Annual report 2017

North Energy at a glance

North Energy ASA is a holding company with subsidiaries operating and investing within the energy value chain and other industries. The Company's investment activities are held in the subsidiary North Energy Capital. North Energy's vision is to be a successful and respected investment company with focus on long term value creation.

The discontinued petroleum operations on the Norwegian Continental Shelf were operated by the subsidiary North E&P, which is currently under liquidation.

At the end of 2017, the group of companies counted 6 full-time employees. North Energy is located in Oslo. The Company is listed on the Oslo Stock Exchange with the ticker "NORTH".

Key figures

MNOK	2017	2016
Exploration and licence expenses	1.1	29.1
Earnings before tax	5.5	4.2
Tax	22.7	76.6
Net result	28.1	80.8
Total comprehensive income	35.4	91.8
Equity	420.0	406.9
Equity %	91%	88%
Market capitalisation 31.12	252	262

CEO's Statement

Dear fellow shareholders, North Energy has evolved into an industrial investment company with a growing portfolio of attractive and independent investments, and is no longer defined as an oil and gas exploration company on the Norwegian Continental Shelf (NCS). The strong performance from North Energy's investment activities continued throughout 2017.

On the 7th of July, the Board decided to discontinue North Energy's petroleum activities on the NCS and close the subsidiary North E&P, which has been the base for the Company's petroleum activities.

The business model for small exploration companies has in recent years been challenged by the significant drop in oil prices. The activity level on the NCS is lower, and many players have withdrawn from exploration. Due to this, the Board of North Energy believes that it is in the best interest of the Company's shareholders to cease petroleum activities on the NCS.

North E&P has filed a tax return for 2017 with the Norwegian government, requesting an early tax settlement. As of Q4 2017, the net cash effect of closing North E&P is estimated at 240 MNOK. The final proceeds received from the liquidation, as well as the timing of receipt of proceeds, is dependent on the final assessment by the Norwegian Oil Taxation Office.

Following the discontinuation of petroleum activities and the closing of North E&P, North Energy has transformed into a pure holding company for industrial investments. Our aim is to deliver competitive annual returns to shareholders. At the same time, North Energy will demonstrate prudence by maintaining a solid balance sheet, protecting the company from adverse changes in market conditions. This will also provide a financial flexibility that will enable the Company to seize market opportunities as they arise.

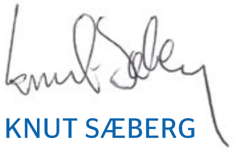
Going forward, we expect that the main investments will continue to be energy and oil services, but a wider range of business segments will also be evaluated. North Energy will take advantage of being linked with competent resources by exercising active ownership positioning for further growth.

An example of this is North Energy's investment in Reach Subsea. After a series of transactions in 2017, North Energy is now the company's major shareholder. This investment is in line with North Energy's strategy of focusing on strategic opportunities where substantial control and influence can be exercised.

Following the successful turnaround and solid financial results in 2016, the Board of North Energy proposed a cash dividend of 0.25 NOK per share. This was approved by an EGM in February.

I am pleased to report that North Energy's investment activities continued to deliver strong performance in 2017. With competent resources on board, and maintaining a low cost base and healthy financial position, I am confident that we will be able to further exploit business opportunities in relevant business segments in the time to come.

North Energy's main task is to build shareholder value through operational improvements and transactions. Through fundamental decisions made in 2017, a new journey has begun and the performance throughout 2017 demonstrates that the Company is on the right track. I would like to thank all our shareholders for their support during 2017, and am looking forward to close cooperation also in 2018.



KNUT SÆBERG
CEO, North Energy ASA

Directors' report

Board of Directors' Report 2017

The business

North Energy ASA ("North Energy" or "Company") was established in 2007 with the goal of exploring commercial accumulations of oil and gas on the Norwegian Continental Shelf ("NCS"). In July 2017, the Board of Directors of North Energy decided to discontinue the Company's petroleum activities on the Norwegian Continental Shelf ("NCS") and to close the subsidiary North E&P, which was the base for all petroleum activities in North Energy.

The Company's mandate from shareholders is, directly or indirectly, to own, manage and finance activities within oil and gas and other industries.

Today, North Energy is an industrial holding company with a portfolio of independent investments. The Company's operating and investment activities are reported mainly through the subsidiary North Energy Capital ("NEC"). The Company's exploration activities were conducted by North E&P, a subsidiary of NEC.

There are currently no licenses held by North E&P, and the company is undergoing closure.

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

Introduction

Following the decision by the Board of Directors to discontinue its petroleum activities, the Company is now an industrial investment company, with active ownership in a growing portfolio of investments.

The business model for small exploration companies has in recent years been challenged by the significant drop in oil prices. The activity level on the NCS has been reduced, and many players have withdrawn from exploration. Due to this, the Board of North Energy believes that it is in the best interest of the Company's shareholders that North Energy exit from petroleum activities on the NCS.

Based on the discontinuation of petroleum activities and the closure of North E&P, tax returns were filed by North E&P in October, requesting an early tax settlement. As of year-end 2017, the net cash effect of closing North E&P is estimated at 240.5 MNOK. Final proceeds received from the liquidation, as well as the timing of receipt of proceeds, will be determined by the Norwegian Oil Taxation Office's final assessment of the return.

In the ordinary General Meeting on June 1, 2017, the Company's business scope was amended as follows: *The Company shall, directly or indirectly, own, manage and finance activities within the oil and gas industry. In addition, the company can participate or invest in businesses within other industries.*

The Board is evaluating further modification of the articles.

In January 2017, North Energy called for an extraordinary General Meeting to resolve a proposed cash dividend of NOK 0.25 per share. The proposal was based on the positive development in the Company's financial position during 2016. A total of NOK 29.8 million was distributed to the shareholders on March 1, 2017.

The Company has continued its effort to reduce costs, and combined with successful investments, has delivered a positive net profit also this year. With a lean organisation, no investment commitments and NOK 61 million in net cash, in addition to the estimated tax settlement from North E&P, the Company is in a comfortable financial position.

Important events

Discontinuation of petroleum activities

The decision to discontinue petroleum activities in North E&P was made by the Board of North Energy on July 7, 2017. By that time there were no remaining petroleum licenses held by North E&P, and North Energy did not take part in drilling operations in 2017. Instead, the Company continued to divest its licence portfolio, in line with the Company's revised strategy. During 2017 North E&P sold its 40 per cent interest in PL 805 to Lundin, while the remaining 3 licences where relinquished.

Increased investment in Reach Subsea

In January 2017, North Energy announced that its subsidiary NEC, through a series of transactions, would become the new major shareholder of Reach Subsea ("Reach"), controlling a strategic stake of 28.7 per cent. NEC had reached an agreement with certain shareholders of Accello Partners I AS ("Accello"), which at the time owned 30 per cent of the shares in Reach, to acquire their shares and shareholder loans, corresponding to 74 per cent of the shares in Accello. Simultaneously, NEC/Accello subscribed for 14.3 million shares at NOK 1.75 per share in Reach's contemplated private placement.

After the completion of the Accello acquisition and Reach private placement, the selling shareholders of Accello became direct shareholders of Reach, while Accello owned 28.7 per cent of Reach.

Other investments

Throughout 2017, North Energy made several other investments in oil and energy-related companies. In May, the Company announced a significant gain of NOK 45.4 million from the spin-off of its bond investment in Interoil Exploration and Production ("IOX"). The consideration received was USD 2 million and 7.5 million shares in Andes Energia ("AEN"). The shares in AEN were later sold at a price which confirmed the calculated gain from the IOX transaction.

North Energy has throughout the year invested in Touchstone Exploration Inc. ("Touchstone") and is, as per year end holding 9.99 per cent of the shares in the company. Touchstone is a Canadian-based company engaged in the business of acquiring interest in petroleum and natural gas rights, and the exploration, development, production and sale of petroleum and natural gas. Touchstone is currently active in onshore properties located in the Republic of Trinidad and Tobago. The company's common shares are traded on the Toronto Stock Exchange and the London Stock Exchange.

In 2017, North Energy also invested in bonds issued by Seabird Exploration ("Seabird"). Following the debt restructuring in Seabird, the bonds were partly converted into shares. These were later sold and North Energy was allocated 80 million new shares for a cost of NOK 0.1 per share in the private placement, which Seabird announced as completed in December.

As per year-end 2017, North Energy had NOK 146.4 million in total investments.

Share acquisitions by primary insiders

Throughout the year, several primary insiders increased their holdings of shares in North

Energy. The Chairman of the Board, Anders Onarheim, accumulated 2.7 million shares, and controlled 18.4 million shares as per 31 December, corresponding to 15.4 per cent ownership. Financial advisors Didrik Leikvang and Rachid Bendriss acquired 0.9 million and 1.0 million shares respectively, bringing their ownerships to 4.7 per cent and 6.1 per cent respectively. CEO Knut Sæberg acquired 0.1 million shares, bringing his holding to 0.8 million shares, corresponding to an ownership of 0.7 per cent.

Going concern

Pursuant to section 3-3a of the Norwegian Accounting Act, the Board confirms the going concern assumption and that the financial statements are prepared on this basis. That assumption rests on the Company's financial position, as well as forecasts for 2018 and the Company's long-term strategic predictions for the years to come.

Comments on the annual financial statements

The financial statements of North Energy ASA have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with the additional requirements pursuant to the Norwegian Accounting Act. The comments below relate to the financial statements for the North Energy Group, which is comprised of North Energy ASA, North Energy Capital AS, North E&P AS, North Energy Norge AS and Accello Partners I AS. The Board is not aware of any significant considerations that affect the assessment of the Group's position as of December 31, 2017, or the net result for the year, other than those presented in the Directors' report and the financial statements.

Total revenue for 2017 was NOK 2.1 million, compared with NOK 14.0 million for 2016. The revenue for 2017 stems from the sale of services provided, whilst last year's revenues were derived from the sale of licences in 2016. Payroll and related expenses in 2017 were NOK 18.2 million, down from NOK 32.5 million in 2016. The exploration expenses in 2017 were NOK 1.1 million, compared to NOK 29.1 million in 2016. The reduction in payroll as well as the exploration expenses are the result of discontinuing the exploration business.

EBITDA for 2017 was negative at NOK 42.3 million, versus a negative NOK 88.3 million for 2016. The improvement was mainly the result of lower operating expenses.

Net financial items were positive at NOK 41.7 million, versus a negative of NOK 5.8 million for 2016. The improvement is related to gain on financial investments and is a result of the increased focus on the investment business. We have also seen positive results of NOK 15.1 million from the acquisition of Accello, offset by a loss from the associated company Reach of NOK 7.9 million.

The profit before tax in 2016 was positively impacted by the gain from the acquisition of Explora Petroleum. This led the company to report a profit before tax of NOK 4.2 million for 2016. This year's profit before tax has increased to NOK 5.5 million, mainly due to gain on other investments and further cost reductions made in 2017.

Income tax in 2017 was NOK 22.7 million, compared with NOK 76.6 million in 2016.

The net profit for 2017 was NOK 28.1 million, compared with a net profit in 2016 of NOK 80.8 million. The net profit amounts to both basic and diluted earnings of NOK 0.18 per share, versus NOK 0.70 per share in 2016.

Total assets at year-end were NOK 459.7 million, slightly down from NOK 462.0 million at year-end 2016. The decrease in tax receivables and cash is offset by increased value of investments.

Total equity at the end of the year was NOK 420.0 million, up from NOK 406.9 million at the end of 2016, reflecting the positive contribution to retained earnings, which is partly offset by the dividend payment to shareholders in 2017. The Company's equity ratio stood at 91 per cent at the end of the year.

Interest-bearing debt at the end of the year was NOK 34.6 million. This consists of the exploration credit facility of NOK 15 million as well as a bank overdraft held by Accello of NOK 19.6 million.

North Energy recorded NOK 65.3 million in cash and cash equivalents at the end of the year, down from NOK 126.5 million at year-end 2016. Adjusted for tax receivables of NOK 32.7 million, net working capital of negative NOK 2.3 million and debt of NOK 34.6 million, the Company reported a net cash position of NOK 61.0 million, versus NOK 154.0 million at year-end 2016. In addition, the company North E&P has, as part of the discontinuation of the petroleum activities, applied for settlement of the tax value of losses carried forward amounting to NOK 200.7 million.

Net cash flow totalled to a negative NOK 61.2 million in 2017, compared with a positive NOK 91.7 million for 2016. The main reason for the negative cash flow is the increased investment activities as well as the repayment of borrowings and the dividend payment.

