NORECO

Norwegian Energy Company ASA

First Quarter 2021

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Report for the First Quarter 2021

Norwegian Energy Company ASA

Highlights

First Quarter 2021 summary

Operational:

- Net hydrocarbon production of 25.8 mboepd in the first quarter, in line with 2021 guidance of 25.5 to 27.5 mboepd
- Effective oil price for the period of 55.9 USD per bbl, incorporating the impact of the price hedging
- Tyra project continues according to revised schedule, with first production expected by Q2 2023

Financial:

- Announcement of RBL increase to USD 1.1 billion with revised seven-year term in Q1 2021, subsequently completed in May 2021
- Available liquidity following completion of the RBL increase of c. USD 320 million, with cash on balance sheet of USD 70 million and undrawn RBL capacity of c. USD 250 million(1)
- Noreco continues to benefit from a strong capital structure and is fully-funded to deliver the Tyra redevelopment project based on our available liquidity position

(1) Additional RBL cash drawing capacity available from 5th May 2021, when the enlarged facility became effective

Financial and operational summary	Unit	Q1 2021	Q1 2020 restated2)	2020
Total revenue	USDm	105	124	566
EBITDA1)	**USDm**	**29**	**57**	**250**
Adj. EBITDA1)	**USDm**	**31**	**81**	**358**
Result before tax	**USDm**	**(28)**	**(9)**	**(18)**
Net result for the period	USDm	(9)	(24)	17
Net cash flow from operating activities	USDm	(122)	62	348
Investments in oil and gas assets	USDm	56	66	236
Abandonment spent1)	USDm	2	19	74
Reserve based lending facility - currently drawn	USDm	751	746	751
Net interest-bearing debt1)	USDm	1,059	837	863
Oil production	mboepd	19.2	23.8	25.5
Gas production	mboepd	6.6	8.0	10.2
Total production	**mboepd**	**25.8**	**31.8**	**35.7**
Over/underlift	mboepd	(1.5)	(3.1)	0.5
Realised Oil price	USD/boe	60.4	47.4	40.0
+/- Effect of hedges	USD/boe	(4.5)	11.6	26.8
Effective Oil price	**USD/boe**	**55.9**	**59.0**	**66.8**

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

2) The restatement is 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 9 for further explanations.

Financial review

Selected data from consolidated statement of comprehensive income

All figures in USD million	Q1 2021	Q1 2020 restated	2020
Total revenue	105	124	566
EBITDA	29	57	250
EBIT	4	(2)	57
Result before tax	(28)	(9)	(18)
Net result for the period	(9)	(24)	17
Earnings per share	(0.4)	(1.0)	0.7

The Company had ***revenues*** of USD 105 million in the first quarter of 2021 mainly related to oil and gas sales from the DUC fields; this compares to USD 124 million in the first quarter of 2020 and USD 146 million in the fourth quarter 2020. The decrease compared to first quarter last year were related to lower volumes of oil lifted and lower realised prices.

Production expenses amounted to USD 71 million in the first quarter of 2021 compared to USD 62 million in the first quarter of 2020 and USD 99 million in the fourth quarter 2020. USD 6 million in increase compared to first quarter last year were related to DKK/EUR to USD exchange rate being lower in first quarter of 2021 compared to first quarter of 2020, the increase is partly offset by lower activity due to the delayed rig arrival caused by COVID-19 restrictions. In addition, changes related to crude oil inventory and overlift position.

Personnel expenses in first quarter of 2021 were USD 3 million compared to USD 2 million in the first quarter of 2020. The increase reflects staff changes and increased cost related to new options that were announced in Q2 2020.

Other operating expenses were USD 2 million for the first quarter of 2021 compared to USD 2 million in the first quarter of 2020.

Operating result (EBITDA) in the first quarter of 2021 was a profit of USD 29 million, mainly from the DUC fields compared to USD 57 million in first quarter of 2020.

Net Financial items amounted to an expense of USD 32 million for the first quarter of 2021, compared to an expense of USD 6 million in the first quarter of 2020. The financial items were lower in first quarter 2020 due to the positive fair value adjustments on the hedging contacts and the embedded derivatives, partly offset by the negative fair value adjustment on the volume protection agreement.

Income tax amounted to positive USD 20 million for the first quarter of 2021 compared to negative USD 15 million for the first quarter of 2020. For the current quarter this relates to the recognition of tax losses for the period and investment uplift.

Net result for the first quarter of 2021 is a loss of USD 9 million, compared to USD 24 million for the first quarter of 2020.

