

# INTERIM REPORT

for the second quarter 2021



**north**  
energy

## Quarterly highlights

### North Energy reports a loss of NOK 20.8 million.

North Energy recorded a loss of NOK 20.8 million in the second quarter 2021 due to the negative development in the market value in the company's investment in Touchstone Exploration. The cash position dropped to NOK 57.6 million after the distribution of dividend to shareholders.

### Dividend distributed to shareholders.

In accordance with the new dividend policy announced in the second quarter 2020, the General Assembly approved in April 2021 the proposal from the Board of North Energy to distribute a dividend of NOK 0.45 per share to shareholders, in total NOK 52.8 million. The dividend was paid to shareholders later in April and classified as a redemption of paid-in capital.

## Key figures

NOK mln	Q2 2021	Q2 2020	Year 2020
Operating profit	(26.9)	52.1	135.5
Profit/loss after tax	(20.8)	52.0	120.4
Investments	245.7	143.0	302.8
Total assets	305.1	283.0	424.1
Equity ratio (%)	97.5 %	98.4 %	94.8 %
Interest bearing debt	0	0	0

## Financial information

After completion of the intra-group merger between North Energy ASA and North Energy Capital AS in the third quarter 2020, North Energy ASA is the only remaining Company in the former Group. Figures presented for 2020 are the consolidated figures for the Group.

North Energy recorded a comprehensive loss of NOK 20.8 million in the second quarter of 2021, compared with a comprehensive income of NOK 52.0 million in the corresponding quarter of 2020. The loss reported in second quarter 2021 is driven by a decrease of NOK

25.0 million in the valuation of the investment in Touchstone Exploration partly offset by North Energy's share of the positive result from Reach Subsea of NOK 4.9 million. The income in the second quarter last year was driven by a significant increase in the valuation of Touchstone Exploration.

The market value of North Energy's investment in Reach Subsea has decreased by NOK 2.3 million (from NOK 144.8 million to NOK 142.5 million) in the second quarter of 2021. The market value is still higher than the book value, therefore the decrease is not recognized in the income statement as the investment in Reach is accounted for as an associated company. Hence, the comprehensive income effect from our investment in Reach is our share of the comprehensive income from Reach, NOK 5.1 million. In addition, the book value is reduced with the dividend of NOK 6.9 million received from Reach. The book value of Reach is NOK 101.4 million per end of the second quarter, a net reduction of NOK 1.8 million.

Payroll and related expenses in the second quarter were NOK 0.8 million, which is at the same level as the same quarter last year.

Other operating expenses are reported at NOK 6.3 million, which is up from NOK 3.1 million in the same quarter last year. This quarter includes a provision for potential future liabilities. Underlying operating expenses excluding this adjustment is NOK 2.8 million, slightly down from last year.

Net financial items were NOK 0.0 million in the second quarter 2021.

At the end of the quarter, total market value of investments amounted to NOK 287.0 million, compared to NOK 143.0 million at the end of the second quarter 2020 and NOK 304.0 million last quarter. The increase in investments compared to last year is partly due to the significant recovery in the value of the main investments after the Covid-19 impact last year and the positive development of Touchstone based on the company's exploration success. The decrease in investments from last quarter is due to the recent drop in market values of the investment in Touchstone Exploration.

The share price of Reach Subsea ended the quarter at NOK 3.09, which gives North Energy's shareholding a market value of NOK 142.5 million. The investment in Reach Subsea is accounted for as an associated

company. Thus, as the market value is higher than the book value (defined as the sum of historical purchase cost, plus our share of accumulated result since investment, less dividends received since investment) at the end of the first quarter, the investment is reported at book value of NOK 101.2 million.

Total assets at the end of the quarter were NOK 305.2 million, up from NOK 283.0 million at the end of the same quarter last year. The increase is mainly due to an increase of the investment portfolio by NOK 102.7 million, offset by reduction in cash of NOK 78.9 million.

