

QUARTERLY FINANCIAL REPORT Q2 2024

M VEST ENERGY AS

30/08/2024



MVESTENERGY

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1. EXECUTIVE SUMMARY

Highlights M Vest Energy 2nd quarter

In the 2nd quarter M Vest Energy had revenues of 233 MNOK from its licenses, Polarled (5%), Draugen (7,56%), Brage (4,4424%) and Ivar Aasen (0,8%).

EBITDA for the quarter was 168 MNOK.

Profit before tax was 79 MNOK.

No serious incidents occurred at any of our assets.

About M Vest Energy

M Vest Energy was founded in 2015. In December 2016, the new energy business was approved as a license holder on The Norwegian Continental Shelf (NCS).

In June 2020, the company acquired a 5% working interest in the Polarled gas pipeline, and in March 2022 the acquisition of working interests in Draugen (7,56%), Brage (4,4424%) and Ivar Aasen (0,8%) was completed.

The company's strategy is to optimize and develop the existing portfolio within the frameworks available. Further, the company is actively working to uncover new opportunities as a result of rapid changes in the sector. This includes investment in production and infrastructure opportunities. M Vest Energy aims at always being in the forefront of technology development, particularly the utilization of the digital arena.

The company shall conduct its business in a way that minimizes footprint on the climate and environment, and especially be in the forefront when it comes to reducing emissions to air and water. ESG is central in the day-to-day operations.

Financial review

Total income in the quarter amounted to MNOK 232.7, (129.8 in 2023). Operating profit for the period was MNOK 100.3 (32.0 MNOK in 2023). The total operating expenses amounted to MNOK 132.4 (97.9 MNOK in 2023). Increase in operating expenses is in large caused by increased production as the fields in production are depreciated using the unit-of-production method.

Net financial items amounted to MNOK -21.6 (-29.6 MNOK in 2023), where costs of 5.5 MNOK are noncash items related to accretion expenses of asset retirement obligations on the producing assets.

Profit before income tax was MNOK 78.7 (2.4 in 2023). Tax expense amounted to MNOK 67.1 (10.0 in 2023).

Net profit was MNOK 11.6 (-7.6 in 2023).

Total assets at period-end amounted to MNOK 1 376.2 (1 357.9 in 2023). The main reason for the increase is investments on producing assets, partly offset by depreciations.

The interest-bearing debt was MNOK 394.3 at the end of the quarter, compared to 466.6 MNOK in 2023. The decrease is due to the seller's credit to Neptune being settled in Q4 2023.

The company's cash flow from operating activities was MNOK 98.5 (99.5 in 2023). Cash flow from investing activities was NOK -84.7 (-72.9 in 2023).

Net cash flow from financing activities was MNOK -15.4 (-11.2 in 2023).

Cash and cash equivalents at the beginning of the period was MNOK 92.9 (57.9 in 2023). At balance sheet date, cash and cash equivalents amounted to MNOK 91.3 (73.3 in 2023), giving a net decrease of MNOK 1.6 (increase of 15.4 in 2023.)

Operational review

Draugen (partner 7.56%)

Net production for the quarter was 1 565 boepd. Production efficiency was 92%.

During the third quarter, a planned shutdown at the Kårstø gas processing plant will prevent gas export from Draugen for ~3 weeks. A three-day production shutdown to cater for the yearly Emergency Shutdown (ESD) test and safety stop is scheduled to coincide with this period.

Installation of the power cable from shore to Draugen for the electrification project is on schedule for completion by year-end 2024. Preparatory work at Draugen is near completion, and the project is ramping up to start installation of new equipment. Completion of the project is expected in 2027.

Brage (partner 4.4424 %)

Net production for the quarter was 859 boepd. Production efficiency was 89%.

The reduced production efficiency was mainly due to a one-week production stop in June for repair of a gas cooler. The lower volumes were additionally a result of natural decline. These effects were partly offset by the second Talisker east well put on production during the quarter. The Fensfjord north infill well project is on track for production start-up during the fourth quarter.

