



Annual report 2019

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North Energy at a glance

North Energy ASA is a holding company with subsidiaries operating and investing within the energy value chain and other industries. The Company's investment activities were until the end of 2018 held in the subsidiary North Energy Capital AS. During 2019 the group has simplified the corporate structure and the investment activities are now held by the holding company North Energy ASA. North Energy's vision is to be a successful and respected investment company with focus on long term value creation.

The discontinued petroleum operation on the Norwegian Continental Shelf was operated by the subsidiary North E&P AS. The subsidiary received in October 2018 a potential tax claim from the Oil Taxation Office. Due to this, the planned

liquidation of North E&P has been put on hold. At the end of 2019 the group of companies counted 3 full time employees. In addition, the holding company has an ongoing consultancy agreement with 3 senior advisors through the

company North Advisors AS. North Energy's head office is in Oslo. The Company is listed on the Oslo Stock Exchange with the ticker "NORTH".



Key figures

MNOK	2019	2018
Earnings before tax	-13.0	-37.7
Tax	-3.1	2.7
Net result	-16.1	-35.0
Total Assets	309.1	389.5
Equity	302.7	385.0
Equity %	98%	99%
Market capitalisation 31.12	177.4	190.5

Dear Shareholders!

- Positive return from the investment activity
- Successful share buy-back program
- Dividend distributed
- Comprehensive response to potential tax claim submitted.
No signals from the taxation office received.

We are well into a new year, and I will use this opportunity to look back on the business year 2019 for North Energy:

- In Q1, North Energy reported that the targeted return from the preference capital in the subsidiary North Energy Capital (NEC) was achieved. The preference capital was established in June 2016 with the purpose of obtaining a targeted return over a 3-year period. Consequently, the base capital including targeted interest, all together NOK 148 million, were transferred from NEC to North Energy and the preference shares were deleted.
- Following this, North Energy's investment portfolio were transferred from the subsidiary NEC to being controlled directly under the parent company, North Energy ASA. This dissolved minority interests and created a simple and robust platform with a clear

transparency through the corporate structure of the company.

- In February, the Company announced a share buy-back programme where shareholders were offered to sell their shares with a 4% premium compared to registered share price. The offer was well received, and the Company purchased in total 9 484 038 own shares from shareholders, representing 8.0 % of the total ownership.
- In April, North Energy submitted a comprehensive response to the notice from the Oil Taxation Office (OTO) received in October 2018. In this notice the OTO challenged exploration tax refund of around NOK 114 million. In the Company's response North Energy strongly disputes both the content and the conclusion of the notice. The Company has, however, taken necessary measures to ensure adequate financial cover of a potential future tax claim, which in



practice is hampering the current investment business. North Energy continues to follow up the claim with OTO while awaiting a response. We are optimistic about the outcome, but currently there are no indications from OTO of the timeframe of their evaluation nor their current view on the potential claim.

- In May, the Annual General Meeting decided to pay a NOK 0.30 per share dividend, corresponding to a total distribution of NOK 32.9 million. The dividend decision included an option for shareholders to subscribe for new shares using the dividend amount and an equivalent to 34.4% of the total share capital decided to use this option. The total number of shares distributed as dividend were 7.7 million, while NOK 20.6 million was distributed as cash dividend. After the distribution of new shares as dividend the company have a remaining number of 1.8 million own shares.

- The investment portfolio continues to grow, despite challenging market conditions for some of North Energy's investment segments. The subsea market is still characterized by low demand from the oil companies and this has affected Reach Subsea throughout the year. Consequently, the market value of the Reach Subsea is reduced leading to an accounting loss for North Energy for the year. This is partly offset by an increase in value of our investment in Touchstone Exploration. Touchstone is in the middle of a 4-well exploration program covering 2019/20 and the indications so far are promising. Despite the negative development in the market value of Reach Subsea, which early in 2019 accounted for 70% of North Energy's investment portfolio, the consolidated 2019 return from the investment business are positive. In addition, North Energy has gained interest from the restricted capital being invested in low-risk funds.

When considering political trends as well as shifts in the capital market, it's likely that 2020 will be a year with new challenges. In the first quarter of the year we see greater volatility and uncertainty than ever before, caused by the coronavirus pandemic and combined with the drastic decrease in the oil price. North Energy has a healthy balance sheet with no interest bearing debt. We will meet the challenges by safeguarding current assets, taking down the cost and continuing with a careful investment strategy, but also by considering investment options outside our normal business areas and segments. The basis for a prospective year is in place, however, the ultimate effects of the

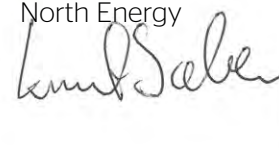
coronavirus pandemic on the business markets, as well as the society as such, remains to be seen.

I would like once again to thank all our shareholders for their patience and support during 2019 and are looking forward to a productive cooperation also in the year to come.

Knut Sæberg

CEO

North Energy



Directors' report



Board of Directors' Report 2019

The business

North Energy ASA ("North Energy" or "Company") was established in 2007 with the goal of exploring commercial accumulations of oil and gas on the Norwegian Continental Shelf ("NCS"). In July 2017, the Board of Directors of North Energy decided to discontinue the Company's petroleum activities on the Norwegian Continental Shelf ("NCS") and to close the subsidiary North E&P, which was the base for all petroleum activities in North Energy. The closure of North E&P was subsequently put on hold due to an ongoing tax dispute with the Petroleum Taxation Office ("OTO") regarding the tax returns for 2014 and 2015.

The Company's current mandate from shareholders is to own, manage and provide financing for activities within the energy industry, and other industries where the company has relevant competence.

Today, North Energy is an industrial holding company with a portfolio of independent investments, both listed and unlisted. The Company's operating and investment activities were in 2019 mainly reported through the subsidiary North Energy Capital ("NEC") until the Board of Directors ("Board") in February

2019 resolved to simplify the corporate structure. Subsequently all strategic and financial investments are held directly in the parent company, North Energy ASA. The unsolved tax issue is held by North E&P AS which is a subsidiary of NEC, a company owned 80% by North Energy.

The investment portfolio continued to grow during 2019, despite challenging market conditions for some of North Energy's investment segments. The subsea market is still characterized by low demand from the oil companies and this has, throughout the year,

affected Reach Subsea, the Company's main industrial investment. Consequently, the market value of Reach Subsea is reduced leading to an accounting loss for North Energy for the year. This is offset by an increase in value of the investment in Touchstone Exploration.

At the end of the fourth quarter, North Energy and its subsidiaries had 3 full-time employees.

Important events

Notice from the Petroleum Taxation Office ("OTO")

In October 2018 North Energy received a notice from the OTO of possible changes of the Company's tax returns from the years 2014 and 2015. For these two years North Energy's total expenses eligible for refund amounted to NOK 970 million. OTO has in the notice challenged NOK 146 million of these expenses, with a corresponding exploration tax refund of around NOK 114 million. OTO claims that the expenses have been incurred primarily to optimize the Company's financial situation and not for adequate operational reasons.

North Energy strongly disputes both the content and the conclusion of the notice and submitted a comprehensive response in March 2019. However, the Company has taken necessary measures to ensure adequate financial cover of a potential future tax claim. North Energy continues to follow up the claim with OTO while

awaiting a response. The Company has received no indications from OTO on the expected timeframe of their evaluation process, nor their current view of the tax dispute.

Shareholder distribution and simplified corporate structure

The Board announced in February 2019 that several key measures would be adopted to simplify the corporate structure and to initiate a shareholder incentive programme.

Furthermore, the Board resolved to simplify the corporate structure through certain transactions. NEC has repaid to the Company the preference capital, including accumulated return, in a total amount of approximately NOK 148 million. This is in accordance with the resolutions adopted by the Extraordinary General Meeting (“EGM”) held on 18 May 2016. The repayment of the preference capital consisted of the various investments held by NEC. Consequently, all strategic and financial investments are now held directly in the parent company.

Following this, North Energy’s investment portfolio was transferred from the subsidiary NEC to being controlled directly under the parent company, North Energy ASA. This dissolved minority interests and created a simple and robust platform with a clear transparency through the corporate structure of the company. NEC

will remain as a holding vehicle for North E&P during the ongoing tax dispute with the OTO. In February, the Company announced a share buy-back programme where shareholders were offered to sell their shares with a 4% premium compared to registered share price. The offer was well received, and the Company purchased in total 9 484 038 own shares from shareholders. This represented 8.0 % of the total ownership.

In May, the Annual General Meeting decided to pay a dividend of NOK 0.30 per share, corresponding to a total distribution of NOK 32.9 million. The dividend decision included an option for shareholders to subscribe for new shares using the dividend amount and an equivalent to 34.4% of the total share capital decided to use this option. The total number of shares distributed as dividend were 7.7 million, while NOK 20.6 million was distributed as cash dividend. After the distribution of new shares as dividend the Company owns 1.8 million North Energy shares.

The three largest shareholders of the Company, AB Investment AS, Celisa Capital AS and Isfjorden AS, which are 100% owned companies by Anders Onarheim, Rachid Bendriss and Didrik Leikvang respectively, did not participate in the Company’s buyback offer, but fully utilised the option to subscribe for new shares with the dividends received.

Investment in Reach Subsea

During the year, NEC acquired additional shares in the associated company Reach Subsea bringing the North Energy ownership to a total of 32.1 per cent. The subsea market is still characterized by low demand from the oil companies and this has affected Reach Subsea throughout the year. Consequently, the market value of Reach Subsea is reduced. North Energy reports a loss of NOK 11.7 million from its share of net result in Reach Subsea and in addition an impairment of NOK 12.1 million due to the low market value

Investment in Touchstone Exploration

North Energy is the largest shareholder in Touchstone Exploration Inc. (TXP) with an ownership of 11.0 per cent by the end of the year. TXP is a Canadian based company, being listed both on the London and Toronto stock exchanges. The company is currently carrying out a four well exploration program onshore Trinidad. Preliminary results from the two first wells are reported to be positive and the company expects the production volumes to increase compared to current level. The first of these wells is expected to be on stream in the first half of 2020. To fully finance the two remaining wells TXP announced in February 2020 a share issue of GBP 9.0 million. North Energy participated with GBP 1.5 million which subsequently resulted in a total ownership in TXP of 9.8 %. TXP is North Energy’s largest

investment with a market value of NOK 776 million per end February 2020.

Other investments

North Energy has during the year increased its investment in Polarcus Limited by 5 million shares and has per year-end an ownership of 2.2%. Polarcus is a marine geophysical company delivering high-end towed streamer data acquisition and imaging services.

As per year-end 2019, North Energy had NOK 275.5 million in total investments measured at market value, compared to NOK 135.9 million last year. The total investment this year includes

NOK 123.4 million in low-risk investments set aside for uncertain tax position.

Share acquisitions by primary insiders

During the year, several primary insiders increased their holdings of shares in North Energy. The Chairman of the Board, Anders Onarheim, accumulated 3,694,335 shares, and controlled 22.3 million shares as per 31 December, corresponding to 18.75 per cent ownership. Financial advisor Didrik Leikvang acquired 1,029,759 shares and Financial advisor Rachid Bendriss acquired 1,367,258 shares, bringing their ownerships to 5.48 per cent and 7.27 per cent respectively.

Going concern

Pursuant to section 3-3a of the Norwegian Accounting Act, the Board confirms the going concern assumption and that the financial statements are prepared on this basis. That assumption rests on the Company's financial position, as well as forecast for 2020 and the period thereafter.

Comments on the annual financial statements

The financial statements of North Energy ASA have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with the additional requirements pursuant to the Norwegian Accounting Act. The comments below relate to the financial statements for the North Energy Group, which is comprised of North Energy ASA, North Energy Capital AS, North E&P AS, North Energy Norge AS and Accello Partners I AS. North Energy Norge AS was merged with the holding company in November 2019 while Accello Partners I AS was liquidated in April 2019. The Board is not aware of any significant considerations that affect the assessment of the Group's position as of December 31, 2019, or the net result for the year, other than those presented in the Directors' report and the financial statements.

Revenues reported in 2019 was NOK 0.9 million while there were no revenues reported in 2018.





The revenue for 2019 is related to a profit-sharing agreement for seismic data. Payroll and related expenses in 2019 were NOK 4.8 million, down from NOK 6.0 million in 2018. Other operating expenses in 2019 were NOK 15.1 million, down from NOK 18.6 million in 2018. The reduction in payroll expenses as well as other operating expenses are the result of less employees and other cost savings initiatives.

