NEPTUNE ENERGY
THIRD QUARTER 2020 RESULTS

Neptune Energy Group Midco Limited
Unaudited Condensed Consolidated Financial Statements
For the nine months ended 30 September 2020

About Neptune Energy Group

Neptune is an independent global E&P company and active across the North Sea, 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 at 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 Q3 2020 RESULTS

London, 18 November 2020 – Neptune Energy, the global independent oil and gas exploration and production company, today announces its financial results for the three months ended 30 September 2020.

Good safety and underlying operational performance in Q3, with YTD production up

- Continued safety performance improvements, with reductions in Total Recordable Injury Rate and Process Safety Event Rate.
- Q3 production of 134.5 kboepd, due to planned shutdowns and operational issues at joint venture assets in Norway and Algeria. YTD production of 148.6 kboepd, up on corresponding period in 2019.
- Production restricted in Q4 due to repairs at Touat (Algeria) and outage at the Equinor-operated Hammerfest LNG facility (Norway), with loss of revenues from the Snøhvit Unit to be recovered through business interruption insurance. FY production guidance of 140-145 kboepd.

Robust financial performance, with hedging gains and tax refunds boosting cash flow

- EBITDAX of $172.1 million in Q3 reflecting weaker production and continued soft commodity prices, offset by realised hedging gains of $75 million. YTD operating cash flows of $676 million lifted by Norwegian tax refunds.
- Low operating costs of $10.2/boe in Q3. Full year opex expected to average around $9.5/boe.
- Repaid Touat vendor loan, saving ~$12 million per year and increasing available liquidity under the RBL by $275 million.

Strong balance sheet, disciplined capital allocation and healthy liquidity

- Expect FY operating cash flow of around $900 million, reflecting lower cost base and tax refunds, offset by weaker production.
- Resilience programme delivered $290 million of reductions YTD. On track to deliver FY 2020 reductions of ~$330 million.
- Liquidity of $1.3 billion, providing headroom to support value-accretive acquisitions and growth opportunities.

Jim House, Chief Executive Officer, said:

"Despite the ongoing restrictions of the COVID-19 pandemic, Neptune delivered a robust safety, operational and financial performance in the third quarter. Our active hedging programme and tight cost control boosted cash flow and we took further steps to enhance liquidity.

"While repairs at Touat and the outage at the Equinor-operated Hammerfest LNG facility at Melkøya will restrict production in the near-term, we head in to next year with new projects coming online in Norway and Indonesia and high value appraisal activities at Dugong in Norway and Isabella in the UK, which will enhance cash flow and provide longer-term growth."

FINANCIAL SUMMARY

Neptune Energy	Q2 2020	Q3 2020	Q3 2019	9M 2020	9M 2019
Total daily production (kboepd) (note c)	149.6	134.5	130.8	148.6	142.6
Average realised oil price ($/bbl) (note a,c)	29.2	41.4	64.2	39.7	62.1
Average realised oil price including hedging ($/bbl) (note b,c)	41.5	46.7	64.2	46.0	61.3
Average realised gas price ($/mcf) (note a,c)	1.5	2.6	3.6	2.5	5.0
Average realised gas price including hedging ($/mcf) (note b,c)	3.3	4.3	4.6	4.2	5.5
EBITDAX ($m) (RBL basis) (note d)	227.8	172.1	331.3	732.0	1,213.2
Operating costs ($/boe)	8.5	10.2	11.2	9.1	10.6
Operating cash flow ($m)				675.9	947.2

a) Average realised prices are stated before the impact of hedging.

b) Average realised prices are stated after the impact of hedging.

c) Production and realised price figures are for wholly owned affiliates and equity accounted affiliates.

d) EBITDAX as defined by the RBL and shareholder agreement includes our share of net income from Touat in 2020 following the repayment of the Touat Vendor Loan in Q3 2020. EBITDAX for 2019 is excluding our share of net income from Touat. For more detail on the Touat loan and the RBL please see the Financing and Liquidity section on page 15.

GROUP OVERVIEW

Operational performance

Health and safety is our highest priority and our performance largely improved across all our countries in the third quarter. There were two lost time injuries, which caused our injury frequency rate to increase from our target of 0.6 to 0.8 per million hours worked. Our total recordable injury rate improved down to 1.9 per million hours worked from 2.1, and is below our target of 2.0. Our process safety event rate improved from 2.1 to 1.9 per million hours worked and is below our target of 2.1. These figures include cooperated joint venture activities and are calculated for the 12 month period ended 30 September 2020.

During the third quarter we delivered a good underlying performance across our operated assets, as we continued to manage the impacts of the COVID-19 pandemic on work programmes and planned maintenance shutdowns in Norway and the UK. This partially mitigated operational issues at our joint venture assets in Algeria and Norway, which reduced output by around 10 kboepd in the third quarter, and smaller production losses due to additional downtime in the Netherlands. Our operations in Germany and Egypt performed in line with expectations and, while gas demand remained weak in Asia, output from Indonesia was higher than expected. Overall, total Group production for the third quarter averaged 134.5 kboepd, 3.7 kboepd higher than the corresponding period in 2019.

Production efficiency at our operated assets was 73% in the third quarter reflecting planned maintenance and development activities, which are now behind us. Production efficiency was reduced at our non-operated assets due to a number of unplanned disruptions, including a shutdown in September at the Hammerfest LNG facility. Following a fire at the facility on 28 September, the operator, Equinor, has advised that production from the plant is expected to be shut-in for up to 12 months. While revenues from the Snøhvit Unit will be protected through business interruption insurance, the shut-in will impact near-term production volumes.

We made good progress with the organisational changes we announced in June, with new structures in Norway, the Netherlands and the UK now in place. Changes in Germany are progressing according to plan and are due to be concluded in the first half of 2021.

Following the formation of our New Energy team to scale partnerships and investments in low carbon technologies, we announced the appointment of Pierre Girard as Director of New Energy.

In November we pledged our support to tackle mental health and youth unemployment issues by forming a series of new partnerships, including with Mental Health UK and Movement to Work. The commitment is in line with our support for the UN Sustainable Development Goals, which aim to address global challenges such as poverty and inequality, and part of Neptune's ESG strategy.

Financial performance

Our financial results were robust in the third quarter reflecting higher commodity prices, realised gains on hedging and tight cost control. Due to lower production and unfavourable exchange rate effects, opex increased to $10.2/boe in the third quarter, but remains significantly lower than in the same period of 2019. EBITDAX in the third quarter was $172.1 million and we reported a net loss after tax of $10.8 million, compared with a $32.3 million loss in the third quarter of 2019.

Post-tax operating cash flow in the nine months to 30 September was $676 million compared with $947 million in the corresponding period in 2019. Largely as a result of temporary changes to the petroleum tax regime in Norway, we received net cash tax refunds of $123 million in the third quarter. We expect to receive approximately $62 million of further net refunds in the fourth quarter.

During the third quarter, we invested $163 million in development capex and capitalised a further $19 million in exploration spend as a result of successful drilling results. The majority of investment was in our projects in Norway.

At the end of September, we repaid the entire outstanding Touat Vendor Loan with Engie S.A., for an amount of $237 million. The reimbursement was funded by $26 million of cash and the remainder by drawing on the RBL. Due to the significant cost difference between the Vendor Loan and the RBL, we expect to realise cost savings of approximately $12 million per annum. As a result of the loan reimbursement, inclusion of the Touat asset increased the borrowing base and available liquidity under the RBL by $275 million as from October 2020.

Net debt (excluding Subordinate Neptune Energy Group Limited loan) at the end of the third quarter was $1.8 billion and we have available liquidity of $1.3 billion, including the recent addition of our Touat asset to the RBL. Our net debt to EBITDAX leverage ratio increased to 1.64 times from 1.31x at the end of Q2, reflecting higher net debt and lower 12-month rolling EBITDAX. EBITDAX now includes our share of earnings from Touat. We remain well within our 3.5x RBL covenant and expect this ratio to remain below 2.0x by the end of 2020.

Outlook

With a resurgence in COVID-19 cases in Europe, our focus remains on protecting our people and our assets, and maintaining the integrity of our operations. We will continue to monitor the situation as it evolves, including the possible impact on demand and prices.

With maintenance activity now behind us and start-up of the Adorf-Z15 well in Germany, production in the UK, the Netherlands and Germany is expected to higher in the fourth quarter. However, due to the shutdown of the Equinor-operated Hammerfest LNG facility, together with temporary strikes at Gjøa and Gudrun in Norway and repairs at Touat, Group production in the fourth quarter is expected to be marginally lower. Reflecting these issues, and in line with previous guidance, we expect production for the full year to average 140-145 kboepd, demonstrating the benefits of our diversified portfolio. The financial impact of lower production from the Snøhvit Unit will be mitigated by our business interruption insurance.