Selected data from the consolidated statement of financial position

All figures in USD million	YTD 2021	2020
Total non-current assets	2,640	2,533
Total current assets	161	429
Total assets	2,801	2,962
Total equity	581	630
Interest bearing debt	1,055	1,043
Asset retirement obligations	954	950

Total non-current assets amounted to USD 2.6 billion at the end of first quarter of 2021, of which USD 1.7 billion related to property, plant and equipment, in addition to intangible assets of USD 172 million, deferred tax asset of USD 523 million and USD 208 million in restricted cash, this relates to cash pledged as security for cash call obligations to Total, abandonment for Nini/Cecilie and withheld taxes.

Total current assets amounted to USD 161 million at the end of first quarter of 2021, USD 40 million in trade- and other receivables, mainly related to oil and gas revenue, USD 18 million in prepayments mainly related to the offshore insurance premium that has been paid in advance, USD 70 million of cash and USD 34 million related to inventory.

Total equity amounted to USD 581 million at the end of the first quarter of 2021, compared to USD 630 million at the end of 2020. The decrease in equity is related to the fair value adjustment of derivative instruments and a loss for the period.

Interest-bearing debt amounted to USD 1,055 million at the end of first quarter of 2021. The convertible bond loan NOR13 had a book value of USD 137 million at the end of the first 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 900 million RBL facility was drawn USD 751 million and had a book value of USD 720 million at the end of the first quarter. The senior unsecured bond loan NOR14 had a book value of USD 173 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 first quarter.

Asset retirement obligations amounted to USD 954 million at the end of first quarter of 2021, compared to USD 950 million at the end of 2020. USD 882 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	Q1 2021	Q1 2020 restated	2020
Cash flow from operating activities	(122)	62	348
Cash flow used in investing activities	(58)	(53)	(359)
Cash flow from financing activities	(9)	(22)	(16)
Net change in cash and cash equivalents	(189)	(13)	(26)
Cash and cash equivalents	70	273	259

Cash flow from operating activities amounted to negative USD 122 million at the end of first quarter of 2021, compared to USD 62 million for the same period in 2020. Cash flow from operating activities excluding changes in working capital amounted to USD 30 million at the end of first quarter of 2021, compared to USD 57 million for the same period in 2020. 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.

Cash flow used in investing activities amounted to negative USD 58 million at the end of the quarter, compared to negative USD 53 million for the same period in 2020. The cash flow used in investing activities were related to investments on the DUC asset of USD 56 million, of which USD 51 million is linked to the Tyra Redevelopment, USD 15 million deposit into a cash call security account, benefit received from the volume guarantee of USD 15 million and USD 2 million in abandonment expenditure were paid which were mainly related to Tyra Redevelopment.

Cash flow from financing activities amounted to negative USD 9 million at the end of the first quarter of 2021, compared to negative USD 22 million for the same period in 2020. The cash flow used in financing activities were mainly related to USD 11 million in paid interest on the RBL Facility and bond loan.

Net change in cash and cash equivalents amounted to negative USD 189 million in the quarter compared to positive USD 13 million in first quarter of 2020. Cash and cash equivalents were in total USD 70 million at the end of first 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 2023 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%. Due to the volatile oil market conditions in 2020, Noreco received waivers from its RBL bank syndicate in June and December 2020 relating to the hedging requirements in the 24 to 36 month forward period; based on this, the company is not required to meet the minimum hedging level for this period until the end of June 2021. At the end of Q1 2021, Noreco is in full compliance with these temporarily revised RBL hedging requirements.

	Volume hedged (mmboe)*	Average hedged price ($/boe)*
2021	5.1	54.2
2022	4.3	55.7
2023	3.8	51.8

*Includeds both liquids and Gas hedges

Operational review

Production

Key figures	Unit	Q1 2021	Q1 2020	YTD 2021	2020
Dan hub	mboepd	8.5	8.5	8.5	7.8
Gorm hub	mboepd	3.2	4.8	3.2	4.8
Halfdan hub	mboepd	14.0	18.5	14.0	15.9
Tyra hub*	mboepd	0.0	0.0	0.0	0.0
Total production	**mboepd**	**25.8**	**31.8**	**25.8**	**28.5**
Over/-underlift	mboepd	(1.5)	(3.1)	(1.5)	(0.3)
Net sales	**mboepd**	**24.3**	**28.8**	**24.3**	**28.2**
Oil sales	mboepd	17.7	20.8	17.7	21.6
Gas sales	mboepd	6.6	8.0	6.6	6.6
Operating efficiency	%	77.0 %	89.0 %	77.0 %	87.0 %

Precautions for COVID-19 continued throughout the period. Performance in Q1 was partly impacted by the continuation of 3rd party NOGAT pipeline shut down, which was resolved in the beginning of January. Compressor issues at the Gorm hub during January and February also had an impact on production performance, with operating efficiency of 77% for Q1 2021 compared to 89% for Q1 2020. Mobilisation of the Nobel Rig Sam Turner was delayed by one month due to COVID restrictions, which impacted planned work over and well maintenance program.

