NEPTUNE ENERGY
FIRST QUARTER 2021 RESULTS

Neptune Energy Group Midco Limited
Unaudited Condensed Consolidated Financial Statements
For the three months ended 31 March 2021

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.

NEPTUNE ENERGY ANNOUNCES Q1 2021 RESULTS

London, 13 May 2021 – Neptune Energy today announces its financial results for the three months ended 31 March 2021.

Good operational performance, with production in line with guidance

- Continued improvement in health and safety, with total recordable injury rate down to 1.3 per million hours worked in the period.
- Q1 production of 125.7 kboepd (139.0 kboepd including production-equivalent insurance income), in line with guidance.
- First production from Gjøa P1 (Norway) and Merakes (Indonesia) projects, adding c.19 kboepd at plateau.
- Exports from Touat (Algeria) recommenced in April.

Strong financial performance, with higher prices supporting improved cash flow

- Average realised prices (including hedging) of $53.4/bbl for oil and $6.1/mcf for gas.
- Continued low operating costs of $10.1/boe. Adjusted development capex of $153.4 million; activity to fall in H2.
- EBITDAX of $323.2 million, reflecting stronger commodity prices and tight cost control. Post-tax operating cash flow of $314.1 million on track for full year guidance.

Production growth momentum on track, with more than 27 kboepd to be added in 2021

- Acquisition of oil and gas fields in Germany complete, adding c.1.8 kboepd production. Pegasus West (UK) acquisition announced in May, adding possible tie-back development to Cygnus.
- Duva (Norway) on track for first production in Q3, adding 8 kboepd.
- Snøhvit (Norway) restart revised by the operator to 31 March 2022, mitigated through loss of production insurance. FY 2021 group production guidance unchanged.

Further long-term growth opportunities, supported by strong liquidity, higher credit and ESG ratings

- Further exploration success with a discovery at Blasto (Norway). Dugong (Norway) appraisal well successful.
- Completed annual redetermination of RBL facility and reconfirmed a borrowing base of $2.3 billion. Total available liquidity of $1.2 billion to support growth.
- Upgraded credit ratings to 'stable' from S&P and Fitch; global top-quartile ESG rating of 26.1 (Sustainalytics).

FINANCIAL SUMMARY

Neptune Energy	2021	2020
	First quarter 2021	First quarter 2020
Total daily production (kboepd) (note a)	125.7	162.1
Total daily production (kboepd) including production-equivalent insurance payments (note b)	139.0	162.1
Operating costs ($/boe)	10.1	8.9
EBITDAX ($m) (RBL basis) (note c)	323.2	322.9
Underlying operating profit (note d)	171.9	155.0
Cash flow from operations, after tax ($m)	314.1	355.2
Adjusted development cash capital expenditure ($m) (note e)	153.4	242.2
Free cash flow ($m) (note f)	93.6	54.5
Net debt ($m) (book value) (RBL basis) (note g)	1,964.3	1,462.9
Net debt/EBITDAX (RBL basis) (note g,h)	2.11x	0.99x

a) Production and realised price figures are for wholly owned affiliates and equity accounted affiliates.
b) Including business interruption insurance payments, 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. Following repayment of the Touat Vendor loan in September 2020, EBITDAX as defined by the RBL and shareholder agreement includes our share of net income from Touat. EBITDAX for the three months ended 31 March 2020 excludes our $9.2 million share of net income from Touat.

d) 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 below.
e) Excludes capital expenditure on acquisitions and includes capital expenditure of $8.7 million for the period (2020: $9.4 million) in respect of the Touat project, held by a joint venture company which Neptune accounts for under the equity method.
f) Free cashflow is calculated as net cashflow from operating activities less net capital investments during the period including repayments under leases but excluding finance income received.
g) Net debt excludes Subordinated Neptune Energy Group Limited Loan and Touat project finance facility as defined by the RBL and Shareholder agreements. The Touat project finance facility was repaid at the end of September 2020.
h) EBITDAX is based on a 12-month rolling average value of $931.0 million (2020: $1,472.1 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, restructuring costs and pension curtailment credits as follows:

US$ millions	First quarter 2021	First quarter 2020
Operating profit/(loss) before financial items	171.3	155.3
Add back:		
Share of net loss from investments using equity method - Touat impairment	-	-
Impairment loss	-	-
Net restructuring cost/(credit)	0.6	(0.3)
Deduct:		
Pension scheme settlement/(curtailment credit)	-	-
Underlying operating profit	**171.9**	**155.0**

Free cash flow is calculated as net cashflow from operating activities less net capital investments during the period including repayments under leases but excluding finance income received.

US$ millions	First quarter 2021	First quarter 2020
Operating cashflow	314.1	355.2
Adjust for:		
Expenditure on exploration and evaluation assets	(35.5)	(39.1)
Expenditure on property, plant and equipment	(147.6)	(232.8)
Investment in equity accounted joint ventures	(11.7)	(12.5)
Expenditure on right of use assets	(25.7)	(17.0)
Proceeds from disposal	-	0.7
Free cash flow	**93.6**	**54.5**

Jim House, Chief Executive Officer

“Neptune delivered a good operating and financial performance in the first quarter, supported by stable production and stronger commodity prices. We also delivered growth from the portfolio, bringing online our Gjøa P1 project and having further drilling success with the Blasto discovery and Dugong appraisal wells in Norway.

“In the second quarter, we have already brought our Merakes project online and restarted exports from our Touat gas facility. With drilling underway we continue good progress towards delivering first production from our Duva project in the third quarter.

“We remain on track to deliver material production growth, while generating strong cash flows that will support further long-term portfolio development.”

GROUP OVERVIEW

Operational review

Neptune Energy delivered a good operational performance in the first quarter of the year with stable production, progress at our development projects, exploration success and an improved health and safety performance across all our countries. There were no serious personal injuries and our lost time injury frequency rate (LTIF) improved from 0.7 per million hours worked in 2020 to 0.6, in line with our target of 0.6. Our total recordable injury rate (TRIR) was 1.3 per million hours worked, down from 1.4 in 2020, versus our new target of 1.6. These figures include cooperated joint venture activities.

Our process safety event rate (PSER) for the first quarter saw a slight increase from 2.4 per million hours in 2020 to 2.5, which is above our target of 2.4. In the first quarter of 2021 we launched a campaign to firmly embed the IOGP process safety fundamentals in our operations with the aim to further improve our process safety performance.

Group production for the period averaged 125.7 kboepd, in line with expectations. Including production-equivalent insurance income for the previously-announced outage at Snøhvit (Norway), economic production averaged 139.0 kboepd. Production was supported by new volumes from our operated Gjøa P1 project, which is performing above expectations. The project came online in February and was delivered on time and under budget.

Due to the outages at Snøhvit and Touat (Algeria), production in the first quarter of 2021 was lower than in the same period of 2020, which was also boosted by the front loading of production in Indonesia ahead of a planned shutdown at Jangkrik. Compared with the fourth quarter of 2020, output was higher as stronger production from Norway and Germany was partially offset by weaker production in the UK, where output from Cygnus was impacted by temporary third-party constraints. Production from other parts of the Group was in line with expectations.

Production efficiency at our operated assets was 84%, reflecting improved performances in Norway, the Netherlands and Germany, offset by the export constraints in the UK. We are continuing to take action to improve production efficiency at our operated assets through predictive maintenance, shutdown optimisations, production surveillance and sharing best practice across our organisation.

In Indonesia, a planned shutdown at Jangkrik for the tie-in works for our Merakes project was completed on time. The Merakes project came onstream in late April and will increase exports from the Jangkrik FPU. We continue to make good progress at our other projects, with Duva (Norway) remaining on track to come onstream in the third quarter.