Our development projects continue to progress and we expect the Gjøa P1, Duva (Norway) and Merakes (Indonesia) projects to come online in 2021, together adding around 26 kboepd at plateau. The operator of the Njord project, Equinor, is guiding first production from the development in Q4 2021. Production from these fields is expected to partially offset production losses from the Snøhvit Unit, Touat, and natural decline across the portfolio. With repairs to the Hammerfest LNG plant due to be completed by Q4 2021, we expect to exit 2021 at materially higher production rates.

In the year to date we have realised around $290 million of cost reductions through our resilience plan and anticipate a further $40 million of reductions to be achieved in the remainder of the year, as we remain on target to achieve savings of around $330 million for the full year. Reflecting lower production, we now expect opex to average around $9.5/boe for the full year.

Due to the earlier restart of development activities at Merakes and unfavourable foreign exchange movements, we expect development capex in 2020 to be at the top end of our lower guidance at around $800 million. Despite project deferrals from 2020 development capex in 2021 is expected to be materially lower.

We expect exploration spend in 2020 to be around $145 million, reflecting higher costs at our Dugong discovery and additional well planning as part of our 2021 drilling programme. Our future drilling plans include further high impact wells at Dugong and Isabella.

OPERATING REVIEW

Europe

Norway

In Norway, production in the third quarter averaged 53.0 kboepd, reflecting planned maintenance activity, an unplanned shutdown at the Hammerfest LNG facility, well issues at Gudrun and constraints at Troll C, which impacted output from Fram. The planned shutdown at Gjøa, to pull-in the Nova project risers, was successfully completed and the Gjøa field continues to perform strongly.

Operating costs in Norway remain low, but increased slightly to $7.5/boe in the third quarter, reflecting shutdowns in the period and unfavourable foreign exchange movements.

Following a fire at the Hammerfest LNG facility at Melkøya on 28 September, the operator, Equinor, has advised that it may take until 1 October 2021 for operations to restart. As a consequence, the Snøhvit, Albatross and Askeladd fields have been shut-in. Neptune's losses of revenue from the Snøhvit Unit will be recovered through business interruption insurance, claims for which are effective 60 days after the incident.

Due to strike action in early October we temporarily suspended activities at our operated Gjøa P1 and Duva projects. As a result, Gjøa P1 is now expected onstream in early 2021. Together, Gjøa P1 and Duva will add around 16 kboepd at plateau. Equinor, the operator of the Njord Future project, announced extended project schedules and are now guiding first production in Q4 2021. At the Fenja project, we completed an appraisal well targeting upside in the Bue discovery, resulting in a small oil discovery.

In October, we increased our interest in the large operated Dugong discovery to 45% through the acquisition of a further 5% interest from Concedo. A two well programme on PL882 is planned to commence in the first half of 2021, which will include an appraisal well on Dugong and an exploration well targeting the adjacent Tail prospect.

Netherlands

In the third quarter, production in the Netherlands averaged 19.4 kboepd, reflecting planned maintenance activity, which had been deferred from the second quarter. During the period higher output from the Sillimanite field was offset by additional shutdowns at L5a-D, E17a-A and K9ab. With our summer maintenance programme now behind us, production has averaged higher rates in the fourth quarter.

Operating costs in the Netherlands for the third quarter increased to $14.9/boe reflecting lower production, maintenance activity and foreign exchange effects in the period.

Drilling activities at the D12-B3 development well in the Sillimanite South field were completed in the third quarter. The well has demonstrated strong deliverability and is due to be brought onstream in the fourth quarter.

UK

Production in the UK remained strong, averaging 16.7 kboepd in the third quarter. During the period we completed the planned maintenance shutdown at Cygnus safely and on schedule. Operating costs in the UK remained low in the third quarter at $7.7/boe.

In August, we announced a partnership with 3D technology specialist, Eserv, as part of the ongoing digitalisation of our assets, including our Cygnus gas platform.

Neptune continues to support the Institution of Gas Engineers & Managers workgroup in consultations to revise the UK gas quality standard to maximise economic recovery. This would enable us to export Cygnus gas without the need for blending. A joint impact study by the Health and Safety Executive and Department for Business, Energy & Industrial Strategy is due to commence in the fourth quarter of 2020.

Offshore development activities at the Seagull project commenced in the third quarter, with production and waste water pipelines successfully installed in early October. ETAP topsides construction work has also commenced.

Germany

Production in Germany was broadly stable in the third quarter averaging 16.5 kboepd. As planned, the Altmark field was shut-in during September due to maintenance activities at third party facilities, with the field brought back onstream in October. Phase one of the Römerberg facility maintenance programme was completed in October, with the second phase scheduled for Q2 2021.

Operating costs in Germany increased to $14.0/boe in the third quarter reflecting a small increase in costs and foreign exchange effects.

The Adorf-Z15 well was successfully brought onstream in early November.

North Africa

Algeria

In the third quarter, production in Algeria averaged 9.0 kboepd. The performance of the Touat gas processing facility remains variable and shutdowns in August and September were required to unplug the gas heat exchanger to remove material released from the H_2S scavenger unit and clean process pipelines.

We have identified some technical issues, which, due to COVID-19 restrictions, may take some time to resolve and will impact production in the fourth quarter of 2020 and first quarter of 2021.

Due to lower production, operating costs in Algeria increased to $11.3/boe in the third quarter.

Egypt

In Egypt, production remained stable averaging 4.6 kboepd in the third quarter. Production is expected to decline in the fourth quarter due to the expiry of the Ashrafi concession in November. In October we perforated the Karam-5 and Karam-10 gas wells. A workover campaign to initiate production from existing shut-in wells is expected to commence towards the end of the year.

Operating costs in Egypt increased to $9.9/boe in the third quarter due to lower production.

Asia Pacific

Indonesia

Production in Indonesia averaged 15.3 kboepd in the third quarter, reflecting continued curtailments due to high inventory in the Bontang liquefaction facility. To partially mitigate this we sold two spot cargoes, equivalent to approximately 2.6 standard cargoes, in September and October.

Operating costs in Indonesia increased to $10.5/boe in the third quarter, reflecting curtailed production and lower cost outturns.

In September, activity at the Merakes project recommenced. First gas remains on schedule for the first half of 2021, adding 10 kboepd at plateau.

Australia

We continue to interpret 3D seismic acquired in early 2020, covering the Petrel field and surrounding acreage. The final processed data is expected to be received in late 2020 and this new data will help delineate the field and de-risk development opportunities.

Summary of production by area - wholly owned affiliates

	Third quarter 2020	Third quarter 2019	Nine months 2020	Nine months 2019
Gas production (kboepd)				
Norway	18.5	20.4	21.3	24.5
UK	16.4	14.7	18.1	15.8
Netherlands	18.1	17.1	18.9	19.7
Germany	10.7	6.7	11.1	7.0
North Africa	3.3	3.3	3.5	3.0
Asia Pacific	5.4	3.3	4.5	3.0
Total Gas production (kboepd)	**72.4**	**65.5**	**77.4**	**73.0**
Gas production for sale as LNG (kboepd)				
Norway	11.7	13.5	10.7	13.1
Asia Pacific	9.5	12.7	14.6	14.9
Total Gas production for sale as LNG (kboepd)	**21.2**	**26.2**	**25.3**	**28.0**
Oil production (kbpd)				
Norway	13.5	19.1	16.2	20.1
UK	-	-	-	-
Netherlands	1.1	0.9	1.5	1.4
Germany	5.8	5.7	6.1	5.6
North Africa	1.3	1.4	1.4	1.5
Asia Pacific	-	-	-	-
Total Oil production (kbpd)	**21.7**	**27.1**	**25.2**	**28.6**
Other Liquid production (kbpd)				
Norway	9.3	10.3	10.0	11.6
UK	0.3	0.3	0.4	0.4
Netherlands	0.2	0.1	0.2	0.2
Germany	-	-	-	-
North Africa	-	-	-	-
Asia Pacific	0.4	0.6	0.6	0.6
Total Other Liquid production (kbpd)	**10.2**	**11.3**	**11.2**	**12.8**
Total production (kboepd)				
Norway	53.0	63.3	58.2	69.3
UK	16.7	15.0	18.5	16.2
The Netherlands	19.4	18.1	20.6	21.3
Germany	16.5	12.4	17.2	12.6
North Africa	4.6	4.7	4.9	4.5
Asia Pacific	15.3	16.6	19.7	18.5
Total production (kboepd)	**125.5**	**130.1**	**139.1**	**142.4**

Summary of production by area – equity accounted affiliates

	Third quarter 2020	Third quarter 2019	Nine months 2020	Nine months 2019
Gas production (kboepd)				
North Africa	8.8	0.7	9.3	0.2
Total Gas production (kboepd)	**8.8**	**0.7**	**9.3**	**0.2**
Oil production (kbpd)				
North Africa	0.2	-	0.2	-
Total Oil production (kbpd)	**0.2**	**-**	**0.2**	**-**
Total production (kboepd)				
North Africa	9.0	0.7	9.5	0.2
Total production (kboepd	**9.0**	**0.7**	**9.5**	**0.2**

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

	Third quarter 2020	Third quarter 2019	Nine months 2020	Nine months 2019
Total production (kboepd)				
Norway	53.0	63.3	58.2	69.3
UK	16.7	15.0	18.5	16.2
The Netherlands	19.4	18.1	20.6	21.3
Germany	16.5	12.4	17.2	12.6
North Africa	13.6	5.4	14.4	4.7
Asia Pacific	15.3	16.6	19.7	18.5
Total production (kboepd)	**134.5**	**130.8**	**148.6**	**142.6**

Financial review

This report includes the Group results for the nine months ended 30 September 2020.