Dan hub

Key figures	Unit	Q1 2021	Q1 2020	YTD 2021	2020
Dan	mboepd	7.5	7.7	7.5	7.0
Kraka	mboepd	1.0	0.8	1.0	0.8
Operating efficiency		84.0%	78.0 %	84.0%	75.0%

First quarter average production was 8.5 kboepd from the Dan hub. Operating efficiency for the quarter was 84%, compared to 78% for the previous quarter. The uptime during the period was mainly impacted by water injection plant availability and continued export pipeline shut down from mid-December until 4 January 2021 due to an integrity issue on F3FB

Gorm hub

Key figures	Unit	Q1 2021	Q1 2020	YTD 2021	2020
Gorm	mboepd	1.3	2.0	1.3	2.1
Rolf	mboepd	0.2	0.2	0.2	0.3
Skjold	mboepd	1.7	2.6	1.7	2.4
Operating efficiency		50.0%	79.0 %	50.0%	77.0%

First quarter average production was 3.2 kboepd from the Gorm hub. The operating efficiency for the quarter was 50% compared to 79% in Q1 2020. The low uptime in Q1 was due to an aging compression system which was under repair in February and a short-term production stop due to a crack in the flare header which was replaced.

Halfdan hub

Key figures	Unit	Q1 2021	Q1 2020	YTD 2021	2020
Halfdan	mboepd	14.0	18.5	14.0	15.9
Operating efficiency		81.0%	97.0 %	81.0%	87.0%

First quarter average production was 14.0 kboepd. Operating efficiency was 81% compared to 97% during the same quarter in 2020. The continuation of 3rd party NOGAT pipeline shut down resulted in lower production, and events during the period which impacted operating efficiency were the replacement of the crane boom on Halfdan and the production stop on Gorm, as final stabilization of Halfdan crude takes place on Gorm.

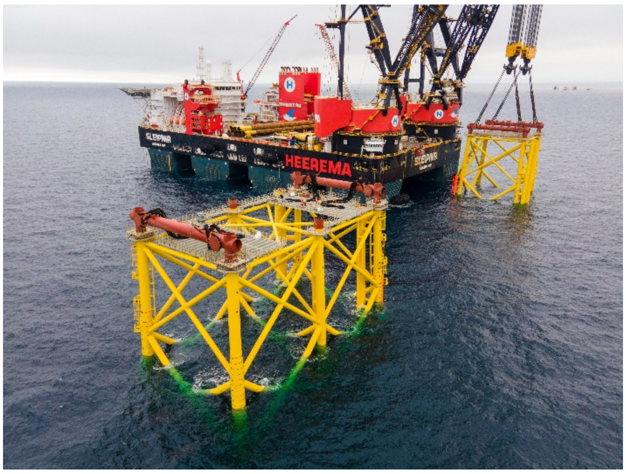
Tyra hub

Key figures	Unit	Q1 2021	Q1 2020	YTD 2021	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 90 percent and unlock gross reserves in excess of 200 mmboe. Redeveloped Tyra will decrease opex significantly 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 at both the fabrication yards and offshore is expected during 2021 and several key milestones will move the project significantly towards first gas. Fabrication of the two platforms and two modules take place on three yards: Sembcorp Marine in Singapore is currently fabricating the wellhead- and riser platforms for Tyra East and Tyra West, the accommodation module is being fabricated by Rosetti Marine in Ravenna, Italy, and the process module by McDermott in Batam, Indonesia. Both the accommodation module and the Tyra East wellhead and riser platforms are expected to be delivered from the yards and sail away during 2H followed by offshore installation and initiation of hook-up. The remaining yard fabrication left for the project will be completed in 2022, and the process module and Tyra West wellhead and riser platforms will complete offshore installation and hook-up during that same year. First gas from the redeveloped Tyra is expected in Q2, 2023.



Report for the First Quarter 2021
Norwegian Energy Company ASA

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 28 at the end of the first 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. 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.

