

# INTERIM REPORT

for the fourth quarter 2022



**north**  
energy

## Quarterly highlights

- **North Energy reports comprehensive loss of NOK 24.3 million:** Negative change in fair value of financial investments is the main driver for the loss.
- **Reach Subsea reports comprehensive income of NOK 12.0 million for fourth quarter:** EBIT of NOK 34.6 million (25.7 million) for fourth quarter.
- **Wind Catching Systems awarded another grant from ENOVA:** A pre-project grant of NOK 9.3 million was awarded from ENOVA to support the initial implementation of a full-scale Windcatcher.
- **Touchstone Exploration announced private placing with gross proceed of USD 13.3 million:** On December 6, 2022, Touchstone Exploration announced a private placing in both Canada and UK with a combined gross proceed of USD 13.3 million to accelerate the exploration and development at the Ortoire field.
- **New group structure:** In December 2022, North Energy ASA established two fully owned subsidiaries with the purpose of holding the investments in Reach Subsea ASA and Wind Catching Systems AS respectively.
- **New dividend policy:** The Board of Directors has adopted a new dividend policy, which states that "The Company intends to distribute an annual dividend that approximates 3% of year end Net Asset Value". In accordance with the new policy, the Board intends to propose a dividend of NOK 0.10 per share for 2022.

## Key figures

NOK mln	Q4 2022	Q4 2021	Year 2022	Year 2021
Operating profit	-24,3	-31,7	-14,0	-46,7
Comprehensive income	-24,3	-24,1	-13,1	-27,8
Investments	314,7	295,4	314,7	295,4
Total assets	327,6	339,0	327,6	339,0
Equity ratio	94	95	94	95
Interest bearing debt	7,7	0	7,7	0

## Financial information

Figures for Q4 2022 represent the consolidated financials for the Group consisting of North Energy ASA and the newly established subsidiaries North Industries 1 AS and North Industries 2 AS. Comparison figures for 2021 are the figures for North Energy ASA.

### Fourth quarter 2022 result

North Energy recorded a comprehensive loss of NOK 24.3 million in the fourth quarter of 2022, compared with a comprehensive loss of NOK 24.1 million in the corresponding quarter of 2021. The loss reported in fourth quarter 2022 is mainly driven by the negative change of NOK 23.9 million in value of financial investments, operating expenses of NOK 3.7 million, offset by the company's share of net result from associated companies of NOK 3.6 million. Operating expenses was reported at NOK 3.7 million compared with NOK 8.9 million in the same quarter previous year. The loss reported in the fourth quarter 2021 was driven by a negative change of 27.6 million in the valuation of financial investments as well as high operating expenses due to one-off operational costs.

The market value of North Energy's investment in Reach Subsea has increased by NOK 19.8 million (from NOK 173.9 million to NOK 193.7 million) in the fourth quarter of 2022. As the investment in Reach is accounted for as an associated company, the accounting effect is our share of the comprehensive income from Reach of NOK 2.5 million. The book value of Reach per end of the fourth quarter was NOK 139.0 million.

Payroll and related expenses in the fourth quarter were NOK 2.5 million, compared with NOK 6.1 million in the same quarter previous year. Previous year the company made a provision for a severance payment

to the former CEO of NOK 5 million. Excluding this provision, the underlying payroll expenses was NOK 1.1 million last year. The increase this year compared to the underlying expenses last year is due to the new management structure in place from 1 January 2022 where the two former advisors have been employed as co-CEOs. A corresponding offset is seen in consultancy expenses reported under other operating expenses.

Other operating expenses are reported at NOK 1.1 million, which is down from NOK 2.7 million in the same quarter last year. The decrease is primarily due to less consultancy expenses as explained above.

Net financial items were a gain of NOK 0.1 million in the fourth quarter 2022 consisting mainly of interest received on bonds offset by interest expenses on lease liabilities.