Results of operations

US$ millions	Third quarter 2020	Third quarter 2019	Nine months 2020	Nine months 2019
Revenue	304.3	441.6	1,121.2	1,679.2
Operating profit (note a)	13.3	117.7	96.5	605.7
(Loss)/profit before tax	(32.6)	60.5	(39.1)	445.2
Taxation	21.8	(92.8)	(84.7)	(362.0)
Net (loss)/profit after tax	(10.8)	(32.3)	(123.8)	83.2
EBITDAX (RBL basis) (note b)	172.1	331.3	732.0	1,213.2
Cash flow from operations, after tax			675.9	947.2
Adjusted development cash capital expenditure (note c)			598.9	650.1
Net debt (book value) (RBL basis) (note d)			1,836.1	1,086.3
Net Debt/ EBITDAX (RBL basis) (notes d and e)			1.64 x	0.62 x

a) Operating profit/(loss) 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) EBITDAX comprises net income for the period before income tax expense, financial expenses, financial income, other operating gains and losses, exploration expense and depreciation and amortisation. EBITDAX as defined by the RBL and shareholder agreement includes our share of net income from Touat in 2020 following the repayment of the Touat Vendor Loan. EBITDAX for 2019 excludes our share of net income from Touat. For more detail on the Touat loan and the RBL please see the Financing and Liquidity section on page 15.

c) Includes capital expenditure of $21.5 million for the nine months (2019: $48.0 million) in respect of the Touat project, held by a joint venture company which Neptune accounts for under the equity method.

d) 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.

e) In the ratio EBITDAX is based on a 12-month rolling average value of $1,121.2 million (2019: $1,765.7 million), as defined by the RBL and Shareholder agreements and as described in note b above.

Total sales for the quarter were $304.3 million (2019: $441.6 million), reflecting total production of 11.5 mmboe (2019: 11.9 mmboe). Realised prices, before and after hedging, are shown in the table below. The significantly lower commodity prices are the principal reason for the lower sales in the quarter.

Total sales for the nine months were $1,121.2 million (2019: $1,679.2 million), reflecting total production of 38.1 mmboe (2019: 38.8 mmboe). Whilst production for the nine months is only marginally lower than 2019 the significantly lower commodity prices notably in the second and third quarters have led to the reduction in sales for the year to date.

The Brent crude price averaged $43.3 (2019: $62.0) per barrel for the quarter and our average realised oil price (pre hedging) was $41.4 per barrel (2019: $64.2) for the quarter. With the oil price significantly lower in 2020 the impact of hedging is also significant with our average realised oil price (post hedging) being $46.7 per barrel (2019: $64.2) for the quarter.

The Brent crude price averaged $42.5 (2019: $64.8) per barrel for the nine months and our average realised oil price (pre hedging) was $39.7 per barrel (2019: $62.1) for the same period. Including hedging our average realised oil price was $46.0 per barrel (2019: $61.3) for the year to date. The combination of a sharp reduction in demand from the COVID-19 global pandemic and the temporary breakdown of the OPEC+ production alliance caused crude oil prices to be substantially lower through the first nine months of the year compared to the same period in 2019.

The average realised gas price was $2.6 (2019:$3.6) per mcf (pre hedging) and $4.3 (2019:$4.6) per mcf (post hedging) for the quarter.

The average realised gas price was $2.5 (2019:$5.0) per mcf (pre hedging) and $4.2 (2019:$5.5) per mcf (post hedging) for the nine months. The European gas market has faced fundamental pressure in 2020 as a mild winter and lower demand stemming from the COVID-19 pandemic led to elevated regional storage levels and lower gas prices.

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

Realised prices data:

	Third quarter 2020	Third quarter 2019	Nine months 2020	Nine months 2019
Excluding impact of hedging:				
Average realised gas price ($/mcf)	2.6	3.6	2.5	5.0
Average realised LNG price ($/mcf)	4.1	7.9	5.8	8.4
Average realised oil price ($/bbl)	41.4	64.2	39.7	62.1
Average realised price, other liquids ($/bbl) (note a)	23.5	23.2	20.3	36.8
Including impact of hedging:				
Average realised gas price ($/mcf)	4.3	4.6	4.2	5.5
Average realised LNG price ($/mcf)	4.8	7.9	6.1	8.4
Average realised oil price ($/bbl)	46.7	64.2	46.0	61.3
Average realised price, other liquids ($/bbl) (note a)	23.5	23.2	20.3	36.8

a) Other liquids includes condensate and other natural gas liquids
b) Realised price figures are for wholly owned affiliates and equity accounted affiliates

Operating costs (opex) were $117.2 million (2019: $134.4 million) for the quarter and our average opex per boe produced was $10.2/boe (2019: $11.2/boe). Operating costs for the purpose of per boe expense are increased by $9.7 million (2019: $39.3 million) for the quarter 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 and exclude predevelopment costs. The lower operating costs in the quarter reflect lower production costs notably in Indonesia, where blending costs have reduced and cost outturns have been lower, and in Germany where royalties have reduced in certain areas.

Operating costs were $348.4 million (2019: $411.9 million) for the nine months and our average opex per boe produced was $9.1/boe compared with $10.6/boe for 2019. Operating costs for the purpose of per boe expense are reduced by $13.0 million (2019: $5.5 million increase). As for the quarter, there are lower operating costs in Indonesia and Germany.

The depreciation and amortisation expense was $130.5 million (2019: $149.0 million) for the quarter representing $11.3/boe produced (2019: $12.5/boe). Depreciation per barrel is lower in the Netherlands, Germany and Indonesia, where the lower charge is attributed to field revisions and extensions that occurred later in 2019.

The depreciation and amortisation expense was $422.0 million (2019: $487.0 million) for the nine months. The charge represents $11.1/boe produced compared with $12.5/boe produced for 2019. As for the quarter, depreciation per barrel is lower in the Netherlands, Germany and Indonesia.

Exploration expense for the quarter was $24.5 million (2019: $18.0 million) which includes costs incurred on G&G studies to review strategic growth opportunities, as well as seismic costs. The 2020 charge for the quarter is increased by $8.8 million of costs for an unsuccessful well evaluation on the Schwegenheim licence in Germany.

Exploration expense for the nine months was $72.4 million (2019: $36.9 million).The higher 2020 charge was due to $11.5 million and $8.8 million of costs for unsuccessful well evaluations in Norway in the first quarter and Germany in the third quarter and $17.0 million of seismic costs in Egypt in the second quarter, which were off-set against receivables from the Egyptian General Petroleum Corporation (EGPC).

General and administration (G&A) expenses were $20.5 million (2019: $14.8 million) for the quarter. The G&A expenses were $46.4 million (2019: $58.0 million) for the nine months. The 2020 expense has predominately benefitted from the cost efficiency programme.

Share in net income of entities accounted for under the equity method was a loss of $4.2 million (2019: $1.1 million income) for the quarter. This represents the Touat joint venture, which commenced production in September 2019 of $4.6 million loss (2019: $0.8 million income) and tariff income in a Dutch pipeline interest of $0.4 million (2019: $0.3 million).

Share in net income of entities accounted for under the equity method was $18.5 million (2019: $0.6 million loss) for the nine months. This represents the Touat joint venture of $17.6 million (2019: $1.2 million loss) and tariff income in a Dutch pipeline interest of $0.9 million (2019: $0.6 million).

Net impairment losses (pre-tax) for the quarter were $nil (2019: $8.3 million) and for the nine months were a total of $125.0 million (2019: $13.1 million) including $53.2 million impairment to PP&E for a single CGU in the Netherlands and $66.3 million impairment to PP&E for a single CGU in Indonesia from the second quarter. These impairments are primarily due to decreases in the long-term price assumptions for these assets. The total impairment losses also include goodwill impairments in Egypt and Denmark of $5.7 million, an impairment to intangibles in a single CGU in Denmark for $7.7 million and the reversal of an impairment to intangibles in Norway of $7.9 million due to a discovery. The goodwill and CGU in Denmark were acquired as part of the VNG acquisition in 2018.

