

# **INTERIM REPORT**

for the third quarter 2021



**north**  
energy

## Quarterly highlights

**North Energy reports an income of NOK 47.7 million.** North Energy recorded an income of NOK 47.7 million in the third quarter 2021 due to the positive development in the market value in the company's investment in Touchstone Exploration and a positive share of the result from Reach Subsea. The cash position ended at NOK 54.6 million, down NOK 3.0 million during the quarter.

## Key figures

| NOK mln               | Q3<br>2021 | Q3<br>2020 | YTD Q3<br>2021 | YTD Q3<br>2020 | Year<br>2020 |
|-----------------------|------------|------------|----------------|----------------|--------------|
| Operating profit      | 52,9       | 54,7       | -15,0          | 49,2           | 135,5        |
| Profit loss after tax | 47,7       | 52,9       | -3,7           | 49,9           | 120,4        |
| Investments           | 309,1      | 202,2      | 309,1          | 202,2          | 302,6        |
| Total assets          | 367,5      | 337,4      | 367,5          | 337,4          | 424,1        |
| Equity ratio          | 94         | 98         | 94             | 98             | 95           |
| Interest bearing det. | 0          | 0          | 0              | 0              | 0            |

## Financial information

After completion of the intra-group merger between North Energy ASA and North Energy Capital AS in the third quarter 2020, North Energy ASA is the only remaining Company in the former Group. Figures presented for 2020 are the consolidated figures for the former Group.

North Energy recorded a comprehensive income of NOK 47.7 million in the third quarter of 2021, compared with a comprehensive income of NOK 52.9 million in the corresponding quarter of 2020. The income reported in third quarter 2021 is mainly driven by an increase of NOK 49.9 million in the valuation of the investment in Touchstone Exploration and a positive share of the result from Reach Subsea of NOK 14.1 million, partly offset by operating expense of NOK 7.8 million. The income in the third quarter last year was driven partly by an increase in the valuation of Touchstone Exploration as well as income from the investment in Reach Subsea. North Energy reports a loss for the first nine months of NOK 3.7 million compared to an income of NOK 49.9 million in the same period last year.

The market value of North Energy's investment in Reach Subsea has decreased by NOK 1.8 million (from NOK 142.5 million to NOK 140.7 million) in the third quarter of 2021. The market value is still higher than the book value, therefore the decrease is not recognized in the income statement as the investment in Reach is accounted for as an associated company. Hence, the comprehensive income effect from our investment in Reach is our share of the comprehensive income from Reach, NOK 14.1 million. The book value of Reach is NOK 115.5 million per end of the third quarter.

Payroll and related expenses in the third quarter were NOK 1.1 million, which is at the same level as last year.

Other operating expenses are reported at NOK 6.4 million, which is up from NOK 3.0 million in the same quarter last year. This quarter includes an increase of a provision for potential liabilities. Underlying operating expenses is NOK 2.4 million, down with NOK 0.6 million from last year.

Net financial items were NOK 0.3 million in the third quarter 2021.

At the end of the quarter, total market value of investments amounted to NOK 334.3 million, compared to NOK 202.2 million at the end of the third quarter 2020 and NOK 287.0 million last quarter. The increase in investments compared to last year is partly due to the significant recovery in the value of the main investments after the Covid-19 impact last year and the positive development of Touchstone based on the company's exploration success. The increase in investments from last quarter is due to the recent significant increase in market values of the investment in Touchstone Exploration.

The share price of Reach Subsea ended the quarter at NOK 3.05, which gives North Energy's shareholding a market value of NOK 140.7 million. The investment in Reach Subsea is accounted for as an associated company. Thus, as the market value is higher than the book value (defined as the sum of historical purchase cost, plus our share of accumulated result since investment, less dividends received since investment) at the end of the third quarter, the investment is reported at book value of NOK 115.5 million.

Total assets at the end of the quarter were NOK 367.5 million, up from NOK 337.4 million at the end of the same quarter last year. The increase is mainly due to an

increase of the investment portfolio by NOK 106.9 million, offset by a reduction in cash of NOK 78.2 million, of which NOK 52.8 million relates to the dividend payment.

