

# INTERIM REPORT

for the second quarter  
and first half year 2022



**north**  
energy

## Quarterly review

### North Energy reports income of NOK 23.0 million.

North Energy recorded an income of NOK 23.0 million in the second quarter 2022. The change in fair value of financial investments was a decrease of NOK 11.0 million while the net result from investments in associates was an income of NOK 37.9 million. Reported operating expenses were NOK 1.4 million. The cash position ended at NOK 53.6 million, an increase of NOK 23.7 million during the quarter.

**Reach Subsea with record result for second quarter and dividend distribution.** Reach reported record results for the second quarter 2022, with an EBIT of NOK 49.8 million compared with NOK 17.8 million last year. The substantial improvement was driven by high utilization, an improved pricing environment, solid execution, and addition of new businesses.

On 8 June 2022, Reach distributed a dividend of NOK 0.18 per share to its shareholders and North Energy received a total dividend of NOK 8.3 million.

**Wind Catching Systems receives investment from GM Ventures.** On 15 June 2022, Wind Catching Systems announced an investment round of up to USD 10 million led by GM Ventures ("GMV") to help fund the development and commercialization of the technology. In conjunction with the investment from GMV, WCS and General Motors ("GM") have entered into a strategic agreement covering technology development, project execution, offshore wind policy, and the advancement of sustainable technology applications. Current investors North Energy ASA and Ferd AS, as well as the new investor Havfond AS, have also participated in the investment round.

After the investment round, North Energy's ownership has been reduced from 30.5 % to 23.4%. As a result of the dilution of ownership and the increased equity of Wind Catching Systems, North Energy has accounted for a realized gain on deemed disposal of NOK 15.4 million.

**Touchstone Exploration working towards production start in Ortoire.** During the quarter, Touchstone Exploration published an operational update outlining progress on production start for Coho and Cascadura in the Ortoire license. Although there have been delays in finalizing construction of the Coho facilities, the facilities

were as of quarter end materially complete, and the company expects to complete construction during the summer of 2022. After quarter end, the company announced that they will start pre-commissioning and commissioning operation on the Coho gas facility and pipeline. Following the completion of the commissioning phase, Coho-1 is expected to commence production.

Completing the Environmental Impact Assessment for Cascadura has taken longer time than expected, however Touchstone Exploration announced after quarter end that it has received a Certificate of Environmental Clearance ("CEC") to conduct development operations within the Cascadura area of the Ortoire block. The CEC approves the construction of a multi-well surface production facilities with a designed production capacity of 200 million cubic feet of natural gas per day and 5000 barrels per day of associated liquids. In addition to the facility, the CEC includes the drilling of eight wells at two well pads (Cascadura B and C) and the establishment of associated pipelines and infrastructure within the Ortoire block.

**Chariot Ltd.** In December 2021, North Energy invested NOK 8.9 million in a private placement in Chariot Ltd. During the second quarter North Energy participated in a private placement with NOK 9.7 million (GBP 0.8 million) but also sold the original holdings and the majority of the new holdings from the private placement. After the quarter end, North Energy has sold the remaining 1 million shares of the holdings and total realised gain on the investment is recorded at NOK 18.3 million.

**New investment Nordic Nanovector ASA.** After the quarter end, North Energy has invested NOK 14.1 million in Nordic Nanovector resulting in an ownership of 7.3 percent. Nordic Nanovector is a biopharmaceutical company dedicated to extending and improving the lives of patients with haematological cancers through the development and commercialisation of innovative targeted therapeutics.

## Key figures

NOK mln	Q2 2022	Q2 2021	Year 2021
Operating profit	22,9	-26,9	-46,7
Profit loss after tax	23,0	-20,8	-27,8
Investments	279,4	245,9	295,4
Total assets	343,7	305,2	339,0
Equity ratio	96	98	95
Interest bearing debt	0	0	0

## Financial information

North Energy recorded a comprehensive income of NOK 23.0 million in the second quarter of 2022, compared with a comprehensive loss of NOK 20.8 million in the corresponding quarter of 2021. The income reported in second quarter this year is mainly driven by the company's share of net result from associated companies of NOK 37.9 million, while the change in value of financial investments was a loss of NOK 11.0 million, primarily driven by a value decrease in Touchstone Exploration offset by realized gain on sale of Chariot Ltd. Operating expense was reported at NOK 4.0 million compared with NOK 7.4 million in the same quarter last year. The loss in the second quarter last year was driven by a significant 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 5.1 million.

