Annual report 2018

north energy

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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 were until the end of 2018 mainly held in the subsidiary North Energy Capital AS. Going forward the group will simplify the corporate structure and move the investment activities to the holding company. North Energy's vision is to be a successful and respected investment company with focus on long term value creation.

At the end of 2018 the group of companies counted 3 full time employees. In addition, the holding company has an ongoing consultancy agreement with 3 senior advisors through the company North Advisors AS. North Energy's head office is in Oslo. The Company is listed on the Oslo Stock Exchange with the ticker "NORTH".

Key figures

MNOK	2018	2017
Total assets	389.5	59.7
Investments at market value	142.7	156.6
Net result	-35.0	28.1
Total comprehensive income	-35.0	35.4
Equity	385.0	420.0
Equity ratio %	99%	91%
Market capitalisation 31.12	190.5	252.0

Dear shareholder!

2018 was a challenging year for North Energy. Volatile capital markets and political tensions worldwide had an adverse effect on some of our investments. However, during 2018 we have seen clear signs of improvements in the underlying fundamentals of the businesses and we are expecting a positive development in the year to come.

In Reach Subsea, where North Energy is the lead shareholder, the management team has manoeuvred the company through some challenging years and is now positioned for a good journey as market conditions are improving.

In addition to Reach Subsea, the stock portfolio consists of unlisted and listed financial investments. One of these is Touchstone Exploration which has gradually been building up its production volumes through a successful drilling program in 2018 of 11 production wells and are heading towards new wells in 2019.

In October 2018 North Energy received a notice from the Petroleum Taxation Office where they are challenging NOK 146 million of the 2014 and 2015 expenses with regard to treatment of refundable tax. The corresponding tax amount is NOK 114 million. We were very surprised and strongly disagrees with both the content and the conclusion of the notice and have filed a comprehensive response. We are optimistic about the outcome of this tax dispute. However, we also realize that it could take some time to be concluded.

In November 2018 North Energy received a total tax refund of NOK 234 million which was in line with the company's calculations. As per yearend North Energy is debt free and has a cash holdings of NOK 248 million and a total equity of NOK 385 million.

In May 2016 the shareholders of North Energy decided on a comprehensive restructuring of the company, involving a new corporate and management structure to strengthen the company's business model and commercial platform. The initial period of the new structure was set to three years.

Given that the initial three-year period comes due this spring, the Board of North Energy has evaluated the company's future strategy and structure and has decided to simplify the corporate structure. As from the second quarter 2019 all strategic and financial investments are held directly in the parent company. This enables early repayment of the preference capital, including targeted return, from North Energy Capital to North Energy.

Furthermore, the Board of North Energy has communicated an intention to distribute a dividend of NOK 0.3 per share to shareholders. The distribution will be subject to the approval of the Annual General Meeting on 28 May 2019. The dividend proposal will include an option for shareholders to subscribe for new shares using the received dividend amount. To facilitate the subscription of shares, the Company put forth a share buy-back offer in February 2019 to shareholders based on a price of NOK 1.90 per share. The offer was positively received by the shareholders and resulted in a repurchase of 9,484,238 shares.

North Energy have thus fulfilled its obligations to the shareholders which was decided in the Extraordinary General Meeting in May 2016. In addition to the agreed return on the preference capital and paying this as dividend, the equity in the Company has increased significantly based on material gains from the investment activities.

North Energy is in a strong financial position with healthy investments and a solid balance sheet. We will do our best to safeguard and further develop the inherent values in the Company, that being industrial investments or financial assets.

I would like to thank all our shareholders for their support during 2018 and are looking forward to productive cooperation also in 2019.

Knut Sæberg
CEO
North Energy

Directors' report

Board of Directors' Report

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 closure of North E&P was subsequently put on hold due to an ongoing tax dispute with the Petroleum Taxation Office ("OTO") regarding the tax returns for 2014 and 2015.

The Company's mandate from shareholders is to own, manage and provide financing for activities within the energy industry, and other industries where the company has relevant competence.

Today, North Energy is an industrial holding company with a portfolio of independent investments. The Company's operating and investment activities were in 2018 reported mainly through the subsidiary North Energy Capital ("NEC"). In February 2019 the Board of Directors ("Board") resolved to simplify the corporate structure. Subsequently all strategic and financial investments are to be held directly in the parent company, North Energy ASA.

At the end of the fourth quarter, North Energy and its subsidiaries had 3 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, based on active ownership. The portfolio includes listed and unlisted financial investments.

2018 have been a challenging year in the financial markets. The macro-picture has been difficult to read due to global turmoil on the back of political uncertainty. The energy sector has suffered as a consequence with an adverse effect on the Company's main investments. However, the Board is of the opinion that the underlying fundamentals of the various businesses have improved throughout 2018 and is expecting a positive development in the year to come.

Important events

Notice from the Petroleum Taxation Office ("OTO")

In October 2018 North Energy received a notice from the OTO of possible changes of the Company's tax returns from the years 2014 and 2015. For these two years North Energy's total expenses eligible for refund amounted to NOK 970 million. OTO has in the notice challenged NOK 146 million of these expenses, with a corresponding exploration tax refund of around NOK 114 million. OTO claims that the expenses have been incurred primarily to optimize the Company's financial situation and not for adequate operational reasons.

North Energy strongly disputes both the content and the conclusion of the notice and has prepared a comprehensive response. However, the Company have taken necessary measures to ensure sufficient financial cover of a potential future tax claim.

Petroleum tax settlement for 2017

In November 2018 the subsidiary North E&P AS received the final tax settlement for 2017. The settlement consists of an exploration tax refund of NOK 33.5 million, which is based on the exploration expenses for 2017, and an exit tax refund of NOK 199.7 million, which is based on the tax losses carried forward from prior years. The tax losses carried forward are settled as a consequence of the liquidation of the company North E&P. Total cash refund, including interest, is in line with expectations and amounts to NOK 234.3 million.

Shareholder distribution and simplified corporate structure

The Board announced on 20 February 2019 that several key measures would be adopted to simplify the corporate structure and to initiate a shareholder incentive programme.

During H1 2019 the Company intends to distribute a dividend of NOK 0.3 per share to shareholders, amounting to a total distribution of NOK 35.7 million. The distribution will be subject to the approval by the Annual General Meeting ("AGM") and the Board will put forward a dividend proposal to the AGM to be held on 28 May 2019. The dividend proposal will include an option for shareholders to subscribe for new shares using the dividend amount received. To facilitate the subscription of shares, the Company put forth a share repurchase offer in February 2019 to shareholders based on a price of NOK 1.90 per share. 103 shareholders accepted the offer resulting in a repurchase of 9,484,038 shares.

The three largest shareholders of the Company, AB Investment AS, Celisa Capital AS and Isfjorden AS, which are 100% owned companies by Anders Onarheim, Rachid Bendriss and Didrik Leikvang respectively, have not participated in the buyback offer, and have expressed their intention to utilise the option to subscribe for new shares with the dividends received.

Furthermore, the Board has resolved to simplify the corporate structure, through certain transactions. North Energy Capital AS ("NEC") has repaid to the Company the preference capital, including accumulated return, in a total amount of approximately NOK 148 million. This is in accordance with the resolutions adopted by the Extraordinary General Meeting ("EGM") held on 18 May 2016. The repayment of the preference capital consisted of the various investments held by NEC. As a consequence, all strategic and financial investments are now held directly in the parent company.

NEC will remain as a holding vehicle for North E&P during the ongoing tax dispute with the OTO.

Increased investment in Reach Subsea

During the year NEC has acquired additional shares in the associated company Reach Subsea bringing the ownership for North Energy to a total of 29.5 per cent at year end. In February 2019 the ownership increased further to 32.1 per cent.

Other investments

During 2018, North Energy made several other investments in oil and energy-related companies.

The Company has during the year invested further in Touchstone Exploration Inc. ("Touchstone") and is as per year end holding 11.5 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.

Early 2018 North Energy started to invest in Polarcus Limited and has now through several transactions an ownership of 2.2%. Polarcus is a marine geophysical company delivering high-end towed streamer data acquisition and imaging services.

As per year-end 2018, North Energy had NOK 142.7 million in total investments measured at market value.

Share acquisitions by primary insiders

During the year, several primary insiders increased their holdings of shares in North Energy. The Chairman of the Board, Anders Onarheim, accumulated 89.716 shares, and controlled 18.6 million shares as per 31 December, corresponding to 15.64 per cent ownership. Financial advisors Didrik Leikvang and Rachid Bendriss acquired 89.717 shares each, bringing their ownerships to 4.61 per cent and 6.13 per cent respectively.

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, 2018, or the net result for the year, other than those presented in the Directors' report and the financial statements.