In the second quarter, we have planned shutdowns at Gjøa and Fram in Norway and Cygnus in the UK. The production impact from these shutdowns will be largely offset by the restart of Touat, start-up of the Merakes project and new production from the acquisition of interests in six oil and gas fields in Germany, which will add c.1.8 kboepd.

In the first quarter, repairs at Touat were successfully completed as planned and, following a period of gas conditioning, exports commenced on 16 April, with production increasing gradually. At Snøhvit, the operator, Equinor, has advised that the Hammerfest LNG facility on Melkøya Island is now expected to re-start operations on 31 March 2022. An Advisory Group established to review Equinor's plans has recommended changes to optimise the scope of work and schedule and required strengthening of the project organisation and leadership. To support future production at Snøhvit, the Askeladd Vest development has been approved, which aims to develop 134 mmboe of gross reserves and is due onstream in the first half of 2024.

In March, we announced further exploration success in Norway following a discovery at the Blasto prospect (Neptune 15%). Preliminary estimates of the size of the discovery are 75-120 mmboe, which is the largest discovery so far this year on the Norwegian continental shelf. Along with our partners, we will consider tying it to other discoveries and existing infrastructure in the Fram area.

Following completion of appraisal drilling in March, we revised our volume estimates for the Neptune-operated Dugong discovery (Neptune 45%) to 40-108 mmboe. Detailed analysis of the results is continuing as we progress Dugong towards development.

In the first quarter, we agreed heads of terms for the sale of our Lingen office in Germany as part of the organisational changes we announced last year. The German business now has a smaller headquarters in Hanover, which is more fit-for-purpose. Similarly we also relocated our Netherlands head office from Zoetermeer to The Hague.

In March, Sustainalytics upgraded our ESG rating two levels, with a score of 26.1. This puts us in the top 3% of all global exploration and production companies rated by the organisation, with a global ranking of fifth out of 169. Our new rating positions Neptune well and demonstrates the progress we continue to make on our ESG strategy.

Financial review

Our financial performance in the first quarter was strong, reflecting higher commodity prices and continued tight cost control. In the period, we delivered EBITDAX of $323.2 million and post-tax operating cash flow of $314.1 million. Operating cash flows also benefitted from net cash tax refunds of $95.2 million, largely related to the temporary changes to the petroleum tax regime in Norway, and business interruption insurance income of $29.5 million in Norway. We expect to receive further business interruption insurance payments in Norway and Algeria over the coming months.

With commodity prices strengthening in recent months, we have taken the opportunity to add hedges to protect cash flows in 2021, 2022 and 2023. Our post-tax hedge ratio of 56% in 2021 provides good protection to near-term risks, whilst we retain exposure to further improvements in the macro environment through the cycle.

In the first quarter we invested $144.7 million in development capex ($153.4 million including capex at Touat) and capitalised a further $27.3 million in exploration spend (excluding acquisitions). The majority of our investment was on our projects in Norway and Indonesia. Our continued tight cost control and disciplined approach to capital allocation resulted in a positive free cash flow of $93.6 million, compared with $54.5 million in the corresponding period of 2020.

Operating costs in the first quarter were $10.1/boe, slightly higher than the same period in 2020, reflecting lower production. G&A costs increased slightly to $18.4 million. Operating costs are expected to increase in the second quarter reflecting our shutdown programmes, which will reduce output from some of our lowest cost fields in the UK and Norway.

In April, we announced we had completed the annual redetermination of our RBL facility and reconfirmed a borrowing base of $2.3 billion. The margin on drawn funds has been increased from 2.50% to 2.75%. The first scheduled amortisation remains April 2022.

Our net debt to EBITDAX leverage ratio increased slightly, as expected, to 2.11 times compared with 1.94 times at the end of 2020, mainly because of capex, which is front-end loaded in 2021, and the cash settlement of the 2019 $200 million dividend paid in the first quarter. We remain well within our 3.5 times RBL covenant and expect this ratio to reduce to our target level of around 1.5 times at the end of 2021, as capex falls and cash flows increase. As of the end of March, we retained $1.1 billion of undrawn headroom under our RBL facility and cash of $118.6 million, providing total available liquidity of $1.2 billion.

Reflecting our positive outlook, both S&P and Fitch upgraded our issuer credit ratings in the first quarter. S&P revised its outlook on our 'BB-' long-term rating to stable from negative. Fitch also revised its outlook to stable from negative on our ‘BB’ rating.

Outlook

While the roll-out of COVID-19 vaccination programmes are a cause for optimism in many places, we remain cautious about the short-term impact of the pandemic on global demand and prices. Although we have managed well the impact of restrictions on our operations and project developments, our focus remains on protecting our people and our assets, and maintaining the integrity of our operations.

We continue to target improvements in our HSE performance through improved collaboration and a greater focus on process safety fundamentals. Enhancing production efficiency is also a key objective, with improvements being targeted through our maintenance programmes, production surveillance and shutdown optimisation.

As noted in previous guidance, planned shutdowns in Norway and the UK are expected to moderate production in the second quarter. The impact of these shutdowns should be offset partially by the re-start of Touat, production from Merakes and the assets acquired in Germany. We expect production to increase materially in the fourth quarter of 2021, supported by first production from Duva, expected early in the third quarter.

We have an active programme for development drilling in the second quarter, with rigs operating at our Seagull project in the UK, our Duva project in Norway, Adorf in Germany and the K9ab-A platform in the Netherlands. We are also drilling the Maha-2 appraisal well in Indonesia, which, if successful, could unlock a further significant tie-back development to Jangkrik.

In the second quarter, we expect EBITDAX to decline reflecting lower production, particularly in Norway. Post-tax operating cash flows are expected to benefit from further tax refunds in Norway.

Development activity is expected to remain high in the second quarter, before declining in the second half of the year as our projects come onstream. Operating costs are expected to increase in the second quarter, but to decrease later in the year on a per boe basis as production increases.

OPERATING REVIEW

Norway

In Norway, production averaged 49.3 kboepd in the first quarter reflecting strong performances from the Gjøa, Gudrun and Fram fields in particular and start-up of the Gjøa P1 project. Production from the fast-tracked Gjøa P1 project commenced on 22 February and is performing above expectations. Output from Norway is expected to be significantly lower in the second quarter due to planned shutdowns at Gjøa and Fram. The extended shutdown at Gjøa will enable topside modifications to be carried out for the Nova and Duva projects.

The Neptune-operated Duva project continues to make good progress with the subsea tree system installed in March. We innovatively utilised a subsea service vessel for the installation, rather than a rig, delivering material time and approximately $12 million of cost savings. In April, the final drilling campaign of the four production wells commenced ahead of expected first production in the third quarter. Duva is expected to contribute 8 kboepd of net production at plateau.

Our exploration and appraisal programme continues to deliver positive results in Norway with successful wells at the Blasto prospect and the Dugong appraisal both announced in March. At Blasto, a material discovery was made near the Fram field with recoverable resources estimated at 75-120 mmboe. Neptune has a 15% working interest in Blasto, which could be developed as a tie-back to existing infrastructure, together with other discoveries in the Fram licence.

At Dugong, an appraisal well successfully encountered the oil water contact, with results supporting future development. Indicative recoverable resources are now estimated at 40-108 mmboe. Further exploration wells will be drilled close to Dugong and Blasto in 2021 targeting the Dugong Tail and Apodida prospects.

Netherlands

Production in the Netherlands was stable at 23.2 kboepd in the first quarter, reflecting strong performances at L5a-D and K2b-A. The G blocks also performed well, but exports were curtailed during the period due to a temporarily blocked pipeline. Production is expected to moderate in the second and third quarters as seasonal maintenance activities commence. A development well at the K9ab-A platform is due to be drilled in the second quarter and is expected onstream in the second half of the year.