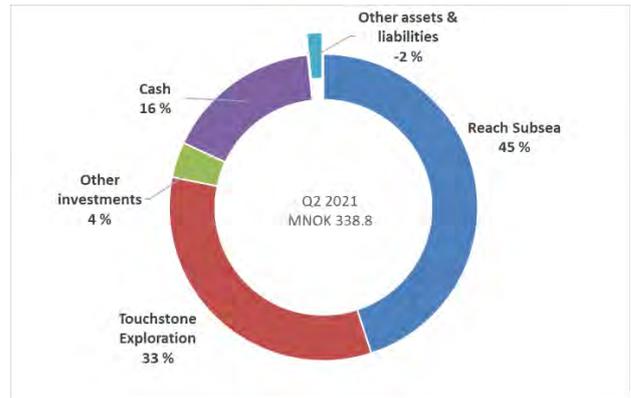
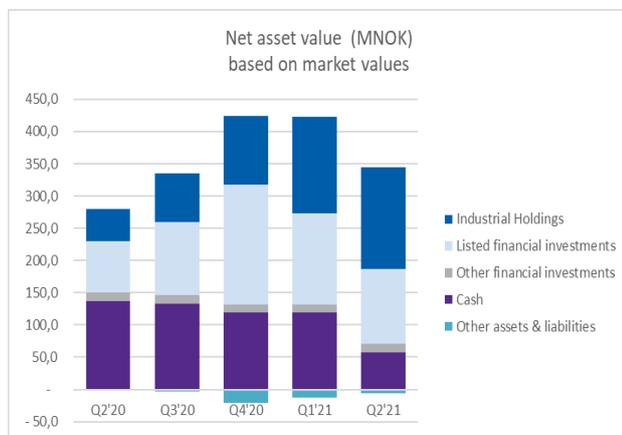
Total equity at the end of the second quarter was NOK 297.7 million, up from NOK 278.5 million at the end of the same quarter last year. The increase is explained by total comprehensive income of NOK 71.9 million last twelve months offset by dividend paid to shareholders of NOK 52.8 million. The Company's equity ratio stood at 97.5 percent at the end of the quarter.

The Company has no interest-bearing debt.

North Energy recorded NOK 57.6 million in cash at the end of the second quarter. This is down from NOK 119.1 million last quarter mainly due to payment of dividend of NOK 52.8 million, new investment in WCS of NOK 10.0 million, operating expenses of NOK 5.7 million, offset by dividend received from Reach of NOK 6.9 million.

The Board regards the Company's financial position as solid.

### Net asset value composition



Total market value of the investment portfolio was NOK 287.0 million at the end of the second quarter. Including cash of NOK 57.6 million and other assets and liabilities of negative NOK 2.2 million the net asset value was NOK 338.8 million at the end of the quarter.

### NAV per share vs. share price



The net asset value per share was NOK 2.85 while the share price at the end of the quarter was NOK 2.9, representing a premium of 2% compared to the net asset value per share.

## Investments

During first half of 2021 global capital markets have appreciated while the value of North Energy's investments has been slightly reduced. This is mainly due to the reduced market value of Touchstone Exploration.

## Industrial holdings

### Reach Subsea ASA

The main industrial investment is the 32% shareholding in Reach Subsea ASA where North has two representatives on the Board of Directors. The Company expects to continue as the largest shareholder in Reach Subsea ASA and further develop the company as a leading subsea service provider, offering solutions to survey the seabed and solutions for maintaining the integrity of the client's subsurface equipment and infrastructure.

On the 18<sup>th</sup> of January Reach announced a new project called "Reach Remote", which is a new and future-proof, sustainable solution for subsea services. The project is carried out in cooperation with the renowned industrial partners Kongsberg Maritime and Massterly and is also supported by a grant from Innovasjon Norge. The company highlights that this solution is expected to significantly reduce the cost, and virtually eliminate the carbon footprint, associated with subsea services. Reach plans to bring the solution to market in 2022.

As of the second quarter 2021, the investment in Reach is accounted for at a book value of NOK 101.2 million, down from NOK 103.2 million last quarter. The decrease is due to dividend of NOK 6.9 million received from Reach offset by positive second quarter result of NOK 4.9 million.

For the second quarter, Reach reported comprehensive income of NOK 15.9 million, which is down from the exceptionally strong NOK 27.8 million reported the same quarter last year. For the first six months, Reach reported comprehensive income of NOK 27.3 million, up from NOK -3.4 million the same period last year.

In accordance with the company's dividend policy, the AGM approved a proposal from the Board of Reach to pay dividend of NOK 0.15 per share. The dividend of NOK 21.5 million was paid to shareholders in June.

Reach has financially had a strong first half year 2021 and announces that it has a good schedule for the third quarter to build upon for the upcoming 2021/22 winter season.

After quarter end, the Norwegian Coastal Administration and the Norwegian Maritime Authority announced that the national center for testing, verifying and certifying remote and autonomous maritime technologies has now been established outside Hugesund. This represents an important element to the successful introduction of Reach Remote, as it de-risks the regulatory obstacle associated with introducing remote maritime solutions.

Also, the company announces that due to global supply disruptions, the commissioning of the first USVs has been postponed and the first vehicles are expected to be launched in 2023. The supply disruptions have led the company to dedicate more time to preparatory work prior to commissioning the USVs.

