

INTERIM REPORT

for the first quarter 2020



north
energy

Quarterly highlights

Tax claim closed – original tax returns accepted. In October 2018, North E&P received a notice from the Oil Taxation Office (OTO) of possible changes of the Company's tax returns from the years 2014 and 2015. The OTO has in the notice challenged NOK 146 million of these expenses, with a corresponding exploration tax refund of around NOK 114 million. In the response submitted to OTO, North Energy strongly disputed both the content and the conclusion of the notice.

In April 2020, the Company received a letter from OTO stating that all outstanding tax issues are closed and that the original submitted tax returns for the years in question have been accepted without any changes. Based on this, the Company has removed the restriction on the cash held to cover the former claim.

Simplification of the corporate structure. The closure of the potential tax claim described above enables the Company to continue the simplification of the corporate structure. On the 8th of April 2020 the General Meeting in the subsidiary North E&P AS approved a proposal from the Board of Directors to dissolve the company.

Further, on the 8th of 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 acquires the remaining 20% interest in North Energy Capital AS without consideration. From this date North Energy Capital AS is owned 100% by North Energy ASA.

On the 23rd of April 2020, a merger plan was signed by the Board of Directors in North Energy ASA and North Energy Capital AS. The merger provides that all of North Energy Capital AS' remaining assets, rights and obligations will be transferred to North Energy ASA without consideration and North Energy Capital AS will thereafter be dissolved. The merger will be conducted as a parent company merger pursuant to the simplified rules for intra-group mergers as set out in Section 13-24 of the Public Limited Companies Act.

Investments. During the first quarter this year, the global economy has been significantly impacted by the Covid-19 pandemic and the dramatic drop in oil prices.

These two events have also impacted North Energy's investment portfolio. The Company has taken necessary steps to minimize the negative impact.

North Energy is the largest shareholder in Touchstone Exploration Inc. with an ownership of 9.7 per cent by the end of the quarter. In February 2020, Touchstone performed a private placement of GBP 9.0 million where North Energy participated with GBP 1.5 million. The proceeds of the placing in February are to be used to accelerate the exploration drilling on the Ortoire block with two more wells. The company targets to bring the Coho-1 and Cascadura-1ST1 well onto production as soon as possible.

Key figures

NOK mln	Q1 2020	Q1 2019	Year 2019
Operating profit	-57.6	-4.4	-14.0
Profit/loss after tax	-55.0	-2.8	-16.1
Investments	115.8	277.1	275.5
Total assets	253.5	355.1	309.1
Equity ratio (%)	98 %	98 %	98 %
Interest bearing debt	0	0	0

Financial information

The consolidated financial statements encompass North Energy ASA, North Energy Capital AS, and North E&P AS.

North Energy recorded a comprehensive loss of NOK 55.0 million in the first quarter of 2020, compared with a comprehensive loss of NOK -2.8 million in the corresponding quarter of 2019.

The loss reported this quarter is driven by a significant decrease in the value of the financial investment due to the drop in crude oil prices and the Covid-19 pandemic situation.

Operating expenses was reported at NOK 4.2 million, which is down from NOK 5.8 million in the same quarter last year.

Payroll and related expenses in the first quarter were NOK 1.3 million, which is at the same level as the first quarter last year. At the end of the quarter, there were 3

employees in the Company, representing no change from last year.

At the end of the quarter, total investments amounted to NOK 115.8 million, compared to NOK 277.1 million at the end of the first quarter 2019 and NOK 275.5 million last quarter. The decrease in investments compared to last year is mainly due to sale of bond funds as well as lower market values of the investment in Reach Subsea, partly offset by increased market value of Touchstone Exploration.

The investment in Reach is accounted for as an associated company. North Energy thereby consolidates its share of the net result from Reach. This interim report includes figures from Reach up to and including the first quarter 2020.

The share price of Reach ended the quarter at NOK 0.82, which gives North Energy's share a market value of NOK 37.8 million. Since the market value is lower than the book value at the end of the first quarter, the investment has been written down to market value.

Net financial items in the first quarter consist mainly of interest on bank accounts and bonds.

Total assets at the end of the quarter were NOK 253.5 million, down from NOK 309.1 million at the end of last quarter.