At our PosHYdon green hydrogen pilot project, we expect to finalise the consortium agreement in the second quarter and commence a topside feasibility study. Our L10 CCS feasibility study is due to be completed in mid-2021.

UK

Production in the UK was impacted by reduced blend availability and export constraints in the first quarter, limiting average production to 15.5 kboepd. Third-party issues at the Bacton terminal, which temporarily reduced export capacity, have now been resolved. Additional outages at third-party fields may limit blend availability in the short-term.

In late January, a four well drilling campaign for the Seagull development commenced, which is expected to be completed in mid-2022.

In line with our hub-based strategy, we announced the acquisition of a 38.75% equity interest in the Pegasus West discovery from Spirit Energy in early May. Pegasus West is located within the UK Southern North Sea and within tie-back distance to Cygnus. FEED studies will be carried out in 2021 with the intention to reach a final investment decision by the end of the year. Neptune will operate from the development phase, with first gas possible by mid-2025. Development of Pegasus West is expected to reduce unit opex and carbon intensity at Cygnus.

In March, the UK government published the 'North Sea Transition Deal'. As one of the lowest carbon emitting fields in the UK, we do not expect the plan to impact operations at Cygnus, but welcome initiatives to decarbonise the industry and remove barriers to electrification. In line with these objectives, Neptune plans to utilise drone technology in September to monitor methane emissions at the Cygnus field, which could be expanded across our portfolio and become a blueprint for operators worldwide.

Neptune has also submitted an application to the Oil and Gas Authority for a Carbon Dioxide appraisal and storage licence. The proposed DelpHYnus development provides a CO_2 transport and storage solution for the South Humber industrial area, together with production facilities for low carbon hydrogen using natural gas from the grid. Neptune has proposed an ambitious work programme for the appraisal phase of the project and is in discussions with potential partners for the hydrogen plant.

Germany

Production in Germany was robust in the first quarter averaging 17.9 kboepd as high uptime at the Römerberg field was offset by weak demand for sour gas at some of our fields. Production from the Adorf Carboniferous gas field averaged more than 1 kboepd in the first quarter but was impacted by planned shutdowns for predictive maintenance and downhole pressure recording. The Adorf-Z16 well commenced drilling in April and is expected to be brought onstream in the fourth quarter.

At the end of the first quarter we completed the acquisition of interests in six oil and gas fields in the Emsland and the Grafschaft Bentheim regions from Wintershall Dea, adding c.1.8 kboepd from the second quarter, on an annual basis.

North Africa

Algeria

Production from the Touat gas processing plant remained shut-in throughout the first quarter as remedial works continued. Despite a cluster of COVID-19 cases in January our schedule was largely unaffected as we replaced the cold box and addressed other maintenance requirements to ensure a successful restart and safe operation. Following a period of gas conditioning, exports recommenced on 16 April.

Reported production in the period of 2.4 kboepd reflects compensation for gas produced from the Sbaa field and exported to a power station in Adrar.

Egypt

In Egypt, production averaged 3.5 kboepd in the first quarter reflecting the relinquishment of the Ashrafi concession in November 2020. During the period we drilled the Magd-14 and Assil C83-3 infill wells and added perforations to the Karam-9 and Karam-10 gas wells delivering positive results. Production is expected to be maintained around current levels through a workover campaign and four further wells due to be drilled in 2021.

Processing of the OBN seismic survey acquired on the North West El Amal concession is continuing, with final data expected to be received in the third quarter. Interpretation of initial data cubes is underway.

Asia Pacific

Indonesia

Production in Indonesia averaged 13.9 kboepd in the first quarter, reflecting a planned shutdown of the Jangkrik FPU in January as part of the Merakes development programme. Operating costs in Indonesia increased slightly in the first quarter due to lower supply from rich gas producers in the region, increasing blending requirement.

Following good progress in the first quarter, the Merakes project came onstream according to plan on 26 April. The field is expected to contribute around 11 kboepd at plateau and help maintain exports from the Jangkrik FPU at close to capacity.

In April, drilling commenced at the Maha-2 appraisal well. The well will test the Maha discovery, which is estimated to have in excess of 600 Bcf of in place resource potential. If successful, Maha is likely to be developed as a subsea tie-back to the Jangkrik FPU.

Australia

In early 2021, we received final processed seismic data from the 3D survey acquired in 2020 covering the Petrel field and surrounding area. Good progress with interpreting this data has been made, which will help address geophysical uncertainties and improve our subsurface models. With good alignment with our JV partners we plan to initiate gas marketing efforts, allowing progress on concept selection for future potential development.

Summary of production by area - wholly owned affiliates

	First quarter 2021	First quarter 2020
Gas production (kboepd)		
Norway	23.1	24.9
UK	15.2	18.9
Netherlands	21.5	17.0
Germany	12.1	11.1
North Africa	3.0	3.7
Asia Pacific	1.7	4.0
Total Gas production (kboepd)	**76.6**	**79.6**
Gas production for sale as LNG (kboepd)		
Norway	-	13.4
Asia Pacific	11.8	20.8
Total Gas production for sale as LNG (kboepd)	**11.8**	**34.2**
Oil production (kbpd)		
Norway	17.2	18.6
UK	-	-
Netherlands	1.5	2.0
Germany	5.8	6.2
North Africa	0.5	1.5
Asia Pacific	-	-
Total Oil production (kbpd)	**25.0**	**28.3**
Other Liquid production (kbpd)		
Norway	9.0	11.2
UK	0.3	0.4
Netherlands	0.2	0.2
Germany	-	-
North Africa	-	-
Asia Pacific	0.4	0.7
Total Other Liquid production (kbpd)	**9.9**	**12.5**
Total production (kboepd)		
Norway	49.3	68.1
UK	15.5	19.3
The Netherlands	23.2	19.2
Germany	17.9	17.3
North Africa	3.5	5.2
Asia Pacific	13.9	25.5
Total production (kboepd)	**123.3**	**154.6**

Summary of production by area – equity accounted affiliates

	First quarter 2021	First quarter 2020
Gas production (kboepd)		
North Africa	2.4	7.3
Total Gas production (kboepd)	**2.4**	**7.3**
Oil production (kbpd)		
North Africa	-	0.2
Total Oil production (kbpd)	**-**	**0.2**
Total production (kboepd)		
North Africa	2.4	7.5
Total production (kboepd)	**2.4**	**7.5**

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

	First quarter 2021	First quarter 2020
Total production (kboepd)		
Norway	49.3	68.1
UK	15.5	19.3
The Netherlands	23.2	19.2
Germany	17.9	17.3
North Africa	5.9	12.7
Asia Pacific	13.9	25.5
Total production (kboepd)	**125.7**	**162.1**

Financial review

This report includes the Group results for the three months ended 31 March 2021.

Results of operations

US$ millions	First quarter 2021	First quarter 2020
Revenue	367.8	479.7
Operating profit (note a)	171.3	155.3
Underlying operating profit (note b)	171.9	155.0
Profit before tax	197.4	118.4
Taxation	(119.5)	(71.4)
Net profit after tax	77.9	47.0
EBITDAX (RBL basis) (note c)	323.2	322.9
Cash flow from operations, after tax	314.1	355.2
Adjusted development cash capital expenditure (note d)	153.4	242.2
Net debt (book value) (RBL basis) (note e)	1,964.3	1,462.9
Net debt/EBITDAX (RBL basis) (notes e and f)	2.11 x	0.99 x

a) Operating (loss)/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 losses, other operating gains and losses, exploration expense and depreciation and amortisation. Following repayment of the Touat Vendor loan in September 2020, EBITDAX as defined by the RBL and shareholder agreement includes our share of net income from Touat. EBITDAX for the three months ended 31 March 2020 excludes our $9.2 million share of net income from Touat.
d) Excludes capital expenditure on acquisitions and includes capital expenditure of $8.7 million for the period (2020: $9.4 million) in respect of the Touat project, held by a joint venture company which Neptune accounts for under the equity method.
e) Net debt excludes Subordinated Neptune Energy Group Limited Loan and Touat project finance facility as defined by the RBL and Shareholder agreements. The Touat project finance facility was repaid at the end of September 2020.
f) EBITDAX is based on a 12-month rolling average value of $931.0 million (2020: $1,472.1 million), as defined by RBL and Shareholder agreements and as described in note c above.