There were no revenues reported in 2018 while revenues in 2017 was reported at NOK 2.1 million. The revenue for 2017 stems from the sale of services provided, whilst there has been no sale of services this year. Payroll and related expenses in 2018 were NOK 6.0 million, down from NOK 18.2 million in 2017. There were no exploration expenses in 2018 while it was reported NOK 1.1 million in 2017. The reduction in the payroll as well as the exploration expenses is the result of the discontinued exploration business.

EBITDA for 2018 was negative at NOK 35.1 million, versus a negative NOK 42.3 million for 2017. The improvement was mainly the result of lower operating expenses. From 2018 the change in fair value of financial investment and results from associated companies have been

included in EBITDA. The impact on 2018 EBITDA figures is negative with NOK 10.5 million.

Net financial items were negative at NOK 2.5 million, versus a positive of NOK 41.7 million for 2017. The positive figure last year was related to realised gains on financial investments. In 2018 the gain and loss on financial investments is reported in EBITDA due to implementation of IFRS 9. The net financial loss in 2018 is mainly due to write-down of loans offset by interest income on tax receivables.

The profit before tax in 2017 was positively impacted by the gain of NOK 15.1 million from the acquisition of Accello Partners I AS. This led the company to report a profit before tax of NOK 5.5 million for 2017. This year's profit before tax has decreased to a negative NOK 37.7 million, mainly due to the negative change in fair value of financial investments which is now included in the profit and loss statement.

Income tax in 2018 was positive with NOK 2.7 million, compared with NOK 22.7 million in 2017. The tax credit is due to the tax receivables related to the discontinued exploration business.

The net loss for 2018 was NOK 35.0 million, compared with a net profit in 2017 of NOK 28.1 million. The net loss amounts to a negative NOK 0.24 per share, versus NOK 0.18 per share in 2017.

Total assets at year-end were NOK 389.5 million, down from NOK 459.7 million at year-end 2017. The decrease is mainly due to lower value of investments and a reduction in current assets.

Total equity at the end of the year was NOK 385.0 million, down from NOK 420.0 million at the end of 2017, reflecting the negative contribution to retained earnings. The Company's equity ratio stood at 99 per cent at the end of the year.

The company has no interest-bearing debt at the end of the year. Both the exploration credit facility as well as a bank overdraft held by Accello was paid in full during the year and the facilities were cancelled.

North Energy recorded NOK 248.4 million in cash and cash equivalents at the end of the year, up from NOK 65.3 million at year-end 2017. The increase is mainly due to the settlement of the tax receivables related to 2017 refund and the tax credit due to the liquidation of the petroleum business.

Net cash flow was reported at NOK 183.1 million in 2018, compared with a negative NOK 61.2 million for 2017. The main reason for the positive cash flow is the cash settlement of the tax receivables related to the termination of the petroleum business offset by repayment of borrowings.

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

Allocation of net profit

The Board proposes that the net loss of NOK 35.0 million be covered by other equity.

Future developments

Following the reorganisation and repositioning of North Energy in recent years, the Company is now in a good position financially. With a lean organisation, no further investment commitments and financial flexibility to grow the business, North Energy has successfully established an investment portfolio consisting of industrial investments, as well as listed and unlisted financial investments. The tax dispute with the OTO is currently hampering the Company's investment activities. The Company has filed a comprehensive response to the notice from OTO and expects to be indemnified by OTO.

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. Comments on compliance is included in the Corporate governance section in this Annual Report. Any non-compliance with the code is specified and explained in the status report. 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 for 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. 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 continuous 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 partly cover 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 the final tax settlement was received in November 2018 in accordance with the filed tax return.

In October 2018 North Energy ASA received a notice from the Petroleum Taxation Office of possible changes of the Company's tax returns from the years 2014 and 2015. For these two years North Energy's total expenses eligible for refund amounted to NOK 970 million. The Petroleum Taxation Office has in the notice challenged NOK 146 million of these expenses, with a corresponding exploration tax refund of around NOK 114 million.

North Energy strongly disputes both the content and the conclusion of the notice and has prepared a comprehensive response to the notice.

Interest rate risk

As of yearend 2018 the Company is debt free and is, therefore, not directly exposed to interest rate changes. Fluctuations in interest rates may, however, affect investment opportunities in the future.

Credit risk

The Company's receivables are as of end 2018 marginal and the risk of bad debts is, therefore, considered low.

Foreign exchange

The foreign exchange risk is low as the Company now has limited amounts and less transactions in foreign currencies compared to the past.

HSE and the natural environment

No incidents or accidents relating to North Energy's activities were reported in 2018. 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 2018, the Group consisted of 3 full-time employees, down from 6 employees at the end of 2017. 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. Currently there are only male employees, however, future recruitments will be based on the principle of equal opportunity.

At the Company's General Meeting in June 2018, the Board of Directors were re-elected. Out of the three directors elected, one is female. The rate of absence due to illness during 2018 was below 1 per cent of total hours worked. 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 government at country and project level. This report is available on the Company's website at www.northenergy.no.

Ownership

North Energy had 1503 shareholders as of December 31, 2018. As of year-end 2018, the top 20 owners together hold 49.9 per cent of the shares in the North Energy. The share price on the last day of trading in 2018 was NOK 1.60, while on the last day of trading in 2017 the share price was NOK 2.12. The share price peaked at NOK 2.49 on 19 January, while the lowest price in 2018 was NOK 1.59 on 27 December. As per the end of February 2019, the share price was NOK 1.84 representing a market capitalisation of North Energy of approximately NOK 219.0 million.

Outlook

With North Energy's strong financial position, current management setup and lean organisation, the Board is of the opinion 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 Board is pleased with the early redemption of the preference capital and will recommend a dividend of NOK 0.30 per share at the annual general meeting in May.

Based on the revised business strategy, the Company is in a good position to take advantage of new investment opportunities as they arise. A positive outcome of the tax dispute will further position the Company to make value creating investments in accordance with our strategy of substantial influence and control.

Board of Directors and CEO

Oslo, 20th of March, 2019

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 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 energy industry, and other industries where the company has relevant competence.

North Energy targets 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 dividend are consistent with its objectives, strategies and risk profile.

The Board of North Energy communicated in February 2019 its intention to pay a NOK 0.30 per share dividend, corresponding to a total distribution of NOK 35.7 million. The dividend will be put forward for approval at the Annual General Meeting ("AGM") on May 28, 2019. The dividend proposal includes an option for shareholders to subscribe for new shares using the dividend amount. A subscription period will take place after the AGM date, subject to approval of the dividend proposal by the AGM.

To facilitate the subscription of shares and based on the authorization from AGM on May 31, 2018, the Company put forth a buyback offer to shareholders in February 2019. 103 shareholders accepted the offer and as a consequence 9,484,038 shares were acquired by the Company in March 2019.

Equity as of December 31, 2018 was NOK 385 million, compared with NOK 420 million at year-end 2017, giving an equity ratio of 99 per cent, up from 91 per cent at year-end 2017. Liquidity is regarded as satisfactory in relation to the Company's future obligations.

Cash and cash equivalents totaled NOK 248.4 million as of December 31st. The Company is debt free as per year end.

In the AGM on May 31, 2018, 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 is not used. However, new shares will be issued if the demand for shares using the dividend amount exceeds the number of shares acquired through the buyback program. This will require a renewal in the AGM 2019 of the authorization to increase share capital.

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 2018.

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 AGM is North Energy's highest authority. The Company's AGM in 2018 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 such that it is possible to vote individually candidates nominated 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 Hans Kristian Rød (leader), and Merete Haugli.

