



Norwegian Energy Company ASA
Fourth Quarter 2021

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Highlights

Fourth Quarter 2021 summary

Operational:

- Strong operating performance, with hydrocarbon production of 27.5 mboepd in the fourth quarter. This compares to 27.2 mboepd in Q3 2021 and is in the top range of Noreco's full year 2021 production guidance of 25.5 to 27.5 mboepd
- High activity levels on the Tyra Redevelopment project with the sail away of the Tyra West modules, announced early 2022, further de-risking the project
- Successful grant of EUDP funding of DKK 75 million from Danish authorities for CCS Project Bifrost
- Strategic changes to the Company's management team and organisation to strengthen focus on the future priorities of the business with Euan Shirlaw becoming Acting Managing Director in addition to his role as Chief Financial Officer following the mutually agreed departure of Noreco's previous CEO

Financial:

- Total revenues of USD 175 million in Q4, and USD 565 million for the full year, with EBITDA of USD 97 million and USD 250 million respectively
- Total liquidity of USD 223 million at the end of fourth quarter, with cash on balance sheet of USD 123 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 completion of semi-annual redetermination of RBL facility, with borrowing base remaining above maximum cash drawing capacity of USD 1.0 billion
- With a positive commodity price environment in Q4, Noreco entered into fixed-price swap contracts for additional oil and gas volumes from 2022 to 2024

Financial and operational summary	Unit	Q4 2021	Q3 2021	Q4 2020	2021	2020
Total revenue	USDm	175	150	146	565	566
EBITDA ¹⁾	USDm	97	65	39	250	250
Adj. EBITDA ¹⁾	USDm	98	67	73	257	357
Result before tax	USDm	35	5	(6)	5	(18)
Net result for the period	USDm	(28)	3	16	(53)	17
Net cash flow from operating activities ²⁾	USDm	65	86	101	50	348
Investments in oil and gas assets	USDm	67	55	66	228	236
Abandonment spent ¹⁾	USDm	8	8	2	21	74
Reserve based lending facility - currently drawn	USDm	900	900	751	900	751
Net interest-bearing debt ¹⁾	USDm	1,162	1,133	862	1,162	862
Oil production	mboepd	21.1	21.0	20.0	20.6	21.9
Gas production	mboepd	6.3	6.2	5.4	6.3	6.6
Total production	mboepd	27.5	27.2	25.5	26.9	28.5
Over/underlift	mboepd	(0.6)	(0.2)	2.8	(0.9)	(0.3)
Realised Oil price	USD/boe	78.7	72.5	44.6	70.8	39.9
+/- Effect of hedges	USD/boe	(18.4)	(15.5)	19.0	(13.0)	26.8
Effective Oil price¹⁾	USD/boe	60.3	57.0	63.6	57.8	66.8

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

2) 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	Q4 2021	Q3 2021	Q4 2020	2021	2020
Total revenue	175	150	146	565	566
EBITDA	97	65	39	250	250
EBIT	66	38	6	137	57
Result before tax	35	5	(6)	5	(18)
Net result for the period	(28)	3	16	(53)	17
Earnings per share	(1.2)	0.1	0.7	(2.2)	0.7

The Company had **revenues** of USD 175 million in the fourth quarter of 2021 mainly related to oil and gas sales from the DUC fields; this compares to USD 150 million in the previous quarter. The increase compared to last quarter was related to increased realised oil and gas commodity prices, net of hedging effects.

Production expenses amounted to USD 72 million in the fourth quarter of 2021 compared to USD 78 million in the previous quarter. The decrease in production expenses compared to last quarter mainly reflects reclassifications of some projects to investments, a cost reduction due to the change from over-lift to under-lift position and lower production general & administrative cost. This was partly offset by high activity on workovers to enhance base production and a decrease in crude oil inventory position. See note 3 for more details.

Operating result (EBITDA) in the fourth quarter of 2021 was a profit of USD 97 million, compared to USD 65 million in previous quarter. This increase mainly relates to higher revenue as a result of the current oil and gas commodity price environment, in addition to lower production expenses.

Net Financial items amounted to an expense of USD 31 million for the fourth quarter of 2021, compared to an expense of USD 32 million in the previous quarter. The decrease in net financial cost was mainly related to a positive fair value adjustment on NOR13's embedded derivative

compared to a negative fair value adjustment last quarter. Current quarter also had an unrealized gain on our interest rate swap, partly offset by a realized loss on the same interest rate swap. Higher net foreign exchange gains this quarter compared to last quarter due to fluctuation in the USD: DKK/EUR exchange rate also contributed to the decrease.

Income tax amounted to USD 63 million for the fourth quarter of 2021 compared to USD 2 million for the previous quarter. The increase in income tax was partly due to the difference in operating results and partly due to the recognition of the deferred tax asset on investment uplift, FX adjustment on tax losses carried forward in DKK as well as adjustments to prior years taxes. YTD 2021 current income tax amounted to negative USD 4 million and deferred tax movements amounted to USD 62 million, which corresponds to a statutory 64 % tax on result before tax on hydrocarbon income in Noreco Oil Denmark and Noreco Petroleum Denmark, adjusted with the effects of prior year adjustments and investment uplift, effective 0 % tax on result before tax in Norway and UK and effective 22 % tax on result before tax in Noreco Olie- og Gasudvinding Denmark and Noreco DK Pipeline.

Net result for the fourth quarter of 2021 was a loss of USD 28 million, compared to a USD 3 million profit for the previous quarter.