Total drawdown on the Norwegian Continental Shelf ("NCS") Exploration Credit Facility in 2017 was NOK 15.0 million. This amount will be repaid when the Company receives its exploration tax refund in 2018. The tax refund related to 2016 exploration expenses, received in 2017 was solely used to pay off on the exploration Credit Facility.

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

Allocation of net profit

The Board proposes that the net profit of NOK 28.1 million is transferred to other equity.

Future developments

Following the reorganisation and repositioning of North Energy in recent years, the Company is now in a good position industrially as well as financially. With a lean organisation, no investment commitments and financial flexibility to grow the business, North Energy has successfully repositioned itself from a pure oil and gas exploration company to an industrial investment company.

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

Corporate governance

Corporate governance in North Energy is based on the Norwegian code of practice for corporate governance. A separate status report related to the code has been included in this Annual Report. Any non-compliance with the code is specified and explained in the status report.

The Company secured a stock exchange listing in February 2010, and the Group built up systems and routines ahead of that event to handle the demands made on listed companies in terms of accurate financial reporting within specified deadlines.

The Board intends to take account of all factors relevant to the Company's overall risk picture. By doing so, it aims to ensure that the collective operational and financial exposure is at a satisfactory level.

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

Several considerations, which collectively ensure a good and broad composition, have been considered when electing the Board. These include an appropriate gender distribution, good strategic, industry competence and accounting expertise, a good division between owner-based and independent candidates. The Board functions collectively as an audit committee.

Instructions have been developed and adopted by the CEO, the Board and the Company's Nomination Committee. The instructions for the Board specify its principal duties and the responsibilities of the CEO towards the Board, as well as guidelines for handling matters between the Board and the executive management. The instructions for the Nomination Committee specify its mandate and provide guidelines on its composition and mode of working.

The Company's Articles of Association provide no guidance on the composition of the Board, other than that it must comprise of three to nine Directors. The articles do not authorise the Board to purchase the Company's own shares or to issue shares.

Risk assessment

Overall objectives and strategy

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

The foreign exchange risk is limited since borrowings to date have not been made in foreign currencies. Monitoring of risk exposure and assessment of the need to deploy financial instruments are pursued continuously.

Operational risk

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

Market risk

With a growing investment arm, 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 continual basis, and the level of activity is tailored to liquidity. The Company's primary source of funding has traditionally been equity.

North Energy has historically raised loans in connection with bridge financing to cover the state's exploration costs until refunded through the tax settlement, which occurs 12-24 months after costs are incurred. The Company's petroleum activities on the NCS have been discontinued, and an early tax settlement of the 2017 exploration costs has been requested.

Interest rate risk

The Company is exposed to interest rate changes for its bridge financing, which typically has an average term of 18 months, since this financing carries floating interest rates. The Company's petroleum activities on the NCS have been discontinued and early tax settlement of the 2017 exploration costs has been requested. Fluctuations in interest rates may affect investment opportunities in the future.

Credit risk

The risk of bad debts is considered low, since a large part of the Company's receivables in this phase relate to the Norwegian government and comprise of the tax value of exploration costs.

Foreign exchange

North Energy is not directly involved in producing fields and has therefore no direct exposure to large oil price fluctuations. North Energy continuously evaluates currency hedges for costs in foreign currencies where the payment dates are known.

HSE and the natural environment

No incidents or accidents relating to North Energy's activities were reported in 2017. North Energy's goal is to prevent any incidents or accidents to employees or partners working with the Company and to conduct business in a way that will not do damage to the environment. Steering documents ensure that the Company's employees are equipped to conduct their operations in a safe, environmentally responsible and ethically sound manner.

Human resources and equal opportunities

Following the completion of significant cost cutting initiatives, North Energy's staff level has been reduced and stabilized. At year-end 2017, the Group consisted of 6 full-time employees, down from 14 employees at the end of 2016. The North Energy staff consists of technical personnel, in addition to essential management and administrative staff. The Company is located in Oslo.

North Energy aims to have a good gender balance, and is an equal opportunity employer. At year-end 2017, the Company consisted of two female and four male employees.

At the Company's General Meeting in June 2017, the Board of Directors were re-elected. Out of the three directors elected, one is female.

The rate of absence due to illness during 2017 was below 1 per cent of total hours worked, down from 2 per cent in 2016. The Board considers it to be of importance that employees regard North Energy as a safe and motivating workplace.

Remuneration is determined in accordance with the content of the work and the employee's qualifications. The remuneration of the executive management is described in the notes to the financial statements.

Corporate social responsibility ("CSR")

The Board of North Energy gives emphasis to a positive contribution being made by the Company to those sections of society affected by its operations, while simultaneously looking after the interests of its owners. The Company follows this up by integrating social and environmental considerations in its strategy and day-to-day operations.

North Energy is committed to looking after the interests of all stakeholders, including owners, employees, business connections and the public.

The Company has established practices to ensure openness, anti-corruption, and respect for human rights and standards for working life.

North Energy ensures that the Company's activities with respect to CSR are planned in a professional manner and integrated into the Company's business planning.

North Energy has developed a policy statement which further describes its commitment to CSR. The document is published on its website.

Reporting of payments to the government

Enterprises in the extractive industries with a statutory duty to prepare accounts are required to prepare and publish an annual report with information on their payments to the government at country and project level. This report is available on the Company's website at www.northenergy.no.

Ownership

North Energy had 1630 shareholders as of December 31, 2017. Throughout the year, several long-term institutional shareholders reduced their holdings in North Energy, and several new investors took a position in the Company. As of year-end 2017, the top 20 owners together hold 48.7 per cent of the shares in the North Energy. The share price on the last day of trading in 2017 was NOK 2.12, while on the last day of trading in 2016 the share price was NOK 2.20, representing a 3.6 per cent decrease over the year. The share price peaked at NOK 3.68 on 15 February, while the lowest price in 2017 was NOK 1.69 on 20 June. As per the end of February 2018, the share price was NOK 1.97, representing a market capitalisation of North Energy of approximately NOK 234.5 million.

Outlook

With North Energy's strong position, industrially as well as financially, the management setup and a lean organisation, it is the Board and Management's view that the Company has undergone a successful transformation from an exploration company on the NCS to an industrial investment company with a growing portfolio of investments. The dividend of NOK 0.25 per share distributed in February reflects a successful repositioning of the Company.

Through its investment arm, the Company has demonstrated an ability to create significant value with its revised business strategy. The Company expects to make new investments as strategic opportunities arise, wherein substantial influence and control can be exercised.

Oslo, 21 March 2018

Anders Onarheim, Chair	Jogeir Romestrand, Director	Elin Karfjell, Director	Knut Sæberg, CEO

"After discontinuing its petroleum activities in 2017, North Energy is focusing on opportunities for active industrial investment."

Board of Directors and CEO

Oslo, 21 March 2018

Anders Onarheim, Chair

Jogeir Romestrand, Director

Elin Karfjell, Director

Knut Sæberg, CEO

Corporate Governance

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

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

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

1. Implementation and reporting on corporate governance

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

2. The business

North Energy's business purpose is to directly or indirectly own, manage and provide financing for activities within the oil and gas industry. In addition, the company may participate or invest in businesses within other industries.

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

North Energy's Articles of Association specify clear parameters for its operations, while its vision, goals and strategies are at the core of its management philosophy and operations.

3. Equity and dividends

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

The Board of North Energy proposed in January 2017 to pay a NOK 0.25 per share dividend, corresponding to a total distribution of NOK 29.8 million. The proposal was approved at an Extraordinary General Meeting ("EGM") in February.

Equity as of December 31, 2017 was NOK 420.0 million, compared with NOK 406.9 million at year-end 2016, giving an equity ratio of 91 per cent, up from 88 per cent at year-end 2016. Liquidity is regarded as satisfactory in relation to the Company's future obligations.

Cash, cash equivalents and provision for tax refunds, less interest-bearing debt, totaled NOK 61 million as of December 31st. North Energy also has an overdraft facility of NOK 30 million which covers tax-refundable exploration costs, of which NOK 15 million was drawn down at December 31, 2017.

In the ordinary General Meeting on June 1, 2017, the Company's Board was granted authorization to increase the share capital with 11 904 706 shares, equaling an increase of 10 per cent. At present, this authorization has not been utilized.

4. Equal treatment of shareholders and transactions with close associates

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

North Energy made no investment in its own shares during 2017.

5. Freely negotiable shares

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

6. General Meetings

The Annual General Meeting ("AGM") is North Energy's highest authority. The Company's General Meetings in 2017 (AGM and EGM's) were held in accordance with the Public Companies Act.

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

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

7. Nomination Committee

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

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

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

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

North Energy has chosen not to have a corporate assembly.

North Energy initiated a significant cost-cutting programme in 2015, in response to adverse market conditions. To contribute to this programme, the Nomination Committee recommended to the 2015 AGM that the Board should be reduced to the three existing shareholder-elected Directors. The recommendation from the Nomination Committee was approved at the AGM. The Board consists of two men and one woman, who serve as shareholder-elected Directors. All have broad experience. Two of these Directors are elected independently by the Company's shareholders. The Directors provide industry-specific professional expertise and experience from national and international companies. More information on each Director is available at www.northenergy.no.

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

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

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

9. The work of the Board of Directors

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

A clear division of responsibility has been established between the Board and the executive management. The Chief Executive is responsible for operational management of the Company and reports regularly to the Board. The administration is responsible for preparing matters for board meetings. Ensuring that the work of the Board is conducted in an efficient and correct manner in accordance with relevant legislation is the responsibility of the Chair. The Board ensures that the auditor fulfils a satisfactory and independent control function. It presents the auditor's report to the General Meeting, which also approves the remuneration of the auditor. It was resolved in 2014 that the Audit Committee's duties would be discharged directly by the Board. Likewise, the duties of the Compensation Committee, established by the Board in 2014, are now handled directly by the Board following a resolution in a Board meeting in 2017. The objectives of the Compensation Committee is to ensure that compensation arrangements support the Company's strategy and enable it to recruit, motivate and retain managers of a high standard, while complying with requirements set by governing bodies, fulfilling shareholder expectations and being in line with the expectations of the rest of the workforce. The Board conducts an annual evaluation of its work, competence and performance.

Nine board meetings were held in 2017, including one without physical attendance, and the average attendance by directors was 97 per cent.

10. Risk management and internal control

Strict standards are set for the Company's internal control and management system as a player in the oil and gas industry. Work on further development and improvement of North Energy's management system and associated documentation is prioritised by the Company's corporate governance and risk management. Following the closure of the Company's E&P business on the Norwegian Continental Shelf, decided by the Board in July 2017, additional emphasis has been put on developing risk systems and internal control procedures adapted to the Company's new strategy. The Company's management system is a good tool for the executive management and the workforce, and reduces the risk of errors and misunderstandings. The system facilitates collaboration and learning, and ensures continuity in the execution of the company's processes.

North Energy has incorporated well-functioning systems and routines to identify, record and follow up nonconformities. These are all followed up systematically by the Company management, which sees to it that corrective measures are adopted. Undesirable incidents, unfortunate conditions and improvement suggestions are recorded and dealt with in the same improvement system.

The executive management follows regularly up conditions which present the Company with a financial risk, and reports these to the Board. Reporting to the Board by the Company gives emphasis both to the on-going risk in daily operations and to risk associated with the investment opportunities presented. In addition, the Board considers an overall risk assessment at least twice a year which takes account of all the Company's activities and the exposure these involve. The Board is also presented at regular intervals with the auditor's assessments of financial risk.

11. Remuneration of the Board of Directors

The Nomination Committee recommends the Directors' fees to the General Meeting, and takes account of their responsibility, qualifications, time taken and the complexity of the business. Directors' fees are not profit-related. North Energy has not issued any options to its shareholder-elected Directors.

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

12. Remuneration of executive personnel

The Board determines the remuneration of the Chief Executive, taking into account the responsibility involved, qualifications, the complexity of the work and the results achieved. Furthermore, the Board determines the principles for remuneration of other senior executives in the Company, which are outlined in the Annual Report. All employees have the same performance-based bonus scheme.
Further information is provided in the notes section of the annual financial statements.

13. Information and communications

North Energy keeps its shareholders and investors regularly informed about its commercial and financial status. The Board is conscientious that all stakeholders shall receive the same information at the same time, and all financial and commercial information are made available on the Company's website simultaneously. Stock exchange announcements are distributed through www.newsweb.no and made available on the Company's website.

