NEPTUNE ENERGY

NEPTUNE ENERGY FIRST QUARTER 2022 RESULTS

Neptune Energy Group Midco Limited
Unaudited Condensed Consolidated Financial Statements
For the three months ended 31 March 2022

About Neptune Energy Group

Neptune is an independent global E&P company and active across Europe, North Africa and Asia Pacific. The Company's parent company, Neptune Energy Group Limited, is backed by CIC and funds advised by The Carlyle Group and CVC Capital Partners.

Further background information is available on the corporate website www.neptuneenergy.com

General

Except as the context otherwise indicates, 'Neptune' or 'Neptune Energy', 'Group', 'we', 'us', and 'our', refers to the group of companies comprising Neptune Energy Group Midco Limited ('the Company') and its consolidated subsidiaries and equity-accounted investments.

In this report, unless otherwise indicated, our production, reserves and resources figures are presented on a basis including our ownership share of volumes of companies that we account for under the equity accounting method, in particular, for the interest held in the Touat project in Algeria through a joint venture company. Production for interests held under production sharing contracts is reported on an appropriate unit of production basis.

The discussion in this report includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to materially differ from those expressed or implied by the forward-looking statements. While these forward-looking statements are based on our internal expectations, estimates, projections, assumptions and beliefs as at the date of such statements or information, including, among other things, assumptions with respect to production, future capital expenditures and cash flow, we caution you that the assumptions used in the preparation of such information may prove to be incorrect and no assurance can be given that our expectations, or the assumptions underlying these expectations, will prove to be correct. Any forward-looking statements that we make in this report speak only as of the date of such statement or the date of this report.

This report contains non-GAAP and non-IFRS measures and ratios that are not required by, or presented in accordance with, any generally accepted accounting principles (GAAP) or IFRS. These non-IFRS and non-GAAP measures and ratios may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS or GAAP. Non-IFRS and non-GAAP measures and ratios are not measurements of our performance or liquidity under IFRS or GAAP and should not be considered as alternatives to operating profit or profit from continuing operations or any other performance measures derived in accordance with IFRS or GAAP or as alternatives to cash flow from operating, investing or financing activities. Refer to 'Glossary – non-GAAP measures' detailed in the 2021 Neptune Energy Group Midco Limited Annual Report and Accounts.

NEPTUNE ENERGY ANNOUNCES Q1 2022 RESULTS

London, 12 May 2022 – Neptune Energy today announces its financial results for the three months ended 31 March 2022.

Good operational performance, with production in line with guidance

- Improvement in our process safety event rate, down to 0.62 per million hours worked.
- Q1 production of 133.7 kboepd, in line with expectations. FY guidance of 135-145 kboepd maintained.
- Snøhvit (Norway) on schedule to restart in May, temporary increase in gas production from Gjøa.

Investment aligned with energy security priorities

- Capex of $128.9 million in Q1 2022, supporting energy security in UK and Europe with c.47 kboepd of net additions in 2023.
- Discovery at Hamlet (Norway), located close to Gjøa.
- Sanctioned appraisal well at the significant Isabella (UK) discovery, drilling to commence in H2.

Continued progress with ESG, low carbon projects

- Industry-leading Sustainalytics ESG rating of 23.2. Ranked in top 3% of all global oil and gas producers rated.
- Finalising L10 CCS cooperation agreement with partners, aiming to progress project to FEED-ready by end of 2022.
- Gudrun electrification project on track for completion by year end.

Strong financial performance, higher tax charge

- Post-tax operating cash flow of $741.3 million, EBITDAX of $956.0 million and underlying operating profit of $795.5 million.
- Net debt to EBITDAX of 0.57 times at end of period, total available liquidity of $1.5 billion.
- FY guidance for post-tax operating cash flow increased to ~$2.0 billion and cash taxes to ~$1.4 billion.

FINANCIAL SUMMARY

Neptune Energy	First quarter 2022	First quarter 2021
Revenue ($m)	1,149.3	367.8
Operating profit before financial items ($m)	795.5	171.3
Profit before tax ($m)	753.4	197.4
Net profit after tax ($m)	493.6	77.9
Net cash flows from operating activities ($m)	741.3	314.1
Non-GAAP measures		
Total daily production (kboepd) (note a)	133.7	125.7
Total daily production (kboepd) including production-equivalent insurance income (note a, b)	133.7	139.0
Operating costs ($/boe)	11.6	10.1
EBITDAX ($m) (RBL basis) (note c)	956.0	323.2
Underlying operating profit ($m) (note d)	795.5	171.9
Adjusted development cash capital expenditure ($m) (note e)	128.9	153.4
Free cash flow ($m) (note f)	578.5	93.6
Net debt ($m) (book value) (RBL basis) (note g)	1,552.1	1,964.3
Net debt/EBITDAX (RBL basis) (note g, h)	0.57x	2.11x

a) Production and realised price figures are for wholly owned affiliates and equity-accounted affiliates.
b) Including business interruption insurance income, converted to a net entitled production equivalent.
c) EBITDAX comprises net income for the period before income tax expense, financial expenses, financial income, impairment losses, other operating gains and losses, exploration expense and depreciation and amortisation.
d) Underlying operating profit is calculated as operating profit before the impact of impairment losses, restructuring costs and pension settlements or curtailments. A full calculation is shown below.
e) Excludes capital expenditure on acquisitions and includes capital expenditure of $2.7 million for the period (2021: $8.7 million) in respect of the Touat project, held by a joint venture company which Neptune accounts for under the equity method.
f) Free cash flow is calculated as net cashflow from operating activities less net capital investments during the period including repayments under leases. A full calculation is shown below.
g) Net debt excludes Subordinated Neptune Energy Group Limited Loan as defined by the RBL and Shareholder agreements.
h) EBITDAX is based on a 12-month rolling average value of $2,741.0 million (2021: $931.0 million), as defined by RBL and Shareholder agreements and as described in note c) above.

Underlying operating profit before tax is calculated before the impact of impairment losses and restructuring costs as follows:

In millions of US$	First quarter 2022	First quarter 2021
Operating profit before financial items	795.5	171.3
Adjusted for:		
Net restructuring cost	-	0.6
Underlying operating profit before financial items and tax	**795.5**	**171.9**

Free cash flow is calculated as net cash flow from operating activities less net capital investments during the period including repayments under leases:

In millions of US$	First quarter 2022	First quarter 2021
Operating cash flow	741.3	314.1
Adjust for:		
Expenditure on exploration and evaluation assets	(22.0)	(35.5)
Expenditure on property, plant and equipment	(127.3)	(147.6)
Investment in equity accounted joint ventures	(8.3)	(11.7)
Expenditure on right of use assets	(25.5)	(25.7)
Proceeds from asset disposal	20.3	-
Free cash flow	**578.5**	**93.6**

Pete Jones, Chief Executive Officer

“Neptune delivered strong operating and financial results in the first quarter, while continuing to invest in energy security across Europe. We will invest more than $700 million this year in new sources of supply, which will support the delivery of 47 kboepd of new production from next year.

“We continue to make progress with our low carbon strategy and are on track to complete the electrification of our second asset in Norway by the end of this year. CCS is key to us going beyond net zero by 2030 – and we are maturing existing opportunities, while evaluating additional possibilities in the UK, Norway and the Netherlands.”

GROUP OVERVIEW

Operational review

Neptune Energy delivered a strong operational and financial performance in the first quarter of 2022, with results in line with guidance.

As the humanitarian crisis in Ukraine shocks the world, we continue to play our part in supporting those impacted through donations to aid organisations and ongoing support for our employees who are affected. We have no activities in Russia or material commercial relationships with Russian entities.

Partly as a consequence of the war in Ukraine, commodity markets in the first quarter of 2022 tightened considerably as geo-political uncertainties restricted oil and gas flows in key markets. As governments in Europe prioritise energy security, we welcomed the UK Government's publication of its Energy Security Strategy, which helps bring clarity to energy investors. Further follow-up actions and policy changes are required across Europe to diversify oil and gas supplies and re-prioritise investment in indigenous resources in order to reduce energy costs and achieve independence from Russian supplies.

In response, we have increased production from Duva (Norway) by around 6.5 kboepd, and are reviewing further opportunities to bring forward additional energy supplies where possible. We are also progressing our development projects at Njord (Norway), Fenja (Norway) and Seagull (UK), which together are expected to contribute around 47 kboepd of net new production at plateau.

In the medium term, new oil and gas supplies will reflect current exploration activities. Since the start of 2022, we have announced a new discovery at the Hamlet prospect (Norway) and have an active programme for the remainder of the year. The Hamlet discovery reflects our shorter cycle approach to exploration enabling lower cost and lower carbon fast-track developments. With renewed support from the UK Government for North Sea oil and gas investment, we sanctioned an appraisal well at the significant Isabella discovery and expect to begin drilling in the second half of 2022.

We are also investing incrementally in lower carbon developments. In the short term, our focus is on electrification and we are on track to complete the Equinor-operated Gudrun electrification project by the end of this year. We have also made progress with our integrated energy hub strategy. We are finalising a cooperation agreement with our L10 partners to progress the L10 CCS project and are working to advance the project to FEED-ready by the end of this year.

In April 2022, Sustainalytics upgraded our ESG rating to 23.2 from 26.1 in 2021, reflecting enhanced performance and disclosure on emissions and environmental management, equality, diversity and inclusion, human rights and ethical conduct. This puts us in the top 3% of all oil and gas producers rated by the organisation. We have begun defining the next phase of our ESG strategy out to 2025, taking into account our aim to store more carbon than is emitted by our operations and our customers by 2030.

Our HSE performance remained stable in the first quarter of 2022. There were no serious personal injuries, although our lost time injury frequency rate (LTIF) was 1.13 per million hours worked, above our year end target of 0.60. Our total recordable injury rate (TRIR) was 2.16 per million hours worked, above our year end target of 1.67. Both LTIF and TRIR are calculated on a 12-month rolling basis.

Several recordable personal safety events occurred in April 2021 and our performance is expected to improve materially as these exit the measurement period. We continue to highlight the importance of life saving rules, spatial awareness and hazard identification across our operations to enhance personal safety performance.

