

INTERIM REPORT

for the second quarter 2020



north
energy

Quarterly highlights

North Energy reports result of NOK 52 million. North Energy recorded a result of NOK 52 million in the quarter mainly due to the positive development seen in the market value of the company's main investments, Touchstone Exploration and Reach Subsea. The cash position has strengthened as a result of sale of shares in the quarter for NOK 29.2 million, partly offset by dividend paid from subsidiary to minority owners of NOK 21.3 million,

Reach Subsea reports all-time high result. Reach Subsea recorded a record high comprehensive income of 27.8 million in the second quarter, despite the challenging market conditions, mainly due to high utilization and successful project execution. North Energy consolidates NOK 8.9 million of the result in its financial figures.

Touchstone Exploration announces de-risking of reserves. North Energy is the largest shareholder in Touchstone Exploration Inc. with an ownership of 6.6 per cent by the end of the second quarter. In July the company announced results of an independent reserves evaluation of the Cascadura Assessment Area confirming the significant potential of the Ortoire exploration block. North Energy decided to realize some profit during the quarter by selling 5.7 million TXP shares securing NOK 26.1 million of cash.

New dividend policy. The Board has resolved to establish a regular dividend policy to be based on the annual profits generated by the operating activities of the Company. Subject to available liquidity and financial position, the Company intends to distribute an annual dividend in an amount equal to 40-60% of net profits. The new dividend policy will be in effect from fiscal year 2020 with the first dividend expected to be paid out after the next annual general meeting to be held in 2021. Following the resolution of the outstanding tax matters, the Company has a strong financial platform and a solid foundation for executing its strategy as an industrial investment company. Going forward, available financial funds are expected to be deployed to support this core strategy.

Key figures

NOK mln	Q2 2020	Q2 2019	Year 2019
Operating profit	52.1	-4.4	-14.0
Profit/loss after tax	52.0	-8.4	-16.1
Investments	143.0	274.6	275.5
Total assets	283.0	315.3	309.1
Equity ratio (%)	98 %	98 %	98 %
Interest bearing debt	0	0	0

Financial information

The consolidated financial statements encompass North Energy ASA and North Energy Capital AS. The subsidiary North E&P AS was liquidated during the second quarter.

North Energy recorded a comprehensive income of NOK 52.0 million in the second quarter of 2020, compared with a comprehensive loss of NOK 8.4 million in the corresponding quarter of 2019.

The income reported this quarter is driven by a significant increase in the value of the investment in Touchstone Exploration.

Operating expenses was reported at NOK 3.1 million, which is down from NOK 4.7 million in the same quarter last year.

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

At the end of the quarter, total investments amounted to NOK 143.0 million, compared to NOK 274.6 million at the end of the second quarter 2019 and NOK 115.8 million last quarter. The decrease in investments compared to last year is mainly due to sale of bond funds, while the increase from last quarter is due to higher market values of the investments in Reach Subsea and Touchstone Exploration.

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

The share price of Reach ended the quarter at NOK 1.08, which gives North Energy's share a market value of NOK 49.8 million. Since the market value is lower than the book value at the end of the second quarter, the investment is reported at market value.

Net financial items in the second quarter consist mainly of interest on bank accounts.

Total assets at the end of the quarter were NOK 283.0 million, down from NOK 315.3 million at the end of the same quarter last year.

Total equity at the end of the second quarter was NOK 278.5 million, down from NOK 302.7 million at the end of last year. The decrease is explained by dividend paid from subsidiary to non-controlling interests of NOK 21.3 million as well as total comprehensive loss of NOK 2.9 million recorded for the first half year. The Company's equity ratio stood at 98 percent at the end of the quarter.