An exempt development and operation (PDO) application for the Sognefjord east and Kim area was submitted to the authorities in May. The plan is to commence a combined development and appraisal well for the area during the second half of 2024.

Ivar Aasen (partner 0.8 %)

Net estimated production for the quarter was 184 boepd. Production efficiency was 95%.

Preparation for a potential IOR 2026 campaign is ongoing.

Polarled (partner 5%)

We have experienced steady throughput from the connected fields in the quarter, delivering tariff revenues in line with expectations.

Bestla (partner 4.4424 %)

The plan for development and operation (PDO) was submitted to the Ministry of Energy in April. Bestla has estimated gross recoverable reserves of 24 million boe and will be developed as a two-well tie-back to the Brage field. Gross capital investments are estimated to be approximately NOK 6 billion. Bestla is expected to come on stream during the first half of 2027. OKEA is the operator of the field (39.2788%), joined by DNO (39.2788%), Lime Petroleum (17%) and M Vest Energy (4.4424%) as license partners.

Risks and uncertainty

As an oil and gas company operating on the Norwegian Continental Shelf, exploration results, reserve and resource estimates and estimates for capital and operating expenditures are associated with uncertainty. The production performance of oil and gas fields may be variable over time, and this also affects the tariff income from infrastructure assets. Oil and gas prices are volatile, currently at high levels, but there is risk of reduced prices in the future.

The company is exposed to various forms of financial risks, including, but not limited to, fluctuation in oil prices, exchange rates, interest rates and capital requirements; these are described in the company's annual report and accounts.

2. FINANCIAL REPORTS

INCOME STATEMENT (UNAUDITED)

Amounts in NOK '000		01.01.-30.06.	01.01.-30.06.	Q2	Q2
	Note	2024	2023	2024	2023
Revenues from crude oil and gas sales		432 618	301 437	211 875	118 613
Tariff revenues		44 310	29 272	20 805	11 129
Other income		54	136	50	87
TOTAL INCOME		476 982	330 845	232 729	129 829
Production expenses		100 962	99 985	42 047	53 880
Changes in over/under lift positions		19 460	24 626	10 281	34
Exploration expenses		12 439	6 303	838	2 931
Depreciations	2	142 927	63 543	68 143	29 190
Other operating expenses		24 109	27 190	11 120	11 824
Total operating expenses		299 897	221 646	132 428	97 859
Operating profit/loss		177 085	109 198	100 301	31 969
Net financial items	4	(46 889)	(60 255)	(21 628)	(29 570)
Profit/loss before taxes		130 196	48 943	78 673	2 400
Tax expense (+)/income (-)	5	120 513	46 877	67 071	10 041
NET PROFIT/LOSS		9 683	2 066	11 602	(7 642)

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

Amounts in NOK '000		01.01.-30.06.	01.01.-30.06.	01.01.-31.12.
	Note	2024	2023	2023
ASSETS				
Intangible assets				
Other intangible assets	2	1 152	1 468	1 525
Tangible fixed assets				
Property, plant and equipment	2	1 129 660	1 176 215	1 143 086
Right-of-use assets	2,3	4 811	5 347	5 439
Financial investments		17 229	5 010	11 523
Total non-current assets		1 152 852	1 188 041	1 161 573
Receivables				
Trade and other receivables	6	94 797	67 784	111 365
Stock from joint operations		37 330	28 821	45 006
Cash and cash equivalents				
Cash and cash equivalents	11	91 259	73 290	68 989
Total current assets		223 386	169 895	225 360
TOTAL ASSETS		1 376 238	1 357 936	1 386 933