Our 12-month rolling process safety event rate (PSER) improved further, down to 0.62 per million hours worked and is below our year-end target of 1.04. In the first quarter of 2022, we commenced our in-person process safety training course, held at the UK's Spadeadam testing facility.

In the first quarter of 2022, production averaged 133.7 kboepd, 6% higher than the comparable period of 2021, as we benefitted from contributions from the new Merakes and Duva fields. Output during the period was impacted by planned shutdowns at Gjøa (Norway) and Merakes (Indonesia) and the outage at Touat (Algeria). We continue to expect production equivalent insurance income to average 5 kboepd in 2022.

Production efficiency at our operated assets was 88% in the period, reflecting improved uptime in the UK and the Netherlands. Production efficiency was lower in Norway due to planned shutdowns. Taking into consideration planned shutdowns and third-party losses, production efficiency was 94% compared with 92% in the same period in 2021.

Financial review

Neptune delivered strong financial results in the first quarter of 2022, with EBITDAX of $956.0 million and post-tax operating cash flow of $741.3 million. Operating cash flow was impacted by a working capital outflow of $72.3 million and higher cash taxes of $121.7 million, due partially to the timing of cash taxes in Norway, related to our earnings in 2021.

In the first quarter of 2022, we invested $128.9 million in development capex (including Touat) and a further $28.1 million in exploration spend. The majority of our investment was in our projects in Norway and the UK.

With commodity prices remaining at high levels, we have added hedges to protect cash flow in 2022 and 2023. Our post-tax hedge ratio of 62% in 2022 and 34% in 2023 provides good protection to near-term price volatility, while we retain exposure to upside.

Operating costs in the period remained broadly flat at $11.6/boe and G&A costs were $17.6 million.

We delivered free cash flow of $578.5 million in the period, as revenue increased and we maintained a disciplined approach to investment and cost control.

In March, we completed the annual redetermination of our RBL facility and reconfirmed a borrowing base of $2.3 billion. As of the end of March, we retained $1.2 billion of undrawn headroom under our RBL facility and cash of $0.3 million, providing total available liquidity of $1.5 billion.

At the end of the period, our net debt to EBITDAX leverage ratio declined to 0.57 times, reflecting lower net debt and a higher 12-month rolling EBITDAX.

Outlook

We continue to operate our business prudently to protect our people and operations during this period of uncertainty. Health and safety remains our highest priority and we are targeting further improvements in our performance.

Seasonal maintenance activities and the end of gas sales to third parties from Altmark (Germany) are expected to reduce average production in the second quarter of 2022, although with the return of Snøhvit, we expect to exit the quarter at higher rates. Our production guidance for the full year remains unchanged at 135-145 kboepd (140-150 kboepd including production equivalent insurance income), subject to the return of Snøhvit and Touat.

With commodity prices remaining at current levels we expect to continue to deliver a strong financial performance in the second quarter of 2022. This will be offset partially by high tax charges. For the full year, we now expect post-tax operating cash flow of around $2.0 billion and cash taxes of $1.4 billion.

Development capex is expected to increase slightly in the short term reflecting our project schedules and an increase in development drilling as we target additional production opportunities at our existing fields. Operating costs are expected to increase marginally to more than $12/boe due to seasonally lower production and inflationary pressures on our supply chain.

OPERATING REVIEW

Norway

In Norway, production averaged 47.1 kboepd in the first quarter, reflecting a strong operational performance and a planned shutdown at Gjøa in March, which also impacted Duva and Vega. The shutdown, mainly to enable development activities at the third-party Nova project, was successfully completed in April, ahead of plan and budget. During the first quarter, output from the Gudrun field was constrained by maintenance activities at the third-party Sleipner host facility, along with heavy lift activities related to well activities.

At the Hammerfest LNG facility, repairs are now close to completion and commissioning activities underway. The operator, Equinor, is advising that production from Snøhvit is expected to commence in May adding back around 14 kboepd of net production at plateau.

In cooperation with the Norwegian authorities, we have identified measures to double gas production from the Duva field, increasing gross production by 6.5 kboepd from early April. The additional gas, which is exported to the UK, is sufficient to heat around 350,000 homes. The new production limit will be maintained for an initial 4-8 months. Production is also being increased from a number of other third-party fields as part of our programme to help security of supply in neighbouring countries and reduce their reliance on supplies from Russia.

The Gudrun electrification project is progressing as expected and is on track for completion by the end of the year, reducing our carbon emissions.

In March, onshore construction activities at the Njord A Floating Production Unit were completed and the vessel mobilised to the field. Anchoring operations have been completed and the risers will begin to be pulled in during the second quarter. Final hook up and commissioning is planned for the second half of the year, with start-up on schedule for the fourth quarter of 2022.

At our Fenja project, the second development drilling campaign is expected to start as planned, in early May.

In March, we announced a discovery at the Hamlet exploration well (Neptune 30%), located close to our Gjøa field. A subsequent side-track confirmed the discovery and encountered the oil/water contact. Recoverable resources are estimated at 8-24 mmboe. We have initiated studies to consider development options for the discovery. In the second quarter, we plan to commence drilling the Ofelia prospect, which is also located within tie-back distance to Gjøa.

The disposal of a portfolio of non-core interests in the Ivar Aasen field, the Draugen field, the Brage field, the Edvard Grieg Oil Pipeline and the Utsira High Gas Pipeline to OKEA and M Vest, was completed in March.

UK

Production in the UK remained stable in the first quarter, averaging 16.9 kboepd. During the period we continued to test the gas compression system at Cygnus, which is expected to be fully operational in the second quarter. Infill drilling at Cygnus is due to commence at the end of second quarter, with the Cygnus-10 well due onstream in early October. The second well in the programme is due to be brought onstream in 2023, with both wells helping to maintain production and offset natural decline. A planned field shutdown is due in August with a partial outage in June for rig interface work.

At our Seagull project, the Safe Zephyrus Flotel arrived in field and was attached to the BP ETAP host in February. Topside work has progressed and the hydraulic power unit for the subsea controls has been installed. The first subsea campaign of the year, installing spools and tie-ins, is due to be completed in May. The first two development wells are also expected to be completed in the second quarter.

In April, the UK Government published its Energy Security Strategy. The Strategy underlines the importance of lower carbon domestic gas production in the energy transition and opportunities to reduce emissions by electrifying offshore infrastructure by 2030. It also highlights the important role the industry has in developing and funding low carbon projects such as carbon capture usage and storage clusters and hydrogen production.

For Neptune, government backing for the industry provides encouragement for future significant investment in the large Isabella discovery. An appraisal well at Isabella is scheduled to commence drilling in the second half of 2022. Our application for a Carbon Dioxide Appraisal and Storage Licence in the Southern North Sea, however, was unsuccessful. We are evaluating new sites for CCS in the Southern North Sea, ahead of possible licence applications by the end of 2022.

In late May we expect to publish a study, together with the Net Zero Technology Centre and Sealand Projects Ltd, into the potential electrification of offshore oil and gas platforms in the Southern North Sea using the Cygnus platform as a generic case study. The report will recognise the significant opportunities for carbon reductions and challenges in the commercial viability of electrification, given high costs and regulatory barriers. We continue to collaborate with the oil and gas and renewables sectors, along with government, to improve technical and commercial viability.

Netherlands
Production in the Netherlands was strong in the first quarter averaging 21.7 kboepd, reflecting good production availability. This was our strongest performance since the beginning of 2019 when our current measurement approach to production efficiency commenced. Production increased at the F3, G blocks and L5a-D compared with the fourth quarter of 2021, but was slightly lower at K12 due to natural decline. In February, output from L5a-D was reduced temporarily due to blending constraints.

Planned seasonal maintenance activity will result in lower production in the second quarter, including activities at L5a-A/D deferred from February. The K2b-A8 side track is due to be drilled in the second quarter and brought onstream in July. A jack-up barge campaign has commenced, which includes a number of planned well workover production optimisation projects.

In March, we commenced drilling the F5-A prospect. In the second quarter, we plan to drill the Pollux and Clover prospects.

At our L10 CCS project, we are finalising a cooperation agreement with our L10 partners to progress the project to the storage licence application stage and to FEED-ready. At our H_2opZee project, we are collaborating with RWE to define the detailed work scopes ahead of the start of a feasibility study.

Germany
Production in Germany was strong in the first quarter averaging 20.7 kboepd, reflecting start-up of the Adorf-16 well in January and high gas demand from Altmark. The Adorf field continues to perform strongly and we have tested production above the plant's original design capacity. Production from Römerberg was impacted by an ESP failure on the Römerberg-7 well, which is expected to be repaired in the third quarter.

During the first quarter, pipeline maintenance and debottlenecking activities were completed successfully at the Husum field, increasing production capacity. In March, a three well workover campaign commenced on the Hamburg oil field.

In May, we announced that we had secured renewable electricity supply contracts for our operations in Germany, saving around 11,000 tonnes of CO_2 emissions annually.

Production from Germany will be lower in the second quarter, as gas sales to third parties from the Altmark field cease and we commence a power generation project. We are continuing to evaluate options to extend operations into 2023.

Construction of the drill site for the Adorf-Z17 and Adorf-Z18 wells is advancing and we expect to complete this project in the second quarter. A contract to drill the Adorf-Z17 well has been awarded to KCA Deutag. The rig will use an electrical motor, saving approximately 1,000 tonnes of CO_2 emissions from drilling operations.

We continue to mature our full field development plan for Römerberg to enable surface facility upgrades, the drilling of new wells and the end of permanent flaring. As part of this plan, field production limits need to be lifted enabling production to increase, which will support energy security in Germany.

Following the cross border gas discovery at the Turkoois prospect in the Netherlands in 2021, we are awaiting a licence extension to our H&L licence in Germany to enable us to participate in this potential fast-track development. With timely government support for offshore oil and gas activities, the development can be sanctioned in 2022 and brought onstream in 2024.