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

14. Takeovers

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

15. Auditor

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

Financial Statements & Notes

Financial Statements – North Energy Group

Consolidated income statement

NOK 1 000

	Note	2017	2016
Sales of services		2 097	0
Gain from sales of licences	22	0	14 039
Payroll and related expenses	5	(18 201)	(32 481)
Depreciation and amortisation	16	(1 236)	(2 552)
Exploration and licence expenses	17	(1 095)	(29 089)
Other operating expenses	6	(25 100)	(40 781)
OPERATING LOSS		**(43 536)**	**(90 863)**
Financial income	18	54 520	37 617
Financial expenses	18	(12 778)	(43 391)
NET FINANCIAL ITEMS		**41 742**	**(5 774)**
Net result from investment in an associate	23	(7 882)	0
Gain from bargain purchase	23, 27	15 128	100 808
PROFIT/(LOSS) BEFORE INCOME TAX		**5 452**	**4 171**
Income tax credit	15	22 679	76 612
PROFIT/(LOSS) FOR THE YEAR		**28 131**	**80 782**
Attributable to:			
Owners of North Energy ASA		21 749	83 156
Minority interests		6 382	(2 374)
		28 131	**80 782**
Earnings per share (NOK per share)			
- Basic	13	0,18	0,70
- Diluted	13	0,18	0,70

Consolidated statement of comprehensive income

NOK 1 000

	Note	2017	2016
PROFIT/(LOSS) FOR THE YEAR		**28 131**	**80 782**
OTHER COMPREHENSIVE INCOME, NET OF TAX:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurements pension, actuarial gain/(loss)	21	0	(65)
Items that will be reclassified to profit or loss in subsequent periods:			
Available for sale investments - change in fair value	26	26 129	11 033
Available for sale investments - change in fair value - reclassified to profit or loss	26	(18 884)	
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		**7 245**	**10 968**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**35 376**	**91 750**
Attributable to:			
Owners of North Energy ASA		27 671	92 602
Minority interests		7 705	(852)
		35 376	**91 750**

Consolidated balance sheet

NOK 1 000

ASSETS

	Note	31.12.17	31.12.16
NON-CURRENT ASSETS			
Property, plant and equipment	16	34	1 271
Available for sale investments	26	57 066	51 262
Investment in an associate	23	89 320	0
Deferred tax asset	15	0	207 291
Other receivables	7	12 197	2 418
TOTAL NON-CURRENT ASSETS		**158 617**	**262 242**
CURRENT ASSETS			
Prepayments and other receivables	8	2 390	5 372
Tax receivable, refund tax value exploration expenses	15	32 691	67 887
Tax receivable, refund tax value offshore tax losses	15	200 701	0
Cash and cash equivalents	9	65 312	126 535
TOTAL CURRENT ASSETS		**301 094**	**199 794**
TOTAL ASSETS		**459 710**	**462 036**

NOK 1 000

EQUITY AND LIABILITIES

	Note	31.12.17	31.12.16
EQUITY			
Share capital	10	119 047	119 047
Share premium		936 010	965 772
Other paid-in capital		30 691	30 691
Retained earnings		(680 321)	(707 992)
Minority interests		14 562	(652)
TOTAL EQUITY		**419 990**	**406 866**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	15	358	0
TOTAL NON-CURRENT LIABILITIES		**358**	**0**
Current liabilities			
Current borrowings, exploration loan	11	15 017	24 663
Current borrowings, bank overdraft	23	19 610	0
Trade creditors		528	2 967
Other current liabilities	12	4 208	27 539
TOTAL CURRENT LIABILITIES		**39 363**	**55 169**
TOTAL LIABILITIES		**39 721**	**55 169**
TOTAL EQUITY AND LIABILITIES		**459 710**	**462 036**

Oslo, 21 March 2018

Anders Onarheim, Chair
Jogeir Romestrand, Director
Elin Karfjell, Director
Knut Sæberg, CEO

Consolidated statement of changes in equity

NOK 1 000

	Share capital	Share premium	Other paid in capital	Retained earnings	Minority interests	Total equity
Equity at 1 January 2016	119 047	965 772	30 691	(800 594)	0	314 916
Comprehensive income:						
Total compehensive loss for 2016				92 602	(852)	91 750
Share issue in subsidiary					200	200
EQUITY AT 31 DECEMBER 2016	**119 047**	**965 772**	**30 691**	**(707 992)**	**(652)**	**406 866**
Equity at 1 January 2017	119 047	965 772	30 691	(707 992)	(652)	406 866
Comprehensive income:						
Total compehensive income for 2017				27 671	7 705	35 376
Dividends paid		(29 762)				(29 762)
Share issue in subsidiary (conversion of shareholder loan from minority shareholders)					7 509	7 509
EQUITY AT 31 DECEMBER 2017	**119 047**	**936 010**	**30 691**	**(680 321)**	**14 562**	**419 990**

Consolidated cashflow statement

NOK 1 000

	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before income tax		5 452	4 171
Adjustments:			
Tax refunded	15	67 887	609 540
Depreciation	16	1 236	2 552
Gain from sales of licences	22	0	(14 039)
Pensions		478	1 328
Transaction costs and interest on borrowings recognised in P&L	18	4 667	20 744
Changes in fair value of conversion rights and loans at amortised cost	18	0	488
Gain/loss from sales of available for sale investments	26	(48 319)	(16 756)
Net result from investment in an associate	23	(7 247)	0
Gain from bargain purchase	27	0	(100 808)
Changes in trade creditors		(2 438)	1 247
Changes in other accruals		(20 136)	53 701
NET CASH FLOWS FROM OPERATING ACTIVITIES		**1 580**	**562 168**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	0	(55)
Proceeds from sales of licences	22	0	18 726
Investment in an associate	23	(22 753)	0
Purchase of available for sale investments	26	(48 101)	(35 045)
Proceeds from sales of available for sale investments		69 013	27 596
Proceeds/payments from other non-current receivables	7	(10 482)	(932)
Net cash flow arising on acquisition of subsidiary	27	0	5 979
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(12 322)**	**16 268**

NOK 1 000

	Note	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Funds drawn current borrowings	11	57 000	83 807
Repayments of current borrowings	11	(75 859)	(509 514)
Repayments of convertible loans	23	0	(41 529)
Transaction costs and interest on borrowings paid	11,18	(1 860)	(19 694)
Dividends paid		(29 762)	0
Net proceeds from share issues		0	0
Share issues in subsidiary, contribution from minority		0	200
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(50 481)**	**(486 730)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(61 223)**	**91 706**
Cash and cash equivivalents at 1 January	9	126 535	34 829
CASH AND CASH EQUIVIVALENTS AT 31 DECEMBER	9	**65 312**	**126 535**

"Due to the strong results of North Energy's investment activities, a dividend of 0.25 per share was issued to shareholders."

NOTE 1 General information

The consolidated financial statements of North Energy were approved by the Board of Directors and CEO on March 21, 2018.

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

NOTE 2 Summary of significant accounting policies

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

A number of the accounting policies summarised here are relevant only for the exploration business, which has been discontinued. These have been included due to the fact that exploration activities have taken place during the year.

Note 2.1 Basis for preparation

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

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of North Energy ASA and its subsidiaries. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies (control), generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and they are deconsolidated from the date that control ceases.

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

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition costs are expensed as incurred. The excess of the consideration transferred over the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. Each acquisition is considered individually, to determine whether the acquisition should be deemed to be a business combination or an asset acquisition. When acquisitions are deemed to be asset acquisitions, no deferred tax on initial differences between carrying values and tax bases are recorded, nor is any goodwill recorded at the date of acquisition.

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

2.3 Investment in associates

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

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

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

2.4 Foreign currency

Functional currency and presentation currency

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

Transactions in foreign currency

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

2.5 Property, plant and equipment

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

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

2.6 Exploration and licence costs

Exploration costs for oil and gas properties

The Group uses the successful efforts method to account for exploration costs. All exploration costs, with the exception of acquisition costs of licences and drilling costs of exploration wells are expensed as incurred. Costs related to drilling of exploration wells are temporarily capitalised pending the evaluation of the potential existence of oil and gas reserves. If reserves are not found, or if discoveries are assessed not to be commercially recoverable, the drilling costs of exploration wells are expensed. Costs of acquiring licences are capitalised as intangible assets.

Capitalised costs of acquiring licences and drilling exploration wells are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed the recoverable amount. The recoverable amount is the higher of the asset's fair value less costs required to sell the asset and its value in use. The value in use is determined by reference to discounted future net cash flows expected to be generated by the asset. The difference between the asset's carrying amount and its recoverable amount is recognised in the income statement as impairment.

Capitalised exploration and licence costs will be depreciated using the unit-of-production method as reserves are produced.

2.7 Farm-in and farm-out during the exploration phase

Agreements in connection with acquisition/sale of interests in licences in the exploration phase (farm-in/farm-out agreements) often involve a situation where the owner of a working interest (the farmor) transfers a portion of its working interest to another party (the farmee) in return for the farmee's completion of an agreed upon action. For example, the farmee may agree to cover/carry drilling expenses for the farmor limited to a fixed amount. In return, the farmor agrees to transfer a portion of the working interest in the property to the farmee. This well carry/carried interest is accounted for by the farmee as the costs occur and is classified in accordance with the policy for treatment of the exploration expenses (for North Energy, the successful efforts method). The farmor does not record any profit or loss but accounts for the well carry as an expense reduction when it occurs.

A farm-in/farm-out agreement is recognised when risks and rewards of ownership are transferred, which usually take place when necessary public approvals are given.

2.8 Interests in oil and gas licences

The Group's interests in oil and gas licences are accounted for by recognising the Group's share of the licences' individual expenses, assets, liabilities and cash flows. Each item is classified and presented in its respective line-items in the financial statements.

2.9 Leases (as lessee)

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

2.10 Receivables

Receivables are initially recognised at fair value. The receivables are subsequently carried at amortised cost using the effective interest method. Impairment losses are incurred only if there is objective evidence of impairment resulting from one or more events that occurred after the initial recognition and this loss event (or events) having an impact on the estimated future cash flows that can be reliably estimated. The amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

2.11 Cash and cash equivalents

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

2.12 Borrowings

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

2.13 Taxes

Income taxes for the period comprises tax payable, refundable tax from the refund tax value of exploration expenses and changes in deferred tax.

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

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

Companies operating on the Norwegian Continental Shelf under the offshore tax regime can claim the tax value of any unused tax losses related to its offshore activities to be paid in cash from the tax authorities when offshore activities subject to additional tax cease. Deferred tax assets that are based on offshore tax losses carried forward are therefore recognised in full.

The calculated tax refund from tax losses from exploration activities is classified as a current asset under “Tax receivable, refund tax value exploration expenses”.

2.14 Defined benefit pension plans

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the income statement.

2.15 Defined contribution pension plans

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

2.16 Provisions

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

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

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

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

2.18 Available for sale investments
Available for sale investments are measured at fair value. Changes in fair value, other than impairment losses, are recognised in equity through the statement of comprehensive income.

2.19 Revenue recognition
Revenues from sales of services are recorded when the service has been performed.

2.20 Contingent liabilities
Contingent liabilities are not recognised in the financial statements. Significant contingent liabilities are disclosed, except for contingent liabilities where the probability of the liability occurring is remote.

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

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

- The profit/loss for the period is adjusted for changes in profit/loss that would result from the conversion of the dilutive potential ordinary shares.

- The weighted average number of ordinary shares is increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.22 Segment reporting
The Group reports only one business segment which, after the discontinued exploration activities, only includes the investment activities. Based on this, no segment note is presented and this is in accordance with management's reporting.

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

2.24 Cash flow statement
The cash flow statement is prepared by using the indirect method.

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

2.26 Changes in accounting policies and disclosures

(a) New and amended standards and interpretations adopted by the Group
None of the new standards, amendments or interpretations to existing standards effective for the accounting periods starting January 1, 2017 did have any material impact on the Group's financial statements.

(b) New and amended standards and interpretations issued but not adopted by the Group
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017, and have not been applied in preparing these consolidated financial statements. The most significant standards are set out on the next page.

IFRS 9 Financial instruments:
IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Effective date is January 1, 2018.

For investments in equity instruments an entity elects irrevocably under IFRS 9 to designate and investment in an equity instrument at Fair Value through Other Comprehensive Income (FVOCI) unless the asset is held for trading. Under this option only qualifying dividends are recognized in profit and loss and there is no recycling of changes in fair value to profit and loss. Other investments in equity instruments are recognized at fair value through profit and loss. IFRS 9 thus eliminates impairment assessment requirements for investments in equity instruments because they can only be measured at Fair Value through Profit and Loss (FPVL) or Fair Value through Other Comprehensive Income (FVOCI) without recycling fair value changes to profit and loss.