The market value of North Energy's investment in Reach Subsea decreased by NOK 43.8 million (from NOK 206.6 million to NOK 162.8 million) in the second quarter of 2022, with NOK 8.3 million explained by dividends received from Reach. The market value is still higher than the book value. Thus, the decrease is not recognized in the income statement as the investment in Reach is accounted for as an associated company. Hence, the accounting effect from our investment in Reach is our share of the comprehensive income from Reach of NOK 9.4 million as well as the gain on the deemed disposal of NOK 13.8 million offset by the dividend of NOK 8.3 million received in June 2022. The book value of Reach per end of the second quarter was NOK 125.9 million.

Payroll and related expenses in the second quarter were NOK 2.1 million, compared with NOK 0.8 million in the same quarter last year. The increase 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 1.4 million, which is down from NOK 6.3 million in the same quarter last year. Last year figure included a provision of NOK 3.5 million for a claim by the Norwegian Tax Administration related to prior year correction of VAT. See note 13 for further details.

Net financial items were a gain of NOK 0.1 million in the second quarter 2022 consisting mainly of interest received on bonds.

Total assets at the end of the quarter were NOK 343.7 million, up from NOK 324.7 million at the end of last quarter. The increase is mainly due to increased cash of NOK 23.7 million, increased current receivables of NOK 3.1 million, increased lease assets of NOK 2.0 million, offset by a decrease of the investment portfolio of NOK 11.1 million.

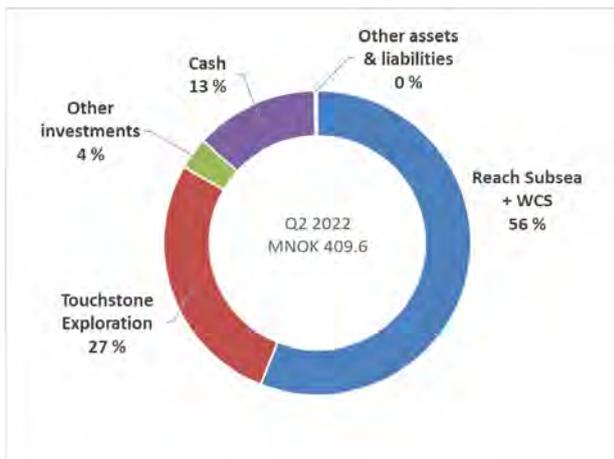
Total equity at the end of the quarter was NOK 331.7 million, up from NOK 297.7 million at the second quarter last year. The increase is explained by total comprehensive income of NOK 34.0 million during the last twelve months. The Company's equity ratio stood at 96.5 percent at the end of the second quarter.

The Company has no interest-bearing debt.

North Energy recorded NOK 53.6 million in cash at the end of the quarter. This is up from NOK 30.0 million at the end of last quarter mainly due to cash from investing activities of NOK 37.8 million offset by cash used in operating activities of NOK 14.1 million.

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

## Net asset value composition



## 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.

Last quarter, 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.

After the equity issue of NOK 150 million towards Wilhelmsen New Energy the ownership for North Energy has been reduced to 21%. Thus, the ownership in Reach is still reported as an associated company.

The Company 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 survey the seabed and solutions for maintaining the integrity of the client's subsurface equipment and infrastructure.

As of the end of second quarter 2022, the investment in Reach is accounted for at a book value of NOK 125.9 million, up from NOK 111.0 million last quarter. The

At the end of the quarter, total market value of investments amounted to NOK 357.1 million, compared to NOK 287.0 million at the end of second quarter last year and NOK 402.7 million last quarter. The increase in investments compared to same quarter last year is due to increase in the market value of Reach. The decrease since last quarter is partly due to a decrease in the market value of Touchstone and Reach, and partly sale of shares in Chariot Ltd as well as dividends received from Reach.