Selected data from the consolidated statement of financial position

All figures in USD million	31.12.2021	30.09.2021	31.12.2020
Total non-current assets	2,807	2,789	2,533
Total current assets	283	291	429
Total assets	3,090	3,080	2,962
Total equity	492	495	630
Interest bearing debt	1,205	1,198	1,043
Asset retirement obligations	1,029	959	950

Total non-current assets amounted to USD 2.8 billion at the end of fourth quarter of 2021, of which USD 1.9 billion related to property, plant and equipment, in addition to intangible assets of USD 166 million, deferred tax asset of USD 526 million and USD 205 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 283 million at the end of fourth quarter of 2021, USD 88 million in trade- and other receivables, mainly related to oil and gas revenue, USD 20 million in prepayments mainly related to offshore insurance premium that has been paid in advance, USD 123 million of cash and USD 51 million related to inventory.

Total equity amounted to USD 492 million at the end of the fourth quarter of 2021, compared to USD 495 million at the end of Q3 2021. Decrease in equity was related to the loss for the period, partly offset by realized gain on hedge.

Interest-bearing debt amounted to USD 1.2 billion at the end of fourth quarter of 2021. The convertible bond loan NOR13 had a book value of USD 157 million at the end of the fourth 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, drawn at USD 900 million on 31 December 2021 and with maximum cash drawings capacity of USD 1.0 billion, had a book value of USD 857 million at the end of the fourth quarter. The senior unsecured bond loan NOR14 had a book value of USD 165 million at the end of the period. The RBL facility and the unsecured bond loan are valued at amortised cost. In addition, the interest-bearing debt includes deferred consideration with a book value of USD 25 million.

Asset retirement obligations amounted to USD 1,029 million at the end of fourth quarter of 2021, compared to USD 959 million at the end of Q3 2021. The increase is mainly driven by updated estimates and change in cut off. USD 960 million is related to the DUC assets, USD 65 million to Nini/Cecilie, USD 2.2 million to Lulita and USD 2.4 million to the Tyra F-3 pipeline. The Nini/Cecilie asset retirement obligation is secured through an escrow account of USD 65 million.

Selected data from the consolidated statement of cash flows

All figures in USD million	Q4 2021	Q3 2021	Q4 2020	2021	2020
Cash flow from operating activities	65	86	101	50	348
Cash flow used in investing activities	(75)	(60)	(111)	(246)	(359)
Cash flow from financing activities	(20)	(18)	6	60	(15)
Net change in cash and cash equivalents	(30)	8	(4)	(137)	(26)
Cash and cash equivalents	123	152	259	123	259

Cash flow from operating activities amounted to USD 65 million at the end of fourth quarter of 2021, compared to USD 86 million for the previous quarter. Cash flow from operating activities excluding changes in working capital amounted to USD 87 million at the end of fourth quarter of 2021, compared to USD 67 million for the previous quarter. The decrease in cash flow from working capital relate to increases in trade and other receivables, a change from over-lift to under-lift position, decrease in trade payables and liabilities to the operator. This is partly offset by an increase in other current liabilities and public duties payable.

Cash flow used in investing activities amounted to negative USD 75 million at the end of the quarter, compared to negative USD 60 million for the previous quarter. The cash flow used in investing activities were mainly related to investments on the DUC asset of which USD 63 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 20 million at the end of the fourth quarter of 2021, compared to negative USD 18 million for the previous quarter. Current quarter included paid interest on NOR14 and the RBL facility, while cash flow from financing activities last quarter included paid interest on RBL facility and transaction costs mainly on NOR14.

Net change in cash and cash equivalents amounted to negative USD 30 million in the quarter compared to positive USD 8 million for the previous quarter. Cash and cash equivalents were in total USD 123 million at the end of fourth 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 forward contracts.

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

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

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

Complementary to the Company’s hedging policy, Noreco has a rolling hedge requirement as part of the RBL Facility that is based on the RBL banking case production forecast. This requires that price hedging be in place (at no less than 90% of the corresponding RBL banking case price forecast) for a minimum of 50% of oil equivalent volumes for the following 12 months, 40% in the period from 12 to 24 months and 30% in the period from 24 to 36 months, subject to a maximum level in each of these periods of 70%. Noreco received a waiver from its RBL bank syndicate related to the hedging requirements in the 24 to 36 months forward period and based on this the Company is not required to meet the minimum hedging level for this period until the end of June 2022. At the end of Q4 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 SOFR interest rate (switched from LIBOR from 01 November 2021) applicable to the RBL Facility. The Company has fixed the interest rate for the maximum available drawings of USD 1.0 billion of the facility from 01 November 2021 to 30 June 2024 at a blended average rate of 0.4041% with several RBL syndicate banks.

	Volume hedged oil (mmboe)	Average hedged price (\$/bbl)	Volume hedged gas (MWh)	Average hedged price (EUR/MWh)
2022	4.3	55.7	1,015,000	37.5
2023	4.0	52.4	-	0.0
2024	2.4	62.2	-	0.0

Operational review

Production

Key figures	Unit	Q4 2021	Q3 2021	Q4 2020	2021	2020
Dan hub	mboepd	8.6	8.5	6.9	8.5	7.8
Gorm hub	mboepd	4.5	4.4	5.1	4.4	4.8
Halfdan hub	mboepd	14.4	14.3	13.5	14.0	15.9
Tyra hub	mboepd	0.0	0.0	0.0	0.0	0.0
Total production	mboepd	27.5	27.2	25.5	26.9	28.5
Over/under-lift	mboepd	(0.6)	(0.2)	2.8	(0.9)	(0.3)
Net sales	mboepd	26.9	27.0	28.3	26.1	28.2
Oil sales	mboepd	20.5	20.8	22.8	19.7	21.6
Gas sales	mboepd	6.3	6.2	5.5	6.3	6.6
Operating efficiency ¹⁾	%	85.2 %	82.4 %	79.0 %	84.4 %	87.0 %

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

Performance in Q4 2021 was in the top range of the yearly guidance of 25.5 – 27.5 mboepd. The Noble Sam Turner successfully completed workovers on three Dan wells with a positive impact on production. Further, the scale squeeze of 11 Gorm wells resulted in a significant production increase of the Gorm hub. Finally, production on Halfdan remained high after the successful completion of workovers in Q2 and Q3 2021.