EBITDA for 2019 was negative at NOK 12.3 million, versus a negative NOK 35.1 million for 2018. The improvement is mainly the result of increased market value of investments and realized gain on sales as well as lower operating expenses. The market value of the investment in Touchstone Exploration increased by NOK 25.4 million through the year, while the investment in the associated company Reach Subsea decreased by NOK 18.1 million during the year. Other investments contributed positively to the result.

Net financial items were positive at NOK 1.0 million, versus a negative of NOK 2.5 million for 2018. The positive figure this year is related to interest income. The net financial loss in 2018 was mainly due to write-down of loans offset by interest income on tax receivables. The result before tax in 2019 is a loss of NOK 13.0 million compared to a loss of NOK 37.7 million reported last year. The improvement is mainly due to

a positive change in fair value of investments of NOK 30.2 million, while last year there was a negative change in fair value of financial investments.

Income tax expense in 2019 is reported at NOK 3.1 million, while 2018 was positive with NOK 2.7 million. The amount this year includes a prior year adjustment of NOK 2.5 million.

The net loss for 2019 was NOK 16.1 million, compared to a net loss in 2018 of NOK 35.0 million. The net loss amounts to both basic and diluted earnings of a negative NOK 0.13 per share, versus NOK 0.24 per share in 2018. The parent company reported a profit of NOK 83.0 million for the year compared to a loss of NOK 6.7 million last year. The profit this year is mainly due to the positive return from the preference capital as well as dividend received from the subsidiary North Energy Capital AS. Total assets at year-end were NOK 309.1 million, down from NOK 389.5 million at year-end 2018. The decrease is mainly due to reduced cash partly offset by increased value of investments.

Total equity at the end of the year was NOK 302.7 million, down from NOK 385.0 million at the end of 2018. The decrease is mainly due to dividends payments, share buyback and the net loss for the year. The Company's equity ratio stood at 98 per cent at the end of the year.

The company has no interest-bearing debt at the end of the year.

North Energy recorded NOK 28.0 million in cash and cash equivalents at the end of the year, down from NOK 248.4 million at year-end 2018. The reduction is mainly due to new investments, dividend payments, share buyback and operational expenses.

Net cash flow was negative by NOK 220.4 million in 2019, compared to a positive NOK 183.1 million for 2018. The negative cash flow this year relates to new investments mainly in bond funds, the dividend payments as well as purchase of treasury shares. The main reason for the positive cash flow last year was the cash settlement of the tax receivables related to the termination of the petroleum business offset by repayment of borrowings.

The Board regards the Company's financial position as of end 2019 as satisfactory. The Board is, however, not satisfied with the overall result for 2019 and expects improvements in the coming year, however, the coronavirus pandemic breaking out in Q1 2020 represents significant uncertainty. Furthermore, the Board is not satisfied with not having resolved the tax dispute with OTO and will continue to follow up the claim while awaiting a response from OTO. The Board is optimistic about the outcome, but currently there are no indications from OTO on

the timeframe of their evaluation process nor their current view on the potential claim.

Allocation of net profit

The Board of North Energy proposes that the net profit of NOK 83,0 million in the parent company is transferred to other equity.

Future developments

The tax dispute with the OTO is currently hampering the Company's investment activities. The Company has filed a comprehensive response to the notice from OTO and expects to be fully indemnified by OTO or that the Company's position will eventually be sustained. Looking into 2020 the Board does not expect a short-term full recovery of the oil and gas market, where North Energy has its main exposure. Companies across the value chain face the pressure of several evolving threats and opportunities, while navigating current market volatility. The industry is working to balance short-term commercial tactics with strategic business transformation to ensure long-term competitiveness.

Short-term this might affect some of the current investments of the Company, however, with a sound financial situation the Board also sees opportunities for North Energy in this picture. Going forward, the coronavirus outbreak, combined with the sharp fall in oil price,

represents a major uncertainty for the Company and its investment portfolio.

Forward-looking statements reflect current views about future events, and are, by their nature, subject to significant risks and uncertainties as they are contingent on circumstances and events that have yet to occur.

Corporate governance

Corporate governance in North Energy is based on the Norwegian code of practice for corporate governance. A separate status report related to the code has been included in this Annual Report. Any non-compliance with the code is specified and explained in the status report. The Board intends to take account of all factors relevant to the Company's overall risk picture. By doing so, it aims to ensure that the collective operational and financial exposure is at a satisfactory level.

North Energy's Articles of Association contain no provisions which wholly or partly exceed or restrict the provisions in chapter 5 of the Norwegian Public Companies Act.

Several considerations, which collectively ensure a good and broad composition, have been considered when electing the Board. These include an appropriate gender distribution, good strategic, industry competence and accounting



expertise, a good division between owner-based and independent candidates. The Board functions collectively as an Audit Committee. Instructions have been developed and adopted for the CEO, the Board and the Company's Nomination Committee. The instructions for the Board specify its principal duties and the responsibilities of the CEO towards the Board, as well as guidelines for handling matters between the Board and the executive management. The instructions for the Nomination Committee specify its mandate and provide guidelines on its composition and mode of working.

The Company's Articles of Association provide no guidance on the composition of the Board,

other than that it must comprise of three to nine Directors. The articles do not authorise the Board to purchase the Company's own shares or to issue shares.

Risk assessment

Overall objectives and strategy

North Energy's financial risk management is intended to ensure that risks of significance for the Company's goals are identified, analysed 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 a growing investment business, 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. In the beginning of 2020, the coronavirus has spread throughout the world. Many countries, including Norway, has been "closed down" and in others the business and social activities have been reduced significantly on a voluntary basis. At the same time the oil price has dropped severely. The Norwegian government is offering financial rescue packages to stabilize the economy, however, for the time being the markets are in a disarray with a significant value-reducing effect for North Energy's investments. It is uncertain when the virus effects will abate and when the markets will recover.

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 is equity.

The mentioned dispute with OTO concerning received tax refund from the years 2014 and 2015, is currently hampering the investment business in North Energy. As long as the process with OTO is ongoing, the Company will be restricted to only invest the disputed amount in low-risk funds. OTO has not given any signals on the timeframe of their evaluation nor their current view on the potential tax claim.

North Energy has a solid balance sheet and a sound financial situation. Hence, on a short-term

basis, the coronavirus-situation is not expected to affect the Company's cash situation. However, the fact that many business markets have developed into a disorder because of the virus being spread across the world, have already reduced the value of North Energy's investments. Depending on the time needed for the markets to recover, this might affect North Energy's liquidity longer term.

Interest rate risk

As of year-end 2019 the Company is debt free and is, therefore, not directly exposed to interest rate changes. Fluctuations in interest rates may, however, affect investment opportunities in the future.

Credit risk

The Company's receivables are as of end 2019 marginal and the risk of bad debts is, therefore, considered low.

Foreign exchange

The foreign exchange risk through transactions is low due to limited volumes. However, the Company invest in shares where the securities are registered in foreign currencies and are through these investments exposed to exchange rate fluctuations.

HSE and the natural environment

No incidents or accidents relating to North Energy's activities were reported in 2019. North

Energy's goal is to prevent any incidents or accidents to employees or partners working with the Company and to conduct business in a way that will not do damage to the environment. Based on best judgement, the Company's employees will conduct their operations in a safe, environmentally responsible and ethically sound manner.

Human resources and equal opportunities

North Energy consists of three employees, covering technical expertise, in addition to essential management and administrative staff. The Company office is in Oslo.

North Energy aims to have a good gender balance and is an equal opportunity employer. Currently there are only male employees, however, future recruitments will be based on the principle of equal opportunity. At the Company's General Meeting in May 2019, the Board of Directors were re-elected. Out of the three directors elected, one is female.

The rate of absence due to illness during 2019 was below 1 per cent of total hours worked. The Board considers it to be of importance that employees regard North Energy as a safe and motivating workplace.

Remuneration is determined in accordance with the content of the work and the employee's

qualifications. The remuneration of the executive management is described in the notes to the financial statements.

Corporate social responsibility ("CSR")

North Energy's vision is to be a successful and respected investment company with focus on long term value creation. North Energy's most important contribution to society is to create value and invest in forward looking companies that operate in an environmentally, ethically and socially responsible manner. The Board of North Energy gives emphasis to a positive contribution being made by the Company to those sections of society affected by its operations, while simultaneously looking after the interests of its owners.

The Company follows this up by integrating social and environmental considerations in its strategy and day-to-day operations. The operations of the parent company North Energy ASA have negligible effect on the external environment. As a significant shareholder in several companies, North Energy works to promote businesses that are responsible and sustainable, including the financial, social and environmental consequences of the operations.

North Energy has developed a policy statement which further describes its commitment to CSR. The document is published on www.northenergy.no.

Ownership

North Energy had 1386 shareholders as of December 31, 2019. As of year-end 2019, the top 20 owners together hold 55.4 per cent of the shares in the North Energy. The share price on the last day of trading in 2019 was NOK 1.49, while on the last day of trading in 2018 the share price was NOK 1.60. The share price peaked at NOK 2.0 on 16 April, while the lowest price in 2019 was NOK 1.17 on 2 December. As per the end of February 2020, the share price was NOK 1.33 representing a market capitalisation of North Energy of approximately NOK 158.3 million.

Outlook

North Energy's main involvement is within the oil and gas industry, which in many ways is characterized by uncertainty and growing complexity.

With North Energy's strong financial position, current management setup and lean organisation, the Board is of the opinion that there are business opportunities for the Company in this picture. Furthermore, the Board sees a stronger focus and involvement for North

Energy outside the oil and gas segment in the years to come. Going forward, the coronavirus outbreak, combined with the sharp decline in oil price, represents a major uncertainty for the Company and its investment portfolio.

A positive outcome of the tax dispute will further position the Company to make value creating investments in accordance with the strategy of the Company.



Board of Directors and CEO

Oslo, 19th of March 2020



A stylized, handwritten signature in black ink.

Anders Onarheim, Chair



A handwritten signature in black ink.

Jogeir Romestrand, Director



A handwritten signature in black ink.

Elin Karfjell, Director



A handwritten signature in black ink.

Knut Sæberg, CEO

Corporate Governance

Pursuant to section 3, sub-section 3b of the Norwegian Accounting Act, North Energy is required to include a description of its principles for good corporate governance in the Directors' report of its Annual Report or, alternatively, refer to where this information can be found. The Norwegian Corporate Governance Board (NCGB) has issued the Norwegian code of practice for corporate governance (the code), which can be found at www.nues.no. Observance of the code is based on the "comply or explain" principle, which means that companies must explain either how they comply with each of the recommendations in the code or why they have chosen an alternative approach.

The Oslo Stock Exchange requires that listed companies provide an explanation of their corporate governance policy annually. Current requirements for companies listed on the Oslo Stock Exchange can be found at www.oslobors.no.

The following information is presented according to the same structure as the code and contains the same 15 main elements.

1. Implementation and reporting on corporate governance

It is the executive management's job to ensure that the areas of responsibility, individually and collectively, are prioritized according to the Company's values and business codes. The Company has established clear guidelines for corporate social responsibility. These can be found on the Company's website, www.northenergy.no.

2. The business

North Energy's business purpose is to directly or indirectly own, manage and provide financing for activities within the energy industry, and other industries where the company has relevant competence.

North Energy targets to become a successful and respected investment company. The Company will achieve this through solid fundamental analysis and a focus on long-term value creation.

North Energy's Articles of Association specify clear parameters for its operations, while its

vision, goals and strategies are at the core of its management philosophy and operations.

3. Equity and dividends

The Company's dividend policy, outlined on its website, states that any payment of dividends will be determined based on the Company's expected cash flow, capital expenditure plans, financing requirements and other factors the Board considers relevant. All proposals from the Board concerning dividends must be approved by shareholders at the General Meeting to ensure that the Company's equity and dividend are consistent with its objectives, strategies and risk profile.

The Annual General Meeting (“AGM”) decided in May 28, 2019 to pay a NOK 0.30 per share dividend, corresponding to a total distribution of NOK 32.9 million. The dividend decision included an option for shareholders to subscribe for new shares using the dividend amount. To facilitate the subscription of shares and based on the authorization from AGM on May 31, 2018, the Company put forth a buyback offer to shareholders in February 2019. A total of 117 shareholders, with a total ownership of 41,005,473 shares, equivalent to 34.4% of the total share capital, elected to receive the dividend as new shares. At a price of NOK 1.60 per share the total number of shares distributed as dividend were 7.7 million, while NOK 20.6 million was distributed as cash dividend to the shareholders. The cash dividend was distributed at 21 June 2019. After the distribution of new shares as dividend the company have a remaining number of 1.8 million own shares.