Other operating losses were $3.7 million (2019: $39.0 million) for the quarter. The quarter loss includes net mark-to-market loss on currency and commodity derivative contracts of $2.5 million (2019: $13.3 million), a net restructuring provision charge of $2.4 million (2019: $20.1 million), and other gains of $1.2 million (2019: $5.2 million loss). The net restructuring costs in the third quarter of 2020 are an increase in the provision booked in the second quarter.

Other operating losses were $16.0 million (2019: $68.9 million) for the nine months. The 2020 loss includes net mark-to-market gain on currency and commodity derivative contracts of $1.0 million (2019: $3.4 million gain), a net restructuring provision charge of $36.1 million (2019: $68.0 million), and other gains of $19.1 million (2019: $4.7 million loss). The net restructuring costs recorded in the nine months include a charge of $40.9 million in relation to the announcement in June to reduce 400 positions across our business and proposals to close offices in Oslo in Norway and Lingen in Germany, offset by a release of $4.8 million relating to 2019 reorganisations. Other gains include an $20.3 million release of contingent consideration in relation to two assets in Denmark and Norway that were part of the VNG acquisition in Norway offset by a $5.0 million fee for termination of the planned acquisition from Energean Oil and Gas.

The Group's operating profit for the quarter was $13.3 million (2019: $117.7 million profit) before net finance costs. EBITDAX (on an RBL basis) for the quarter was a profit of $172.1 million (2019: $331.3 million). The decrease in EBITDAX principally reflects lower realised commodity prices in the quarter.

The Group's operating profit for the nine months was $96.5 million (2019: $605.7 million) before net finance costs. Excluding net impairment losses of $125.0 million (2019: $13.5 million) and net restructuring costs of $36.1 million (2019: $68.0 million) the underlying operating profit is $257.6 million (2019: $686.8 million). EBITDAX (on an RBL basis) was a profit of $732.0 million, compared with $1,213.2 million for the nine months. The decrease in EBITDAX principally reflects lower realised commodity prices in the year to date.

Net financing expenses were $45.9 million (2019: $57.2 million) for the quarter. Predominantly the change in the quarter relates to the net foreign exchange movement. In the quarter there is a foreign exchange loss of $0.6 million compared to a loss in 2019 of $10.3 million. The net foreign exchange gain arises on the revaluation of loans and working capital balances across the Group and is principally impacted by the exchange rates for Euros, Norwegian Krona, Sterling and US Dollars.

Net financing expenses were $135.6 million for the nine months compared to $160.5 million in 2019. The majority of the change in the nine months relates to the foreign exchange movement with the net foreign exchange movement in 2019 being a loss of $30.0 million compared to a gain in 2020 of $0.1 million .

The Group's total tax credit for the quarter is $21.8 million (2019: $92.8 million charge) comprising a current tax credit for the quarter of $104.3 million (2019: $34.4 million charge) and a deferred tax charge for the quarter of $82.5 million (2019: $58.4 million). This represents an effective tax rate for the quarter of 67% (2019: 153%).

The high effective tax rate for the prior quarter arises due to the mix of profits and losses across the jurisdictions in which we operate. The effective tax rates for the quarters are in line with the respective quarter expected weighted average statutory tax rates.

The tax charge for the nine months is $84.7 million (2019: $362.0 million), comprising a current tax credit for the year to date of $278.9 million (2019: $275.0 million charge) and a deferred tax charge for the period of $363.6 million (2019: $87.0 million), representing an effective tax rate for the nine months of (217%) (2019: 81%).

The high negative year to date tax rate is due to the combination of low pre-tax profits and several exceptional items recognised in the reporting period. Key items effecting our tax rate include a deferred tax asset write down in the UK due largely to reduced commodity price outlooks, positive adjustments to prior year accruals~~,~~ following the submission of various corporate tax filings, the non-recognition of current year losses, the taxation of Norwegian hedging gains at the lower rate of corporation tax, the temporary Norwegian fiscal changes on uplift allowances, and the non-taxation of certain income and expenditure including the partial release of the VNG contingent consideration.

The net loss for the quarter was $10.8 million (2019: $32.3 million) and for the nine months ended 30 September was a loss of $123.8 million (2019: $83.2 million profit) on a reported basis.

For the nine months ended 30 September 2020 $3.9 million of additional costs in relation to COVID-19 were incurred. The organisation will continue to monitor significant COVID-19 costs as part of its business as usual reporting.

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 30 September 2020, 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 $42.5/barrel for the remainder of 2020 with upside capped at around $57.0/barrel. For 2021, weighted average downside protection is $40.4/barrel with upside capped at $50.4/barrel.

For gas, hedging provided weighted average floor prices of $6.1/mmbtu for 2020, $5.8/mmbtu for 2021 and $5.7/mmbtu for 2022, with upside caps at $7.9/mmbtu, $6.9/mmbtu and $5.9/mmbtu respectively.

Aggregate post-tax hedge ratio (as at 30 September 2020):

	2020	2021	2022
Oil	50%	16%	–
Gas	90%	71%	49%
Total weighted average	**70%**	**40%**	**19%**

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.
4) Excludes any effect from the Equinor operated Hammerfest LNG facility outage.

The fair value of our commodity derivative instruments at 30 September 2020 was a net asset of $145.3 (31 December 2019: $182.7 million asset), of which $42.5 million relates to contracts that mature during 2020.

Cash flow

Operating cash flow, after cash taxes, for the nine months was $675.9 million (2019: $947.2 million). Cash taxes for the same period were $0.6 million (2019: $261.0 million). Cash tax payments in respect of prior year profitability have been almost fully offset by cash tax refunds largely on current year results. 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 0% (2019: 22%) for the period.

Capital expenditure

For the nine months cash capital expenditure was $654.7 million (2019: $630.8 million), including $77.3 million (2019: $28.7 million) of capitalised exploration expenditure. The 2020 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. This excludes expenditure at Touat in Algeria, where the joint venture is accounted for under the equity method of accounting as a joint venture.

US$ millions	Nine months 2020	Nine months 2019
Investing cash flows:		
Development capex (note a)	577.4	601.0
Acquisitions – assets	-	1.1
Exploration capex	77.3	28.7
Total cash capital expenditure	**654.7**	**630.8**

a) Includes Saka carry reimbursement of $2.5 million (2019: $65.7 million) for the nine months ended 30 September.
b) Capex figures are for wholly-owned affiliates only.

For the nine months total exploration expenditure comprised the $77.3 million (2019: $28.7 million) cash capex and $52.3 million (2019: $36.9 million) was expensed in respect of G&G and seismic costs. Capex expenditure in 2020 has primarily been in the UK and Norway whilst there was significant seismic expenditure in Egypt.

Development cash capex for the nine months was $577.4 million (2019: $602.1 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.

We incurred $28.6 million (2019: $36.6 million) in the nine months on decommissioning cash expenditure, this was in the UK, the Netherlands and Germany.

Financing and liquidity

Management's 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 30 September 2020, equals 1.64x. The ratio equalled 0.93x at the 2019 year-end.

We funded our business with cash generated from operations. At 30 September 2020, we had the following debt outstanding:

- $1,095 million drawn under the $2.6 billion RBL committed RBL facility, which matures in 2024;
- $850 million 6.625% senior notes due 2025;
- $108 million 7.250% subordinated loan due to Engie in 2024;
- $50 million drawn under bilateral short-term borrowing facilities.

At 30 September 2020, our cash balance totalled $99.0 million (31 December 2019: $85.4 million) and our available and undrawn headroom under the RBL was $1.2 billion. We also had $9 million of letters of credit drawn under an ancillary facility to the RBL and $86 million in surety bonds outstanding. Our weighted average cost of borrowing for the Group equalled 4.9%.
Our Corporate Credit Rating with Moody's, S&P and Fitch remain at Ba3, BB- and BB respectively. Moody's outlook remains stable. S&P and Fitch remain on negative outlook as a result of the short term industry outlook. Despite the challenging market environment, we will continue to seek to strengthen these ratings over time.

All debt, except for the RBL, is carrying a fixed interest rate. A significant portion of the RBL was swapped into fixed rate debt in early 2018. As at 30 September 2020, 67% of the debt portfolio was fixed reducing Neptune's exposure to increases in the USD Libor interest rate.

At the end of September, Neptune repaid the entire outstanding Touat Vendor Loan with Engie S.A., for an amount of $237 million. The reimbursement was funded by $26 million of cash and the remainder by drawing on the RBL. Due to the significant cost difference between the Vendor Loan and the RBL, Neptune will realise cost savings of approximately $12 million per annum. As a result of the loan reimbursement, the Touat asset will increase the borrowing base and available liquidity under the RBL with $275 million.