Including cash of NOK 53.6 million and net other assets and liabilities of negative NOK 1.2 million the net asset value for the company was NOK 409.6 million at the end of the 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 2.41, representing a discount of 30% compared to the net asset value per share.

increase is driven by North Energy's share of comprehensive income of NOK 9.4 million, gain realized on deemed disposal of NOK 13.8, offset by dividend received from Reach of NOK 8.3 million.

For the second quarter, Reach reported a comprehensive income of NOK 41.4 million, which is up from a comprehensive income of NOK 15.9 million reported the same quarter last year. The substantial increase is driven by high utilization, and improved pricing environment, solid execution, and the addition of newly acquired businesses iSurvey and Octio.

Despite the weak start to the year, Reach announces that it is seeing healthy demand across all sectors for 2022, driven by higher oil & gas prices as well as strong 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 340 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 275 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 275 million in cash and working and limited financial debt.

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 0.8 billion.

### [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 15 June 2022, Wind Catching Systems announced an investment round of up to USD 10 million led by

GMV to help fund the development and commercialization of the technology. In addition, WCS and GM have entered into a strategic agreement covering technology development, project execution, offshore wind policy, and the advancement of sustainable technology applications. Current investors North Energy ASA and Ferd AS, as well as the new investor Havfond AS, have also participated in the investment round.

After the investment round, where North Energy contributed with NOK 2.4 million, North Energy's ownership has been reduced from 30.5 % to 23.4%. As a result of the dilution of ownership and the increased equity of Wind Catching Systems, North Energy has accounted for a realized gain on deemed disposal of NOK 15.4 million.

WCS is accounted for as an associated company, hence North Energy consolidates its share of the net result from WCS. For the second quarter North Energy has consolidated a loss of NOK 1.0 million in the result. At the end of the second quarter, book value of the investment was NOK 27.1 million.

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.

### [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 second quarter.

#### [Other financial investments](#)

As of second quarter 2022 the Company has several minor investments in shares and bonds as part of its liquidity management, with a total value of NOK 14.0 million. After quarter end the company has invested most of its available cash balance in NOK denominated

government bonds and investment grade corporate 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.

## Strategy and outlook

During the second quarter of 2022, outlook for the global economy has continued to deteriorate due to high inflation and weakening demand across multiple sectors. Energy prices have continued to be strong with natural gas and electricity prices continuing to be very high globally, particularly in Europe. Both the supply situation due the war in Ukraine as well as environmental factors have continued to drive energy costs higher in Europe.

As we outlined in our first quarter report, central banks have embarked on a path of aggressive monetary tightening. Consequently, financial conditions have deteriorated materially during the first half of 2022. Over the summer of 2022 we continued to see significant interest rate increases in order to address inflation figures that have continued to spike higher.

Companies and consumers are under pressure as high inflation and higher interest rates continue to reduce purchasing power and weaken end demand for many products. We expect a muted outlook for global growth for the rest of 2022 and into 2023 as the global economy faces significant headwinds on multiple fronts.

Performance in global equity markets was weak in the first half of 2022 but have however rebounded significantly after quarter end.

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. However, in light of the significant uncertainties the Board still expect to take a cautious approach in the time to come.

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

# Report for the first half 2022

## Review

During the first half year of 2022, the global economy was significantly impacted by sharply rising inflation and central banks embarking on a path of aggressive monetary tightening. Financial markets have, consequently, corrected with major stock market indices down in the order of 10-15%. The overall correction has been driven by interest rate sensitive sectors, partly offset by a surge in the energy sector.

In February 2022 Reach announced two major strategic initiatives with acquisition of offshore survey specialist iSurvey Group, and the strategic co-operation with Wilhelmsen New Energy on Reach Remote. The agreement with Wilhelmsen New Energy involved a directed equity issue of NOK 150 million. Through these initiatives Reach has strengthened its data management and data processing capabilities and strengthened the set-up for commercialisation of Reach Remote.

