**

* 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	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Trade payable	13	0	1	16
Liabilities to operators relating to joint venture licences	75	62	97	78
Overlift of oil/NGL	6	2	13	3
Accrued interest	2	2	3	3
Salary accruals	1	1	1	1
Public duties payable [1)]	12	13	159	114
Other current liabilities	20	16	12	8
Total trade payables and other current liabilities	**130**	**97**	**286**	**223**

[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.

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 30.09.2021

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	-	-	13	13
Financial liabilities at fair value hedging instruments				
– Derivative instruments price hedge	-	260	-	260
Total liabilities	**-**	**260**	**13**	**273**

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 31.12.2020 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**

13.2 Financial Instruments by Category

On 30.09.2021 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	82	-	-	82
Restricted cash	207	-	-	207
Bank deposits, cash and cash equivalents	153	-	-	153
Total	**442**	**-**	**-**	**442**

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	-	-	260	260
Embedded derivative convertible bond	-	13	-	13
Convertible bond loans	150	-	-	150
Senior unsecured bond loan	168	-	-	168
Reserve based lending facility	856	-	-	856
Deferred consideration	25	-	-	25
Lease liability	1	-	-	1
Trade payables and other current liabilities	130	-	-	130
Total	**1,330**	**13**	**260**	**1,603**

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**

13.3 Financial Instruments — Fair Values

Set out below is a comparison of the carrying amounts and fair value of financial instruments as on 30-Sep-21:

USD million	Total amount outstanding*	Carrying Amount	Fair Value
Financial assets			
Trade receivables and other current assets		82	82
Restricted cash		207	207
Bank deposits, cash, cash equivalents and quoted shares		153	153
Total		**442**	**442**
Financial liabilities			
Derivative instruments price hedge		260	260
Embedded derivative convertible bond		13	13
Convertible bond loans	185	150	172
Senior unsecured bond loan	175	168	175
Reserve based lending facility	900	856	900
Deferred consideration		25	25
Lease liability		1	1
Trade payables and other current liabilities		130	130
Total	**1,260**	**1,603**	**1,677**

* 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 5,3 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 13 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 September 21
Agreement execution date	(date)	24 Jul 19
Par value of bonds	(USD)	184,999,212
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)	2.1
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	(%)	46.20%
Model used	Black - Scholes - Merton	

The RBL facility is measured at amortized cost, in addition a total of USD 53 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.

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 Q3 2021 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. 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 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.

	Maturity					
As of 30 September 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)	-	1,795	1,555	1,201	958	6,660
Notional amount (in USD million)	-	102	88	67	53	368
Average hedged sales price (in USD per boe)	-	57	56	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	29
Related tax - realized cash flow hedge	(19)
Changes in fair value	(243)
Related tax - changes in fair value	155
Balance as of 30.06.2021	(63)
Realized cash flow hedge	39
Related tax - realized cash flow hedge	(25)
Changes in fair value	(128)
Related tax - changes in fair value	82
Balance as of 30.09.2021	(94)

14 Asset Retirement Obligations

USD million	2021 Q3	2021 Q1-Q2	2020 01.01.-31.12
Balance as of beginning of period	960	950	967
Provisions and change of estimates made during the year	(2)	(2)	23
Accretion expense - present value calculation	9	18	34
Incurred cost removal	(8)	(5)	(74)
Currency translation adjustment	(0)	(0)	0
Total provision made for asset retirement obligations	**959**	**960**	**950**
Break down of short-term and long-term asset retirement obligations			
Short-term	21	25	24
Long-term	939	935	927
Total provision for asset retirement obligations	**959**	**960**	**950**

The balance as per 30.09.2021 is USD 888 million for DUC, USD 67 million for Nini/Cecilie, USD 2 million for Lulita (non-DUC share) and USD 2.5 million for Tyra F-3 pipeline.

15 Subsequent Events

The company has not identified any events with significant accounting impacts that have occurred between the end of the reporting period and the date of this report.

Alternative Performance Measures

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	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
EBITDA	65	58	79	153	211
Claim volume floor guarantee	-	-	22	-	68
Transaction cost	-	-	-	-	-
Non-payment insurance	2	2	1	5	5
Share-base payment	0	0	0	1	1
Adj. EBITDA	67	60	103	159	285

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	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Convertible bond loan	(150)	(143)	(131)	(125)
Senior Unsecured bond loan	(169)	(169)	(169)	(173)
Reserve based lending facility	(856)	(854)	(719)	(717)
Other interest-bearing debt	(25)	(25)	(25)	(25)
Interest-bearing debt	(1,199)	(1,191)	(1,043)	(1,039)

All figures in USD million	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Cash and cash equivalents	152	145	259	263
Convertible bond loan	(185)	(178)	(171)	(164)
Senior Unsecured bond loan	(175)	(175)	(175)	(175)
Reserve based lending facility	(900)	(900)	(751)	(751)
Other interest-bearing debt	(25)	(25)	(25)	(25)
Net interest-bearing debt	(1,133)	(1,133)	(862)	(852)

Information About Noreco

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Organisation number	NO 987 989 297 MVA

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

Investor Relations

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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.