#### Preliminary full year 2022 result

North Energy recorded a comprehensive loss of NOK 13.1 million for the year 2022, compared with a comprehensive loss of NOK 27.8 million for 2021. The loss reported this year is mainly driven by a decrease of NOK 37.5 million in the valuation of financial investments, primarily Touchstone Exploration, and operating expense of NOK 13.5 million, partly offset by a positive share of the result from investments in associates of NOK 38.4 million. The loss reported previous year was driven partly by a significant loss in the valuation of Touchstone Exploration of NOK 44.7 million, operating expenses of NOK 27.5 million offset by income from associated companies of NOK 26.9 million.

Payroll and related expenses in 2022 were NOK 9.3 million, close to last year with NOK 9.2 million. However, the figure last year includes a provision for severance payment to the former CEO of NOK 5 million.

Other operating expenses are reported at NOK 4.3 million, which is down from NOK 18.4 million last year. The decrease is partly due to a provision of NOK 7.5 million booked last year for a possible claim from the Norwegian Tax administration related to VAT stemming from the period from 2016 to 2019 and less consultancy expenses as two former advisors have been employed as co-CEOs.

Net financial items were NOK 1.0 million in 2022 while financial items in 2021 were NOK 0.5 million. Financial

items consist mainly of interest income on bonds partly offset by interest expenses on lease liabilities.

The share price of Reach Subsea ended the year at NOK 4.2, which gives North Energy's shareholding a market value of NOK 193.7 million. The investment in Reach Subsea is accounted for as an associated company with a book value of NOK 139.0 million.

The investment in Wind Catching Systems is accounted for as an associated company as well. The market value of North Energy's shareholding is NOK 68.7 million and is based on the share price used in the recent private placement completed in October 2022. The book value of the investment is NOK 28.3 million.

Total assets at the end of the quarter were NOK 327.6 million, down from NOK 339.0 million at the end of the same quarter last year. The decrease is mainly due to decreased cash of NOK 36.9 million, offset by an increase of the book value of the investment portfolio of NOK 19.2 million.

Total equity at the end of the quarter was NOK 308.2 million, down from NOK 321.3 million at the fourth quarter last year. The decrease is explained by total comprehensive loss of NOK 13.1 million during the last twelve months. The Company's equity ratio stood at 94.1 percent at the end of the year.

North Energy recorded NOK 3.1 million in cash at the end of the quarter. This is down from NOK 40 million at the end of the same quarter last year mainly due to new investing activities of NOK 16.8 million as well as cash used in operating activities of NOK 27.8 million, offset by borrowing of NOK 7.7 million within the new credit facility with DNB.

The Company established during the year a new multicurrency credit facility with DNB for a total amount of NOK 49 million where the Company uses listed financial investments as collateral. This gives the Company more flexibility when it comes to liquidity management.

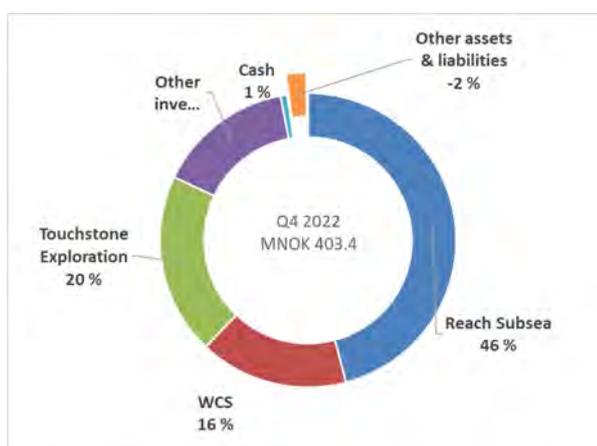
As of year-end the available liquidity was NOK 74.3 million, which includes cash, liquid investment grade bonds, and unutilized credit facilities.