Post the two strategic initiatives, which were closed in March 2022, North Energy and Wilhelmsen New Energy are joint major shareholders of Reach with 20.5% each. As a result of the dilution of ownership and the increased equity of Reach, North Energy has accounted for a realized gain on deemed disposal of NOK 13.8 million.

In May 2022 the General Assembly of Reach Subsea approved the proposal from the Board of Directors to distribute a dividend of NOK 0.18 per share. The dividend was paid to shareholders in June, whereof North Energy, based on its ownership, received NOK 8.3 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.

On 15 June 2022, Wind Catching Systems announced an investment round of up to USD 10 million led by GM Ventures ("GMV") to help fund the development and commercialization of the technology. In conjunction

with the investment from GMV, WCS and General Motors ("GM") have entered into a strategic agreement covering technology development, project execution, offshore wind policy, and the advancement of sustainable technology applications. Current investors North Energy ASA and Ferd AS, as well as the new investor Havfond AS, have also participated in the investment round.

After the investment round, North Energy's ownership has been reduced from 30.5 % to 23.4%. As a result of the dilution of ownership and the increased equity of Wind Catching Systems, North Energy has accounted for a realized gain on deemed disposal of NOK 15.4 million.

North Energy's investment portfolio has at the end of June 2022 a market value of NOK 357.1 million. The Company's main investments are a 20.5 percent ownership in Reach Subsea with a market value of NOK 162.8 million and a 6.0 per cent ownership in Touchstone Exploration with a market value of NOK 112.4 million at the end of June 2022.

## Financial

As per first half 2022, North Energy reported comprehensive income of NOK 10.4 million compared to a loss in the first half of 2021 of NOK 51.4 million. The income this year derives mainly from income from associated companies of NOK 25.0 million, partly offset by a negative change in fair value of financial investments of NOK 7.7 million, and operating expenses of NOK 7.4 million. The loss last year was mainly derived from a negative change in fair value of financial investments of NOK 65.1 million and operating expenses of NOK 11.7 million partly offset by a positive income from associated companies of NOK 8.8 million and a tax credit of NOK 16.2 million.

Payroll and related expenses were NOK 4.3 million in first half of 2022, which is up from NOK 1.9 million in the corresponding period in 2021. The increase 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 were NOK 2.3 million in first half of 2022, which is down from NOK 9.2 million in the corresponding period in 2021. Last year's figure included a provision of NOK 3.5 million for a claim by

the Norwegian Tax Administration related to prior year correction of VAT.

As per 30 June 2022, North Energy reported total assets of NOK 343.7 million. This includes financial investments of NOK 279.4 million as well as cash of NOK 53.6 million. The assets are financed by 96.8 percent equity. The company has no interest-bearing debt at the end of the second quarter.

North Energy reported cash of NOK 53.6 million at the end of the first half year. This is up from NOK 40.0 million at the beginning of the year. The increase is explained by net proceeds from sale/purchase of shares of NOK 22.0 million, dividend received from Reach Subsea of NOK 8.3 million, capital repayment from Tyveholmen of NOK 3.0 million offset by operational cash burn of NOK 8.7 million and settlement of claim from the Tax Administration of NOK 10.9 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 2022 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, 24 August 2022

**Anders Onarheim**  
Chairman

**Jogeir Romestrand**  
Director

**Elin Karfjell**  
Director

**Didrik Leikvang**  
Co-CEO

**Rachid Bendriss**  
Co-CEO

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# Financial statements second quarter 2022