Equity as of December 31, 2019 was NOK 303 million, compared with NOK 385 million at year-end 2018, giving an equity ratio of 79 per cent, down from up from 99 per cent at year-end 2018. Liquidity is regarded as satisfactory in relation to the Company’s future obligations.

Cash and cash equivalents totaled NOK 25 million as of December 31st. The Company is debt free as per year end.

In the AGM on May 28, 2019, the Company’s Board was granted authorization to increase the share capital with 11,904,706 shares, equaling an increase of 10 per cent. At present, this authorization is not used.

4. Equal treatment of shareholders and transactions with close associates

Should North Energy be a party to any transaction that may involve a close associate of the Company or other companies that Directors, senior executives or their close associates have a significant interest in, whether directly or indirectly, the parties concerned must immediately notify the Board. All such transactions must be approved by the Chief Executive and the Board and, where required, a market notification must be sent.

5. Freely negotiable shares

The North Energy share is listed on the Oslo Axess exchange. All the shares are freely negotiable. The Articles of Association impose no restrictions on the negotiability of the share.

6. General Meetings

The AGM is North Energy’s highest authority. The Company’s AGM in 2019 were held in accordance with the Public Companies Act.

The Board endeavors to ensure that the General Meeting is an effective forum for communication between the Board and the Company’s shareholders. Thus, the Board makes provision for the highest possible participation by the Company’s owners at the General Meeting. Notice of the meeting and supporting documentation for items on the agenda are made available on the Company’s website no later than 21 days before the General Meeting. Provision is also made for shareholders to vote in advance of the Company’s General Meeting, and elections are organized such that it is possible to vote individually candidates nominated to serve in the Company’s elected bodies. Shareholders who cannot attend the General Meeting in person are able to appoint a proxy to vote on their behalf. Proxy forms are provided that allow the proxy to be instructed how to vote on each agenda item.

The Board determines the agenda for the General Meeting. However, the most important items on the agenda are dictated by the Public Companies Act and the Company’s Articles of Association. Meeting minutes are published on the Company’s website the day after the General Meetings, at latest.

7. Nomination Committee

The Nomination Committee submits recommendations for candidates to be elected,



along with a justification, to the General Meeting, as well as nominates the Chair of the Board. Furthermore, the Committee will submit substantiated proposals for the remuneration of Directors and recommend Committee members. Establishment of the Committee is stipulated by the Articles of Association, and its work is regulated by instructions adopted by the General Meeting.

Nomination Committee members serve independently of the Board, and the Company's executive management. Members of the Committee receive a fixed remuneration which is not dependent on results. The General Meeting decides on all recommendations made by the Committee.

The members of the Nomination Committee are Hans Kristian Rød (Head), and Merete Haugli.

8. Corporate assembly and Board of Directors: composition and independence

North Energy has chosen not to have a corporate assembly.

Following the recommendation from the Nomination Committee approved at the AGM, the Board consists of two men and one woman who serve as shareholder-elected Directors. All have broad experience. Two of these Directors are elected independently by the Company's

shareholders. The Directors provide industry-specific professional expertise and experience from national and international companies. More information on each Director is available at www.northenergy.no.

Shareholder-elected Directors are elected for two-year terms. Elections are conducted in such a way that new directors can join the board every year.

Apart from Chairman Anders Onarheim, North Energy regards its Directors as independent of the Company's executive management and significant business partners. At present, all three Directors own shares directly or indirectly in North Energy. No director holds options to buy further shares.

As a key part of its revised business strategy announced in 2016, North Energy elected to strengthen its management resources. The Company negotiated an advisory agreement whereby North Energy outsourced certain strategic, financial and business advisory services to North Advisors AS ("North Advisors"), an advisory company owned by a group of key stakeholders of North Energy, including Mr. Onarheim. As remuneration for its services, North Advisors receives a fee equivalent to 2 per cent per year based on the consolidated book equity of North Energy. The proposal to

outsource certain management functions to North Advisors was presented in detail and subsequently approved at an EGM in May 2016.

9. The work of the Board of Directors

The Board's work is regulated by instructions. Its duties consist primarily of managing North Energy, which includes determining the Company's strategy and overall goals, approving its action program and ensuring an acceptable organization of the business in line with the Company's Articles of Association. The Board can also determine guidelines for the business and issue orders in specific cases. The Board must look after North Energy's interests, and not act as individual shareholders.

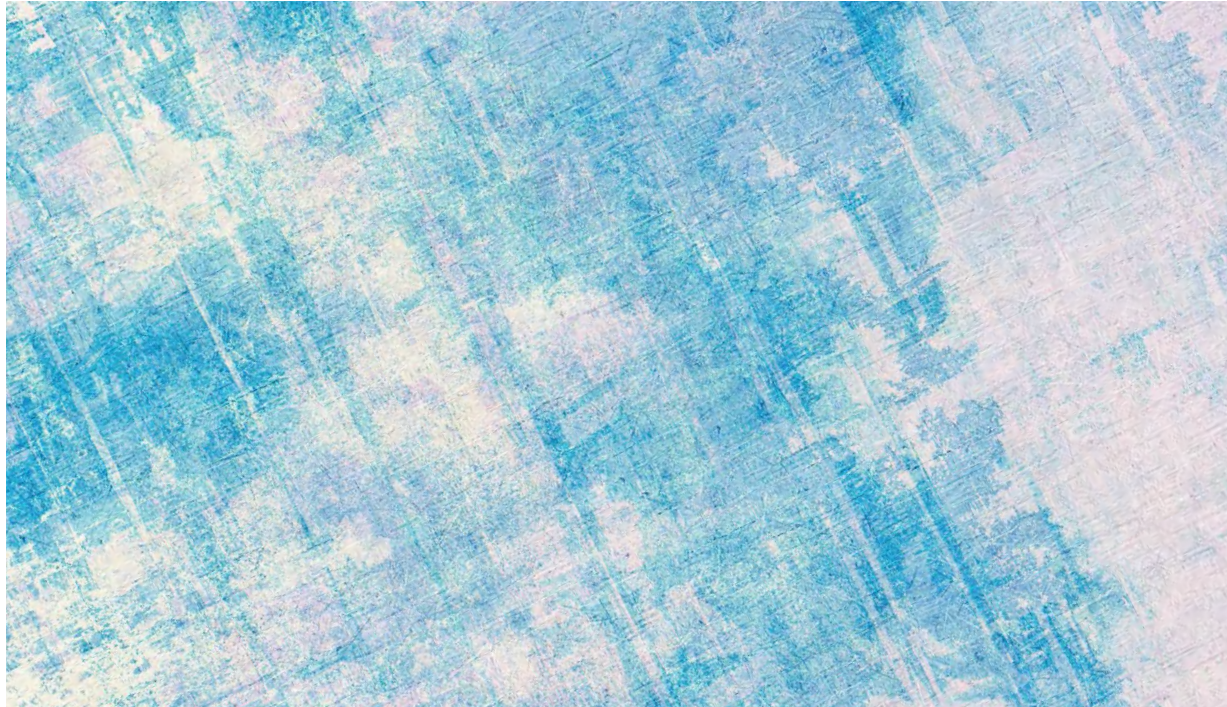
A clear division of responsibility has been established between the Board and the executive management. The Chief Executive is responsible for operational management of the Company and reports regularly to the Board. The administration is responsible for preparing matters for board meetings. Ensuring that the work of the Board is conducted in an efficient and correct manner in accordance with relevant legislation is the responsibility of the Chair. The Board ensures that the auditor fulfils a satisfactory and independent control function. It presents the auditor's report to the General Meeting, which also approves the remuneration of the auditor. It was resolved in 2014 that the

Audit Committee's duties would be discharged directly by the Board. Likewise, the duties of the Compensation Committee, established by the Board in 2014, is now handled directly by the Board following a resolution in a Board meeting in 2017. The objective of the Compensation Committee is to ensure that compensation arrangements support the Company's strategy and enable it to recruit, motivate and retain managers of a high standard, while complying with requirements set by governing bodies, fulfilling shareholder expectations and being in line with the expectations of the rest of the workforce. The Board conducts an annual evaluation of its work, competence and performance.

Nine board meetings were held in 2019, out of which six meetings were physical. All meetings had 100% attendance by the Board members.

10. Risk management and internal control

Strict standards are set for the Company's internal control and management system. Work on further development and improvement of North Energy's management system and associated documentation is a priority job in the Company's corporate governance and risk management. Emphasis have been put on developing risk systems and internal control procedures adapted to the Company's strategy as an investment company. The Company's management system



is a good tool for the executive management and the workforce and reduces the risk of errors and misunderstandings. The system facilitates collaboration and learning and ensures continuity in the execution of the company's processes.

The executive management follows regularly up conditions which present the Company with a financial risk, and reports these to the Board. Reporting to the Board by the Company gives emphasis both to the on-going risk in daily operations and to risk associated with the investment opportunities presented. In addition,

the Board considers an overall risk assessment at least twice a year which takes account of all the Company's activities and the exposure these involve. The Board is also presented at regular intervals with the auditor's assessments of financial risk.

11. Remuneration of the Board of Directors

The Nomination Committee recommends the Directors' fees to the General Meeting, and takes account of their responsibility, qualifications, time taken and the complexity of the business. Directors' fees are not profit-related. North

Energy has not issued any options to its shareholder-elected Directors.

Apart from Mr. Onarheim's assignment in North Advisors described above, none of the shareholder-elected Directors have undertaken special assignments for North Energy other than those presented in this report, and none have received compensation from the Company other than normal Directors' fees.

12. Remuneration of executive personnel

The Board determines the remuneration of the Chief Executive, considering the responsibility involved, qualifications, the complexity of the work and the results achieved. Furthermore, the Board determines the principles for remuneration of other senior executives in the Company, which are outlined in the Annual Report. Further information is provided in the notes section of the annual financial statements.

13. Information and communications

North Energy keeps its shareholders and investors regularly informed about its commercial and financial status. The Board is conscientious that all stakeholders shall receive the same information at the same time, and all financial and commercial information are made available on the Company's website simultaneously. Stock exchange announcements are distributed through

www.newsweb.no and made available on the Company's website.

The annual financial statements for North Energy are made available on its website at least three weeks before the General Meeting. Interim reports are published within two months after the end of each quarter. Quarterly presentations are transmitted directly over the internet. North Energy publishes an annual financial calendar which is available on the Oslo Stock Exchange website. The Board emphasizes openness and equal treatment in relation to all relevant parties in the market and strives always to provide as correct a picture as possible of the Company's financial position.

14. Takeovers

North Energy's Articles of Association contain no restrictions on or defense mechanisms against the acquisition of the Company's shares. In accordance with its general responsibility for the management of North Energy, the Board will act in the best interests of all the Company's shareholders in such an event. Unless special grounds exist, the Board will not seek to prevent takeover offers for the Company's business or shares. Should an offer be made for the shares of North Energy, the Board will issue a statement with its recommendation as to whether shareholders should accept it.

15. Auditor

The annual financial statements are audited by PricewaterhouseCoopers AS. The Board receives and considers the auditor's report after the financial statements for the relevant year have been audited. The auditor submits an annual plan for the conduct of audit work and attends board meetings when the consideration of accounting matters requires their presence. In at least one of these meetings, the auditor makes a presentation to the Board without the executive management being present. The auditor presents a declaration of independence and objectivity. Relations with the auditor are regularly reviewed by the Board to ensure that the auditor exercises an independent and satisfactory control function. The Board presents the auditor's fee to the General Meeting for approval by the shareholders.