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

## Net asset value composition



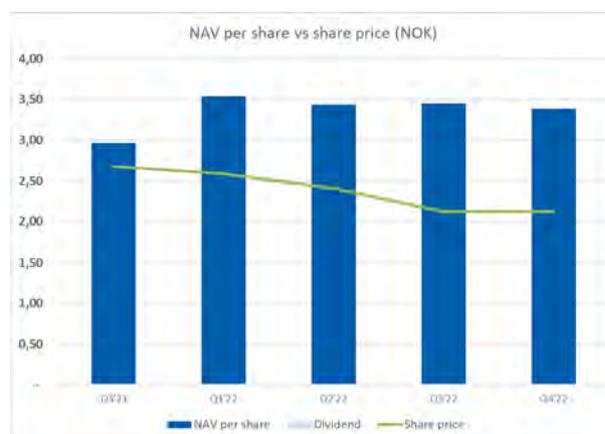
At the end of 2022, total market value of investments amounted to NOK 409.8 million, compared to NOK 326.6 million at the end of 2021 and NOK 409.1 million last quarter. The increase in investments compared to last year is partly due to increase in the market value of Reach and Wind Catching Systems with NOK 53.5 million and NOK 43.6 million respectively and partly new investments in bonds with NOK 30 million and shares in Nordic Nanovector of NOK 21.5 million, offset by a reduced market value of Touchstone Exploration with NOK 54 million.



Including cash of NOK 3.1 million and net other assets and liabilities of negative NOK 9.5 million the net asset value for the company was NOK 403.4 million at the end of the quarter, compared with NOK 352.9 million at the end of last year and NOK 411.5 million last quarter.

## NAV per share vs. share price

The net asset value per share was NOK 3.44 while the share price at the end of the quarter was NOK 2.12, representing a discount of 38% compared to the net asset value per share.



## Investments

### Industrial holdings

#### Reach Subsea ASA

The main industrial investment is the shareholding in Reach Subsea ASA where North Energy has two representatives on the Board of Directors. The investment has been moved from the parent Company North Energy ASA to the newly created subsidiary North Industries 1 AS.

Earlier in 2022, Reach announced two major strategic moves with the acquisition of iSurvey Group and the strategic agreement with Wilhelmsen New Energy. The acquisition of iSurvey Group adds valuable survey, data management and data processing capabilities to Reach's inhouse portfolio of services and adds important capabilities for the commercialization of Reach Remote. Wilhelmsen New Energy has invested NOK 150 million in Reach through a directed private placement in an agreement which forms part of a broader strategic partnership on the commercialization of Reach Remote.

Following the equity issue of NOK 150 million towards Wilhelmsen New Energy the ownership for North

Energy was reduced to 21%. Thus, the ownership in Reach is still reported as an associated company.

The Group expects to continue as a major shareholder in Reach Subsea ASA and further develop the company as a leading subsea service provider, offering solutions to gather and deliver subsea data and solutions for maintaining the integrity of the client's subsurface equipment and infrastructure.

For the fourth quarter, Reach reported an EBIT of NOK 34.6 million, which is up from NOK 25.7 million the same quarter last year. EBIT for the full year came in at NOK 105.3 million, up from NOK 79.1 million from last year. The increase is driven by high utilization, an improved pricing environment, solid execution, and the addition of newly acquired businesses iSurvey and Octio. The underlying improvement is even stronger than reported figures indicate, as last year's EBIT included NOK 13 million in a one-off gain (badwill recognition from Octio acquisition in Q4 2021).

Reach announces that it is seeing strong demand across all sectors going forward, driven by higher oil & gas prices as well as increasing demand from the renewable energy sector.

On Reach Remote, the initiative to revolutionize the way subsea services are delivered, the company states that the project is on track. Remaining investments amount to approximately NOK 285 million, of which NOK 200 million is covered by credit facilities while the remainder has ample coverage from existing cash and working capital of NOK 262 million.

The company is well positioned for the future, with key strategic capabilities in place, a solid plan in place for reshaping the delivery model, with a strong market outlook, and backed by a strong financial position with NOK 262 million in cash and working capital and limited financial debt.

The company is listed on the Oslo Stock Exchange and as of the end of the fourth quarter, the company had a market capitalization of NOK 948 million.