Reach also reports that the announcement of Reach Remote earlier this year has led to great interest from both clients and potential partners. There are several industrial parties who wish to be part of Reach Remote, and who could contribute to the funding and commercialization of the project.

The company is listed on the Oslo Stock Exchange and as of the end of the second quarter, the company had a market capitalization of NOK 443.7 million.

### Wind Catching Systems AS

In fourth quarter 2020, North Energy made an initial investment of NOK 5.0 million in Wind Catching Systems AS. In the first quarter of 2021, North Energy together with Ferd AS exercised an option to invest an additional NOK 10 million each through a subscription of new shares (payment for the new shares took place after quarter end). North Energy and Ferd AS now each hold approximately 31% of Wind Catching Systems AS.

Wind Catching Systems holds a new innovative technology for floating offshore wind systems ("WCS technology"). The wind turbines are designed for all weather conditions, with the potential to produce electricity at a significantly lower cost and on a significantly smaller sea area than any other known technology today. Together with its key technology partner Aibel AS and IFE (Institute for Energy Technology), and with support from Innovasjon Norge,

the company intends to finalize and commercialize the WCS technology.

During the quarter, the company has made several key personnel recruitments and is continuing to develop its organization in parallel with developing the technology and concept together with its key technology partners Aibel and IFE.

The first stage of wind tunnel testing in Milano has been completed during the summer of 2021, and the results are very encouraging with respect to further commercialization of the WCS technology.

## Financial investments

### Touchstone Exploration Inc.

The Company's key financial investment is in Touchstone Exploration with an ownership interest of 5.9 per cent by the end of the second quarter.

During the quarter, the company released an operational update with results from a pressure buildup test on Cascadura Deep. The results were in-line with expectations and confirmed the significant potential of the Cascadura structure. In addition, the company also detailed that Cascadura production facilities will have an initial capacity of 90 MMcf/d (expandable to 200 MMcf/d).

In 2021 the company plans to drill the Royston well located further east in the Ortoire block. Furthermore, the company aims to bring the Coho-1 discovery onto production towards the end of 2021.

Coho-1 was the first well drilled in the 5-well programme on the Ortoire Block. The company estimates the net future production rate from Coho-1 to be in the range from 1,300 - 1,600 barrels of oil equivalent (boe) per day, which will double the company's overall production.

The two Cascadura wells are targeted for production in the first half of 2022. The company estimates the net future production rate from Cascadura to be in the range of 10,000 - 13,000 boe per day, which is almost ten times the company's current production.

Touchstone expects production from the Ortoire block to increase cash flow significantly and contribute to a substantial reduction in volatility of future earnings. Based on the natural gas sales agreement with the National Gas Company of Trinidad and Tobago,

Touchstone has secured offtake for all natural gas produced from the Ortoire license.

Furthermore, Touchstone reported in June 2021 the execution of a ten-year lease operatorship agreement (LOA) with Heritage Petroleum Company Limited for the CO-1, CO-2, WD-4 and WD-8 blocks. In conjunction with the execution of the LOA, the Board of Touchstone has approved the drilling of one well on each Block in the second half of 2021.

### Other financial investments

As of first quarter 2021 the Company has several minor investments in shares and bonds as part of its liquidity management, with a total value of NOK 13.1 million.

## Strategy and outlook

Through the first half of 2021, the world has seen various virus mutations and a third wave has swept the world. Many countries are still reporting growth in new virus cases, due to the Delta mutation. However, the vaccine program is gaining momentum and the infection trend is expected to turn. It gives hope, but the Board expects that uncertainty will linger further into 2021 and that full economic normalisation still will take time, although the capital markets have already discounted a full recovery. North Energy will continue to develop the company in accordance with the strategy previously communicated. The Company will seek to maintain optionality in order to successfully execute its long-term strategy and actively seek opportunities to develop and expand the industrial portfolio. However, in light of the significant uncertainties the Board still expect to take a cautious approach in the time to come. North Energy will remain focused on protecting health of employees and communities and continue to follow advice from public health officials.

For further elaboration of the Company's strategy, reference is made to the quarterly report from Q2 2020 and to the Company's webpage:

[www.northenergy.no](http://www.northenergy.no)

# Report for the first half 2021

## Highlights

During the first half year of 2020, the global economy was significantly impacted by the Covid-19 pandemic and the dramatic drop in oil prices. However, financial markets recovered rapidly during the second half year with market values coming back to levels seen before the pandemic.

In accordance with the new dividend policy announced in the second quarter 2020, the General Assembly of North Energy approved in April 2021 the proposal from the Board of North Energy to distribute a dividend of NOK 0.45 per share to shareholders. The dividend, in total NOK 52.8 million, was paid to shareholders in April and classified as a redemption of paid-in capital.