North Africa

Algeria

The Touat gas processing plant remained shut-in throughout the first quarter to carry out an investigation into the performance of the plant's mercury removal unit. Remediation and upgrades to improve the resilience of the plant are currently progressing, with a return to sustained exports expected in the second half of 2022.

Reported production in the period of 2.2 kboepd reflects compensation for gas produced from the Sbaa field and exported to a power station in Adrar.

Egypt

In Egypt, production in the first quarter averaged 3.2 kboepd. During the period a workover was completed on the Bahga SE-4 well as part of our 2022 campaign. An increase in workover activity and infill drilling is planned in the second quarter as we aim to maintain production around current levels. The Karam-11 well was brought onstream in April.

In March, drilling was completed at the Assil C106 exploration well. We plan to test the well in the second quarter to confirm fluid type.

Asia Pacific

Indonesia

Production in Indonesia remained strong in the first quarter, averaging 21.9 kboepd, reflecting a good operational performance and continued strong gas demand. In early January, a subsea flow module for the Merakes-7 well was replaced enabling production to resume at a controlled rate. Output from the Merakes-6 well has been impaired from the production of solids. We continue to monitor well performance from the Merakes field.

Australia

Following concept selection work to prepare the Petrel project for FEED, activity was paused in the first quarter of 2022 pending further work on commercial proposals for gas treatment, transportation and gas sales agreements. Applications to renew the retention licences for Petrel for a further five years were submitted in March.

Summary of production by area - wholly owned affiliates

	First quarter 2022	First quarter 2021
Gas production (kboepd)		
Norway	22.9	23.1
UK	16.6	15.2
The Netherlands	20.4	21.5
Germany	14.9	12.1
North Africa	2.7	3.0
Asia Pacific	5.5	1.7
Total Gas production (kboepd)	**83.0**	**76.6**
Gas production for sale as LNG (kboepd)		
Asia Pacific	16.1	11.8
Total Gas production for sale as LNG (kboepd)	**16.1**	**11.8**
Oil production (kbpd)		
Norway	19.5	17.2
UK	-	-
The Netherlands	1.1	1.5
Germany	5.8	5.8
North Africa	0.5	0.5
Asia Pacific	-	-
Total Oil production (kbpd)	**26.9**	**25.0**
Other Liquid production (kbpd)		
Norway	4.7	9.0
UK	0.3	0.3
The Netherlands	0.2	0.2
Germany	-	-
North Africa	-	-
Asia Pacific	0.3	0.4
Total Other Liquid production (kbpd)	**5.5**	**9.9**
Total production (kboepd)		
Norway	47.1	49.3
UK	16.9	15.5
The Netherlands	21.7	23.2
Germany	20.7	17.9
North Africa	3.2	3.5
Asia Pacific	21.9	13.9
Total production (kboepd)	**131.5**	**123.3**

Summary of production by area – equity-accounted affiliates

	First quarter 2022	First quarter 2021
Gas production (kboepd)		
North Africa	2.2	2.4
Total Gas production (kboepd)	**2.2**	**2.4**
Oil production (kbpd)		
North Africa	-	-
Total Oil production (kbpd)	**-**	**-**
Total production (kboepd)		
North Africa	2.2	2.4
Total production (kboepd)	**2.2**	**2.4**

Summary of production by area – wholly owned and equity-accounted affiliates

	First quarter 2022	First quarter 2021
Total production (kboepd)		
Norway	47.1	49.3
UK	16.9	15.5
The Netherlands	21.7	23.2
Germany	20.7	17.9
North Africa	5.4	5.9
Asia Pacific	21.9	13.9
Total production (kboepd)	**133.7**	**125.7**

Financial review

This report includes the Group results for the three months ended 31 March 2022.

Results of operations

In millions of US$	First quarter 2022	First quarter 2021
Revenue	1,149.3	367.8
Operating profit (note a)	795.5	171.3
Underlying operating profit (note b)	795.5	171.9
Profit before tax	753.4	197.4
Taxation charge	(259.8)	(119.5)
Net profit after tax	493.6	77.9
EBITDAX (RBL basis) (note c)	956.0	323.2
Net cash flows from operating activities	741.3	314.1
Adjusted development cash capital expenditure (note d)	128.9	153.4
Net debt (book value) (RBL basis)	1,552.1	1,964.3
Net debt/EBITDAX (RBL basis) (note e)	0.57x	2.11 x

a) Operating profit comprises current operating income after share in net income of entities accounted for using the equity method and is stated before tax and finance costs, but after mark-to-market on commodity contracts and non-recurring items.
b) Underlying operating profit is calculated as operating (loss)/profit before the impact of impairment losses, restructuring costs and pension settlements or curtailments. A full calculation is shown on page 14.
c) EBITDAX comprises net income for the period before income tax expense, financial expenses, financial income, impairment reversals/losses, other operating gains and losses, exploration expense and depreciation and amortisation. EBITDAX as defined by the RBL and Neptune Energy Group Limited Shareholder Agreement (Shareholder Agreement) includes our share of net income from Touat following the repayment of the Touat Vendor Loan in 2020.
d) Excludes capital expenditure on acquisitions and includes capital expenditure of $2.7 million for the period (2021: $8.7 million) in respect of the Touat project, held by a joint venture company which Neptune accounts for under the equity method.
e) EBITDAX is based on a 12-month rolling average value of $2,741.0 million (2021: $931.0 million), as defined by RBL and Shareholder agreements and as described in note c above.

Revenues for the first quarter 2022 were $1,149.3 million (2021: $367.8 million), reflecting total production from wholly owned subsidiaries of 11.8 mmboe (2021: 11.1 mmboe). Realised prices, before and after hedging, are shown in the table below. Both achieved prices and production for first quarter in 2022 are higher than the same period in 2021, driving the higher revenues in the first quarter of 2022.

The Brent crude price averaged $102.2 (2021: $61.3) per barrel for the first quarter 2022 and our average realised oil price (pre hedging) was $97.2 per barrel (2021: $60.8) for the same period. Including hedging our average realised oil price was $95.8 per barrel (2021: $53.4) for the period.

The average realised gas price was $25.7 (2021: $5.8) per mmbtu (pre hedging) and $15.5 (2021: $5.9) per mmbtu (post hedging) for the period. The higher commodity prices are partly as a consequence of the war in Ukraine, tightening the commodity markets considerably.

LNG sales prices are linked to a combination of movements in oil and gas market prices, depending on the contract.

Realised prices for wholly owned affiliates:

	First quarter 2022	First quarter 2021
Excluding impact of hedging:		
Average realised gas price ($/MMBtu)	25.7	5.8
Average realised LNG price ($/MMBtu)	11.9	6.9
Average realised oil price ($/bbl)	97.2	60.8
Average realised price, other liquids ($/bbl) (note a)	105.5	40.2
Average realised price of all production ($/boe)	126.2	52.0
Including impact of hedging:		
Average realised gas price ($/MMBtu)	15.5	5.9
Average realised LNG price ($/MMBtu)	11.9	5.6
Average realised oil price ($/bbl)	95.8	53.4
Average realised price, other liquids ($/bbl) (note a)	105.5	40.2
Average realised price of all production ($/boe)	90.1	47.7

a) Other liquids include condensate and other natural gas liquids.

In 2022, there is currently no other operating income recognised. In 2021, $29.5 million arose in relation to business interruption insurance proceeds for loss of revenue in relation to a 2020 incident at the Hammerfest LNG facility, Norway where Neptune is a non-operating joint venture partner.

Operating costs were $137.2 million (2021: $111.6 million) for the first quarter 2022 and our average operating cost per boe produced was $11.6/boe compared with $10.1/boe for the first quarter 2021. Operating costs for the purpose of per boe expense are reduced by $35.2 million (2021: $60.5 million increase) for the first quarter 2022 to exclude changes in the value of over/under-lifted entitlement to production, to net-off income from tariffs and services which serve to recover costs, to exclude predevelopment costs and to exclude abandonment costs incurred on non-producing fields. The higher operating costs per barrel in the period reflect a general increase in production costs, reflecting higher industry costs, including increased royalty cost in Germany due to higher prices and increased blending costs in Indonesia.

The depreciation and amortisation expense was $128.9 million (2021: $128.2 million). The charge represents $10.9/boe produced compared with $11.6/boe produced for the first quarter 2021. The depreciation charge in the first quarter 2022 remained at a similar level to the same period in 2021. Depreciation per barrel in the first quarter 2022 is lower than 2021 driven by the increase in production in the first quarter 2022.

Exploration expense for the period was $10.3 million (2021: $7.6 million), which includes costs incurred on Geological and Geophysical studies to review strategic growth opportunities as well as seismic costs. The higher 2021 charge was primarily due to $3.4 million of costs recognised for an unsuccessful well evaluation in Netherlands.

General and administration expense of $17.6 million for the first quarter 2022 remained in line with the general and administration expense of $18.4 million for the same period in 2021. It consists primarily of costs that are not directly incurred for production or capital projects (including exploration), such as staff employment costs related to corporate functions and selling expenses, office costs and fees for services provided to us.

Share in net loss of entities accounted for under the equity method was $3.4 million (2021: $3.7 million loss) for the first quarter. This represents a loss from the Touat joint venture, $3.7 million (2021: $4.1 million loss), slightly netted off by tariff income of one of our Dutch pipeline interests of $0.3 million (2021: $0.4 million). The loss from the Touat joint venture in 2022 reflects the shut-in throughout the first quarter to carry out an investigation into the performance of the plant’s mercury removal unit, whereas the loss in 2021 was due to production outage in the period.

Other operating losses were $21.3 million (2021: $16.1 million) for the first quarter 2022. The 2022 loss includes a loss on mark-to-market on commodity contracts other than trading instruments of $23.0 million, and other gains of $1.7 million which is principally due to a gain on disposal of a portfolio of non-core Norwegian assets. The 2021 loss includes a loss on mark-to-market on commodity contracts other than trading instruments of $17.2 million, a restructuring provision charge of $0.6 million, a $2.5 million gain from the release of contingent consideration in relation to the 2018 VNG acquisition and other losses of $0.8 million.