Condensed Consolidated Statement of Comprehensive Income

All figures in USD million	Note	Q1 2021	Q1 2020 restated	2020
Revenue	2	105	124	566
Total revenues		**105**	**124**	**566**
Production expenses	3	(71)	(62)	(295)
Exploration and evaluation expenses		(0)	(1)	(2)
Personnel expenses		(3)	(2)	(12)
Other operating expenses		(2)	(2)	(8)
Total operating expenses		**(76)**	**(67)**	**(316)**
Operating result (EBITDA)		**29**	**57**	**250**
Depreciation	8, 7	(25)	(60)	(193)
Net operating result (EBIT)		**4**	**(2)**	**57**
Financial income	4, 7	12	81	103
Financial expenses	4, 7	(44)	(88)	(177)
Net financial items		**(32)**	**(6)**	**(75)**
Result before tax (EBT)		**(28)**	**(9)**	**(18)**
Income tax benefit / (expense)	5, 7	20	(15)	35
Net result for the period		**(9)**	**(24)**	**17**
Other comprehensive income (net of tax):				
Items that may be subsequently reclassified to profit or loss:				
Realized cash flow hedge		2	1	(29)
Related tax - realized cash flow hedge		(1)	(1)	18
Changes in fair value derivative instruments price hedge		(111)	213	108
Related tax - changes in fair value		71	(136)	(69)
Currency translation adjustment		(2)	(1)	3
Total other comprehensive income for the period (net of tax)		**(40)**	**76**	**32**
Total comprehensive income for the period (net of tax)		**(49)**	**53**	**49**
Earnings per share (USD 1)				
Basic		(0.4)	(1.0)	0.7
Diluted		(0.4)	(1.0)	0.4

Condensed Consolidated Statement of Financial Position

All figures in USD million	Note	31.03.2021	31.12.2020
Non-current assets			
Licence and capitalised exploration expenditures	6, 7	172	175
Deferred tax assets	5, 7	523	432
Property, plant and equipment	8	1,736	1,704
Right of Use asset		0	1
Restricted cash	11, 14	208	196
Derivative instruments	14	-	26
Total non-current assets		**2,640**	**2,533**
Current assets			
Derivative instruments	14, 7	-	34
Contingent consideration - volume protection	9	-	15
Trade receivables and other current assets	9	57	81
Inventories	10	34	40
Bank deposits, cash and cash equivalents	11	70	259
Total current assets		**161**	**429**
Total assets		**2,801**	**2,962**
Equity			
Share capital		30	30
Other equity		551	600
Total equity		**581**	**630**
Non-current liabilities			
Asset retirement obligations	15	929	927
Convertible bond loan	12, 14	137	131
Bond loan	12, 14	173	169
Reserve based lending facility	12, 14	720	719
Derivative instruments	14	42	20
Other non-current liabilities	12	25	26
Total non-current liabilities		**2,027**	**1,991**
Current liabilities			
Asset retirement obligations	15	25	24
Tax payable	5	30	27
Derivative instruments	14	36	5
Trade payables and other current liabilities	13	103	286
Total current liabilities		**194**	**341**
Total liabilities		**2,220**	**2,332**
Total equity and liabilities		**2,801**	**2,962**

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						(24)	(24)
Other comprehensive income							
Realized cash flow hedge - restated	-	-		-	1	-	1
Related tax - realized cash flow hedge -restated	-	-		-	(1)	-	(1)
Changes in fair value - restated	-	-	-	-	213	-	213
Related tax - changes in fair value - restated	-	-	-	-	(136)	-	(136)
Currency translation adjustments	-	-	-	(1)	0	-	(1)
Total other comprehensive income	**-**	**-**	**-**	**(1)**	**77**	**-**	**76**
Share-based incentive program	-	-	-	-	-	0	0
Share buyback	-	-	(0)	-	-	(9)	(9)
Total transactions with owners for the period	**-**	**-**	**(0)**	**-**	**-**	**(8)**	**(8)**
Equity as of 31.03.2020 - restated	**30**	**707**	**(0)**	**2**	**63**	**(168)**	**633**
2021							
Equity as of 01.01.2021	**30**	**707**	**(0)**	**6**	**14**	**(126)**	**630**
Net result for the period						(9)	(9)
Other comprehensive income							
Realized cash flow hedge	-	-	-	-	2	-	2
Related tax - realized cash flow hedge	-	-	-	-	(1)	-	(1)
Changes in fair value	-	-	-	-	(111)	-	(111)
Related tax - changes in fair value	-	-	-	-	71	-	71
Currency translation adjustments	-	-	-	(2)	-	-	(2)
Total other comprehensive income	**-**	**-**	**-**	**(2)**	**(39)**	**-**	**(41)**
Share-based incentive program	-	-	-	-	-	0	0
Total transactions with owners for the period	**-**	**-**	**-**	**-**	**-**	**0**	**0**
Equity as of 31.03.2021	**30**	**707**	**(0)**	**4**	**(25)**	**(134)**	**581**