Financial condition

Operating cash flows were $675.9 million (2019: $947.2 million) being impacted by the low commodity prices in the nine months. Investing cash flows have been reduced in response to the current market conditions and were $610.3 million (2019: $665.8 million) for the nine months, being covered by operating cash flows. There was a net financing cash outflow of $51.7 million (2019: $317.7 million) as borrowings were increased. Overall there was a net cash inflow of $13.9 million for the 9 months ended 30 September (2019: $36.3 million outflow). We ended the period with gross interest-bearing debt of $2,043.0 million (book value) and net debt on an RBL basis, (excluding Subordinated Neptune Energy Group Limited loan) of $1,836.1 million. Net debt on an RBL basis has increased due to the repayment of the Touat Vendor Loan as discussed above. This represents a net debt to EBITDAX ratio of 1.64x for the 12 months ending 30 September 2020 (30 September 2019: 0.62x). 2019 EBITDAX excludes Touat cash flows.

Risks and uncertainties

Investment in Neptune involves risks and uncertainties, these are summarised in detail in the Neptune Energy 2019 Annual Report and Accounts on page 43. These have been reconsidered for the period ended 30 September 2020 and remain complete and valid.

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 political risks, the international capital markets and access to capital and this may influence the speed with which growth can be accomplished.

The Group will continue to explore opportunities to strengthen its capital structure by means of refinancing debt, repaying (vendor) loans and/or potentially repurchasing its bonds.

Going concern

Given the liquidity 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.

While the short-term outlook is uncertain due to COVID-19 energy markets have stabilised and commodity prices have partially recovered from lows. We believe the longer-term outlook is positive for the oil and gas sector and 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.

Under all plausible scenarios, it was concluded that the Group retains sufficient liquidity and that the going concern basis remains appropriate.

NEPTUNE ENERGY GROUP MIDCO LIMITED

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

Unaudited Condensed Consolidated Statement of Profit and Loss

Group In millions of US$	Notes	Third quarter 2020	Third quarter 2019	Nine months 2020	Nine months 2019
Revenue	2	304.3	441.6	1,121.2	1,679.2
Cost of sales		(238.1)	(244.9)	(783.4)	(895.6)
GROSS PROFIT		**66.2**	**196.7**	**337.8**	**783.6**
Exploration expenses		(24.5)	(18.0)	(72.4)	(36.9)
General and administration expenses		(20.5)	(14.8)	(46.4)	(58.0)
Share of net (loss)/ income from investments using equity method		(4.2)	1.1	18.5	(0.6)
OPERATING PROFIT AFTER EQUITY ACCOUNTED INVESTMENTS	2	**17.0**	**165.0**	**237.5**	**688.1**
Net impairment loss	5, 6, 7	-	(8.3)	(125.0)	(13.1)
Other operating (losses)/gains	3	(3.7)	(39.0)	(16.0)	(69.3)
OPERATING PROFIT BEFORE FINANCIAL ITEMS		**13.3**	**117.7**	**96.5**	**605.7**
Finance income		1.2	-	8.3	5.3
Finance costs		(47.1)	(57.2)	(143.9)	(165.8)
(LOSS)/PROFIT BEFORE TAX		**(32.6)**	**60.5**	**(39.1)**	**445.2**
Taxation	4	21.8	(92.8)	(84.7)	(362.0)
NET (LOSS)/PROFIT		**(10.8)**	**(32.3)**	**(123.8)**	**83.2**

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	Third quarter 2020	Third quarter 2019	Nine months 2020	Nine months 2019
(Loss)/Profit for the period		(10.8)	**(32.3)**	**(123.8)**	**83.2**
Other Comprehensive Income:					
Items that may be reclassified to the Income Statement:					
Hedge adjustments net of tax [(1)(2)]	11	(105.7)	(12.6)	(54.7)	41.2
Share of hedge adjustments within equity accounted investments	11	(1.0)	-	(1.0)	-
Foreign currency translation		69.8	(76.0)	(118.6)	(53.3)
OTHER COMPREHENSIVE (LOSS)/INCOME		**(36.9)**	**(88.6)**	**(174.3)**	**(12.1)**
OTHER COMPREHENSIVE (LOSS)/PROFIT FOR THE PERIOD, NET OF TAX		**(47.7)**	**(120.9)**	**(298.1)**	**71.1**

1) The loss of $105.7 million in the third quarter arises due to the higher oil and gas prices at 30 September 2020 compared to 30 June 2020.
2) Income tax related to hedge adjustments is $5.6 million credit (2019: $4.4 million credit) for the third quarter and $19.9 million charge (2019: $11.3 million) for the year to date and is shown net of amounts reclassified to profit or loss or included in finance costs.

Unaudited Condensed Consolidated Statement of Financial Position

Group In millions of US$	Notes	30 September 2020	31 December 2019
NON-CURRENT ASSETS			
Goodwill	5	598.1	640.8
Intangible assets	6	201.6	150.9
Property, plant and equipment	7	4,407.8	4,430.8
Derivative instruments	11	48.9	74.9
Investments in entities accounted for using the equity method		585.9	604.7
Other non-current assets	11	105.0	110.6
Equity instruments	11	20.1	19.3
Deferred tax assets	4	524.4	691.0
TOTAL NON-CURRENT ASSETS		**6,491.8**	**6,723.0**
CURRENT ASSETS			
Derivative instruments	11	118.3	147.4
Trade and other receivables	11	575.3	651.9
Inventories		76.0	60.4
Cash and cash equivalents	8	99.0	85.4
Income tax receivable	11	179.3	16.6
TOTAL CURRENT ASSETS		**1,047.9**	**961.7**
TOTAL ASSETS		**7,539.7**	**7,684.7**
Share capital	12	1,977.2	1,977.2
Hedging reserve	11	63.1	118.8
Foreign currency translation		(225.6)	(107.0)
Retained earnings/(deficit)		(227.3)	(103.5)
TOTAL EQUITY		**1,587.4**	**1,885.5**
NON-CURRENT LIABILITIES			
Provisions	10	1,704.4	1,654.2
Long-term borrowings	11	1,993.0	1,815.6
Derivative instruments	11	11.5	28.6
Income tax payable	11	68.5	59.0
Other non-current liabilities	9, 11	143.5	164.6
Deferred tax liabilities	4	938.7	750.1
TOTAL NON-CURRENT LIABILITIES		**4,859.6**	**4,472.1**
CURRENT LIABILITIES			
Provisions	10	134.9	113.5
Short-term borrowings	11	50.0	124.0
Derivative instruments	11	17.1	18.6
Trade and other payables	9, 11	214.9	222.7
Income tax payable	11	12.0	155.3
Other current liabilities	9, 11	663.8	693.0
TOTAL CURRENT LIABILITIES		**1,092,7**	**1,327.1**
TOTAL EQUITY AND LIABILITIES		**7,539.7**	**7,684.7**

Unaudited Condensed Consolidated Statement of Changes in Equity

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**
Loss for the period	-	-	-	(123.8)	(123.8)
Other comprehensive income for the period	-	(55.7)	(118.6)	-	(174.3)
Total comprehensive income for the period	**-**	**(55.7)**	**(118.6)**	**(123.8)**	**(298.1)**
As at 30 September 2020	**1,977.2**	**63.1**	**(225.6)**	**(227.3)**	**1,587.4**

Group In millions of US$	Share Capital	Hedging reserve	Foreign currency translation	Retained earnings	Total
As at 1 January 2019	**1,977.2**	**(25.1)**	**(142.8)**	**(122.4)**	**1,686.9**
Profit for the period	-	-	-	83.2	83.2
Other comprehensive income for the period	-	41.2	(53.3)	-	(12.1)
Total comprehensive income for the period	**-**	**41.2**	**(53.3)**	**83.2**	**71.1**
As at 30 September 2019	**1,977.2**	**16.1**	**(196.1)**	**(39.2)**	**1,758.0**

1) The hedging reserve represents gains and losses on derivatives classified as effective cash flow hedges.
2) The foreign currency translation reserve represents exchange gains and losses arising on translation of foreign currency subsidiaries.