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

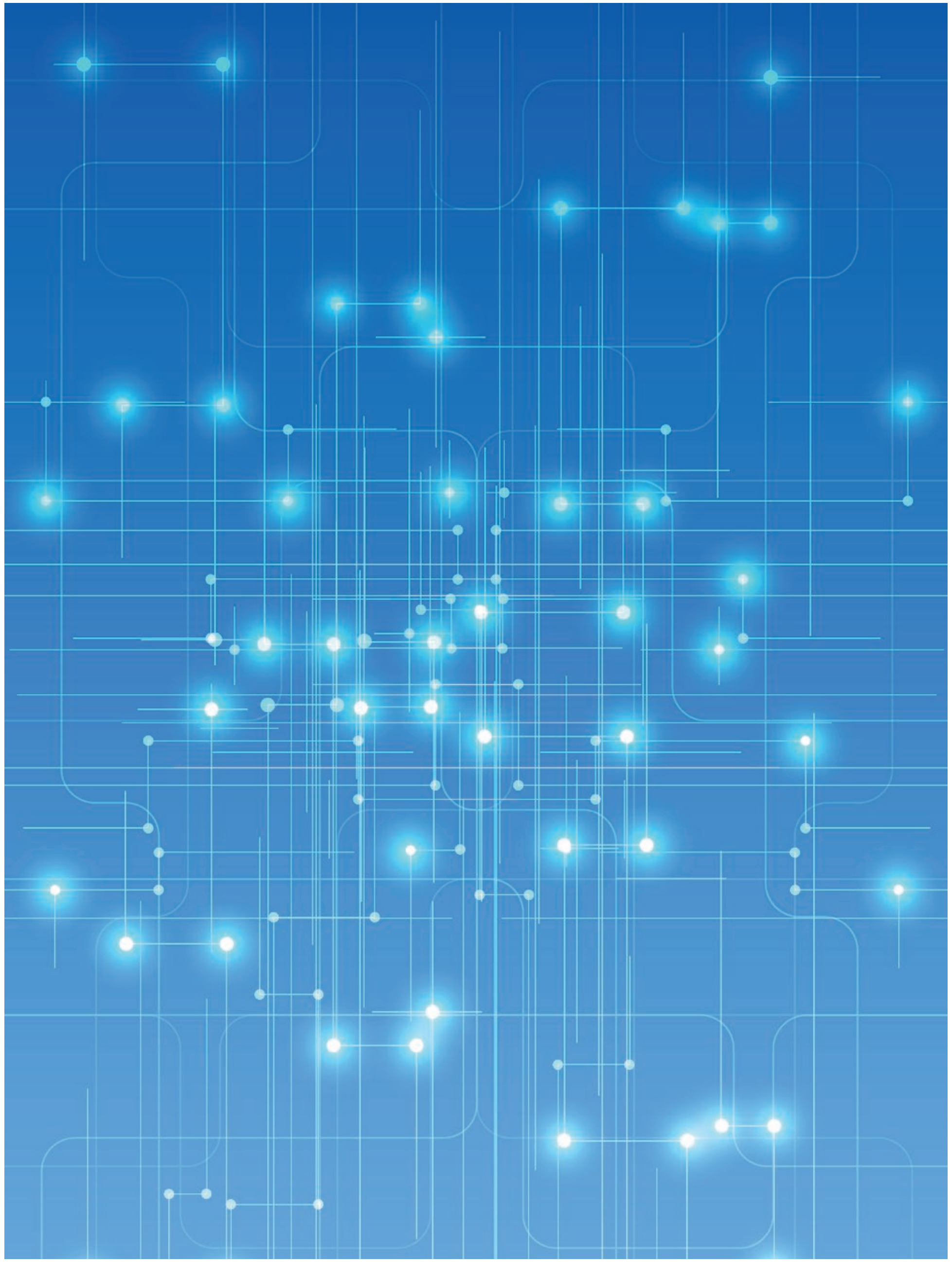
North Energy has chosen not to have a corporate assembly.

Following the recommendation from the Nomination Committee 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 of North Energy, including Mr. Onarheim. As remuneration for its services, North Advisors receives 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, is 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.

Seven board meetings were held in 2018, including one without physical attendance, all with 100 per cent attendance by the directors.

10. Risk management and internal control

Strict standards are set for the Company's internal control and management system. Work on further development and improvement of North Energy's management system and associated documentation is a priority job in 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 have 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 ensures 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. 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.

Oslo, 20th of March, 2019

Anders Onarheim
Chair

Elin Karfjell
Director

Jogeir Romestrand
Director

Knut Sæberg
CEO

Financial Statements & Notes

Financial Statements – North Energy Group

Consolidated income statement

(NOK 1 000)	Note	2018	2017
Sales of services		(0)	2 097
Payroll and related expenses	5	(6 034)	(18 201)
Depreciation and amortisation	16	(52)	(1 236)
Exploration and licence expenses	17	0	(1 095)
Other operating expenses	6	(18 609)	(25 100)
Change in fair value of financial investments	24, 2	(8 054)	0
Net result from investments in associates	22	(2 466)	(7 882)
OPERATING LOSS		**(35 215)**	**(51 418)**
Financial income	18	3 024	54 520
Financial expenses	18	(5 529)	(12 778)
NET FINANCIAL ITEMS		**(2 504)**	**41 742**
Gain from bargain purchase	22	0	15 128
PROFIT/(LOSS) BEFORE INCOME TAX		**(37 719)**	**5 452**
Income tax credit	15	2 726	22 679
PROFIT/(LOSS) FOR THE YEAR		**(34 993)**	**28 131**
Attributable to:			
Owners of North Energy ASA		(28 906)	21 749
Non-controlling interests		(6 087)	6 382
		(34 993)	28 131
EARNINGS PER SHARE (NOK per share)			
- Basic	13	(0,24)	0,18
- Diluted	13	(0,24)	0,18

Consolidated statement of comprehensive income

(NOK 1 000)	Note	2018	2017
PROFIT/(LOSS) FOR THE YEAR		**(34 993)**	**28 131**
OTHER COMPREHENSIVE INCOME, NET OF TAX:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Items that will be reclassified to profit or loss in subsequent periods:			
Available for sale investments - change in fair value	24	0	26 129
Available for sale investments - change in fair value - reclassified to profit or loss	24	0	(18 884)
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		**0**	**7 245**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(34 993)**	**35 376**
Attributable to:			
Owners of North Energy ASA		(28 906)	27 671
Non-controlling interests		(6 087)	7 705
		(34 993)	35 376

Consolidated financial position

ASSETS

(NOK 1 000)	Note	31.12.18	31.12.17
NON-CURRENT ASSETS			
Property, plant and equipment	16	83	34
Financial investments	24	30 089	57 066
Investment in associates	22	98 453	89 320
Deferred tax asset	15	2 530	0
Other receivables	7	1 916	12 197
TOTAL NON-CURRENT ASSETS		**133 070**	**158 617**
CURRENT ASSETS			
Prepayments and other receivables	8	678	2 390
Financial investments, current	24	7 330	0
Tax receivable, refund tax value exploration expenses	15	0	32 691
Tax receivable, refund tax value offshore tax losses	15	0	200 701
Cash and cash equivalents	9	248 441	65 312
Total current assets		256 449	301 094
TOTAL ASSETS		**389 519**	**459 710**

Consolidated financial position

EQUITY AND LIABILITIES

(NOK 1 000)	Note	31.12.18	31.12.17
EQUITY			
Share capital	10	119 047	119 047
Share premium		936 010	936 010
Other paid-in capital		30 691	30 691
Retained earnings		(709 227)	(680 321)
Non-controlling interests		8 476	14 562
TOTAL EQUITY		**384 997**	**419 990**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	15	0	358
TOTAL NON-CURRENT LIABILITIES		**0**	**358**
Current liabilities			
Current borrowings, exploration loan	11	(0)	15 017
Current borrowings, bank overdraft	22	0	19 610
Trade creditors		2 841	528
Other current liabilities	12	1 681	4 208
TOTAL CURRENT LIABILITIES		**4 522**	**39 363**
TOTAL LIABILITIES		**4 522**	**39 721**
TOTAL EQUITY AND LIABILITIES		**389 519**	**459 710**

Oslo, 20th of March, 2019

Anders Onarheim, Chair

Elin Karfjell, Director

Jogeir Romestrand, Director

Knut Sæberg, CEO

Consolidated statement of changes in equity

(NOK 1 000)	Share capital	Share premium	Other paid-in capital	Retained earnings	Non-controlling interests	Total equity
Equity at 1 January 2017	119 047	965 772	30 691	(707 992)	(652)	406 866
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**
Equity at 1 January 2018	119 047	936 010	30 691	(680 321)	14 562	419 990
Total compehensive income for 2018				(28 906)	(6 087)	(34 993)
Equity at 31 December 2018	**119 047**	**936 010**	**30 691**	**(709 227)**	**8 476**	**384 997**

Consolidated cash flows statement

(NOK 1 000)	Note	31.12.18	31.12.17
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before income tax		(37 719)	5 452
Adjustments:			
Tax refunded	15	233 227	67 887
Depreciation	16	52	1 236
Pensions		47	478
Transaction costs and interest on borrowings recognised in P&L	18	1 417	4 667
Gain/loss from sales of financial investments	24	0	(48 319)
Change in fair value of financial investments	24	8 054	0
Gain from bargain purchase	22	0	(15 128)
Net result from investments in associates	22	2 466	7 882
Changes in trade creditors		2 313	(2 438)
Changes in other accruals		(1 857)	(20 136)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**208 000**	**1 580**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	(92)	0
Proceeds from sales of property, plant and equipment		677	0
Investments in associates	22	(11 599)	(22 753)
Purchase of financial investments	24	(25 032)	(48 101)
Proceeds from sales of financial investments		36 626	69 013
Proceeds/payments from other non-current receivables	7	10 541	(10 482)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**11 120**	**(12 322)**

CASH FLOWS FROM FINANCING ACTIVITIES			
Funds drawn current borrowings	11	0	57 000
Repayments of current borrowings	11	(35 579)	(75 859)
Transaction costs and interest on borrowings paid	11,18	(412)	(1 860)
Dividends paid		0	(29 762)
Net proceeds from share issues		0	0
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(35 991)**	**(50 481)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**183 129**	**(61 223)**
Cash and cash equivalents at 1 January	9	65 312	126 535
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**9**	**248 441**	**65 312**

NOTE 1 General information

The consolidated financial statements of North Energy were approved by the Board of Directors and CEO on March 20, 2019.