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

Amounts in NOK '000		01.01.-30.06.	01.01.-30.06.	01.01.-31.12.
	Note	2024	2023	2023
EQUITY AND LIABILITIES				
Equity				
Share capital	10	76	76	76
Share premium		98 137	98 137	98 137
Other equity		(165 574)	(141 167)	(175 257)
Total equity		(67 361)	(42 954)	(77 044)
Non-current liabilities				
Deferred tax	5	170 758	95 354	169 341
Asset retirement obligations	12	685 493	739 088	680 910
Long term bonds	8	389 382	382 048	385 715
Long-term lease debt	3,9	3 599	4 106	4 193
Total non-current liabilities		1 249 232	1 220 596	1 240 159
Current liabilities				
Trade, other payables and provisions	7	77 957	67 013	138 987
Other borrowings	9	-	79 128	-
Income tax payable	5	115 060	31 847	83 414
Financial instruments		-	1 019	68
Short-term lease debt	3,9	1 350	1 287	1 350
Total current liabilities		194 367	180 293	223 818
Total liabilities		1 443 598	1 400 890	1 463 977
TOTAL EQUITY AND LIABILITIES		1 376 238	1 357 936	1 386 933

STATEMENT OF CASH FLOW (UNAUDITED)

Amounts in NOK '000		01.01.-30.06.	01.01.-30.06.	Q2	Q2	01.01.-31.12.
	Note	2024	2023	2024	2023	2023
Profit/loss before taxes		130 196	48 943	78 673	2 400	148 708
Depreciation	2	142 927	63 543	68 143	29 190	171 536
Income tax paid	5	(87 449)	(27 847)	(58 300)	(18 565)	(36 433)
Interest expenses	4	44 602	48 273	22 474	24 147	97 425
Changes in inventories, accounts payable and receivables		(36 853)	41 344	(12 508)	62 374	52 648
Net cash flow from operating activities		193 422	174 256	98 482	99 547	433 884
Disbursements on investments in fixed assets	2	-	(200)	-	-	-
Disbursements on investments in licenses	2	(128 500)	(111 555)	(81 304)	(61 389)	(252 576)
Payment for removal and decommissioning of oil fields	12	(6 495)	(11 871)	(3 367)	(11 504)	(16 586)
Cash used on (-)/received from financial investments		(5 706)	-	-	-	(6 513)
Net cash flow from investment activities		(140 701)	(123 626)	(84 672)	(72 893)	(275 676)
Interest paid	4	(29 776)	(25 648)	(15 065)	(10 812)	(61 669)
Repayment of seller's credit		-	5 968	-	(94)	(69 196)
Payments on lease debt	3	(675)	(648)	(337)	(324)	(1 296)
Net cash flow from financing activities		(30 451)	(20 329)	(15 403)	(11 231)	(132 161)
Net change in cash and cash equivalents		22 270	30 301	(1 592)	15 423	26 048
Cash and cash equivalents at start of period		68 989	42 989	92 851	57 867	42 989
Net currency translation effect		-	-	-	-	(48)
Cash and cash equivalents at end of period	11	91 259	73 290	91 259	73 290	68 989

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Amounts in NOK '000	Share capital	Share premium	Retained earnings	Total equity
Shareholders' equity at 1 January 2024	76	98 137	(175 257)	(77 044)
Net income for the period	-	-	9 683	9 683
Shareholders' equity at 30 June 2024	76	98 137	(165 574)	(67 361)
Shareholders' equity at 1 January 2023	76	98 137	(143 233)	(45 020)
Net income for the period	-	-	2 066	2 066
Shareholders' equity at 30 June 2023	76	98 137	(141 167)	(42 954)
Shareholders' equity at 1 January 2023	76	98 137	(143 233)	(45 020)
Net income for the period	-	-	(32 023)	(32 023)
Shareholders' equity at 31 December 2023	76	98 137	(175 257)	(77 044)

3. NOTES TO THE INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements ("interim financial statements") have been prepared in accordance with Simplified International Financial Reporting Standards, IAS34 "Interim Financial Reporting", thus the interim statements do not include all information required by IFRS and should be read in conjunction with the annual financial statements for 2023. The interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial position, results of operations and cash flows for the dates and interim periods presented. These interim financial statements have not been subject to review or audit by independent auditors.