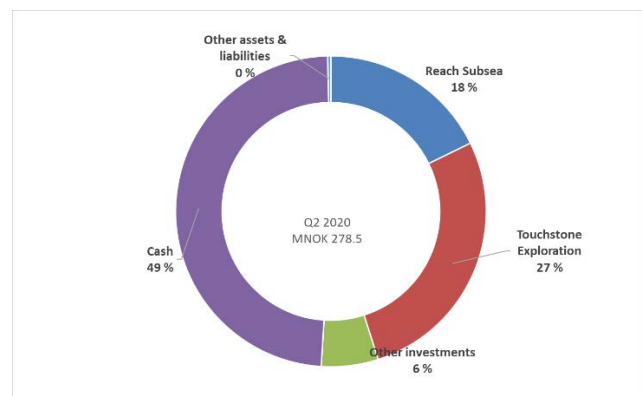
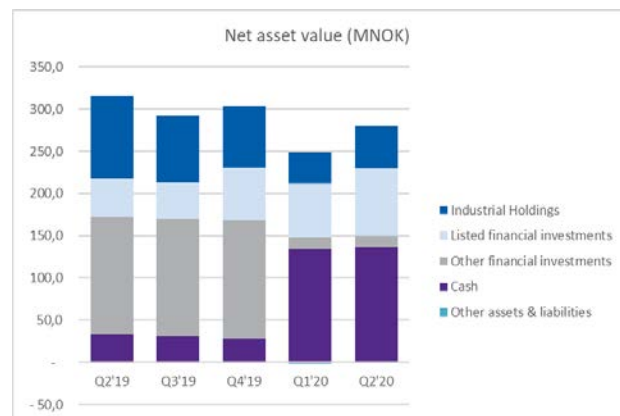
The Company has no interest-bearing debt.

North Energy recorded NOK 136.5 million in cash and cash equivalents at the end of the second quarter. The increase in cash of NOK 2.8 million from last quarter is due to the sale of shares partly offset by dividend payment to non-controlling interests, as well as operating expenses.

In October 2018, North E&P received a notice from the Oil Taxation Office (OTO) of possible changes of the Company's tax returns from the years 2014 and 2015 of around NOK 114 million. In April 2020, the Company received a letter from OTO stating that all outstanding tax issues were closed and that the original submitted tax returns for the years in question had been accepted without any changes. Based on this, the Company has removed the restriction on the cash held to cover the former potential claim.

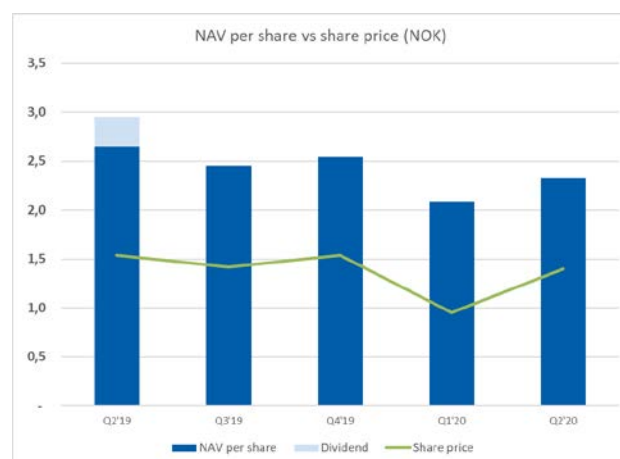
The Board regards the Company's financial position as strong.

Net asset value composition



North Energy is actively managing the portfolio of investments. Total market value of the investment portfolio was NOK 143.0 million at the end of the second quarter. Including cash of NOK 136.5 million and other assets and liabilities of negative NOK 0.9 million the net asset value was NOK 278.5 million at the end of the quarter. The net asset value per share was NOK 2.3 while the share price at the end of the quarter was NOK 1.4, representing 61% of the net asset value.

NAV per share vs. share price



Simplification of the corporate structure

Closure of the outstanding tax issues enabled the Company to continue the simplification of the corporate structure. On the 8th of April 2020 the General Meeting in the subsidiary North E&P AS approved a proposal from the Board of Directors to dissolve the company. The company was finally deleted in the Norwegian Register of Business Enterprises on the 22nd of June.

Further, on the 8th of April 2020, the General Meeting in North Energy Capital AS, a company owned 80% by North Energy ASA, approved a proposal for distribution of dividend of NOK 106.4 million, representing the total available equity in the company. Subsequent to the dividend distribution, an agreement was signed where North Energy ASA acquired the remaining 20% interest in North Energy Capital AS without consideration. Following the acquisition of shares, North Energy Capital AS is owned 100% by North Energy ASA.

On the 28th of May 2020, a merger plan was approved by the Board of Directors in North Energy ASA and North Energy Capital AS. The merger provided that all of North Energy Capital AS' remaining assets, rights and obligations was to be transferred to North Energy ASA without consideration and North Energy Capital AS was thereafter to be dissolved. The completion of the merger was announced on 29th of July 2020. The merger has been conducted as a parent company merger pursuant to the simplified rules for intra-group mergers as set out in Section 13-24 of the Public Limited Companies Act.