The Group's operating profit for the first quarter 2022 was $795.5 million (2021: $171.3 million), before net finance costs. Underlying operating profit before tax is calculated before the impact of impairment losses and restructuring costs.

In millions of US$	First quarter 2022	First quarter 2021
Operating profit before financial items	795.5	171.3
Net restructuring cost/(credit)	-	0.6
Underlying operating profit	**795.5**	**171.9**

Net financing was an expense of $42.1 million (2021: $26.1 million income) for the period. The majority of the $68.2 million variance relates to the net foreign exchange movement with a $0.7 million gain in 2022 compared to a $70.4 million gain in 2021. The net foreign exchange gain arises on the revaluation of loans and working capital balances for internal funding purposes across the Group and is principally impacted by the exchange rates for Euros, Norwegian Krona, Pound Sterling and US Dollars.

The Group's profit before tax for the first quarter 2022 was $753.4 million (2021: $197.4 million). EBITDAX (as defined by the RBL and Shareholders Agreements) for the period was $956.0 million, compared with $323.2 million for the first quarter 2021. The higher production and prices in 2022 are the principal reason for the significant increase compared with 2021.

In millions of US$	First quarter 2022	First quarter 2021
Profit before tax	753.4	197.4
Add back:		
Net financing expenses/(income)	42.1	(26.1)
Other operating losses	21.3	16.1
Exploration expense	10.3	7.6
DD&A	128.9	128.2
EBITDAX (RBL basis)	**956.0**	**323.2**

The Group's total tax charge for the first quarter 2022 is $259.8 million (2021: $119.5 million), comprising a current tax charge for the period of $435.2 million (2021: $26.8 million credit) and a deferred tax credit for the period of $175.4 million (2021: $146.3 million charge). The total tax charge for the period represents an effective tax rate of 34% (2021: 61%).

The Group's actual tax charge for the period is $259.8 million compared with the Group's expected tax charge of $495.5 million. The main driver for the difference between the actual tax charge and the expected tax charge, is the recognition of $261.1 million deferred tax asset, related mainly to the UK, arising from expected future recoverability of the tax losses. This is offset by deferred tax asset not recognised of $11.5 million, relating primarily to Norway onshore tax losses and Netherlands interest losses.

Net income for the first quarter 2022 was $493.6 million (2021: $77.9 million profit) on a reported basis.

Hedging

Group policy is to seek to reduce risk related to commodity price fluctuations by using hedging instruments to set a floor for the sales realisations for a proportion of forecast revenues on a rolling basis, with reducing levels of hedging for each of the next three years. The Group actively manages this hedging programme using, among others, swaps and options.

As at 31 March 2022, the approximate share of post-tax production (which adjusts for different tax rates on physical sales and hedge gains and losses, meaning that effective post-tax hedges can be achieved through hedging contracts for volumes which may be significantly less than anticipated sales) hedged for future periods is shown in the table below. For oil, weighted average downside protection is $53.1/barrel for 2022 and $45.4/barrel for 2023, with upside capped at around $87.0/barrel for 2022 and $91.4/barrel for 2023.

For gas, hedging provides weighted average floor prices of $9.9/mmbtu for 2022 and $7.2/mmbtu for 2023 with upside caps at $13.4/mmbtu and $22.8/mmbtu respectively.

The average hedge prices are reflective of open hedge positions, in the event positions have been closed out, these are not included in the average hedge prices. The average hedge prices do not include the effect of bought calls, certain of our existing capped hedges will re-participate in higher market environments.

Aggregate pre-tax hedge ratio:

	2022[1]	2023	2024
Oil	22%	18%	–
Gas	39%	26%	–
Total weighted average	**30%**	**21%**	–

Aggregate post-tax hedge ratio:

	2022[1]	2023	2024
Oil	45%	29%	–
Gas	79%	40%	–
Total weighted average	**62%**	**34%**	–

1. The 2022 hedge ratio reflects the nine-month period from 1 April 2022 to 31 December 2022.
2. Oil price hedges include hedges of realisations for gas production sold as LNG and priced in relation to oil prices.
3. Post-tax hedge ratios adjust for different tax rates on physical sales and hedge gains and losses, which means that effective post-tax hedges can be achieved through hedging contracts for volumes which may be significantly less than anticipated sales.
4. Hedge percentages are based on total Group forecast production volumes including Algeria.

The estimated net fair value (comprised of current and non-current assets and liabilities) on a mark-to-market basis of all our commodity derivative instruments at 31 March 2022, was a liability of $2,061.2 million (31 December 2021: $1,123.2 million liability), of which contracts with a net liability of $1,595.0 million expire in 2022 in conjunction with the relevant production.

Cash flow

Operating cash flow, after cash taxes, for the first quarter 2022 was $741.3 million (2021: $314.1 million). The increased operating cash flows for the 2022 quarter was predominantly due to the higher commodity prices. Cash taxes were a payment of $121.7 million (2021: $95.2 million received). The tax refunds in 2021 resulted predominately from our Norwegian investment programme and the temporary Norwegian fiscal changes.

Capital expenditure

Cash capital expenditure for the first quarter 2022 was $149.3 million (2021: $183.1 million), including $22.0 million (2021: $35.5 million) of capitalised exploration expenditure. This excludes expenditure at Touat in Algeria, where the joint venture is accounted for under the equity method of accounting as a joint venture. Our statement of cash flows reflects net investment at Touat in terms of the cash injections and capital reductions made with the joint venture company, which were $8.3 million cash outflow in 2022 (2021: $11.7 million cash outflow).

In millions of US$	First quarter 2022	First quarter 2021
Investing cash flows:		
Development capex	126.2	144.7
Acquisitions – development assets	1.1	2.9
Exploration and pre-development capex	22.0	27.3
Acquisitions – exploration assets	-	8.2
Total cash capital expenditure	**149.3**	**183.1**

a) Capex figures are for wholly-owned affiliates only

Development cash capex was $126.2 million (2021: $144.7 million). The majority of expenditure was in Norway on the Njord, Duva/Gjøa, Fenja and Gudrun projects, Jangkrik in Indonesia, Adorf project in Germany and the Cygnus and Seagull projects in UK. A further $1.1 million was paid in the period in relation to a 2021 German acquisition.

Total exploration expenditure of $28.1 million (2021: $43.0 million) comprised the $22.0 million (2021: $35.5 million) cash exploration and pre-development capex and $6.1 million (2021: $7.5 million) expensed in respect of G&G and seismic costs. Capex expenditure in 2022 has predominantly been in Norway.

We incurred $6.1 million (2021: $7.3 million) on decommissioning cash expenditure in the first quarter 2022, this was principally in the UK and Germany.

Disposals

On 31 March 2022, the Group completed the disposal of a portfolio of non-core Norwegian assets, which included the producing Draugen, Brage and Ivar Aasen fields, as well as the Edvard Grieg Oil Pipeline and the Utsira High Gas Pipeline (note 10).

Financing and liquidity

Our financial strategy is to manage Neptune's capital structure with the aim that, across the business cycle, net debt (excluding vendor loans) to EBITDAX, as defined by the RBL and shareholder agreement, remains modest. The ratio, at the end of the period, equals 0.57x. RBL covenants require this ratio to remain below 3.5x.

We funded our business mainly with cash generated from operations and debt facilities. At 31 March 2022, we had the following debt outstanding:

- $1,060 million drawn under the $2.6 billion committed RBL facility, which matures in 2024;
- $850 million 6.625% senior notes, maturing in 2025; and
- $100 million 7.250% Subordinated Neptune Energy Group Limited vendor loan with ENGIE E&P International S.A., maturing in 2024.

At 31 March 2022, our cash balance totalled $321.2 million (31 December 2021: $125.5 million) and our available and undrawn headroom under the RBL facility was $1.2 billion. In March, we completed the annual redetermination of our RBL facility and reconfirmed a borrowing base of $2.3 billion. We also had $11 million of letters of credit drawn under an ancillary facility to the RBL and $168 million in surety bonds outstanding. Our weighted average cost of borrowing for the Group equalled 4.79% at the end of March. Our Corporate Credit Ratings with Moody's, S&P and Fitch are Ba3, BB- and BB respectively. The outlook from both S&P and Moody's is positive. We will continue to strengthen these ratings over time.

All debt, except for the debt drawn under the RBL facility, is carrying a fixed interest rate. As at 31 March 2022, 47% of the debt portfolio was fixed, reducing Neptune's exposure to increases in interest rates.

Financial condition

Operating cash flows were $741.3 million (2021: $314.1 million). Investing cash flows were lower in the first quarter 2022 at $135.4 million (2021: $194.7 million) for the period being significantly covered by operating cash flows. The increased operating cash flows in 2022 from the higher commodity prices has allowed the company to repay debt in the quarter. The financing costs and net debt repayments of $410.2 million (2021: $93.1 million) during the period resulted in a net cash inflow of $195.7 million for the first quarter 2022 (2021: $26.3 million inflow). We ended the period with gross interest-bearing debt of $1,973.3 million (book value) and net debt on an RBL basis, (excluding the Subordinated Neptune Energy Group Limited loan) of $1,552.1 million. This represents a net debt to EBITDAX ratio of 0.57x for the 12 months ended 31 March 2022 (2021: 2.11x).

Risks and uncertainties

Investment in Neptune involves risks and uncertainties, these are summarised in detail in the Neptune Energy Group Midco Limited 2021 Annual Report and Accounts.

As an oil and gas exploration and production company, exploration results, reserve and resource estimates, and estimates for capital and operating expenditures, involve inherent uncertainties. A field's production performance may be uncertain over time. The Group is exposed to various forms of financial risks, including, but not limited to, fluctuations in oil and gas prices, currency exchange rates, interest rates and capital requirements. The Group is also exposed to uncertainties relating to cyber threats, political risks, the international capital markets and access to capital and this may influence the speed with which growth can be accomplished.

Dividend

No dividend has been declared or paid in the first quarter 2022.

During the first quarter 2021, an interim dividend of $80.0 million was declared on 24 February 2021. This was initially enabled through the issuance of an $80.0 million promissory note. The promissory note was settled in full on 15 December 2021, having borne no interest. A $200.0 million promissory note issued in respect of the final 2019 dividend announced on 11 December 2019 was settled on 25 February 2021.