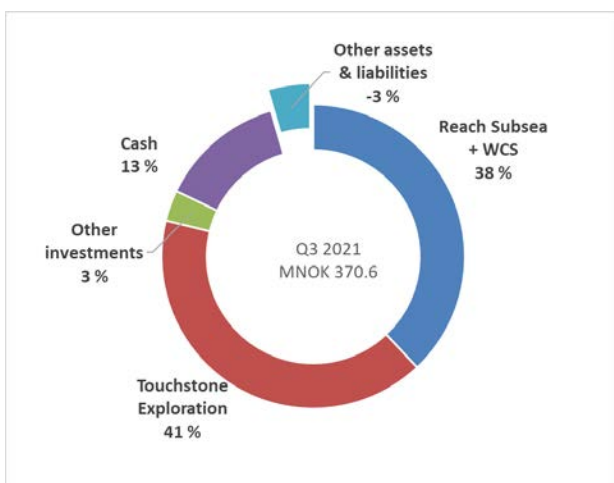
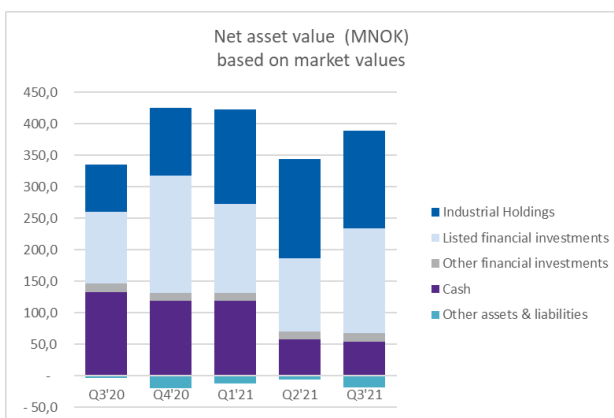
Total equity at the end of the third quarter was NOK 345.4 million, up from NOK 331.4 million at the end of the same quarter last year. The increase is explained by total comprehensive income of NOK 66.8 million last twelve months offset by dividend paid to shareholders of NOK 52.8 million. The Company's equity ratio stood at 94.0 percent at the end of the quarter.

The Company has no interest-bearing debt.

North Energy recorded NOK 54.6 million in cash at the end of the third quarter. This is down from NOK 57.6 million last quarter mainly due to operating expenses.

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

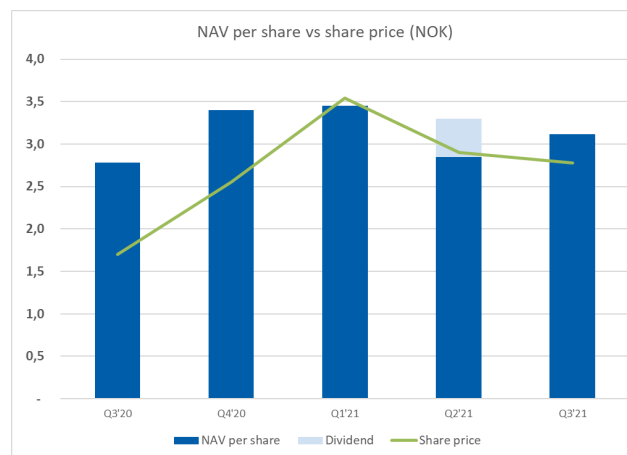
### Net asset value composition



Total market value of the investment portfolio was NOK 334.3 million at the end of the third quarter. Including

cash of NOK 54.6 million and net other assets and liabilities of negative NOK 18.3 million the net asset value was NOK 370.6 million at the end of the quarter.

### NAV per share vs. share price



The net asset value per share was NOK 3.11 while the share price at the end of the quarter was NOK 2.78, representing a discount of 11% compared to the net asset value per share.

## Investments

During the first nine months of 2021 global capital markets have appreciated. The value of North Energy's investments has in addition been affected by a 47% increased market value (including dividends) of Reach Subsea, partly offset by a 9% decline in the market value of Touchstone Exploration.

### Industrial holdings

#### Reach Subsea ASA

The main industrial investment is the 32% shareholding in Reach Subsea ASA where North has two representatives 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.

On the 18<sup>th</sup> of January Reach announced a new project called “Reach Remote”, which is a new and future-proof, sustainable solution for subsea services. The project is carried out in cooperation with the renowned industrial partners Kongsberg Maritime and Massterly and is also supported by a grant from Innovasjon Norge. The company highlights that this solution is expected to significantly reduce the cost, and virtually eliminate the carbon footprint, associated with subsea services. Reach plans to bring the solution to market in 2023.

As of the third quarter 2021, the investment in Reach is accounted for at a book value of NOK 115.5 million, up from NOK 101.4 million last quarter. The increase is driven by North Energy’s share of comprehensive income of NOK 14.1 million.

For the third quarter, Reach reported comprehensive income of NOK 43.8 million, which is up from the exceptionally strong NOK 27.8 million reported the same quarter last year. The high result this quarter is partly due to capitalization of a deferred tax asset of NOK 20.2 million recognised in the income statement based on expected utilization of tax losses carried forward. For the first nine months, Reach reported comprehensive income of NOK 71.2 million, up from NOK 29.9 million the same period last year.