As of the end of the fourth quarter 2022, the investment in Reach is accounted for at a book value of NOK 139.0 million, up from NOK 136.5 million last quarter. The increase is driven by North Energy's share of comprehensive income of NOK 2.5 million.

## 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 with substantially less use of space 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.

On October 17, 2022, WCS announced the award of a technology development grant of NOK 22 million from ENOVA SF, a government enterprise owned by the Norwegian Ministry of Climate and Environment. The grant will support the design, construction and testing of a wind turbine pilot planned at Mehuken wind park on the West Coast of Norway. The turbine is planned to be installed in 2023 for testing and verification.

On February 6, 2023, the company announced another grant from ENOVA of NOK 9.3 million to support the implementation of a full-scale Windcatcher.

The company continues to develop its organization in parallel with maturing the technology and concept together with its key technology partners Aibel and IFE.

Further engineering work continues in 2022 with key areas of focus being marine engineering and equipment design in partnership with Tier 1 equipment providers to optimize the operating performance of the unit. Discussions are also ongoing with respect to strategic partnerships and future client adoption for the WCS concept.

WCS is accounted for as an associated company, hence North Energy consolidates its share of the net result from WCS. For the fourth quarter North Energy has consolidated a loss of NOK 1.7 million in the result as well as a gain on deemed disposal of NOK 2.8 million. At the end of the fourth quarter, book value of the investment was NOK 28.3 million while the estimated market value of the investment was NOK 68.7 million.

## Financial investments

### Touchstone Exploration Inc.

The Company's key financial investment is in Touchstone Exploration with an ownership interest of 6.0 per cent by the end of the year.

On October 11, 2022, Touchstone Exploration announced that the Coho facility has safely delivered first natural gas, representing the first onshore natural gas project to come onstream in Trinidad and Tobago in over twenty years. The Coho area is located in the Ortoire block, where Touchstone has an 80 percent operating working interest and Heritage Petroleum Company Limited holds the remaining 20 percent working interest.

On December 13, 2022, the company announced the closing of a Canadian private placement and on December 14, 2022, the closing of a UK private placement with a combined gross proceed of USD 13.3 million. The new funds will be used to accelerate the exploration and development at Ortoire.

On January 9, 2023, Touchstone announced the execution of an asset exchange agreement for the exchange of certain onshore assets with a private Trinidadian entity, Lease Operations Limited. The

transaction includes swapping non-core legacy crude oil fields with highly prospective exploration and development acreage contiguous to the Ortoire block.

Further, on February 6, 2023, Touchstone reports that it has commenced operations at the Royston-1X sidetrack well located on the onshore Ortoire block. Royston-1X is a sidetrack well reentering the previously drilled Royston-1 well and is expected to be drilled to a measured depth of 11,300 feet, targeting hydrocarbon accumulations in the Middle Miocene Herrera overthrust, intermediate, and subthrust sheets.

### Other financial investments

As of fourth quarter 2022 the Company has several minor investments in shares and bonds as part of its liquidity management, with a total market value of NOK 63.2 million, of this NOK 30 million is invested in NOK denominated investment grade bank bonds with short duration. The bonds have very low credit risk, high liquidity and represent an attractive alternative to bank deposits at current interest rate levels.

North Energy has invested NOK 23.9 million in Nordic Nanovector resulting in an ownership at year end of 15.8 percent.



## Outlook and strategy

As of the fourth quarter of 2022, the outlook for the global economy looks mixed as central banks have raised interest rates to combat inflation while most parts of the global economy continue to perform reasonably well. Although certain early signs of moderation are evident in goods inflation, the key underlying wage and services inflation is still substantially above inflation targets set by central banks globally. The full effects on the economy of higher interest rates are most likely to be observed in the next 6-12 months.