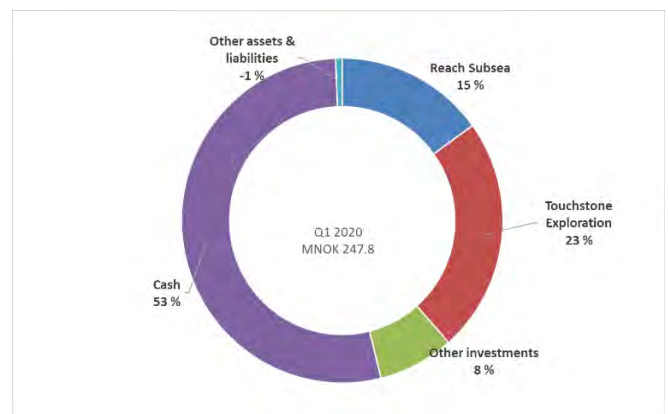
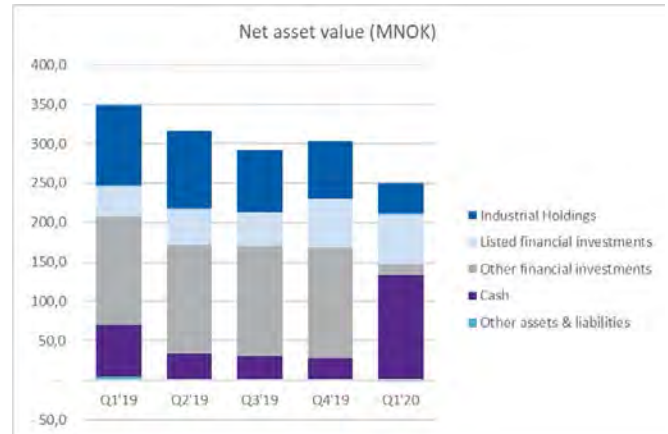
Total equity at the end of the first quarter was NOK 247.8 million, down from NOK 302.7 million at the end of last year. The decrease is explained by total comprehensive loss of NOK 55.0 million recorded for the first quarter. The Company's equity ratio stood at 98 percent at the end of the quarter.

The Company has no interest-bearing debt.

North Energy recorded NOK 133.6 million in cash and cash equivalents at the end of the first quarter. The increase in cash of NOK 105.6 million from last quarter is mainly coming from the sale of bond funds and other financial investments, partly offset by operating expenses.

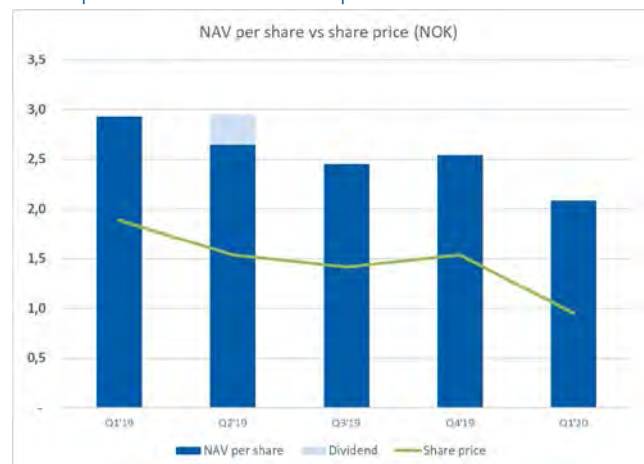
The Board regards the Company's financial position as satisfactory.

Net asset value (NAV) composition



North Energy is actively managing the portfolio of investments. Total market value of the investment portfolio was NOK 115.8 million at the end of the first quarter. Including cash of NOK 133.6 million and other assets and liabilities of negative NOK 1.7 million the net asset value was NOK 247.8 million at the end of the quarter.

NAV per share vs. share price



Industrial holdings

Reach Subsea ASA

North Energy's main industrial investment is its shareholding in Reach, accounted at NOK 37.8 million, down from NOK 73.3 million last quarter. The decrease is due to a further write down of the investment due to lower market price of the share.

The investment in Reach is in line with North Energy's strategy to focus on strategic opportunities where substantial influence can be exercised. The company is listed on the Oslo Stock Exchange and as of the end of the first quarter, the company had a market capitalization of NOK 117.7 million.

Financial investments

Touchstone Exploration Inc.

The Company has an investment in Touchstone Exploration representing 9.7 per cent of the total number of shares in the company by the end of the quarter. North Energy participated with GBP 1.5 million in Touchstone's private placement on 19 February 2020.

In February 2020, Touchstone announced the completion of the flowback testing of the Cascadura-1ST1 well, which is the second discovery on the Ortoire block. The test confirmed that the well is a significant liquids rich natural gas discovery. The test results are only attributable to the lower most portion of the well, and the full potential of the structure is yet to be defined. According to the company, further testing will commence in the near future.