Reach has financially had a strong first nine months of 2021 and announces that it has a good schedule to build upon for the upcoming 2021/22 winter season.

The company highlights that it sees clear signals of market stabilization ahead, driven by higher oil & gas prices as well as strong demand from the renewable energy sector.

On Reach Remote, the initiative to revolutionize the way subsea services are delivered, the company states it is on track for 2023 delivery and re-iterates the strong client and partner interest in the concept.

The company is very well positioned for the future, with a financially well performing existing business, a solid plan in place for reshaping the delivery model, and backed by a strong financial position with nearly NOK 200 million in cash and working capital.

The company is listed on the Oslo Stock Exchange and as of the end of the third quarter, the company had a market capitalization of NOK 438.0 million.

## Wind Catching Systems AS

Wind Catching Systems holds a new innovative technology for floating offshore wind systems (“WCS technology”). The wind turbines are designed for all weather conditions, with the potential to produce electricity at a significantly lower cost and with substantially less use of space than any other known technology today. Together with its key technology partner Aibel AS and IFE (Institute for Energy Technology), and with support from Innovasjon Norge, the company intends to finalize and commercialize the WCS technology.

During the quarter, the company has made several key personnel recruitments and is continuing to develop its organization in parallel with maturing the technology and concept together with its key technology partners Aibel and IFE.

The development of the Windcatching technology is progressing as expected. The first stage of the wind tunnel testing in Milano, aimed at verifying some of the key design features, has been completed during the summer of 2021. The results are encouraging, and the company has now verified that the tested design features revealed results on par with, or better than, assumptions used in the wind energy model. Further engineering work will continue in 2021 and 2022 with key areas of focus being marine engineering and equipment design in partnership with Tier 1 equipment providers to optimize the operating performance of the unit. Discussions are also ongoing with respect to future client adoption for the WCS concept.

## Financial investments

### Touchstone Exploration Inc.

The Company’s key financial investment is in Touchstone Exploration with an ownership interest of 6.0 per cent by the end of the third quarter, up from 5.9 per cent last quarter.

During the quarter, the company announced the completion of drilling of the Royston-1 exploration well and the drilling results. The well, which is the deepest exploration well drilled by Touchstone to date, encountered substantial hydrocarbon accumulations. An aggregate of 393 gross feet of hydrocarbon pay was identified in two unique thrusts sheets in the Herrera GR7 and GR7bc sands. The results from Royston-1 exceeded pre-drill expectations, but the

extent and commercial assessment of the discovery is pending production testing.

After quarter end Touchstone announced the result of the first of three planned production tests of Royston-1, which confirmed a light oil discovery in the lowermost section of the well. The discovery of oil in lower parts of the well within the Herrera sands is very important as it opens up a new oil play that can be developed alongside the targeted gas play in Herrera sands (production test two and three) higher up in the well.

Middle Miocene turbidite deposits have historically been prolific producers onshore Trinidad. As highlighted by the company, the Royston-1 well did not target the best sands in the lower intermediate Herrera GR7a sheet and future wells are likely to be optimized to target these sections. A light oil discovery in Royston-1 also bodes well for the Krakken well planned for 2022, in which the company intends to target a very large cretaceous turbidite play similar to the Guyana/Suriname discoveries.

The company aims to bring the Coho-1 discovery onto production in early 2022. Coho-1 was the first well drilled in the 5-well programme on the Ortoire Block. The company estimates the net future production rate from Coho-1 to be in the range from 1,300 – 1,600 barrels of oil equivalent (boe) per day, which will double the company's overall production.

The two Cascadura wells are targeted for production in the first half of 2022. The company estimates the net future production rate from Cascadura to be in the range of 10,000 – 13,000 boe per day, with additional upside from future development wells.

Touchstone expects production from the Ortoire block to increase cash flow significantly and contribute to a substantial reduction in volatility of future earnings. Based on the natural gas sales agreement with the National Gas Company of Trinidad and Tobago, Touchstone has secured offtake for all natural gas produced from the Ortoire license.

#### Other financial investments

As of third quarter 2021 the Company has several minor investments in shares and bonds as part of its liquidity management, with a total value of NOK 13.4 million.

## Strategy and outlook

Although developments in global capital markets have been strong in 2021, the Board expects that full economic normalisation will still take time for many sectors with particularly high uncertainty related supply chain challenges and normalization of interest rates policies globally. A strong combination of fiscal and monetary policy continues to support global demand for goods and services.