A planned shut down on the Gorm hub impacted the operating efficiency in October. However, following recommencement of full production, the average operating efficiency achieved in November and December was significantly higher compared to the prior ten months of 2021. Operating efficiency was 85.2 % for Q4 2021 compared to 82.4 % for Q3 2021. Precautions for COVID-19 continued throughout the period.

Dan hub

Key figures	Unit	Q4 2021	Q3 2021	Q4 2020	2021	2020
Dan	mboepd	7.5	7.5	6.1	7.5	7.0
Kraka	mboepd	1.1	1.0	0.8	1.0	0.8
Operating efficiency		87.1%	81.3 %	71.0%	83.1%	75.0%

Fourth quarter average production increased to 8.6 mboepd from the Dan hub, due to successful workovers of three Dan wells utilising the Noble Sam Turner jackup rig. Operating efficiency for the quarter was 87.1%, compared to 81.3 % for the previous quarter mainly due to fewer unplanned shortfalls.

Gorm hub

Key figures	Unit	Q4 2021	Q3 2021	Q4 2020	2021	2020
Gorm	mboepd	1.8	1.6	2.2	1.7	2.1
Rolf	mboepd	0.3	0.3	0.3	0.3	0.3
Skjold	mboepd	2.4	2.4	2.6	2.4	2.4
Operating efficiency		65.5%	71.3 %	82.0%	69.0%	77.0%

Fourth quarter average production increased to 4.5 mboepd from the Gorm hub, primarily due to the scale squeeze on 11 of the Gorm wells. Operating efficiency for the quarter was 65.5 %, compared 71.3 % for the previous quarter due to planned maintenance, and a slower than planned ramp-up after the shut-down due to several unplanned events.

Halfdan hub

Key figures	Unit	Q4 2021	Q3 2021	Q4 2020	2021	2020
Halfdan	mboepd	14.4	14.3	13.5	14.0	15.9
Operating efficiency		90.4%	82.7 %	82.0%	85.3%	87.0%

Fourth quarter average production increased to 14.4 mboepd, due the successful workover campaigns which were completed in August. Operating efficiency for the quarter was 90.4 %, compared to 82.7 % for the previous quarter.

Tyra hub

Key figures	Unit	Q4 2021	Q3 2021	Q4 2020	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 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 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 topsides will be replaced.

During the quarter, further progress on fabrication of the three remaining modules was made. On January 10, 2022

Noreco announced a successful delivery from yard with the sail away of the three Tyra West wellhead and riser topsides. The topsides were fabricated at Sembcorp Marine Ltd in Singapore and will be transported by HTV (Heavy Transport Vessel) BIGROLL BEAUFORT. The transportation of the topsides will take a planned pit stop at the Tyra site in the Netherlands to accommodate for an optimal installation window in the North Sea, expected in April.

The remainder of the Tyra Redevelopment fabrication takes place in two yards:

- TEH Accommodation Module (Rosetti Marine, Italy): Remaining fabrication takes place in the yard in order to minimise cost and maximise efficiency. The upcoming sail away is expected end of Q1 with offshore installation in Q2 2022.
- TEG Process Module (McDermott, Indonesia): The process module is scheduled to sail away from yard in Q3 2022 followed by an offshore installation.

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 fourth 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- and gas price volatility as a result of price hedging arrangements the Company has in place and pro-active steps taken by the operator of the DUC. The Tyra Redevelopment is progressing and will significantly enhance 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 2022:

	Unit	2022 Guidance	2021
Production	mboepd	23.5-25.5	25.5-27.5

Condensed Consolidated Statement of Comprehensive Income

Noreco Fourth Quarter 2021

All figures in USD million	Note	Q4 2021	Q3 2021	Q4 2020	2021	2020
Revenue	2	175	150	146	565	566
Total revenues		175	150	146	565	566
Production expenses	3	(72)	(78)	(99)	(293)	(295)
Exploration and evaluation expenses		(0)	(0)	(1)	(1)	(2)
Personnel expenses		(3)	(3)	(5)	(11)	(12)
Other operating expenses		(3)	(4)	(3)	(11)	(8)
Total operating expenses		(78)	(85)	(107)	(316)	(316)
Operating result (EBITDA)		97	65	39	250	250
Depreciation	7	(31)	(28)	(33)	(112)	(193)
Net operating result (EBIT)		66	38	6	137	57
Financial income	4	10	5	45	33	103
Financial expenses	4	(41)	(37)	(57)	(165)	(177)
Net financial items		(31)	(32)	(11)	(132)	(75)
Result before tax (EBT)		35	5	(6)	5	(18)
Income tax benefit / (expense)	5	(63)	(2)	22	(58)	35
Net result for the period		(28)	3	16	(53)	17
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		66	39	(29)	135	(29)
Related tax - realized cash flow hedge		(42)	(25)	19	(86)	18
Changes in fair value derivative instruments price hedge		(2)	(128)	(56)	(372)	108
Related tax - changes in fair value		5	82	36	242	(69)
Currency translation adjustment		(1)	(1)	1	(3)	3
Total other comprehensive income for the period (net of tax)		26	(33)	(30)	(85)	32
Total comprehensive income for the period (net of tax)		(2)	(30)	(14)	(138)	49
Weighted average no. of shares outstanding, basic		24,110,852	24,110,852	24,110,852	24,110,852	24,110,852
Weighted average no. of shares outstanding, diluted		35,260,340	35,552,985	35,041,042	35,260,340	35,106,666
Basic earnings/loss USD per share		(1.2)	0.1	0.7	(2.2)	0.7
Diluted earnings/loss USD per share		(1.2)	0.1	0.5	(2.2)	0.4