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.

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 post-acquisition 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 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.

2.7 Financial assets

The Group's financial assets are: derivatives, non-listed equity instruments, trade receivables and cash and cash equivalents. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group classified its financial assets in four categories:

- Financial assets at amortized cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit and loss

Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Groups financial assets at amortized cost includes trade receivables and other short-term deposits.

Receivables are initially recognised at fair value less impairment losses.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

2.8 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.

2.9 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.

2.10 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”.

2.11 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.

2.12 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.

2.13 Trade creditors

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

2.14 Financial investments

Financial investments are measured at fair value. Changes in fair value are recognized in profit and loss. The Board and management of the Company is following up all investments at fair value according to the business model of the Company.

The Group has adopted the IFRS 9 Financial Instruments effective from 1 January 2018. The Group has from 1 January 2018 elected to recognize its financial investments in shares and bonds at Fair Value through Profit and Loss (FVPL). Changes in fair value are recognized in profit and loss as change in fair value of financial investments under operating items. In previous periods the Group's financial investments in shares and bonds were classified under the category available for sale investments, and they were recognized at Fair Value through Other Comprehensive Income (FVOCI). Prior periods have not been restated as this is not required under IFRS 9. There are no differences between previous carrying amounts and those determined under the FVPL method at the date of initial application.

2.15 Revenue recognition

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

2.16 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.

2.17 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.

2.18 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.

2.19 Cost of equity transactions

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

2.20 Cash flow statement

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

2.21 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.

2.22 Changes in accounting policies and disclosures

(a) New and amended standards and interpretations adopted by the Group

The Group has adopted the IFRS 9 Financial Instruments effective from 1 January 2018. The Group has from 1 January 2018 elected to recognize it's financial investments in shares and bonds at Fair Value through Profit and Loss (FVPL). Changes in fair value are recognized in profit and loss as change in fair value of financial investments under operating items. In previous periods the Group's financial investments in shares and bonds were classified under the category available for sale investments, and they were recognized at Fair Value through Other Comprehensive Income (FVOCI). Prior periods have not been restated as this is not required under IFRS 9. There are no differences between previous carrying amounts and those determined under the FVPL method at the date of initial application.

In addition the Group implemented IFRS 15 Revenue from Contracts with customers from 1 January 2018. This new standard had no material impact on the Group's financial statements.

(b) New and amended standards and interpretations issued but not adopted by the Group

New standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019, and have not been applied in preparing these consolidated financial statements. The most significant standards are set out below.

IFRS 16 Leases:

IFRS 16 Leases was issued in January 2016. It will result in almost all leases being recognized 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 recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. Effective date is 1 January 2019.

North Energy adopted the standard on 1 January 2019 using the modified retrospective approach. The implementation had no impact on net equity and resulted in an increase of approximately NOK 5.5 million in property, plant and equipment with a corresponding increase in liabilities. The Groups leasing portfolio consists of leased office space.

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

At 31 December 2018 the Group has no interest-bearing borrowings with floating interest rate conditions, and is consequently not exposed to interest rate risk. The Group's exposure to interest rate risk at 31 December 2017 was related to a revolving credit facility (exploration loan), with floating interest rate conditions. See note 11 for further information.

(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 2018 and 2017 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 an equity ratio, which is total equity divided by total assets. As of December 31, 2018, the equity ratio was 98.8% (91.4% as of December 31, 2017).

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 necessary.

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) Potential tax claim

See note 15 for information about possible changes of the Company's tax returns from the years 2014 and 2015.

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.

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

Amounts in NOK 1 000	**2018**	**2017**
Salaries	4 836	16 079
Payroll tax	825	1 804
Pension costs (see note 21)	366	143
Other benefits	6	175
Total	**6 034**	**18 201**
Average number of employees	4,4	9,0

Remuneration to directors and management in 2018:

Amounts in NOK 1 000	**Directors' fees**	**Salaries**	**Pension**	**Other ***
Management **				
Knut Sæberg (CEO)		2 038	81	25
Board of directors				
Anders Onarheim (chair)	225			
Elin Karfjell (director)	225			
Jogeir Romestrand (director)	225			
Total	**675**	**2 038**	**81**	**25**

* Other includes allowances to cover telephone and internet, group life insurance and travel insurance.
** 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 2,0 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 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**	**2 573**	**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.

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

Amounts in NOK 1 000	**2018**	**2017**
Travelling expenses	438	803
Lease expenses (see note 20)	2 867	3 469
Consultant and other fees	13 613	16 025
Other administrative expenses	1 691	4 804
Total	**18 609**	**25 100**

Remuneration to auditor is allocated as specified below:

Amounts in NOK 1 000	**2018**	**2017**
Audit	306	472
Attestations	35	56
Assistance share issues	0	56
Other assistance	44	281
Total, excl. VAT	**385**	**865**

NOTE 7 Other non-current receivables

Amounts in NOK 1 000	**2018**	**2017**
Deposit	1 417	1 395
Premium fund pensions, transferred to defined contribution plan *	498	545
Other non-current receivables related to investments	0	10 256
Total	**1 916**	**12 197**

* All defined benefit pension plans were converted into defined contribution pension plans in 2017.

NOTE 8 Prepayments and other receivables

Amounts in NOK 1 000	2018	2017
Prepaid expenses	24	125
Premium fund pensions, transferred to defined contribution plan *	72	80
Premium fund pensions, receivable *	0	1 413
VAT receivable	582	496
Earned interest bonds	0	269
Other items	0	7
Total	**678**	**2 390**

* All defined benefit pension plans were converted into defined contribution pension plans in 2017. The receivable of NOK 1 413 thousand was received in January 2018.

NOTE 9 Cash and cash equivalents

Amounts in NOK 1 000	2018	2017
Bank deposits	248 441	65 312
Total cash and cash equivalents	248 441	65 312
Of this:		
Restricted cash for witheld taxes from employees salaries	**208**	**317**

NOTE 10 Share capital and shareholder information

	2018	2017
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 2017 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 2018:

Shareholder	Number of shares	% share
AB INVESTMENT AS	17 382 287	14,60 %
CELISA CAPITAL AS	7 192 042	6,04 %
ISFJORDEN AS	5 492 044	4,61 %
JPB AS	3 450 000	2,90 %
ALTA INVEST AS	3 300 000	2,77 %
CORUNA AS	2 530 149	2,13 %
SALTEN KRAFTSAMBAND AS	2 467 723	2,07 %
TRIOMAR AS	1 799 999	1,51 %
NORDNET LIVSFORSIKRING AS	1 747 064	1,47 %
TAJ HOLDING AS	1 614 999	1,36 %
DANSKE BANK A/S	1 539 748	1,29 %
GOLDMAN SACHS & CO. LLC	1 500 024	1,26 %
BAKKANE	1 402 866	1,18 %
ORIGO KAPITAL AS	1 343 569	1,13 %
ROME AS	1 300 000	1,09 %
SANDBECH	1 276 840	1,07 %
HSBC BANK PLC	1 100 000	0,92 %
REYNOLDS	1 050 000	0,88 %
OM HOLDING AS	969 819	0,81 %
AASEN	952 960	0,80 %
Total 20 largest shareholders	**59 412 133**	**49,91 %**
Other shareholders	**59 634 932**	**50,09 %**
Total	**119 047 065**	**100,00 %**

Number of shares owned by management and directors at 31 December 2018:

Knut Sæberg (CEO)	818 822	0,69 %
Didrik Leikvang (partner in North Advisors AS)	5 492 044	4,61 %
Rachid Bendriss (partner in North Advisors AS)	7 292 042	6,13 %
Board of Directors		
Anders Onarheim (chairman and partner in North Advisors AS), through AB Investment AS, Liju Invest AS and Spitsbergen AS	18 624 130	15,64 %
Jogeir Romestrand (director), through Rome AS	1 300 000	1,09 %
Elin Karfjell (director), through Elika AS	267 700	0,22 %
Total	**33 794 738**	**28,39 %**

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 %**

NOTE 11 Current borrowings and net debt reconciliation

Current borrowings (exploration loan) specification:

Amounts in NOK 1 000	**2018**	**2017**
Revolving credit facility (exploration loan), funds drawn	0	15 017
Revolving credit facility (exploration loan), transaction costs	0	0
Balance 31 December	**0**	**15 017**

In 2018 the exploration loan has been repaid and the facility is cancelled.