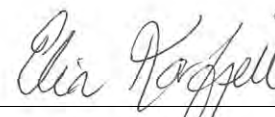


Anders Onarheim
Chair

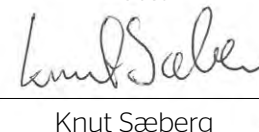


Jogeir Romestrand
Director

Oslo, 19th of March 2020



Elin Karijell
Director



Knut Sæberg
CEO

Financial Statements & Notes



Financial Statements – North Energy Group

Consolidated income statement

<i>(NOK 1 000)</i>	Note	2019	2018
Sales		883	(0)
Payroll and related expenses	5	(4 828)	(6 034)
Depreciation and amortisation	11, 16	(1 748)	(52)
Other operating expenses	6	(15 100)	(18 609)
Change in fair value of financial investments	21, 2	30 222	(8 054)
Net result from investments in associates	19	(23 462)	(2 466)
OPERATING PROFIT/(LOSS)		(14 033)	(35 215)
Financial income	17	1 647	3 024
Financial expenses	17	(600)	(5 529)
NET FINANCIAL ITEMS		1 046	(2 504)
PROFIT/(LOSS) BEFORE INCOME TAX		(12 986)	(37 719)
Income tax	15	(3 131)	2 726
PROFIT/(LOSS) FOR THE YEAR		(16 117)	(34 993)
Attributable to:			
Owners of North Energy ASA		(15 413)	(28 906)
Non-controlling interests		(704)	(6 087)
		(16 117)	(34 993)
EARNINGS PER SHARE (NOK per share)			
- Basic	13	(0,13)	(0,24)
- Diluted	13	(0,13)	(0,24)

Consolidated statement of comprehensive income

<i>(NOK 1 000)</i>	Note	2019	2018
PROFIT/(LOSS) FOR THE YEAR		(16 117)	(34 993)
OTHER COMPREHENSIVE INCOME, NET OF TAX:			
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		0	0
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(16 117)	(34 993)
Attributable to:			
Owners of North Energy ASA		(15 413)	(28 906)
Non-controlling interests		(704)	(6 087)
		(16 117)	(34 993)

Consolidated financial position

ASSETS

(NOK 1 000)


	Note	31.12.19	31.12.18
NON-CURRENT ASSETS			
Property, plant and equipment	16	0	83
Right-of-use assets	11	3 752	0
Financial investments	21	0	30 089
Investment in associates	19	80 733	98 453
Deferred tax asset	15	0	2 530
Other receivables	7	350	1 916
TOTAL NON-CURRENT ASSETS		84 836	133 070
CURRENT ASSETS			
Trade and other receivables	8	1 422	678
Financial investments, current	21	194 791	7 330
Cash and cash equivalents	9	28 013	248 441
TOTAL CURRENT ASSETS		224 226	256 449
TOTAL ASSETS		309 061	389 519

Consolidated financial position

EQUITY AND LIABILITIES

(NOK 1 000)

	Note	31.12.19	31.12.18
EQUITY			
Share capital	10	119 047	119 047
Treasury shares	10	(3 411)	0
Share premium		903 141	936 010
Other paid-in capital		30 691	30 691
Retained earnings		(732 070)	(709 227)
Non-controlling interests		(14 653)	8 476
TOTAL EQUITY		302 746	384 997
LIABILITIES			
Non-current liabilities			
Deferred tax liability	15	600	0
Leasing liabilities	11	2 068	0
TOTAL NON-CURRENT LIABILITIES		2 668	0
Current liabilities			
Leasing liabilities, current	11	1 805	0
Trade creditors		48	2 841
Tax payable	15	0	0
Other current liabilities	12	1 795	1 681
TOTAL CURRENT LIABILITIES		3 648	4 522
TOTAL LIABILITIES		6 316	4 522
TOTAL EQUITY AND LIABILITIES		309 061	389 519

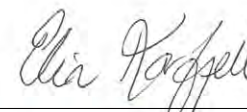


Anders Onarheim, Chair

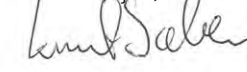


Jogeir Romestrand, Director

Oslo, 19 March 2020



Elin Karfjell, Director



Knut Sæberg, CEO

Consolidated statement of changes in equity

<i>(NOK 1 000)</i>	Share capital	Treasury shares	Share premium	Other paid-in capital	Retained earnings	Non-controlling interests	Total equity
Equity at 1 January 2018	119 047	0	936 010	30 691	(680 321)	14 562	419 990
Total comprehensive income for 2018					(28 906)	(6 087)	(34 993)
Equity at 31 December 2018	119 047	0	936 010	30 691	(709 227)	8 476	384 997
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 North Energy ASA		14 608	(32 869)		(2 307)		(20 567)
Paid dividend from subsidiary to non-controlling interests						(17 000)	(17 000)
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 2019					(15 413)	(704)	(16 117)
Equity at 31 December 2019	119 047	(3 411)	903 141	30 691	(732 070)	(14 653)	302 746

Consolidated cash flows statement

(NOK 1 000)	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before income tax		(12 986)	(37 719)
Adjustments:			
<i>Tax refunded</i>	15	0	233 227
<i>Depreciation</i>	11, 16	1 748	52
<i>Pensions</i>		148	47
<i>Transaction costs and interest on borrowings recognised in P&L</i>	17	0	1 417
<i>Change in fair value of financial investments</i>	21	(30 222)	8 054
<i>Net result from investments in associates</i>	19	23 462	2 466
<i>Changes in trade creditors</i>		(2 794)	2 313
<i>Changes in other accruals</i>		(947)	(1 857)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(21 591)	208 000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	0	(92)
Proceeds from sales of property, plant and equipment		0	677
Investments in associates	19	(8 971)	(11 599)
Dividends from associates	19	3 229	0
Purchase of financial investments	21	(176 135)	(25 032)
Proceeds from sales of financial investments		47 757	36 626
Proceeds/payments from other non-current receivables	7	1 417	10 541
NET CASH FLOWS FROM INVESTING ACTIVITIES		(132 703)	11 120

(NOK 1 000)

	Note	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of current borrowings		0	(35 579)
Transaction costs and interest on borrowings paid		0	(412)
Dividends paid from North Energy ASA	10	(20 567)	0
Dividends paid from subsidiary to non-controlling interests	19	(17 000)	0
Dividends paid from liquidated subsidiary to non-controlling interests	19	(10 605)	0
Purchase of treasury shares	10	(18 020)	0
Net proceeds from share issues		0	0
Share issues in subsidiary, contribution from non-controlling interests		57	0
Net cash flows from financing activities		(66 134)	(35 991)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(220 428)	183 129
Cash and cash equivalents at 1 January	9	248 441	65 312
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	28 013	248 441

NOTE 1 General information

The consolidated financial statements of North Energy were approved by the Board of Directors and CEO on March 19, 2020.

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

NOTE 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are laid out below. Unless otherwise stated, these policies have consistently been applied to all periods presented.

2.1 Basis for preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and in accordance with the additional requirements pursuant to the Norwegian Accounting Act.

The financial statements have been prepared on a historical cost basis.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of North Energy ASA and its subsidiaries. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies (control), generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when

assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and they are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between the Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition costs are expensed as incurred. The excess of the consideration transferred over the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. Each acquisition is considered individually, to determine whether the acquisition should be deemed to be a business combination or an asset acquisition. When acquisitions are deemed to be asset acquisitions, no deferred tax on initial differences between carrying values and tax bases are recorded.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet, respectively.

2.3 Investment in associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

The carrying amount of equity-accounted investments is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investment's fair value less costs of disposal and value in use.

2.4 Foreign currency

Functional currency and presentation currency

The Group's presentation currency is Norwegian kroner (NOK). This is also the parent company and the subsidiaries' functional currency.

Transactions in foreign currency

Foreign currency transactions are translated into NOK using the exchange rates on the transaction date. Monetary balances in foreign currencies are translated into NOK at the exchange rates on the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation and any impairment charges. Depreciation is calculated on a

straight-line basis over the asset's expected useful life and adjusted for any impairment charges. Expected useful lives of long-lived assets are reviewed annually, and where they differ from previous estimates, depreciation periods are changed accordingly. Ordinary repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. The costs of major renovations are included in the asset's carrying amount when it is probable that the company will derive future economic benefits. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit. Major assets with different expected useful lives are reported as separate components. Each component is depreciated on a straight-line basis over its expected useful life.

Property, plant and equipment are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs required to sell the asset and its value in use. The value in use is determined by reference to discounted future net cash flows expected to be generated by the asset. The difference between the asset's carrying amount and its recoverable amount is recognised in the income statement as impairment. Property, plant and equipment that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Leases (as lessee)

Until 2018, leases in which most of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease.

The Group adopted IFRS 16 - Leases from 1 January 2019. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosures

of leases and replaces IAS 17 and other previous guidance on lease accounting within IFRS. IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For each contract that meets this definition, IFRS 16 requires lessees to recognize a right-of-use asset and a lease liability in the balance sheet with certain exemptions for short term and low value leases. Lease payments are to be reflected as interest expense and a reduction of lease liabilities, while the right-of-use assets are to be depreciated over the shorter of the lease term and the assets' useful life. Lease liabilities are measured at the present value of remaining lease payments, discounted using the Company's calculated borrowing rate. Right-of-use assets are measured at an amount equal to the lease liability.

2.7 Financial assets

The Group's financial assets are: listed and non-listed equity instruments, receivables and cash and cash equivalents. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group classified its financial assets in four categories:

- Financial assets at amortized cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit and loss

Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Groups financial assets at amortized cost includes trade receivables and other short-term deposits.

Receivables are initially recognised at fair value less impairment losses

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

2.9 Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction/issue costs associated

with the borrowing. After initial recognition, interests-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between the consideration received net of transaction/issue costs associated with the borrowing and the redemption value, is recognised in the income statement over the term of the loan.

2.10 Taxes

Income taxes for the period comprises tax payable and changes in deferred tax.

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are calculated based on existing temporary differences between the carrying amounts of assets and liabilities in the financial statements and their tax bases, together with tax losses carried forward at the balance sheet date. Deferred tax assets and liabilities are calculated based on the tax rates and tax legislation that are expected to exist when the assets are realised or the liabilities are settled, based on the tax rates and tax legislation that have been enacted or substantially enacted on the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that the deferred tax asset can be utilised. Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

2.11 Defined contribution pension plans

The Group's payments under defined contribution pension plans are recognised in the income statement as employee benefits expense for the year to which the contribution applies.

2.12 Provisions

A provision is recognised when the company has a present legal or constructive obligation resulting from past events, it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision owing to passage of time is recognised as a financial cost.

The Group recognises a provision and an expense for severance payments when there exists a legal obligation to make severance payments.

The Group recognises a provision and an expense for bonuses to employees, when the company is contractually obliged or where there is a past practice that has created a constructive obligation.

2.13 Trade creditors

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Financial investments

Financial investments are measured at fair value. Changes in fair value are recognized in profit and loss under operating items. The Board and management of the Company is following up all investments at fair value according to the business model of the Company.

2.15 Revenue recognition

Revenues from sales of services are recorded over time when the service are performed. There were no receivables or other contract assets at 31 December 2019.

2.16 Contingent liabilities

Contingent liabilities are not recognised in the financial statements unless an outflow of resources embodying economic benefit has become probable. Significant contingent liabilities are disclosed, except for contingent liabilities where the probability of the liability occurring is remote.

2.17 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the parent company using the weighted average number of ordinary shares outstanding during the year after deduction of the average number of treasury shares held over the period.

The calculation of diluted earnings per share is consistent with the calculation of the basic earnings per share, but gives at the same time effect to all dilutive potential ordinary shares that were outstanding during the period, by adjusting the profit/loss and the weighted average number of shares outstanding for the effects of all dilutive potential shares, i.e.:

- The profit/loss for the period is adjusted for changes in profit/loss that would result from the conversion of the dilutive potential ordinary shares.
- The weighted average number of ordinary shares is increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.18 Segment reporting

The Group reports only one business segment which, after the discontinued exploration activities, only includes the investment activities.

Based on this, no segment note is presented, and this is in accordance with management's reporting.

2.19 Cost of equity transactions

Transaction costs directly linked to an equity transaction are recognised directly in equity, net after deducting tax.

2.20 Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

2.21 Cash Flows Statement

The cash flows statement is prepared by using the indirect method.

2.22 Events after the balance sheet date

The financial statements are adjusted to reflect events after the balance sheet date that provide evidence of conditions that existed at the balance sheet date (adjusting events). The financial statements are not adjusted to reflect events after the balance sheet date that are indicative of conditions that arose after the balance sheet date (non-adjusting events). Non-adjusting events are disclosed if significant.

2.23 Changes in accounting policies and disclosures

(a) New and amended standards and interpretations adopted by the Group

The Group has adopted the IFRS 16 Leases effective from 1 January 2019. The implementation of IFRS 16 resulted in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the

right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Group adopted the standard using the modified retrospective approach. The implementation had no impact on net equity and resulted in an increase of NOK 5.4 million in property, plant and equipment with a corresponding increase in liabilities, of which NOK 3.6 million is classified as non-current liabilities and NOK 1.8 million is classified as current liabilities. The Groups leasing portfolio consists of leased office space. See note 11.

(b) New and amended standards and interpretations issued but not adopted by the Group

A number of new standards or amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing these consolidated financial statements. None of these new standards and amendments to standards and interpretations are expected to have any significant impact on the Group's financial statements.

NOTE 3 [Financial risk management](#)

3.1 Financial risks

The Group is exposed to a variety of risks, including credit risk, interest rate risk, liquidity risk and currency risk.

This note presents information about the Group's exposure to each of the aforementioned risks, and the Group's objectives, policies and processes for managing such risks. The note also presents the Group's objectives, policies and processes for managing capital.