In January 2021 Reach announced a new innovative subsea service solution, Reach Remote, that will significantly reduce cost and virtually eliminate carbon footprint when brought to market in 2022

In June 2021 the General Assembly of Reach Subsea approved the proposal from the Board of Directors to distribute a dividend of NOK 0.15 per share. The dividend was paid to shareholders later in June, whereof North Energy, based on its ownership, received NOK 6.9 million.

Touchstone Exploration expects production from the Ortoire block to increase cash flow significantly and contribute to a substantial reduction in volatility of future earnings. Based on the natural gas sales agreement with the National Gas Company of Trinidad and Tobago, Touchstone has secured offtake for all natural gas produced from the Ortoire license.

In first quarter 2021, North Energy together with Ferd AS exercised an option to invest an additional NOK 10 million each through a subscription of new shares. The capital was paid in April and North Energy and Ferd AS now each hold approximately 31% of Wind Catching Systems AS.

North Energy's investment portfolio has at the end of June 2021 a market value of NOK 245.7 million. The Company's main investments are a 32.1 per cent ownership in Reach Subsea with a market value of NOK 142.5 million and a 5.9 per cent ownership in Touchstone Exploration with a market value of NOK 116.3 million at the end of June 2020.

## Financial

As per first half 2021, North Energy reported a net loss after tax of NOK 51.4 million compared to a loss in the first half of 2020 of NOK 2.9 million. The loss this year derives mainly from a negative change in fair value of financial investments of NOK 65.1 million, operating expenses of NOK 11.1 million partly offset by income from associated company of NOK 8.8 million and tax credit of NOK 16.2 million. The loss last year was mainly derived from loss of NOK 23.5 million from associated company and operating expenses of NOK 9.0 million partly offset by positive change in fair value of financial investments with NOK 27.0 million.

Payroll and related expenses were NOK 1.9 million in first half of 2021, which is down from NOK 2.2 million in the corresponding period in 2020. The number of staffs have been reduced from an average of 2.5 in 2020 to an average of 2.0 in the first half of 2021. Other operating expenses were NOK 9.2 million in first half of this year, which is up from NOK 6.0 million in the same period last year. This year includes a potential provision for future liabilities.

As per 30 June 2021, North Energy reported total assets of NOK 305.2 million. This includes financial investments of NOK 245.9 million as well as cash of NOK 57.6 million. The assets are financed by 98 per cent equity. The company has no interest-bearing debt at the end of the second quarter.

North Energy cash of NOK 57.6 million at the end of the first half year is down from NOK 119.3 million at the beginning of the year. The decrease is explained by payment of dividend of NOK 52.8 million, new investment in WCS of NOK 10.0 million, operational cash burn of NOK 9.7 million, offset by dividend received from Reach of NOK 6.9 million and net proceed from sale of shares and bonds of NOK 3.8 million.

## Risk assessment

North Energy's financial risk management is intended to ensure that risks of significance for the Company's goals are identified, analyzed and managed in a systematic and cost-efficient manner. The Company is exposed to financial risk in various areas, as described below.

Monitoring of risk exposure and assessment of the need to deploy financial instruments are pursued continuously.

**Operational risk.** North Energy is an enterprise where operational risk is closely related to its expertise. The Company therefore devotes attention to developing its expertise and organisation, and to its management systems.

**Market risk.** With the investment portfolio, North Energy is exposed to market risk involving the risk of changing conditions in the specific marketplace in which the Company makes investments. Sources of market risk include changes in market sentiment as well as recessions, political turmoil, changes in interest rates, natural disasters and terrorist attacks.

**Liquidity risk.** The Group's ongoing financing needs are forecasted on a continuous basis, and the level of activity is tailored to liquidity. The Company's primary source of funding has traditionally been equity.

**Interest rate risk.** The Company is currently not materially exposed to interest rate changes as it is fully financed through equity. However, fluctuations in interest rates may affect investment opportunities in the future.

**Credit risk.** The risk of bad debts is considered very low, since the Company's total outstanding receivables is at a very low level.

**Foreign exchange.** The foreign exchange risk is low as the Company now has limited amounts and less transactions in foreign currencies compared to the past. North Energy continuously evaluates currency hedges for costs in foreign currencies where the payment dates are known.