NEPTUNE ENERGY GROUP MIDCO LIMITED

UNAUDITED CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2022

Unaudited condensed consolidated income statement

Group In millions of US$	Notes	First quarter 2022	First quarter 2021
Revenue from contracts with customers	2	1,149.3	367.8
Other operating income	3	-	29.5
Revenue and other income		**1,149.3**	**379.3**
Cost of sales		(301.2)	(180.2)
GROSS PROFIT		**848.1**	**217.1**
Exploration expenses		(10.3)	(7.6)
General and administration expenses		(17.6)	(18.4)
Share of net loss from investments using equity method		(3.4)	(3.7)
OPERATING PROFIT AFTER EQUITY ACCOUNTED INVESTMENTS	2	**816.8**	**187.4**
Other operating losses	4	(21.3)	(16.1)
OPERATING PROFIT BEFORE FINANCIAL ITEMS AND TAX		**795.5**	**171.3**
Finance income		2.8	71.2
Finance costs		(44.9)	(45.1)
PROFIT BEFORE TAX		**753.4**	**197.4**
Taxation charge	6	(259.8)	(119.5)
NET PROFIT		**493.6**	**77.9**

All profits and losses arise as a result of continuing operations.

Unaudited condensed consolidated statement of other comprehensive income

Group In millions of US$	Notes	First quarter 2022	First quarter 2021
Profit for the period		**493.6**	**77.9**
Other comprehensive income:			
Items that may be reclassified to the income statement:			
Hedge adjustments net of tax [(1)]	15.3	(600.4)	(61.6)
Share of hedge adjustments within equity-accounted investments[(2)]	15.3	4.7	(5.0)
Foreign currency translation		(17.6)	(51.0)
		(613.3)	(117.6)
Other items not reclassified to the income statement:			
Foreign currency translation	15.4	(0.3)	-
		(0.3)	-
OTHER COMPREHENSIVE EXPENSE		**(613.6)**	**(117.6)**
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(120.0)**	**(39.7)**

1. Income tax related to hedge adjustments is $343.3 million credit (2021: $29.1 million credit) and is shown net of amounts reclassified to profit or loss or included in finance costs.
2. Income tax related to share of hedge adjustments within equity-accounted investments is a $0.9 million charge (2021: $1.7 million credit).

Unaudited condensed consolidated statement of financial position

Group In millions of US$	Notes	31 March 2022	31 December 2021
NON-CURRENT ASSETS			
Goodwill	7	612.7	610.0
Intangible assets	8	311.2	282.0
Property, plant and equipment	9	4,729.2	4,748.8
Derivative instruments	15	44.3	21.0
Investments in entities accounted for using the equity method		615.7	606.3
Other non-current assets	15	96.4	69.5
Equity instruments	15	15.1	15.4
Deferred tax assets	6	1,387.8	852.3
TOTAL NON-CURRENT ASSETS		**7,812.4**	**7,205.3**
CURRENT ASSETS			
Derivative instruments	15	214.3	60.7
Trade and other receivables	11, 15	1,484.2	1,384.8
Inventories		80.9	83.0
Cash and cash equivalents	12	321.2	125.5
Income tax receivable		31.8	33.4
		2,132.4	**1,687.4**
Assets held for sale	10	-	134.9
TOTAL CURRENT ASSETS		**2,132.4**	**1,822.3**
TOTAL ASSETS		**9,944.8**	**9,027.6**
Share capital	16	1,977.2	1,977.2
Hedging reserve	15	(1,304.3)	(708.6)
Foreign currency translation		(84.7)	(67.1)
Fair value reserve of financial assets at FVOCI	15	(6.2)	(5.9)
Retained earnings/(deficit)		44.2	(449.4)
TOTAL EQUITY		**626.2**	**746.2**
NON-CURRENT LIABILITIES			
Provisions	14	1,753.7	1,778.0
Long-term borrowings	15	1,973.3	2,269.4
Derivative instruments	15	259.1	169.7
Income tax payable		85.1	82.5
Other non-current liabilities	13, 15	96.0	95.2
Deferred tax liabilities	6	1,394.2	1,357.1
TOTAL NON-CURRENT LIABILITIES		**5,561.4**	**5,751.9**
CURRENT LIABILITIES			
Provisions	14	130.9	123.5
Short-term borrowings	15	-	60.0
Derivative instruments	15	2,057.2	1,029.3
Trade and other payables	13, 15	294.5	329.4
Income tax payable		679.4	378.8
Other current liabilities	13, 15	595.2	507.6
		3,757.2	**2,428.6**
Liabilities directly associated with the assets held for sale	10	-	100.9
TOTAL CURRENT LIABILITIES		**3,757.2**	**2,529.5**
TOTAL EQUITY AND LIABILITIES		**9,944.8**	**9,027.6**

Unaudited condensed consolidated statement of changes in equity

Group In millions of US$	Share Capital	Hedging reserve (1)(3)	Foreign currency translation (2)	Fair value reserve of financial assets at FVOCI (4)	Retained earnings	Total
As at 1 January 2022	**1,977.2**	**(708.6)**	**(67.1)**	**(5.9)**	**(449.4)**	**746.2**
Profit for the period	-	-	-	-	493.6	493.6
Other comprehensive loss	-	(595.7)	(17.6)	(0.3)	-	(613.6)
Total comprehensive (loss)/income	**-**	**(595.7)**	**(17.6)**	**(0.3)**	**493.6**	**(120.0)**
Transactions with Owners of the Company:						
Dividends paid	-	-	-	-	-	-
As at 31 March 2022	**1,977.2**	**(1,304.3)**	**(84.7)**	**(6.2)**	**44.2**	**626.2**

Group In millions of US$	Share Capital	Hedging reserve (1)(3)	Foreign currency translation (2)	Fair value reserve of financial assets at FVOCI (4)	Retained earnings	Total
As at 1 January 2021	**1,977.2**	**(22.6)**	**34.7**	-	**(506.7)**	**1,482.6**
Profit for the period	-	-	-	-	77.9	77.9
Other comprehensive income	-	(66.6)	(51.0)	-	-	(117.6)
Total comprehensive income	**-**	**(66.6)**	**(51.0)**	-	**77.9**	**(39.7)**
Transactions with Owners of the Company:						
Dividends paid (note 5)	-	-	-	-	(80.0)	(80.0)
As at 31 March 2021	**1,977.2**	**(89.2)**	**(16.3)**	-	**(508.8)**	**1,362.9**

1. The hedging reserve represents gains and losses on derivatives classified as effective cash flow hedges stated net of tax.
2. The foreign currency translation reserve represents exchange gains and losses arising on translation of foreign currency subsidiaries.
3. Included in the hedging reserves other comprehensive loss in the period of $595.7 million is a gain of $4.7 million net of tax related to hedging undertaken by associated entities.
4. The fair value reserve of financial assets at fair value through OCI (FVOCI) represents the fair value movements in the year associated with the non-listed equity investments classified as equity instruments designated at fair value through other comprehensive income, refer to note 14.

Unaudited condensed consolidated cash flow statement

Group In millions of US$		First quarter 2022	First quarter 2021
Cash flows from operating activities			
Profit before taxation		753.4	197.4
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation		128.9	128.2
Unsuccessful exploration costs written off		4.1	0.2
Finance costs		44.9	45.1
Finance income		(2.8)	(71.2)
Share of net loss from equity investments		3.4	3.7
Other non-cash income and expenses		0.7	8.0
Mark-to-market on currency and commodity contracts		23.0	17.2
Movement in provisions including decommissioning expenditure		(20.3)	(26.7)
Working capital adjustments[(1)]		(72.3)	(83.0)
Income tax (paid)/received (net)		(121.7)	95.2
Net cash flows from operating activities		**741.3**	**314.1**
Cash flows from investing activities			
Expenditure on exploration and evaluation assets		(22.0)	(35.5)
Expenditure on property, plant and equipment		(127.3)	(147.6)
Proceeds from sale of assets	10	20.3	-
Finance income received		1.9	0.1
Net investment made in equity accounted investments		(8.3)	(11.7)
Net cash flows used in investing activities		**(135.4)**	**(194.7)**
Cash flows from financing activities			
Proceeds from loans and borrowings		523.0	456.0
Repayment of loans and borrowings		(883.0)	(298.9)
Repayment of obligations under leases		(25.5)	(25.7)
Finance costs paid		(24.7)	(24.5)
Dividends paid to parent company	5	-	(200.0)
Net cash flows used in financing activities		**(410.2)**	**(93.1)**
Net increase in cash and cash equivalents		195.7	26.3
Cash and cash equivalents at 1 January		125.5	92.5
Net foreign exchange differences		-	(0.2)
Cash and cash equivalents at 31 March		**321.2**	**118.6**

1. Working capital movements include movements in trade and other receivables, trade and other payables, and inventory.

General information
Neptune Energy Group Midco Limited is a limited company, incorporated and domiciled in the United Kingdom. The registered office is located at Nova North, 11 Bressenden Place, London SW1E 5BY.

The consolidated financial statements of Neptune Energy Group Midco Limited and its subsidiaries (collectively, the Group) for the period ended 31 March 2022 were authorised for issue in accordance with a resolution of the Board on 11 May 2022.

The Group is principally engaged in oil and gas exploration and production.

1. Basis of preparation

The condensed consolidated financial statements for the three months ended 31 March 2022 have been prepared in accordance with UK adopted IAS 34 Interim Financial Reporting.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements as at 31 December 2021 which contains additional accounting policy disclosure. The preparation of financial statements in conformity with UK adopted IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below in note 1.3.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the period ending 31 December 2021 except where, due to the adoption of new standards effective as of 1 January 2022 (see note 1.1). The Group has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Going concern

Given the total available liquidity as at 31 March 2022 of $1.5 billion, comprising our cash balance available ($321.2 million) and undrawn headroom under the RBL facility ($1.2 billion), and capital resources arrangements in place, the consolidated accounts have been prepared on a going concern basis.