Revenues for the first quarter 2021 were $367.8 million (2020: $479.7 million), reflecting total production from wholly owned subsidiaries of 11.1 mmboe (2020: 14.1 mmboe). Realised prices, before and after hedging, are shown in the table below. Production for the period is lower than 2020 and is the main reason for lower sales in 2021.

The Brent crude price averaged $61.3 (2020: $50.8) per barrel for the first quarter 2021 and our average realised oil price (pre hedging) was $60.8 per barrel (2020: $47.1) for the same period. Including hedging our average realised oil price was $53.4 per barrel (2020: $49.2) for the period. In the first quarter of 2021, prices maintained their upward trajectory from 2020's COVID-19-related lows as the OPEC+ group renewed its commitment to supply cuts while the gradual recovery in oil demand continued as vaccine rollouts accelerated.

The average realised gas price was $6.0 (2020: $2.9) per mcf (pre hedging) and $6.1 (2020: $4.1) per mcf (post hedging) for the period. European gas prices rallied sharply over the first quarter of 2021 as cold winter weather pushed storage levels well below their five-year average. Freezing temperatures in January temporarily pushed Asian LNG prices to an all-time high, resulting in reduced LNG flows into Europe as cargoes were diverted to Asia.

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 and equity accounted affiliates:

	First quarter 2021	First quarter 2020
Excluding impact of hedging:		
Average realised gas price ($/mcf)	6.0	2.9
Average realised LNG price ($/mcf)	7.2	7.4
Average realised oil price ($/bbl)	60.8	47.1
Average realised price, other liquids ($/bbl) (note a)	40.2	21.3
Including impact of hedging:		
Average realised gas price ($/mcf)	6.1	4.1
Average realised LNG price ($/mcf)	5.8	7.4
Average realised oil price ($/bbl)	53.4	49.2
Average realised price, other liquids ($/bbl) (note a)	40.2	21.3

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

In 2021, $29.5 million (2020: nil) of other operating income 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 $111.6 million (2020: $124.7 million) for the first quarter 2021 and our average operating cost per boe produced was $10.1/boe compared with $8.9/boe for the first quarter 2020. Operating costs for the purpose of per boe expense are increased by $60.5 million (2020: $15.7 million decrease) for the first quarter 2021 primarily to adjust for the significant underlift position in the first quarter 2021. Operating costs are also adjusted for income from tariffs and services which serve to recover costs, to exclude pre-development costs and to exclude abandonment costs incurred on non-producing fields. The higher operating costs per barrel in the period reflect that an element of operating costs are fixed so do not reduce when production is lower. This affects the UK and Norway where production has been impacted by operational issues in the first quarter and also Indonesia where production in the first quarter of 2020 was particularly high due to forward loading of liftings for the year.

The depreciation and amortisation expense was $128.2 million (2020: $147.5 million). The charge represents $11.6/boe produced compared with $10.5/boe produced for the first quarter 2020. The lower overall depreciation charge arises primarily in Indonesia where production has been lower. Depreciation per barrel in the first quarter 2021 is similar to 2020 where depreciation per barrel was $11.9/boe.

Exploration expense for the period was $7.6 million (2020: $22.1 million), which includes costs incurred on Geological and Geophysical studies to review strategic growth opportunities as well as seismic costs. The higher 2020 charge was primarily due to $11.5 million of costs recognised for an unsuccessful well evaluation in Norway.

General and administration expense of $18.4 million (2020: $13.3 million) for the first quarter 2021 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. The increased G&A costs in 2021 is due to higher costs in Germany from the office relocation, higher costs for employees allocated to our equity accounted Algerian joint venture and 2020 benefitting from the recognition of R&D recharge credits in Norway due to the high capital expenditure in the period.

Share in net loss of entities accounted for under the equity method was $3.7 million (2020: $9.4 million income) for the first quarter. This represents a loss from the Touat joint venture, $4.1 million (2020: $9.2 million income) and tariff income of one of our Dutch pipeline interests of $0.4 million (2020: $0.2 million). The loss from the Touat joint venture in 2021 reflects the production outage in the year to date.

Other operating losses were $16.1 million (2020: $7.2 million) for the first quarter 2021. The 2021 loss includes a loss on mark-to-market on commodity contracts other than trading instruments of $17.2 million (2020: $11.0 million loss), a restructuring provision charge of $0.6 million (2020: $0.3 million release), 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 (2020: $3.5 million gain).

The Group's operating profit for the first quarter 2021 was $171.3 million (2020: $155.3 million profit), before net finance costs. Underlying operating profit before tax is calculated before the impact of impairment losses, restructuring costs and pension curtailment credits. For the first quarter there is only a small adjustment in respect of restructuring, so the underlying operating profit for the period is $171.9 million (2020: $155.0 million).

US$ millions	First quarter 2021	First quarter 2020
Operating profit/(loss) before financial items	171.3	155.3
Add back:		
Share of net loss from investments using equity method - Touat impairment	-	-
Impairment loss	-	-
Net restructuring cost/(credit)	0.6	(0.3)
Deduct:		
Pension scheme settlement/(curtailment credit)	-	-
Underlying operating profit	**171.9**	**155.0**

Net financing was an income of $26.1 million (2020: $36.9 million expense) for the period. The majority of the change relates to the net foreign exchange movement with the 2021 foreign exchange gain being $60.9 million higher 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 2021 was $197.4 million (2020: $118.4 million). EBITDAX (as defined by the RBL and Shareholders Agreements) for the period was $323.3 million, compared with $322.9 million for the first quarter 2020.

US$ millions	First quarter 2021	First quarter 2020
Profit/(loss) before tax	197.4	118.4
Add back:		
Net financing (income)/ expenses	(26.1)	36.9
Other operating gains and losses	16.1	7.2
Exploration expense	7.6	22.1
DD&A	128.2	147.5
Share of net income from investments using equity method (note a)	-	(9.2)
EBITDAX (RBL basis)	**323.2**	**322.9**

a) In 1Q 2020 EBITDAX as defined by the RBL and Shareholder agreements excluded our share of net income from Touat.

The Group's total tax charge for the first quarter 2021 is $119.5 million (2020: $71.4 million), comprising a current tax credit for the period of $26.8 million (2020: $24.0 million charge) and a deferred tax charge for the period of $146.3 million (2020: $47.4 million charge). The total tax charge for the period represents an effective tax rate of 61% (2020: 60%).

The Group's actual tax charge for the period, of $119.5 million, is in line with the Group's expected tax charge of $124.5 million. The main reasons driving the difference between the actual and expected tax charge are the non-recognition and derecognition of deferred tax on income tax losses due to expectations on future recoverability (particularly in the Netherlands), offset by the non-taxation of foreign exchange gains and investment based allowances largely in Norway.

Net income for the first quarter 2021 was $77.9 million (2020: $47.0 million profit) on a reported basis.

For the 3 months ended 31 March 2021, $0.9 million of additional capital and operating expenditure was incurred in relation to COVID-19. The organisation has been monitoring and reporting significant COVID-19 expenditure since 1 April 2020 and will continue to do so in 2021.