Changes in current borrowings (exploration loan):

Amounts in NOK 1 000	**2018**	**2017**
Current borrowings, exploration loan 1 January	15 017	24 663
Funds drawn	0	57 000
Repayments	(15 017)	(68 174)
Non-cash amortization of transaction costs	0	1 527
Current borrowings, exploration loan 31 December	**0**	**15 017**

Net debt reconciliation:

Amounts in NOK 1 000	**2018**	**2017**
Cash and cash equivalents	248 441	65 312
Liquid investments	30 089	57 066
Borrowings - repayable within one year (including overdrafts)	0	(34 626)
Borrowings - repayable after one year	0	0
Net debt	**278 530**	**87 752**

Amounts in NOK 1 000	**2018**	**2017**
Cash and liquid investments	278 530	122 378
Gross debt - fixed interest rates (bank overdraft)	0	(19 610)
Gross debt - variable interest rates (exploration loan)	0	(15 017)
Net debt	**278 530**	**87 752**

NOTE 12 Other current liabilities

Amounts in NOK 1 000	**2018**	**2017**
Public duties payable	376	556
Holiday pay	458	591
VAT payable	0	141
Other accruals for incurred costs	847	2 919
Total	**1 681**	**4 208**

NOTE 13 Earnings per share

Amounts in NOK 1 000	**2018**	**2017**
Profit/(loss) for the year attributable to owners of North Energy ASA (NOK 1 000)	(28 906)	21 749
Weighted average number of shares outstanding	119 047 065	119 047 065
Earnings per share (NOK per share)		
- Basic	(0,24)	0,18
- Diluted	(0,24)	0,18

NOTE 14 Related parties

The company's transactions with related parties:

Amounts in NOK 1 000

(a) Purchases of services

Purchase of services from	Description of services	2018	2017
North Advisors AS	Consultancy services	8 142	7 886

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.

(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.

*** 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. North Energy ASA holds 99.85 per cent of all outstanding shares (both preference shares and ordinary shares).

**** See note 22 for information about North Energy Capital's acquisition of subsidiary Accello Partners I AS in 2017.

NOTE 15 Tax

North E&P AS ("Company") received on 23rd October a notice from the Petroleum Taxation Office ("OTO") of possible changes of the Company's tax returns from the years 2014 and 2015. For these two years North Energy's total expenses eligible for refund amounted to NOK 970 million. OTO has in the notice challenged NOK 146 million of these expenses, with a corresponding exploration tax refund of NOK 114.2 million. In the notice, OTO claims that North Energy have incurred this cost to take advantage of the refund system and not for adequate operational reasons. North Energy strongly disputes both the content and the conclusion of the notice. The Company's judgement is that it is more likely than not that OTO will waive the potential claim. However, the Board of North E&P has taken necessary measures to ensure sufficient financial cover of the potential tax claim.

Specification of income tax:

Amounts in NOK 1 000	**2018**	**2017**
Calculated refund tax value of exploration costs this year	0	32 691
Change deferred tax asset and tax receivable from refund tax value offshore tax losses in balance sheet	2 726	(10 012)
Total income tax credit	**2 726**	**22 679**

Specification of tax receivable refund tax value exploration expenses:

Amounts in NOK 1 000	**2018**	**2017**
Calculated refund tax value of exploration costs this year	0	32 691
Correction refund previous years, not yet assessed	0	0
Total tax receivable refund tax value exploration expenses	**0**	**32 691**

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 ** below 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	**2018**	**2017**
Property, plant and equipment	(423)	348
Capitalised exploration and licence costs	0	0
Pensions	570	2 038
Prepayments and other receivables	(2 076)	(87)
Current borrowings	0	0
Other current liabilities	0	0
Financial investments	8 782	1 924
Tax losses carried forward, onshore	(58 359)	(39 012)
Tax losses carried forward, offshore 22%	(2 756)	(228 258)
Tax losses carried forward, offshore 56%	(3 436)	(960)
Tax losses carried forward, offshore both 24% and 54% basis	0	(186 411)
Total basis for deferred tax asset	(57 698)	(450 417)
Deferred tax asset before valuation allowance	13 862	208 702
Uncapitalised deferred tax asset (valuation allowance) *	(11 331)	(8 359)
Deferred tax asset	**2 530**	**200 343**
Of this:		
Classified as deferred tax asset/(liability)	2 530	(358)
Classified as current tax receivable from refund tax value offshore tax losses **	0	200 701

* Uncapitalised deferred tax asset relates mainly to onshore tax losses carried forward in parent company North Energy ASA and in subsidiaries.

** 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 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 2017 submitted in October 2017. North E&P received the tax settlement in November 2018 and the amount of cash received was in line with expectations.

Reconciliation of effective tax rate:

Amounts in NOK 1 000	**2018**	**2017**
Profit/(loss) before income tax	(37 719)	5 452
Expected income tax 23% (2017: 78%)	8 675	(4 253)
Adjusted for tax effects (23% - 78%) of the following items:		
Permanent differences	(4 153)	(617)
Correction previous years	(162)	0
Interest on tax losses carried forward offshore	0	1 571
Finance items and different tax rates within the group	1 890	18 918
Changed tax rates from 1 January 2019 and 1 January 2018	(552)	(361)
Change in valuation allowance for deferred tax assets	(2 972)	7 420
Total income tax credit	**2 726**	**22 679**

NOTE 16 Property, plant and equipment

Amounts in NOK 1 000	**Equipment, office machines, etc**
2018	
Cost:	
At 1.1.2018	51 607
Additions	92
Disposals	(51 299)
At 31.12.2018	**400**
Depreciation and impairment:	
At 1.1.2018	(51 573)
Depreciation this year	(52)
Impairment this year	
Disposals	51 308
At 31.12.2018	**(318)**
Carrying amount at 31.12.2018	**83**

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	0
Disposals	0
At 31.12.2017	(51 573)
Carrying amount at 31.12.2017	**34**
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	2018	2017
Share of exploration expenses from participation in licences, incl seismic, G&G, dry wells, carry	0	(476)
Seismic, EM data library and other exploration costs	0	1 572
Total exploration and licence expenses	**0**	**1 095**

NOTE 18 Finance income and costs

Finance income:

Amounts in NOK 1 000	2018	2017
Interest income bank deposits	579	262
Interest income on tax refund	1 058	287
Interest income on bonds	510	323
Foreign exchange gain	876	395
Finance income, from interests in licences	0	23
Gain from sales of financial investments *	0	53 229
Other finance income	1	1
Total finance income	**3 024**	**54 520**

Finance costs:

Amounts in NOK 1 000	2018	2017
Interest expenses and transaction costs on current borrowings	1 417	4 387
Other interest expenses	301	280
Loss from sales of financial investments *	0	4 910
Foreign exchange loss	160	3 127
Loss from receivables related to investments	3 650	0
Other finance costs	1	74
Total finance costs	**5 529**	**12 778**

* The Group has adopted the IFRS 9 Financial Instruments effective from 1 January 2018. The Group has from 1 January 2018 elected to recognize it's financial investments in shares and bonds at Fair Value through Profit and Loss (FVPL). Changes in fair value are recognized in profit and loss as change in fair value of financial investments under operating items. In previous periods the Group's financial investments in shares and bonds were classified under the category available for sale investments, and they were recognized at Fair Value through Other Comprehensive Income (FVOCI). Prior periods have not been restated as this is not required under IFRS 9.

NOTE 19 Financial instruments

(a) Categories of financial instruments at 31 December 2018:

Amounts in NOK 1 000	Financial instruments measured at amortised cost	Financial assets at fair value through profit and loss
Assets:		
Financial investments		30 089
Financial investments, current		7 330
Other non-current receivables (see note 7) 1	0	
Other current receivables (see note 8) 1	0	
Cash and cash equivalents	248 441	
Total	**248 441**	**37 419**

Amounts in NOK 1 000	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit or loss
Liabilities:		
Trade creditors	2 841	
Other current liabilities (see note 12) 2	458	
Current borrowings, exploration loan	(0)	
Current borrowings, bank overdraft	0	
Total	**3 299**	**0**

at 31 December 2017:

Amounts in NOK 1 000	Loans and receivables	Available-for-sale financial assets
Assets:		
Financial investments		57 066
Other non-current receivables (see note 7) [1]	10 256	
Other current receivables (see note 8) [1]	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 and loss
Liabilities:		
Trade creditors	528	
Other current liabilities (see note 12) [2]	591	
Current borrowings, exploration loan	15 017	
Current borrowings, bank overdraft	19 610	
Total	**35 745**	**0**

[1] Pension assets, deposit, prepaid expenses and VAT receivable are excluded since they are not defined as financial instruments.
[2] 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 stock exchange-listed shares is the stock market price at the balance sheet date (level 1 in the fair value hierarchy). Fair value of bonds is based on quoted market prices at the balance sheet date (level 2 in the fair value hierarchy). Fair value of other non-listed investments are valued using the best information available in the circumstances including the entities' own data. (level 3 in the fair value hierarchy).