Unaudited Condensed Consolidated Cash Flow Statement

Group In millions of US$	Nine months 2020	Nine months 2019
Cash Flows from Operating Activities		
(Loss)/Profit before taxation	(39.1)	445.2
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation	422.0	486.9
Unsuccessful exploration costs written off	20.2	0.4
Net impairment loss	125.0	13.5
Finance costs	143.9	165.8
Finance income	(8.3)	(5.3)
Share of net income from equity investments	(18.5)	0.6
Other non-cash income and expenses	10.8	72.3
Fair value movement on commodity based derivative instruments	(1.0)	(3.4)
Movement in provisions including decommissioning expenditure	(61.3)	(54.7)
Working capital adjustments	82.8	86.9
Income tax paid (net)	(0.6)	(261.0)
Net cash flows used in operating activities	**675.9**	**947.2**
Cash Flows from Investing Activities		
Expenditure on exploration and evaluation assets	(77.3)	(28.7)
Expenditure on property, plant and equipment	(577.4)	(602.1)
Proceeds from sale of assets	0.8	10.0
Dividends received	2.4	-
Finance income received	4.0	5.3
Net investment in equity accounted investments	37.2	(50.3)
Net cash flows used in investing activities	**(610.3)**	**(665.8)**
Cash Flows from Financing Activities		
Proceeds from loans and borrowings	1,183.5	416.5
Repayment of borrowings	(1,094.6)	(635.0)
Repayment of obligations under leases	(47.1)	(15.4)
Finance costs paid	(93.5)	(83.8)
Net cash flows from financing activities	**(51.7)**	**(317.7)**
Net increase/(decrease) in cash and cash equivalents	13.9	(36.3)
Cash and cash equivalents at 1 January	85.4	197.3
Net foreign exchange differences	(0.3)	(1.8)
Cash and cash equivalents at 30 September	**99.0**	**159.2**

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 condensed consolidated financial statements of Neptune Energy Group Midco Limited and its subsidiaries (collectively, the Group) for the nine months ended 30 September 2020 were authorised for issue in accordance with a resolution of the Board on 17 November 2020. The Group is principally engaged in oil and gas exploration and production.

The information for the period ended 31 December 2019 contained within the condensed financial statements does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the period ended 31 December 2019 were approved by the Board of Directors on 30 March 2020 and delivered to the Registrar of Companies. Those accounts contained an unqualified auditors' report which included an emphasis of matter concerning the effects of COVID-19 and did not contain any statement under section 498(2) or 498(3) of the Companies Act 2006.

1. Basis of preparation

The condensed consolidated financial statements for the nine months ended 30 September 2020 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 2019 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 2019 except where, due to the adoption of new standards effective as of 1 January 2020 (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.

Going concern

Given the liquidity 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.

While the short-term outlook is uncertain due to COVID-19 energy markets have stabilised and commodity prices have partially recovered from lows. We believe the longer-term outlook is positive for the oil and gas sector and 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.

Under all plausible scenarios, it was concluded that the Group retains sufficient liquidity and that the going concern basis remains appropriate.

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 2019 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 that are accounted for according to the financial instrument categories defined by IFRS 9.

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 2019 Annual Report and Accounts in note 1.

2. Segmental information

Revenue from contracts with customers

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.

	Third quarter 2020							
Group In millions of US$	UK	Norway	Netherlands	Germany	North Africa	Asia Pacific	Corporate	Total
Production revenue by origin	45.7	104.2	51.1	33.7	9.4	48.6	-	292.7
Other revenue	1.3	3.8	5.8	0.7	-	-	-	11.6
Revenue	**47.0**	**108.0**	**56.9**	**34.4**	**9.4**	**48.6**	**-**	**304.3**
Current Operating Income	**10.1**	**44.1**	**15.4**	**(19.8)**	**(1.6)**	**(22.6)**	**(4.4)**	**21.2**
Share of net income from investments using equity method	-	-	0.4	-	(4.6)	-	-	(4.2)
Net Operating Profit After Equity Accounted Investments	**10.1**	**44.1**	**15.8**	**(19.8)**	**(6.2)**	**(22.6)**	**(4.4)**	**17.0**
Net impairment loss								-
Other operating (losses)/ gains								(3.7)
Profit Before Financial Items								**13.3**
Financial income								1.2
Finance costs								(47.1)
Loss Before Tax								**(32.6)**

				Third quarter 2019				
Group In millions of US$	UK	Norway	Netherlands	Germany	North Africa	Asia Pacific	Corporate	Total
Production revenue by origin	42.8	183.5	45.3	44.8	11.3	95.5	-	423.2
Other revenue	1.3	13.6	3.3	1.0	-	-	(0.8)	18.4
Revenue	**44.1**	**197.1**	**48.6**	**45.8**	**11.3**	**95.5**	**(0.8)**	**441.6**
Current Operating Income	**10.7**	**135.8**	**(1.1)**	**(6.3)**	**2.3**	**19.4**	**3.1**	**163.9**
Share of net income from investments using equity method	-	-	0.3	-	0.8	-	-	1.1
Net Operating Profit After Equity Accounted Investments	**10.7**	**135.8**	**(0.8)**	**(6.3)**	**3.1**	**19.4**	**3.1**	**165.0**
Impairment loss								(8.3)
Other operating (losses)/ gains								(39.0)
Profit Before Financial Items								**117.7**
Financial income								-
Finance costs								(57.2)
Profit Before Tax								**60.5**

				Third quarter 2020				
Group In millions of US$	UK	Norway	Netherlands	Germany	North Africa	Asia Pacific	Corporate	Total
EBITDAX (including equity accounted affiliates)	33.6	92.4	41.1	7.1	(0.1)	1.8	(3.8)	**172.1**

				Third quarter 2019				
Group In millions of US$	UK	Norway	Netherlands	Germany	North Africa	Asia Pacific	Corporate	Total
EBITDAX (including equity accounted affiliates)	30.8	185.5	20.0	12.0	7.4	72.6	3.8	**332.1**

				Nine months 2020				
Group In millions of US$	UK	Norway	Netherlands	Germany	North Africa	Asia Pacific	Corporate	Total
Production revenue by origin	153.1	440.8	161.2	106.4	28.3	193.1	-	1,082.9
Other revenue	4.2	14.1	17.1	2.9	-	-	-	38.3
Revenue	**157.3**	**454.9**	**178.3**	**109.3**	**28.3**	**193.1**	**-**	**1,121.2**
Current Operating Income	**42.3**	**192.8**	**34.9**	**(34.9)**	**(18.4)**	**13.3**	**(11.0)**	**219.0**
Share of net income from investments using equity method	-	-	0.9	-	17.6	-	-	18.5
Net Operating Profit After Equity Accounted Investments	**42.3**	**192.8**	**35.8**	**(34.9)**	**(0.8)**	**13.3**	**(11.0)**	**237.5**
Impairment loss								(125.0)
Other operating (losses)/ gains								(16.0)
Profit Before Financial Items								**96.5**
Financial income								8.3
Finance costs								(143.9)
Loss Before Tax								**(39.1)**

	Nine months 2019							
Group In millions of US$	UK	Norway	Netherlands	Germany	North Africa	Asia Pacific	Corporate	Total
Production revenue by origin	145.6	773.3	191.0	144.1	36.1	316.6	-	1,606.7
Other revenue	4.3	15.0	50.4	2.8	-	-	-	72.5
Revenue	**149.9**	**788.3**	**241.4**	**146.9**	**36.1**	**316.6**	-	**1,679.2**
Current Operating Income	**46.1**	**475.6**	**71.0**	**(9.3)**	**11.3**	**88.8**	**5.2**	**688.7**
Share of net income from investments using equity method	-	-	0.6	-	(1.2)	-	-	(0.6)
Net Operating Profit After Equity Accounted Investments	**46.1**	**475.6**	**71.6**	**(9.3)**	**10.1**	**88.8**	**5.2**	**688.1**
Impairment loss								(13.1)
Other operating (losses)/ gains								(69.3)
Profit Before Financial Items								**605.7**
Financial income								5.3
Finance costs								(165.8)
Profit Before Tax								**445.2**

	Nine months 2020							
Group In millions of US$	UK	Norway	Netherlands	Germany	North Africa	Asia Pacific	Corporate	Total
EBITDAX (including equity accounted affiliates)	115.8	334.2	101.1	27.2	30.9	131.6	(8.8)	**732.0**

	Nine months 2019							
Group In millions of US$	UK	Norway	Netherlands	Germany	North Africa	Asia Pacific	Corporate	Total
EBITDAX (including equity accounted affiliates)	110.6	633.0	148.4	39.2	21.2	252.5	7.2	**1,212.1**

	30 September 2020							
Group In millions of US$	UK	Norway	Netherlands	Germany	North Africa	Asia Pacific	Corporate	Total
Balance Sheet								
Assets	1,298.3	2,918.6	686.9	552.0	664.2	1,318.0	101.7	7,539.7
Liabilities	(310.7)	(1,753.0)	(636.6)	(630.6)	(15.7)	(209.1)	(2,396.6)	(5,952.3)
Net Assets/(Liabilities)	**987.6**	**1,165.6**	**50.3**	**(78.6)**	**648.5**	**1,108.9**	**(2,294.9)**	**1,587.4**

	31 December 2019							
Group In millions of US$	UK	Norway	Netherlands	Germany	North Africa	Asia Pacific	Corporate	Total
Balance sheet								
Assets	1,484.3	2,608.4	726.6	575.2	701.9	1,502.0	86.3	7,684.7
Liabilities	(302.9)	(1,593.1)	(900.5)	(636.7)	(21.6)	(310.3)	(2,034.1)	(5,799.2)
Net assets	**1,181.4**	**1,015.3**	**(173.9)**	**(61.5)**	**680.3**	**1,191.7**	**(1,947.8)**	**1,885.5**

3. Other operating losses/(gains)

Group In millions of US$	Third quarter 2020	Third quarter 2019	Nine months 2020	Nine months 2019
Mark-to-market on currency and commodity contracts	2.5	13.3	(1.0)	(3.4)
Net restructuring provision cost	2.4	20.1	36.1	68.0
Other (gains)/ losses(1)	(1.2)	5.6	(19.1)	4.7
Total	**3.7**	**39.0**	**16.0**	**69.3**

1) Other gains for the nine months include an $20.3 million release of contingent consideration in relation to the VNG acquisition in Norway offset by a $5.0 million fee for termination of the planned acquisition from Energean Oil and Gas. The gain on the derecognition of contingent consideration payable has arisen as management no longer expect certain project milestones, related to two assets in Denmark and Norway that were part of the VNG acquisition, will now be achieved.