Energy demand has been strong in 2021 resulting in rising prices for both crude oil and natural gas. The Board believes the outlook for energy prices to be good due to significant underinvestments in conventional energy supply over the last few years. Despite a clear global trend towards cleaner energy sources, the demand for conventional energy continues to be strong, which will likely support prices going forward.

North Energy intends to further develop the company in accordance with the strategy previously communicated, balancing investments in conventional energy markets with renewable energy opportunities. Through its holdings in Reach Subsea, Touchstone Exploration and Wind Catching Systems the Board believes the company is well positioned to take advantage of continued strong demand for energy from both conventional and renewable sources.

The Company will seek to maintain optionality in order to successfully execute its long-term strategy and actively seek opportunities to develop and expand the industrial portfolio. However, in light of the significant uncertainties the Board still expect to take a cautious approach in the time to come. North Energy will remain focused on protecting health of employees and communities and continue to follow advice from public health officials.

For further elaboration of the Company's strategy, reference is made to the quarterly report from Q2 2020 and to the Company's webpage: [www.northenergy.no](http://www.northenergy.no)

# Financial statements third quarter 2021

## INCOME STATEMENT

| NOK 1 000                                     | Note | Q3 2021<br>(unaudited) | Q3 2020<br>(unaudited) | YTD Q3 2021<br>(unaudited) | YTD Q3 2020<br>(unaudited) | Year 2020<br>(audited) |
|---|------|------------------------|------------------------|----------------------------|----------------------------|------------------------|
| Sales   |      | 38                     | 35                     | 152                        | 43                         | 112                    |
| Payroll and related expenses                  |      | (1 107)                | (1 046)                | (3 030)                    | (3 204)                    | (4 207)                |
| Depreciation and amortisation                 |      | ( 280)                 | ( 212)                 | ( 844)                     | (1 046)                    | (1 466)                |
| Other operating expenses                      |      | (6 423)                | (3 027)                | (15 617)                   | (9 047)                    | (12 223)               |
| Change in fair value of financial investments |      | 47 578                 | 34 051                 | (17 545)                   | 61 061                     | 126 883                |
| Net result from investments in associates     | 11   | 13 094                 | 24 908                 | 21 874                     | 1 384                      | 26 391                 |
| <b>Operating profit/(loss)</b>                |      | <b>52 900</b>          | <b>54 708</b>          | <b>(15 010)</b>            | <b>49 190</b>              | <b>135 490</b>         |
| Financial income                              |      | 273                    | 525                    | 536                        | 2 675                      | 2 931                  |
| Financial costs                               |      | ( 0)                   | ( 47)                  | ( 1)                       | ( 215)                     | ( 210)                 |
| <b>Net financial items</b>                    |      | <b>273</b>             | <b>478</b>             | <b>534</b>                 | <b>2 460</b>               | <b>2 720</b>           |
| <b>Profit/(loss) before income tax</b>        |      | <b>53 173</b>          | <b>55 186</b>          | <b>(14 475)</b>            | <b>51 650</b>              | <b>138 210</b>         |
| Income taxes                                  | 8    | (5 455)                | (2 333)                | 10 759                     | (1 732)                    | (17 783)               |
| <b>Profit/(loss) for the period</b>           |      | <b>47 719</b>          | <b>52 854</b>          | <b>(3 717)</b>             | <b>49 918</b>              | <b>120 427</b>         |
| Attributable to:                              |      |                        |                        |                            |                            |                        |
| Owners of North Energy ASA                    |      | 47 719                 | 52 854                 | (3 717)                    | 51 538                     | 122 048                |
| Non-controlling interests                     |      | 0                      | 0                      | 0                          | (1 621)                    | (1 621)                |
|   |      | <b>47 719</b>          | <b>52 854</b>          | <b>(3 717)</b>             | <b>49 918</b>              | <b>120 427</b>         |
| Earnings per share (NOK per share)            |      |                        |                        |                            |                            |                        |
| - Basic                                       |      | 0,41                   | 0,45                   | (0,03)                     | 0,44                       | 1,04                   |
| - Diluted                                     |      | 0,41                   | 0,45                   | (0,03)                     | 0,44                       | 1,04                   |