IFRS 9 does not require an entity to restate prior periods. If the entity does not restate prior periods, any difference between previous carrying amounts and those determined under IFRS 9 at the date of initial application should be included in opening retained earnings (or other equivalent component of equity). The Company will not restate and has made reclassifications in equity to reflect the election of the FVPL method.

IFRS 15 Revenue from contracts with customers:
The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. Effective date is January 1, 2018. IFRS 15 is expected to have no material effect on the financial statements.

IFRS 16 Leases:
IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. Effective date is January 1, 2019. At this stage, the Group does not intend to adopt the standard before its effective date, and is assessing the impact of IFRS 16.

NOTE 3 Financial risk management

3.1 Financial risks
The Group is exposed to a variety of risks, including credit risk, interest rate risk, liquidity risk and currency risk. This note presents information about the Group's exposure to each of the aforementioned risks, and the Group's objectives, policies and processes for managing such risks. The note also presents the Group's objectives, policies and processes for managing capital.

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

(b) Interest rate risk
The Group's exposure to interest rate risk is related to a revolving credit facility (exploration loan), with floating interest rate conditions. See note 11 for further information. The Group has no other interest-bearing borrowings with floating interest rate conditions.

Sensitivity analysis:
Interest rate sensitivity is calculated based on the exposure to interest-bearing debt with floating interest rate conditions on the balance sheet date.

2017: If NIBOR had been 50 basis points higher/lower, the Group's profit after tax would have been NOK 57 000 lower/higher.

2016: If NIBOR had been 50 basis points higher/lower, the Group's profit after tax would have been NOK 98 000 lower/higher.

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

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

(d) Currency risk
The parent company and the subsidiaries' functional currency is the NOK, and the Group is exposed to foreign exchange rate risk related to the value of NOK relative to other currencies. At 31 December 2017 and 2016 the Group is not exposed to any material foreign exchange rate risk. The Group is exposed to currency risk related to its activities mainly because parts of the Group's investments are USD-based. The Group has not entered into any agreements to reduce its exposure to foreign currencies.

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

The Group monitors its capital structure using a equity ratio, which is total equity divided by total assets. As of December 31, 2017, the equity ratio was 91.4% (88.1% as of December 31, 2016).

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

NOTE 4 Critical accounting estimates and judgements

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

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

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

a) Tax receivable from refund tax value exploration expenses
The Norwegian taxation authorities may have a different understanding than the company regarding the definition of indirect exploration expenses pursuant to the Norwegian Petroleum Tax Act. See note 15.

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

c) Pensions
The present value of pension liabilities/assets under defined benefit pension plans depends on several different factors determined by different actuary assumptions. The assumptions used to estimate net pension costs/revenue include the discount rate. Changes in this assumption will influence the carrying amount of the pension liabilities/assets.

The Group determines a suitable discount rate by year-end. This is the rate to be used when calculating the present value of future estimated outgoing cash flows needed to settle the pension liabilities. When determining a suitable discount rate, the Group considers the interest rate of registered high-quality bonds issued in the same currency as the pension payment, and with approximately the same due date as the related pension liability.

Other pension assumptions are partly based on market terms. Additional information is presented in note 21.

d) Business combination and gain from bargain purchase
The assumptions used in the estimation of fair value of potential liabilities, and the gain from bargain purchase recognised as a result of the acquisition of North E&P, is associated with uncertainty. Additional information is presented in note 27.

4.2 Critical judgements in applying the company's accounting policies
Management has made judgements also in the process of applying the Group's accounting policies. Such judgements with the most significant effect on the amounts recognised in the financial statements are presented in the following:

Accounting policy for exploration expenses
The Group uses the successful efforts method to account for exploration costs. All exploration costs, except for acquisition costs of licences and drilling costs of exploration wells resulting in commercially discoveries of oil and gas reserves, are expensed as incurred.

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

Amounts in NOK 1 000	2017	2016
Salaries	16 079	31 574
Payroll tax	1 804	6 055
Pension costs (see note 21)	143	(5 165)
Other benefits	175	17
Total	**18 201**	**32 481**
Average number of employees	9,0	15,3

Remuneration to directors and management in 2017:

Amounts in NOK 1 000	Directors' fees	Salaries	Pension	Other *
Management **				
Knut Sæberg (CEO)		2 573	601	275
Board of directors				
Anders Onarheim (chair)	225			
Elin Karfjell (director)	225			
Jogeir Romestrand (director)	225			
Johan Terje Bjerka (former director)	100			
Total	**775**	**2573**	**601**	**275**

* Other includes allowances to cover telephone and internet, group life insurance, travel insurance and bonus for 2016 paid in 2017.

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

Remuneration to CEO:
The company's CEO has an agreement with an annual salary of NOK 2,54 million. Other benefits include regular allowances to cover telephone, internet, pension, group life insurance and travel insurance. In addition, he is included in the general employee bonus programme as determined by the board of directors. The bonus is limited to 4 months of salary. The bonus is linked to the achievement of specified parameters. Both financial and non-financial parameters are used. In the event of resignation at the request of the board of directors, the CEO has a right to a severance payment equivalent to two years of gross fixed salary. If CEO resigns, there is no severance payment.

Remuneration to directors and management in 2016:

Amounts in NOK 1 000	Directors' fees	Salaries	Pension	Other *
Management **				
Knut Sæberg (CEO)		2 573	564	21
Board of directors				
Anders Onarheim (chair)	540			
Elin Karfjell (director)	210			
Jogeir Romestrand (director)	193			
Johan Terje Bjerka (director)	48			
Total	**991**	**2 573**	**564**	**21**

* Other includes allowances to cover telephone and internet, group life insurance and travel insurance.
** Figures for remuneration to management are exclusive payroll tax.

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

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

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

Total remuneration to management employees includes:

(1) **Market-based** fixed salary.

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

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

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

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

NOTE 6 Other operating expenses and remuneration to auditor

Other operating expenses consist of:

Amounts in NOK 1 000	2017	2016
Travelling expenses	803	1 187
Lease expenses (see note 20)	3 469	5 880
Consultant and other fees	16 025	21 008
Other administrative expenses	4 804	12 706
Total	**25 100**	**40 781**

Remuneration to auditor is allocated as specified below:

Amounts in NOK 1 000	2017	2016
Audit	472	572
Attestations	56	49
Assistance share issues	56	26
Other assistance	281	122
Total, excl. VAT	**865**	**769**

NOTE 7 Other non-current receivables

Other non-current receivables consist of:

Amounts in NOK 1 000	2017	2016
Deposit	1 395	1 395
Pension assets (note 21)	0	1 023
Premium fund pensions, transferred to defined contribution plan *	545	0
Other non-current receivables related to investments	10 256	0
Total	**12 197**	**2 418**

* All defined benefit pension plans have bee converted into defined contribution pension plans in 2017 (see note 21).

NOTE 8 Other non-current receivables

Prepayments and other receivables consist of:

Amounts in NOK 1 000	2017	2016
Prepaid expenses	125	1 638
Premium fund pensions, transferred to defined contribution plan *	80	0
Premium fund pensions, receivable *	1 413	0
VAT receivable	496	1 410
Receivables, from interests in licences	0	2 065
Earned interest bonds	269	0
Other items	7	259
Total	**2 390**	**5 372**

* All defined benefit pension plans have bee converted into defined contribution pension plans in 2017 (see note 21). The receivable of NOK 1 413 thousand was received in January 2018.

NOTE 9 Cash and cash equivalents

Cash and cash equivalents:

Amounts in NOK 1 000	2017	2016
Bank deposits	65 312	126 535
Total cash and cash equivalents	65 312	126 535
Of this:		
Restricted cash for witheld taxes from employees salaries	317	1 052

NOTE 10 Share capital and shareholder information

	2017	2016
Number of outstanding shares at 1 January	119 047 065	119 047 065
New shares issued during the year:		
Issued in exchange for cash	0	0
Number of outstanding shares at 31 December	119 047 065	119 047 065

Nominal value NOK per share at 31 December	1,00	1,00
Share capital NOK at 31 December	119 047 065	119 047 065

North Energy has one share class with equal rights for all shares. In February the Extraordinary General Meeting resolved to distribute a cash dividend to the shareholders of NOK 0.25 per share. The dividend amounted to a total of NOK 29.8 million.

Main shareholders as of 31 December 2017:

Shareholder	Number of shares	% share
AB INVESTMENT AS	17 292 571	14,53 %
CELISA CAPITAL AS	7 102 325	5,97 %
ISFJORDEN AS	5 402 327	4,54 %
JPB AS	3 450 000	2,90 %
SALTEN KRAFTSAMBAND AS	2 467 723	2,07 %
CORUNA AS	2 305 000	1,94 %
ALTA INVEST AS	2 088 600	1,75 %
SANDBECH SVEIN TERJE	1 695 000	1,42 %
RUSTAD JOHN KENNET	1 625 000	1,37 %
TAJ HOLDING AS	1 614 999	1,36 %
NORDNET LIVSFORSIKRING AS	1 583 043	1,33 %
GOLDMAN SACHS & CO. LLC	1 556 604	1,31 %
MP PENSJON PK	1 443 000	1,21 %
WILDING MATTHIAS	1 425 000	1,20 %
ORIGO KAPITAL AS	1 343 569	1,13 %
ROME AS	1 300 000	1,09 %
HSBC BANK PLC	1 100 000	0,92 %
TRIOMAR AS	1 100 000	0,92 %
REYNOLDS DAG WILFRED	1 050 000	0,88 %
PEDERSEN ROLF IVAR	1 050 000	0,88 %
Total 20 largest shareholders	57 994 761	48,72 %
Other shareholders	61 052 304	51,28 %
Total	**119 047 065**	**100,00 %**

Number of shares owned by management and directors at 31 December 2017:

Management		
Knut Sæberg (CEO)	818 822	0,69 %
Didrik Leikvang (partner in North Advisors AS)	5 566 696	4,68 %
Rachid Bendriss (partner in North Advisors AS)	7 202 325	6,05 %
Board of directors		
Anders Onarheim (chairman and partner in North Advisors AS), through AB Investment AS, Liju Invest AS and Spitsbergen AS	18 370 045	15,43 %
Jogeir Romestrand (director), through Rome AS	1 300 000	1,09 %
Elin Karfjell (director), through Elika AS	267 700	0,22 %
Total	**33 525 588**	**28,16 %**

Number of shares owned by management and directors at 31 December 2016:

Management		
Knut Sæberg (CEO)	718 822	0,60 %
Didrik Leikvang (partner in North Advisors AS)	4 716 208	3,96 %
Rachid Bendriss (partner in North Advisors AS)	6 173 100	5,19 %
Board of directors		
Anders Onarheim (chairman and partner in North Advisors AS), through AB Investment AS and Spitsbergen AS	15 621 169	13,12 %
Jogeir Romestrand (director), through Rome AS	1 300 000	1,09 %
Elin Karfjell (director), through Elika AS	267 700	0,22 %
Total	**28 796 999**	**24,19 %**

NOTE 11 Current borrowings and net debt reconciliation

Current borrowings specification:

Amounts in NOK 1 000	2017	2016
Revolving credit facility (exploration loan), funds drawn	15 017	26 191
Revolving credit facility (exploration loan), transaction costs	(0)	(1 527)
Balance 31 December	15 017	24 663

In December 2017 the facility limit was reduced from NOK 100 million to NOK 30 million.

The loan is secured by a pledge in tax receivables from refund pursuant to the Norwegian Petroleum Tax Act and any interests in production licences. The exploration financing facility may only be used to finance exploration costs.

Net debt reconciliation:

Amounts in NOK 1 000	2017	2016
Cash and cash equivalents	65 312	126 535
Liquid investments	57 066	51 262
Borrowings - repayable within one year (including overdrafts)	(34 626)	(24 663)
Borrowings - repayable after one year	0	0
Net debt	**87 752**	**153 133**
Cash and liquid investments	122 378	177 796
Gross debt - fixed interest rates	(19 610)	0
Gross debt - variable interest rates	(15 017)	(24 663)
Net debt	**87 752**	**153 133**

NOTE 12 Other current liabilities

Amounts in NOK 1 000	2017	2016
Public duties payable	556	2 479
Accruals, from interests in licences	0	359
Holiday pay and bonus payable	591	2 448
VAT payable	141	109
Other accruals for incurred costs	2 919	22 144
Total	4 208	27 539

NOTE 13 Earnings per share

	2017	2016
Profit/(loss) for the year attributable to owners of North Energy ASA (NOK 1 000)	21 749	83 156
Weighted average number of shares outstanding	119 047 065	119 047 065
Earnings per share (NOK per share)		
- Basic	0,18	0,70
- Diluted	0,18	0,70

NOTE 14 Related parties

The company's transactions with related parties:

(a) Purchases of services

Purchase of services from	Description of services	2017	2016
North Advisors AS (see note 28)	Consultancy services	7 886	6 257
Kharybdis AS (Didrik Leikvang/shareholder)	Consultancy services	0	600

The consultancy agreement with Kharybdis AS was terminated as part of the establishment of the advisory agreement with North Advisors AS. Services are purchased at market terms.