With a backdrop of demand destruction from higher prices, a weakening economy and Chinese covid measures, energy prices have moderated during H2 2022. However, they continue to be high compared to historical levels, which we expect to continue. Low levels of energy investments over the last decade, as well as the war in Ukraine, will limit supply side growth and support prices. Natural gas has seen dramatic declines during Q4 2022 most likely caused by a combination of factors related to both demand destruction and some improvement in supply. Energy companies globally have reported record profits for 2022 as higher realized prices feed through to financial statements.

Developments in global financial markets stabilized in Q4 2022 as the early shock of dramatically higher interest rates has been absorbed by the markets. Early 2023 has seen strong performance supported by emerging optimism of a near term peak in both inflation and interest rates.

We still expect a muted outlook for global growth in 2023, with increasing recession risks, as the global economy continues to face significant headwinds on multiple fronts. The full impact of higher interest rates has most likely not been felt across the global economy and this will continue to play out during H1 2023.

North Energy intends to further develop the company in accordance with its strategy and 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.

For further elaboration of the Company's strategy, reference is made to the Company's webpage: [www.northenergy.no](http://www.northenergy.no)

# Financial statements fourth quarter 2022

## CONSOLIDATED INCOME STATEMENT

NOK 1 000	Note	Q4 2022 (unaudited)	Q4 2021 (unaudited)	Year 2022 (unaudited)	Year 2021 (audited)
Sales		0	26	113	178
Payroll and related expenses		(2 541)	(6 134)	(9 252)	(9 165)
Depreciation and amortisation		( 378)	( 252)	(1 537)	(1 096)
Other operating expenses		(1 142)	(2 734)	(4 273)	(18 351)
Change in fair value of financial investments		(23 909)	(27 607)	(37 526)	(45 152)
Net result from investments in associates	11	3 627	4 987	38 435	26 862
<b>Operating profit/(loss)</b>		<b>(24 343)</b>	<b>(31 714)</b>	<b>(14 041)</b>	<b>(46 724)</b>
Financial income		197	57	1 308	593
Financial costs		( 154)	( 79)	( 339)	( 80)
<b>Net financial items</b>		<b>43</b>	<b>( 22)</b>	<b>969</b>	<b>512</b>
<b>Profit/(loss) before income tax</b>		<b>(24 300)</b>	<b>(31 736)</b>	<b>(13 072)</b>	<b>(46 212)</b>
Income taxes	8	0	7 624	0	18 383
<b>Profit/(loss) for the period</b>		<b>(24 300)</b>	<b>(24 112)</b>	<b>(13 072)</b>	<b>(27 829)</b>
Attributable to:					
Owners of North Energy ASA		(24 300)	(24 112)	(13 072)	(27 829)
		<b>(24 300)</b>	<b>(24 112)</b>	<b>(13 072)</b>	<b>(27 829)</b>
Earnings per share (NOK per share)					
- Basic		-0,20	-0,21	-0,11	-0,24
- Diluted		-0,20	-0,21	-0,11	-0,24