## STATEMENT OF COMPREHENSIVE INCOME

| NOK 1 000   | Q3 2021<br>(unaudited) | Q3 2020<br>(unaudited) | YTD Q3 2021<br>(unaudited) | YTD Q3 2020<br>(unaudited) | Year 2020<br>(audited) |
|---|------------------------|------------------------|----------------------------|----------------------------|------------------------|
| <b>Profit/(loss) for the period</b>                     | <b>47 719</b>          | <b>52 854</b>          | <b>(3 717)</b>             | <b>49 918</b>              | <b>120 427</b>         |
| Other comprehensive income, net of tax                  |                        |                        |                            |                            |                        |
| <b>Total other comprehensive income, net of tax</b>     | <b>0</b>               | <b>0</b>               | <b>0</b>                   | <b>0</b>                   | <b>0</b>               |
| <b>Total comprehensive income/(loss) for the period</b> | <b>47 719</b>          | <b>52 854</b>          | <b>(3 717)</b>             | <b>49 918</b>              | <b>120 427</b>         |
| Attributable to:  |                        |                        |                            |                            |                        |
| Owners of North Energy ASA                              | 47 719                 | 52 854                 | (3 717)                    | 51 538                     | 122 048                |
| Non-controlling interests                               | 0                      | 0                      | 0                          | (1 621)                    | (1 621)                |
|   | <b>47 719</b>          | <b>52 854</b>          | <b>(3 717)</b>             | <b>49 918</b>              | <b>120 427</b>         |

## STATEMENT OF FINANCIAL POSITION

| NOK 1 000                            | Note | 30.09.2021<br>(unaudited) | 30.09.2020<br>(unaudited) | 31.12.2020<br>(audited) |
|--------------------------------------|------|---------------------------|---------------------------|-------------------------|
| <b>ASSETS</b>                        |      |                           |                           |                         |
| <b>Non-current assets</b>            |      |                           |                           |                         |
| Property, plant and equipment        |      | 153                       | 138                       | 131                     |
| Right-of-use assets                  | 3,12 | 3 142                     | 1 787                     | 1 374                   |
| Other receivables                    |      | 155                       | 292                       | 258                     |
| Investments in associates            | 11   | 136 325                   | 81 317                    | 111 369                 |
| Deferred tax asset                   | 8    | 0                         | 0                         | 0                       |
| <b>Total non-current assets</b>      |      | <b>139 775</b>            | <b>83 533</b>             | <b>113 132</b>          |
| <b>Current assets</b>                |      |                           |                           |                         |
| Trade and other receivables          |      | 298                       | 239                       | 181                     |
| Financial investments, current       | 9    | 172 796                   | 120 882                   | 191 422                 |
| Cash and cash equivalents            |      | 54 611                    | 132 787                   | 119 332                 |
| <b>Total current assets</b>          |      | <b>227 705</b>            | <b>253 908</b>            | <b>310 935</b>          |
| <b>Total assets</b>                  |      | <b>367 480</b>            | <b>337 441</b>            | <b>424 067</b>          |
| <b>EQUITY AND LIABILITIES</b>        |      |                           |                           |                         |
| <b>Equity</b>                        |      |                           |                           |                         |
| Share capital                        | 5    | 119 047                   | 119 047                   | 119 047                 |
| Treasury shares                      | 5    | (3 411)                   | (3 411)                   | (3 411)                 |
| Share premium                        |      | 850 378                   | 903 141                   | 903 141                 |
| Other paid-in capital                |      | 30 691                    | 30 691                    | 30 691                  |
| Retained earnings                    |      | (651 292)                 | (718 085)                 | (647 575)               |
| Non-controlling interests            |      | 0                         | 0                         | 0                       |
| <b>Total equity</b>                  |      | <b>345 413</b>            | <b>331 383</b>            | <b>401 893</b>          |
| <b>Liabilities</b>                   |      |                           |                           |                         |
| <b>Non-current liabilities</b>       |      |                           |                           |                         |
| Deferred tax liability               | 8    | 7 624                     | 2 333                     | 18 383                  |
| Leasing liabilities                  | 3,12 | 2 671                     | 754                       | 304                     |
| <b>Total non-current liabilities</b> |      | <b>10 295</b>             | <b>3 087</b>              | <b>18 687</b>           |
| <b>Current liabilities</b>           |      |                           |                           |                         |
| Leasing liabilities, current         | 3,12 | 532                       | 1 296                     | 1 163                   |
| Trade creditors                      |      | 2 478                     | 136                       | 30                      |
| Tax payable                          | 8    | 0                         | 0                         | 0                       |
| Other current liabilities            |      | 8 762                     | 1 539                     | 2 296                   |
| <b>Total current liabilities</b>     |      | <b>11 772</b>             | <b>2 971</b>              | <b>3 488</b>            |
| <b>Total liabilities</b>             |      | <b>22 067</b>             | <b>6 058</b>              | <b>22 175</b>           |
| <b>Total equity and liabilities</b>  |      | <b>367 480</b>            | <b>337 441</b>            | <b>424 067</b>          |