(b) Remuneration to management and directors

Refer to note 5.

(c) Overview of subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Location
North Energy Capital AS (owned 80% by North Energy ASA) ***	Norway
North Energy Norge AS (former 4sea Energy AS, owned 100% by North Energy Capital AS) *	Norway
North E&P AS (owned 100% by North Energy Capital AS) **	Norway
Accello Partners I AS (owned 90,42% by North Energy Capital AS) ****	Norway

* 100% of the shares in North Energy Norge AS (former 4sea Energy AS) was acquired by North Energy ASA in February 2010.

** 100% of the shares in North E&P AS was acquired by North Energy ASA in February 2016 (see note 27).

*** North Energy Capital AS was established in June 2016. North Energy ASA and North Advisors AS entered into an transaction agreement whereby North Energy ASA transferred substantially all of its financial assets, including the shares in 4sea Energy AS and North E&P AS, to North Energy Capital AS, by way of a contribution in kind. Settlement of the transaction was made through a consideration of new preference shares, owned 100 per cent by North Energy ASA, and 80 per cent of the ordinary shares in North Energy Capital AS. North Advisors AS holds the remaining 20 per cent of the ordinary shares (see note 28). North Energy ASA holds 99.85 per cent of all outstanding shares (both preference shares and ordinary shares).

**** Se note 23 for information about North Energy Capital's acquisition of subsidiary Accello Partners I AS in 2017.

NOTE 15 Tax

Specification of income tax:

Amounts in NOK 1 000	2017	2016
Calculated refund tax value of exploration costs this year	32 691	56 533
Correction refund previous years	0	124
Change deferred tax asset and tax receivable from refund tax value offshore tax losses in balance sheet	(10 012)	20 189
Of this, deferred tax asset not recognised in income statement (sale of licences recognised net of tax)	0	(3)
Of this, deferred tax asset related to items incomprehensive income recognised in comprehensive income	0	(231)
Total income tax credit	**22 679**	**76 612**

Specification of tax receivable refund tax value exploration expenses:

Amounts in NOK 1 000	2017	2016
Calculated refund tax value of exploration costs this year	32 691	67 887
Correction refund previous years, not yet assessed	0	0
Total tax receivable refund tax value exploration expenses	**32 691**	**67 887**

Oil exploration companies operating on the Norwegian continental shelf may claim a 78 per cent refund of their exploration costs limited to taxable losses for the year. The refund is paid in November the following year. See footnote ** in the next collumn for further information about the tax receivable at 31 December 2017.

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

Amounts in NOK 1 000	2017	2016
Property, plant and equipment	348	(5 742)
Capitalised exploration and licence costs	0	0
Pensions	2 038	1 023
Prepayments and other receivables	(87)	0
Current borrowings	0	1 527
Convertible loans and conversion rights	0	0
Other current liabilities	0	(13 000)
Available for sale investments	1 924	14 007
Tax losses carried forward, onshore	(39 012)	(50 105)
Tax losses carried forward, offshore only 24% basis	(228 258)	(223 124)
Tax losses carried forward, offshore only 54% basis	(960)	(952)
Tax losses carried forward, offshore both 24% and 54% basis	(186 411)	(182 530)
Total basis for deferred tax asset	(450 417)	(458 896)
Deferred tax asset before valuation allowance	208 702	219 082
Uncapitalised deferred tax asset (valuation allowance) *	(8 359)	(11 791)
Deferred tax asset	**200 343**	**207 291**
Of this:		
Classified as deferred tax asset/(liability)	**(358)**	**207 291**
Classified as current tax receivable from refund tax value offshore tax losses **	**200 701**	**0**

* Uncapitalised deferred tax asset relates mainly to onshore tax losses carried forward in parent company North Energy ASA. Due to the transaction in 2016 whereby North Energy ASA transferred all of its petroleum related activities to North E&P AS, North Energy ASAs offshore activities subject to additional tax ceased with effect 1 January 2016.

** The Board of Directors of North Energy ASA has in a Board meeting 7 July 2017 decided to discontinue the petroleum activities in its subsidiary North E&P AS and to seek cash reimbursement of the tax value of the company's offshore tax losses. The tax value of the offshore tax losses is therefore classified as current tax receivable from refund tax value offshore tax losses.

North E&P AS, which is under liquidation, has claimed cash reimbursement of both the tax value of offshore tax losses and the tax value of exploration costs in 2017 in connection with an advance tax return for the year submitted in October 2017. The tax office is, as part of the process, auditing the tax return as well as prior periods tax return. The tax audit is not yet completed and North E&P is still awaiting the final tax settlement.

Reconciliation of effective tax rate:

Amounts in NOK 1 000		
Profit before tax	5 452	4 171
Expected income tax 78%	(4 253)	(3 253)
Adjusted for tax effects (24% - 78%) of the following items:		
Permanent differences	(617)	91 895
Correction previous years	0	84
Interest on tax losses carried forward offshore	1 571	1 690
Finance items and different tax rates within the group	18 918	(5 900)
Changed tax rates from 1 January 2018 and 1 January 2017	(361)	(2 698)
Change in valuation allowance for deferred tax assets	7 420	(5 206)
Total income tax credit	**22 679**	**76 612**

NOTE 16 Property, plant and equipment

Amounts in NOK 1 000	Equipment, office machines, etc
2017	
Cost:	
At 1.1.2017	51 608
Additions	(0)
Disposals	
At 31.12.2017	**51 607**
Depreciation and impairment:	
At 1.1.2017	(50 337)
Depreciation this year	(1 236)
Impairment this year	
Disposals	
At 31.12.2017	**(51 573)**
Carrying amount at 31.12.2017	**34**
2016	
Cost:	
At 1.1.2016	51 553
Additions	55
Disposals	0
At 31.12.2016	**51 608**
Depreciation and impairment:	
At 1.1.2016	(47 785)
Depreciation this year	(2 552)
Impairment this year	0
Disposals	0
At 31.12.2016	**(50 337)**
Carrying amount at 31.12.2016	**1 271**
Economic life	3-10 years
Depreciation method	linear

NOTE 17 Exploration and licence expenses

Specification of exploration and licence expenses:

Amounts in NOK 1 000	2017	2016
Share of exploration expenses from participation in licences, incl seismic, G&G, dry wells, carry	(476)	10 283
Seismic, EM data library and other exploration costs	1 572	18 806
Total exploration and licence expenses	**1 095**	**29 089**

NOTE 18 Finance income and costs

Finance income:

Amounts in NOK 1 000	2017	2016
Interest income bank deposits	262	353
Interest income on tax refund	287	3 822
Interest income on bonds	323	2 156
Foreign exchange gain	395	12 328
Finance income, from interests in licences	23	70
Gain from sales of available for sale investments	53 229	16 756
Other finance income	1	2 132
Total finance income	**54 520**	**37 617**

Finance costs:

Amounts in NOK 1 000	2017	2016
Interest expenses and transaction costs on current borrowings	4 387	17 774
Interest expenses and amortised cost convertible loans	0	3 458
Other interest expenses	280	0
Loss from sales of available for sale investments	4 910	0
Foreign exchange loss	3 127	21 632
Other finance costs	74	527
Total finance costs	**12 778**	**43 391**

NOTE 19 Financial instruments

(a) Categories of financial instruments

at 31 December 2017

Amounts in NOK 1 000	Loans and receivables	Available-for-sale financial assets
Assets:		
Available for sale investments		57 066
Other non-current receivables (see note 7) *	10 256	
Other current receivables (see note 8) *	1 689	
Cash and cash equivalents	65 312	
Total	**77 257**	**57 066**

Amounts in NOK 1 000	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit or loss
Liabilities:		
Trade creditors	528	
Other current liabilities (see note 12) **	591	
Current borrowings, exploration loan	15 017	
Current borrowings, bank overdraft	19 610	
Total	**35 745**	**0**

at 31 December 2016:

Amounts in NOK 1 000	Loans and receivables	Available-for-sale financial assets
Assets:		
Available for sale investments		51 262
Other current receivables (see note 8) *	2 325	
Cash and cash equivalents	126 535	
Total	**128 859**	**51 262**

Amounts in NOK 1 000	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit or loss
Liabilities:		
Trade creditors	2 967	
Other current liabilities (see note 12) **	2 806	
Current borrowings, exploration loan	24 663	
Total	**30 436**	**0**

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

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

(b) Fair value of financial instruments

The carrying amount of cash and cash equivalents and other current receivables is approximately equal to fair value, since these instruments have a short term to maturity. Similarly, the carrying amount of trade creditors, other current liabilities and current borrowings is approximately equal to fair value, since the effect of discounting is not significant, due to short term to maturity and no significant change in credit spread.

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

(c) Creditworthiness of financial assets

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

Amounts in NOK 1 000	2017	2016
Bank deposits:	65 312	126 535

Amounts in NOK 1 000	2017	2016
No external credit rating		
A	65 312	126 535
AA		
Total	**65 312**	**126 535**

(d) Financial risk factors

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

NOTE 20 Leases

The group has no finance leases.

The group has entered into operating leases for office premises, office equipment and furniture.

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

Lease costs consist of the following:

Amounts in NOK 1 000	**2017**	**2016**
Lease office premises (inclusive joint costs)	3 362	5 692
Lease office equipment and furniture	107	188
Total lease costs	**3 469**	**5 880**

Future minimum rents related to non-cancellable leases and subleases fall due as follows:

Amounts in NOK 1 000	**2017**	**2016**
Within 1 year	1 948	2 229
1 to 5 years	0	1 950
After 5 years	0	0
Total	**1 948**	**4 179**

NOTE 21 Pension

At 31 December 2017 the group only has defined contribution pension plans, and no defined benefit pension plans. All remaining defined benefit pension plans have been converted into defined contribution pension plans in 2017.

At 31 December 2016 the group had defined benefit pension plans covering two employees. During 2016 the pension plans for all employees was converted into defined contribution pension plans, with exception of two employees still included in the defined benefit pension plans at 31 December 2016.

The pension arrangements fulfil the requirements of the Norwegian Act on mandatory occupational pensions.

Actuarial assumptions for defined benefit plans:

	2017	**2016**
Discount rate	2,30 %	2,10 %
Expected annual salary increases	2,50 %	2,25 %
Expected annual adjustment of pension benefits	2,25 %	2,20 %
Expected rate of adjustment to NI base rate (G)	2,25 %	2,00 %
Mortality assumptions are based on mortality table	K2013 BE	K2013 BE
Disability assumptions are based on disability table	IR02	IR02

Specification of net pension liability / (assets) for defined benefit plans:

Amounts in NOK 1 000	**2017**	**2016**
Present value of funded obligations at 31.12	0	6 139
Estimated fair value of plan assets at 31.12	0	7 162
Net pension liability / (assets)	**0**	**(1 023)**

Classification of net pension liability/(assets) in the balance sheet for defined benefit plans:

Amounts in NOK 1 000	2017	2016
Other non-current receivables (note 7)	0	1 023
Pension liabilities	0	(0)
Net pension liability / (assets)	**0**	**(1 023)**

The pension plans was over funded by NOK 1 023 million at 31 December 2016.