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

Fair Value 31.12.2018	Level 1	Level 2	Level 3	Total
Shares	28 590		0	28 590
Bonds		8 828		8 828
Total fair value	**28 590**	**8 828**	**0**	**37 419**

There has been no transfer between level 1 and level 2 during 2018.

Reconciliation of level 3 in the fair value hierarchy	Level 3
Opening balance	6 500
Movement during the period	-6 500
Closing balance	**0**

Fair Value 31.12.2017	Level 1	Level 2	Level 3	Total
Shares	48 397		6 500	54 897
Bonds		2 169		2 169
Total fair value	**48 397**	**2 169**	**6 500**	**57 066**

(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:

	2018	2017
Bank deposits:	248 441	65 312

Amounts in NOK 1 000	2018	2017
No external credit rating		
A		65 312
AA-	248 441	
Total	**248 441**	**65 312**

(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.

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	2018	2017
Lease office premises (inclusive joint costs)	2 867	3 362
Lease office equipment and furniture	0	107
Total lease costs	**2 867**	**3 469**

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

Amounts in NOK 1 000	2018	2017
Within 1 year	1 805	1 948
1 to 5 years	4 232	0
After 5 years	0	0
Total	**6 037**	**1 948**

NOTE 21 Pension

At 31 December 2018 the group only has defined contribution pension plans. All remaining defined benefit pension plans were converted into defined contribution pension plans in 2017.

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

Specification of pension expense recognised in income statement:

Amounts in NOK 1 000, incl. social security	**2018**	**2017**
Current service costs		802
Net interest expense		15
Changes in pension plan		0
Curtailment, settlements, conversion to defined contribution		905
Conversion to defined contribution, premium funds transferred to defined contribution plan (see note 7 and note 8)		(625)
Conversion to defined contribution, premium funds received (see note 8)		(1 413)
Total pension cost/(income) arising from defined benefit plans included in payroll and related cost	0	(315)
Pension expense arising from defined contribution pension plans included in payroll and related cost	366	458
Total pension cost/(income) included in payroll and related cost	366	143

NOTE 22 Investment in an associates

Reconciliation and specification of carrying amount of investments in associates:

Amounts in NOK 1 000	**2018**	**2017**
Opening balance carrying amount of investments in associates, Reach Subsea	89 320	0
Acquisition cost at 13 February 2017, Reach Subsea	0	96 263
Acquisition cost additional shares acquired, Reach Subsea	4 605	938
Impairment/reversal of impairment of investment, Reach Subsea	891	(891)
Share of net result in investment, Reach Subsea	(3 411)	(6 991)
Carrying amount of investments in associates at balance date, Reach Subsea	91 404	89 320
Acquisition cost shares acquired, Tyveholmen AS	6 994	0
Share of net result in investment, Tyveholmen AS	54	0
Total carrying amount of investments in associates at balance date	98 453	89 320

Specification of net result from investments in associates recognised in the income statement:

Amounts in NOK 1 000	**2018**	**2017**
Impairment/reversal of impairment of investment, Reach Subsea	891	(891)
Share of net result in investment, Reach Subsea	(3 411)	(6 991)
Share of net result in investment, Tyveholmen AS	54	0
Net result from investments in associates	(2 466)	(7 882)

Net result from investments in associates is from 1 january 2018 classified under operating items and comparative figures from 2017 have been reclassified.

The group has not received dividends from accociates in 2018 or 2017.

Ownership interests in associates at 31 December:	2018	2017
Reach Subsea ASA	29,49 %	28,34 %
Tyveholmen AS	50,00 %	

Financial figures for the associated company Reach Subsea ASA:

Amounts in NOK million (100% basis, unaudited)	2018	2017
Revenues	675	360
EBITDA	275	27
Pre-tax profit	(12)	(31)
Liquidty	63	99
Net working capital	55	35
Net interest bearing debt	85	(35)
Equity	211	218

The share price of Reach Subsea at year end was NOK 2.32 per share, equivalent to a market based value of NOK 333 million. North Energy's relative share of this was NOK 98.2 million, based on the ownership of 29.45% .

Acquisition of subsidiary Accello, investment in associate Reach Subsea and gain from bargain purchase in 2017:

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 had 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 owned 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.

Specification of gain arising from the business combination:

Amounts in NOK 1 000	2017
Consideration paid	(55 337)
Assets acquired	96 263
Liabilities assumed	(25 798)
Bargain gain arising from the acquisition	15 128

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) was reported at NOK 19.6 million at 31 December 2017. The shareholder loan and the new loan from NEC was in the fourth quarter 2017 converted to equity and thereby increasing North Energy's ownership in Accello to 90.42 percent, hence the non-controlling interest in Accello is 9.58 percent. The minority part of the shareholder loan that was converted to equity amounted to NOK 7.7 million. After the transaction the new share capital in Accello is NOK 81.7 million.

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*	*Non-controlling 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 %

The investment in North Energy Capital AS (NEC) consist of MNOK 111 preference capital and MNOK 0.8 ordinary capital. North Energy holds 100% of the preference capital and 80% of the ordinary capital in the subsidiary. The preference capital was established in June 2016 as part of a restructuring of the North Energy group of companies and was agreed to be settled, including preference return, by way of dividend payments during a 3 years period. The preference shares in NEC have no voting rights, but carries a preferred return and have dividend and liquidation preferential rights. The preference return is specified in the transaction agreement approved by the extraordinary general meeting on 18 May 2016. Any excess capital of NEC after the distribution of the Preference Capital and preference returns is to be retained by NEC or distributed to the holders of ordinary shares.

The Board of North Energy has on the 20 February approved a simplification of the corporate structure which involves the repayment of the preference capital from NEC to North Energy. See note 25 for further details.

NOTE 23 Contingent liabilities

With reference to the potential claim from OTO described in Note 15, where North E&P has received a notice of a possible change of the company's tax returns from 2014 and 2015 and consequently a potential tax claim of NOK 114.2 million excluding interests. North Energy's judgement is that it is more likely than not that OTO will waive the potential claim, hence the Company has not accounted for the contingent liability in the statement of Financial Position.

As of 31 December 2018 the group is not involved in any other legal or financial disputes.

NOTE 24 Financial investments, non-current and current

Financial investments include:

Amounts in NOK 1 000	**2018**	**2017**
Stock exchange-listed shares	21 260	48 397
Stock exchange-listed bonds and other bonds	8 828	2 169
Non-listed shares	0	6 500
Total carrying amount financial investments, non-current	30 089	57 066
Total carrying amount of investments in associates at balance date	98 453	89 320

Amounts in NOK 1 000	**2018**	**2017**
Stock exchange-listed shares	7 330	0
Total carrying amount financial investments, current	7 330	0

The main investments at 31 December 2018 consist of shares in Touchstone Exploration, shares in Polarcus and bonds in Interoil Exploration.
The main investments at 31 December 2017 consisted of shares in Touchstone Exploration and shares in Seabird Exploration.

Amounts in NOK 1 000	2018	2017
Change in fair value recognised in income statement under operating items	(8 054)	0
Change in fair value recognised in equity through the statement of comprehensive income	0	26 129
Interest income bonds recognised as finance income	510	323
Gain from sales of investments recognised as finance income	0	53 229
Loss from sales of investments recognised as finance cost	0	4 910

The Group has adopted the IFRS 9 Financial Instruments effective from 1 January 2018. The Group has from 1 January 2018 elected to recognize it's financial investments in shares and bonds at Fair Value through Profit and Loss (FVPL). Changes in fair value are recognized in profit and loss as change in fair value of financial investments under operating items. In previous periods the Group's financial investments in shares and bonds were classified under the category available for sale investments, and they were recognized at Fair Value through Other Comprehensive Income (FVOCI). Prior periods have not been restated as this is not required under IFRS 9. There are no differences between previous carrying amounts and those determined under the FVPL method at the date of initial application.

NOTE 25 Events after the balance sheet date

On 20th February 2019 the Board of North Energy announced several key measures to simplify the corporate structure and to initiate a shareholder program.

During H1 2019 the Company intends to distribute a dividend of NOK 0.3 per share to shareholders, amounting to a total distribution of NOK 35.7 million. The distribution will be subject to the approval of the Annual General Meeting ("AGM") and the Board will put forward a dividend proposal to the AGM to be held on 28 May 2019. The dividend proposal will include an option for shareholders to subscribe for new shares using the dividend amount. A subscription period will take place after the AGM date, subject to approval of the dividend proposal by the AGM.