## 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 2020                                     | 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 01.01.20-30.09.20             |                |                 |                |                       | 51 538            | (1 621)                   | 49 918         |
| <b>Equity at 30 September 2020</b>                           | <b>119 047</b> | <b>(3 411)</b>  | <b>903 141</b> | <b>30 691</b>         | <b>(718 085)</b>  | <b>0</b>                  | <b>331 383</b> |
| Total comprehensive income for 01.10.20-31.12.20             |                |                 |                |                       | 70 510            | 0                         | 70 510         |
| <b>Equity at 31 December 2020</b>                            | <b>119 047</b> | <b>(3 411)</b>  | <b>903 141</b> | <b>30 691</b>         | <b>(647 575)</b>  | <b>0</b>                  | <b>401 893</b> |
| Total comprehensive income for 01.01.21-30.09.21             |                |                 |                |                       | (3 717)           |                           | (3 717)        |
| Paid dividend  |                |                 | (52 763)       |                       |                   |                           | (52 763)       |
| <b>Equity at 30 September 2021</b>                           | <b>119 047</b> | <b>(3 411)</b>  | <b>850 378</b> | <b>30 691</b>         | <b>(651 292)</b>  | <b>0</b>                  | <b>345 413</b> |

\* On 8 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. From this date North Energy Capital AS was owned 100% by North Energy ASA. In August 2020 North Energy Capital AS was merged with North Energy ASA.



## CASH FLOW STATEMENT

| NOK 1 000   | Q3 2021<br>(unaudited) | Q3 2020<br>(unaudited) | YTD Q3 2021<br>(unaudited) | YTD Q3 2020<br>(unaudited) | Year 2020<br>(audited) |
|---|------------------------|------------------------|----------------------------|----------------------------|------------------------|
| <b>Cash flow from operating activities</b>                  |                        |                        |                            |                            |                        |
| Profit/(loss) before income tax                             | 53 173                 | 55 186                 | (14 475)                   | 51 650                     | 138 210                |
| Adjustments:  |                        |                        |                            |                            |                        |
| Depreciation  | 280                    | 212                    | 844                        | 1 046                      | 1 466                  |
| Pensions  | 37                     | 33                     | 103                        | 59                         | 92                     |
| Change in fair value of financial investments               | (47 578)               | (34 051)               | 17 545                     | (61 061)                   | (126 883)              |
| Net result from investments in associates                   | (13 094)               | (24 908)               | (21 874)                   | (1 384)                    | (26 391)               |
| Changes in current payables, receivables and other accruals | 6 783                  | ( 151)                 | 7 943                      | (3 419)                    | (3 295)                |
| <b>Net cash flow from operating activities</b>              | <b>( 399)</b>          | <b>(3 680)</b>         | <b>(9 914)</b>             | <b>(13 109)</b>            | <b>(16 800)</b>        |
| <b>Cash flow from investing activities</b>                  |                        |                        |                            |                            |                        |
| Investments in associates                                   | 0                      | 0                      | (10 000)                   |                            | (5 045)                |
| Dividends from associates                                   | 0                      | 0                      | 6 919                      | 800                        | 800                    |
| Purchase of financial investments                           | (2 574)                | 0                      | (4 445)                    | (20 562)                   | (25 285)               |
| Proceeds from sales of financial investments                | 0                      | 10                     | 5 526                      | 158 924                    | 158 930                |
| <b>Net cash flow from investing activities</b>              | <b>(2 574)</b>         | <b>10</b>              | <b>(2 043)</b>             | <b>139 162</b>             | <b>129 399</b>         |
| <b>Cash flow from financing activities</b>                  |                        |                        |                            |                            |                        |
| Dividends paid from North Energy ASA                        | 0                      | 0                      | (52 763)                   | 0                          | 0                      |
| Dividends paid from subsidiary to non-controlling interests | 0                      | 0                      | 0                          | (21 280)                   | (21 280)               |
| <b>Net cash flow from financing activities</b>              | <b>0</b>               | <b>0</b>               | <b>(52 763)</b>            | <b>(21 280)</b>            | <b>(21 280)</b>        |
| <b>Net change in cash and cash equivalents</b>              | <b>(2 973)</b>         | <b>(3 669)</b>         | <b>(64 720)</b>            | <b>104 774</b>             | <b>91 319</b>          |
| Cash and cash equivalents at beginning of the period        | 57 585                 | 136 456                | 119 332                    | 28 013                     | 28 013                 |
| <b>Cash and cash equivalents at end of the period</b>       | <b>54 611</b>          | <b>132 787</b>         | <b>54 611</b>              | <b>132 787</b>             | <b>119 332</b>         |

# Notes to the interim consolidated financial statements third quarter 2021

## Note 1 - General and corporate information

These financial statements are the unaudited interim condensed financial statements of North Energy ASA for the third quarter of 2021. (Comparison figures from last year are the consolidated financial statements of North Energy ASA and its former subsidiaries (hereafter the "Group")). After completion of the intra-group merger between North Energy ASA and North Energy Capital AS in third quarter 2020, North Energy ASA is the only remaining Company in the former Group.