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## Statement from the Board of Directors and Chief Executive Officer

We confirm, to the best of our knowledge, that the unaudited condensed set of financial statements for the first half of 2021 has been prepared in accordance with IAS 34 Interim Financial Reporting and gives a true and fair view of the Group's assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Oslo, 18 August 2021

**Anders Onarheim**  
Chairman

**Jogeir Romestrand**  
Director

**Elin Karfjell**  
Director

**Knut Sæberg**  
CEO

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# Financial statements second quarter 2021

## INCOME STATEMENT

NOK 1 000	Note	Q2 2021 (unaudited)	Q2 2020 (unaudited)	YTD Q2 2021 (unaudited)	YTD Q2 2020 (unaudited)	Year 2020 (audited)
Sales		79	8	114	8	112
Payroll and related expenses		( 790)	( 849)	(1 923)	(2 158)	(4 207)
Depreciation and amortisation		( 283)	( 417)	( 565)	( 834)	(1 466)
Other operating expenses		(6 327)	(3 092)	(9 193)	(6 020)	(12 223)
Change in fair value of financial investments		(24 703)	44 447	(65 123)	27 009	126 883
Net result from investments in associates	11	5 109	11 993	8 781	(23 525)	26 391
<b>Operating profit/(loss)</b>		<b>(26 915)</b>	<b>52 090</b>	<b>(67 910)</b>	<b>(5 518)</b>	<b>135 490</b>
Financial income		7	20	262	2 149	2 931
Financial costs		( 0)	( 78)	( 1)	( 168)	( 210)
<b>Net financial items</b>		<b>7</b>	<b>( 59)</b>	<b>261</b>	<b>1 982</b>	<b>2 720</b>
<b>Profit/(loss) before income tax</b>		<b>(26 909)</b>	<b>52 032</b>	<b>(67 649)</b>	<b>(3 536)</b>	<b>138 210</b>
Income taxes	8	6 133	0	16 213	600	(17 783)
<b>Profit/(loss) for the period</b>		<b>(20 775)</b>	<b>52 032</b>	<b>(51 435)</b>	<b>(2 936)</b>	<b>120 427</b>
Attributable to:						
Owners of North Energy ASA		(20 775)	52 032	(51 435)	(1 315)	122 048
Non-controlling interests		0	0	0	(1 621)	(1 621)
		<b>(20 775)</b>	<b>52 032</b>	<b>(51 435)</b>	<b>(2 936)</b>	<b>120 427</b>
Earnings per share (NOK per share)						
- Basic		(0,18)	0,44	(0,44)	(0,01)	1,04
- Diluted		(0,18)	0,44	(0,44)	(0,01)	1,04

## STATEMENT OF COMPREHENSIVE INCOME

NOK 1 000	Q2 2021 (unaudited)	Q2 2020 (unaudited)	YTD Q2 2021 (unaudited)	YTD Q2 2020 (unaudited)	Year 2020 (audited)
<b>Profit/(loss) for the period</b>	<b>(20 775)</b>	<b>52 032</b>	<b>(51 435)</b>	<b>(2 936)</b>	<b>120 427</b>
Other comprehensive income, net of tax					
<b>Total other comprehensive income, net of tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>(20 775)</b>	<b>52 032</b>	<b>(51 435)</b>	<b>(2 936)</b>	<b>120 427</b>
Attributable to:					
Owners of North Energy ASA	(20 775)	52 032	(51 435)	(1 315)	122 048
Non-controlling interests	0	0	0	(1 621)	(1 621)
	<b>(20 775)</b>	<b>52 032</b>	<b>(51 435)</b>	<b>(2 936)</b>	<b>120 427</b>

## STATEMENT OF FINANCIAL POSITION

NOK 1 000	Note	30.06.2021 (unaudited)	30.06.2020 (unaudited)	31.12.2020 (audited)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		158	0	131
Right-of-use assets	3,12	824	2 918	1 374
Other receivables		192	325	258
Investments in associates	11	123 231	56 409	111 369
Deferred tax asset	8	0	0	0
<b>Total non-current assets</b>		<b>124 405</b>	<b>59 652</b>	<b>113 132</b>
<b>Current assets</b>				
Trade and other receivables		607	284	181
Financial investments, current	9	122 644	86 585	191 422
Cash and cash equivalents		57 585	136 456	119 332
<b>Total current assets</b>		<b>180 836</b>	<b>223 325</b>	<b>310 935</b>
<b>Total assets</b>		<b>305 241</b>	<b>282 977</b>	<b>424 067</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	5	119 047	119 047	119 047
Treasury shares	5	(3 411)	(3 411)	(3 411)
Share premium		850 378	903 141	903 141
Other paid-in capital		30 691	30 691	30 691
Retained earnings		(699 010)	(770 939)	(647 575)
Non-controlling interests		0	0	0
<b>Total equity</b>		<b>297 694</b>	<b>278 530</b>	<b>401 893</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Deferred tax liability	8	2 170	0	18 383
Leasing liabilities	3,12	0	1 277	304
<b>Total non-current liabilities</b>		<b>2 170</b>	<b>1 277</b>	<b>18 687</b>
<b>Current liabilities</b>				
Leasing liabilities, current	3,12	947	1 805	1 163
Trade creditors		29	208	30
Tax payable	8	0	0	0
Other current liabilities		4 402	1 157	2 296
<b>Total current liabilities</b>		<b>5 377</b>	<b>3 171</b>	<b>3 488</b>
<b>Total liabilities</b>		<b>7 547</b>	<b>4 447</b>	<b>22 175</b>
<b>Total equity and liabilities</b>		<b>305 241</b>	<b>282 977</b>	<b>424 067</b>