Investments

During the first half year this year, the global economy has been significantly impacted by the Covid-19 pandemic and the dramatic drop in oil prices. These two events have also impacted North Energy's investment portfolio, and the Company has taken necessary steps to minimize the negative impact.

Industrial holdings - Reach Subsea ASA

The industrial investment activities are currently limited to the 32% shareholding in Reach Subsea ASA where North is represented on the Board of Directors. The Company expects to continue as the largest shareholder in Reach Subsea ASA and further develop the company as a leading subsea service provider, offering solutions to survey the seabed and solutions

for maintaining the integrity of the client's subsurface equipment and infrastructure.

Reach is as of the second quarter accounted at NOK 49.8 million, up from NOK 37.8 million last quarter. The increase is due to Reach's positive second quarter result, as well as a higher share price, resulting in a partial reversal of previous impairments.

For the second quarter, Reach reported comprehensive income of NOK 27.8 million, an all-time high result, despite the challenging market conditions. The result is driven by high utilization and successful project execution. Contracting activity has been high both during and after the quarter end and the company has secured 700 project days for the rest of the year and 350 project days for 2021.

In the US offshore wind market, they have seen a breakthrough together with the partner MMT Sweden AB by winning Equinor's major survey contract offshore New England.

At the Annual General Meeting, Rachid Bendriss, one of the major shareholders and advisor in North Energy, was appointed as Chairman of the Board in Reach Subsea.

The company is listed on the Oslo Stock Exchange and as of the end of the second quarter, the company had a market capitalization of NOK 155.0 million.

Financial investments - Touchstone Exploration Inc.

The Company's key financial investment is in Touchstone Exploration with an ownership interest of 6.6 per cent by the end of the second quarter. For the second quarter, Touchstone reported reduced crude oil production due to natural declines and limited maintenance and development activity. They reported a net loss of USD 2.7 million where the negative effects of production declines and lower oil prices have been partly offset by successful cost saving initiatives. Also, Touchstone successfully concluded a refinancing of its debt, contributing to increased liquidity and a reduction in the after-tax cost of borrowing.

On the 20th of July the company announced results of an independent reserves evaluation of the Cascadura Assessment Area confirming the significant potential of the Ortoire exploration block. On August 13, 2020, they spudded the Chinook-1 exploration well.

The company's objective is to bring two natural gas exploration discoveries onto production as soon as possible. This is expected to increase cash flow significantly and contribute to a substantial reduction in future earnings and cash flow volatility.

North Energy decided to realize some profit during the quarter by selling 5.7 million shares, resulting in cash inflow of NOK 26.1 million and a net profit of NOK 17.6 million. Through these transactions, North Energy has realized values in an amount equal to its total cash investment in Touchstone Exploration. As such, the remaining shares held represent only profit and the Company has an opportunistic approach in respect of maximizing the total value of its remaining shareholding.

Financial investments - other

As of Q2 2020 the Company has minor investments in shares and bonds issued by InterOil E&P ASA, Polarcus Ltd and Tyveholmen AS with a total value of NOK 16.6 million.

New advisory agreement

From 1st of July, North Energy has entered into new advisory agreements with Isfjorden AS (owned by Didrik Leikvang) and Celisa Capital AS (owned by Rachid Bendriss) in replacement of the previous agreement with North Advisors AS to provide strategic and financial advisory services to the Company. The new agreements, which have been approved by the Board of Directors, are based on a fixed annual fee where the net remuneration per advisor is at approximately the same level as the average yearly fee under the old advisory agreement. The total advisory fee paid by the Company will be reduced compared to the average annual costs under the previous agreement with North Advisors AS. The new advisory agreement can be terminated by either party with 3 months written notice.

Anders Onarheim continues his role as Chairman of the Board of North Energy but is no longer an advisor for the Company and has no common business interest with the new advisors other than being shareholders of North Energy ASA.



Strategy and outlook

The market for oil and oil services continues to be demanding especially due to the decline in the crude oil prices seen during the quarter. The Company seeks to further develop the portfolio in order to achieve positive long-term financial returns.