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

## Note 2 - Basis of preparation

The interim accounts have been prepared in accordance with IAS 34 Interim Financial Reporting and the supplementary requirements in the Norwegian Securities Trading Act (Verdipapirhandelloven). The interim accounts do not include all the information required in the annual accounts and should therefore be read in conjunction with the annual accounts for 2020. The annual accounts for 2020 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 2020. New standards, amendments, and interpretations to existing standards effective from 1 January 2021 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 2020.

## Note 5 - Share capital

|  |                    |
|--|--------------------|
| Number of outstanding shares at 1 January 2021             | 119 047 065        |
| New shares issued during the period                        | 0                  |
| <b>Number of outstanding shares at 30 September 2021 *</b> | <b>119 047 065</b> |
| Nominal value NOK per share at 30 September 2021           | 1                  |
| Share capital NOK at 30 September 2021                     | 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 Q3 2021 | YTD Q3 2020 | Year 2020 |
|---------------------------|-------------------------|-------------|-------------|-----------|
| North Advisors AS         | Consultancy services    |             | 3 705       | 3 705     |
| Celisa Capital AS         | Consultancy services    | 2 812       | 938         | 1 875     |
| Isfjorden AS              | Consultancy services    | 2 812       | 938         | 1 875     |

## Note 8 - Income taxes

On 6 May 2020 North Energy received a notice from the Norwegian Tax Administration informing that they are starting a control of North Energy ASA's accounts for the years 2016 up to and including 2019. The control is currently ongoing and North Energy has not received any report nor any claim from the Tax administration. To cover for a possible claim a provision of NOK 7.5 million as other operating expenses has been made this year.

| Specification of income tax  | YTD Q3 2021   | YTD Q3 2020 | Year 2020       |
|--|---------------|-------------|-----------------|
| Tax payable  | 0             | 0           | 0               |
| Change deferred tax asset  | 10 759        | (1 732)     | (17 783)        |
| Of this, deferred tax asset related to equity transactions recognised directly in equity | 0             | 0           | 0               |
| <b>Total income taxes</b>  | <b>10 759</b> | <b>600</b>  | <b>(17 783)</b> |

| Specification of temporary differences, tax losses carried forward, deferred tax | 30.09.2021     | 30.09.2020     | 31.12.2020      |
|--|----------------|----------------|-----------------|
| Property, plant and equipment  | 2 953          | 1 499          | 1 116           |
| Pensions   | 287            | 424            | 390             |
| Leasing liabilities  | (3 203)        | (2 051)        | (1 466)         |
| Financial investments  | 132 055        | 85 382         | 151 220         |
| Tax losses carried forward, onshore  | (97 436)       | (74 652)       | (67 701)        |
| <b>Total basis for deferred tax asset</b>  | <b>34 656</b>  | <b>10 603</b>  | <b>83 559</b>   |
| Deferred tax asset/(liability) before valuation allowance                        | (7 624)        | (2 333)        | (18 383)        |
| Not capitalised deferred tax asset (valuation allowance)                         | 0              | 0              | 0               |
| <b>Deferred tax asset/(liability)</b>  | <b>(7 624)</b> | <b>(2 333)</b> | <b>(18 383)</b> |

| Reconciliation of effective tax rate                   | YTD Q3 2021   | YTD Q3 2020    | Year 2020       |
|--|---------------|----------------|-----------------|
| Profit/(loss) before income tax                        | (14 475)      | 51 650         | 138 210         |
| Expected income tax 22%                                | 3 185         | (11 363)       | (30 406)        |
| Adjusted for tax effects (22%) of the following items: |               |                |                 |
| Permanent differences                                  | 5 074         | (907)          | 4 586           |
| Adjustments previous years                             | 2 500         | 0              | (2 500)         |
| Changed tax rates                                      | 0             | 0              | 0               |
| Change in valuation allowance for deferred tax assets  | 0             | 10 537         | 10 537          |
| <b>Total income taxes</b>                              | <b>10 759</b> | <b>(1 732)</b> | <b>(17 783)</b> |

## Note 9 - Financial investments

Financial investments are investments in shares and bonds. The main investments at 30 September 2021 consist of shares in Touchstone Exploration and bonds in InterOil Exploration.