(a) Credit risk

The Group is mainly exposed to credit risk related to bank deposits. The exposure to credit risk is monitored on an ongoing basis. As all counterparties have a high credit rating, there are no expectations that any of the counterparties will not be able to fulfil their liabilities. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Interest rate risk

At 31 December 2019 and 2018 the Group has no interest-bearing borrowings with floating interest rate conditions and is consequently not exposed to interest rate risk.

(c) Liquidity risk

The Group's liquidity risk is the risk that it will not be able to pay its financial liabilities as they fall due. The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its financial liabilities as they fall due, under normal as well as extraordinary circumstances, without incurring unacceptable losses or risking damage to the Group's reputation. Sufficient liquidity will be held in regular bank accounts at all times to cover expected payments relating to operational activities and investment activities.

The Group's financial liabilities are short-term and fall due within 12 months.

(d) Currency risk

The parent company and the subsidiaries' functional currency is the NOK, and the Group is exposed to foreign exchange rate risk related to the value of NOK relative to other currencies. The Group is exposed to currency risk related to its activities mainly because parts of the Group's investments are USD-based. The Group has not entered into any agreements to reduce its exposure to foreign currencies.

3.2 Capital management

The Group's aim for management of capital structure is to secure the business in order to yield profit to shareholders and contributions to other stakeholders. In addition, a capital structure at its optimum will reduce the costs of capital. To maintain or change the capital structure in the future, the Group can pay dividends to its shareholders, issue new shares or sell assets to reduce debt. The Group may buy its own shares. The point of time for this is dependent on changes in market prices.

The Group monitors its capital structure using an equity ratio, which is total equity divided by total assets. As of December 31, 2019, the equity ratio was 98.0% (98.8% as of December 31, 2018).

The company will handle any increased future capital requirements by selling assets, raising new capital, taking up loans, establishing strategic alliances or any combination of these, and by adjusting the company's activity level if necessary.

NOTE 4 Critical accounting estimates and judgements

4.1 Critical accounting estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires management to make judgements and use estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis.

Estimates and assumptions which represent a considerable risk for material changes in carrying amounts of assets and liabilities during the next fiscal year are presented below.

a) Potential tax claim

See note 15 for information about possible changes of the Company's tax returns from the years 2014 and 2015.

b) Deferred tax/tax assets

Most critical estimates influencing the carrying amount are related to valuations/judgement of utilisation of deferred tax assets. See note 15.

NOTE 5 Payroll and related expenses, remuneration of directors and management

<i>Amounts in NOK 1 000</i>	2019	2018
Salaries	3 917	4 836
Payroll tax	670	825
Pension costs	141	366
Other benefits	99	6
Total	4 828	6 034
Average number of employees	3,0	4,4

All employees are per 31 December 2019 employed by the holding company North Energy ASA.

Pensions

The group has a defined contribution pension plan. The pension arrangements fulfil the requirements of the Norwegian Act on mandatory occupational pensions.

Remuneration to directors and management in 2019:

<i>Amounts in NOK 1 000</i>	Directors' fees	Salaries	Pension	Other *
Management **				
Knut Sæberg (CEO)		2 023	77	29
Board of directors				
Anders Onarheim (chair)	225			
Elin Karfjell (director)	225			
Jogeir Romestrand (director)	225			
Total	675	2 023	77	29

* Other includes allowances to cover telephone and internet, group life insurance and travel insurance.

** Figures for remuneration to management are exclusive payroll tax.

Remuneration to CEO:

The company's CEO has an agreement with an annual salary of NOK 2,0 million. Other benefits include regular allowances to cover telephone, internet, pension, group life insurance and travel insurance. In addition, he is included in the general employee bonus programme as determined by the board of directors. The bonus is limited to 4 months of salary. The bonus is linked to the achievement of specified parameters. Both financial and non-financial parameters are used. In the event of resignation at the request of the board of directors, the CEO has a right to a severance payment equivalent to two years of gross fixed salary. If the CEO resigns, there is no severance payment.

Remuneration to directors and management in 2018:

<i>Amounts in NOK 1 000</i>	Directors' fees	Salaries	Pension	Other *
Management **				
Knut Sæberg (CEO)		2 038	81	25
Board of directors				
Anders Onarheim (chair)	225			
Elin Karfjell (director)	225			
Jogeir Romestrand (director)	225			
Total	675	2 038	81	25

* Other includes allowances to cover telephone and internet, group life insurance and travel insurance.

** Figures for remuneration to management are exclusive payroll tax.

The board of directors' declaration regarding determination of salary and other remuneration to management employees

"The board of directors shall prepare a declaration in accordance with the Norwegian Public Limited Liability Companies Act (Allmennaksjeloven) §6-16a. In accordance with the Norwegian Accounting Act §7-31b, the content of this declaration is presented.

The main principle for the company is that remuneration to management is competitive in a way that the company is able to attract and retain competent management employees. The remuneration shall primarily be based on achievement of results but also on individual criteria such as experience and area of responsibility. The remuneration system for management employees shall further encourage a strong and lasting profit oriented organisation which contributes to increasing the shareholder value.

Total remuneration to management employees includes:

(1) Market-based fixed salary.

(2) Bonus. The CEO is included in the general employee bonus programme. The bonus is limited to 4 months of salary. The bonus is linked to the achievement of specified parameters. Both financial and non-financial parameters are used.

(3) Pension and insurance. The CEO is included in the general pension and insurance scheme.

(4) Severance payment. The CEO has agreement covering severance payment. In the event of resignation at the request of the board of directors, he has the right to a severance payment equivalent to two years of gross fixed salary.

(5) Other benefits such as regular allowances to cover telephone, internet and travel insurance.

NOTE 6 Other operating expenses and remuneration to auditor

<i>Amounts in NOK 1 000</i>	2019	2018
Travelling expenses	290	438
Lease expenses	0	2 867
Consultant and other fees	13 488	13 613
Other administrative expenses	1 322	1 691
Total	15 100	18 609

Remuneration to auditor is allocated as specified below:

<i>Amounts in NOK 1 000</i>	2019	2018
Audit	440	306
Attestations	164	35
Other assistance	174	44
Total, excl. VAT	778	385

NOTE 7 Other non-current receivables

<i>Amounts in NOK 1 000</i>	2019	2018
Deposit	0	1 417
Premium fund pensions, (prepaid premium)	350	498
Total	350	1 916

NOTE 8 Trade and other assets

Trade and other assets consist of:

<i>Amounts in NOK 1 000</i>	2019	2018
Prepaid expenses	12	24
Premium fund pensions, (prepaid premium)	182	72
Receivable from sale of shares	1 228	0
VAT receivable	1	582
Total	1 422	678

NOTE 9 Cash and cash equivalents

<i>Amounts in NOK 1 000</i>	2019	2018
Bank deposits	28 013	248 441
Total cash and cash equivalents	28 013	248 441
Of this:		
Restricted cash for withheld taxes from employees salaries	217	208

NOTE 10 Share capital and shareholder information

	2019	2018
Number of outstanding shares at 1 January	119 047 065	119 047 065
New shares issued during the year:		
Issued in exchange for cash	0	0
Number of outstanding shares at 31 December *	119 047 065	119 047 065
Nominal value NOK per share at 31 December	1,00	1,00
Share capital NOK at 31 December	119 047 065	119 047 065

* Inclusive 1,795,472 treasury shares.

In February 2019 the Company announced a share buy-back program where the shareholders were offered to sell the higher of 2,000 shares and 15% of their individual shareholding. The buy-back price was set to NOK 1.9 per share which represented a premium of approximately 4 per cent compared to the closing price on Oslo Børs 19 February 2019. The offer was well received, and the Company purchased in total 9,484,038 own shares from shareholders. The shares was to be used in connection with the dividend distribution described below.

On 28 May 2019 the Annual General Meeting (AGM) approved the Board's proposal for dividend distribution to the shareholders of NOK 0.3 per share, amounting to a total of NOK 32.9 million. The dividend decision included an option for shareholders to subscribe for new shares using the dividend amount. A subscription period took place after the AGM and in June a total number of 7,688,566 shares were distributed as dividend, while NOK 20.6 million was distributed as cash dividend. After the distribution of new shares as dividend the company have a remaining number of 1,795,472 own shares.

North Energy ASA has one share class with equal rights for all shares.

Main shareholders as of 31 December 2019:

Shareholder	Number of shares	% share
AB INVESTMENT AS	20 843 776	17,5%
CELISA CAPITAL AS	8 659 300	7,3%
ISFJORDEN AS	6 521 803	5,5%
JPB AS	4 096 875	3,4%
TRIOMAR AS	3 000 000	2,5%
CORUNA AS	2 750 000	2,3%
SALTEN KRAFTSAMBAAND AS	2 467 723	2,1%
TAJ HOLDING AS	1 917 812	1,6%
NORTH ENERGY ASA	1 795 472	1,5%
NORDNET LIVSFORSIKRING AS	1 739 604	1,5%
ARNT HAGEN HOLDING AS	1 488 214	1,3%
BAKKANE ARVID	1 405 743	1,2%
SANDBECH SVEIN TERJE OLIMB	1 355 994	1,1%
ORIGO KAPITAL AS	1 343 569	1,1%
ROME AS	1 300 000	1,1%
BOYE HANS JØRGEN	1 263 153	1,1%
PEDERSEN ROLF IVAR	1 062 000	0,9%
REYNOLDS DAG WILFRED	1 050 000	0,9%
SPITSBERGEN AS	975 939	0,8%
SÆBERG KNUF	972 352	0,8%
Total 20 largest shareholders	66 009 329	55,4%
Other shareholders	53 037 736	44,6%
Total	119 047 065	100,0%

Number of shares owned by management and directors at 31 December 2019:

Management		
Knut Sæberg (CEO)	972 352	0,8%
Didrik Leikvang (partner in North Advisors AS)	6 521 803	5,5%
Rachid Bendriss (partner in North Advisors AS)	8 659 300	7,3%
Board of Directors		
Anders Onarheim (chairman and partner in North Advisors AS), through AB Investment AS, Liju Invest AS and Spitsbergen AS	22 318 465	18,7%
Jogeir Romestrånd (director), through Rome AS	1 300 000	1,1%
Elin Karfjell (director), through Elika AS	267 700	0,2%
Total	40 039 620	33,6%

Number of shares owned by management and directors at 31 December 2018:

Management		
Knut Sæberg (CEO)	818 822	0,7%
Didrik Leikvang (partner in North Advisors AS)	5 492 044	4,6%
Rachid Bendriss (partner in North Advisors AS)	7 292 042	6,1%
Board of Directors		
Anders Onarheim (chairman and partner in North Advisors AS), through AB Investment AS, Liju Invest AS and Spitsbergen AS	18 624 130	15,6%
Jogeir Romestrånd (director), through Rome AS	1 300 000	1,1%
Elin Karfjell (director), through Elika AS	267 700	0,2%
Total	33 794 738	28,16 %

NOTE 11 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:

Amounts in NOK 1 000

Right-of-use assets	Office facilities
Acquisition cost at initial application 1 January 2019	5 420
Addition of right-of-use assets	0
Acquisition cost 31 December 2019	5 420
Accumulated depreciation and impairment 1 January 2019	0
Depreciation	(1 668)
Impairment	0
Accumulated depreciation and impairment 31 December 2019	(1 668)
Carrying amount of right-of-use assets 31 December 2019	3 752
Lower of remaining lease term or economic life	3.25 years
Depreciation method	Linear

Leasing liabilities:

Lease liabilities at initial application 1 January 2019	5 420
Additions new lease contracts	0
Accretion lease liabilities	217
Payments of lease liabilities	(1 763)
Total leasing liabilities 31 December 2019	3 873

Break down of lease debt:

Short-term	1 805
Long-term	2 068
Total lease debt	3 873

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

	2019	2018
Within 1 year	1 808	1 805
1 to 5 years	2 327	4 232
After 5 years	-	-
Total	4 135	6 037

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

NOTE 12 Other current liabilities

<i>Amounts in NOK 1 000</i>	2019	2018
Public duties payable	373	376
Holiday pay	446	458
VAT payable	1	0
Other accruals for incurred costs	975	847
Total	1 795	1 681

NOTE 13 Earnings per share

<i>Amounts in NOK 1 000</i>	2019	2018
Profit/(loss) for the year attributable to owners of North Energy ASA (NOK 1 000)	(15 413)	(28 906)
Weighted average number of shares outstanding including treasury shares	119 047 065	119 047 065
Weighted average number of treasury shares outstanding	(3 547 753)	
Weighted average number of shares outstanding excluding treasury shares	115 499 312	119 047 065
Earnings per share (NOK per share)		
- Basic	(0,13)	(0,24)
- Diluted	(0,13)	(0,24)

NOTE 14 Related parties

The company's transactions with related parties:

Amounts in NOK 1 000

(a) Purchases of services

Purchase of services from	Description of services	2019	2018
North Advisors AS	Consultancy services	8 501	8 142

North Energy ASA and North Energy Capital AS have entered into an advisory agreement with North Advisors AS, whereby North Energy will outsource certain strategic, financial and business advisory services to North Advisors AS. North Advisors AS is an advisory company owned by a group of key stakeholders of North Energy ASA, consisting of Anders Onarheim, Rachid Bendriss and Didrik Leikvang. As remuneration for its services, North Advisors AS will receive a fee equivalent to 2 per cent per year based on the consolidated book equity of North Energy ASA. The fee is calculated on a quarterly basis.