Condensed Consolidated Statement of Financial Position
Noreco Fourth Quarter 2021

All figures in USD million	Note	31.12.2021	30.09.2021	31.12.2020
Non-current assets				
Licence and capitalised exploration expenditures	6	166	168	175
Deferred tax assets	5	526	624	432
Property, plant and equipment	7	1,899	1,790	1,704
Right of Use asset		1	1	1
Restricted cash	10, 13	205	207	196
Derivative instruments	13	10	0	26
Total non-current assets		2,807	2,789	2,533
Current assets				
Derivative instruments	13	-	-	34
Contingent consideration - volume protection	8	-	-	15
Trade receivables and other current assets	8	109	82	81
Inventories	9	51	56	40
Bank deposits, cash and cash equivalents	10	123	152	259
Total current assets		283	291	429
Total assets		3,090	3,080	2,962
Equity				
Share capital		30	30	30
Other equity		463	465	600
Total equity		492	495	630
Non-current liabilities				
Asset retirement obligations	14	1,003	939	927
Convertible bond loan	11, 13	157	150	131
Bond loan	11, 13	165	168	169
Reserve based lending facility	11, 13	857	856	719
Derivative instruments	13	101	99	20
Other non-current liabilities	11	25	26	26
Total non-current liabilities		2,309	2,238	1,991
Current liabilities				
Asset retirement obligations	14	26	21	24
Tax payable	5	16	23	27
Derivative instruments	13	116	174	5
Trade payables and other current liabilities	12	130	130	286
Total current liabilities		289	347	341
Total liabilities		2,598	2,585	2,332
Total equity and liabilities		3,090	3,080	2,962

Condensed Consolidated Statement of Changes in Equity

Noreco Fourth Quarter 2021

All figures in USD million	Share capital	Share premium fund	Treasury share reserve	Currency translatio n 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					17		17
Other comprehensive income							
Realized cash flow hedge	-	-	-	-	(29)	-	(29)
Related tax - realized cash flow hedge	-	-	-	-	18	-	18
Changes in fair value	-	-	-	-	108	-	108
Related tax - changes in fair value	-	-	-	-	(69)	-	(69)
Currency translation adjustments	-	-	-	3	-	-	3
Total other comprehensive income	-	-	-	3	29	-	32
Share-based incentive program	-	-	-	-	-	2	2
Share buyback	-	-	(0)	-	-	(10)	(10)
Total transactions with owners for the period	-	-	(0)	-	-	(8)	(8)
Equity as of 31.12.2020	30	707	(0)	6	14	(126)	630
2021							
Equity as of 01.01.2021	30	707	(0)	6	14	(126)	630
Net result for the period					(53)		(53)
Other comprehensive income							
Realized cash flow hedge, reclassified to profit or loss	-	-	-	-	135	-	135
Related tax - realized cash flow hedge	-	-	-	-	(86)	-	(86)
Changes in fair value	-	-	-	-	(372)	-	(372)
Related tax - changes in fair value	-	-	-	-	242	-	242
Currency translation adjustments	-	-	-	(3)	-	-	(3)
Total other comprehensive income	-	-	-	(3)	(82)	-	(85)
Share-based incentive program	-	-	-	-	-	0	0
Total transactions with owners for the period	-	-	-	-	-	0	0
Equity as of 31.12.2021	30	707	(0)	3	(67)	(179)	492

Condensed Consolidated Statement of Cash Flows

Noreco Fourth Quarter 2021

All figures in USD million	Note	Q4 2021	Q3 2021	Q4 2020	2021	2020
Cash flows from operating activities						
Net result for the period		(28)	3	16	(53)	17
Adjustments for:						
Income tax benefit / (expense)	5	63	2	(22)	58	(35)
Tax paid		(10)	-	-	(10)	-
Depreciation	7	31	28	33	112	193
Share-based payments expenses		(1)	0	1	0	2
Net financial item	4	32	34	11	138	75
Changes in:						
Trade receivable	8	(26)	(0)	(4)	(29)	3
Trade payables ¹⁾	12	6	29	45	(142)	79
Inventories and spare parts	9	5	(6)	5	(12)	5
Prepayments	8	0	(8)	5	3	8
Over/under-lift	8, 12	(7)	4	10	(14)	0
Other current balance sheet items		0	0	-	(0)	0
Net cash flow from operating activities		65	86	101	50	348
Cash flows from investing activities						
Post completion payment		-	-	(2)	-	(2)
Volume guarantee	8	-	-	23	15	102
Tax Paid ²⁾		-	2	(18)	2	(72)
Investment in oil and gas assets	7	(67)	(55)	(66)	(228)	(236)
Investment in exploration licenses		(0)	0	(1)	0	(2)
Abandonment paid ³⁾		(8)	(8)	(2)	(21)	(74)
Changes in restricted cash accounts	10	0	0	(45)	(15)	(75)
Net cash flow from investing activities		(75)	(60)	(111)	(246)	(359)
Cash flows from financing activities						
Drawdown long-term loans	11	-	-	-	149	6
Lease payments		(0)	(0)	(0)	(1)	(1)
Share buyback		-	-	-	-	(10)
Transaction costs related to financing		-	(6)	(1)	(27)	(1)
Transaction costs related to equity issue		-	-	(0)	-	(0)
Interest paid		(18)	(10)	(16)	(54)	(56)
Settled hedges		0	1	28	(2)	52
Other financial items		(2)	(2)	(5)	(5)	(6)
Net cash flow from financing activities		(20)	(18)	6	60	(15)
Net change in cash and cash equivalents		(30)	8	(4)	(137)	(26)
Cash and cash equivalents at the beginning of the quarter		152	145	263	259	286
Cash and cash equivalents at end of the quarter		123	152	259	123	259

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 fourth 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 fourth quarter were approved by the Board of Directors on 15 February 2022.