## STATEMENT OF CHANGES IN EQUITY

NOK 1 000	Share capital	Treasury Shares	Share premium	Other paid-in capital	Retained earnings	Non-controlling interests	Total equity
Equity at 1 January 2020	119 047	(3 411)	903 141	30 691	(732 070)	(14 653)	302 746
Paid dividend from subsidiary to non-controlling interests *						(21 280)	(21 280)
Change in non-controlling interests *					(37 553)	37 553	0
Total comprehensive income for 01.01.20-30.06.20					(1 315)	(1 621)	(2 936)
<b>Equity at 30 June 2020</b>	<b>119 047</b>	<b>(3 411)</b>	<b>903 141</b>	<b>30 691</b>	<b>(770 939)</b>	<b>0</b>	<b>278 530</b>
Total comprehensive income for 01.07.20-31.12.20					123 363	0	123 363
<b>Equity at 31 December 2020</b>	<b>119 047</b>	<b>(3 411)</b>	<b>903 141</b>	<b>30 691</b>	<b>(647 575)</b>	<b>0</b>	<b>401 893</b>
Total comprehensive income for 01.01.21-30.06.21					(51 435)		(51 435)
Paid dividend			(52 763)				(52 763)
<b>Equity at 30 June 2021</b>	<b>119 047</b>	<b>(3 411)</b>	<b>850 378</b>	<b>30 691</b>	<b>(699 010)</b>	<b>0</b>	<b>297 694</b>

\* On 8 April 2020 the General Meeting in North Energy Capital AS, a company owned 80% by North Energy ASA, approved a proposal for distribution of dividend of NOK 106.4 million, representing the total available equity in the company. Subsequent to the dividend distribution, an agreement was signed where North Energy ASA acquired the remaining 20% interest in North Energy Capital AS. From this date North Energy Capital AS was owned 100% by North Energy ASA. In August 2020 North Energy Capital AS was merged with North Energy ASA.

## CASH FLOW STATEMENT

NOK 1 000	Q2 2021 (unaudited)	Q2 2020 (unaudited)	YTD Q2 2021 (unaudited)	YTD Q2 2020 (unaudited)	Year 2020 (audited)
<b>Cash flow from operating activities</b>					
Profit/(loss) before income tax	(26 909)	52 032	(67 649)	(3 536)	138 210
Adjustments:					
Depreciation	283	417	565	834	1 466
Pensions	34	(6)	66	26	92
Change in fair value of financial investments	24 703	(44 447)	65 123	(27 009)	(126 883)
Net result from investments in associates	(5 109)	(11 993)	(8 781)	23 525	(26 391)
Changes in current payables, receivables and other accruals	1 369	(1 140)	1 160	(3 268)	(3 295)
<b>Net cash flow from operating activities</b>	<b>(5 628)</b>	<b>(5 137)</b>	<b>(9 515)</b>	<b>(9 429)</b>	<b>(16 800)</b>
<b>Cash flow from investing activities</b>					
Investments in associates	(10 000)	0	(10 000)	800	(5 045)
Dividends from associates	6 919	0	6 919		800
Purchase of financial investments	(423)	29 233	(1 871)	(20 562)	(25 285)
Proceeds from sales of financial investments	402	0	5 526	158 914	158 930
<b>Net cash flow from investing activities</b>	<b>(3 144)</b>	<b>29 233</b>	<b>531</b>	<b>139 152</b>	<b>129 399</b>
<b>Cash flow from financing activities</b>					
Dividends paid from North Energy ASA	(52 763)	0	(52 763)	0	0
Dividends paid from subsidiary to non-controlling interests	0	(21 280)	0	(21 280)	(21 280)
<b>Net cash flow from financing activities</b>	<b>(52 763)</b>	<b>(21 280)</b>	<b>(52 763)</b>	<b>(21 280)</b>	<b>(21 280)</b>
<b>Net change in cash and cash equivalents</b>	<b>(61 536)</b>	<b>2 816</b>	<b>(61 747)</b>	<b>108 443</b>	<b>91 319</b>
Cash and cash equivalents at beginning of the period	119 121	133 640	119 332	28 013	28 013
<b>Cash and cash equivalents at end of the period</b>	<b>57 585</b>	<b>136 456</b>	<b>57 585</b>	<b>136 456</b>	<b>119 332</b>

# Notes to the interim consolidated financial statements second quarter 2021

## Note 1 - General and corporate information

These financial statements are the unaudited interim condensed financial statements of North Energy ASA for the second quarter of 2021. (Comparison figures from last year are the consolidated financial statements of North Energy ASA and its former subsidiaries (hereafter the "Group")). After completion of the intra-group merger between North Energy ASA and North Energy Capital AS in third quarter 2020, North Energy ASA is the only remaining Company in the former Group.

