

North Energy Q1 2017

On track for further value creation

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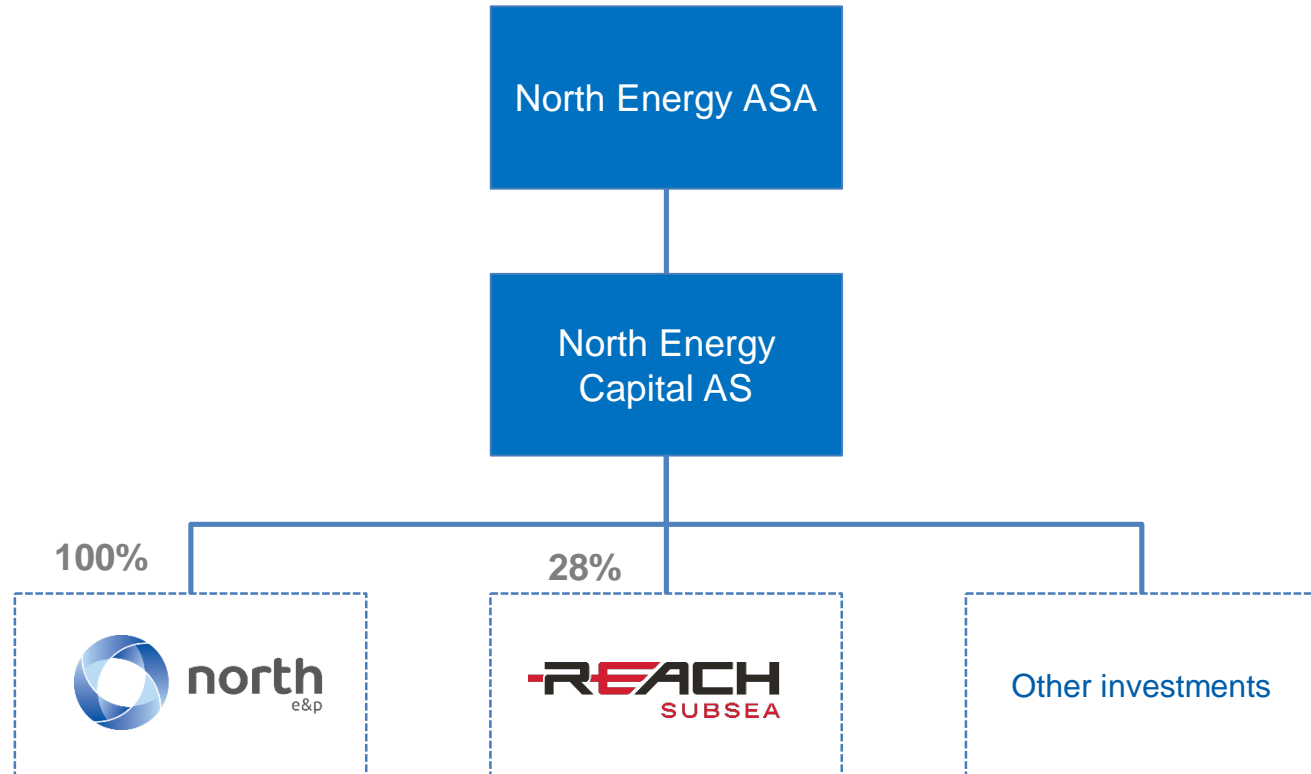
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North Energy ASA

Group structure



Description:

NCS focused E&P company

Subsea/IMR service provider

Book value Q1:
(* Net asset)

247 MNOK*

70 MNOK

44 MNOK

Agenda

- Q1 highlights and subsequent events
- Operational update
- Financial update
- Summary and outlook

Q1 highlights and subsequent events

- **North E&P – further reduction in license portfolio**
 - Licence portfolio reduced further with two remaining licences as of 31 March - no major investment commitments left
 - A rebuild of the portfolio will require an improvement in market fundamentals
- **Increased ownership in Reach Subsea**
 - Increased ownership through completion of private placement and acquisition of Accello Partners I AS interest
 - Announced number of new contracts after quarter end
- **Other/corporate:**
 - Recently announced sale of bonds in InterOil Exploration and Production ASA for a cash consideration of USD 2 million and 7.5 million shares in Andes Energia (AEN)
 - Comfortable position with net cash of NOK 56 million as per 31 March
 - NOK 29.8 million in dividends distributed in March

Corporate and strategic matters

- **North Energy ASA's current and future strategic direction**
 - The Company has transitioned into an industrial holding company focused on value creation through energy and energy related investments
 - Majority of assets concentrated in E&P business with new initiatives being pursued actively (Reach Subsea, etc.)
 - Proposal from the Board of Directors for the company to expand its strategic scope to include non energy related investments

- **Proposed amendment to the Company's Articles of Association**
 - Annual general meeting to resolve a proposed amendment to the Company's articles of association
 - Proposal to expand business to include opportunities outside the energy sector
 - Annual general meeting to be held on 1 June 2017