As an industrial investment company, North Energy seeks to provide shareholders with an attractive return on its shares based on a strategy of active ownership. The Company generally expect its investment returns to be based on the value creation derived from the operating activities of its investments.

The Company may also, from time to time, invest in financial instruments using excess liquidity on a short- or medium-term basis. Regardless, shareholders should expect the majority of the company's available financial resources to be deployed in industrial investments with a long-term ownership objective, giving the company a relatively high degree of concentration in a few selected companies.

The Company has a long-term view on identifying industrial investments and can generally be expected to make relatively few investments during a normal year. The Company's overall strategy is based on a value oriented and contrarian philosophy, implemented by waiting for the right opportunities to emerge in industries or sectors that are offering attractive long-term returns.

The Company seeks to avoid early phase, venture or similar types of companies that are based on new technology and unproven business models. To maximize its ability to capture attractive opportunities the company generally intends to have a significant balance of cash and cash equivalents.

In its industrial investment activities, the Company targets ownership levels that allow the company to influence the strategic direction of its investments. As such, North Energy will often seek board representation, however, not as an absolute requirement provided the Company can still influence overall strategic direction.

North Energy seeks out investments in both listed and unlisted companies and can acquire shares either in secondary markets or through participating in primary issues. The overall ambition is to achieve the required degree of ownership at an entry level valuation which provides a basis for generating attractive financial returns. The company may convert its financial investments over time to industrial investments, and vice versa, depending on the development of its investments.

The Company measures its success based on criteria, including, but not limited to i) return on book equity and ii) growth in net asset value per share. The Company's overall financial ambition is to increase its book equity per share at a competitive growth rate over time.

North Energy is actively seeking opportunities to expand its industrial portfolio, however in light of the significant uncertainties the Company expect to take a cautious approach over the next few quarters in respect of pursuing new investments.

The Company is evaluating companies both within the traditional energy industry, as well as emerging sectors such as renewable energy production and related activities. In addition, the Company continues to evaluate possibilities within other industries outside the energy sector.

Report for the first half 2020

Highlights

The former tax claim has been closed and the restriction on the cash has been removed. In October 2018, North E&P received a notice from the Oil Taxation Office (OTO) of possible changes of the Company's tax returns from the years 2014 and 2015 of around NOK 114 million. In April 2020, the Company received a letter from OTO stating that all outstanding tax issues were closed and that the original submitted tax returns for the years in question had been accepted without any changes. Based on this, the Company has removed the restriction on the cash held to cover the former claim.

Simplification of the corporate structure continues. The closure of the potential tax claim described above enabled the Company to continue the simplification of the corporate structure. On the 8th of April 2020 the General Meeting in the subsidiary North E&P AS approved a proposal from the Board of Directors to dissolve the company. The company was finally deleted in the Norwegian Register of Business Enterprises on the 22nd of June.

Further, on the 8th of April 2020, the General Meeting in North Energy Capital AS, a company owned 80% by North Energy ASA, approved a proposal for distribution of dividend of NOK 106.4 million, representing the total available equity in the company. Subsequent to the dividend distribution, an agreement was signed where North Energy ASA acquires the remaining 20% interest in North Energy Capital AS without consideration. From this date North Energy Capital AS is owned 100% by North Energy ASA.

On the 28th of May 2020, a merger plan was approved by the Board of Directors in North Energy ASA and North Energy Capital AS. The merger provided that all of North Energy Capital AS' remaining assets, rights and obligations was to be transferred to North Energy ASA without consideration and North Energy Capital AS was thereafter to be dissolved. The completion of the merger was announced on 29th of July 2020. The merger has been 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.

During the first half year, the global economy was significantly impacted by the Covid-19 pandemic and the dramatic drop in oil prices. These two events have also impacted North Energy's investment portfolio. The Company has taken necessary steps to minimize the negative impact.

North Energy's investment portfolio has at the end of June 2020 a market value of NOK 141.5 million. The Company's main investments are a 6.6 per cent ownership in Touchstone Exploration with a market value of NOK 75.1 million and a 32.1 per cent ownership in Reach Subsea with a market value of NOK 49.8 million at the end of June 2020.