North Energy ASA is a public limited company incorporated and domiciled in Norway, with its main office located in Oslo. North Energy ASA's shares were listed on Oslo Axess (now Euronext Expand), an exchange regulated by the Euronext Stock Exchange, on 5 February 2010. The company's ticker is NORTH.

## Note 2 - Basis of preparation

The interim accounts have been prepared in accordance with IAS 34 Interim Financial Reporting and the supplementary requirements in the Norwegian Securities Trading Act (Verdipapirhandelloven). The interim accounts do not include all the information required in the annual accounts and should therefore be read in conjunction with the annual accounts for 2020. The annual accounts for 2020 were prepared in accordance with the EU's approved IFRS.

## Note 3 - Accounting policies

The accounting policies adopted in the preparation of the interim accounts are consistent with those followed in the preparation of the annual accounts for 2020. New standards, amendments, and interpretations to existing standards effective from 1 January 2021 did not have any significant impact on the financial statements.

## Note 4 - Critical accounting estimates and judgements

The preparation of the interim accounts entails the use of judgements, estimates and assumptions that affect the application of accounting policies and the amounts recognised as assets and liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances. The actual results may deviate from these estimates. The material assessments underlying the application of the company's accounting policies and the main sources of uncertainty are the same for the interim accounts as for the annual accounts for 2020.

## Note 5 - Share capital

Number of outstanding shares at 1 January 2021	119 047 065
New shares issued during the period	0
<b>Number of outstanding shares at 30 June 2021 *</b>	<b>119 047 065</b>
Nominal value NOK per share at 30 June 2021	1
Share capital NOK at 30 June 2021	119 047 065

\* Inclusive 1,795,472 treasury shares.

## Note 6 - Business segments

The Group reports only one business segment which includes the investment activities.

## Note 7 - Related parties

The company's transactions with related parties:

Purchase of services from	Description of services	Q2 2021	Q2 2020	Year 2020
North Advisors AS	Consultancy services		3 705	3 705
Celisa Capital AS	Consultancy services	1 875		1 875
Isfjorden AS	Consultancy services	1 875		1 875

## Note 8 - Income taxes

On 6 May 2020 North Energy received a notice from the Norwegian Tax Administration informing that they are starting a control of North Energy ASA's accounts for the years 2016 up to and including 2019. The control is currently ongoing and North Energy has not received any report nor any claim from the Tax administration. To cover possible tax implications a tax provision of NOK 2.5 million was made in the accounts in 2020.

Specification of income tax	YTD Q2 2021	YTD Q2 2020	Year 2020
Tax payable	0	0	0
Change deferred tax asset	16 213	600	(17 783)
Of this, deferred tax asset related to equity transactions recognised directly in equity	0	0	0
<b>Total income taxes</b>	<b>16 213</b>	<b>600</b>	<b>(17 783)</b>

Specification of temporary differences, tax losses carried forward, deferred tax	30.06.2021	30.06.2020	31.12.2020
Property, plant and equipment	611	2 614	1 116
Pensions	358	457	390
Leasing liabilities	( 947)	(3 081)	(1 466)
Financial investments	84 900	50 682	151 220
Tax losses carried forward, onshore	(75 060)	(70 843)	(67 701)
<b>Total basis for deferred tax asset</b>	<b>9 861</b>	<b>(20 172)</b>	<b>83 559</b>
Deferred tax asset/(liability) before valuation allowance	(2 170)	4 438	(18 383)
Not capitalised deferred tax asset (valuation allowance)	0	(4 438)	0
<b>Deferred tax asset/(liability)</b>	<b>(2 170)</b>	<b>0</b>	<b>(18 383)</b>

Reconciliation of effective tax rate	YTD Q2 2021	YTD Q2 2020	Year 2020
Profit/(loss) before income tax	(67 832)	(3 536)	138 210
Expected income tax 22%	14 923	778	(30 406)
Adjusted for tax effects (22%) of the following items:			
Permanent differences	2 060	(6 277)	4 586
Adjustments previous years	( 770)	0	(2 500)
Changed tax rates	0	0	0
Change in valuation allowance for deferred tax assets	0	6 099	10 537
<b>Total income taxes</b>	<b>16 213</b>	<b>600</b>	<b>(17 783)</b>

## Note 9 - Financial investments

Financial investments are investments in shares and bonds. The main investments at 30 June 2021 consist of shares in Touchstone Exploration and bonds in InterOil Exploration.