Condensed Consolidated Statement of Cash Flows

All figures in USD million	Note	Q1 2021	Q1 2020 restated	2020
Cash flows from operating activities				
Net result for the period		(9)	(24)	17
Adjustments for:				
Income tax benefit	5	(20)	15	(35)
Depreciation	8	25	60	193
Share-based payments expenses		0	0	2
Net financial item	4	32	6	75
Changes in:				
Trade receivable	9	19	28	3
Trade payables[1]	13	(169)	(17)	79
Inventories and spare parts	9	6	(4)	5
Prepayments	9	5	6	8
Over-/underlift	9	(13)	(8)	0
Other current balance sheet items		-	-	0
Net cash flow from operating activities		**(122)**	**62**	**348**
Cash flows from investing activities				
Volume guarantee	9	15	33	102
Tax Paid[2]		-	-	(72)
Investment in oil and gas assets	8	(56)	(66)	(236)
Investment in exploration licenses		0	(1)	(2)
Abandonment spent[3]		(2)	(19)	(74)
Changes in restricted cash accounts	11	(15)	-	(75)
Net cash flow from investing activities		**(58)**	**(53)**	**(359)**
Cash flows from financing activities				
Drawdown long-term loans	12	-	-	6
Lease payments		(0)	(0)	(1)
Share buyback		-	(9)	(10)
Transaction costs related to financing		-	-	(1)
Transaction costs related to equity issue		-	-	(0)
Interest paid		(11)	(12)	(56)
Settled hedges		(1)	-	52
Other financial items		3	(0)	(6)
Net cash flow from financing activities		**(9)**	**(22)**	**(16)**
Net change in cash and cash equivalents		**(189)**	**(13)**	**(26)**
Cash and cash equivalents at the beginning of the period		259	286	286
Cash and cash equivalents at end of the quarter		**70**	**273**	**259**

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 first 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 first quarter of 2021 were approved by the Board of Directors on 10 May 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 19 million and USD 74 million in Q1 2020 and full year 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 9 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	Q1 2021	Q1 2020
Sale of oil	84	112
Sale of gas and NGL	20	10
Other income	2	2
Total Revenue	105	124
Oil - lifted volumes (mmbbl)	1.50	1.89
Realised oil price USD/bbl	**55.9**	**59.0**

In the first quarter, Noreco's sale of oil amounted to USD 84 million and realised price was USD 55.9 per bbl of oil lifted during the period, adjusted for settlement of price hedges in place with financial institutions.

During the first 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	Q1 2021	Q1 2020
Direct field opex	(46)	(40)
Tariff and transportation expenses	(14)	(11)
Production G&A	(10)	(14)
Field operating cost	**(71)**	**(66)**
Total produced volumes (mmboe)	2.3	2.9
In USD per boe	(30.5)	(22.7)
Adjustments for:		
Change in inventory position	(4)	4
Over/underlift of oil and NGL	13	8
Insurance & Other*	(6)	(6)
Stock Scrap	(3)	(2)
Production expenses	**(71)**	**(62)**

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

Production expenses for the first quarter directly attributable to the lifting and transportation to market of Noreco's oil and gas production are in total USD 71 million, which equates to USD 30.5 per boe produced during the period compared to USD 22.7 per boe in Q1 2020. 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 is mainly due to lower production than expected during the quarter and the DKK/EUR to USD exchange rate being lower in Q1 2021 compared to Q1 2020. Using a like for like exchange rate, field operating costs are slightly lower in Q1 2021 vs Q1 2020 by USD 1 million. This cost decrease was primarily related to a delay in the arrival of the Sam Turner rig due to COVID-19 restrictions (arrival in mid-March rather than January).

In the current period Noreco recognised a cost reduction of USD 13 million related to a decrease in the overlift position compared to the end of last quarter (measured at production cost). The Company also recognised a cost of USD 4 million related to a decrease in the Crude Oil inventory compared to the end of last quarter.