Financial

As per first half 2020, North Energy reported a net loss after tax of NOK 2.9 million compared to a loss in the first half of 2019 of NOK 11.2 million. The loss this year derives mainly from operating expenses of NOK 9.0 million and a loss of NOK 23.5 million from associated company. This is partly offset by positive change in fair value of financial investments with NOK 27.0 million. The loss last year was derived by operating expenses of NOK 12.3 million, a loss of NOK 5.7 million from associated company, partly offset by gain from financial investment of NOK 8.3 million.

Payroll and related expenses were NOK 2.2 million in first half of 2020, which is the same as the corresponding period in 2019. The number of staffs have been reduced from an average of 3 in 2019 to an average of 2.5 in the first half of 2020. Other operating expenses were NOK 6.0 million in first half of this year, which is down from NOK 9.2 million in the same period last year.

As per 30 June 2020, North Energy reported total assets of NOK 283.0 million. This includes financial investments of NOK 143.0 million as well as cash of NOK 136.5 million. The assets are financed by 98 per cent equity. The company has no interest-bearing debt at the end of the second quarter.

North Energy recorded NOK 136.5 million in cash and cash equivalents at the end of the first half year. This is up from NOK 28.0 million at the beginning of the year. The increase is explained by net sale of shares and bonds of NOK 138.4 million, offset by dividend paid from subsidiary to minority of NOK 21.3 million and operational cash burn of NOK 9.4 million.

Risk assessment

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

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

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

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

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

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

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

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



Financial statements second quarter 2020

CONSOLIDATED INCOME STATEMENT

NOK 1 000	Note	Q2 2020 (unaudited)	Q2 2019 (unaudited)	YTD Q2 2020 (unaudited)	YTD Q2 2019 (unaudited)	Year 2019 (audited)
Sales		8	883	8	883	883
Payroll and related expenses		(849)	(863)	(2 158)	(2 183)	(4 828)
Depreciation and amortisation		(417)	(443)	(834)	(887)	(1 748)
Other operating expenses		(3 092)	(4 733)	(6 020)	(9 230)	(15 100)
Change in fair value of financial investments		44 447	6 432	27 009	8 301	30 222
Net result from investments in associates	11	11 993	(5 713)	(23 525)	(5 713)	(23 462)
Operating profit/(loss)		52 090	(4 437)	(5 518)	(8 829)	(14 033)
Financial income		20	137	2 149	1 019	1 647
Financial costs		(78)	(74)	(168)	(400)	(600)
Net financial items		(59)	64	1 982	619	1 046
Profit/(loss) before income tax		52 032	(4 374)	(3 536)	(8 210)	(12 986)
Income taxes	8	0	(4 004)	600	(3 015)	(3 131)
Profit/(loss) for the period		52 032	(8 377)	(2 936)	(11 225)	(16 117)
Attributable to:						
Owners of North Energy ASA		52 032	(7 546)	(1 315)	(10 237)	(15 413)
Non-controlling interests		0	(832)	(1 621)	(987)	(704)
		52 032	(8 377)	(2 936)	(11 225)	(16 117)
Earnings per share (NOK per share)						
- Basic		0,44	(0,07)	(0,01)	(0,09)	(0,13)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1 000	Q2 2020 (unaudited)	Q2 2019 (unaudited)	YTD Q2 2020 (unaudited)	YTD Q2 2019 (unaudited)	Year 2019 (audited)
Profit/(loss) for the period	52 032	(8 377)	(2 936)	(11 225)	(16 117)
Other comprehensive income, net of tax					
Total other comprehensive income, net of tax	0	0	0	0	0
Total comprehensive income/(loss) for the period	52 032	(8 377)	(2 936)	(11 225)	(16 117)
Attributable to:					
Owners of North Energy ASA	52 032	(7 546)	(1 315)	(10 237)	(15 413)
Non-controlling interests	0	(832)	(1 621)	(987)	(704)
	52 032	(8 377)	(2 936)	(11 225)	(16 117)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK 1 000	Note	30.06.2020 (unaudited)	30.06.2019 (unaudited)	31.12.2019 (audited)
ASSETS				
Non-current assets				
Property, plant and equipment		0	27	0
Right-of-use assets	3,12	2 918	4 586	3 752
Other receivables		325	468	350
Investments in associates	11	56 409	98 482	80 733
Deferred tax asset	8	0	0	0
Total non-current assets		59 652	103 563	84 836
Current assets				
Trade and other receivables		284	1 741	1 422
Financial investments, current	9	86 585	176 125	194 791
Cash and cash equivalents		136 456	33 824	28 013
Total current assets		223 325	211 691	224 226
Total assets		282 977	315 254	309 061
EQUITY AND LIABILITIES				
Equity				
Share capital	5	119 047	119 047	119 047
Treasury shares	5	(3 411)	(3 411)	(3 411)
Share premium		903 141	903 141	903 141
Other paid-in capital		30 691	30 691	30 691
Retained earnings		(772 449)	(726 894)	(732 070)
Non-controlling interests		0	(14 993)	(14 653)
Total equity		278 530	307 581	302 746
Liabilities				
Non-current liabilities				
Deferred tax liability	8	0	366	600
Leasing liabilities	3,12	1 277	2 842	2 068
Total non-current liabilities		1 277	3 208	2 668
Current liabilities				
Leasing liabilities, current	3,12	1 805	1 805	1 805
Trade creditors		208	386	48
Tax payable	8	0	118	0
Other current liabilities		1 157	2 157	1 795
Total current liabilities		3 171	4 465	3 648
Total liabilities		4 447	7 673	6 316
Total equity and liabilities		282 977	315 254	309 061