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 2021, 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 gas, hedging provides weighted average floor prices of $6.0/mmbtu for 2021, $5.9/mmbtu for 2022 and $5.2/mmbtu for 2023 with upside caps at $7.0/mmbtu, $6.0/mmbtu and $5.2/mmbtu respectively.

For oil, weighted average downside protection is $45.79/barrel for 2021, $43.76/barrel for 2022 and $40.00/barrel for 2023 with upside capped at around $55.75/barrel for 2021 and $83.19/barrel for 2022. Oil in 2023 is uncapped.

Aggregate post-tax hedge ratio:

	2021	2022	2023
Oil	41%	10%	5%
Gas	72%	51%	10%
Total weighted average	**56%**	**28%**	**7%**

1) Oil price hedges include hedges of realisations for gas production sold as LNG and priced in relation to oil prices.
2) 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.
3) 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 2021, was a liability of $69.1 million (31 December 2020: $6.8 million asset), of which contracts with a net liability of $53.2 million expire in 2021.

Cash flow

Operating cash flow, after cash taxes, for the first quarter 2021 was $314.1 million (2020: $355.2 million). Cash taxes were $95.2 million received (2020: $37.3 million paid). The tax refunds result predominately from our Norwegian investment programme and the new temporary Norwegian fiscal changes. The effective rate of cash tax as a percentage of pre-tax operating cash flow was (43)% (2020: 10%).

Capital expenditure

Cash capital expenditure for the first quarter 2021, was $183.1 million (2020: $271.9 million), including $35.5 million (2020: $39.1 million) of capitalised exploration expenditure. The 2021 figure includes expenditure in Norway on Njord, Duva/Gjøa P1, Fenja and Gudrun projects as well as expenditure in Indonesia on the Merakes development project and in the UK on the Seagull project. 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 $11.7 million cash outflow in 2021 (2020: $12.5 million).

US$ millions	First quarter 2021	First quarter 2020
Investing cash flows:		
Development capex (note a)	144.7	232.8
Acquisitions – development assets	2.9	-
Exploration capex	27.3	39.1
Acquisitions – exploration assets	8.2	-
Total cash capital expenditure	**183.1**	**271.9**

a) 2020 includes Saka carry reimbursement of $2.5 million

b) Capex figures are for wholly-owned affiliates only

Development cash capex was $144.7 million (2020: $232.8 million). The majority of expenditure was in Norway on the Njord, Duva/Gjøa P1, Fenja and Gudrun projects as well as progressing the Merakes project in Indonesia and the Seagull project in the UK.

On 19 February 2021 Neptune announced a sale and purchase agreement with Wintershall Dea for the acquisition of interests in six producing oil and gas fields in Germany. The transaction completed on 31 March 2021 with an effective date of 1 January 2020. The transaction adds 13 mmboe of 2P reserves and around 1.8 kboepd of production. Acquisition development cash capex of $2.9 million is in respect of the acquisition in Germany from Wintershall Dea and is subject to an interim settlement adjustment.

Total exploration expenditure, including acquisitions, comprised $35.5 million (2020: $39.1 million) cash capex and $7.5 million (2020: $10.6 million) expensed in respect of G&G and seismic costs. Capex expenditure in 2021 has primarily been in Norway including drilling on the Blasto and Dugong wells.

We incurred $7.3 million (2020: $10.8 million) on decommissioning cash expenditure in the first quarter 2021, this was in the UK, the Netherlands and Germany.

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 2.11x. 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 2021, we had the following debt outstanding:

- $1,225 million drawn under the $2.6 billion committed RBL facility, which matures in 2024;
- $850 million 6.625% senior notes, maturing in 2025;
- $100 million 7.250% Subordinated Neptune Energy Group Limited vendor loan from ENGIE, maturing in 2024;
- $60 million drawn under bilateral short-term bilateral borrowing facilities.

At 31 March 2021, our cash balance totalled $118.6 million (31 December 2020: $92.5 million) and our available and undrawn headroom under the RBL facility was $1.1 billion. We also had $9 million of letters of credit drawn under an ancillary facility to the RBL and $163 million in surety bonds outstanding. Our weighted average cost of borrowing for the Group equalled 4.8%. Our Corporate Credit Ratings with Moody's, S&P and Fitch are Ba3, BB- and BB respectively. S&P and Fitch both improved their outlooks in the period to Stable following Neptune's 2020 results and an improved commodity price outlook. Moody's outlook remains Stable. 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. A significant portion of the RBL was swapped into fixed rate debt in early 2018. As at 31 March 2021, 63% of the debt portfolio was fixed, reducing Neptune's exposure to increases in the USD Libor interest rate.

Financial condition

Operating cash flows were $314.1 million (2020: $355.2 million). Investing cash flows were lower in the first quarter 2021 at $194.7 million (2020: $281.5 million) for the period being covered by operating cash flows. The financing costs and net debt repayment of $93.1 million (2020: $60.5 million) during the period resulted in a net cash inflow of $26.3 million for the first quarter 2021 (2020: $13.2 million inflow). We ended the period with gross interest-bearing debt of $2,182.9 million (book value) and net debt on an RBL basis, (excluding the Subordinated Neptune Energy Group Limited loan) of $1,964.3 million. This represents a net debt to EBITDAX ratio of 2.11x for the 12 months ended 31 March 2021 (2020: 0.99x).

Risks and uncertainties

Investment in Neptune involves risks and uncertainties, these are summarised in detail in the Neptune Energy Group Midco Limited 2020 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

Given the improving commodity and economic outlook, the Board of Directors of Neptune Energy Group Midco Limited have declared a 2021 Interim dividend of $80 million on 24 February 2021, which has enabled the Board of Directors of Neptune Energy Group Limited to declare a $200 million interim dividend also on 24 February 2021. The $200 million promissory note in respect of the 2019 dividend was settled on 25 February 2021.

NEPTUNE ENERGY GROUP MIDCO LIMITED

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2021

Unaudited condensed consolidated income statement

Group In millions of US$	Notes	First quarter 2021	First quarter 2020
Revenue from contracts with customers	3	367.8	479.7
Other operating income	2	29.5	-
Revenue and other income		**397.3**	**479.7**
Cost of sales		(180.2)	(291.2)
GROSS PROFIT		**217.1**	**188.5**
Exploration expenses		(7.6)	(22.1)
General and administration expenses		(18.4)	(13.3)
Share of net income from investments using equity method		(3.7)	9.4
OPERATING PROFIT AFTER EQUITY ACCOUNTED INVESTMENTS	3	**187.4**	**162.5**
Other operating (losses)/ gains	4	(16.1)	(7.2)
OPERATING PROFIT BEFORE FINANCIAL ITEMS AND TAX		**171.3**	**155.3**
Finance income		71.2	12.3
Finance costs		(45.1)	(49.2)
PROFIT BEFORE TAX		**197.4**	**118.4**
Taxation charge	6	(119.5)	(71.4)
NET PROFIT		**77.9**	**47.0**

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 2021	First quarter 2020
Profit for the period		**77.9**	**47.0**
Other comprehensive income:			
Items that may be reclassified to the income statement:			
Hedge adjustments net of tax (1)	13.3	(61.6)	180.3
Share of hedge adjustments within equity accounted investments(2)	13.3	(5.0)	-
Foreign currency translation		(51.0)	(261.1)
		(117.6)	(80.8)
OTHER COMPREHENSIVE (EXPENSE)		**(117.6)**	**(80.8)**
OTHER COMPREHENSIVE (LOSS) FOR THE PERIOD, NET OF TAX		**(39.7)**	**(33.8)**

1) Income tax related to hedge adjustments is $29.1 million credit (2020: $59.3 million charge) 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 $1.7 million credit (2020: nil).