(b) Remuneration to management and directors

Refer to note 5.

(c) Overview of subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Location
North Energy Capital AS (owned 80% by North Energy ASA)	Norway
North E&P AS (owned 100% by North Energy Capital AS)	Norway

North Energy Norge AS (former owned 100% by North Energy Capital AS) has in 2019 been sold to North Energy ASA, and thereafter merged into North Energy ASA.

Accello Partners I AS (former owned 90.42% by North Energy Capital AS) has been liquidated in 2019.

NOTE 15 Tax

North E&P AS ("Company") received on 23rd October 2018 a notice from the Petroleum Taxation Office ("OTO") of possible changes of the Company's tax returns from the years 2014 and 2015. For these two years North Energy's total expenses eligible for refund amounted to NOK 970 million. OTO has in the notice challenged NOK 146 million of these expenses, with a corresponding exploration tax refund of NOK 114.2 million. In the notice, OTO claims that North Energy have incurred this cost to take advantage of the refund system and not for adequate operational reasons. North Energy strongly disputes both the content and the conclusion of the notice. The Company's judgement is that it is more likely than not that OTO will waive the potential claim or that the Company's position will eventually be sustained. However, the Board of North E&P has taken necessary measures to ensure sufficient financial cover of the potential tax claim.

Specification of income tax:

<i>Amounts in NOK 1 000</i>	2019	2018
Tax payable	0	0
Change deferred tax	(3 131)	2 726
Total income tax credit	(3 131)	2 726

Specification of temporary differences, tax losses carried forward, deferred tax asset and tax receivable from refund tax value offshore tax losses

<i>Amounts in NOK 1 000</i>	2019	2018
Property, plant and equipment	3 427	(423)
Pensions	532	570
Trade and other receivables	0	(2 076)
Leasing liabilities	(3 873)	0
Financial investments	30 523	8 782
Tax losses carried forward, onshore	(75 777)	(58 359)
Tax losses carried forward, offshore 22%	0	(2 756)
Tax losses carried forward, offshore 56%	0	(3 436)
Total basis for deferred tax asset	(45 169)	(57 698)
Deferred tax asset before valuation allowance	9 937	13 862
Uncapitalised deferred tax asset (valuation allowance)	(10 537)	(11 331)
Deferred tax asset/(liability)	(600)	2 530

Reconciliation of effective tax rate:

<i>Amounts in NOK 1 000</i>	2019	2018
Profit/(loss) before income tax	(12 986)	(37 719)
Expected income tax 22% (2018: 23%)	2 857	8 675
Adjusted for tax effects (22% - 78%) of the following items:		
Permanent differences	(5 708)	(4 153)
Adjustments previous years	(1 924)	(162)
Finance items and different tax rates within the group	0	1 890
Changed tax rates	0	(552)
Change in valuation allowance for deferred tax assets	1 644	(2 972)
Total income tax credit	(3 131)	2 726

NOTE 16 Property, plant and equipment

Amounts in NOK 1 000

	Equipment, office machines, etc
2019	
Cost:	
At 1.1.2019	400
Additions	0
Disposals	(122)
At 31.12.2019	278
Depreciation and impairment:	
At 1.1.2019	(318)
Depreciation this year	(80)
Impairment this year	
Disposals	120
At 31.12.2019	(278)
Carrying amount at 31.12.2019	0

2018	
Cost:	
At 1.1.2018	51 607
Additions	92
Disposals	(51 299)
At 31.12.2018	400

Depreciation and impairment:

At 1.1.2018	(51 573)
Depreciation this year	(52)
Impairment this year	
Disposals	51 308
At 31.12.2018	(318)

Carrying amount at 31.12.2018

	83
Economic life	3-10 years
Depreciation method	linear

NOTE 17 Finance income and costs

Finance income:

<i>Amounts in NOK 1 000</i>	2019	2018
Interest income bank deposits	892	579
Interest income on tax refund	0	1 058
Interest income on bonds	695	510
Foreign exchange gain	60	876
Other finance income	0	1
Total finance income	1 647	3 024

Finance costs:

<i>Amounts in NOK 1 000</i>	2019	2018
Interest expenses and transaction costs on current borrowings	0	1 417
Other interest expenses	557	301
Foreign exchange loss	43	160
Loss from receivables related to investments	0	3 650
Other finance costs	0	1
Total finance costs	600	5 529

NOTE 18 Financial instruments

(a) Categories of financial instruments at 31 December 2019:

<i>Amounts in NOK 1 000</i>	Financial assets measured at amortised cost	Financial assets at fair value through profit and loss
Assets:		
Financial investments, non-current		0
Financial investments, current		194 791
Cash and cash equivalents	28 013	
Total	28 013	194 791

<i>Amounts in NOK 1 000</i>	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit or loss
Liabilities:		
Trade creditors	48	
Total	48	0

at 31 December 2018:

<i>Amounts in NOK 1 000</i>	Financial assets measured at amortised cost	Financial assets at fair value through profit and loss
Assets:		
Financial investments, non-current		30 089
Financial investments, current		7 330
Cash and cash equivalents	248 441	
Total	248 441	37 419

<i>Amounts in NOK 1 000</i>	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit and loss
Liabilities:		
Trade creditors	2 841	
Total	2 841	0

NOTE 18 Financial instruments (continued)

(b) 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 bond funds and 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 31.12.2019	Level 1	Level 2	Level 3	Total
Shares	61 749			61 749
Bonds		9 614		9 614
Bond funds		123 428		123 428
Total fair value	61 749	133 042	0	194 791

There has been no transfer between level 1 and level 2 during 2019.

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

Fair Value 31.12.2018	Level 1	Level 2	Level 3	Total
Shares	28 590		0	28 590
Bonds		8 828		8 828
Total fair value	28 590	8 828	0	37 419

(c) Creditworthiness of financial assets

The group does not have a system that separates receivables and loans by counterparty credit rating. Cash and cash equivalents are receivables from banks, and Standard & Poor's credit rating of these banks is presented below:

	2019	2018
Bank deposits:	28 013	248 441
<i>Amounts in NOK 1 000</i>		
No external credit rating		
A		
AA-	28 013	248 441
Total	28 013	248 441

(d) Financial risk factors

See note 3 for financial risk factors and risk management, sensitivity analysis and capital management.

NOTE 19 Investment in associates

Reconciliation and specification of carrying amount of investments in associates:

<i>Amounts in NOK 1 000</i>	2019	2018
Opening balance carrying amount of investments in associates	98 453	89 320
Acquisition cost additional shares acquired, Reach Subsea	8 971	4 605
Acquisition cost shares acquired, Tyveholmen AS	0	6 994
Impairment/reversal of impairment of investment, Reach Subsea	(12 108)	891
Share of net result in investment, Reach Subsea	(11 698)	(3 411)
Share of net result in investment, Tyveholmen AS	344	54
Dividend received, Reach Subsea	(3 229)	0
Total carrying amount of investments in associates at balance date	80 733	98 453
Consist of:		
Reach Subsea ASA	73 341	91 404
Tyveholmen AS	7 392	7 048
Total carrying amount of investments in associates at balance date	80 733	98 453

Specification of net result from investments in associates recognised in the income statement:

<i>Amounts in NOK 1 000</i>	2019	2018
Impairment/reversal of impairment of investment, Reach Subsea	(12 108)	891
Share of net result in investment, Reach Subsea	(11 698)	(3 411)
Share of net result in investment, Tyveholmen AS	344	54
Net result from investments in associates	(23 462)	(2 466)

Ownership interests in associates at 31 December:	2019	2018
Reach Subsea ASA	32,13 %	29,49 %
Tyveholmen AS	50,00 %	50,00 %

Financial figures for the associated company Reach Subsea ASA:

<i>Amounts in NOK million (100% basis, unaudited)</i>	2019	2018
Revenues	508 531	675 265
EBITDA	171 406	274 871
Pre-tax profit	(35 685)	(9 155)
Liquidty	38 657	63 277
Net working capital	32 445	54 907
Net interest bearing debt	143 862	85 468
Equity	165 831	211 249

The share price of Reach Subsea at year end was NOK 1.59 per share, equivalent to a market based value of NOK 228.3 million. North Energy's relative share of this was NOK 73.3 million, based on the ownership of 32.13%.

Non-controlling interests in subsidiaries:

At year end the group has non-controlling interests in the consolidated subsidiaries listed below.

<i>Subsidiary</i>	<i>Minority owner</i>	<i>Non-controlling interests</i>
North Energy Capital AS	North Advisors AS	20.00 %

North Energy Capital AS has in 2019 completed the repayment of the preference capital to North Energy ASA.

In addition, North Energy Capital AS has paid dividend to non-controlling interests of NOK 17 million during 2019. Total dividend payment was NOK 85 million, of which NOK 17 million was paid to non-controlling interest North Advisors AS and NOK 68 million was paid to North Energy ASA.

Accello Partners I AS (former owned 90.42% by North Energy Capital AS) has been liquidated in 2019. Paid dividend to non-controlling interests of 9.58% in connection with the liquidation was NOK 10.6 million.

NOTE 20 Contingent liabilities

With reference to the potential claim from OTO described in Note 15, where North E&P has received a notice of a possible change of the company's tax returns from 2014 and 2015 and consequently a potential tax claim of NOK 114.2 million excluding interests. North Energy's judgement is that it is more likely than not that OTO will waive the potential claim or that the Company's position will eventually be sustained, hence the Company has not accounted for the contingent liability in the statement of Financial Position.

As of 31 December 2019 the group is not involved in any other legal or financial disputes.

NOTE 21 Financial investments, non-current and current

Financial investments include:

<i>Amounts in NOK 1 000</i>	2019	2018
Stock exchange-listed shares	0	21 260
Bonds	0	8 828
Total carrying amount financial investments, non-current	0	30 089

<i>Amounts in NOK 1 000</i>	2019	2018
Stock exchange-listed shares	61 749	7 330
Bonds	9 614	
Bond funds	123 428	
Total carrying amount financial investments, current	194 791	7 330

The main investments at 31 December 2019 consist of bond funds (DnB and Pareto funds), shares in Touchstone Exploration, shares in Polarcus and bonds in InterOil Exploration.

The main investments at 31 December 2018 consisted of shares in Touchstone Exploration, shares in Polarcus and bonds in InterOil Exploration.

<i>Amounts in NOK 1 000</i>	2019	2018
Change in fair value recognised in income statement under operating items	30 222	(8 054)
Interest income bonds recognised as finance income	695	510

T

NOTE 22 Events after the balance sheet date

In 2020 the coronavirus has spread throughout the world and has been declared a pandemic situation. Many countries, including Norway, has been “closed down” and in others the business and social activities have been reduced significantly on a voluntary basis. At the same time the oil price has dropped severely. The Norwegian government is offering financial rescue packages to stabilize the economy, however, for the time being the markets are in a disarray with a significant value-reducing effect for North Energy’s investments. It is uncertain when the coronavirus will disappear, and it is also uncertain how long time the markets will need to recover.