Movement in the liability for defined benefit obligations during the year:

Amounts in NOK 1 000	2017	2016
Defined benefit obligations at 1 January	6 139	31 798
Current service costs	802	(309)
Interest expense	113	197
Changes in pension plan	0	0
Curtailment, settlements, conversion to defined contribution	(7 053)	(25 706)
Remeasurements, actuarial loss/(gain)	0	158
Liability for defined benefit obligations at 31 December	**0**	**6 139**

Movement in fair value of plan assets for defined benefit obligations:

Amounts in NOK 1 000	2017	2016
Fair value of plan assets at 1 January	7 162	34 445
Interest income	97	141
Changes in pension plan	0	0
Curtailment, settlements, conversion to defined contribution	(8 057)	(30 058)
Remeasurements, actuarial gain/(loss)	0	(138)
Employer contributions	798	2 772
Fair value of plan assets at 31 December	**0**	**7 162**

Plan assets in defined benefit plans are comprised as follows:

	2017	2016
Shares		4,5 %
Alternative investments		3,8 %
Short-term bonds		6,5 %
Money market		24,3 %
Long-term bonds		32,7 %
Loans and receivables		18,0 %
Property		9,9 %
Other		0,3 %
Total		**100,0 %**

	2017	2016
Expected contributions to funded plans next year	0	736

Pension expense recognised in income statement:

Amounts in NOK 1 000, incl. social security	2017	2016
Current service costs	802	(309)
Net interest expense	15	56
Changes in pension plan	0	0
Curtailment, settlements, conversion to defined contribution	905	(6 314)
Conversion to defined contribution, premium funds transferred to defined contribution plan (see note 7 and note 8)	(625)	0
Conversion to defined contribution, premium funds received (see note 8)	(1 413)	0
Total pension cost/(income) arising from defined benefit plans included in payroll and related cost	**(315)**	**(6 566)**
Pension expense arising from defined contribution pension plans included in payroll and related cost	458	1 402
Total pension cost/(income) included in payroll and related cost	**143**	**(5 165)**

NOTE 22 Gain from sales of licences

Gain from sales of licences in 2016 relate to sale of:

- 10 per cent interest in PL 707 to Lime Petroleum Norway AS
- 25 per cent interest in PL 507 to Aker BP ASA (former Det norske oljeselskap ASA)
- 10 per cent interest in PL 722 to Aker BP ASA (former Det norske oljeselskap ASA)
- 20 per cent interest in PL 784 to Statoil Petroleum AS
- 20 per cent interest in PL 798 to Statoil Petroleum AS
- 20 per cent interest in PL 799 to Statoil Petroleum AS
- 20 per cent interest in PL 789 to Fortis Petroleum Norway AS
- 17.5 per cent interest in PL 378 to Wintershall Norge AS
- 20 per cent interest in PL 719 to Aker BP ASA (former Det norske oljeselskap ASA)
- 20 per cent interest in PL 762 to Fortis Petroleum Norway AS

NOTE 23 Acquisition of subsidiary and investment in an associate

On 13 February 2017, North Energy Capital AS ("NEC") completed the acquisition of 74 per cent of the shares in Accello Partners I AS ("Accello"), together with 85 per cent of shareholder loans in Accello. Consideration for the acquisition was NEC's 10.8 million shares in Reach Subsea ASA ("Reach"). The business combination resulted in a bargain gain of NOK 15.1 million due to movement in market values in the period.

Prior to the transaction Accello owned 27.6 million shares in Reach. Accello has further been allocated 12.5 million shares at NOK 1.75 per share in Reach's contemplated private placement, and in addition purchased 0.5 million shares. At 31 December 2017 Accello own 40.6 million shares in Reach, corresponding to 28.34 per cent of the total outstanding shares, and the investment in Reach is accounted for as an associate under the equity method of accounting. The company has not received dividends from the accociate in 2017.

Specification of gain arising from the business combination:

Amounts in NOK 1 000	
Consideration paid	(55 337)
Assets acquired	96 263
Liabilities assumed	(25 798)
Bargain gain arising from the acquisition	**15 128**

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

Amounts in NOK 1 000	2017	2016
Gain arising on acquisition	0	0
Impairment of investment in Reach *	(891)	0
Share of net result in Reach **	(6 991)	0
Net result from investment in an associate	**(7 882)**	**0**

* The impairment loss of NOK 891 thousand has been recognised to reduce the carrying amount of the investment in Reach to estimated fair value of NOK 89 320. This represents the stock market price at the balance sheet date.

** Share of net result in Reach is for the period from acquisition 13 February 2017 to 31 December 2017.

Reconciliation and specification of carrying amount of investment in an associate:

Amounts in NOK 1 000	2017	2016
Opening balance carrying amount of investment in an associate at 1 January	0	0
Acquisition cost at 13 February 2017	96 263	0
Acquisition cost additional shares acquired	938	0
Impairment of investment in Reach	(891)	0
Share of net result in Reach	(6 991)	0
Carrying amount of investment in an associate at 31 December	**89 320**	**0**

In addition to the investment in associate Reach, the acquisition of Accello resulted in consolidation of a bank overdraft and an existing shareholder loan. A new loan agreement between NEC and Accello was also signed after the acquisition. Current borrowings (bank overdraft) is reported at NOK 19.6 million at 31 December 2017. The shareholder loan and the new loan from NEC has in the fourth quarter 2017 been converted to equity and thereby increasing North Energy's ownership in Accello to 90.42 percent, hence the minority interest in Accello is 9.58 percent at the end of the year. The minority part of the shareholder loan that was converted to equity amounts to NOK 7.7 million. After the transaction the new share capital in Accello is NOK 81.7 million.

Financial figures for the associated company Reach Subsea ASA:

Amounts in NOK million (100% basis, unaudited)	2017
Revenues	360
EBITDA	27
Pre-tax profit	(31)
Liquidty	99
Net working capital	35
Net interest bearing debt	(35)
Equity	218

Non-controlling interests in subsidiaries:

At year end the group has non-controlling interests in the consolidated subsidiaries listed below. There has been no dividends paid to the non-controlling interests.

Subsidiary	Minority owner	Minority interests
North Energy Capital AS	North Advisors AS	20.00 %
Accello Partners I AS	AB Investment AS	6.17 %
Accello Partners I AS	Celisa Capital AS	2.06 %
Accello Partners I AS	Isfjorden Capital AS	0.51 %
Accello Partners I AS	Spitsbergen AS	0.84 %

NOTE 24 Contingent liabilities

As of 31 December 2017 the group is not involved in any legal or financial disputes.

NOTE 25 Shares in licenses and obligations

As of 31 December 2017 the group has no shares in licences or related obligations.

Shares in licenses at 31 December 2016:

License	Share
PL 713	20 %
PL 757	30 %
PL 770	20 %
PL 805	40 %

Obligations at 31 December 2016:
The group has only minor obligations from the current licence portfolio. There are no commitments for any drilling operations in the existing licence portfolio.

NOTE 26 Available for sale investments

Available for sale investments expenses include:

Amounts in NOK 1 000	2017	2016
Stock exchange-listed shares	48 397	16 862
Stock exchange-listed bonds and other bonds	2 169	34 400
Non-listed shares	6 500	0
Total carrying amount	**57 066**	**51 262**

The main investments at 31 December 2017 consist of shares in Touchstone Exploration and shares in Seabird Exploration.

Amounts in NOK 1 000	2017	2016
Change in fair value recognised in equity through the statement of comprehensive income	26 129	11 033
Interest income from available for sale investments (bonds) recognised as finance income	323	2 156
Gain from sales of available for sale investments recognised as finance income	53 229	16 756
Loss from sales of available for sale investments recognised as finance cost	4 910	0

NOTE 27 Business combination in 2016

In February 2016 North Energy completed the acquisition of 100% of the shares in North E&P AS (former Explora Petroleum AS) for a cash payment of USD 2.5 million. The transaction was approved by the Norwegian authorities in February 2016.

North Energy has consolidated its petroleum operations in a single company through transferring today's petroleum operations from North Energy to North E&P, thereby bringing employees together in a new organisation for the combined company. North Energy ASAs offshore activities subject to the Petroleum tax act ceased with effect 1 January 2016.

The acquisition of North E&P adds to the company's licence portfolio but the company has not entered into any commitments for drilling operations for these licences.

North Energy reported in the first quarter of 2016 a substantial gain from bargain purchase derived from this transaction. Explora had a high operating running costs and potential liabilities and was, prior to the acquisition, classified as a distressed company. This was reflected in the low market value of the company and lack of interest amongst potential buyers.

Details on the purchase consideration, the net assets acquired and gain from bargain purchase are as follows:

Purchase consideration:	
Cash paid (USD 2.5 million)	21 390
Total purchase consideration	**21 390**

Acquisition costs of NOK 0.65 million have been expensed.

The fair value of the assets and liabilities, and gain from bargain purchase recognised a result of the acquisition:	
Capitalised exploration and licence costs	0
Deferred tax asset	40 661
Prepayments and other receivables	21 683
Tax receivable, refund tax value exploration expenses	238 128
Cash and cash equivalents	27 369
Current borrowings	(195 000)
Trade creditors	(2 234)
Other current liabilities	(8 409)
Net fair value of identifiable assets acquired	122 198
Total purchase consideration	21 390
Gain from bargain purchase recognised in income statement	**100 808**

Loss contribution:
The acquired business contributed net loss after tax of NOK 8.66 million to the group for the period from acquisition to 31 December 2016.

If the acquisition had occurred on 1 January 2016, consolidated pro-forma net profit for the twelve months ending 31 December 2016 would have been NOK 76.63 million. "

Net cash flow arising on acquisition:	
Cash and cash equivalents acquired with the subsidiary	27 369
Cash paid	(21 390)
Net cash flow arising on acquisition	**5 979**

NOTE 28 New corporate and management structure in 2016

North Energy completed in 2016 the following reorganisation transactions and established a new corporate and management structure to strengthen the Company's business model and its commercial platform:

"- North Energy ASA and North E&P AS have entered into a sale and purchase agreement whereby North Energy ASA has transferred all of its petroleum related activities to North E&P AS. Effective date for this transaction is 1 January 2016. North Energy ASAs offshore activities subject to additional petroleum tax ceased with effect 1 January 2016.

- A new subsidiary of North Energy ASA has been established and named North Energy Capital AS. North Energy ASA and North Advisors AS have entered into an transaction agreement whereby North Energy ASA has transferred substantially all of its financial assets to North Energy Capital AS, by way of a contribution in kind. Settlement of the transaction has been made through a consideration of new preference shares and 80 per cent of the ordinary shares in North Energy Capital AS. North Advisors AS holds the remaining 20 per cent of the ordinary shares. The preference shares held by North Energy ASA will be redeemed by way of dividend payments, according to shareholders' agreement between North Energy ASA and North Advisors AS.

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

NOTE 29 Events after the balance sheet date

No material events have occurred after the balance sheet date.

"A new journey has begun, and the company will continue focusing on strategic industrial investment opportunities."

Financial Statements – North Energy ASA

Income statement

NOK 1 000

	Note	2017	2016
Gain from sales of licences		0	1 148
Payroll and related expenses	5	179	(10 277)
Depreciation and amortisation	15	0	(1 378)
Exploration and licence expenses	16	0	(5 781)
Other operating expenses	6	(11 990)	(24 555)
OPERATING LOSS		**(11 811)**	**(40 843)**
Financial income	17	410	27 558
Financial expenses	17	(152)	(20 199)
NET FINANCIAL ITEMS		258	7 359
Loss from transfer of petroleum related activities	21	0	(118 322)
Gain from contribution in kind	21	0	32 759
LOSS BEFORE INCOME TAX		**(11 553)**	**(119 047)**
Income tax credit	14	0	1 144
LOSS FOR THE YEAR		**(11 553)**	**(117 903)**

Statement of comprehensive loss

NOK 1 000

	Note	2017	2016
LOSS FOR THE YEAR		(11 553)	(117 903)
Other comprehensive income, net of tax:			
Items that will be reclassified to profit or loss in subsequent periods:			
Available for sale investments - change in fair value	20	629	(1 296)
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		629	(1 296)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(10 924)	(119 199)

Balance sheet

NOK 1 000

ASSETS

	Note	31.12.17	31.12.16
NON-CURRENT ASSETS			
Property, plant and equipment	15	0	0
Investment in subsidiaries	12	136 800	136 800
Available for sale investments	20	6 109	(0)
Deferred tax asset	14	0	0
Other receivables	7	1 940	2 418
TOTAL NON-CURRENT ASSETS		**144 849**	**139 218**
CURRENT ASSETS			
Prepayments and other receivables	8	2 244	1 380
Cash and cash equivalents	9	5 046	57 535
TOTAL CURRENT ASSETS		**7 290**	**58 915**
TOTAL ASSETS		**152 139**	**198 134**

NOK 1 000

EQUITY AND LIABILITIES

	Note	31.12.17	31.12.16
EQUITY			
Share capital	10	119 047	119 047
Share premium		936 010	965 772
Other paid-in capital		30 691	30 691
Retained earnings		(935 940)	(925 016)
TOTAL EQUITY		**149 808**	**190 494**
LIABILITIES			
Current liabilities			
Trade creditors		158	238
Other current liabilities	11	2 173	7 402
TOTAL CURRENT LIABILITIES		**2 331**	**7 640**
TOTAL LIABILITIES		**2 331**	**7 640**
TOTAL EQUITY AND LIABILITIES		**152 139**	**198 134**

Oslo, 21 March 2018

Anders Onarheim, Chair | Jogeir Romestrand, Director | Elin Karfjell, Director | Knut Sæberg, CEO