4. 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 condensed statement of profit or loss are:

Group In millions of US$	Third quarter 2020	Third quarter 2019	Nine months 2020	Nine months 2019
Current taxation	(104.3)	34.4	(278.9)	275.0
Deferred taxation	82.5	58.4	363.6	87.0
Total Income tax expense recognised in income statement	**(21.8)**	**92.8**	**84.7**	**362.0**

The effective tax rate for the Group for the quarter was 67% (2019: 153%) and for the 9 months was (217%) (2019: 81%).

4.1 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 2020	**(1,315.8)**	**361.1**	**43.9**	**957.6**	**(105.9)**	**(59.1)**
Reclassification	(20.6)	(0.4)	-	16.1	4.9	-
(Charge)/Credit for the year	(200.5)	33.3	1.6	(157.3)	(40.7)	(363.6)
Charge to equity and other comprehensive income	-	-	-	-	(19.9)	(19.9)
Currency translation adjustments	73.1	(21.8)	(0.3)	(26.5)	3.8	28.3
At 30 September 2020	**(1,463.8)**	**372.2**	**45.2**	**789.9**	**(157.8)**	**(414.3)**

Deferred tax asset	524.4
Deferred tax liabilities	(938.7)
Deferred tax assets/(liabilities) net	**(414.3)**

Significant one-off items impacting deferred taxes in the period include, impairment losses in Indonesia and the Netherlands which reduce deferred taxes liabilities on PP&E by $55.2 million. This reduction is offset by capital investment and the new temporary Norwegian fiscal changes. In addition, reduced commodity price assumptions have also resulted in a derecognition of deferred tax in respect of UK losses of $123.4 million.

5. Goodwill

Group In millions of US$	30 September 2020
Cost as at 1 January 2020	640.8
Currency translation adjustments	(36.8)
Cost as at 30 September 2020	**604.0**
Impairment losses as at 1 January 2020	-
Impairment loss	(5.7)
Currency translation adjustments	(0.2)
Impairment losses as at 30 September 2020	**(5.9)**
Net book value at 30 September 2020	**598.1**
Net book value at 31 December 2019	**640.8**

The goodwill arose on the acquisition on 15 February 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 on 28 September 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 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 cash-generating units (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 2019 Annual Report and Accounts Section 1.10.

Country of CGU In millions of US$	Trigger for 2020 impairment	2020 Impairment	Post-tax discount rate	2020 CGU recoverable amount
Egypt	a	1.5	12%	-
Denmark	b	4.2	10%	-
Total		**5.7**		

a. Decrease due to long term price assumptions

b. Changes in the field development plan

The goodwill assigned to Norway is $505.5 million. The discount rate applied in determining the recoverable amount is 8%. No reasonable possible change in any of the key assumptions would cause Norway's carrying amount to exceed its recoverable amount.

The remaining goodwill is assigned to the Netherlands, Germany and Egypt group of 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 Group uses the fair value less cost of disposal method to calculate the recoverable amount of the CGUs consistent with a level 3 fair value measurement as defined in note 23 of the 2019 Annual Report and Accounts. In determining the fair value, the Group have used a post-tax discount rate of 8-12% based on a country-based weighted average cost of capital. Oil and gas prices are based on an internal view of management expectations derived from a market consensus for current prices transitioning to a long term price in 2024 and thereafter inflated by 2% per annum.

The Group's recoverable value of assets is sensitive, inter alia, to oil and gas prices. The Group has run sensitivity analysis on the prices outlined above. The recoverable amount of one of the country's group of CGUs to which goodwill is allocated exceeded the aggregate amount of the associated carrying values by $34.3 million. If the prices were to decrease by approximately 4%, the recoverable amount of this country's group of CGUs would equal the aggregate of the carrying values. The above sensitivity has flexed revenues and tax cash flows but operating costs and capital expenditures have been kept constant.

6. Intangible assets

Group In millions of US$	Exploration and evaluation	Other	Total
Cost at 1 January 2020	**138.6**	**28.6**	**167.2**
Additions	77.4	1.0	78.4
Unsuccessful exploration expenditure	(20.2)	-	(20.2)
Impairment loss	(7.7)	-	(7.7)
Reversal of impairment loss	7.9	-	7.9
Transfers to property, plant and equipment	(1.4)	0.1	(1.3)
Currency translation adjustments	(3.0)	(1.9)	(4.9)
Cost at 30 September 2020	**191.6**	**27.8**	**219.4**
Amortisation at 1 January 2020	**-**	**(16.3)**	**(16.3)**
Charge for the year	-	(2.7)	(2.7)
Currency translation adjustments	-	1.2	1.2
Amortisation at 30 September 2020	**-**	**(17.8)**	**(17.8)**
Net book value at 30 September 2020	**191.6**	**10.0**	**201.6**
Net book value at 31 December 2019	**138.6**	**12.3**	**150.9**

Unsuccessful exploration expenditure relates to costs associated with an uncommercial well evaluation.

Country of CGU In millions of US$	Trigger for 2020 impairment /(reversal)	2020 Impairment /(reversal)	Post-tax discount rate	2020 CGU recoverable amount
Norway	a	(7.9)	8%	7.9
Denmark	b	7.7	10%	2.5
Total		**(0.2)**		

a. Due to a new discovery within the area
b. Changes in the field development plan

7. Property, plant and equipment

Group In millions of US$	Oil and gas properties	Other fixed assets	Total
Cost at 1 January 2020	**5,627.3**	**85.8**	**5,713.1**
Additions	633.8	2.5	636.3
Disposals	(10.0)	-	(10.0)
Transfers from intangible assets	1.0	0.3	1.3
Currency translation adjustments	(115.2)	0.8	(114.4)
Cost at 30 September2020	**6,136.9**	**89.4**	**6,226.3**
Accumulated depreciation at 1 January 2020	**(1,268.4)**	**(13.9)**	**(1,282.3)**
Charge for year(1)	(422.8)	(8.7)	(431.5)
Impairment loss	(119.5)	-	(119.5)
Disposals	9.9	-	9.9
Currency translation adjustments	5.2	(0.3)	4.9
Accumulated depreciation at 30 September 2020	**(1,795.6)**	**(22.9)**	**(1,818.5)**
Net book value at 30 September 2020	**4,341.3**	**66.5**	**4,407.8**
Net book value at 31 December 2019	**4,358.9**	**71.9**	**4,430.8**

1) Includes capitalised depreciation of $12.1 million related to right-of-use assets in Norway and the UK.

The Group uses the fair value less cost of disposal method to calculate the recoverable amount of the cash generating units (CGU) consistent with a level 3 fair value measurement. In determining the fair value, the Group has used a post-tax discount rate of 8-12% based on a Country based weighted average cost of capital. Oil and gas prices are based on an internal view of management expectations derived from a market consensus for current prices transitioning to a long term price in 2024 and thereafter inflated by 2% per annum.

Further information on the impairment review process is available in the Neptune Energy Group 2019 Annual Report and Accounts Section 1.10.

Country of CGU In millions of US$	Trigger for 2020 impairment	2020 Impairment	Post-tax discount rate	2020 CGU recoverable amount
Netherlands	a	53.2	10%	120.0
Indonesia	a	66.3	12%	685.0
Total		**119.5**		

a. Decrease due to long term price assumptions

Price and discount rate sensitivity impairment analysis on original CGU net book values (post-tax):

Country of CGU In millions of US$	Oil and Gas price		Post-tax discount rate	
	Plus 10%	Minus 10%	Plus 1%	Minus 1%
Netherlands	(15.9)	(39.5)	(29.4)	(23.6)
Indonesia	-	(95.8)	(51.8)	(21.7)
Total	**(15.9)**	**(135.3)**	**(81.2)**	**(45.3)**

8. Cash and cash equivalents

Group In millions of US$	30 September 2020	31 December 2019
Cash at bank and in hand	86.2	75.1
Restricted cash	12.8	10.3
Total cash and cash equivalents	**99.0**	**85.4**

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 monies held for decommissioning obligations.