These interim financial statements were authorized for issue by the company's Board of Directors on 30 August 2024.

Note 1 Accounting principles

The accounting principles used for this interim report are consistent with the principles used in the company's 2023 annual financial statements.

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Note 2 Tangible fixed assets and intangible assets

Tangible fixed assets - amounts in NOK '000	Gas transportation facilities	Production facilities	Office machinery, furniture, and fixtures	Right-of-use assets
2024				
Cost at 1 January 2024	246 190	1 212 649	693	10 176
Additions	935	127 565	-	-
Disposals	-	-	-	-
Cost at 30 June 2024	247 126	1 340 214	693	10 176
Accumulated depreciation and impairment at 1 January 2024	(82 467)	(233 448)	(532)	(4 738)
Depreciation for the period	(4 668)	(137 205)	(53)	(627)
Disposals	-	-	-	-
Accumulated depreciation and impairment at 30 June 2024	(87 134)	(370 653)	(585)	(5 365)
Carrying amount at 30 June 2024	159 991	969 560	108	4 811

Gas transportation facilities are depreciated over the license period using the straight-line method. Capitalised costs for oil and gas fields in production are depreciated individually using the unit-of-production method. Office machinery etc. are depreciated over their useful life, 3-5 years. Right-of-use assets are depreciated over the contractual obligation period. Polarled is depreciated over the remaining useful life, which is considered to be the same as the license period that expires in 2041.

The interests in infrastructure and production licenses are pledged as security for the bond issue.

Note 2 Tangible fixed assets and intangible assets cont.

Intangible assets - amounts in NOK '000	Software
2024	
Cost at 1 January 2024	3 518
Additions	-
Disposals	-
Cost at 30 June 2024	3 518
Accumulated depreciation and impairment at 1 January 2024	(1 993)
Depreciation for the period	(373)
Disposals	-
Accumulated depreciation and impairment at 30 June 2024	(2 366)
Carrying amount at 30 June 2024	1 152
2023	
Cost at 1 January 2023	2 828
Additions	690
Disposals	-
Cost at 31 December 2023	3 518
Accumulated depreciation and impairment at 1 January 2023	(1 032)
Depreciation for the year	(961)
Disposals	-
Accumulated depreciation and impairment at 31 December 2023	(1 993)
Carrying amount at 31 December 2023	1 525

Software is depreciated over its useful life, 3 years, using the straight-line method.

Note 3 Leasing

The company has entered into leases for office premises and parking spaces. This is the only significant lease agreement identified by the company. The current office lease agreement terminates 14.05.2028, and the annual lease cost is NOK 1 208 984.

The incremental borrowing rate applied in discounting the lease debt is 6,19%.

Leasing liabilities – amounts in NOK '000	01.01.-30.06.	01.01.-30.06.
	2024	2023
Lease debt at beginning of period	5 543	5 954
New lease debt recognized in the period	-	-
Payments of lease debt	(675)	(648)
Interest expense on lease debt	80	88
Total lease debt	4 948	5 394
Short-term lease debt	1 350	1 287
Long-term lease debt	3 599	4 106
Total lease debt	4 948	5 394
Lease debt maturity breakdown (NOK)		
Within one year	1 350	1 287
Two to five years	3 599	4 106
After five years	-	-
Total	4 948	5 394

Extension options are included in the lease liability when, based on management's judgement, it is reasonably certain that an extension will be exercised. No such extension options are recognised as of 30 June 2024.