The Reach Subsea share price has declined by over 35% subsequent to December 31, 2019 which has reduced the fair value of the ownership by North Energy to around NOK 50 million. This decline in fair value has not been reflected in the carrying value as of December 31, 2019

Financial Statements – North Energy ASA



Financial Statements – North Energy ASA

Income statement

<i>(NOK 1 000)</i>	Note	2019	2018
Sales		883	0
Payroll and related expenses	5	(3 047)	(221)
Depreciation and amortisation	15, 16	(1 690)	(0)
Other operating expenses	6	(12 337)	(11 628)
Change in fair value of financial investments	19	25 282	4 379
Net result from investments in associates	20	(32 268)	54
Operating profit/(loss)		(23 176)	(7 415)
Financial income	17	106 657	960
Financial expenses	17	(525)	(261)
Net financial items		106 133	699
Profit/(loss) before income tax		82 957	(6 716)
Income tax	14	0	0
Profit/(loss) for the year		82 957	(6 716)

Statement of comprehensive loss

<i>(NOK 1 000)</i>	Note	2019	2018
PROFIT/(LOSS) FOR THE YEAR		82 957	(6 716)
Other comprehensive income, net of tax:			
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		0	0
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		82 957	(6 716)

Statement of financial position

ASSETS

(NOK 1 000)

	Note	31.12.19	31.12.18
ASSETS			
Non-current assets			
Property, plant and equipment	15	211	27
Right-of-use assets	16	3 752	0
Investment in subsidiaries	12	1 028	111 800
Financial investments	19	0	8 828
Investment in associates	20	80 733	7 048
Deferred tax asset	14	0	0
Other receivables	7	350	1 916
TOTAL NON-CURRENT ASSETS		86 075	129 620
CURRENT ASSETS			
Trade and other receivables	8	2 408	3 348
Financial investments, current	19	71 363	887
Cash and cash equivalents	9	32 918	11 871
TOTAL CURRENT ASSETS		106 688	16 106
TOTAL ASSETS		192 763	145 726

EQUITY AND LIABILITIES

EQUITY			
Share capital	10	119 047	119 047
Treasury shares	10	(3 411)	0
Share premium		903 141	936 010
Other paid-in capital		30 691	30 691
Retained earnings		(862 367)	(942 657)
Total equity		187 101	143 091
LIABILITIES			
NON-CURRENT LIABILITIES			
Leasing liabilities	16	2 068	0
TOTAL NON-CURRENT LIABILITIES		2 068	0
CURRENT LIABILITIES			
Leasing liabilities, current	16	1 805	0
Trade creditors		44	1 591
Other current liabilities	11	1 745	1 043
TOTAL CURRENT LIABILITIES		3 594	2 634
TOTAL LIABILITIES		5 663	2 634
TOTAL EQUITY AND LIABILITIES		192 763	145 726

Oslo, 19th of March, 2020



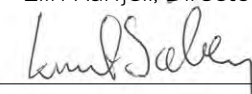
Anders Onarheim, Chair



Jogeir Romestrand, Director



Elin Karfjell, Director



Knut Sæberg, CEO

Statement of changes in equity

<i>(NOK 1 000)</i>	Share capital	Treasury shares	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1 January 2018	119 047	0	936 010	30 691	(935 940)	149 808
Total comprehensive income for 2018					(6 716)	(6 716)
Equity at 31 December 2018	119 047	0	936 010	30 691	(942 657)	143 091
Equity at 1 January 2019	119 047	0	936 010	30 691	(942 657)	143 091
Acquired treasury shares		(18 020)				(18 020)
Paid dividend from North Energy ASA		14 608	(32 869)		(2 307)	(20 567)
Effect from merger with subsidiary, see note 1					(360)	(360)
Total comprehensive income for 2019					82 957	82 957
Equity at 31 December 2019	119 047	(3 411)	903 141	30 691	(862 367)	187 101

Cash flows statement

<i>(NOK 1 000)</i>	Note	2019	2018
Cash flows from operating activities			
Loss before income tax		82 957	(6 716)
Adjustments:			
Depreciation	15, 16	1 690	0
Pensions		148	47
Change in fair value of financial investments	19	(25 282)	(4 379)
Net result from investments in associates	20	32 268	(54)
Dividend from subsidiaries in income statement	17	(105 288)	0
Changes in trade creditors		(1 564)	1 433
Changes in other accruals		213	(2 234)
Net cash flows from operating activities		(14 860)	(11 904)
Cash flows from investing activities			
Purchase of property, plant and equipment	15	0	(28)
Received repayment of preference capital from subsidiary	12	0	25 000
Investment in associates	20	0	(6 994)
Dividends from associates	20	3 229	
Purchase of financial investments	19	0	(1 696)
Proceeds from sales of financial investments	19	2 049	2 468
Investment in subsidiaries	12	(228)	0
Dividend from subsidiaries	17	68 000	0
Proceeds/payments from other non-current receivables	7	1 417	(22)
Net cash flow from merger with subsidiary	1	27	0
Net cash flows from investing activities		74 493	18 729
Cash flows from financing activities			
Dividends paid	10	(20 567)	0
Purchase of treasury shares	10	(18 020)	0
Proceeds from share issues		0	0
Net cash flows from financing activities		(38 587)	0
Net change in cash and cash equivalents		21 047	6 824
Cash and cash equivalents at 1 January	9	11 871	5 046
Cash and cash equivalents at 31 December	9	32 918	11 871

NOTE 1 [General information](#)

North Energy ASA is a public limited company incorporated and domiciled in Norway, with its main office located in Oslo. The company'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.

The financial statements were approved by the board of directors and CEO on March 19, 2020.

Merger with subsidiary North Energy Norge AS:

In 2019 the former wholly owned subsidiary North Energy Norge AS was merged into North Energy ASA. The merger, which has been accounted for based on continuity, was carried out for accounting purposes as of 1 November 2019. As a result of the merger the net equity of the Company was reduced with NOK 360 thousand. The merger was 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. All of North Energy Norge AS' employees, assets, rights and obligations have been transferred to North Energy ASA without consideration.

NOTE 2 [Summary of significant accounting policies](#)

2.1 Basis for preparation

The financial statements of North Energy ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the additional requirements pursuant to the Norwegian Accounting Act.

2.2 Accounting policies

Accounting policies described in the consolidated financial statements of North Energy Group also applies for North Energy ASA. See description of accounting policies in note 2 to the consolidated financial statements of North Energy Group.

Investment in subsidiaries are in the financial statements of North Energy ASA (parent company) valued at cost, less any necessary impairment. Impairment to recoverable amount will be carried out if impairment indicators are present and recoverable amount is less than book value. Recoverable amount is the higher of the asset's fair value less costs required to sell the asset and its value in use. Impairments are reversed when the cause and basis of the initial impairment is no longer present.

NOTE 3 [Financial risk management](#)

See note 3 in the consolidated financial statements.

NOTE 4 [Critical accounting estimates and judgements](#)

See note 4 in the consolidated financial statements.

NOTE 5 Payroll and related expenses, remuneration of directors and management

Payroll and related expenses:

<i>Amounts in NOK 1 000</i>	2019	2018
Salaries	2 352	2 038
Payroll tax	440	407
Pension costs	52	86
Other benefits	23	10
Net payroll and related expenses charged from/(to) subsidiaries	179	(2 320)
Total	3 047	221

Average number of employees	1,3	1,0
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Pensions

The company has a defined contribution pension plan. The pension arrangements fulfil the requirements of the Norwegian Act on mandatory occupational pensions.

Remuneration to directors and management:

See note 5 in the consolidated financial statements.

The board of directors' declaration regarding determination of salary and other remuneration to management employees

See note 5 in the consolidated financial statements.

NOTE 6 Other operating expenses and remuneration to auditor

Other operating expenses:

<i>Amounts in NOK 1 000</i>	2019	2018
Travelling expenses	56	12
Lease expenses	0	477
Consultant and other fees	11 056	10 558
Other administrative expenses	1 224	581
Total	12 337	11 628

Remuneration to auditor is allocated as specified below:

<i>Amounts in NOK 1 000</i>	2019	2018
Audit	318	133
Attestations	164	0
Other assistance	0	37
Total, excl. VAT	482	170

NOTE 7 Other non-current receivables

<i>Amounts in NOK 1 000</i>	2019	2018
Deposit	0	1 417
Premium fund pensions, transferred to defined contribution plan	350	498
Total	350	1 916

NOTE 8 Trade and other receivables

Prepayments and other receivables consist of:

<i>Amounts in NOK 1 000</i>	2019	2018
Prepaid expenses	12	32
Premium fund pensions, transferred to defined contribution plan	182	72
VAT receivable	0	40
Receivable from sale of shares	1 228	0
Receivables from subsidiaries	986	3 204
Total	2 408	3 348

NOTE 9 Cash and cash equivalents

Cash and cash equivalents:

<i>Amounts in NOK 1 000</i>	2019	2018
Bank deposits	32 918	11 871
Total cash and cash equivalents	32 918	11 871
Of this:		
Restricted cash for withheld taxes from employees salaries	217	121

NOTE 10 Share capital and shareholder information

See note 10 in the consolidated financial statements.

NOTE 11 Other current liabilities

<i>Amounts in NOK 1 000</i>	2019	2018
Public duties payable	373	201
Holiday pay	446	230
VAT payable	1	0
Payable to subsidiaries	0	119
Other accruals for incurred costs	925	493
Total	1 745	1 043

NOTE 12 Investment in subsidiaries

Amounts in NOK 1 000

Company	Location	Equity and voting share	Book value 31.12.2019	Book value 31.12.2018
North Energy Capital AS	Norway	80 %	1 028	111 800
Total			1 028	111 800

In 2019, North Energy Capital AS repaid to North Energy ASA the preference capital, including accumulated return, in a total amount of NOK 148.3 million. The amount was settled with shares in Reach Subsea ASA, shares in Touchstone Exploration and shares in Polarcus, as described below:

Shares in Reach Subsea	109 182
Shares in Touchstone Exploration	25 418
Shares in Polarcus	14 224
Other	(535)
Total payment	148 288
Of this:	
Repayment of preference capital recognised as a reduction of investment in the subsidiary	111 000
Preference dividend recognised in the income statement under finance items	37 288
Total payment	148 288

The former preference capital of MNOK 111 was established in June 2016 as part of a restructuring of the North Energy group of companies and was agreed to be settled, including preference return, by way of dividend payments during a 3 years period.

Received repayment of preference capital from North Energy Capital in 2018 of NOK 25 million was recognised as a reduction of investment in the subsidiary in 2018.

Following the settlement of the preference capital, North Energy ASA has contributed with NOK 228 thousand (80%) in connection with a share issue in North Energy Capital AS.

NOTE 13 Related parties

During 2019 North Energy ASA has charged salary related expenses to subsidiaries of NOK 2.48 million, and subsidiaries have charged salary related expenses to North Energy ASA of NOK 2.66 million.

During 2018 North Energy ASA has charged salary related expenses to subsidiaries of NOK 1.59 million, and subsidiaries have charged salary related expenses to North Energy ASA of NOK 0.61 million.

See 14 in the consolidated financial statements for further information.

NOTE 14 Tax

Specification of income tax:

<i>Amounts in NOK 1 000</i>	2019	2018
Change deferred tax asset	0	0
Note 11 Other current liabilities	0	0
Total income tax	0	0

Specification of temporary differences, tax losses carried forward and deferred tax:

<i>Amounts in NOK 1 000</i>	2019	2018
Property, plant and equipment	3 427	5
Pensions	532	570
Leasing liabilities	(3 873)	
Financial investments	27 796	4 917
Tax losses carried forward, onshore	(71 179)	(46 791)
Total basis for deferred tax	(43 298)	(41 298)
Deferred tax liability (-) / tax asset (+)	9 526	9 086
Not capitalised deferred tax asset (valuation allowance) *	(9 526)	(9 086)
Deferred tax liability (-) / tax asset (+) in balance	0	0

* It is assessed to be most likely that the future tax assets are not recoverable.

Reconciliation of effective tax rate:

<i>Amounts in NOK 1 000</i>	2019	2018
Profit/(loss) before income tax	82 957	(6 716)
Expected income tax 22% (2018: 23%)	(18 250)	1 545
Adjusted for tax effects of the following items:		
Permanent differences	16 526	(176)
Changed tax rates	0	(413)
Effect from merger with subsidiary, see note 1	2 165	0
Change in valuation allowance for deferred tax assets	(440)	(956)
Total income tax	(0)	0

NOTE 15 Property, plant and equipment

Amounts in NOK 1 000

2019

Cost:

At 1.1.2019	28
Additions through merger with subsidiary, see note 1	524
Disposals	(118)
At 31.12.2019	434

Depreciation and impairment:

At 1.1.2019	(0)
Additions through merger with subsidiary, see note 1	(318)
Depreciation this year	(22)
Impairment this year	0
Disposals	118
At 31.12.2019	(223)

Carrying amount at 31.12.2019 **211**

2018

Cost:

At 1.1.2018	0
Additions	28
Disposals	0
At 31.12.2018	28

Depreciation and impairment:

At 1.1.2018	0
Depreciation this year	(0)
Impairment this year	0
Disposals	0
At 31.12.2018	(0)

Carrying amount at 31.12.2018	27
--------------------------------------	-----------

Economic life	3-10 years
Depreciation method	linear

NOTE 16 Leases

See note 11 in the consolidated financial statements.