4 Financial Income and Expenses

Financial Income

USD million	Q1 2021	Q1 2020 restated
Value adjustment derivatives and hedging contracts unrealized [1]	-	40
Value adjustment of embedded derivatives [2]	-	22
Hedge income realised	-	6
Interest income	-	1
Net foreign exchange gains	12	12
Total financial income	**12**	**81**

Financial Expenses

USD million	Q1 2021	Q1 2020 restated
Utilisation of derivatives	(2)	-
Unrealized loss derivatives	(1)	-
Value adjustment of embedded derivatives[2]	(2)	-
Value adjustment - volume protection [3]	-	(38)
Value adjustment - FX Contract	(1)	-
Interest expense from bond loans	(10)	(9)
Interest expense from bank debt	(12)	(13)
Interest expenses current liabilities	(0)	(0)
Accretion expense related to asset retirement obligations	(9)	(9)
Net foreign exchange losses	(7)	(17)
Other financial expenses	(1)	(1)
Total financial expenses	**(44)**	**(88)**
Net financial items	**(32)**	**(6)**

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)	2021
Income tax current year	(3)
Income tax for prior years	-
Current income tax	(3)
Deferred tax	23
Prior year adjustment, deferred tax	-
Deferred tax expense	23
Tax (expense)/ income	20

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	69
Tax (expense)/income related to other comprehensive income	69

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	**(14)**		**(14)**		(28)
Expected tax on profit before tax	(9)	64%	(3)	22%	(12)
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)]	(13)	93%	-	0%	(13)
Permanent differences	-	0%	-	0%	-
No recognition of tax assets in Norway and UK	-	0%	6	42%	6
Tax expense (income) in profit/loss	**(23)**	**157%**	**3**	**20%**	**(20)**

[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:

Other comprehensive income before tax	**80**		**2**		**82**
Expected tax on other comprehensive income before tax	(51)	64%	(0)	22%	(52)
Tax effect of:					
Non taxable currency translation adjustment	-		1		1
Tax in other comprehensive income	**(51)**	**64%**	**1**	**22%**	**(51)**

Current income tax payable

Tax payable relates to the Group's entities in Denmark. The amounts payable as of 31.03.20 were:

Hydrocarbon tax pertaining to pre-acquisition period 2019 not indemnified	(16)
Corporate tax for 2019 (Denmark)	-
Corporate tax for 2020 (Denmark)	(15)
Tax payables	**(30)**

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.

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	1-Jan-21	Effect recognized in profit/loss	Effect recognized in OCI	31-Mar-21
Property, plant and equipment	582	(7)	-	576
Intangible assets, licenses	23	(7)	-	16
Inventories and receivables	22	-	-	22
ARO provision	(561)	(2)	-	(563)
Other assets and liabilities	-	-	-	-
Tax loss carryforward, chapter 2 tax (25%)	(1)	-	(27)	(27)
Tax loss carryforward, chapter 3a tax (52%)	(498)	(7)	(42)	(547)
Deferred tax asset, net	**(432)**	**(23)**	**(69)**	**(524)**

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Intangible assets and goodwill

USD million	Capitalised exploration expenditures	Contract - own use	Licence	Goodwill	Total
Acquisition costs as of 01.01.2021	2	128	186	266	582
Additions	(0)	-	-	-	(0)
Acquisition costs as of 31.03.2021	**2**	**128**	**186**	**266**	**581**
Accumulated depreciation, amortization and write-downs as of 01.01.2021	-	(128)	(13)	(266)	(407)
Depreciation / amortization	-	-	(2)	-	(2)
Accumulated depreciation, amortization and write-downs as of 31.03.2021	**-**	**(128)**	**(15)**	**(266)**	**(409)**
Book value as of 31.03.2021	**2**	**-**	**171**	**-**	**172**

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	Q1 2020	Adj	Q1 2020 restated	Q2 2020	Adj	Q2 2020 restated	YTD 2020	Adj	YTD 2020 restated
Total revenues	148	(25)	124	135	5	140	283	(20)	264
Total operating expenses	(67)		(67)	(65)		(65)	(132)		(132)
Operating result (EBITDA)	82	(25)	57	69	5	75	151	(20)	132
Depreciation	(34)	(25)	(60)	(24)	(27)	(51)	(58)	(52)	(110)
Net operating result (EBIT)	48	(50)	(2)	45	(22)	24	93	(72)	21
Financial income	87	(6)	81	(2)	4	2	86	(2)	84
Financial expenses	(115)	27	(88)	(55)	41	(14)	(170)	68	(102)
Net financial items	(27)	21	(6)	(57)	46	(12)	(85)	66	(18)
Result before tax (EBT)	20	(29)	(9)	(12)	24	12	9	(5)	3
Change in deferred tax / - asset	(34)	19	(15)	32	(16)	16	(3)	4	1
Net result for the period	(14)	(10)	(24)	20	8	28	6	(2)	4