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK 1 000	Share capital	Treasury Shares	Share premium	Other paid-in capital	Retained earnings	Non-controlling interests	Total equity
Equity at 1 January 2019	119 047	0	936 010	30 691	(709 227)	8 476	384 997
Acquired treasury shares		(18 020)					(18 020)
Paid dividend from 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
Total comprehensive income for 01.01.19-30.06.19					(10 237)	(987)	(11 225)
Equity at 30 June 2019	119 047	(3 411)	903 141	30 691	(726 894)	(14 993)	307 581
Share issue in subsidiary						57	57
Total comprehensive income for 01.07.19-31.12.19					(5 176)	283	(4 892)
Equity at 31 December 2019	119 047	(3 411)	903 141	30 691	(732 070)	(14 653)	302 746
Paid dividend from subsidiary to non-controlling interests *						(21 280)	(21 280)
Change in non-controlling interests *					(37 553)	37 553	0
Total comprehensive income for 01.01.20-30.06.20					(1 315)	(1 621)	(2 936)
Equity at 30 June 2020	119 047	(3 411)	903 141	30 691	(772 449)	0	278 530

CONSOLIDATED CASH FLOW STATEMENT

NOK 1 000	Q2 2020 (unaudited)	Q2 2019 (unaudited)	YTD Q2 2020 (unaudited)	YTD Q2 2019 (unaudited)	Year 2019 (audited)
Cash flow from operating activities					
Profit/(loss) before income tax	52 032	(4 374)	(3 536)	(8 210)	(12 986)
Adjustments:					
Tax refunded/paid	0	0	0	0	0
Depreciation	417	443	834	887	1 748
Pensions	(6)	15	26	30	148
Change in fair value of financial investments	(44 447)	(6 432)	(27 009)	(8 301)	(30 222)
Net result from investments in associates	(11 993)	5 713	23 525	5 713	23 462
Changes in current payables, receivables and other accruals	(1 140)	(715)	(3 268)	(3 814)	(3 740)
Net cash flow from operating activities	(5 137)	(5 348)	(9 429)	(13 695)	(21 591)
Cash flow from investing activities					
Purchase of property, plant and equipment	0	0	0	0	0
Proceeds from sales of property, plant and equipment	0	0	0	0	0
Investments in associates	0	0	0	(8 971)	(8 971)
Dividends from associates	0	3 229	800	3 229	3 229
Purchase of financial investments	0	0	(20 562)	(130 435)	(176 135)
Proceeds from sales of financial investments	29 233	15	158 914	30	47 757
Proceeds/payments from other non-current receivables	0	1 417	0	1 417	1 417
Net cash flow from investing activities	29 233	4 662	139 152	(134 731)	(132 703)
Cash flow from financing activities					
Dividends paid from North Energy ASA	0	(20 567)	0	(20 567)	(20 567)
Dividends paid from subsidiary to non-controlling interests	(21 280)	0	(21 280)	(17 000)	(17 000)
Dividends paid from liquidated subsidiary to non-controlling interests	0	(10 605)	0	(10 605)	(10 605)
Purchase of treasury shares	0	0	0	(18 020)	(18 020)
Net proceeds from share issues	0	0	0	0	0
Share issues in subsidiary, contribution from non-controlling interests	0	0	0	0	57
Net cash flow from financing activities	(21 280)	(31 172)	(21 280)	(66 192)	(66 134)
Net change in cash and cash equivalents	2 816	(31 858)	108 443	(214 617)	(220 428)
Cash and cash equivalents at beginning of the period	133 640	65 683	28 013	248 441	248 441
Cash and cash equivalents at end of the period	136 456	33 824	136 456	33 824	28 013