Going concern

The Board of Directors confirms that the interim financial statements have been prepared under the presumption of going concern, and that this is the basis for the preparation of these interim financial statements. The financial solidity and the Company's cash and working capital position are considered satisfactory in regards of the planned activity level until Q4 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 2 million and USD 74 million in Q4 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	Q4 2021	Q3 2021	Q4 2020	2021	2020
Sale of oil	114	109	134	416	528
Sale of gas and NGL	60	40	10	142	31
Other income	2	2	2	7	8
Total Revenue	175	150	146	565	566
Oil - lifted volumes (mmbbl)	1.89	1.91	2.10	7.20	7.90
Effective Oil price USD/bbl ¹⁾	60.3	57.0	63.6	57.8	66.8
Gas - lifted volumes (mmboe)	0.6	0.6	0.5	2.3	2.4
Effective Gas price EUR/MWh	51.7	34.1	10.5	30.4	6.6
Effective Gas price USD/boe	102.7	69.0	20.3	61.5	12.7

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

In the fourth quarter, Noreco's sale of oil amounted to USD 114 million and sale of gas amounted to USD 60 million, realised prices were USD 60.3 per bbl of oil and USD 102.7 per boe of gas lifted during the period, adjusted for settlement of price hedges in place with financial institutions.

During the fourth 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	Q4 2021	Q3 2021	Q4 2020	2021	2020
Direct field opex	(53)	(55)	(54)	(211)	(177)
Tariff and transportation expenses	(9)	(9)	(11)	(44)	(44)
Production G&A	(6)	(12)	(18)	(42)	(56)
Field operating cost	(68)	(77)	(83)	(297)	(277)
Total produced volumes (mmboe)	2.5	2.5	2.3	9.8	10.4
In USD per boe	(27.0)	(30.8)	(35.6)	(30.2)	(26.6)
Adjustments for:					
Change in inventory position	(5)	6	1	(1)	3
Over/under-lift of oil and NGL	7	(4)	(10)	14	(0)
Insurance & Other	(5)	(5)	(5)	(22)	(21)
Stock Scrap	(1)	2	(1)	13	1
Production expenses	(72)	(78)	(99)	(293)	(295)

Production expenses for the fourth quarter directly attributable to the lifting and transportation to market of Noreco's oil and gas production are in total USD 68 million, which equates to USD 27.0 per boe produced during the period compared to USD 30.8 per boe in Q3 2021. The quarter is influenced by high activity on workovers to maintain base production. These increased costs have been offset by reclassification of some projects to investments, previously charged to production expenses. Tariff and transportation expenses are in line with expectations and previous quarter. Lower production G&A due to clean-up of allocations.

In the current period Noreco recognised a cost reduction of USD 7 million related to a change from an over-lift position at the end of last quarter to an under-lift position at the end of current quarter (measured at production cost). The Company also recognised a cost of USD 5 million related to a decrease in the Crude Oil inventory position compared to the end of last quarter. Stock scrap is a cost of USD 1 million.

4

Financial Income and Expenses

Financial Income

USD million	Q4 2021	Q3 2021	Q4 2020	2021	2020
Value adjustment derivatives and hedging contracts unrealized ¹⁾	1	0	(1)	1	29
Value adjustment of embedded derivatives ²⁾	1	(1)	2	6	27
Value adjustment - volume protection ³⁾	-	-	11	-	-
Value adjustment - FX Contract	-	-	3	-	3
Value adjustment - amortised cost RBL	0	0	-	-	-
Hedge income realized	-	-	16	-	24
Interest income	0	0	0	0	2
Change in fair value of bond debt	-	-	0	-	0
Foreign exchange gains	8	6	14	26	18
Total financial income	10	5	45	33	103

Financial Expenses

USD million	Q4 2021	Q3 2021	Q4 2020	2021	2020
Value adjustment - volume protection ³⁾	-	-	-	-	(4)
Value adjustment - FX Contract	-	-	-	(1)	-
Value adjustment - amortised cost RBL	-	-	-	(5)	-
Utilisation of derivatives	(1)	-	(0)	(4)	(3)
Unrealized loss derivatives	-	-	-	(8)	-
Interest expense from bond loans	(12)	(11)	(10)	(44)	(39)
Interest expense from bank debt	(13)	(12)	(11)	(46)	(47)
Interest expenses current liabilities	(0)	(0)	(0)	(0)	(0)
Accretion expense related to asset retirement obligations	(9)	(9)	(9)	(35)	(36)
Foreign exchange losses	(7)	(4)	(25)	(20)	(45)
Other financial expenses	(1)	(1)	(1)	(4)	(3)
Total financial expenses	(41)	(37)	(57)	(165)	(177)
Net financial items	(31)	(32)	(11)	(132)	(75)

- 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)	Q4 2021	YTD 2021
Income tax current year	-	(1)
Income tax for prior years	(3)	5
Current income tax	(3)	4
Deferred tax movements	(53)	(36)
Prior year adjustment, deferred tax	(7)	(26)
Deferred tax expense	(60)	(62)
Tax (expense)/ income	(63)	(58)

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	(38)	156
Tax (expense)/income related to other comprehensive income	(38)	156

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.