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1 000	Q4 2022 (unaudited)	Q4 2021 (unaudited)	Year 2022 (unaudited)	Year 2021 (unaudited)
<b>Profit/(loss) for the period</b>	<b>(24 300)</b>	<b>(24 112)</b>	<b>(13 072)</b>	<b>(27 829)</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>Total comprehensive income/(loss) for the period</b>	<b>(24 300)</b>	<b>(24 112)</b>	<b>(13 072)</b>	<b>(27 829)</b>
Attributable to:				
Owners of North Energy ASA	(24 300)	(24 112)	(13 072)	(27 829)
	<b>(24 300)</b>	<b>(24 112)</b>	<b>(13 072)</b>	<b>(27 829)</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK 1 000	Note	31.12.2022 (unaudited)	31.12.2021 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		189	148
Right-of-use assets	3,12	6 011	3 103
Other receivables		0	120
Investments in associates	11	171 610	141 312
Deferred tax asset	8	0	0
<b>Total non-current assets</b>		<b>177 810</b>	<b>144 683</b>
<b>Current assets</b>			
Trade and other receivables	13	3 645	195
Financial investments, current	9	143 069	154 129
Cash and cash equivalents		3 056	39 986
<b>Total current assets</b>		<b>149 770</b>	<b>194 311</b>
<b>Total assets</b>		<b>327 580</b>	<b>338 993</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	5	119 047	119 047
Treasury shares	5	(3 411)	(3 411)
Share premium		850 378	850 378
Other paid-in capital		30 691	30 691
Retained earnings		(688 476)	(675 404)
<b>Total equity</b>		<b>308 229</b>	<b>321 301</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liability	8	0	0
Leasing liabilities	3,12	4 802	2 531
Other non-current liabilities		0	2 513
<b>Total non-current liabilities</b>		<b>4 802</b>	<b>5 044</b>
<b>Current liabilities</b>			
Leasing liabilities, current	3,12	1 325	642
Trade creditors		46	30
Tax payable	8	0	0
Other current liabilities	14	5 455	11 977
Current borrowings	15	7 723	0
<b>Total current liabilities</b>		<b>14 549</b>	<b>12 649</b>
<b>Total liabilities</b>		<b>19 351</b>	<b>17 693</b>
<b>Total equity and liabilities</b>		<b>327 580</b>	<b>338 993</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK 1 000	Share capital	Treasury Shares	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1 January 2021	119 047	(3 411)	903 141	30 691	(647 575)	401 893
Total comprehensive income for 01.01.21-31.12.21					(27 829)	(27 829)
Paid dividend			(52 763)			(52 763)
<b>Equity at 31 December 2021</b>	<b>119 047</b>	<b>(3 411)</b>	<b>850 378</b>	<b>30 691</b>	<b>(675 404)</b>	<b>321 301</b>
Total comprehensive income for 01.01.22-31.12.22					(13 072)	(13 072)
<b>Equity at 31 December 2022</b>	<b>119 047</b>	<b>(3 411)</b>	<b>850 378</b>	<b>30 691</b>	<b>(688 476)</b>	<b>308 229</b>

## CONSOLIDATED CASH FLOW STATEMENT

NOK 1 000	Q4 2022 (unaudited)	Q4 2021 (unaudited)	Year 2022 (unaudited)	Year 2021 (audited)
<b>Cash flow from operating activities</b>				
Profit/(loss) before income tax	(24 300)	(31 736)	(13 072)	(46 212)
Adjustments:				
Depreciation	378	252	1 537	1 096
Pensions	0	35	258	138
Change in fair value of financial investments	23 909	27 607	37 526	45 152
Net result from investments in associates	(3 627)	(4 987)	(38 435)	(26 862)
Changes in other accruals	( 239)	3 145	(15 143)	11 087
<b>Net cash flow from operating activities</b>	<b>(3 878)</b>	<b>(5 686)</b>	<b>(27 328)</b>	<b>(15 600)</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment	( 35)	0	( 84)	( 42)
Proceeds from sales of property, plant and equipment	0	0	0	0
Investments in associates	( 806)	0	(3 167)	(10 000)
Dividends from associates	0	0	8 303	6 919
Distribution from associates	0	0	3 000	0
Purchase of financial investments	(19 355)	(8 939)	(89 472)	(13 385)
Proceeds from sales of financial investments	16 248	0	64 094	5 526
Proceeds/payments from other non-current receivables	0		0	
<b>Net cash flow from investing activities</b>	<b>(3 947)</b>	<b>(8 939)</b>	<b>(17 326)</b>	<b>(10 982)</b>
<b>Cash flow from financing activities</b>				
Drawdown bank facility	7 723	0	7 723	0
Dividends paid from North Energy ASA	0	0	0	(52 763)
<b>Net cash flow from financing activities</b>	<b>7 723</b>	<b>0</b>	<b>7 723</b>	<b>(52 763)</b>
<b>Net change in cash and cash equivalents</b>	<b>( 102)</b>	<b>(14 625)</b>	<b>(36 931)</b>	<b>(79 345)</b>
Cash and cash equivalents at beginning of the period	3 158	54 611	39 986	119 332
<b>Cash and cash equivalents at end of the period</b>	<b>3 056</b>	<b>39 986</b>	<b>3 056</b>	<b>39 986</b>