Comparative Consolidated Statement of Financial positions

All figures in USD million	31.03.2020	Adj	31.03.2020 restated	30.06.2020	Adj	30.06.2020 restated
Non-current assets						
Licence and capitalised exploration expenditures	179	61	240	177	34	211
Deferred tax assets	187	100	287	305	38	343
Property, plant and equipment	1,585		1,585	1,618		1,618
Right of Use asset	1		1	1		1
Restricted cash	114		114	115		115
Other non-current financial investments	-		-	-		-
Contingent consideration - volume protection	-		-	-		-
Derivative instruments	135	-	135	82	-	82
Total non-current assets	**2,201**	**161**	**2,362**	**2,298**	**72**	**2,371**
Current assets						
Derivative instruments	284	(181)	104	160	(65)	96
Contingent consideration - volume protection	49		49	55		55
Trade receivables and other current assets	134	(31)	103	143	(23)	120
Restricted cash	-		-	-		-
Bank deposits, cash and cash equivalents	273		273	227		227
Total current assets	741	(211)	530	586	(88)	498
Total assets	2,942	(50)	2,892	2,884	(16)	2,869

All figures in USD million	31.03.2020	Adj	31.03.2020 restated	30.06.2020	Adj	30.06.2020 restated
Equity						
Share capital	30		30	30		30
Other equity	653	(50)	603	633	(16)	618
Total equity	**683**	**(50)**	**633**	**663**	**(16)**	**647**
Total non-current liabilities	**1,958**		**1,958**	**1,944**		**1,944**
Total current liabilities	**301**	-	**301**	**277**		**277**
Total liabilities	**2,259**	-	**2,259**	**2,222**		**2,222**
Total equity and liabilities	**2,942**	**(50)**	**2,892**	**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
Acquisition costs as of 01.01.2021	608	1,259	2	2	1,870
Additions	55	1	-	0	56
Currency translation adjustment	-	(0)	(0)	0	(0)
Acquisition costs as of 31.03.2021	**663**	**1,259**	**2**	**2**	**1,925**
Accumulated depreciation and write-downs					
Accumulated depreciation and write-downs as of 01.01.2021	-	(165)	(0)	(1)	(166)
Depreciation	-	(23)	(0)	(0)	(23)
Currency translation adjustment	-	0	0	(0)	0
Accumulated depreciation and write-downs as of 31.03.2021	**-**	**(188)**	**(0)**	**(1)**	**(189)**
Book value as of 31.03.2021	**663**	**1,071**	**1**	**1**	**1,736**

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 deemed 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	31.03.2021	31.12.2020
Current assets		
Contingent consideration – volume protection	-	15
Trade receivables	6	51
Prepayments	18	23
Other receivables	34	8
Total trade receivables and other current receivables	**57**	**96**

10 Inventories

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

11 Restricted Cash, Bank Deposits, Cash and Cash Equivalents

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

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	31.03.2021 Principal amount	31.03.2021 Book value	31.12.2020 Principal amount	31.12.2020 Book value
NOR 13 Convertible Bond [1)]	178	137	171	131
NOR 14 Senior Unsecured Bond [2)]	175	173	175	169
Total non-current bonds	**353**	**310**	**346**	**299**
Reserve based lending facility [3)]	751	720	751	719
Deferred Consideration [4)]	25	25	25	25
Total non-current debt	**776**	**745**	**776**	**744**
Total borrowings	**1,129**	**1,055**	**1,122**	**1,043**

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 a seven-year USD 900 million Reserve Based Lending Facility in 2019 as part of the acquisition. Interest is accrued on the repayment amount with an interest comprising the aggregate of 3-month LIBOR and 4% p.a., payable quarterly.