Statement of changes in equity

NOK 1 000

	Share capital	Share premium	Other paid in capital	Retained earnings	Total equity
Equity at 1 January 2016	119 047	965 772	30 691	(805 817)	309 693
Comprehensive income:					
Total compehensive income for 2016				(119 199)	(119 199)
EQUITY AT 31 DECEMBER 2016	**119 047**	**965 772**	**30 691**	**(925 016)**	**190 494**
Equity at 1 January 2017	119 047	965 772	30 691	(925 016)	190 494
Dividends paid		(29 762)			(29 762)
Comprehensive income:					
Total compehensive income for 2017				(10 924)	(10 924)
EQUITY AT 31 DECEMBER 2017	**119 047**	**936 010**	**30 691**	**(935 940)**	**149 808**

Cash flows statement

NOK 1 000

	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(11 553)	(119 047)
Adjustments:			
Tax refunded		0	382 766
Depreciation	15	0	1 378
Gain from sales of licences		0	(1 148)
Loss from transfer of petroleum related activities	21	0	118 322
Gain from contribution in kind	21	0	(32 759)
Pro&contra settlement from transfer of petroleum related activities	21	0	5 718
Pensions		(1 015)	(1 115)
Transaction costs and interest on borrowings recognised in P&L	17	0	14 633
Changes in fair value of conversion rights and loans at amortised cost	17	0	488
Gain/loss from sales of available for sale investments	20	0	(15 285)
Changes in trade creditors		(80)	(1 479)
Changes in other accruals		(4 600)	17 378
NET CASH FLOWS FROM OPERATING ACTIVITIES		**(17 248)**	**369 850**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	0	(55)
Proceeds from sales of licences		0	1 135
Investment in subsidiaries	12	0	(35 705)
Purchase of available for sale investments	20	(5 480)	(21 658)
Proceeds from sales of available for sale investments		0	25 816
Proceeds/payments from other non-current receivables		0	(932)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(5 480)**	**(31 399)**

NOK 1 000

	Note	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Funds drawn current borrowings		0	57 616
Repayments of current borrowings		0	(314 514)
Repayments of convertible loans		0	(41 529)
Repayments of loan from subsidiary		0	(5 035)
Transaction costs and interest on borrowings paid		0	(12 092)
Dividends paid		(29 762)	0
Proceeds from share issues		0	0
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(29 762)**	**(315 553)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(52 489)**	**22 898**
Cash and cash equivivalents at 1 January	9	57 535	34 638
CASH AND CASH EQUIVIVALENTS AT 31 DECEMBER	**9**	**5 046**	**57 535**

NOTE 1 General information

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

The financial statements were approved by the board of directors and CEO at 21 March 2018.

NOTE 2 Summary of significant accounting policies

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

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

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

NOTE 3 Financial risk management

See note 3 in the consolidated financial statements.

NOTE 4 Critical accounting estimates and judgements

See note 4 in the consolidated financial statements.

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

Payroll and related expenses:

Amounts in NOK 1 000	**2017**	**2016**
Salaries	2 669	10 166
Payroll tax	599	1 850
Pension costs (see note 19)	(315)	(177)
Other benefits	32	250
Net payroll and related expenses charged to subsidiaries	(3 164)	(1 812)
Total	**(179)**	**10 277**
Average number of employees	1,0	9,9

Remuneration to directors and management:
See note 5 in the consolidated financial statements.

The board of directors' declaration regarding determination of salary and other remuneration to management employees
See note 5 in the consolidated financial statements.

NOTE 6 Other operating expenses and remuneration to auditor

Other operating expenses:

Amounts in NOK 1 000	2017	2016
Travelling expenses	112	719
Lease expenses	0	1 689
Consultant and other fees	11 377	16 716
Other administrative expenses	501	5 431
Total	**11 990**	**24 555**

Remuneration to auditor is allocated as specified below:

Amounts in NOK 1 000	2017	2016
Audit	100	470
Attestations	15	30
Assistance share issues	48	26
Other assistance	153	80
Total, excl. VAT	**316**	**606**

NOTE 7 Other non-current receivables

Amounts in NOK 1 000	2017	2016
Deposit	1 395	1 395
Pension assets	0	1 023
Premium fund pensions, transferred to defined contribution plan *	545	0
Total	**1 940**	**2 418**

* All defined benefit pension plans have been converted into defined contribution pension plans in 2017 (see note 19).

NOTE 8 Prepayments and other receivables

Amounts in NOK 1 000	2017	2016
Prepaid expenses	0	63
Premium fund pensions, transferred to defined contribution plan *	80	0
Premium fund pensions, receivable *	1 413	
Receivables from subsidiaries	482	1 317
Earned interest bonds	269	0
Other items	0	(0)
Total	**2 244**	**1 380**

* All defined benefit pension plans have bee converted into defined contribution pension plans in 2017 (see note 19). The receivable of NOK 1 413 thousand was received in January 2018.

NOTE 9 Cash and cash equivalents

Amounts in NOK 1 000	2017	2016
Bank deposits	5 046	57 535
Total cash and cash equivalents	**5 046**	**57 535**
Of this:		
Restricted cash for witheld taxes from employees salaries	181	425

NOTE 10 Share capital and shareholder information

See note 10 in the consolidated financial statements.

NOTE 11 Other current liabilities

Amounts in NOK 1 000	2017	2016
Public duties payable	302	517
Holiday pay	276	276
VAT payable	141	109
Payable to subsidiaries	222	5 457
Other accruals for incurred costs	1 232	1 043
Total	**2 173**	**7 402**

NOTE 12 Investment in subsidiaries

Amounts in NOK 1 000

Company	Location	Equity and voting share	Book value 31.12.2017	Book value 31.12.2016
North Energy Capital AS	Norway	80 %	136 800	136 800
Total			**136 800**	**136 800**

See information in note 21 about the establishment of North Energy Capital AS in 2016.

NOTE 13 Related parties

During 2017 North Energy ASA has charged salary related expenses to subsidiaries of NOK 3.49 million, and subsidiaries have charged salary related expenses to North Energy ASA of NOK 0.32 million.

During 2016 North Energy ASA has charged salary related expenses to subsidiaries of NOK 2.04 million, and subsidiaries have charged salary related expenses to North Energy ASA of NOK 0.22 million.

See note 21 and note 14 in the consolidated financial statements for further infomation.

NOTE 14 Tax

Specification of income tax:

Amounts in NOK 1 000	2017	2016
Calculated refund tax value of exploration costs this year	0	0
Correction refund previous years	0	124
Change deferred tax asset in balance	0	(149 803)
Of this, deferred tax asset not recognised in income statement as income tax (transfer of petroleum related activities) *	0	150 826
Of this, deferred tax asset not recognised in income statement (sale of licences recognised net of tax)	0	(3)
Total income tax credit	**0**	**1 144**

* Deferred tax asset 1 January 2016 included in loss from transfer of petroleum related activities from North Energy ASA to North E&P AS in 2016 (see note 21). North Energy ASAs offshore tax losses carried forward from 31 December 2015 was transferred to North E&P AS as part of the petroleum related activities.

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

Amounts in NOK 1 000	2017	2016
Pensions	2 038	1 023
Available for sale investments	629	0
Tax losses carried forward, onshore	(38 015)	(25 511)
Total basis for deferred tax	(35 348)	(24 488)
Deferred tax liability (-) / tax asset (+)	8 130	5 877
Not capitalised deferred tax asset (valuation allowance) **	(8 130)	(5 877)
Deferred tax liability (-) / tax asset (+) in balance	**0**	**0**

** It is assessed to be most likely that the future tax assets related to pensions, available for sale investments and onshore tax losses carried forward are not recoverable. Due to the transaction whereby North Energy ASA transferred all of its petroleum related activities to North E&P AS, North Energy ASAs offshore activities subject to additional tax ceased with effect 1 January 2016 (see note 21).

Reconciliation of effective tax rate:

Amounts in NOK 1 000	2017	2016
Loss before income tax	(11 553)	(119 047)
Expected income tax credit 24% (2016: 25%)	2 773	29 762
Adjusted for tax effects of the following items:		
Permanent differences	(15)	(22 620)
Correction previous years	0	124
Changed tax rates from 1 January 2018 and 1 January 2017	(353)	(245)
Change in fair value available for sale investments recognised in equity through the statement of comprehensive income	(151)	0
Change in valuation allowance for deferred tax assets	(2 253)	(5 877)
Total income tax credit	**(0)**	**1 144**

NOTE 15 Property, plant and equipment

Amounts in NOK 1 000	Equipment, office machines, etc
2017	
Cost:	
At 1.1.2017	0
Additions	0
Disposals	0
At 31.12.2017	0
Depreciation and impairment:	
At 1.1.2017	0
Depreciation this year	0
Impairment this year	0
Disposals	0
At 31.12.2017	**0**
Carrying amount at 31.12.2017	**0**
2016	
Cost:	
At 1.1.2016	51 553
Additions	55
Disposals (transfer of petroleum related activities to North E&P AS, see note 21)	(51 608)
At 31.12.2016	**0**
Depreciation and impairment:	
At 1.1.2016	(47 785)
Depreciation this year	(1 378)
Impairment this year	
Disposals (transfer of petroleum related activities to North E&P AS, see note 21)	49 163
At 31.12.2016	**0**
Carrying amount at 31.12.2016	**(0)**
Economic life	3-10 years
Depreciation method	linear

NOTE 16 Exploration and licence expenses

Amounts in NOK 1 000	2017	2016
Share of exploration expenses from participation in licences, incl seismic, G&G, dry wells, carry	0	4 484
Impairment of capitalised exploration expenses	0	0
Seismic, EM data library and other exploration costs	0	1 297
Total exploration and licence expenses	**0**	**5 781**

NOTE 17 Other non-current receivables

Finance income:

Amounts in NOK 1 000	2017	2016
Interest income bank deposits	126	229
Interest income on tax refund	0	2 400
Interest income on bonds	269	0
Foreign exchange gain	15	8 675
Finance income, from interests in licences	0	28
Gain from sales of available for sale investments	0	16 226
Total finance income	**410**	**27 558**

Finance costs:

Amounts in NOK 1 000	2017	2016
Interest expenses and transaction costs on current borrowings	0	11 662
Interest expenses and amortised cost convertible loans	0	3 458
Loss from realization of available for sale investments	0	941
Foreign exchange loss	78	3 643
Other finance costs	73	494
Total finance costs	**152**	**20 199**

NOTE 18 Financial instruments

(a) Categories of financial instruments

at 31 December 2017

Amounts in NOK 1 000	Loans and receivables	Available-for-sale financial assets
Assets:		
Available for sale investments		6 109
Other current receivables (see note 8)*	2 164	
Cash and cash equivalents	5 046	
Total	**7 210**	**6 109**

Amounts in NOK 1 000	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit or loss
Liabilities:		
Trade creditors	158	
Other current liabilities (see note 12) **	498	
Total	**656**	**0**

at 31 December 2016:

Amounts in NOK 1 000	Loans and receivables	Available-for-sale financial assets
Assets:		
Available for sale investments		0
Other current receivables (see note 8) *	1 317	
Cash and cash equivalents	57 535	
Total	**58 853**	**0**

Amounts in NOK 1 000	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit or loss
Liabilities:		
Trade creditors	238	
Other current liabilities (see note 12) **	5 733	
Total	**5 971**	**0**

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

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

(b) Fair value of financial instruments

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

Fair value of the bonds is based on quoted market prices at the balance sheet date (level 2 in the fair value hierarchy).

(c) Creditworthiness of financial assets

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

Amounts in NOK 1 000	2017	2016
Bank deposits:	5 046	57 535

Amounts in NOK 1 000	2017	2016
No external credit rating	0	0
A	5 046	57 535
AA	0	0
Total	**5 046**	**57 535**

(d) Financial risk factors

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

NOTE 19 Pension

At 31 December 2017 the company only has defined contribution pension plans, and no defined benefit pension plans. All remaining defined benefit pension plans have been converted into defined contribution pension plans in 2017.

At 31 December 2016 the company had defined benefit pension plans covering two employees. In connection with the transfer of petroleum related activities from North Energy ASA to North E&P AS in 2016 (refer to note 21), all employees, with exception of one employee, was tranferred to North E&P AS. Further, the pension plans for these employees transferred to North E&P AS, except for one employee on sick leave, were converted into defined contribution pension plans. The effects of settlements and conversion to defined contribution plans for these employees were recognised in North E&P AS in 2016. The employee still employed in North Energy ASA and the employee on sick leave were still included in the defined benefit pension plans at 31 December 2016.

The pension arrangements fulfil the requirements of the Norwegian Act on mandatory occupational pensions.

See note 21 in the consolidated financial statements for furter information about the defined benefit pension plans.