Note 4 Financial items

Amounts in NOK '000	01.01.-30.06.	01.01.-30.06.	Q2	Q2
	2024	2023	2024	2023
Interest income	759	306	454	177
Currency gains	8 800	5 521	4 404	3 211
Total financial income	9 559	5 827	4 859	3 388
Interest expenses	29 776	29 613	15 065	14 777
Interest on lease debt	80	88	37	85
Accretion expense on asset retirement obligation	11 078	14 906	5 539	7 453
Exchange rate losses	11 773	17 675	3 658	9 066
Financial items from billing	37	(460)	352	(349)
Other financial items	3 703	4 260	1 834	1 926
Total financial expenses	56 448	66 082	26 486	32 957
Net financial items	(46 889)	(60 255)	(21 628)	(29 570)

Note 5 Tax

Tax for the period – Amounts in NOK '000	01.01.-30.06.	01.01.-30.06.	Q2	Q2
	2024	2023	2024	2023
Current year tax payable/receivable	123 419	23 533	55 466	(15 005)
Change in previous year tax payable/receivable	(4 324)	(4 101)	(4 324)	-
Change in current year deferred tax	1 418	27 444	15 929	25 046
Tax expense (+)/income (-)	120 513	46 877	67 071	10 041

Calculated tax payable (-)/tax receivable (+) – Amounts in NOK '000	01.01.-30.06.	01.01.-30.06.	Q2	Q2
	2024	2023	2024	2023
Tax payable/receivable at beginning of period	(83 414)	(40 261)	(122 218)	(65 416)
Current year tax payable/receivable	(123 419)	(23 533)	(55 466)	15 005
Tax paid	87 449	27 847	58 300	18 565
Change in previous year tax	4 324	4 101	4 324	-
Net tax payable (-)/receivable (+)	(115 060)	(31 847)	(115 060)	(31 847)
Tax receivable included as current assets (+)	-	-	-	-
Tax payable included as current liability (-)	(115 060)	(31 847)	(115 060)	(31 847)

Specification of deferred tax liability (-)/asset (+) – Amounts in NOK '000	01.01.-30.06.	01.01.-30.06.	Q2	Q2
	2024	2023	2024	2023
Deferred tax liability (-)/asset (+) at beginning of period	(169 341)	(67 910)	(154 829)	(70 307)
Change in current year deferred tax	(1 418)	(27 444)	(15 929)	(25 046)
Net deferred tax liability (-)/asset (+)	(170 758)	(95 354)	(170 758)	(95 354)

Note 6 Trade and other receivables

Specification of trade and other receivables

Amounts in NOK '000	01.01.-30.06.	01.01.-30.06.	01.01.-31.12.
	2024	2023	2023
Accounts receivables	6 700	508	30 630
Underlift	-	25 025	-
Accrued revenue	42 983	21 421	19 892
Prepayments	37 957	19 987	14 760
VAT receivables	593	842	5 215
Other receivables, including balances with license partners	6 564	-	40 868
Totals	94 797	67 784	111 365

The receivables all mature within one year.

Note 7 Trade, other payables and provisions

Specification of trade, other payables and provisions

Amounts in NOK '000	01.01.-30.06.	01.01.-30.06.	01.01.-31.12.
	2024	2023	2023
Accounts payable	15 664	11 574	30 352
Accrued public charges and indirect taxes	1 142	963	3 298
Payroll liabilities	2 086	1 857	9 836
Accrued interest	2 794	2 660	2 975
Share of other current liabilities in licenses	46 436	40 093	90 204
Overlift	7 483	-	-
Other provisions	2 352	9 866	2 323
Totals	77 957	67 013	138 987

The payables all mature within one year.

Note 8 Bonds

Amounts in NOK '000	Maturity	30.06.2024	30.06.2023	31.12.2023
Senior secured bond (22/25)	Dec 2025	389 382	382 048	385 715

Interest is paid on a quarterly basis. The working interests in infrastructure and production assets are pledged as security for the bond issue. Book value of pledged assets is MNOK 1 130.