The going concern basis is supported by future cash flow forecasts which project the Group's available liquidity and compliance with covenants through to 31 December 2023. The cash flow forecasts reflect forecast production consistent with our Board approved plans and externally published guidance and base case commodity prices that are slightly below current market conditions.

The war in the Ukraine has caused commodity markets to tighten considerably as oil and gas flows in key markets have been restricted. As governments focus on energy security issues in our European markets, we anticipate greater support for the oil and gas industry as we invest in domestic lower carbon oil and gas supplies and integrated energy hubs. Our low-cost projects, long-life production, strong balance sheet and hedging provides resilience for the Group against volatile commodity prices.

In reaching the conclusion that the going concern basis is appropriate, we have stress tested future cash flow forecasts and covenant compliance for the Group to evaluate the impact of plausible downside scenarios. These include scenarios that reflect short-term commodity price forecasts significantly below current market conditions as well as scenarios that consider the impact of unforeseen production outages. We have also performed a reverse stress test to inform our judgement, which demonstrated that we are resilient to sustained low commodity prices up to 50% below our conservative base case cash flow forecast.

Under all plausible scenarios, it was concluded that the Group retains sufficient liquidity and headroom over its covenant ratio, and that the going concern basis remains appropriate. The likelihood of the commodity prices identified in the reverse stress test materialising is considered remote on the basis of market consensus for short-term commodity prices and relative to historic market lows.

1.1 New standards, interpretations and amendments adopted by the Group

New standards, interpretations and amendments are considered in note 1 of the Neptune Energy Group Midco Limited 2021 Annual Report and Accounts. Further amendments to UK IFRS that have become effective since the year end have had no impact on the interim consolidated financial statements.

1.2 Measurement and presentation basis

The condensed consolidated financial statements have been prepared using the historical cost convention, except for financial instruments, debt and equity financial assets and contingent consideration that are measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised costs are adjusted to recognise changes in the fair value attributable to the risks that are being hedged in effective hedge relationships.

The consolidated financial statements are presented in US dollars and rounded to millions, except when otherwise indicated.

1.3 Significant judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements and estimates are summarised in detail in the Neptune Energy Group Midco Limited 2021 Annual Report and Accounts in note 1.

2. Segmental information

2.1 Revenue from Contracts with customers and Net operating profit after equity-accounted investments

Neptune Energy's reportable segment is that used by the Group's Board and management to run the business. The Board is responsible for allocating resources and assessing performance of the segment.

The Group's activities consist of a single class of business (upstream), representing the acquisition, exploration, development and production of the Group's own oil and gas reserves and resources and is focused on seven geographies: UK, Norway, Netherlands, Germany, North Africa, Asia Pacific and Corporate.

	First quarter 2022							
Group In millions of US$	**UK**	**Norway**	**Netherlands**	**Germany**	**North Africa**	**Asia Pacific**	**Corporate**	**Total**
Production revenue by origin	69.9	647.5	96.3	182.9	8.5	98.2	-	1,103.3
Other revenue	1.1	35.1	5.1	-	-	-	4.7	46.0
Revenue from contract with customers	**71.0**	**682.6**	**101.4**	**182.9**	**8.5**	**98.2**	**4.7**	**1,149.3**
Other operating income	-	-	-	-	-	-	-	-
Revenue and other income	**71.0**	**682.6**	**101.4**	**182.9**	**8.5**	**98.2**	**4.7**	**1,149.3**
Current operating profit	**34.8**	**545.8**	**55.9**	**128.2**	**1.4**	**56.0**	**(1.9)**	**820.2**
Share of net income/(loss) from investments using equity method	-	-	0.3	-	(3.7)	-	-	(3.4)
Net operating profit/(loss) after equity-accounted investments	**34.8**	**545.8**	**56.2**	**128.2**	**(2.3)**	**56.0**	**(1.9)**	**816.8**
Other operating losses								(21.3)
Profit before financial items								**795.5**
Financial income								2.8
Finance costs								(44.9)
Profit before tax								**753.4**

	First quarter 2021							
Group In millions of US$	**UK**	**Norway**	**Netherlands**	**Germany**	**North Africa**	**Asia Pacific**	**Corporate**	**Total**
Production revenue by origin	53.1	140.7	72.1	49.6	6.2	33.3	-	355.0
Other revenue	1.2	0.5	8.0	0.9	-	-	2.2	12.8
Revenue from contract with customers	**54.3**	**141.2**	**80.1**	**50.5**	**6.2**	**33.3**	**2.2**	**367.8**
Other operating income	-	29.5	-	-	-	-	-	29.5
Revenue and other income	**54.3**	**170.7**	**80.1**	**50.5**	**6.2**	**33.3**	**2.2**	**397.3**
Current operating profit	**13.9**	**146.6**	**27.7**	**8.1**	**-**	**(1.1)**	**(4.1)**	**191.1**
Share of net income/(loss) from investments using equity method	-	-	0.4	-	(4.1)	-	-	(3.7)
Net operating profit/(loss) after equity-accounted investments	**13.9**	**146.6**	**28.1**	**8.1**	**(4.1)**	**(1.1)**	**(4.1)**	**187.4**
Other operating losses								(16.1)
Profit before financial items								**171.3**
Financial income								71.2
Finance costs								(45.1)
Profit before tax								**197.4**

2.2 EBITDAX by country

EBITDAX as a non-GAAP measure is the group performance metric used to measure our ability to produce income from our operations in any given year. The Group uses EBITDAX as it is a principal key performance metric under the Group's RBL borrowing facility.

	First quarter 2022							
Group In millions of US$	**UK**	**Norway**	**Netherlands**	**Germany**	**North Africa**	**Asia Pacific**	**Corporate**	**Total**
EBITDAX (including equity-accounted affiliates)	54.6	578.4	82.6	144.6	1.5	95.8	(1.5)	**956.0**

				First quarter 2021				
Group **In millions of US$**	UK	Norway	Netherlands	Germany	North Africa	Asia Pacific	Corporate	Total
EBITDAX (including equity-accounted affiliates)	32.7	187.8	53.5	25.8	0.1	27.0	(3.7)	**323.2**

Reconciliation of EBITDAX as a non-GAAP measure to profit/(loss) before tax, after financial items:

In millions of US$	First quarter 2022	First quarter 2021
Profit before tax, after financial items	753.4	197.4
Add back:		
Net financing expense/(income)	42.1	(26.1)
Other operating loss	21.3	16.1
Exploration expense	10.3	7.6
DD&A	128.9	128.2
EBITDAX (RBL basis)	**956.0**	**323.2**

2.3 Net assets

				31 March 2022				
Group **In millions of US$**	UK	Norway	Netherlands	Germany	North Africa	Asia Pacific	Corporate	Total
Balance sheet								
Assets	1,869.7	3,545.6	1,176.3	679.4	692.1	1,211.9	769.8	9,944.8
Liabilities	(1,239.4)	(3,107.0)	(1,773.8)	(845.1)	(21.4)	(268.2)	(2,063.7)	(9,318.6)
Net assets/(liabilities)	**630.3**	**438.6**	**(597.5)**	**(165.7)**	**670.7**	**943.7**	**(1,293.9)**	**626.2**

				31 December 2021				
Group **In millions of US$**	UK	Norway[(1)]	Netherlands	Germany	North Africa	Asia Pacific	Corporate	Total
Balance sheet								
Assets	1,465.5	3,534.8	937.7	648.8	692.2	1,203.9	544.7	9,027.6
Liabilities	(916.3)	(2,651.7)	(1,315.4)	(715.9)	(34.6)	(227.5)	(2,420.0)	(8,281.4)
Net assets/(liabilities)	**549.2**	**883.1**	**(377.7)**	**(67.1)**	**657.6**	**976.4**	**(1,875.3)**	**746.2**

1. As at 31 December 2021, Norway segment net assets included assets held for sale of $134.9 million and liabilities directly associated with the assets held for sale of $100.9 million. As at 31 March 2022, the sale of these assets had concluded, see note 10.

Corporate net liabilities includes amounts of a corporate nature and not specifically attributable to a reportable segment. The liabilities comprise the Group's external debt and other non-attributable corporate liabilities.

2.4 Underlying operating profit

Underlying operating profit as a non-GAAP measure is the group performance metric used to measure our ability to produce income from our operations in any given year. The Group uses underlying operating profit as it removes the effects of non-business as usual events, such as impairments, restructuring costs and curtailment gains/losses that might otherwise distort comparability between periods. For the Group's single class of business (upstream), the underlying operating profit is as below:

In millions of US$	First quarter 2022	First quarter 2021
Operating profit before financial items	795.5	171.3
Adjusted for:		
Net restructuring cost	-	0.6
Underlying operating profit before financial items and tax	**795.5**	**171.9**

3. Other operating income

Group In millions of US$	First quarter 2022	First quarter 2021
Loss of production insurance	-	29.5
Total	**-**	**29.5**

On 26 October 2020, Equinor, the operator of the Hammerfest LNG facility in Norway announced to its joint venture partners that the LNG plant will be closed for up to 12 months for repairs following an incident. The plant processes production from the Snøhvit, Albatross and Askeladd fields. The operator has advised that the estimated date to restart production is May 2022. Neptune's loss of revenue is being recovered through business interruption insurance.

4. Other operating losses

Other operating losses are those that need to be disclosed separately by virtue of their nature, size or incidence. These may include certain remeasurements, business restructuring costs, business combination activity, pension change costs or credits and asset impairments/write backs.

Group In millions of US$	First quarter 2022	First quarter 2021
Mark-to-market on commodity contracts other than trading instruments	23.0	17.2
Restructuring provision cost	-	0.6
Charge/(release) of contingent consideration	-	(2.5)
Other (gain)/loss	(1.7)	0.8
Total other operating losses	**21.3**	**16.1**

The other gain in the first quarter of 2022 principally relates to the gain on disposal of a portfolio of non-core Norwegian assets which completed on 31 March 2022 (note 10).

The release of contingent consideration payable in 2021 was recognised as the Board no longer expected that certain project milestones, related to an asset in Denmark that was part of the VNG acquisition, will be achieved.