Unaudited condensed consolidated statement of financial position

Group In millions of US$	Notes	31 March 2021	31 December 2020
NON-CURRENT ASSETS			
Goodwill	7	646.2	649.7
Intangible assets	8	229.2	194.9
Property, plant and equipment	9	4,663.6	4,566.2
Derivative instruments	13	13.9	19.6
Investments in entities accounted for using the equity method		559.7	557.6
Other non-current assets	13	85.3	99.5
Equity instruments	13	20.2	21.1
Deferred tax assets	6	580.4	577.3
TOTAL NON-CURRENT ASSETS		**6,798.5**	**6,685.9**
CURRENT ASSETS			
Derivative instruments	13	27.9	55.1
Trade and other receivables	13	614.6	526.6
Inventories		88.1	79.0
Cash and cash equivalents	10	118.6	92.5
Income tax receivable	13	84.8	153.4
TOTAL CURRENT ASSETS		**934.0**	**906.6**
TOTAL ASSETS		**7,732.5**	**7,592.5**
Share capital	14	1,977.2	1,977.2
Hedging reserve	13	(89.2)	(22.6)
Foreign currency translation		(16.3)	34.7
Retained earnings/(deficit)		(508.8)	(506.7)
TOTAL EQUITY		**1,362.9**	**1,482.6**
NON-CURRENT LIABILITIES			
Provisions	12	1,861.9	1,870.9
Long-term borrowings		2,122.9	1,971.8
Derivative instruments	13	20.7	11.5
Income tax payable	13	73.4	71.5
Other non-current liabilities	11,13	121.3	131.3
Deferred tax liabilities	6	1,107.9	988.8
TOTAL NON-CURRENT LIABILITIES		**5,308.1**	**5,045.8**
CURRENT LIABILITIES			
Provisions	12	113.5	114.9
Short-term borrowings		60.0	50.0
Derivative instruments	13	91.5	60.1
Trade and other payables	11,13	301.1	333.5
Income tax payable	13	27.2	28.6
Other current liabilities	11,13	468.2	477.0
TOTAL CURRENT LIABILITIES		**1,061.5**	**1,064.1**
TOTAL EQUITY AND LIABILITIES		**7,732.5**	**7,592.5**

Unaudited condensed consolidated statement of changes in equity

Group In millions of US$	Share Capital	Hedging reserve (1)(3)	Foreign currency translation (2)	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**

Group In millions of US$	Share Capital	Hedging reserve	Foreign currency translation	Retained earnings	Total
As at 1 January 2020	**1,977.2**	**118.8**	**(107.0)**	**(103.5)**	**1,885.5**
Profit for the period	-	-	-	47.0	47.0
Other comprehensive income	-	180.3	(261.1)	-	(80.8)
Total comprehensive income	**-**	**180.3**	**(261.1)**	**47.0**	**(33.8)**
As at 31 March 2020	**1,977.2**	**299.1**	**(368.1)**	**(56.5)**	**1,851.7**

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 $66.6 million is a loss of $5.0 million net of tax related to hedging undertaken by associated entities.

Unaudited condensed consolidated cash flow statement

Group In millions of US$	First quarter 2021	First quarter 2020
Cash flows from operating activities		
Profit before taxation	197.4	118.4
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation	128.2	147.5
Unsuccessful exploration costs written off	0.2	11.5
Finance costs	45.1	49.2
Finance income	(71.2)	(12.3)
Share of net loss/(income) from equity investments	3.7	(9.4)
Other non-operating expenses/(income) (net)	8.0	(3.7)
Fair value movement on commodity-based derivative instruments	17.2	11.0
Movement in provisions including decommissioning expenditure	(26.7)	(22.4)
Working capital adjustments	(83.0)	102.7
Income tax received/(paid) (net)	95.2	(37.3)
Net cash flows from operating activities	**314.1**	**355.2**
Cash flows from investing activities		
Expenditure on exploration and evaluation assets	(35.5)	(39.1)
Expenditure on property, plant and equipment	(147.6)	(232.8)
Proceeds from sale of assets	-	0.7
Finance income received	0.1	2.2
Net investment made in equity accounted investments	(11.7)	(12.5)
Net cash flows used in investing activities	**(194.7)**	**(281.5)**
Cash flows from financing activities		
Proceeds from loans and borrowings	456.0	495.5
Repayment of borrowings	(298.9)	(514.5)
Repayment of obligations under leases	(25.7)	(17.0)
Finance costs paid	(24.5)	(24.5)
Dividends paid	(200.0)	-
Net cash flows used in financing activities	**(93.1)**	**(60.5)**
Net increase in cash and cash equivalents	26.3	13.2
Cash and cash equivalents at 1 January	92.5	85.4
Net foreign exchange differences	(0.2)	(1.1)
Cash and cash equivalents at 31 December	**118.6**	**97.5**

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 2021 were authorised for issue in accordance with a resolution of the Board on 12 May 2021.

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 2021 have been prepared in accordance with 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 2020 which contains additional accounting policy disclosure. The preparation of financial statements in conformity with 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 2020 except where, due to the adoption of new standards effective as of 1 January 2021 (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 2021, 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 2021 of $1.2 billion, comprising our cash balance ($118.6 million) and available and undrawn headroom under the RBL facility ($1.1 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 30 June 2022. 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.

While the short-term outlook remains uncertain due to COVID-19, energy markets have stabilised and commodity prices have recovered from the lows of 2020. We believe the longer-term outlook is positive for the oil and gas sector and that we are well positioned to benefit from the transition to a lower-carbon energy market. Our low-cost projects, long-life production, strong balance sheet and hedging provides resilience for the Group against softer 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 2020 Annual Report and Accounts. There have been no further changes since the start of the year.

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 2020 Annual Report and Accounts in note 1.

2. Other operating income

Group In millions of US$	First quarter 2021	First quarter 2020
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 31 March 2022. Neptune's loss of revenue is being recovered through business interruption insurance, after an initial period of 60 days.

3. Segmental information

3.1 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 two geographical regions comprising seven areas: UK, Norway, Netherlands, Germany, North Africa, Asia Pacific and Corporate. There have been no changes to the reportable segments in the periods disclosed.

				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
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 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**

				First quarter 2020				
Group In millions of US$	**UK**	**Norway**	**Netherlands**	**Germany**	**North Africa**	**Asia Pacific**	**Corporate**	**Total**
Production revenue by origin	53.7	217.1	56.1	42.6	11.3	89.4	-	470.2
Other revenue	1.5	0.4	5.8	1.8	-	-	-	9.5
Other operating income	-	-	-	-	-	-	-	-
Revenue and other income	**55.2**	**217.5**	**61.9**	**44.4**	**11.3**	**89.4**	**-**	**479.7**
Current operating profit	**15.0**	**89.1**	**17.8**	**(4.3)**	**1.7**	**34.4**	**(0.6)**	**153.1**
Share of net income from investments using equity method	-	-	0.2	-	9.2	-	-	9.4
Net operating profit/(loss) after equity accounted investments	**15.0**	**89.1**	**18.0**	**(4.3)**	**10.9**	**34.4**	**(0.6)**	**162.5**
Other operating losses								(7.2)
Profit Before Financial Items								**155.3**
Financial income								12.3
Finance costs								(49.2)
Profit before tax								**118.4**

3.2 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 period. This measure is reconciled to its statutory equivalent.