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	36	1	53
2022	-	16	35	1	52
2023	-	16	29	1	46
2024	-	16	19	-	35
2025	-	16	8	-	24
2026	-	8	-	-	8
Total	-	**87**	**127**	**3**	**217**

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

[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 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 31.03.2021 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	57	-	-	57
Restricted cash	208	-	-	208
Bank deposits, cash and cash equivalents	70	-	-	70
Total	**336**	**-**	**-**	**336**

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	-	-	59	59
Embedded derivative convertible bond	-	20	-	20
Convertible bond loans	137	-	-	137
Senior unsecured bond loan	173	-	-	173
Reserve based lending facility	720	-	-	720
Deferred consideration	25	-	-	25
Lease liability	1	-	-	1
Trade payables and other current liabilities	36	-	-	36
Total	**1,091**	**20**	**59**	**1,170**

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 31 March 2021:

USD million	Total amount outstanding*	Carrying Amount	Fair Value
Financial assets			
Trade receivables and other current assets		57	57
Restricted cash		208	208
Bank deposits, cash, cash equivalents and quoted shares		70	70
Total		**336**	**336**
Financial liabilities			
Derivative instruments price hedge		59	59
Embedded derivative convertible bond		20	20
Convertible bond loans	178	137	158
Senior unsecured bond loan	175	173	175
Reserve based lending facility	751	720	751
Deferred consideration		25	25
Lease liability		1	1
Trade payables and other current liabilities		103	103
Total	**1,104**	**1,236**	**1,291**

* 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 20 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)	31 Mar 21
Agreement execution date	(date)	24 Jul 19
Par value of bonds	(USD)	171,042,171
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)	2.6
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	(%)	48.36%
Model used	Black - Scholes - Merton	

The RBL facility is measured at amortized cost, in addition a total of USD 42 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 Q1 2021 charged to financial items in the Income Statement were a loss of USD 1.8 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.

Noreco has to date executed this policy in the market through a combination of forward contracts and options.

Under its RBL facility, Noreco has a rolling hedge requirement based on a minimum level of production corresponding to the RBL banking case forecast. Due to the volatile oil market conditions in 2020, Noreco requested and received a waiver from its RBL bank syndicate relating to the hedging requirements in the 24 to 36 months forward period. In Q1 2021 Noreco has entered into additional forward contracts covering some of the 2021 production and 2023 production, with this, Noreco is again in compliances with the hedge requirement under the RBL facility.

	Maturity					
As of 31 March 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)	-	1,846	1,768	1,441	1,201	6,809
Notional amount (in USD million)	-	99	94	81	67	365
Average hedged sales price (in USD per boe)	-	54	53	56	56	54
Call options contracts:						
Notional quantity (in mboe)	-	429	726	726	726	869
Strike price (USD per boe)		75	75	75	75	75
Premium per unit (USD per boe)		2	2	2	2	2

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)

15 Asset Retirement Obligations

USD million	31.03.2021	31.12.2020
Balance as of 01.01.2021	950	967
Provisions and change of estimates made during the year	(3)	23
Accretion expense - present value calculation	9	34
Incurred cost removal	(2)	(74)
Currency translation adjustment	(0)	0
Total provision made for asset retirement obligations	**954**	**950**
Break down of short-term and long-term asset retirement obligations		
Short-term	25	24
Long-term	929	927
Total provision for asset retirement obligations	**954**	**950**

The balance as per 31.03.2021 is USD 882 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

Noreco announced on 5 May 2021 the successful closing of its previously announced revised USD 1.1 billion Reserve Base Lending facility with a seven-year term and maturing in 2028, replacing the Company's existing USD 900 million RBL.

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	Q1 2021	Q1 2020	2020
EBITDA	29	57	250
Claim volume floor guarantee	-	21	98
Transaction cost	-	-	-
Non-payment insurance	2	2	8
Share-base payment	0	0	2
Adj. EBITDA	31	81	358

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.

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	YTD Q1 2021	YTD Q1 2020	2020
Convertible bond loan	(137)	(113)	(131)
Senior Unsecured bond loan	(173)	(172)	(169)
Reserve based lending facility	(720)	(709)	(719)
Other interest-bearing debt	(25)	(25)	(25)
Interest-bearing debt	(1,055)	(1,019)	(1,043)

All figures in USD million	YTD Q1 2021	YTD Q1 2020	2020
Cash and cash equivalents	70	273	259
Convertible bond loan	(178)	(164)	(171)
Senior Unsecured bond loan	(175)	(175)	(175)
Reserve based lending facility	(751)	(746)	(751)
Other interest-bearing debt	(25)	(25)	(25)
Net interest-bearing debt	(1,059)	(837)	(863)

Information About Noreco

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Internet	www.noreco.com
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	
Yves-Louis Darricarrère	
Chris Bruijnzeels	
Bob McGuire	

Management

David B. Cook	Chief Executive Officer
Euan Shirlaw	Chief Financial Officer
John Humle	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.