## Note 10 - Fair value of financial instruments

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

Fair value of the stock exchange-listed shares is the stock market price at the balance sheet date (level 1 in the fair value hierarchy). Fair value of bonds is based on quoted market prices at the balance sheet date (level 2 in the fair value hierarchy). Fair value of other non-listed investments 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 30.09.2021   | Level 1        | Level 2      | Level 3  | Total          |
|-------------------------|----------------|--------------|----------|----------------|
| Shares                  | 166 641        |              | 0        | 166 641        |
| Bonds                   |                | 6 156        |          | 6 156          |
| <b>Total fair value</b> | <b>166 641</b> | <b>6 156</b> | <b>0</b> | <b>172 796</b> |

There has been no transfer between level 1 and level 2 during 2021.

| Reconciliation of level 3 in the fair value hierarchy | Level 3  |
|---|----------|
| Opening balance                                       | 0        |
| Movement during the quarter                           | 0        |
| <b>Closing balance</b>                                | <b>0</b> |

## Note 11 - Investment in an associate

Reconciliation and specification of carrying amount of investment in associates:

|   | 30.09.2021     | 30.09.2020    | 31.12.2020     |
|---|----------------|---------------|----------------|
| Opening balance carrying amount of investments in associates              | 111 369        | 80 733        | 80 733         |
| Acquisition cost additional shares acquired, Reach Subsea ASA             | 0              | 0             | 0              |
| Acquisition cost shares acquired, Wind Catching Systems AS                | 10 000         | 0             | 5 045          |
| Impairment/reversal of investment, Reach Subsea ASA                       | 0              | (8 234)       | 12 108         |
| Share of net result in investment, Reach Subsea ASA                       | 22 863         | 9 618         | 14 068         |
| Share of net result in investment, Wind Catching Systems AS               | (989)          | 0             | -              |
| Share of net result in investment, Tyveholmen AS                          | 0              | 0             | 215            |
| Dividend received, Reach Subsea ASA                                       | (6 919)        | 0             | 0              |
| Dividend received, Tyveholmen AS  | 0              | (800)         | (800)          |
| <b>Total carrying amount of investments in associates at balance date</b> | <b>136 325</b> | <b>81 317</b> | <b>111 369</b> |

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

|   | YTD Q3 2021   | YTD Q3 2020  | Year 2020     |
|---|---------------|--------------|---------------|
| Impairment / reversal of impairment of investment, Reach Subsea | 0             | (8 234)      | 12 108        |
| Share of net result in investment, Reach Subsea                 | 22 863        | 9 618        | 14 068        |
| Share of net result in investment, Wind Catching Systems AS     | (989)         | 0            | 0             |
| Share of net result in investment, Tyveholmen                   | 0             | 0            | 215           |
| <b>Net result from investments in associates</b>                | <b>21 874</b> | <b>1 384</b> | <b>26 391</b> |

## Note 12 - Leases

### Right-of-use assets:

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

| Right-of-use assets  | Office facilities |
|--|-------------------|
| Acquisition cost at 1 January 2021                               | 4 638             |
| Addition of right-of-use assets                                  | 2 839             |
| Disposals of right-of-use assets                                 | (246)             |
| <b>Acquisition cost at 30 September 2021</b>                     | <b>7 230</b>      |
| Accumulated depreciation and impairment 1 January 2021           | (3 264)           |
| Depreciation   | (824)             |
| Impairment   | 0                 |
| <b>Accumulated depreciation and impairment 30 September 2021</b> | <b>(4 088)</b>    |
| <b>Carrying amount of right-of-use assets 30 September 2021</b>  | <b>3 142</b>      |

Lower of remaining lease term or economic life 5.5 years  
Depreciation method Linear

### Leasing liabilities:

|   |              |
|---|--------------|
| Lease liabilities at 1 January 2021           | 1 466        |
| Additions lease contracts                     | 2 839        |
| Disposals lease contracts                     | (296)        |
| Accretion lease liabilities                   | 43           |
| Payments of lease liabilities                 | (849)        |
| <b>Total leasing liabilities 30 June 2021</b> | <b>3 203</b> |
| Break down of lease debt:                     |              |
| Short-term                                    | 532          |
| Long-term                                     | 2 671        |
| <b>Total lease debt</b>                       | <b>3 203</b> |

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

|               | 30.06.2021   |
|---------------|--------------|
| Within 1 year | 874          |
| 1 to 5 years  | 2 640        |
| After 5 years | 330          |
| <b>Total</b>  | <b>3 844</b> |

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

## Note 13 - Events after the balance sheet date

There are no subsequent events with significant accounting impacts that have occurred between the end of the reporting period and the date of this report that are not already reflected or disclosed in these interim financial statements.

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