Outlook

The market for oil and oil services continues to be demanding especially due to the decline in the crude oil prices seen during the quarter. The Company's ambition is to demonstrate value creation in the various investments. Full focus will remain on developing the portfolio in order to achieve positive long-term returns.



Financial statements first quarter 2020

CONSOLIDATED INCOME STATEMENT

NOK 1 000	Note	Q1 2020 (unaudited)	Q1 2019 (unaudited)	Year 2019 (audited)
Sales		0	0	883
Payroll and related expenses		(1 309)	(1 320)	(4 828)
Depreciation and amortisation		(417)	(444)	(1 748)
Other operating expenses		(2 928)	(4 498)	(15 100)
Change in fair value of financial investments		(17 437)	1 869	30 222
Net result from investments in associates	11	(35 517)	0	(23 462)
Operating profit/(loss)		(57 608)	(4 392)	(14 033)
Financial income		2 130	882	1 647
Financial costs		(89)	(326)	(600)
Net financial items		2 041	556	1 046
Profit/(loss) before income tax		(55 568)	(3 836)	(12 986)
Income taxes	8	600	989	(3 131)
Profit/(loss) for the period		(54 968)	(2 847)	(16 117)
Attributable to:				
Owners of North Energy ASA		(53 347)	(2 692)	(15 413)
Non-controlling interests		(1 621)	(156)	(704)
		(54 968)	(2 847)	(16 117)
Earnings per share (NOK per share)				
- Basic		(0,45)	(0,02)	(0,13)
- Diluted		(0,45)	(0,02)	(0,13)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1 000	Q1 2020 (unaudited)	Q1 2019 (unaudited)	Year 2019 (audited)
Profit/(loss) for the period	(54 968)	(2 847)	(16 117)
Other comprehensive income, net of tax			
Total other comprehensive income, net of tax	0	0	0
Total comprehensive income/(loss) for the period	(54 968)	(2 847)	(16 117)
Attributable to:			
Owners of North Energy ASA	(53 347)	(2 692)	(15 413)
Non-controlling interests	(1 621)	(156)	(704)
	(54 968)	(2 847)	(16 117)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK 1 000	Note	31.03.2020 (unaudited)	31.03.2019 (unaudited)	31.12.2019 (audited)
ASSETS				
Non-current assets				
Property, plant and equipment		0	56	0
Right-of-use assets	3,12	3 335	5 003	3 752
Other receivables		318	1 901	350
Investments in associates	11	44 416	107 424	80 733
Deferred tax asset	8	0	3 671	0
Total non-current assets		48 069	118 054	84 836
Current assets				
Trade and other receivables		416	1 670	1 422
Financial investments, current	9	71 372	169 709	194 791
Cash and cash equivalents		133 640	65 683	28 013
Total current assets		205 429	237 061	224 226
Total assets		253 498	355 115	309 061
EQUITY AND LIABILITIES				
Equity				
Share capital	5	119 047	119 047	119 047
Treasury shares	5	(3 411)	(18 020)	(3 411)
Share premium		903 141	936 010	903 141
Other paid-in capital		30 691	30 691	30 691
Retained earnings		(785 417)	(711 919)	(732 070)
Non-controlling interests		(16 273)	(8 680)	(14 653)
Total equity		247 778	347 130	302 746
Liabilities				
Non-current liabilities				
Deferred tax liability	8	0	0	600
Leasing liabilities	3,12	1 682	3 239	2 068
Total non-current liabilities		1 682	3 239	2 668
Current liabilities				
Leasing liabilities, current	3,12	1 805	1 805	1 805
Trade creditors		440	613	48
Tax payable	8	0	151	0
Other current liabilities		1 794	2 178	1 795
Total current liabilities		4 038	4 746	3 648
Total liabilities		5 720	7 985	6 316
Total equity and liabilities		253 498	355 115	309 061