Reconciliation of nominal to actual tax rate:	Hydrocarbon tax 64%		Corporate tax 22%		In total
	Q4 2021	Q4 2021	Q4 2021	In total	
Income (loss) before tax	48		(13)		35
Expected tax on profit before tax	31	64%	(3)	22%	28
Tax effect of:					
Prior year adjustment	9	19%	1	-6%	10
FX adjustment of net operating losses carried forward in DKK	22	47%	-	0%	22
Investment uplift on CAPEX projects ¹⁾	(1)	-3%	-	0%	(1)
Permanent differences ²⁾	(1)	-2%	1	-9%	0
No recognition of tax assets in Norway and UK	-	0%	4	-30%	4
Tax expense (income) in profit/loss	60	124%	3	6%	63

	Hydrocarbon tax 64%	Corporate tax 22%		
Reconciliation of nominal to actual tax rate, continues:	YTD 2021	YTD 2021	In total	
Income (loss) before tax	50	(45)	5	
Expected tax on profit before tax	32	64%	(10)	22%
Tax effect of:				
Prior year adjustment	23	46%	(2)	5%
FX adjustment of net operating losses carried forward in DKK	36	71%	-	0%
Investment uplift on CAPEX projects ¹⁾	(35)	-69%	-	0%
Permanent differences ²⁾	(4)	-8%	1	-2%
No recognition of tax assets in Norway and UK	-	0%	17	38%
Tax expense (income) in profit/loss	52	104%	6	14%
				58

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.

	Q4 2021	Q4 2021	In total
Other comprehensive income before tax	56	9	65
Expected tax on other comprehensive income before tax	(36)	64%	(2)
Tax effect of:			22%
Non-taxable currency translation adjustment	-	-	-
Tax in other comprehensive income	(36)	64%	(2)
			22%
			(38)

	YTD 2021	YTD 2021	In total
Other comprehensive income before tax	(246)	9	(237)
Expected tax on other comprehensive income before tax	158	64%	(2)
Tax effect of:			22%
Non-taxable currency translation adjustment	-	-	-
Tax in other comprehensive income	158	64%	(2)
			22%
			156

Current income tax payable

Tax payable relates to the Group's entities in Denmark. The amounts payable as of 31.12.21 were:

Hydrocarbon tax pertaining to pre-acquisition period 2019 not indemnified by the Seller	(10)
Corporate tax for prior years (Denmark)	(4)
Corporate tax for 2021 (Denmark)	(1)
Tax payables	(16)

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

As of 31 December 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	31.12.2021
		in profit/loss	in OCI		
Property, plant and equipment	582	42	-	-	625
Intangible assets, licenses	23	(6)	-	-	17
Inventories and receivables	22	4	-	-	27
ARO provision	(561)	(50)	-	-	(611)
Tax loss carryforward, corporate tax (22%)		(2)			(2)
Tax loss carryforward, chapter 2 tax (25%)	(1)	37	(59)	(23)	
Tax loss carryforward, chapter 3a tax (52%)	(498)	36	(97)	(558)	
Deferred tax asset, net	(432)	62	(156)	(526)	

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 30.09.2021	1	128	186	315
Accumulated depreciation, amortization and write-downs 31.12.2020	-	(128)	(13)	(141)
Depreciation / amortization	-	-	(6)	(6)
Accumulated depreciation, amortization and write-downs 30.09.2021	-	(128)	(19)	(147)
Book value 30.09.2021	1	-	167	168
Acquisition costs 30.09.2021	1	128	186	315
Additions	0	-	-	0
Acquisition costs 31.12.2021	1	128	186	315
Accumulated depreciation, amortization and write-downs 30.09.2021	-	(128)	(19)	(147)
Depreciation / amortization	-	-	(2)	(2)
Accumulated depreciation, amortization and write-downs 31.12.2021	-	(128)	(21)	(149)
Book value 31.12.2021	1	-	165	166

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	160	1	-	0	161
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 31.12.2020	-	(165)	(0)	(1)	(166)
Depreciation	-	(75)	(0)	(0)	(75)
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
Acquisition costs 30.09.2021	768	1,260	1	2	2,031
Additions	51	16	-	0	67
Currency translation adjustment	-	(0)	(0)	0	(0)
Acquisition costs 31.12.2021	819	1,347	1	2	2,168
Accumulated depreciation, amortization and write-downs 30.09.2021	-	(240)	(0)	(1)	(241)
Depreciation / amortization	-	(29)	(0)	(0)	(29)
Currency translation adjustment	-	0	0	(0)	0
Accumulated depreciation, amortization and write-downs 31.12.2021	-	(268)	(0)	(1)	(270)
Book value 31.12.2021	819	1,078	1	0	1,899

Impairment testing of our asset base is performed periodically and/or when impairment triggers are identified. In Q4 2021 Noreco carried out a periodical impairment test for the fixed assets and related intangible assets, with the last full impairment assessment being carried out in Q4 2020 and no impairment triggers identified in-between.

Impairment is recognised when the book value of an asset exceeds the recoverable amount.

The recoverable amount is calculated as the expected future cash flow from the asset, discounted to the net present value by applying a discount rate after tax that reflects the current market valuation of the time value of money, and the specific risk related to the asset. The discount rate is derived from the weighted average cost of capital (WACC) for a market participant. Cash flows are projected for the estimated lifetime of the fields, which exceed periods greater than five years.