To facilitate the subscription of shares, the Company announced on 27th February 2019 a buyback offer to shareholders. The buyback price was set to NOK 1.90 per share which represented a premium of approximately 4 per cent to the official closing price of North Energy on Oslo Børs 19 February 2019. The share buy-back program concluded on 8 March 2019 and resulted in the Company purchased a total of 9,484,038 shares for a total price of NOK 18,019,672. All shares offered by the shareholders were accepted for buy-back.

Furthermore, the Company announced that the Board has resolved to simplify the corporate structure, through certain transactions. North Energy Capital AS will repay to the Company the preference capital, including accumulated return, in a total amount of approximately NOK 148 million. Subsequently all strategic and financial investments are to be held directly in the parent company. These actions are in accordance with the resolutions adopted by the Extraordinary General Meeting held on 18 May 2016.

Financial Statements – North Energy ASA

Financial Statements – North Energy ASA

Income statement

(NOK 1 000)	Note	2018	2017
Payroll and related expenses	5	(221)	179
Depreciation and amortisation	15	(0)	0
Other operating expenses	6	(11 628)	(11 990)
Change in fair value of financial investments	20	4 379	0
Net result from investments in associates	21	54	0
OPERATING LOSS		**(7 415)**	**(11 811)**
Financial income	17	960	410
Financial expenses	17	(261)	(152)
NET FINANCIAL ITEMS		**699**	**258**
LOSS BEFORE INCOME TAX		**(6 716)**	**(11 553)**
Income tax credit	14	0	0
LOSS FOR THE YEAR		**(6 716)**	**(11 553)**

Statement of comprehensive loss

(NOK 1 000)	Note	2018	2017
LOSS FOR THE YEAR		(6 716)	(11 553)
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	0	629
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		0	629
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(6 716)	(10 924)

Financial position

ASSETS

(NOK 1 000)	Note	31.12.18	31.12.17
NON-CURRENT ASSETS			
Property, plant and equipment	15	27	0
Investment in subsidiaries	12	111 800	136 800
Financial investments	20	8 828	6 109
Investment in associates	21	7 048	0
Deferred tax asset	14	0	0
Other receivables	7	1 916	1 940
TOTAL NON-CURRENT ASSETS		**129 620**	**144 849**
CURRENT ASSETS			
Prepayments and other receivables	8	3 348	2 244
Financial investments, current	20	887	0
Cash and cash equivalents	9	11 871	5 046
TOTAL CURRENT ASSETS		**16 106**	**7 290**
TOTAL ASSETS		**145 726**	**152 139**

EQUITY AND LIABILITIES

EQUITY			
Share capital	10	119 047	119 047
Share premium		936 010	936 010
Other paid-in capital		30 691	30 691
Retained earnings		(942 657)	(935 940)
TOTAL EQUITY		**143 091**	**149 808**
LIABILITIES			
CURRENT LIABILITIES			
Trade creditors		1 591	158
Other current liabilities	11	1 043	2 173
TOTAL CURRENT LIABILITIES		**2 634**	**2 331**
TOTAL LIABILITIES		**2 634**	**2 331**
TOTAL EQUITY AND LIABILITIES		**145 726**	**152 139**

Oslo, 20th of March, 2019

Anders Onarheim, Chair

Elin Karfjell, Director

Jogeir Romestrand, 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 2017	119 047	965 772	30 691	(925 016)	190 494
Dividends paid		(29 762)			(29 762)
Total compehensive income for 2017				(10 924)	(10 924)
Equity at 31 December 2017	**119 047**	**936 010**	**30 691**	**(935 940)**	**149 808**
Equity at 1 January 2018	119 047	936 010	30 691	(935 940)	149 808
Total compehensive income for 2018				(6 716)	(6 716)
Equity at 31 December 2018	**119 047**	**936 010**	**30 691**	**(942 657)**	**143 091**

Cash flows statement

(NOK 1 000)	Note	31.12.18	31.12.17
Cash flows from operating activities			
Loss before income tax		(6 716)	(11 553)
Adjustments:			
Depreciation	15	0	0
Pensions		47	(1 015)
Change in fair value of financial investments	20	(4 379)	0
Net result from investments in associates	21	(54)	1
Changes in trade creditors		1 433	(80)
Changes in other accruals		(2 234)	(4 600)
Net cash flows from operating activities		**(11 904)**	**(17 247)**
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(28)	0
Received repayment of preference capital from subsidiary	12	25 000	0
Investment in associates	21	(6 994)	0
Purchase of financial investments	20	(1 696)	(5 480)
Proceeds from sales of financial investments	20	2 468	0
Proceeds/payments from other non-current receivables	7	(22)	0
Net cash flows from investing activities		**18 729**	**(5 480)**
Cash flows from financing activities			
Dividends paid		0	(29 762)
Proceeds from share issues		0	0
Net cash flows from financing activities		**0**	**(29 762)**
Net change in cash and cash equivalents		**6 824**	**(52 488)**
Cash and cash equivalents at 1 January	**9**	**5 046**	**57 535**
Cash and cash equivalents at 31 December	**9**	**11 871**	**5 046**

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 20 March 2019.

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	**2018**	**2017**
Salaries	2 038	2 669
Payroll tax	407	599
Pension costs (see note 19)	86	(315)
Other benefits	10	32
Net payroll and related expenses charged to subsidiaries	(2 320)	(3 164)
Total	**221**	**(179)**
Average number of employees	1,0	1,0

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	**2018**	**2017**
Travelling expenses	12	112
Lease expenses (see note 16)	477	0
Consultant and other fees	10 558	11 377
Other administrative expenses	581	501
Total	**11 628**	**11 990**

Remuneration to auditor is allocated as specified below:

Amounts in NOK 1 000	**2018**	**2017**
Audit	133	100
Attestations	0	15
Assistance share issues	0	48
Other assistance	37	153
Total, excl. VAT	**170**	**316**

NOTE 7 Other non-current receivables

Amounts in NOK 1 000	**2018**	**2017**
Deposit	1 417	1 395
Premium fund pensions, transferred to defined contribution plan *	498	545
Total	**1 916**	**1 940**

* All defined benefit pension plans were converted into defined contribution pension plans in 2017.

NOTE 8 Prepayments and other receivables

Prepayments and other receivables consist of:

Amounts in NOK 1 000	**2018**	**2017**
Prepaid expenses	32	0
Premium fund pensions, transferred to defined contribution plan *	72	80
Premium fund pensions, receivable *	0	1 413
VAT receivable	40	0
Receivables from subsidiaries	3 204	482
Earned interest bonds	0	269
Other items	0	0
Total	**3 348**	**2 244**

* All defined benefit pension plans were converted into defined contribution pension plans in 2017. 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	**2018**	**2017**
Bank deposits	11 871	5 046
Total cash and cash equivalents	11 871	5 046
Of this:		
Restricted cash for witheld taxes from employees salaries	121	181

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	2018	2017
Public duties payable	201	302
Holiday pay	230	276
VAT payable	0	141
Payable to subsidiaries	119	222
Other accruals for incurred costs	493	1 232
Total	**1 043**	**2 173**

NOTE 12 Investment in subsidiaries

Amounts in NOK 1 000

Company	Location	Equity and voting share	Book value 31.12.2018	Book value 31.12.2017
North Energy Capital AS	Norway	80 %	111 800	136 800
Total	**1 043**		**111 800**	**136 800**

The investment in North Energy Capital AS (NEC) consist of MNOK 111 preference capital and MNOK 0.8 ordinary capital. North Energy holds 100% of the preference capital and 80% of the ordinary capital in the subsidiary. The preference capital was established in June 2016 as part of a restructuring of the North Energy group of companies and was agreed to be settled, including preference return, by way of dividend payments during a 3 years period. The preference shares in NEC have no voting rights, but carries a preferred return and have dividend and liquidation preferential rights. The preference return is specified in the transaction agreement approved by the extraordinary general meeting on 18 May 2016. Any excess capital of NEC after the distribution of the Preference Capital and preference returns is to be retained by NEC or distributed to the holders of ordinary shares.

The Board of North Energy has on the 20 February approved a simplification of the corporate structure which involves the repayment of the preference capital from NEC to North Energy. See note 25 in the consolidated accounts for further details.

Received repayment of preference capital from subsidiary North Energy Capital in 2018 of NOK 25 million has been regognised as a reduction of investment in the subsidiary.

NOTE 13 Related parties

During 2018 North Energy ASA has charged salary related expenses to subsidiaries of NOK 1.59 million, and subsidiaries have charged salary related expenses to North Energy ASA of NOK 0.61 million.

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.

See 14 in the consolidated financial statements for furher infomation.