NOTE 20 Available for sale investments

Amounts in NOK 1 000	2017	2016
Bonds	6 109	0
Total carrying amount available for sale investments	6 109	0

Amounts in NOK 1 000	2017	2016
Change in fair value recognised in equity through the statement of comprehensive income	629	(1 296)
Interest income from available for sale investments (bonds) recognised as finance income	269	0
Gain from sales of available for sale investments recognised as finance income	0	16 226
Loss from realization of available for sale investments recognised as finance cost	0	941

NOTE 21 Major transactions in 2016 - acquisition of North E&P AS and new corporate and management structure

(a) Acquisition of North E&P AS (former Explora Petroleum AS) in 2016

In February 2016 North Energy ASA completed the acquisition of 100% of the shares in North E&P AS (former Explora Petroleum AS) for a cash payment of USD 2.5 million. The transaction was approved by the Norwegian authorities in February 2016. For further infomation about the acquisition of North E&P AS, see note 27 in the consolidated financial statements.

North Energy ASA has in 2016 further completed the following reorganisation transactions and established a new corporate and management structure to strengthen the Company's business model and its commercial platform:

(b) Transfer of petroleum related activities from North Energy ASA to North E&P AS in 2016

North Energy ASA and North E&P AS have entered into a sale and purchase agreement whereby North Energy ASA has transferred all of its petroleum related activities to North E&P AS. Effective date for this transaction is 1 January 2016. North Energy ASAs offshore activities subject to additional petroleum tax ceased with effect 1 January 2016.

Settlement between the parties was completed 30 June 2016. Total consideration for the transfer was NOK 48 million, in addition to the pro&contra settlement for the interim period 1 January 2016 to 30 June 2016.

The transfer has been recognised with effect 30 June 2016. Loss related to difference between the consideration and book values of net assets transferred, together with items in the income statement in the interim period, has been recognised in the income statement as loss from transfer of petroleum related activities, and the loss amounts to NOK 118,3 million.

Specification of the loss (amounts in NOK 1 000):

Consideration	48 000
Deferred tax asset 1 January 2016 transferred *	150 826
Net book value of other assets and liabilities 1 January 2016 transferred	36 613
Loss before income tax in interim period	(21 117)
Loss from transfer of petroleum related activities	**(118 322)**

* North Energy ASAs offshore tax losses carried forward from 31 December 2015 was transferred to North E&P AS as part of the petroleum related activities.

(c) Establishment of North Energy Capital AS in 2016

A new subsidiary of North Energy ASA has been established in 2016 and named North Energy Capital AS. North Energy ASA and North Advisors AS have entered into an transaction agreement whereby North Energy ASA has transferred substantially all of its financial assets to North Energy Capital AS, by way of a contribution in kind. Settlement of the transaction has been made through a consideration of new preference shares and 80 per cent of the ordinary shares in North Energy Capital AS. North Advisors AS holds the remaining 20 per cent of the ordinary shares. The preference shares held by North Energy ASA will be redeemed by way of dividend payments ascording to shareholders' agreement between North Energy ASA and North Advisors AS.

The financial assets transferred from North Energy ASA to North Energy Capital AS consist of shares in subsidiaries 4sea Energy AS and North E&P AS, available for sale investments, receivable from North E&P of NOK 48 million (consideration in connection with the transfer of petroleum related activities), and cash.

Specification of gain arising from contribution in kind (amounts in NOK 1 000):

Fair value of financial assets tranferred	136 000
Book value of financial assets tranferred	103 241
Gain from contribution in kind	**32 759**

The gain is related to difference between fair value and book value of the shares in subsidiary North E&P.

(d) Advisory agreement with North Advisors AS in 2016

North Energy ASA and North Energy Capital AS have in 2016 entered into an advisory agreement with North Advisors AS, whereby North Energy will outsource certain strategic, financial and business advisory services to North Advisors AS. North Advisors AS is an advisory company owned by a group of key stakeholders of North Energy ASA, consisting of Anders Onarheim, Rachid Bendriss and Didrik Leikvang. As remuneration for its services, North Advisors AS will receive a fee equivalent to 2 per cent per year based on the consolidated book equity of North Energy. The fee is calculated on a quarterly basis.

NOTE 22 Contingent liabilities

As of 31.12.2017 North Energy ASA is not involved in any legal or financial disputes.

NOTE 23 Events after balance sheet date

See note 29 in the consolidated financial statements.

Responsibility statement by the Board of Directors and CEO

We declare, to the best of our judgement, that the annual financial statements for the period from 1 January to 31 December 2017 have been prepared in accordance with the applicable accounting standards, and that the information in the accounts fairly reflects the Company's and Group's assets, liabilities, financial position and results as a whole.

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

Oslo, 21 March 2018

Anders Onarheim, Chair

Jogeir Romestrand, Director

Elin Karfjell, Director

Knut Sæberg, CEO

Shareholder information

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

Top 20 shareholders as per 10 April 2018:

Name	No. of shares	% of total shares
AB INVESTMENT AS	17 292 571	14.5 %
CELISA CAPITAL AS	7 102 325	6.0 %
ISFJORDEN AS	5 402 327	4.5 %
JPB AS	3 450 000	2.9 %
SALTEN KRAFTSAMBAND	2 467 723	2.1 %
CORUNA AS	2 305 000	1.9 %
ALTA INVEST AS	1 737 992	1.5 %
NORDNET LIVSFORSIKRING	1 718 094	1.4 %
SANDBECH SVEIN TERJE	1 650 000	1.4 %
TAJ HOLDING AS	1 614 999	1.4 %
GOLDMAN SACHS & CO.	1 556 604	1.3 %
MP PENSJON PK	1 423 000	1.2 %
RUSTAD JOHN KENNET	1 400 000	1.2 %
ORIGO KAPITAL AS	1 343 569	1.1 %
ROME AS	1 300 000	1.1 %
TRIOMAR AS	1 225 000	1.0 %
BAKKANE ARVID	1 180 621	1.0 %
HSBC BANK PLC	1 100 000	0.9 %
REYNOLDS DAG WILFRED	1 050 000	0.9 %
PEDERSEN ROLF IVAR	1 020 000	0.9 %
Total number owned by top 20	57 339 825	48.2 %
Total number of shares	**119 047 065**	**100.0 %**

In 2017, the North Energy share price fell with 3.6 per cent compared with the end share price of 2016. In comparison, an investment in the Oslo Børs Benchmark Index over the same period provided a positive return of 19 per cent, while the energy index yielded a return of 14 per cent in 2017. During the year 260.1 million North Energy shares changed hands on the Oslo Stock Exchange, up from 68.8 million in 2016, representing a daily average trading volume of 1.03 million shares.

Ownership structure

At the end of 2017 North Energy had 1 630 shareholders, up from 959 shareholders at the end of 2016. Approximately 8 per cent of the Company's shares were owned by foreign investors, a decrease from 41 per cent for last year.

The Company's employees, management and Board held approximately 28.5 per cent of the shares in the Company.

North Energy's 20 largest shareholders held 48.7 per cent of the shares as of 31 December 2017.

Share capital

North Energy's share capital at 31 December 2017 was NOK 119 047 065 divided into 119 047 065 shares, each with a nominal value of NOK 1.

Auditors' report

Auditors' report

To the General Meeting of North Energy ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North Energy ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive loss, statement of changes in equity, cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

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

During 2017, North Energy ASA decided to discontinue the group's petroleum activities on the Norwegian Continental Shelf (NCS) and to liquidate the subsidiary North E&P AS holding all petroleum activities on the NCS of the group. The group is now an investment company with a portfolio of investments.

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Acquisition of subsidiary and accounting for bargain purchase gain	
In February 2017, the group acquired 74% of the shares and 85% of a shareholder loan in Accello Partners I AS (Accello). Following the acquisition, the group increased its ownership in the listed company Reach Subsea ASA to about 28%. As a result the Group commenced accounting for the investment in Reach Subsea ASA under the equity method. As at 31 December 2017, the investment in the listed company Reach Subsea ASA amounted to NOK 89.3 million. Another result of the transaction, was that the group recognized a bargain purchase gain in the income statement of NOK 15.1 million. A bargain purchase gain is defined as the excess of the value of assets and liabilities acquired over the consideration paid. IFRS includes certain required steps to be performed when a bargain purchase gain is identified. As such, the accounting rules prescribe that before recognising a gain on a bargain purchase, the acquirer shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reconsider the measurements made of assets and liabilities. We focused on this area due to the significant value the investment represent in the balance sheet and the nature of the judgements and assumptions management are required to make in determining the value of the assets and liabilities acquired from the Accello acquisition and the resulting bargain purchase gain. Please refer to notes 23 for a description of the business combination and accounting for bargain purchase gain.	We obtained and read the share purchase agreements between the group and the shareholders of Accello Partners I AS and held meetings with management to understand the nature and details of the transaction. Management prepared a purchase price allocation (PPA) showing the estimated fair value of asset and liabilities acquired in the Accello transaction. We obtained a copy of the PPA, considered the methodology applied, the completeness of assets and liabilities included and tested the mathematical accuracy. We found the methodology to be in line with requirements in IFRS, and that the model makes calculations as expected. We challenged the purchase price allocation prepared by management and if there were other assets or liabilities not properly accounted for. A major part of the value assumed in the transaction was allocated to shares in Reach Subsea ASA. Management has measured the value of the investment in Reach Subsea ASA at the quoted market price for the shares at the acquisition date. We noted that the bargain purchase gain was mainly related to movements in the share price and measurement of the investment in Reach Subsea ASA between the agreement date and the acquisition date. The liabilities assumed in the transaction including shareholders loans, were reconciled to underlying agreements and documentation. The results of our testing showed that management applied reasonable assumptions for the valuation of assets and liabilities assumed as part of the Accello transaction. We also considered the disclosures made in note 23 and found that the information provided materially meets the requirements under IFRS.
Recognition and valuation of current and deferred taxes	
The group has recognized a tax receivable of NOK 233.4 million as at 31 December	We obtained the Company's tax calculation as prepared by management as at 31 August 2017 for the purpose of

2017. Under Norwegian Petroleum tax regulations, the Company is eligible for cash tax refunds calculated on exploration costs incurred. In addition, the Company has material unused tax loss carryforwards under the Petroleum Tax regulations.

During the third quarter of 2017, the group decided to discontinue the petroleum activities and liquidate its subsidiary North E&P AS and to seek cash reimbursement of the tax value of the company's offshore tax losses.

The group filed an advance tax return with the Oil Taxation Office relating to the discontinuance of Petroleum activities. In the tax return the Company claimed cash reimbursement of both the tax value of exploration costs incurred in 2017 and the tax value of the company's offshore tax losses. The tax office is, as part of the process, auditing the tax return as well as prior periods' tax returns. The tax audit is not yet completed and North E&P is still awaiting the tax assessment.

The calculation of current and deferred taxes under the Norwegian Petroleum Tax Act involves complexity and requires management judgement.

Please refer to note 15 in the financial statements.

filing an advance tax return for the discontinuance of Petroleum activities and for the liquidation of North E&P AS. We tested the mathematical accuracy of the tax calculations and formulas applied and did not identify technical errors.

We reconciled book and tax positions as of 31 August 2017 and 31 December 2016 used in the calculation to underlying documentation. As part of our work, we performed detailed testing of costs incurred to underlying documentation. Furthermore, we tested the reconciliation of the tax assessment received against the prior year tax return.

We examined the application of the tax regulations and considered the classification of costs. This is relevant to assess the Company's calculation of cash tax refund for net loss positions related to exploration costs incurred. Furthermore, we tested the reconciliation of the effective tax rate to underlying documentation. As part of our examination of tax positions, we also made inquiries with management and reviewed correspondence with the Oil Taxation Office (OTO).

As of 31 December 2017 we noted that the tax audit related to the claim for tax refund totaling NOK 233.4 million, was not completed by the OTO and that North E&P AS is still awaiting the tax assessment. We refer to note 15 to the financial statements.

Other information

Management is responsible for the other information. The other information comprises all information in the Annual Report 2017, but does not include the financial statements and notes to the financial statements and our auditor's report thereon.

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

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

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

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

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in

accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Stavanger, 21 March 2018
PricewaterhouseCoopers AS

Gunnar Slettebø

Gunnar Slettebø
State Authorised Public Accountant

North Energy ASA - Financial Calendar for 2018

North Energy ASA will present financial statements on the following dates in 2018:

Q1 2018 interim financial report: 31 May
Q2 2018 interim financial report: 24 August
Q3 2018 interim financial report: 22 November

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

The annual General Meeting is expected to be held on 31 May 2018.

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