CONSOLIDATED 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 2019	119 047	0	936 010	30 691	(709 227)	8 476	384 997
Acquired treasury shares		(18 020)					(18 020)
Paid dividend from subsidiary to non-controlling interests						(17 000)	(17 000)
Total comprehensive income for 01.01.19-31.03.19					(2 692)	(156)	(2 847)
Equity at 31 March 2019	119 047	(18 020)	936 010	30 691	(711 919)	(8 680)	347 130
Acquired treasury shares		0					0
Paid dividend from North Energy ASA		14 608	(32 869)		(2 307)		(20 567)
Paid dividend from subsidiary to non-controlling interests						0	0
Paid dividend from liquidated subsidiary to non-controlling interests						(10 605)	(10 605)
Change in non-controlling interests					(5 123)	5 123	0
Share issue in subsidiary						57	57
Total comprehensive income for 01.04.19-31.12.19					(12 721)	(548)	(13 270)
Equity at 31 December 2019	119 047	(3 411)	903 141	30 691	(732 070)	(14 653)	302 746
Total comprehensive income for 01.01.20-31.03.20					(53 347)	(1 621)	(54 968)
Equity at 31 March 2020	119 047	(3 411)	903 141	30 691	(785 417)	(16 273)	247 778

CONSOLIDATED CASH FLOW STATEMENT

NOK 1 000	Q1 2020 (unaudited)	Q1 2019 (unaudited)	Year 2019 (audited)
Cash flow from operating activities			
Profit/(loss) before income tax	(55 568)	(3 836)	(12 986)
Adjustments:			
Tax refunded/paid	0	0	0
Depreciation	417	444	1 748
Pensions	32	15	148
Change in fair value of financial investments	17 437	(1 869)	(30 222)
Net result from investments in associates	35 517	0	23 462
Changes in current payables, receivables and other accruals	(2 128)	(3 100)	(3 740)
Net cash flow from operating activities	(4 292)	(8 347)	(21 591)
Cash flow from investing activities			
Purchase of property, plant and equipment	0	0	0
Proceeds from sales of property, plant and equipment	0	0	0
Investments in associates	0	(8 971)	(8 971)
Dividends from associates	800	0	3 229
Purchase of financial investments	(20 562)	(130 435)	(176 135)
Proceeds from sales of financial investments	129 681	15	47 757
Proceeds/payments from other non-current receivables	0	0	1 417
Net cash flow from investing activities	109 919	(139 392)	(132 703)
Cash flow from financing activities			
Dividends paid from North Energy ASA	0	0	(20 567)
Dividends paid from subsidiary to non-controlling interests	0	(17 000)	(17 000)
Dividends paid from liquidated subsidiary to non-controlling interests	0	0	(10 605)
Purchase of treasury shares	0	(18 020)	(18 020)
Net proceeds from share issues	0	0	0
Share issues in subsidiary, contribution from non-controlling interests	0	0	57
Net cash flow from financing activities	0	(35 020)	(66 134)
Net change in cash and cash equivalents	105 628	(182 758)	(220 428)
Cash and cash equivalents at beginning of the period	28 013	248 441	248 441
Cash and cash equivalents at end of the period	133 640	65 683	28 013

Notes to the interim consolidated financial statements first quarter 2020

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 first quarter of 2020. 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, an exchange regulated by the Oslo 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 2019. The annual accounts for 2019 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 2019. New standards, amendments and interpretations to existing standards effective from 1 January 2020 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 2019.

Note 5 - Share capital

Number of outstanding shares at 1 January 2019	119 047 065
New shares issued during the period	0
Number of outstanding shares at 31 March 2020 *	119 047 065
Nominal value NOK per share at 31 March 2020	1
Share capital NOK at 31 March 2020	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	Q1 2020	Q1 2019	Year 2019
North Advisors AS	Consultancy services	1 813	2 003	8 501

Note 8 - Income taxes

On 2 April 2020 North Energy received a letter from the Petroleum Taxation Office ("OTO") informing that all outstanding tax issues related to possible changes of North E&P AS' tax returns from the years 2014 and 2015 are closed, and that the tax returns as originally submitted by North E&P AS are accepted without any changes.

Specification of income tax	Q1 2020	Q1 2019	Year 2019
Tax payable	0	(151)	0
Change deferred tax asset	600	1 140	(3 131)
Of this, deferred tax asset related to equity transactions recognised directly in equity	0	0	0
Total income tax credit	600	989	(3 131)

Specification of temporary differences, tax losses carried forward, deferred tax	31.03.2020	31.03.2019	31.12.2019
Property, plant and equipment	3 020	4 604	3 427
Pensions	500	556	532
Prepayments and other receivables	0	(2 076)	0
Leasing liabilities	(3 486)	(5 043)	(3 873)
Financial investments	25 098	6 127	30 523
Tax losses carried forward, onshore	(77 691)	(60 122)	(75 777)
Tax losses carried forward, offshore 22%	0	(4 327)	0
Tax losses carried forward, offshore 56%	0	(5 009)	0
Total basis for deferred tax asset	(52 559)	(65 291)	(45 169)
Deferred tax asset before valuation allowance	11 563	16 067	9 937
Not capitalised deferred tax asset (valuation allowance)	(11 563)	(12 396)	(10 537)
Deferred tax asset/(liability)	0	3 671	(600)