For our producing license, the recoverable amount is estimated based on discounted future after tax cash flows. Below is an overview of the key assumptions applied for impairment testing purposes as of 31 December 2021:

- Oil prices: a long-term oil price of \$65/bbl has been used from 2025 onwards, with a forward curve-based approach in earlier years based on current market conditions

- Gas prices: a long-term gas price of €24/Mwh has been used from 2025 onwards, with a forward curve-based approach in earlier years based on current market conditions
- Inflation rate of 2.0 percent per annum
- Discount rate of 8.6 percent

8

Trade Receivables and Other Current Assets

USD million	31.12.2021	30.09.2021	31.12.2020
Current assets			
Contingent consideration – volume protection	-	-	15
Trade receivables	40	21	51
Under-lift of oil/NGL	1	-	-
Prepayments	20	20	23
Other receivables	47	40	8
Total trade receivables and other current receivables	109	82	96

9

Inventories

USD million	31.12.2021	30.09.2021	31.12.2020
Product inventory, oil	18	23	18
Other stock (spares & consumables)	34	33	21
Total inventories	51	56	40

10

Restricted Cash, Bank Deposits, Cash and Cash Equivalents

USD million	31.12.2021	30.09.2021	31.12.2020
Non-current assets			
Restricted cash pledged as security for abandonment obligation related to Nini/Cecilie	65	67	71
Restricted cash pledged as security for cash call obligations towards Total ¹⁾	140	140	125
Total non-current restricted cash	205	207	196
Current assets			
Unrestricted cash, bank deposits, cash equivalents	123	153	259
Total bank deposits	328	360	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. All payment obligations from Noreco to the cash call security account have been made and there will be no further increase.

11

Borrowings

USD million	31.12.2021		30.09.2021		31.12.2020	
	Principal amount	Book value	Principal amount	Book value	Principal amount	Book value
NOR 13 Convertible Bond ¹⁾	185	157	185	150	171	131
NOR 14 Senior Unsecured Bond ²⁾	175	165	175	168	175	169
Total non-current bonds	360	322	360	318	346	299
Reserve based lending facility ³⁾	900	857	900	856	751	719
Deferred Consideration ⁴⁾	25	25	25	25	25	25
Total non-current debt	925	882	925	881	776	744
Total borrowings	1,285	1,204	1,285	1,199	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. In July 2021, Noreco's written resolution regarding the addition of further headroom under the Leverage Ratio covenant through to the end of 2023 was resolved and approved by the Company's NOR14 bondholders. Based on this written resolution, the maximum Leverage Ratio has been amended to 7.0x (from 5.0x) during the Tyra Redevelopment Period ending Q2 2023, 6.0x (from 3.0x) during Q3 2023 and 5.0x (from 3.0x) during Q4 2023. From Q1 2024 onwards, the maximum Leverage Ratio will revert to 3.0x per the original bond terms. In addition to the change in maximum permitted leverage, Noreco's minimum liquidity threshold has increased to USD 75 million until the end of 2023 (from USD 50 million until end Q2 2023 and USD 25 million during Q3 and Q4 2023)
- 3) The Company entered into an increased Reserve Based Lending Facility in Q2 2021. The facility has a seven-year tenor with a maximum limit of USD 1.1 billion, with a maximum of USD 1.0 billion available for cash drawdown by the Company. Interest is accrued on the repayment amount with an interest rate comprising the aggregate of 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*	Reserve Based Lending Facility		Deferred consideration	Total
		NOR14	LIBOR/SOFR**		
Interest rate		9,0%	LIBOR/SOFR**	4,0%	
2022	-	16	41	1	57
2023	-	16	41	1	57
2024	-	16	40	-	56
2025	-	16	35	-	50
2026	-	8	21	-	29
2027	-	-	8	-	8
2028	-	-	1	-	1
Total	-	71	186	2	259

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

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

12

Trade Payables and Other Current Liabilities

USD million	31.12.2021	30.09.2021	31.12.2020
Trade payable	5	13	1
Liabilities to operators relating to joint venture licences	73	75	97
Over-lift of oil/NGL	-	6	13
Accrued interest	2	2	3
Salary accruals	2	1	1
Public duties payable ¹⁾	14	12	159
Other current liabilities	33	20	12
Total trade payables and other current liabilities	130	130	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.

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Financial Instruments

13.1 Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

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

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

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

On 31.12.2021

USD million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Contingent considerations	-	-	-	-
- Derivative instruments interest swap	-	1	-	1
Financial assets at fair value hedging instruments				
- Derivative instruments interest swap	-	9	-	9
Total assets	-	10	-	10
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	-	205	-	205
Total liabilities	-	205	12	217

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 interest swap	-	0	-	0
Financial assets at fair value hedging instruments				
- Derivative instruments interest swap	-	0	-	0
Total assets	-	0	-	0
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 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 31.12.2021 USD million	Financial assets at amortised cost	Assets at fair value through profit or loss	Fair value - hedging instruments	Total
Assets				
Derivative instruments interest swap				
Trade receivables and other current assets	109	-	-	109
Restricted cash	205	-	-	205
Bank deposits, cash and cash equivalents	123	-	-	123
Total	437	-	10	447

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				
Embedded derivative convertible bond	-	12	-	12
Convertible bond loans	157	-	-	157
Senior unsecured bond loan	165	-	-	165
Reserve based lending facility	857	-	-	857
Deferred consideration	25	-	-	25
Lease liability	1	-	-	1
Trade payables and other current liabilities	130	-	-	130
Total	1,336	12	205	1,553

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 31-Dec-21:

USD million	Total amount outstanding*	Carrying Amount	Fair Value
Financial assets			
Derivative instruments interest swap	10	10	10
Trade receivables and other current assets	109	109	109
Restricted cash	205	205	205
Bank deposits, cash, cash equivalents and quoted shares	123	123	123
Total	447	447	447

USD million	Total amount outstanding*	Carrying Amount	Fair Value
Financial liabilities			
Derivative instruments price hedge	205	205	
Embedded derivative convertible bond	12	12	
Convertible bond loans	185	157	173
Senior unsecured bond loan	175	165	175
Reserve based lending facility	900	857	900
Deferred consideration	25	25	
Lease liability	1	1	
Trade payables and other current liabilities	130	130	
Total	1,260	1,553	1,621

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

The convertible bond loan has been determined to contain embedded derivatives which are accounted for separately as derivatives at fair value through profit or loss, while the loan element subsequent to initial recognition is measured at amortised cost, a total of USD 5,3 million in transaction cost is included in the amortised cost. The embedded derivative is valued on an option valuation basis, the carrying value is USD 12 million (initial value USD 54 million). As a result of the buyback of 299,925 shares at a price of NOK 242 per share on 23 January 2020, the conversion price for the NOR13 subordinated convertible bond issue was adjusted in accordance with the bond terms, from USD 29.3398 to USD 28.9734 (NOK 240 to NOK 238), effective from the trade date of the purchase of shares. The fair value calculation for the option portion of the NOR13 bond includes this update to the conversion price.

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

	2021
Valuation date	(date) 31 December 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) 1.9
Number of options	(#) 6,385,140
Conversion price	(NOK) 238
Fixed FX rate of agreement	(USD:NOK) 8.180
Risk-free rate (based on government bonds)	(%) 1.20%
Expected volatility	(%) 44.46%
Model used	Black - Scholes - Merton

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

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

13.4 Hedging

The Group actively seeks to reduce the risk it is exposed to regarding fluctuating commodity prices through the establishment of hedging arrangements. To the extent more than 100% of the projected production is hedged any value adjustments to the instruments covering in excess of 100% are considered ineffective and the value adjustment is treated as a financial item in the Income Statement, in Q4 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. The company has entered a USD 1.0 billion swap transaction with a group of banks to fix the Company's floating interest rate exposure under its RBL facility from 1 Nov 2021 until 30 June 2024. Noreco will as a result pay interest on its RBL cash drawings equal to 0.4041 percent plus the applicable margin. Noreco applies hedge accounting to the Company's hedging arrangements. To the extent more than 100% of the Company's interest under its RBL facility is hedged any value adjustments to the instruments covering in excess of 100% are considered ineffective and the value adjustment is treated as a financial item in the Income Statement.

As of 31 December 2021	Maturity					
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	More than 12 months
Commodity forward sales contracts:						
Notional quantity (in mboe)	-	1,555	1,334	1,070	900	6,360
Notional amount (in USD million)	-	88	81	65	50	357
Average hedged sales price (in USD per boe)	-	56	61	61	56	56

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	69
Related tax - realized cash flow hedge	(44)
Changes in fair value	(371)
Related tax - changes in fair value	237
Balance as of 30.09.2021	(94)
Realized cash flow hedge	66
Related tax - realized cash flow hedge	(42)
Changes in fair value	(2)
Related tax - changes in fair value	5
Balance as of 31.12.2021	(67)

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Asset Retirement Obligations

USD million	Q4 2021	Q1-Q3 2021	2020
Provisions as of beginning of period	959	950	967
Provisions and change of estimates made during the year	69	(4)	23
Accretion expense - present value calculation	9	26	34
Incurred cost removal	(8)	(13)	(74)
Currency translation adjustment	(0)	(0)	0
Total provisions made for asset retirement obligations	1,029	959	950

Break down of short-term and long-term asset retirement obligations

Short-term	26	21	24
Long-term	1,003	939	927
Total provisions for asset retirement obligations	1,029	959	950

The balance as per 31.12.2021 is USD 960 million for DUC, USD 65 million for Nini/Cecilie, USD 2.2 million for Lulita (non-DUC share) and USD 2.4 million for Tyra F-3 pipeline.

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

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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.

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

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

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

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

Adjusted EBITDA

USD million	Q4 2021	Q3 2021	Q4 2020	2021	2020
EBITDA	97	65	39	250	250
Claim volume floor guarantee	-	-	31	-	98
Non-payment insurance	2	2	2	7	7
Share-base payment	(1)	0	2	0	2
Adj. EBITDA	98	67	73	257	357

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

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

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

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

Interest-bearing debt

USD million	31.12.2021	30.09.2021	31.12.2020
Convertible bond loan	(157)	(150)	(131)
Senior Unsecured bond loan	(165)	(168)	(169)
Reserve based lending facility	(857)	(856)	(719)
Other interest-bearing debt	(25)	(25)	(25)
Interest-bearing debt	(1,205)	(1,198)	(1,043)

Net Interest-bearing debt

USD million	31.12.2021	30.09.2021	31.12.2020
Cash and cash equivalents	123	152	259
Convertible bond loan	(185)	(185)	(171)
Senior Unsecured bond loan	(175)	(175)	(175)
Reserve based lending facility	(900)	(900)	(751)
Other interest-bearing debt	(25)	(25)	(25)
Net interest-bearing debt	(1,162)	(1,133)	(862)

Information About Noreco

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Organisation number	NO 987 989 297 MVA

Financial Calendar 2022

16 February	Q4 2021 Report
10 May	Q1 2022 Report
19 May	Annual General Meeting
12 July	Q2 2022 Report
26 October	Q3 2022 Report

Board of Directors

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

Management

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

Investor Relations

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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

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