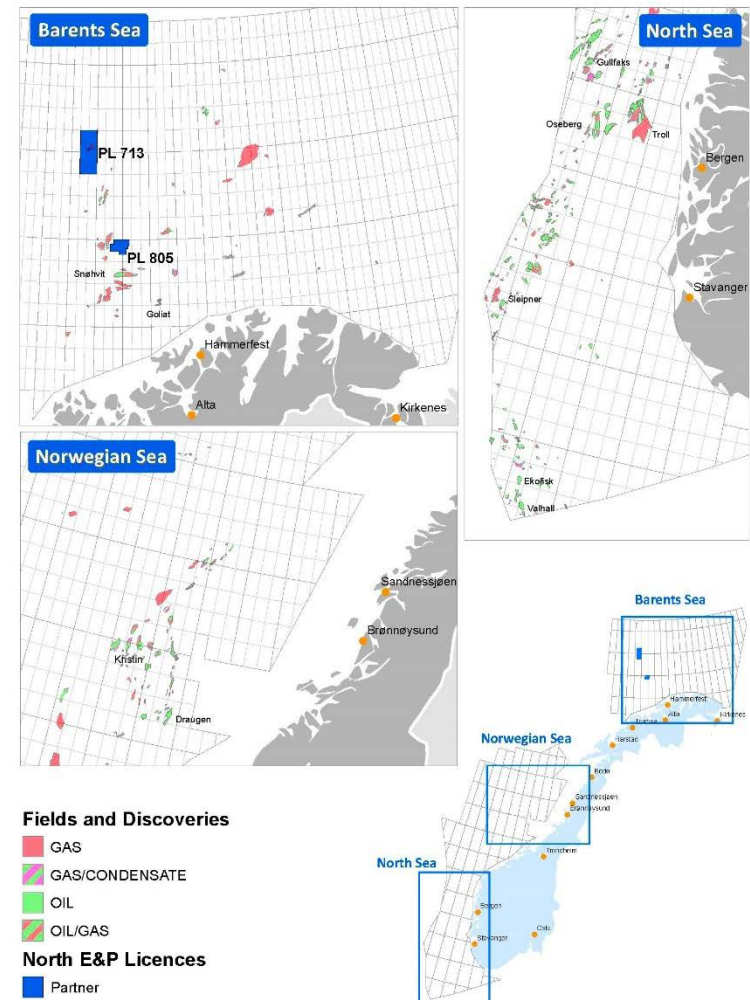
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North E&P

Licence portfolio reduced further during the quarter

- The 2015 revised exploration strategy raised North Energy's commercial thresholds
 - Response to the adverse market conditions
- The result: A significant high grading of the portfolio
 - Two remaining licences as per 31 March
 - Significant value creation through accretive investments and divestment of licenses
- A gradual re-build of the portfolio will require an improvement in market fundamentals



Reach Subsea

Increased ownership through Accello Partners AS and private placement

- **A subsea service company with an impressive track record in a weak market**
 - Flexible business model and competitive cost base and with a strong management team
 - Positioned for value accretive growth initiatives
- **New contract announcements:**
 - 60 day contract for Havila Subsea (plus options)
 - Continued deployment of Viking Neptune for Technip through Q2/Q3 2017
 - Normand Reach deployed to Australia for Solstad Offshore and McDermott with WROV services provided by Reach Subsea
- **Strategic initiatives:**
 - North intends to support Reach in growing profitably at the bottom of the oil service cycle
 - Recently took part in a private placement in Reach and currently controls 28% of the company
 - Investment in Reach valued at NOK 69.8 million

REACH
SUBSEA



Reach Subsea – Financial effects Q1

Event	Financial effect
Exchange of North Energy Capital's shares in Reach for shares in Accello, accounting effect based on Reach share price on closing of transaction (NOK 2.35)*	NOK 8.4 million in gain, reported as "financial income"
Mark-to-market based on Reach share price 31 March (NOK 1.74)	NOK 11.3 million in loss, reported as "loss from associated company"
Net Profit & Loss effect Q1	NOK – 2.9 million

** During the first quarter, NEC increased its ownership in Reach Subsea ASA to 28 per cent, thereby becoming the new major shareholder in the company. The ownership in Reach is held through the newly acquired company Accello Partners I AS*

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Profit & Loss Q1 2017

North Energy group consolidated

NOK Million	Q1 2017	Q4 2016	Q1 2016	2016	
Gain/loss from licence sale	-	4,5	1,2	14,0	Sale of PL378, 719, 762 (Q4'16)
Exploration expenses	0,9	(11,6)	(6,0)	(29,1)	Adjustment previously owned licences
Payroll	(4,5)	1,7	(16,7)	(32,5)	Pension adjustment (Q4'16)
Other operating expenses	(7,1)	(8,3)	(10,9)	(40,8)	
EBITDA	(10,8)	(13,6)	(32,5)	(88,3)	
Depreciation/impairment	(0,4)	(0,6)	(0,7)	(2,6)	
EBIT	(11,2)	(14,2)	(33,2)	(90,9)	
Net loss investment associate	(11,3)				Impairment Reach investment
Gain from bargain purchase	-	-	100,8	100,8	Explora acquisition
Net financial items	6,5	(10,2)	(0,2)	(5,8)	Incl. gain on Reach acquisition
EBT	(16,1)	(24,4)	67,4	4,2	
Tax	6,3	21,7	26,7	76,6	
Net result	(9,8)	(2,7)	94,1	80,8	