The financial covenants comprise of:

- (i) Minimum liquidity of 5% of outstanding Financial Indebtedness
- (ii) Net leverage ratio of maximum 2.5

Note 9 Other Interest-bearing debt

Amounts in NOK '000	30.06.2024	30.06.2023	31.12.2023
Long-term lease debt	3 599	4 106	4 193
Short-term lease debt	1 350	1 287	1 350
Deferred payment of asset acquisitions ¹	-	79 128	-
Total	4 948	84 522	5 543

¹The acquisition of assets from Neptune Energy was partly financed by deferred payments. The consideration was paid in December 2023.

Note 10 Equity and shareholders

Shareholders	A-shares	B-shares	Total shares
M Vest AS	14 850	45 750	60 600
Jonny Hesthammer AS	6 000	-	6 000
Alpha Sigma AS	4 575	-	4 575
Buena Vida AS	4 575	-	4 575
Total	30 000	45 750	75 750

The company has 30,000 A shares and 45,750 B shares, each with a nominal value of NOK 1.

The A shares carry full economic rights and full voting rights.

The B shares do not have voting rights in the General Assembly but have otherwise equal rights to the A shares.

Equity changes are found in the Statement of Changes in Equity.

Note 11 Cash and cash equivalents

Amounts in NOK '000	30.06.2024	30.06.2023	31.12.2023
Bank deposits, unrestricted	90 301	72 408	62 784
Bank deposit, employee taxes, restricted	958	883	6 205
Total cash and cash equivalents	91 259	73 290	68 989

Note 12 Asset retirement obligations

Amounts in NOK '000	30.06.2024	30.06.2023	31.12.2023
Provision at 1 January	680 910	736 053	736 053
Changes in provision	-	-	(55 497)
Effects of change in the discount rate	-	-	(6 201)
Incurred removal cost	(6 495)	(11 871)	(16 586)
Accretion expenses	11 078	14 906	23 142
Asset retirement obligations at 30 June	685 493	739 088	680 910

Provisions for asset retirement obligations represent the future expected costs for close-down and removal of oil equipment and production facilities. The provision is based on the company's best estimate. The net present value of the estimated obligation is calculated using a nominal discount rate of 3.254%. Future annual inflation of 2% is assumed. The assumptions are based on the economic environment at balance sheet date. Actual asset retirement costs will ultimately depend upon future market prices for the necessary works which will reflect market conditions at the relevant time. Furthermore, the timing of the close-down is likely to depend on when the field ceases to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

Note 13 Earnings per share

Earnings per share is calculated by dividing the period's profit attributable to ordinary equity holders of the company by the period's weighted average number of outstanding ordinary shares. There are no option schemes or convertible bonds in the company, meaning there is no difference between the ordinary and diluted earnings per share.

Amounts in NOK	30.06.2024	30.06.2023	Q2 2024	Q2 2023
Profit for the period attributable to ordinary equity holders (KNOK)	9 683	2 066	11 602	(7 642)
The period's average number of ordinary shares	75 750	75 750	75 750	75 750
Earnings per share in NOK	128	27	153	(101)

Note 14 Related party transactions

Expenses to related parties ('000)

Related party	Relation	Q1	Q2
Molasset AS	MVE's chair of board is chair of board and owner of Molasset AS	1 139.5	1 161

The remuneration is related to purchase of consulting services consisting of strategic support, opportunity analyses, financial advice, risk management and IR-services that is not covered by the permanent employees.

Note 15 Subsequent events

No material subsequent events have been identified.

Alternative performance measures

M Vest Energy may disclose alternative performance measures as part of its financial reporting as a supplement to the interim financial statements prepared in accordance with simplified IFRS and believes that the alternative performance measures provide useful supplemental information to stakeholders.

Adjusted EBITDA	Earnings before interest, tax, depreciation, amortization and impairment, adjusted for certain lifting delays, first oil effects and M&A-effects.
EBITDA	Is defined as earnings before interest and other financial items, taxes, depreciation, depletion, amortisation, and impairments.
Net leverage ratio	Is the ratio of Total net debt to adjusted EBITDA.
Total net debt	Total interest-bearing financial indebtedness less liquidity.