## Note 10 - Fair value of financial instruments

The carrying amount of cash and cash equivalents and other current receivables is approximately equal to fair value, since these instruments have a short term to maturity. Similarly, the carrying amount of trade creditors and other current liabilities is approximately equal to fair value, since the effect of discounting is not significant, due to short term to maturity.

Fair value of the stock exchange-listed shares is the stock market price at the balance sheet date (level 1 in the fair value hierarchy). Fair value of bonds is based on quoted market prices at the balance sheet date (level 2 in the fair value hierarchy). Fair value of other non-listed investments is valued using the best information available in the circumstances including the entities' own data. (level 3 in the fair value hierarchy).

### Specification of financial instruments based on level in the fair value hierarchy

Fair Value 30.06.2021	Level 1	Level 2	Level 3	Total
Shares	116 747		0	116 747
Bonds		5 897		5 897
<b>Total fair value</b>	<b>116 747</b>	<b>5 897</b>	<b>0</b>	<b>122 644</b>

There has been no transfer between level 1 and level 2 during 2021.

Reconciliation of level 3 in the fair value hierarchy	Level 3
Opening balance	0
Movement during the quarter	0
<b>Closing balance</b>	<b>0</b>

## Note 11 - Investment in an associate

Reconciliation and specification of carrying amount of investment in associates:

	30.06.2021	30.06.2020	31.12.2020
Opening balance carrying amount of investments in associates	111 369	80 733	80 733
Acquisition cost additional shares acquired, Reach Subsea ASA	0	0	0
Acquisition cost shares acquired, Wind Catching Systems AS	10 000	0	5 045
Impairment/reversal of investment, Reach Subsea ASA	0	(22 430)	12 108
Share of net result in investment, Reach Subsea ASA	8 781	(1 095)	14 068
Share of net result in investment, Tyveholmen AS	0	0	215
Dividend received, Reach Subsea ASA	(6 919)	0	0
Dividend received, Tyveholmen AS	0	(800)	(800)
<b>Total carrying amount of investments in associates at balance date</b>	<b>123 231</b>	<b>56 409</b>	<b>111 369</b>

Specification of net result from investment in an associate recognised in the income statement:

	YTD Q2 2021	YTD Q2 2020	Year 2020
Impairment / reversal of impairment of investment, Reach Subsea	0	(22 430)	12 108
Share of net result in investment, Reach Subsea	8 781	(1 095)	14 068
Share of net result in investment, Tyveholmen	0	0	215
<b>Net result from investments in associates</b>	<b>8 781</b>	<b>(23 525)</b>	<b>26 391</b>

## Note 12 - Leases

### Right-of-use assets:

The Group leases office facilities. The Group's right-of-use assets are categorised and presented in the table below:

Right-of-use assets	Office facilities
Acquisition cost at 1 January 2021	4 638
Addition of right-of-use assets	0
Disposals of right-of-use assets	0
<b>Acquisition cost at 30 June 2021</b>	<b>4 638</b>
Accumulated depreciation and impairment 1 January 2021	(3 264)
Depreciation	(550)
Impairment	0
<b>Accumulated depreciation and impairment 30 June 2021</b>	<b>(3 814)</b>
<b>Carrying amount of right-of-use assets 30 June 2021</b>	<b>825</b>

Lower of remaining lease term or economic life 0.75 years

Depreciation method Linear

### Leasing liabilities:

Lease liabilities at 1 January 2021	1 466
Additions lease contracts	0
Disposals lease contracts	0
Accretion lease liabilities	29
Payments of lease liabilities	(549)
<b>Total leasing liabilities 30 June 2021</b>	<b>947</b>
Break down of lease debt:	
Short-term	947
Long-term	0
<b>Total lease debt</b>	<b>947</b>

Maturity of future undiscounted lease payments under non-cancellable lease agreements:

	30.06.2021
Within 1 year	923
1 to 5 years	-
After 5 years	-
<b>Total</b>	<b>923</b>

The leases do not impose any restrictions on the Company's dividend policy or financing opportunities.

## Note 13 - Events after the balance sheet date

There are no subsequent events with significant accounting impacts that have occurred between the end of the reporting period and the date of this report that are not already reflected or disclosed in these interim financial statements.

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