				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**

				First quarter 2020				
Group In millions of US$	**UK**	**Norway**	**Netherlands**	**Germany**	**North Africa**	**Asia Pacific**	**Corporate**	**Total**
EBITDAX (including equity accounted affiliates)	38.9	144.1	36.2	13.3	14.8	84.7	0.1	**332.1**

3.3 Net assets

	31 March 2021							
Group In millions of US$	UK	Norway	Netherlands	Germany	North Africa	Asia Pacific	Corporate	Total
Balance sheet								
Assets	1,330.2	3,294.5	583.2	575.6	630.9	1,214.3	103.8	7,732.5
Liabilities	(383.2)	(2,027.2)	(676.0)	(700.4)	(18.1)	(201.0)	(2,363.7)	(6,369.6)
Net assets	**947.0**	**1,267.3**	**(92.8)**	**(124.8)**	**612.8**	**1,013.3**	**(2,259.9)**	**1,362.9**

	31 December 2020							
Group In millions of US$	UK	Norway	Netherlands	Germany	North Africa	Asia Pacific	Corporate	Total
Balance sheet								
Assets	1,329.8	3,205.2	636.4	576.0	628.6	1,131.8	84.7	7,592.5
Liabilities	(357.2)	(1,876.0)	(672.9)	(704.9)	(17.2)	(153.8)	(2,327.9)	(6,109.9)
Net assets	**972.6**	**1,329.2**	**(36.5)**	**(128.9)**	**611.4**	**978.0**	**(2,243.2)**	**1,482.6**

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.

4. Other operating losses

Other operating losses are those that need to be disclosed separately by virtue of their nature, size or incidence. These 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 2021	First quarter 2020
Mark-to-market on commodity contracts other than trading instruments:	17.2	11.0
Restructuring provision cost	0.6	(0.3)
Release of contingent consideration	(2.5)	-
Other loss/(gain)	0.8	(3.5)
Total other operating losses	**16.1**	**7.2**

The gain on the derecognition of contingent consideration payable has arisen as the Board no longer expect 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 2021	First quarter 2020
Aggregate amount of dividends paid in the period	80.0	-
Aggregate amount of dividends liable to pay at the balance sheet date	80.0	-

Given the improving commodity and economic outlook, the Board of Directors of Neptune Energy Group Midco Limited have declared a 2021 Interim dividend of $80 million on 24 February 2021. This was enabled through the issue of an $80 million promissory note. The promissory note is payable on demand but bears no interest. The $200 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 2021	First quarter 2020
Current taxation	(26.8)	24.0
Deferred taxation	146.3	47.4
Total income tax expense recognised in income statement	**119.5**	**71.4**

The effective tax rate for the Group for the period was 61% (2020: 60%).

The Group's actual tax charge for the period, of $119.5 million, is in line with the Group's expected quarterly 2021 tax charge of $124.5 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 reasons driving the difference between the Group's actual and expected tax charge are the non-recognition and derecognition of deferred tax on income tax losses due to expectations on future recoverability (particularly in the Netherlands), offset by the non-taxation of foreign exchange gains and investment based allowances largely in Norway.

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	Retirement obligations	Pensions	Tax losses	Other	Total
At 1 January 2021	**(1,580.1)**	**432.3**	**49.4**	**787.2**	**(100.3)**	**(411.5)**
Reclassification	(0.9)	0.9	-	-	-	-
Credit/(charge) for the period	(69.3)	1.3	0.7	(10.5)	(68.5)	(146.3)
Charge to equity and other comprehensive income	-	-	-	-	29.1	29.1
Currency translation adjustments	(0.1)	(0.8)	(1.3)	3.9	(0.5)	1.2
At 31 March 2021	**(1,650.4)**	**433.7**	**48.8**	**780.6**	**(140.2)**	**(527.5)**

Deferred tax asset	580.4
Deferred tax liabilities	(1,107.9)
Deferred tax liabilities net	**(527.5)**

The Group's net deferred tax liability has increased from $411.5 million at 31 December 2020 to $527.5 million at 31 March 2021. The main reasons for the higher deferred tax liability is due to increased capital expenditure in conjunction with accelerated tax depreciation, particularly as a result of the temporary Norwegian fiscal changes which allow full expensing of investment at the special tax rate of 56%. Other significant impacts on the deferred tax position relate to current period increases in under lift assets (Norway) and movements in our commodity hedges.

7. Goodwill

Group In millions of US$	31 March 2021
Cost at 1 January 2021	664.5
Currency translation adjustments	(3.7)
Cost at 31 March 2021	**660.8**
Impairment losses at 1 January 2021	(14.8)
Currency translation adjustments	0.2
Impairment losses at 31 March 2021	**(14.6)**
Net book value at 31 March 2021	**646.2**
Net book value at 31 December 2020	**649.7**

The goodwill arose on the acquisition in 2018 of ENGIE E&P International S.A. (EPI), (now renamed Neptune Energy International S.A.) an unlisted company based in France which was the holding company of a group involved internationally in oil and gas exploration and production. Further goodwill arose on the acquisition in 2018 of VNG Norge AS (an unlisted company based in Norway) from its parent VNG AG (a German natural gas and energy service provider).

The goodwill assigned to Norway is $562.3 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. Further information on the review for impairment is available in the Neptune Energy Group 2020 Annual Report and Accounts in note 12.

8. Intangible assets

Group In millions of US$	Exploration and evaluation	Other	Total
Cost at 1 January 2021	**184.1**	**32.0**	**216.1**
Additions	34.1	1.2	35.3
Unsuccessful exploration expenditure	(0.2)	-	(0.2)
Currency translation adjustments	0.2	1.8	2.0
Cost at 31 March 2021	**218.2**	**35.0**	**253.2**
Amortisation at 1 January 2021	**-**	**(21.2)**	**(21.2)**
Charge for the period	-	(1.0)	(1.0)
Currency translation adjustments	-	(1.8)	(1.8)
Amortisation at 31 March 2021	**-**	**(24.0)**	**(24.0)**
Net book value at 31 March 2021	**218.2**	**11.0**	**229.2**
Net book value at 31 December 2020	**184.1**	**10.8**	**194.9**

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 2021	**6,721.8**	**94.6**	**6,816.4**
Additions	253.8	7.8	261.6
Asset retirement	-	(3.0)	(3.0)
Disposals	(4.1)	(0.7)	(4.8)
Currency translation adjustments	(68.5)	(2.4)	(70.9)
Cost at 31 March 2021	**6,903.0**	**96.3**	**6,999.3**
Accumulated depreciation at 1 January 2021	**(2,223.9)**	**(26.3)**	**(2,250.2)**
Charge for period [1]	(132.1)	(2.7)	(134.8)
Asset retirement	-	3.0	3.0
Disposals	4.1	0.7	4.8
Currency translation adjustments	41.0	0.5	41.5
Amortisation at 31 March 2021	**(2,310.9)**	**(24.8)**	**(2,335.7)**
Net book value at 31 March 2021	**4,592.1**	**71.5**	**4,663.6**
Net book value at 31 December 2020	**4,497.9**	**68.3**	**4,566.2**

1) Includes capitalised depreciation of $7.6 million (2020: $3.9 million) related to right-of-use assets in Norway and the UK.

10. Cash and cash equivalents

Group In millions of US$	31 March 2021	31 December 2020
Cash at bank and in hand	105.8	79.7
Restricted cash	12.8	12.8
Total cash and cash equivalents	**118.6**	**92.5**

Cash and cash equivalents comprise cash in hand, deposits with maturity of three months or less and other short-term money market deposit accounts that are readily convertible into known amounts of cash. Restricted cash includes funds held for decommissioning obligations.

11. Trade payables and other liabilities

Group In millions of US$	31 March 2021	31 December 2020
Trade and other payables	301.1	333.5
Other current liabilities	314.4	327.6
Lease liabilities	105.5	98.5
Wages and social security	48.3	50.9
Current trade payables and accruals	**769.3**	**810.5**
Other non-current liabilities	45.8	41.7
Lease liabilities	75.5	89.6
Non-current trade payables and accruals	**121.3**	**131.3**
Total	**890.6**	**941.8**

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

Included within other current liabilities at 31 March 2021 is $80.0 million in respect of a promissory note issued on 24 February 2021 to the immediate and ultimate parent undertaking in respect of an interim dividend for 2021.