5. Dividend

Group In millions of US$	First quarter 2022	First quarter 2021
Aggregate amount of dividends declared in the period	-	80.0
Aggregate amount of dividends liable to pay at the balance sheet date	-	80.0
Aggregate amount of dividends paid in the period	-	200.0

No dividend has been declared or paid in the first quarter 2022.

During the first quarter 2021, an interim dividend of $80.0 million was declared on 24 February 2021. This was initially enabled through the issuance of an $80.0 million promissory note. The promissory note was settled in full on 15 December 2021, having borne no interest. A $200.0 million promissory note issued in respect of the final 2019 dividend announced on 11 December 2019 was settled on 25 February 2021.

6. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the consolidated income statement are:

Group In millions of US$	First quarter 2022	First quarter 2021
Current taxation	435.2	(26.8)
Deferred taxation	(175.4)	146.3
Total income tax expense recognised in income statement	**259.8**	**119.5**

The effective tax rate for the Group for the period was 34% (2021: 61%).

The Group's actual tax charge for the period is $259.8 million compared with the Group's expected tax charge of $495.5 million. The Group's expected tax charge is based on the applicable statutory tax rates for the countries in which the group earned profits and is impacted by, amongst other things, the geographical mix of accounting profits and changes in local tax rates. The main driver for the difference between the actual tax charge and the expected tax charge in 2022, is the additional recognition of $261.1 million deferred tax asset, related mainly to the UK, arising from expected future recoverability of the tax losses. This is offset by deferred tax asset not recognised of $11.5 million, relating primarily to Norway onshore tax losses and the Netherlands interest losses.

The $220.6 million net credit to the income statement for deferred tax losses (note 6.1) is the $261.1 million deferred tax asset recognised offset by tax losses utilised in the quarter (Germany and UK).

6.1 Changes in deferred taxes

The net movement in deferred tax assets and (liabilities) is shown below:

Group In millions of US$	PP&E	Asset retirement obligations	Pensions	Tax losses	Other	Total
At 1 January 2022	**(1,784.3)**	**362.6**	**43.5**	**580.1**	**293.3**	**(504.8)**
Net credit/(charge) for the period	(40.0)	(0.1)	0.7	220.6	(5.8)	175.4
Charge to equity and other comprehensive income	-	-	-	-	343.3	343.3
Currency translation adjustments	(3.6)	0.5	(0.3)	(15.2)	(1.7)	(20.3)
At 31 March 2022	**(1,827.9)**	**363.0**	**43.9**	**785.5**	**629.1**	**(6.4)**

Deferred tax asset	1,387.8
Deferred tax liabilities	(1,394.2)
Deferred tax liabilities net	**(6.4)**

The Group's net deferred tax liability has reduced from $504.8 million at 31 December 2021 to $6.4 million at 31 March 2022. The main reasons for the reduction are due to the deferred tax asset recognised on the UK tax losses and recognition of the deferred tax asset on the hedging losses, offset by utilisation of the deferred tax asset on the Germany tax losses.

7. Goodwill

Group In millions of US$	31 March 2022
Cost at 1 January 2022	624.5
Currency translation adjustments	2.7
Cost at 31 March 2022	**627.2**
Impairment losses at 1 January 2022	(14.5)
Impairment losses at 31 March 2022	**(14.5)**
Net book value at 31 March 2022	**612.7**
Net book value at 31 December 2021	**610.0**

The goodwill originally arose on the acquisition in 2018 of ENGIE E&P International S.A. (EPI), (now renamed Neptune Energy International S.A.) and the acquisition in 2018 of VNG Norge AS (an unlisted company based in Norway). In 2021, an element of the VNG Norge AS goodwill was subsequently transferred to assets held for sale (note 10) and as at 31 March 2022, the sale of these assets had concluded.

The goodwill assigned to Norway is $533.2 million. The remaining goodwill is assigned to the Netherlands and Germany group of Cash Generating Units (CGUs). The carrying amount of the goodwill allocated to these cash-generating units is not significant in comparison with the Group's total goodwill. The goodwill from these business combinations is reviewed for impairment prospectively at each reporting date, or earlier if there are indications of impairment. For the purpose of impairment testing, goodwill is allocated to groups of CGUs; these represent the lowest level at which goodwill is monitored. The recoverable amounts are determined based on the fair value less cost of disposal method. In determining the fair value, the Group has used a post-tax discount rate of 8% (31 December 2021: 8%) based on a country-based weighted average cost of capital. Further information on the review for impairment is available in the Neptune Energy Group Midco Limited 2021 Annual Report and Accounts in note 12.

8. Intangible assets

Group In millions of US$	Exploration and evaluation	Other	Total
Cost at 1 January 2022	**274.7**	**32.4**	**307.1**
Additions	34.9	(0.2)	34.7
Unsuccessful exploration expenditure	(4.1)	-	(4.1)
Currency translation adjustments	(0.6)	(0.2)	(0.8)
Cost at 31 March 2022	**304.9**	**32.0**	**336.9**
Amortisation at 1 January 2022	**-**	**(25.1)**	**(25.1)**
Charge for the period	-	(0.8)	(0.8)
Currency translation adjustments	-	0.2	0.2
Amortisation at 31 March 2022	**-**	**(25.7)**	**(25.7)**
Net book value at 31 March 2022	**304.9**	**6.3**	**311.2**
Net book value at 31 December 2021	**274.7**	**7.3**	**282.0**

Unsuccessful exploration expenditure relates to costs associated with licence relinquishments and uncommercial well evaluations.

9. Property, plant and equipment

Group In millions of US$	Oil and gas properties	Other fixed assets	Total
Cost at 1 January 2022	**7,231.8**	**98.2**	**7,330.0**
Additions	129.2	0.6	129.8
Transfers	(0.2)	0.2	-
Currency translation adjustments	(30.9)	(1.4)	(32.3)
Cost at 31 March 2022	**7,329.9**	**97.6**	**7,427.5**
Accumulated depreciation at 1 January 2022	**(2,552.4)**	**(28.8)**	**(2,581.2)**
Charge for period [1]	(133.5)	(2.5)	(136.0)
Transfers	0.1	(0.1)	-
Currency translation adjustments	18.6	0.3	18.9
Amortisation at 31 March 2022	**(2,667.2)**	**(31.1)**	**(2,698.3)**
Net book value at 31 March 2022	**4,662.6**	**66.6**	**4,729.2**
Net book value at 31 December 2021	**4,679.4**	**69.4**	**4,748.8**

1. Includes capitalised depreciation of $7.9 million (2021: $7.6 million) related to right-of-use assets in Norway and the UK.

10. Assets held for sale

On 31 March 2022, the Group completed the disposal of a portfolio of non-core Norwegian assets. The assets the Group divested included the producing Draugen, Brage and Ivar Aasen fields, as well as the Edvard Grieg Oil Pipeline and the Utsira High Gas Pipeline. All decommissioning liabilities were transferred to the buyers. The gain on the disposal of $2.2 million is recorded in other operating (losses)/gains (note 4). The Group received $20.3 million on 31 March 2022, including working capital adjustments. Further deferred payments of $0.8 million and $6.5 million will be received by 30 May 2022 and by 1 January 2024, respectively.

The major classes of assets and liabilities of the Group as held for sale as at 31 March 2022 and 31 December 2021, are as follows:

Group In millions of US$	31 March 2022	31 December 2021
Assets		
Goodwill	-	14.4
Property, plant and equipment	-	77.0
Deferred tax asset	-	22.6
Trade receivables and other working capital	-	18.7
Currency translation adjustments	-	2.2
Assets held for sale	**-**	**134.9**
Provisions	-	(89.9)
Trade and other payables	-	(9.3)
Currency translation adjustments	-	(1.7)
Liabilities directly associated with assets held for sale	**-**	**(100.9)**
Net assets directly associated with disposal group	**-**	**34.0**

11. Trade and other receivables

Group In millions of US$	31 March 2022	31 December 2021
Amounts falling due within one year		
Trade receivables	486.3	445.9
Under-lift position	169.2	136.9
Other taxes receivable	10.2	8.7
Receivables from joint venture partners	146.5	159.4
Other receivables	210.7	175.5
Loan to parent company	455.3	455.3
Prepayments and accrued income	6.0	3.1
Total	**1,484.2**	**1,384.8**

Trade receivables are stated net of credit loss provisions of $0.5 million (2021: $0.4 million). When management considers the recovery of a receivable to be improbable, a provision is made against the carrying value of the receivable. The movement through the income statement is included in other operating gains and losses (see note 4).

12. Cash and cash equivalents

Group In millions of US$	31 March 2022	31 December 2021
Cash at bank and in hand	321.2	107.3
Restricted cash	-	18.2
Total cash and cash equivalents	**321.2**	**125.5**

Cash and cash equivalents comprise cash in hand and deposits with maturity of three months or less. Restricted cash includes monies held for decommissioning obligations.

13. Trade payables and other liabilities

Group In millions of US$	31 March 2022	31 December 2021
Trade and other payables	294.5	329.4
Other current liabilities	480.2	386.7
Lease liabilities	68.7	73.9
Wages and social security	46.3	47.0
Current trade payables and other liabilities	**889.7**	**837.0**
Other non-current liabilities	32.8	37.4
Lease liabilities	63.2	57.8
Non-current trade payables and other liabilities	**96.0**	**95.2**
Total	**985.7**	**932.2**

Trade payables are usually paid within 30 days of recognition. The carrying amount of current liabilities approximates their fair value and they are all due within one year.

14. Provisions

Group In millions of US$	31 March 2022	31 December 2021
Current		
Restructuring	10.7	20.1
Post-employment benefit and other long-term benefits	12.7	9.7
Decommissioning	100.2	86.4
Other	7.3	7.3
Current total	**130.9**	**123.5**
Non-Current		
Restructuring	1.0	2.2
Post-employment benefit and other long term benefits	167.9	174.8
Decommissioning	1,579.1	1,595.3
Other	5.7	5.7
Non-Current Total	**1,753.7**	**1,778.0**
Total	**1,884.6**	**1,901.5**

The Group makes full provision for the future cost of decommissioning oil production facilities and pipelines on a discounted basis on the installation of those facilities. The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to the end of the operations. These provisions have been created based on the Group internal estimates. Further information on decommissioning provisions is available in the Neptune Energy Group Midco Limited 2021 Annual Report and Accounts in note 23.