NOTE 17 Finance income and costs**Finance income:**

<i>Amounts in NOK 1 000</i>	2019	2018
Interest income bank deposits	624	286
Interest income on bonds	692	457
Dividend from subsidiary *	105 288	0
Foreign exchange gain	53	217
Total finance income	106 657	960

Finance costs:

<i>Amounts in NOK 1 000</i>	2019	2018
Other interest expenses	486	219
Foreign exchange loss	38	42
Other finance costs	0	0
Total finance costs	525	261

* Dividend from subsidiary North Energy Capital AS of NOK 105.3 million consist of non-cash transfer of preference dividend of NOK 37.3 million in connection with repayment of preference capital (see note 12), and NOK 68 million in cash dividend.

NOTE 18 Financial instruments

(a) Categories of financial instruments at 31 December 2019:

<i>Amounts in NOK 1 000</i>	Financial assets measured at amortised cost	Financial assets at fair value through profit and loss
Assets:		
Financial investments		0
Financial investments, current		71 363
Other non-current receivables (see note 7) ¹	0	
Other current receivables (see note 8) ¹	2 214	
Cash and cash equivalents	32 918	
Total	35 132	71 363

<i>Amounts in NOK 1 000</i>	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit or loss
Liabilities:		
Trade creditors	44	
Other current liabilities (see note 11) ²	446	
Total	490	0

at 31 December 2018:

<i>Amounts in NOK 1 000</i>	Loans and receivables	Available-for-sale financial assets
Assets:		
Financial investments		8 828
Financial investments, current		887
Other non-current receivables (see note 7) ¹	0	
Other current receivables (see note 8) ¹	3 204	
Cash and cash equivalents	11 871	
Total	15 075	9 716

<i>Amounts in NOK 1 000</i>	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit or loss
Liabilities:		
Trade creditors	1 591	
Other current liabilities (see note 11) ²	349	
Total	1 940	0

¹ Pension assets, deposit, prepaid expenses and VAT receivable are excluded since they are not defined as financial instruments.

² Public duties payable, VAT payable and accruals for incurred costs are excluded since they are not defined as financial instruments.

(b) 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 31.12.2019	Level 1	Level 2	Level 3	Total
Shares	61 749			61 749
Bonds		9 614		9 614
Total fair value	61 749	9 614	0	71 363

There has been no transfer between level 1 and level 2 during 2019.

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

Fair Value 31.12.2018	Level 1	Level 2	Level 3	Total
Shares	887			887
Bonds		8 828		8 828
Total fair value	887	8 828	0	9 716

(c) Creditworthiness of financial assets

The company does not have a system that separates receivables and loans by counterparty credit rating. Cash and cash equivalents are receivables from banks, and Standard & Poor's credit rating of these banks is presented below:

	2019	2018
Bank deposits:	32 918	11 871

Amounts in NOK 1 000	2019	2018
No external credit rating	0	0
A	0	0
AA-	32 918	11 871
Total	32 918	11 871

(d) Financial risk factors

See note 3 for financial risk factors and risk management, and capital management.

NOTE 19 Financial investments, non-current and current

<i>Amounts in NOK 1 000</i>	2019	2018
Bonds	0	8 828
Total carrying amount financial investments, non-current	0	8 828

<i>Amounts in NOK 1 000</i>	2019	2018
Stock exchange-listed shares	61 749	887
Bonds	9 614	0
Total carrying amount financial investments, current	71 363	887

The main investments at 31 December 2019 consist of shares in Touchstone Exploration, shares in Polarcus and bonds in InterOil Exploration.

The main investments at 31 December 2018 consisted of bonds in InterOil Exploration.

<i>Amounts in NOK 1 000</i>	2019	2018
Change in fair value recognised in income statement under operating items	25 282	4 379
Interest income bonds recognised as finance income	692	457

NOTE 20 Investment in associates

Reconciliation and specification of carrying amount of investments in associates:

<i>Amounts in NOK 1 000</i>	2019	2018
Opening balance carrying amount of investments in associates	7 048	0
Addition through settlement preference capital, Reach Subsea, see note 12	109 182	
Acquisition cost shares acquired, Tyveholmen AS		6 994
Impairment/reversal of impairment of investment, Reach Subsea	(20 914)	
Share of net result in investment, Reach Subsea	(11 698)	
Share of net result in investment, Tyveholmen AS	344	54
Dividend received, Reach Subsea	(3 229)	
Total carrying amount of investments in associates at balance date	80 733	7 048
Consist of:		
Reach Subsea ASA	73 341	0
Tyveholmen AS	7 392	7 048
Total carrying amount of investments in associates at balance date	80 733	7 048

Specification of net result from investments in associates recognised in the income statement:

<i>Amounts in NOK 1 000</i>	2019	2018
Impairment/reversal of impairment of investment, Reach Subsea	(20 914)	0
Share of net result in investment, Reach Subsea	(11 698)	
Share of net result in investment, Tyveholmen AS	344	54
Net result from investments in associates	(32 268)	54

Ownership interests in associates at 31 December:	2019	2018
Reach Subsea ASA	32,13 %	29,49 %
Tyveholmen AS	50,00 %	50,00 %

The share price of Reach Subsea at year end was NOK 1.59 per share, equivalent to a market based value of NOK 228.3 million. North Energy's relative share of this was NOK 73.3 million, based on the ownership of 32.13% .

Financial figures for the associated companies:

See note 19 in the consolidated financial statements.

NOTE 21 [Contingent liabilities](#)

As of 31.12.2019 North Energy ASA is not involved in any legal or financial disputes.

NOTE 22 [Events after the balance sheet date](#)

See 22 in the consolidated financial statements for further information.

Responsibility statement by the Board of Directors and CEO

We declare, to the best of our judgement, that the annual financial statements for the period from 1 January to 31 December 2019 have been prepared in accordance with the applicable accounting standards, and that the information in the accounts fairly reflects the Company's and Group's assets, liabilities, financial position and results as a whole.

We also declare that the Directors' report provides a true and fair view of the Company's and Group's performance, results and position, along with a description of the most important risk and uncertainty factors facing the Company and Group.

Oslo, 19 March 2020



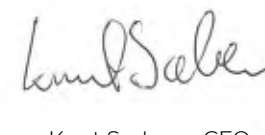
Anders Onarheim, Chair



Jogeir Romestrand, Director



Elin Karfjell, Director



Knut Sæberg, CEO

Shareholder information

North Energy is listed on the Axess marketplace on the Oslo Stock Exchange (Oslo Børs). The Company has one share class and each share carries one vote at the general meetings.

Top 20 shareholders as of 3 April 2020

Investor	No. of shares	% of total shares
AB INVESTMENT AS	20 903 776	17,56 %
CELISA CAPITAL AS	8 659 300	7,27 %
ISFJORDEN AS	6 521 803	5,48 %
JPB AS	4 096 875	3,44 %
TRIOMAR AS	3 011 000	2,53 %
CORUNA AS	2 750 000	2,31 %
SALTEN KRAFTSAMBAND AS	2 467 723	2,07 %
TAJ HOLDING AS	1 917 812	1,61 %
NORTH ENERGY ASA	1 795 472	1,51 %
NORDNET LIVSFORSIKRING AS	1 655 251	1,39 %
ARNT HAGEN HOLDING AS	1 588 363	1,33 %
BAKKANE ARVID	1 550 743	1,30 %
MEYERLØKKA AS	1 500 000	1,26 %
ORIGO KAPITAL AS	1 343 569	1,13 %
ROME AS	1 300 000	1,09 %
BOYE HANS JØRGEN	1 263 153	1,06 %
SANDBECH SVEIN TERJE OLIMB	1 170 000	0,98 %
PEDERSEN ROLF IVAR	1 134 016	0,95 %
REYNOLDS DAG WILFRED	1 050 000	0,88 %
SPITSBERGEN AS	975 939	0,82 %
<i>Total number owned by top 20</i>	<i>66 654 795</i>	<i>55,99 %</i>
Total number of shares	119 047 065	100,0 %

In 2019, the North Energy share price fell with around 3.5 per cent compared with the end share price of 2018. In comparison, an investment in the Oslo Børs Bench-mark Index over the same period provided a positive return of 16.5 per cent, while the energy index yielded a positive return of 5.2 per cent in 2019. During the year, 21.5 million North Energy shares changed hands on the Oslo Stock Exchange, down from 63.3 million in 2018, representing a daily average trading volume of 87,500 shares.

Ownership structure

At the end of 2019 North Energy had 1,386 shareholders, down from 1,503 shareholders at the end of 2018. Approximately 3.5 per cent of the Company's shares were owned by foreign investors at the end of 2018, which is down from 8.9 per cent last year.

The Company's employees, management, Board and financial advisors hold in total 34.0 per cent of the shares in the Company.

North Energy's 20 largest shareholders held 55.4 per cent of the shares as of 31 December 2019.

Share capital

North Energy's share capital at 31 December 2019 was NOK 119 047 065 divided into 119 047 065 shares, each with a nominal value of NOK 1. The Company holds 1 795 472 treasury shares equivalent to 1.5 per cent of the Company's total share capital.

Auditors' report





To the General Meeting of North Energy ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North Energy ASA, which comprise:

- The financial statements of the parent company North Energy ASA (the Company), which comprise the statement of financial position as at 31 December 2019, the income statement, statement of comprehensive loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of North Energy ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



As of December 31, 2019, the uncertain tax position relating to tax deductions taken for exploration costs for 2014 and 2015 is still outstanding. Our audit work has focused on assessing any updated information on the matter. We have not identified other issues that qualify as new Key Audit Matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
------------------	--

<i>Uncertain tax position - Notice from the Petroleum Taxation Office</i>	
---	--

In a letter from the Oil Taxation Office dated 23 October 2018 the Company's subsidiary, North E&P AS received a notice of deviation from the Petroleum Taxation Office (OTO) related to exploration costs for 2014 and 2015. The OTO claims that North E&P AS has incurred cost to exploit the exploration cost tax refund system and not for adequate operational reasons. The OTO challenges NOK 146.4 million of tax deductions made for exploration costs in 2014 and 2015.	
--	--

A tax reassessment may result in a claim from the OTO for repayment of NOK 114.2 million plus interest and any penalty taxes. The Company has taken measures to secure funds to cover a potential future payment of such claim.	
---	--

The company strongly disputes both the content and the conclusion of the notice. In April 2019, the Company responded to the certain clarifications requested from the OTO regarding the notice.	
--	--

As of 31 December 2019, no tax assessment has been obtained from the OTO relating to the uncertain tax position. No amount has been recorded as a liability in the balance sheet of the group at 31 December 2019 as the Company believes that it is more likely than not that the Company's position on the tax deductions taken will ultimately be sustained. We refer to note 15 and 20 to the financial statements where management explains their position and the notice from the Oil Taxation office.	
--	--

We focused on this area due to the significant values and the nature of the judgements and assumptions management are required to make in determining if a	
--	--

We obtained and read the notice from and subsequent communication with the Petroleum Taxation Office and held meetings with the management and board of directors to understand their assessment of the company's position. We discussed and challenged details of the response filed in April 2019 with management and their external legal advisor.

Furthermore, we obtained from management and read other correspondence with the OTO.
--

As part of our audit, we obtained a written assessment from management and a legal letter from the Company's external legal advisor on whether it is more likely than not that the Company's tax position will eventually be sustained.

Further, we consulted with and obtained assistance from our own internal tax experts on whether it is more likely than not that the Company's tax position will eventually be sustained.
--

The information obtained from our procedures shows that management have applied reasonable assumptions assessing the uncertain tax position relating to the notice of deviation for exploration costs for 2014 and 2015.
--

We evaluated the appropriateness of the related note disclosures in note 15 and 20 to the financial statements and found that they satisfied IFRS requirements.



provision should be made for the uncertain tax position at 31 December 2019.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(3)



- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

(4)



Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 19 March 2020
PricewaterhouseCoopers AS

A handwritten signature in blue ink, appearing to read 'Gunnar Slettebo', is written over a faint, larger version of the signature.

Gunnar Slettebo
State Authorised Public Accountant



North Energy ASA- Financial Calendar for 2020

North Energy ASA will present financial statements on the following dates in 2020:

Q1 2020 interim financial report: 28 May 2020

Q2 2020 interim financial report: 31 August 2020

Q3 2020 interim financial report: 26 November 2020

Time and venue will be communicated at a later stage. All dates are subject to change.

The annual General Meeting is planned to be held on 27 May 2020.



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