Balance Sheet 31 March 2017

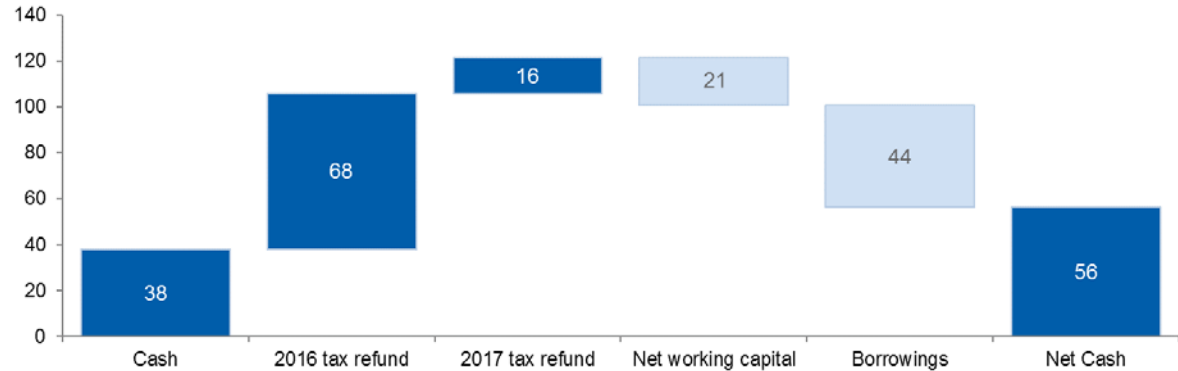
North Energy group consolidated

NOK Million	31.03.2017	31.12.2016	31.12.2015	Comments on 31.03.2017
Assets				
Fixed assets	0,8	1,3	3,8	
Capitalized drilling cost	-	-	0,0	
Deferred tax asset	197,8	207,3	149,8	Mainly deferred tax on LCF
Investments	114,3	51,3		Shares, bonds, assoc. comp. market value
Long term receivables	18,3	2,4	18,5	Incl. tax receivables on 2017 expenses
Short term receivables	73,7	73,3	440,3	Incl. tax receivables on 2016 expenses
Cash	38,0	126,5	34,8	
Total assets	442,9	462,0	647,2	
Equity and liabilities				
Total equity	365,6	406,9	314,9	Equity share of 83 percent
Long term liabilities	7,5	-	45,6	
Short term liabilities	69,8	55,2	286,7	Borrowings and other curr. liabilities
Total equity and liabilities	442,9	462,0	647,2	

Net cash position Q1 2017

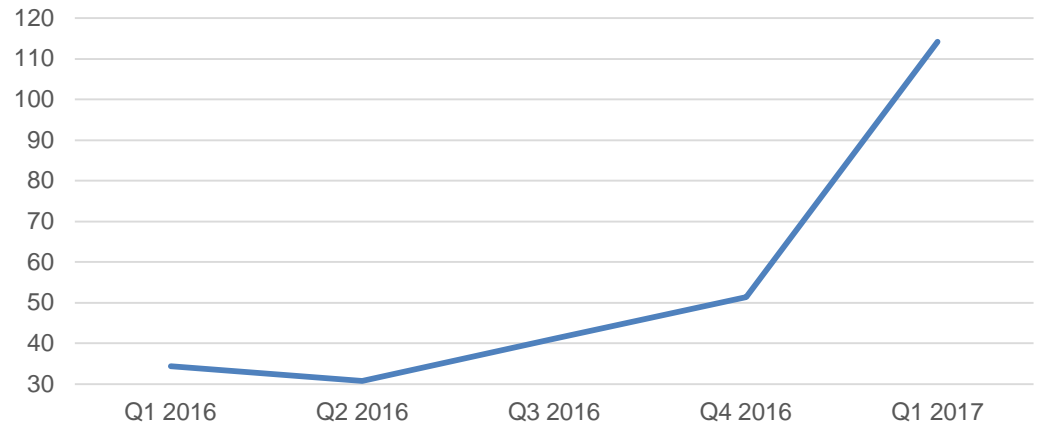
- Consolidated net cash position of NOK 56 million
- Impacted by (MNOK):
 - Dividend payments 30
 - New investments 63

North Energy consolidated net cash position (MNOK)



- Significant increase in NECs investments
- Total investments excl exploration (MNOK):
 - Reach Subsea 70
 - Other 44

North Energy Capital total investments (MNOK)



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Summary and outlook

- **Comfortably positioned in a challenging market**
 - Low cash burn combined with dividend and investment capacity
- **Re-build of NCS portfolio requires improved market fundamentals**
 - Activity kept at a low level for now
- **Actively pursuing new market opportunities**
 - Focus on strategic opportunities where value creation can be achieved through influence and control
 - Proposed amendment in Articles of Association opening up for new opportunities

Q & A