15. Financial assets and liabilities

Set out below is an overview of financial assets and liabilities, other than cash and short-term deposits, held by the Group as at 31 March 2022 and 31 December 2021.

Group In millions of US$	31 March 2022	31 December 2021
Financial assets at fair value		
Commodity derivatives at fair value through profit and loss	9.6	11.0
Commodity derivatives in qualifying hedging relationships	245.5	64.8
Foreign exchange contracts at fair value through profit and loss	3.5	5.9
Equity instruments designated at fair value through OCI		
10.58% interest in Erdgas-Verkaufs-Gesellschaft GmbH, Münster	15.1	15.4
Financial assets at amortised cost		
Trade and other receivables	1,484.2	1,384.8
Other non-current assets	96.4	69.5
Total	**1,854.3**	**1,551.4**
Total current	**1,698.5**	**1,445.5**
Total non-current	**155.8**	**105.9**

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction, other than in a forced or liquidated sale. Where available, market values have been used to determine fair values. The estimated fair values have been determined using market information and appropriate valuation methodologies. Values recorded are as at the balance sheet date and will not necessarily be realised. Non-interest bearing financial instruments, which include amounts receivable from customers and accounts payable are also recorded materially at fair value reflecting their short-term maturity.

The fair values of all derivative financial instruments are based on estimates from observable inputs and are all Level 2 in the IFRS 13 hierarchy.

The valuation of Neptune's interest in Erdgas-Verkaufs-Gesellschaft GmbH, Münster, has been calculated based on an enterprise value/EBITDA multiple taking into account recent transactions involving suitable comparative infrastructure companies, which are based on unobservable inputs and are Level 3 in the IFRS 13 hierarchy.

Group In millions of US$	31 March 2022	31 December 2021
Financial liabilities at fair value		
Commodity derivatives at fair value through profit and loss	0.9	-
Commodity derivatives in qualifying hedging relationships	2,315.4	1,199.0
Contingent consideration	3.9	5.1
Financial liabilities at amortised cost		
Reserve base lending facility	1,033.7	1,330.7
Senior Notes	839.6	838.7
DNB uncommitted facility	-	50.0
Citibank uncommitted facility	-	10.0
Subordinated Neptune Energy Group Limited loan	100.0	100.0
Trade and other payables	294.5	329.4
Wages and social security	46.3	47.0
Lease liabilities	131.9	131.7
Other liabilities	509.1	419.0
Total	**5,275.3**	**4,460.6**
Total current	**2,946.9**	**1,926.3**
Total Non-current	**2,328.4**	**2,534.3**

Set out above is an overview of financial liabilities, other than cash and short-term deposits, held by the Group as at 31 March 2022. The Senior Notes have a fair value of $856.3 million, compared to the carrying amount of $839.6 million (31 December 2021: a fair value of $871.0 million, compared with the carrying amount of $838.7 million). This financial liability is classed as Level 1. For all other items held at amortised cost there is no significant difference between their fair value and amortised cost value.

15.1 Financial assets and financial liabilities – hierarchy

Set out below is an overview of the hierarchy of financial assets and financial liabilities, other than cash and short-term deposits, held by the Group as at 31 March 2022 and 31 December 2021. For items held at amortised cost, there is no significant difference between their fair value and amortised cost value.

There have been no transfers between fair value levels during the period for either assets or liabilities.

Group In millions of US$	Date of valuation	Total	31 March 2022 Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value				
Derivative financial assets				
Commodity derivatives in qualifying hedging relationships	31-Mar-22	245.5	245.5	-
Commodity derivatives at fair value through profit and loss	31-Mar-22	9.6	9.6	-
Foreign forward exchange contracts at fair value through profit and loss	31-Mar-22	3.5	3.5	-
Non-Listed equity Instruments				-
10.58% interest in Erdgas Münster GmbH	31-Mar-22	15.1	-	15.1
Total		**273.7**	**258.6**	**15.1**

Group In millions of US$	Date of valuation	Total	31 December 2021 Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value				
Derivative financial assets				
Commodity derivatives in qualifying hedging relationships	31-Dec-21	64.8	64.8	-
Commodity derivatives at fair value through profit and loss	31-Dec-21	11.0	11.0	-
Foreign forward exchange contracts at fair value through profit and loss	31-Dec-21	5.9	5.9	-
Non-Listed equity Instruments				
10.58% interest in Erdgas Münster GmbH	31-Dec-21	15.4	-	15.4
Total		**97.1**	**81.7**	**15.4**

Group In millions of US$	Date of valuation	Total	31 March 2022 Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value				
Derivative financial liabilities				
Commodity derivatives in qualifying hedging relationships	31-Mar-22	2,315.4	2,315.4	-
Commodity derivatives at fair value through profit and loss	31-Mar-22	0.9	0.9	-
Contingent consideration	31-Mar-22	3.9	-	3.9
Total		**2,320.2**	**2,316.3**	**3.9**

Group In millions of US$	Date of valuation	Total	31 December 2021 Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value				
Derivative financial liabilities				
Commodity derivatives in qualifying hedging relationships	31-Dec-21	1,199.0	1,199.0	-
Contingent consideration	31-Dec-21	5.1	-	5.1
Total		**1,204.1**	**1,199.0**	**5.1**

15.2 Level 3 fair value movements

The following table presents the changes in Level 3 instruments for the 3 months ended 31 March 2022.

Group In millions of US$	Equity Investments	Contingent Consideration	Total
Fair value at 1 January 2022	15.4	(5.1)	10.3
Utilisation/cash paid	-	1.1	1.1
(Losses)/gains recognised in other comprehensive income	(0.3)	0.1	(0.2)
Fair value at 31 March 2022	**15.1**	**(3.9)**	**11.2**

A 5 percent change in the EBITDA multiple to the Level 3 instrument above as applied would result in a $0.8 million change in valuation (2021: $0.8 million change).

The contingent consideration at 1 January 2022 relates to assets acquired in Germany from Wintershall Dea AG. This would be payable based upon satisfaction of certain criteria, of which $1.1 million has been settled as at the end of March 2022. The possible outcome of the remaining contingent consideration ranges from $nil to $9.0 million. The contingent consideration is based on unobservable inputs and are Level 3 in the IFRS 13 hierarchy.

Further currently unprovided contingent consideration of between $nil and $5 million is payable based on the timing of any future submission of a plan for development and operation in relation to the Company's acquisition of an additional 5% of the PL882 (Dugong) licence in Norway in 2021.

15.3 Hedging reserve

The hedge reserve represents the portion of deferred gains and losses on hedging instruments deemed to be effective cash flow hedges. The movement in the reserve for the period is recognised in other comprehensive income. The following table summarises the hedge reserve by type of derivative, net of tax effects.

Group In millions of US$	Cash flow commodity hedge reserve	Cost of commodity hedging reserve	Total hedge reserve
At 1 January 2022	652.0	56.6	**708.6**
Add: costs of hedging deferred and recognised in OCI	1,236.3	151.3	**1,387.6**
Less: reclassified from OCI to profit or loss or included in finance costs	(441.1)	(2.8)	**(443.9)**
Less: deferred tax	(292.0)	(51.3)	**(343.3)**
Less: share of hedge adjustments within equity accounted investments deferred and recognised in OCI	(4.5)	(0.2)	**(4.7)**
At 31 March 2022	**1,150.7**	**153.6**	**1,304.3**

The Group has identified the following potential sources of hedge ineffectiveness in its hedging relationships:

- CVA/DVA mismatches between the hedging instrument and the hedged item
- the effects from discounting arising from settlement date mismatches between the hedging instrument and hedged item
- the effects from the unwind of discounting from the designation of certain off-market hedging instruments in hedging relationships.

15.4 Fair value reserve of financial assets at FVOCI

Group In millions of US$	31 March 2022	31 December 2021
At 1 January	5.9	-
Fair value loss on equity instruments designated at FVOCI	-	4.1
Currency translation adjustments	0.3	1.6
Deferred tax	-	0.2
Closing balance	**6.2**	5.9

16. Called up share capital

Group and Company	Number	US$ million
Allotted, called up and fully paid $1 shares		
At 31 December 2021 and 31 March 2022	**1,977,175,201**	**1,977.2**

17. Contingent liabilities

During the normal course of its business, the Group may be involved in disputes, including tax disputes. Where applicable the Group has made accruals for probable liabilities related to litigation and claims based on management's best judgement and in line with IAS 37 and IAS 12.

There have been no changes in the period since the 2021 year end disclosure. Further details on contingencies can be found in Note 27 of the Neptune Energy Group Midco Limited 2021 Annual Report and Accounts.

18. Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties during the three months ended 31 March 2022 and 2021, as well as balances with related parties as at 31 March 2022 and 31 December 2021:

		31 March 2022	31 March 2022	31 March 2021	31 December 2021
Related party undertaking In millions of US$	Nature of transactions	Purchases	Accounts payable	Purchases	Accounts payable
TMF Norway Energy AS (CVC investor)	Services	0.7	-	0.9	0.3
ONE-Dyas B.V. (Carlyle investor)	Oil and Gas	0.2	-	-	-

		31 March 2022	31 March 2022	31 March 2021	31 December 2021
Related party undertaking In millions of US$	Nature of transactions	Sales	Accounts receivable	Sales	Accounts receivable
ONE-Dyas B.V. (Carlyle investor)	Oil and Gas	2.6	1.3	-	0.6

Other transactions with related parties
At 31 March 2022 and 31 December 2021, there was a loan receivable balance of $455.3 million due from the parent company Neptune Energy Group Limited.

Terms and conditions of transactions with related parties are summarised in note 28 of the Neptune Energy Group 2021 Annual Report and Accounts.

19. Events after the reporting period

There were no events after the reporting period that require disclosure.