Reconciliation of effective tax rate	Q1 2020	Q1 2019	Year 2019
Profit/(loss) before income tax	(55 568)	(3 836)	(12 986)
Expected income tax 22% (2018: 23%)	12 225	844	2 857
Adjusted for tax effects (22% - 78%) of the following items:			
Permanent differences	(10 599)	(521)	(5 708)
Adjustments previous years	0	0	(1 924)
Finance items and different tax rates within the group	0	881	0
Changed tax rates	0	0	0
Change in valuation allowance for deferred tax assets	(1 026)	(215)	1 644
Total income tax credit	600	989	(3 131)

Note 9 - Financial investments

Financial investments are investments in shares and bonds. The main investments at 31 March 2020 consist of shares in Touchstone Exploration, shares in Polarcus and bonds in Interoil Exploration. The bond funds (DnB and Pareto funds) have been sold in first quarter 2020.

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 31.03.2020	Level 1	Level 2	Level 3	Total
Shares	63 787		0	63 787
Bonds		7 584		7 584
Total fair value	63 787	7 584	0	71 372

There has been no transfer between level 1 and level 2 during 2020.

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

Note 11 - Investment in an associate

Reconciliation and specification of carrying amount of investment in associates:

	31.03.2020	31.03.2019	31.12.2019
Opening balance carrying amount of investments in associates	80 733	98 453	98 453
Acquisition cost additional shares acquired, Reach Subsea	0	8 971	8 971
Impairment of investment, Reach Subsea	(25 496)	0	(12 108)
Share of net result in investment, Reach Subsea	(10 021)	0	(11 698)
Share of net result in investment, Tyveholmen AS	0	0	344
Dividend received, Reach Subsea	0	0	(3 229)
Dividend received, Tyveholmen AS	(800)	0	0
Total carrying amount of investments in associates at balance date	44 416	107 424	80 733

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

	Q1 2020	Q1 2019	Year 2019
Impairment / reversal of impairment of investment, Reach Subsea	(25 496)	0	(12 108)
Share of net result in investment, Reach Subsea	(10 021)	0	(11 698)
Share of net result in investment, Tyveholmen	0	0	344
Net result from investments in associates	(35 517)	0	(23 462)

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 initial application 1 January 2020	5 420
Addition of right-of-use assets	0
Acquisition cost 31 March 2020	5 420
Accumulated depreciation and impairment 1 January 2020	(1 668)
Depreciation	(417)
Impairment	0
Accumulated depreciation and impairment 31 March 2020	(2 085)
Carrying amount of right-of-use assets 31 March 2020	3 335

Lower of remaining lease term or economic life	3.25 years
Depreciation method	Linear

Leasing liabilities:

Lease liabilities at initial application 1 January 2020	3 873
Additions new lease contracts	0
Accretion lease liabilities	54
Payments of lease liabilities	(441)
Total leasing liabilities 31 March 2020	3 486
Break down of lease debt:	
Short-term	1 805
Long-term	1 682
Total lease debt	3 486

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

	31.03.2020
Within 1 year	1 830
1 to 5 years	1 864
After 5 years	-
Total	3 694

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

Note 13 – Events after the balance sheet date

On 2 April 2020 North Energy received a letter from the Petroleum Taxation Office (“OTO”) informing that all outstanding tax issues related to possible changes of North E&P AS’ tax returns from the years 2014 and 2015 are closed, and that the tax returns as originally submitted by North E&P AS are accepted without any changes. Based on this the General Meeting in North E&P AS, a subsidiary of North Energy Capital AS, approved on 8 April 2020 a proposal from the Board of Directors to dissolve the company North E&P AS.

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On 23 April 2020 a merger plan was signed by the Board of Directors in North Energy ASA and North Energy Capital AS. The merger provides that all of North Energy Capital AS’ remaining assets, rights and obligations will be transferred to North Energy ASA without consideration and North Energy Capital AS will thereafter be dissolved. The merger will be conducted as a parent company merger pursuant to the simplified rules for intra-group mergers as set out in Section 13-24 of the Public Limited Companies Act. The Board of Directors of North Energy Capital AS and North Energy ASA intend to adopt the final merger resolution within June 2020 and the merger is expected to enter into force before the end of the year.

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