## INCOME STATEMENT

NOK 1 000	Note	Q2 2022 (unaudited)	Q2 2021 (unaudited)	YTD Q2 2022 (unaudited)	YTD Q2 2021 (unaudited)	Year 2021 (audited)
Sales		32	79	82	114	178
				0		
Payroll and related expenses		(2 070)	( 790)	(4 309)	(1 923)	(9 165)
Depreciation and amortisation		( 560)	( 283)	( 792)	( 565)	(1 096)
Other operating expenses		(1 396)	(6 327)	(2 317)	(9 193)	(18 351)
Change in fair value of financial investments		(11 012)	(24 703)	(7 742)	(65 123)	(45 152)
Net result from investments in associates	11	37 923	5 109	24 990	8 781	26 862
<b>Operating profit/(loss)</b>		<b>22 917</b>	<b>(26 915)</b>	<b>9 911</b>	<b>(67 910)</b>	<b>(46 724)</b>
Financial income		160	7	553	262	593
Financial costs		( 105)	( 0)	( 114)	( 1)	( 80)
<b>Net financial items</b>		<b>55</b>	<b>7</b>	<b>439</b>	<b>261</b>	<b>512</b>
<b>Profit/(loss) before income tax</b>		<b>22 971</b>	<b>(26 909)</b>	<b>10 350</b>	<b>(67 649)</b>	<b>(46 212)</b>
Income taxes	8	0	6 133	0	16 213	18 383
<b>Profit/(loss) for the period</b>		<b>22 971</b>	<b>(20 775)</b>	<b>10 350</b>	<b>(51 435)</b>	<b>(27 829)</b>
Attributable to:						
Owners of North Energy ASA		22 971	(20 775)	10 350	(51 435)	(27 829)
Non-controlling interests		0	0	0	0	0
		<b>22 971</b>	<b>(20 775)</b>	<b>10 350</b>	<b>(51 435)</b>	<b>(27 829)</b>
Earnings per share (NOK per share)						
- Basic		0,20	(0,18)	0,09	(0,44)	(0,24)
- Diluted		0,20	(0,18)	0,09	(0,44)	(0,24)

## STATEMENT OF COMPREHENSIVE INCOME

NOK 1 000	Q2 2022 (unaudited)	Q2 2021 (unaudited)	YTD Q2 2022 (unaudited)	YTD Q2 2021 (unaudited)	Year 2021 (audited)
<b>Profit/(loss) for the period</b>	<b>22 971</b>	<b>(20 775)</b>	<b>10 350</b>	<b>(51 435)</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>0</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>22 971</b>	<b>(20 775)</b>	<b>10 350</b>	<b>(51 435)</b>	<b>(27 829)</b>
Attributable to:					
Owners of North Energy ASA	22 971	(20 775)	10 350	(51 435)	(27 829)
Non-controlling interests	0	0	0	0	0
	<b>22 971</b>	<b>(20 775)</b>	<b>10 350</b>	<b>(51 435)</b>	<b>(27 829)</b>

## STATEMENT OF FINANCIAL POSITION

NOK 1 000	Note	30.06.2022 (unaudited)	30.06.2021 (unaudited)	31.12.2021 (audited)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		213	158	148
Right-of-use assets	3,12	6 732	824	3 103
Other receivables		0	192	120
Investments in associates	11	157 360	123 231	141 312
Deferred tax asset	8	0	0	0
<b>Total non-current assets</b>		<b>164 305</b>	<b>124 405</b>	<b>144 683</b>
<b>Current assets</b>				
Trade and other receivables	13	3 733	607	195
Financial investments, current	9	122 049	122 644	154 129
Cash and cash equivalents		53 634	57 585	39 986
<b>Total current assets</b>		<b>179 416</b>	<b>180 836</b>	<b>194 311</b>
<b>Total assets</b>		<b>343 721</b>	<b>305 241</b>	<b>338 993</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	850 378	850 378
Other paid-in capital		30 691	30 691	30 691
Retained earnings		(665 054)	(699 010)	(675 404)
<b>Total equity</b>		<b>331 651</b>	<b>297 694</b>	<b>321 301</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Deferred tax liability	8	0	2 170	0
Leasing liabilities	3,12	5 483	0	2 531
Other non-current liabilities		0		2 513
<b>Total non-current liabilities</b>		<b>5 483</b>	<b>2 170</b>	<b>5 044</b>
<b>Current liabilities</b>				
Leasing liabilities, current	3,12	1 283	947	642
Trade creditors		745	29	30
Tax payable	8	0	0	0
Other current liabilities	14	4 560	4 402	11 977
<b>Total current liabilities</b>		<b>6 587</b>	<b>5 377</b>	<b>12 649</b>
<b>Total liabilities</b>		<b>12 070</b>	<b>7 547</b>	<b>17 693</b>
<b>Total equity and liabilities</b>		<b>343 721</b>	<b>305 241</b>	<b>338 993</b>