9. Trade payables and other liabilities

Group In millions of US$	30 September2020	31 December 2019
Trade and other payables	214.9	222.7
Other current liabilities	533.1	567.5
Lease liabilities	89.0	72.3
Wages and social security	41.7	53.2
Current trade payables and accruals	**878.7**	**915.7**
Other non-current liabilities	39.6	64.9
Lease liabilities	103.9	99.7
Non-Current trade payables and accruals	**143.5**	**164.6**
Total	**1,022.2**	**1,080.3**

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

Included within other current liabilities is $200.0 million (2019: $200.0 million) in respect of a promissory note issued on 11 December 2019 to the immediate and ultimate parent undertaking in respect of the interim dividend declared. The remainder of the balance is principally related to joint venture funding.

10. Provisions

Group In millions of US$	30 September2020	31 December 2019
Current		
Restructuring	43.0	41.8
Post-employment benefit and other long term benefits	11.2	11.4
Decommissioning	75.1	55.0
Other	5.6	5.3
Current Total	**134.9**	**113.5**
Non-Current		
Restructuring	45.5	24.8
Post-employment benefit and other long term benefits	187.1	183.6
Decommissioning	1,471.8	1,445.8
Non-Current Total	**1,704.4**	**1,654.2**
Total	**1,839.3**	**1,767.7**

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 2019 Annual Report and Accounts in note 22.

$4.8 million of restructuring provisions from 2019 have been released in the nine months offsetting the new provisions booked for the reorganisation announced in June 2020.

11. Financial assets and financial 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 30 September 2020 and 31 December 2019.

Group In millions of US$	30 September 2020	31 December 2019
Financial assets at fair values		
Commodity derivatives at fair value through profit and loss	3.8	1.5
Commodity derivatives in qualifying hedging relationships	163.3	220.7
Foreign forward exchange contracts at fair value through profit and loss	0.1	0.1
Equity instruments designated at fair value through OCI		
10.58% interest in Erdgas-Verkaufs-Gesellschaft mbH, Münster	20.1	19.3
Financial assets at Amortised Cost		
Trade and other receivables	575.3	651.9
Income Tax receivable	179.3	16.6
Other non-current assets	105.0	110.6
Total	**1,046.9**	**1,020.7**
Total current	**872.9**	**815.9**
Total Non-current	**174.0**	**204.8**

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 Münster its sole equity investment, 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$	30 September2020	31 December 2019
Financial liabilities at Fair Value		
Commodity derivatives at fair value through profit and loss	0.2	-
Commodity derivatives in qualifying hedging relationships	21.6	39.5
Interest rate derivatives in qualifying hedging relationships	6.2	5.6
Foreign forward exchange contracts at fair value through profit and loss	0.6	2.1
Contingent consideration of the VNG Norge AS acquisition	2.5	23.2
Financial liabilities at amortised cost		
Reserve base lending facility	1,050.7	643.7
Senior Notes	834.4	831.8
Touat project finance facility	-	256.2
DNB uncommitted facility	50.0	50.0
Citi Bank uncommitted facility	-	50.0
Subordinated Neptune Energy Group Limited loan	107.9	107.9
Trade and other payables	214.9	222.7
Wages and social security	41.7	53.2
Lease liabilities	192.9	172.0
Corporate taxes payable	80.5	214.3
Other liabilities	570.2	609.2
Total	**3,174.3**	**3,281.4**
Total current	**957.8**	**1,213.6**
Total Non-current	**2,216.5**	**2,067.8**

Set out above is an overview of financial liabilities, other than cash and short-term deposits, held by the Group as at 30 September 2020. The Senior Notes have a fair value of $762.9 million, compared to the carrying amount of $834.4 million (31 December 2019: a fair value of $850.4 million, compared with the carrying amount of $831.8 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 valuation of contingent consideration relates to the Company's acquisition of VNG and is based on management'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.

11.1 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 30 September 2020 and 31 December 2019. 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

			30 September 2020	
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	30-Sep-20	163.3	163.3	-
Commodity derivatives at fair value through profit and loss	30-Sep-20	3.8	3.8	-
Foreign forward exchange contracts at fair value through profit and loss	30-Sep-20	0.1	0.1	-
Non-Listed equity Instruments				
10.58% interest in Erdgas Münster GMBH	30-Sep-20	20.1	-	20.1
Total		**187.3**	**167.2**	**20.1**

			31 December 2019	
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-19	220.7	220.7	-
Commodity derivatives at fair value through profit and loss	31-Dec-19	1.5	1.5	-
Foreign forward exchange contracts at fair value through profit and loss	31-Dec-19	0.1	0.1	-
Non-listed equity Instruments				
10.58% interest in Erdgas Münster GMBH	31-Dec-19	19.3	-	19.3
Total		**241.6**	**222.3**	**19.3**

			30 September 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				
Derivatives financial liabilities				
Commodity derivatives in qualifying hedging relationships	30-Sep-20	21.6	21.6	-
Commodity derivatives at fair value through profit and loss	30-Sep-20	0.2	0.2	-
Interest rate derivatives in qualifying hedging relationships	30-Sep-20	6.2	6.2	-
Forward Foreign exchange contracts at fair value through profit and loss	30-Sep-20	0.6	0.6	-
Contingent consideration		2.5	-	2.5
Total		**31.1**	**28.6**	**2.5**

			31 December 2019	
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-19	39.5	39.5	-
Interest rate derivatives in qualifying hedging relationships	31-Dec-19	5.6	5.6	-
Forward foreign exchange contracts at fair value through profit and loss	31-Dec-19	2.1	2.1	-
Contingent consideration of the VNG Norge AS acquisition	31-Dec-19	23.2	-	23.2
Total		**70.4**	**47.2**	**23.2**

11.2 Change in the value of Level 3 Instruments

The following table presents the changes in Level 3 instruments for the 9 months ended 30 September 2020.

Group In millions of US$	Equity Investments	Contingent Consideration	Total
Fair value at 1 January 2020	19.3	(23.2)	(3.9)
Gain on derecognition of contingent consideration payable	-	20.3	20.3
Cash paid	-	2.5	2.5
(Losses)/gains recognised in other comprehensive income	0.8	(2.1)	(1.3)
Fair value at 30 September 2020	**20.1**	**(2.5)**	**17.6**

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 (Dec 2019: $1.0m).

The gain on the derecognition of contingent consideration payable has arisen as management no longer expect certain project milestones, related to two assets in Denmark and Norway that were part of the VNG acquisition, will now be achieved. The remaining contingent consideration is based on management's expectation on achieving certain project milestones. The possible range for the contingent consideration for all reasonable outcomes is $nil to $2.5 million.

11.3 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	Cost of interest rate hedging reserve	Total hedge reserve
At 1 January 2020	(123.7)	(0.7)	5.6	-	**(118.8)**
Add costs of hedging deferred and recognised in OCI	(245.8)	47.3	0.6	-	**(197.9)**
Less reclassified from OCI to profit or loss or included in finance costs	245.2	(12.5)	-	-	**232.7**
Less deferred tax	51.1	(31.2)	-	-	**19.9**
Less costs of hedging deferred and recognised in OCI for equity accounted investments	-	1.0	-	-	**1.0**
At 30 September 2020[1]	**(73.2)**	**3.9**	**6.2**	**-**	**(63.1)**

1) The balance includes a $1.0 million debit relating to equity accounted investments.

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.

12. Share capital

	Number	US$ million
Allotted, called up and fully paid		
At 31 December 2019 and 30 September 2020	**1,977,175,201**	**1,977.2**

13. 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 significant changes in the period since the 2019 year end disclosure. Further details on contingencies can be found in Note 26 of the Neptune Energy Group 2019 Annual Report and Accounts.

14. Related party transactions

During 2020, the Group undertook the following transactions with related parties:

		2020	2020	2019	2019
Related party undertaking US$ millions	Nature of transactions	Purchases	Accounts payable	Purchases	Accounts payable
TMF Norway Energy AS	Services	1.6	0.2	-	-
Essential Project Solutions	Services	0.2	-	0.3	-
ONE-Dyas B.V. (Carlyle investor)	Oil and Gas	1.9	-	7.6	-
Black Platinum Energy	Oil and Gas	7.3	-	-	-

Terms and conditions of transactions with related parties are summarised in note 27 of the Neptune Energy 2019 Annual Report and Accounts.

15. Events after the reporting period

On 26 October 2020, Equinor, the operator of the Hammerfest LNG plant in Norway announced to its joint venture partners that the LNG plant will be closed for up to 12 months for repairs. The plant processes production from the Snøhvit, Albatross and Askeladd fields. Equinor is still assessing the extent of the damage and required repairs but has advised that it may take until 1 October 2021 to restart production. Neptune's loss of revenue is to be recovered through business interruption insurance. Further insurance claims will be submitted for Neptune's share of repair costs.