# Notes to the interim consolidated financial statements fourth quarter 2022

## Note 1 - General and corporate information

These financial statements are the unaudited interim condensed consolidated financial statements of North Energy ASA and its subsidiaries (hereafter “the Group”) for the fourth quarter of 2022. 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 2021. The annual accounts for 2021 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 2021. New standards, amendments, and interpretations to existing standards effective from 1 January 2022 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 2021.

## Note 5 - Share capital

Number of outstanding shares at 1 January 2022	119 047 065
New shares issued during the period	0
<b>Number of outstanding shares at 31 December 2022 *</b>	<b>119 047 065</b>
Nominal value NOK per share at 31 December 2022	1
Share capital NOK at 31 December 2022	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	YTD Q4 2022	YTD Q4 2021
Celisa Capital AS	Consultancy services	0	3 750
Isfjorden AS	Consultancy services	0	3 750

## Note 8 - Income taxes

Specification of income tax	YTD Q4 2022	YTD Q4 2021
Tax payable	0	0
Change deferred tax asset	0	18 383
<b>Total income taxes</b>	<b>0</b>	<b>18 383</b>

Specification of temporary differences, tax losses carried forward, deferred tax	31.12.2022	31.12.2021
Property, plant and equipment	5 914	2 939
Pensions	21	287
Leasing liabilities	(6 127)	(3 173)
Financial investments	51 119	104 448
Provisions	(7 500)	(7 500)
Tax losses carried forward	(110 668)	(99 065)
<b>Total basis for deferred tax asset</b>	<b>(67 240)</b>	<b>(2 063)</b>
Deferred tax asset/(liability) before valuation allowance	14 793	454
Not capitalised deferred tax asset (valuation allowance)	(14 793)	( 454)
<b>Deferred tax asset/(liability)</b>	<b>0</b>	<b>0</b>

Reconciliation of effective tax rate	YTD Q4 2022	YTD Q4 2021
Profit/(loss) before income tax	(13 072)	(46 212)
Expected income tax 22%	2 876	10 167
Adjusted for tax effects (22%) of the following items:		
Permanent differences	11 463	6 170
Adjustments previous years	0	2 500
Changed tax rates	0	0
Change in valuation allowance for deferred tax assets	(14 339)	0
<b>Total income taxes</b>	<b>(0)</b>	<b>18 383</b>

## Note 9 - Financial investments

Financial investments are investments in shares and bonds. The main investments at 31 December 2022 consist of shares in Touchstone Exploration and Nordic Nanovector as well as bonds in Interoil Exploration and various interest bonds.

## 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 are 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 31.12.2022	Level 1	Level 2	Level 3	Total
Shares	106 203	0	0	106 203
Bonds	0	36 867	0	36 867
<b>Total fair value</b>	<b>106 203</b>	<b>36 867</b>	<b>0</b>	<b>143 069</b>

There has been no transfer between level 1 and level 2 during 2022.

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:

	31.12.2022	31.12.2021
Opening balance carrying amount of investments in associates	141 312	111 369
Gain on dilution of ownership, Reach Subsea ASA*	13 842	0
Gain on dilution of ownership Wind Catching Systems AS*	18 325	0
Acquisition cost shares acquired, Wind Catching Systems AS	3 167	10 000
Repayment of capital, Tyveholmen AS	(3 000)	0
Share of net result in investment, Reach Subsea ASA	10 597	30 279
Share of net result in investment, Wind Catching Systems AS	(4 552)	(3 729)
Share of net result in investment, Tyveholmen AS	222	312
Dividend received, Reach Subsea ASA	(8 303)	(6 919)
<b>Total carrying amount of investments in associates at balance date</b>	<b>171 610</b>	<b>141 312</b>