Notes to the interim consolidated financial statements second quarter 2020

Note 1 - General and corporate information

These financial statements are the unaudited interim condensed consolidated financial statements of North Energy ASA and its subsidiaries (hereafter "the Group") for the second quarter of 2020. North Energy ASA is a public limited company incorporated and domiciled in Norway, with its main office located in Oslo. North Energy ASA's shares were listed on Oslo Axess, an exchange regulated by the Oslo Stock Exchange, on 5 February 2010. The company's ticker is NORTH.

Note 2 - Basis of preparation

The interim accounts have been prepared in accordance with IAS 34 Interim Financial Reporting and the supplementary requirements in the Norwegian Securities Trading Act (Verdipapirhandelloven). The interim accounts do not include all the information required in the annual accounts and should therefore be read in conjunction with the annual accounts for 2019. The annual accounts for 2019 were prepared in accordance with the EU's approved IFRS.

Note 3 - Accounting policies

The accounting policies adopted in the preparation of the interim accounts are consistent with those followed in the preparation of the annual accounts for 2019. New standards, amendments and interpretations to existing standards effective from 1 January 2020 did not have any significant impact on the financial statements.

Note 4 - Critical accounting estimates and judgements

The preparation of the interim accounts entails the use of judgements, estimates and assumptions that affect the application of accounting policies and the amounts recognised as assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances. The actual results may deviate from these estimates. The material assessments underlying the application of the company's accounting policies and the main sources of uncertainty are the same for the interim accounts as for the annual accounts for 2019.

Note 5 - Share capital

Number of outstanding shares at 1 January 2019	119 047 065
New shares issued during the period	0
Number of outstanding shares at 30 June 2020 *	119 047 065
Nominal value NOK per share at 30 June 2020	1
Share capital NOK at 30 June 2020	119 047 065

* Inclusive 1,795,472 treasury shares.

Note 6 - Business segments

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

Note 7 - Related parties

The company's transactions with related parties:

Purchase of services from	Description of services	YTD Q2 2020	YTD Q2 2019	Year 2019
North Advisors AS	Consultancy services	3 705	4 409	8 501

Note 8 - Income taxes

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

Specification of income tax	YTD Q2 2020	YTD Q2 2019	Year 2019
Tax payable	0	(118)	0
Change deferred tax asset	600	(2 897)	(3 131)
Of this, deferred tax asset related to equity transactions recognised directly in equity	0	0	0
Total income tax credit	600	(3 015)	(3 131)

Specification of temporary differences, tax losses carried forward, deferred tax	30.06.2020	30.06.2019	31.12.2019
Property, plant and equipment and Right-of-use assets	2 614	4 210	3 427
Pensions	457	540	532
Prepayments and other receivables	0	(2 076)	0
Leasing liabilities	(3 081)	(4 646)	(3 873)
Financial investments	50 682	14 052	30 523
Tax losses carried forward, onshore	(70 843)	(67 162)	(75 777)
Total basis for deferred tax asset	(20 172)	(55 082)	(45 169)
Deferred tax asset before valuation allowance	4 438	12 118	9 937
Not capitalised deferred tax asset (valuation allowance)	(4 438)	(12 484)	(10 537)
Deferred tax asset/(liability)	0	(366)	(600)

Reconciliation of effective tax rate	YTD Q2 2020	YTD Q2 2019	Year 2019
Profit/(loss) before income tax	(3 536)	(8 210)	(12 986)
Expected income tax 22%	778	1 806	2 857
Adjusted for tax effects (22% - 78%) of the following items:			
Permanent differences	(6 277)	(2 594)	(5 708)
Adjustments previous years	0	(1 924)	(1 924)
Finance items and different tax rates within the group	0	0	0
Changed tax rates	0	0	0
Change in valuation allowance for deferred tax assets	6 099	(302)	1 644
Total income tax credit	600	(3 015)	(3 131)

Note 9 - Financial investments

Financial investments are investments in shares and bonds. The main investments at 30 June 2020 consist of shares in Touchstone Exploration and bonds in InterOil Exploration. The bond funds (DnB and Pareto funds) were sold in first quarter 2020, and the shares in Polarcus have been sold in second quarter 2020.