## 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 01.01.21-30.06.21					(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>297 694</b>
Total comprehensive income for 01.07.21-31.12.21					23 606	23 606
<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 01.01.22-30.06.22					10 350	10 350
<b>Equity at 30 June 2022</b>	<b>119 047</b>	<b>(3 411)</b>	<b>850 378</b>	<b>30 691</b>	<b>(665 054)</b>	<b>331 651</b>

## CASH FLOW STATEMENT

NOK 1 000	Q2 2022 (unaudited)	Q2 2021 (unaudited)	YTD Q2 2022 (unaudited)	YTD Q2 2021 (unaudited)	Year 2021 (audited)
<b>Cash flow from operating activities</b>					
Profit/(loss) before income tax	22 971	(26 909)	10 350	(64 332)	(46 212)
Adjustments:					
Depreciation	560	283	792	565	1 096
Pensions	0	34	258	66	138
Change in fair value of financial investments	11 012	24 703	7 742	65 123	45 152
Net result from investments in associates	(37 923)	(5 109)	(24 990)	(8 598)	(26 862)
Changes in trade creditors	0	1 369		(2 340)	0
Changes in other accruals	(10 746)		(13 735)		11 087
<b>Net cash flow from operating activities</b>	<b>(14 125)</b>	<b>(5 628)</b>	<b>(19 583)</b>	<b>(9 515)</b>	<b>(15 600)</b>
<b>Cash flow from investing activities</b>					
Purchase of property, plant, and equipment	0	(42)	(49)	(42)	(42)
Investments in associates	639	(10 000)	639	(10 000)	(10 000)
Dividends from associates	8 303	6 919	8 303	6 919	6 919
Purchase of financial investments	(9 679)	(423)	(14 631)	(1 871)	(13 385)
Proceeds from sales of financial investments	38 381	402	38 969	5 526	5 526
Proceeds/payments from other non-current receivables	138	0	0	0	
<b>Net cash flow from investing activities</b>	<b>37 782</b>	<b>(3 144)</b>	<b>33 230</b>	<b>531</b>	<b>(10 982)</b>
<b>Cash flow from financing activities</b>					
Dividends paid from North Energy ASA	0	(52 763)	0	(52 763)	(52 763)
<b>Net cash flow from financing activities</b>	<b>0</b>	<b>(52 763)</b>	<b>0</b>	<b>(52 763)</b>	<b>(52 763)</b>
<b>Net change in cash and cash equivalents</b>	<b>23 657</b>	<b>(61 536)</b>	<b>13 648</b>	<b>(61 747)</b>	<b>(79 345)</b>
Cash and cash equivalents at beginning of the period	29 977	119 121	39 986	119 332	119 332
<b>Cash and cash equivalents at end of the period</b>	<b>53 634</b>	<b>57 585</b>	<b>53 634</b>	<b>57 585</b>	<b>39 986</b>

# Notes to the interim consolidated financial statements second quarter 2022

## 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 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 30 June 2022 *</b>	<b>119 047 065</b>
<hr/>	
Nominal value NOK per share at 30 June 2022	1
Share capital NOK at 30 June 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	Q2 2022	Q2 2010	Year 2021
Celisa Capital AS	Consultancy services	0	1 875	3 750
Isfjorden AS	Consultancy services	0	1 875	3 750

## Note 8 - Income taxes

Specification of income tax	YTD Q2 2022	YTD Q2 2021	Year 2021
Tax payable	0	0	0
Change deferred tax asset	0	16 213	18 383
<b>Total income taxes</b>	<b>0</b>	<b>16 213</b>	<b>18 383</b>

Specification of temporary differences, tax losses carried forward, deferred tax	30.06.2022	30.06.2021	31.12.2021
Property, plant and equipment	6 633	611	2 939
Pensions	135	358	252
Leasing liabilities	(6 766)	( 947)	(3 173)
Financial investments	79 134	84 900	104 448
Tax losses carried forward	(111 276)	(75 060)	(106 529)
<b>Total basis for deferred tax asset</b>	<b>(32 139)</b>	<b>9 861</b>	<b>(2 063)</b>
Deferred tax asset/(liability) before valuation allowance	(7 071)	(2 170)	454
Not capitalised deferred tax asset (valuation allowance)	7 071	0	( 454)
<b>Deferred tax asset/(liability)</b>	<b>0</b>	<b>(2 170)</b>	<b>0</b>