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

	YTD Q4 2022	YTD Q4 2021
Share of net result in investment, Reach Subsea ASA	10 597	30 279
Share of net result in investment, Wind Catching Systems AS	(4 552)	(3 729)
Share of net result in investment, Tyveholmen AS	222	312
Gain on dilution of ownership, Wind Catching Systems AS*	18 325	0
Gain on dilution of ownership, Reach Subsea ASA*	13 842	0
<b>Net result from investments in associates</b>	<b>38 435</b>	<b>26 862</b>

\* The gain on dilution of ownership is an accounting effect triggered by private placements resulting in increased equity in the associated companies. North Energy participated in the private placements but with a lower share than the original ownership, hence North Energy's ownership percentage has been reduced while the value of the investment has increased. A gain on the deemed disposal arises because the amount per share subscribed by the third party was greater than North Energy's carrying value per share prior to the event.

The dilution of ownership in Reach Subsea took place 25 March 2022 and the dilution of ownership in Wind Catching Systems took place 9 June and 28 October 2022.

## 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 2022	7 438
Addition of right-of-use assets	7 256
Disposals of right-of-use assets	(2 854)
<b>Acquisition cost at 31 December 2022</b>	<b>11 840</b>
Accumulated depreciation and impairment 1 January 2022	(4 335)
Depreciation	(1 494)
Impairment	0
<b>Accumulated depreciation and impairment 31 December 2022</b>	<b>(5 829)</b>
<b>Carrying amount of right-of-use assets 31 December 2022</b>	<b>6 011</b>

Lower of remaining lease term or economic life	4.25 years
Depreciation method	Linear

### Leasing liabilities:

Lease liabilities at 1 January 2022	3 173
Additions lease contracts	7 276
Disposals lease contracts	(2 933)
Accretion lease liabilities	244
Payments of lease liabilities	(1 633)
<b>Total leasing liabilities 31 December 2022</b>	<b>6 127</b>
Breakdown of lease debt:	
Short-term	1 325
Long-term	4 802
<b>Total lease debt</b>	<b>6 127</b>

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

	31.12.2022
Within 1 year	1 566
1 to 5 years	5 090
After 5 years	0
<b>Total</b>	<b>6 656</b>

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

## Note 13 - Other current receivables

In May 2020 North Energy received a notice from the Norwegian Tax Administration informing that they started a control of North Energy ASA's accounts for the years 2016 up to and including 2019. In December 2021, the company received the report from the control together with a notification of changes of VAT from the control period. In February 2022, the company submitted their response to the notification expressing the company's view regarding the treatment of VAT during the control period which deviates from the view of the tax administration. In April 2022, the tax administration issued their final decision after the control resulting in a claim of NOK 12.9 million which consist of NOK 10.1 million of reclassifying deducted VAT to non-deductible VAT over the four-years period,

interests of NOK 0.8 million and additional tax of NOK 2.0 million which is 20 % of the reclassified VAT.

The VAT and the interests were settled with NOK 10.9 million in May 2022. The company does not agree with the conclusion from the tax administration and has submitted a complaint to the Tax administration. The additional tax will not fall due until the complaint has been processed and a final decision has been reached. To cover for the claim a provision of total NOK 7.5 million was made during 2021. The excess cash paid of NOK 3.4 million compared to our original provision has been accounted for as a short-term receivable.

#### Note 14 - Other current liabilities

In December 2021, the Board of North Energy announced that Mr. Knut Sæberg would retire from his position as CEO on 31 December 2021 and the Company made a provision of NOK 5.0 million (including employment tax) to cover for a severance payment to the former CEO. Half of the provision was paid in January 2022 while the rest of the provision, NOK 2.5 million, was paid in January 2023.

#### Note 15 - Current borrowings

In the third quarter of 2022 the Company established a new multicurrency credit facility with DNB for a total amount of NOK 49 million. The Company uses listed financial investments as collateral for the credit facility. At year-end the Company has utilised NOK 7.7 million of the facility.

#### Note 16 - 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.

# North Energy ASA

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