Note 10 - Fair value of financial instruments

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

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

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

Fair Value 30.06.2020	Level 1	Level 2	Level 3	Total
Shares	79 634		0	79 634
Bonds		6 952		6 952
Total fair value	79 634	6 952	0	86 585

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

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

Note 11 - Investment in an associate

Reconciliation and specification of carrying amount of investment in associates:

	30.06.2020	30.06.2019	31.12.2019
Opening balance carrying amount of investments in associates	80 733	98 453	98 453
Acquisition cost additional shares acquired, Reach Subsea	0	8 971	8 971
Impairment of investment, Reach Subsea	(22 430)	0	(12 108)
Share of net result in investment, Reach Subsea	(1 095)	(5 713)	(11 698)
Share of net result in investment, Tyveholmen AS	0	0	344
Dividend received, Reach Subsea	0	(3 229)	(3 229)
Dividend received, Tyveholmen AS	(800)	0	0
Total carrying amount of investments in associates at balance date	56 409	98 482	80 733

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

	YTD Q2 2020	YTD Q2 2019	Year 2019
Impairment / reversal of impairment of investment, Reach Subsea	(22 430)	0	(12 108)
Share of net result in investment, Reach Subsea	(1 095)	(5 713)	(11 698)
Share of net result in investment, Tyveholmen	0	0	344
Net result from investments in associates	(23 525)	(5 713)	(23 462)

Note 12 - Leases

Right-of-use assets:

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

Right-of-use assets	Office facilities
Acquisition cost at initial application 1 January 2020	5 420
Addition of right-of-use assets	0
Acquisition cost 30 June 2020	5 420
Accumulated depreciation and impairment 1 January 2020	(1 668)
Depreciation	(834)
Impairment	0
Accumulated depreciation and impairment 30 June 2020	(2 501)
Carrying amount of right-of-use assets 30 June 2020	2 918

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

Leasing liabilities:

Lease liabilities at initial application 1 January 2020	3 873
Additions new lease contracts	0
Accretion lease liabilities	108
Payments of lease liabilities	(900)
Total leasing liabilities 30 June 2020	3 081
Break down of lease debt:	
Short-term	1 805
Long-term	1 277
Total lease debt	3 081

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

	30.06.2020
Within 1 year	1 834
1 to 5 years	1 401
After 5 years	-
Total	3 235

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

Note 13 – Events after the balance sheet date

The completion of the intra-group merger between North Energy ASA and North Energy Capital AS has been registered with the Norwegian Register of Business Enterprises. The merger has been conducted as a parent company merger pursuant to the simplified rules for intra-group mergers as set out in Section 13-24 of the Public Limited Companies Act. The registration implies that all of North Energy Capital AS' assets, rights and obligations have been transferred to North Energy ASA without consideration and North Energy Capital AS has been dissolved and deleted from the Norwegian Register of Business Enterprises.

Statement from the Board of Directors and Chief Executive Officer

We confirm, to the best of our knowledge, that the unaudited condensed set of financial statements for the first half of 2020 has been prepared in accordance with IAS 34 Interim Financial Reporting and gives a true and fair view of the Group's assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Oslo, 28 August 2020

Anders Onarheim

Chairman

Jogeir Romestrand

Director

Elin Karfjell

Director

Knut Sæberg

CEO

North Energy ASA

Address:

Tjuvholmen allé 19
0252 Oslo

Telephone +47 22 01 79 50

Website: www.northenergy.no

Business register number:

NO 891797702 MVA

Board of Directors

Anders Onarheim (Chairman)

Jogeir Romestrand

Elin Karfjell

Management

Knut Sæberg, CEO

Investor Relations

Knut Sæberg, CEO

+47 918 00 720,

knut.saeberg@northenergy.no

Rune Damm, Finance Manager

+47 416 66 685,

rune.damm@northenergy.no

Annual and quarterly reports are
available on our website: **www.northenergy.no**