Reconciliation of effective tax rate	YTD Q2 2022	YTD Q2 2021	Year 2021
Profit/(loss) before income tax	10 350	(67 649)	(46 212)
Expected income tax 22%	-2 277	14 883	10 167
Adjusted for tax effects (22%) of the following items:			
Permanent differences	9 425	2 101	6 170
Adjustments previous years	( 531)	( 770)	2 500
Changed tax rates		0	0
Change in valuation allowance for deferred tax assets	(6 617)	0	( 454)
<b>Total income taxes</b>	<b>0</b>	<b>(16 213)</b>	<b>18 383</b>

## Note 9 - Financial investments

Financial investments are investments in shares and bonds. The main investments at 30 June 2022 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 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 30.06.2022	Level 1	Level 2	Level 3	Total
Shares	115 064		0	115 064
Bonds		6 985		6 985
<b>Total fair value</b>	<b>115 064</b>	<b>6 985</b>	<b>0</b>	<b>122 049</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:

	30.06.2022	30.06.2021	31.12.2021
Opening balance carrying amount of investments in associates	141 312	111 369	111 369
Gain on dilution of ownership, Reach Subsea ASA*	13 842	0	0
Gain on dilution of ownership Wind Catching Systems AS*	15 444	0	0
Acquisition cost shares acquired, Wind Catching Systems AS	2 361	10 000	10 000
Repayment of capital, Tyveholmen AS	(3 000)	0	0
Share of net result in investment, Reach Subsea ASA	(2 472)	8 781	30 279
Share of net result in investment, Wind Catching Systems AS	(2 054)	-	(3 729)
Share of net result in investment, Tyveholmen AS	230	(6 919)	312
Dividend received, Reach Subsea ASA	(8 303)	0	(6 919)
<b>Total carrying amount of investments in associates at balance date</b>	<b>157 360</b>	<b>123 231</b>	<b>141 312</b>

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

	YTD Q2 2022	YTD Q2 2021	Year 2021
Share of net result in investment, Reach Subsea ASA	(2 472)	8 781	30 279
Share of net result in investment, Wind Catching Systems AS	(2 054)	0	(3 729)
Share of net result in investment, Tyveholmen AS	230	0	312
Gain on dilution of ownership, Wind Catching Systems AS*	15 444	0	0
Gain on dilution of ownership, Reach Subsea ASA*	13 842	0	0
<b>Net result from investments in associates</b>	<b>24 990</b>	<b>8 781</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 the ownership has been reduced. A gain on the deemed disposal arised 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 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:

<b>Right-of-use assets</b>	<b>Office facilities</b>
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 30 June 2022</b>	<b>11 840</b>
Accumulated depreciation and impairment 1 January 2022	(4 335)
Depreciation	(773)
Impairment	0
<b>Accumulated depreciation and impairment 30 June 2022</b>	<b>(5 108)</b>
<b>Carrying amount of right-of-use assets 30 June 2022</b>	<b>6 732</b>

Lower of remaining lease term or economic life	0.75 years
Depreciation method	Linear

### Leasing liabilities:

Lease liabilities at 1 January 2022	3 173
Additions lease contracts	7 256
Disposals lease contracts	(2 933)
Accretion lease liabilities	100
Payments of lease liabilities	(830)
<b>Total leasing liabilities 30 June 2022</b>	<b>6 766</b>
Breakdown of lease debt:	
Short-term	1 283
Long-term	5 483
<b>Total lease debt</b>	<b>6 766</b>

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

	<b>30.06.2022</b>
Within 1 year	1 566
1 to 5 years	5 873
After 5 years	-
<b>Total</b>	<b>7 439</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, will be paid in January 2023 and is classified as other current liabilities.

### Note 15 - 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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