Included within other current liabilities at 31 December 2020 is $200.0 million in respect of a promissory note issued to the immediate and ultimate parent undertaking in respect of the 2019 interim dividend declared. The promissory note was settled on 25 February 2021. The remainder of the balance is principally related to joint venture funding.

12. Provisions

Group In millions of US$	31 March 2021	31 December 2020
Current		
Restructuring	43.2	52.7
Post-employment benefit and other long-term benefits	10.7	11.3
Decommissioning	55.0	46.0
Other	4.6	4.9
Current total	**113.5**	**114.9**
Non-Current		
Restructuring	12.6	21.4
Post-employment benefit and other long term benefits	203.7	211.7
Decommissioning	1,639.9	1,637.8
Other	5.7	-
Non-Current Total	**1,861.9**	**1,870.9**
Total	**1,975.4**	**1,985.8**

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 2020 Annual Report and Accounts in note 22.

The restructuring provision is in relation to the decision in 2019 to close the corporate office in France and also the announcement in June 2020 to reduce 400 positions across our business including proposals to close offices in Oslo in Norway and Lingen in Germany.

13. 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 2021 and 31 December 2020.

Group In millions of US$	31 March 2021	31 December 2020
Financial assets at fair value		
Commodity derivatives at fair value through profit and loss	5.0	3.0
Commodity derivatives in qualifying hedging relationships	36.8	71.7
Equity instruments designated at fair value through OCI		
10.58% interest in Erdgas-Verkaufs-Gesellschaft mbH, Münster	20.2	21.1
Financial assets at amortised cost		
Trade and other receivables	614.6	526.6
Income Tax receivable	84.8	153.4
Other non-current assets	85.3	99.5
Total	**846.7**	**875.3**
Total current	**727.3**	**735.1**
Total non-current	**119.4**	**140.2**

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 mbH, 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 2021	31 December 2020
Financial liabilities at fair value		
Commodity derivatives at fair value through profit and loss	7.1	2.4
Commodity derivatives in qualifying hedging relationships	103.8	65.5
Interest rate derivatives in qualifying hedging relationships	1.3	3.7
Contingent consideration	6.0	2.6
Financial liabilities at amortised cost		
Reserve base lending facility	1,186.7	1,028.6
Senior Notes	836.2	835.3
DNB uncommitted facility	50.0	50.0
Citi Bank uncommitted facility	10.0	-
Subordinated Neptune Energy Group Limited loan	100.0	107.9
Trade and other payables	301.1	333.5
Wages and social security	48.3	50.9
Lease liabilities	181.0	188.1
Corporate taxes payable	100.6	100.1
Other liabilities	354.2	366.7
Total	**3,286.3**	**3,135.3**
Total current	**948.0**	**949.2**
Total Non-current	**2,338.3**	**2,186.1**

Set out above is an overview of financial liabilities, other than cash and short-term deposits, held by the Group as at 31 March 2021. The Senior Notes have a fair value of $849.2 million, compared to the carrying amount of $836.2 million (31 December 2020: a fair value of $825.3 million, compared with the carrying amount of $835.3 million) reflecting the current volatility in the market environment. 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.

The $6.0 million valuation of contingent consideration at 31 March 2021 relates to the Company's acquisition of certain assets from Wintershall Dea. The valuation of contingent consideration at 31 December 2020 relates to the Company's acquisition of VNG assets of $2.6 million which was released in full in the first quarter. The valuations are based on the Board's view of the most likely future liability that will be settled which are based on unobservable inputs and are level 3 in the IFRS 13 hierarchy.

13.1 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 2021 and 31 December 2020. 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.

			31 March 2021	
Group In millions of US$	Date of valuation	Total	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-21	36.8	36.8	-
Commodity derivatives at fair value through profit and loss	31-Mar-21	5.0	5.0	-
Non-Listed equity Instruments				
10.58% interest in Erdgas Münster GMBH	31-Mar-21	20.2	-	20.2
Total		**62.0**	**41.8**	**20.2**

			31 December 2020	
Group In millions of US$	Date of valuation	Total	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-20	71.7	71.7	-
Commodity derivatives at fair value through profit and loss	31-Dec-20	3.0	3.0	-
Non-Listed equity Instruments				
10.58% interest in Erdgas Münster GMBH	31-Dec-20	21.1	-	21.1
Total		**95.8**	**74.7**	**21.1**

			31 March 2021	
Group In millions of US$	Date of valuation	Total	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-21	103.8	103.8	-
Commodity derivatives at fair value through profit and loss	31-Mar-21	7.1	7.1	-
Interest rate derivatives in qualifying hedging relationships	31-Mar-21	1.3	1.3	-
Contingent consideration	31-Mar-21	-	-	6.0
Total		**118.2**	**112.2**	**6.0**

			31 December 2020	
Group In millions of US$	Date of valuation	Total	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-20	65.5	65.5	-
Commodity derivatives at fair value through profit and loss	31-Dec-20	2.4	2.4	-
Interest rate derivatives in qualifying hedging relationships	31-Dec-20	3.7	3.7	-
Contingent consideration	31-Dec-20	2.6	-	2.6
Total		**74.2**	**71.6**	**2.6**

13.2 Level 3 fair value movements

The following table presents the changes in Level 3 instruments for the 3 months ended 31 March 2021.

Group In millions of US$	Equity Investments	Contingent Consideration	Total
Fair value at 1 January	21.1	(2.6)	18.5
Acquisitions	-	(6.0)	(6.0)
Gains recognised in the income statement	-	2.5	2.5
(Losses)/gains recognised in other comprehensive income	(0.9)	0.1	(0.8)
Closing balance 31 March 2021	**20.2**	**(6.0)**	**14.2**

A 5 per cent change in the EBITDA multiple to the Level 3 instrument above as applied would result in a $1.0 million change in valuation (2020: $1.1 million change).

The contingent consideration at 1 January 2021 related to an asset in Denmark that was part of the VNG acquisition. This has now been derecognised with a gain of $2.5 million recognised in the income statement as the Board no longer expect that the relevant project milestones, will be achieved.

In the first quarter 2021, a contingent consideration of $6.0 million has arisen on assets acquired in Germany from Wintershall Dea. This would be payable based upon satisfaction of certain criteria. The possible outcome of contingent consideration ranges from $nil to $11.2 million.

13.3 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	Cash flow interest rate hedge reserve	Total hedge reserve
At 1 January 2021	11.5	7.4	3.7	22.6
Add: costs of hedging deferred and recognised in OCI	92.9	18.0	(2.4)	108.5
Less: reclassified from OCI to profit or loss or included in finance costs	(14.0)	(3.8)	-	(17.8)
Less: deferred tax	(24.3)	(4.8)	-	(29.1)
Less: share of hedge adjustments within equity accounted investments deferred and recognised in OCI	3.9	1.1	-	5.0
At 31 March 2021	**70.0**	**17.9**	**1.3**	**89.2**

The Company 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.

14. Called up share capital

Group and Company	Number	US$ million
Allotted, called up and fully paid $1 shares		
At 31 December 2020 and 31 March 2021	**1,977,175,201**	**1,977.2**

15. 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 2020 year end disclosure. Further details on contingencies can be found in Note 26 of the Neptune Energy Group 2020 Annual Report and Accounts.

16. Related party transactions

There were no material related party transactions in the three months ended 31 March 2021 nor in the three months ended 31 March 2020.

17. Events after the reporting period

On 4 May 2021, Neptune announced the acquisition of a 38.75% equity interest from Spirit Energy in the Pegasus West discovery and surrounding acreage in the UK Southern North Sea.