NOTE 14 Tax

Specification of income tax:

Amounts in NOK 1 000	**2018**	**2017**
Change deferred tax asset	0	0
Tax payable	0	0
Total income tax credit	**0**	**0**

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

Amounts in NOK 1 000	**2018**	**2017**
Property, plant and equipment	5	0
Pensions	570	2 038
Financial investments	4 917	629
Tax losses carried forward, onshore	(46 791)	(38 015)
Total basis for deferred tax	(41 298)	(35 348)
Deferred tax liability (-) / tax asset (+)	9 086	8 130
Not capitalised deferred tax asset (valuation allowance) *	(9 086)	(8 130)
Deferred tax liability (-) / tax asset (+) in balance	**0**	**0**

* It is assessed to be most likely that the future tax assets are not recoverable.

Reconciliation of effective tax rate:

Amounts in NOK 1 000	**2018**	**2017**
Loss before income tax	(6 716)	(11 553)
Expected income tax credit 23% (2017: 24%)	1 545	2 773
Adjusted for tax effects of the following items:		
Permanent differences	(176)	(15)
Changed tax rates from 1 January 2019 and 1 January 2018	(413)	(353)
Change in fair value financial investments recognised in equity through statement of comprehensive income"	0	(151)
Change in valuation allowance for deferred tax assets	(956)	(2 253)
Total income tax credit	**0**	**(0)**

NOTE 15 Property, plant and equipment

Amounts in NOK 1 000	**Equipment, office machines, etc**
2018	
Cost:	
At 1.1.2018	0
Additions	28
Disposals	0
At 31.12.2018	**28**
Depreciation and impairment:	
At 1.1.2018	0
Depreciation this year	(0)
Impairment this year	0
Disposals	0
At 31.12.2018	**(0)**
Carrying amount at 31.12.2018	**27**

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)**
Economic life	3-10 years
Depreciation method	linear

NOTE 16 Leases

The company has no finance leases.
The company has entered into operating leases for office premises.
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	2018	2017
Lease office premises (inclusive joint costs)	477	0
Total lease costs	**477**	**0**

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

Amounts in NOK 1 000	2018	2017
Within 1 year	1 805	0
1 to 5 years	4 232	0
After 5 years	0	0
Total	**6 037**	**0**

NOTE 17 Finance income and costs

Finance income:

Amounts in NOK 1 000	2018	2017
Interest income bank deposits	286	126
Interest income on bonds	457	269
Foreign exchange gain	217	15
Total finance income	**960**	**410**

Finance costs:

Amounts in NOK 1 000	2018	2017
Other interest expenses	219	0
Foreign exchange loss	42	78
Other finance costs	0	73
Total finance costs	**261**	**152**

NOTE 18 Financial instruments

(a) Categories of financial instruments at 31 December 2018:

Amounts in NOK 1 000	Loans and receivables	Financial assets at fair value through profit and loss
Assets:		
Financial investments		8 828
Financial investments, current		887
Other current receivables (see note 8)[1]	3 204	
Cash and cash equivalents	11 871	
Total	**15 075**	**9 716**

Amounts in NOK 1 000	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit or loss
Liabilities:		
Trade creditors	1 591	
Other current liabilities (see note 12)[2]	349	
Total	**1 940**	**0**

at 31 December 2017:

Amounts in NOK 1 000	Loans and receivables	Available-for-sale financial assets
Assets:		
Financial investments		6 109
Other current receivables (see note 8) 1	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 and loss
Liabilities:		
Trade creditors	158	
Other current liabilities (see note 12) 2	498	
Total	**656**	**0**

[1] Pension assets, deposit, prepaid expenses and VAT receivable are excluded since they are not defined as financial instruments.
[2] 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 stock exchange-listed shares is the stock market price at the balance sheet date (level 1 in the fair value hierarchy). Fair value of bonds is based on quoted market prices at the balance sheet date (level 2 in the fair value hierarchy).

(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:

	2018	2017
Bank deposits:	11 871	5 046

Amounts in NOK 1 000	2018	2017
No external credit rating	0	0
A	0	5 046
AA-	11 871	0
Total	**11 871**	**5 046**

(d) Financial risk factors

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

NOTE 19 Pension

At 31 December 2018 the company only has defined contribution pension plans. All remaining defined benefit pension plans were converted into defined contribution pension plans in 2017.

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

Specification of pension expense recognised in income statement:

Amounts in NOK 1 000, incl. social security	**2018**	**2017**
Current service costs		802
Net interest expense		15
Changes in pension plan		0
Curtailment, settlements, conversion to defined contribution		905
Conversion to defined contribution, premium funds transferred to defined contribution plan (see note 7 and note 8)		(625)
Conversion to defined contribution, premium funds received (see note 8)		(1 413)
Total pension cost/(income) arising from defined benefit plans included in payroll and related cost	0	(315)
Pension expense arising from defined contribution pension plans included in payroll and related cost	86	0
Total pension cost/(income) included in payroll and related cost	86	(315)

NOTE 20 Financial investments, non-current and current

Amounts in NOK 1 000	**2018**	**2017**
Stock exchange-listed bonds and other bonds	8 828	6 109
Total carrying amount financial investments, non-current	8 828	6 109

Amounts in NOK 1 000	**2018**	**2017**
Stock exchange-listed shares	887	0
Total carrying amount financial investments, current	887	0

Amounts in NOK 1 000	**2018**	**2017**
Change in fair value recognised in income statement under operating items	4 379	0
Change in fair value recognised in equity through the statement of comprehensive income	0	629
Interest income bonds recognised as finance income	457	269

The Company has adopted the IFRS 9 Financial Instruments effective from 1 January 2018. The Company has from 1 January 2018 elected to recognize it's financial investments in shares and bonds at Fair Value through Profit and Loss (FVPL). Changes in fair value are recognized in profit and loss as change in fair value of financial investments under operating items. In previous periods the Company's financial investments were classified under the category available for sale investments, and they were recognized at Fair Value through Other Comprehensive Income (FVOCI). Prior periods have not been restated as this is not required under IFRS 9. There are no differences between previous carrying amounts and those determined under the FVPL method at the date of initial application.

NOTE 21 Investment in an associates

Reconciliation and specification of carrying amount of investments in associates:

Amounts in NOK 1 000	**2018**	**2017**
Opening balance carrying amount of investments in associates	0	0
Acquisition cost shares acquired, Tyveholmen AS	6 994	0
Share of net result in investment, Tyveholmen AS	54	0
Total carrying amount of investments in associates at balance date	7 048	0

Specification of net result from investments in associates recognised in the income statement:

Amounts in NOK 1 000	**2018**	**2017**
Impairment/reversal of impairment of investment	0	0
Share of net result in investment, Tyveholmen AS	54	0
Net result from investments in associates	54	0

Share of net result in Tyveholmen AS is for the period from acquisition 23 October 2018 to 31 December 2018.

The company has not received dividends from accociates.

Ownership interests in associates at 31 December:	**2018**	**2017**
Tyveholmen AS	50,00 %	

NOTE 22 Contingent liabilities

As of 31.12.2018 North Energy ASA is not involved in any legal or financial disputes.

NOTE 23 Events after the balance sheet date

See note 25 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 2018 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, 20th of March, 2019

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 5 April 2019:

INVESTOR	No. of shares	% of total shares
AB INVESTMENT AS	17 382 287	14,6 %
NORTH ENERGY ASA	9 484 038	8,0 %
CELISA CAPITAL AS	7 292 042	6,1 %
ISFJORDEN AS	5 492 044	4,6 %
JPB AS	3 450 000	2,9 %
CORUNA AS	2 750 000	2,3 %
SALTEN KRAFTSAMBAND AS	2 467 723	2,1 %
NORDNET LIVSFORSIKRING AS	1 856 563	1,6 %
TRIOMAR AS	1 815 000	1,5 %
TAJ HOLDING AS	1 614 999	1,4 %
BAKKANE ARVID	1 435 859	1,2 %
ORIGO KAPITAL AS	1 343 569	1,1 %
ROME AS	1 300 000	1,1 %
SANDBECH SVEIN TERJE	1 275 000	1,1 %
REYNOLDS DAG WILFRED	1 050 000	0,9 %
PEDERSEN ROLF IVAR	1 004 500	0,8 %
ARNT HAGEN HOLDING AS	977 730	0,8 %
NORDNET BANK AB	935 450	0,8 %
BOYE HANS JØRGEN	933 450	0,8 %
AASEN ARNE JØRGEN	910 010	0,8 %
Total number owned by top 20	*64 770 264*	*54,4 %*
Total number of shares	**119 047 065**	**100,0 %**

In 2018, the North Energy share price fell with around 24 per cent compared with the end share price of 2017. In comparison, an investment in the Oslo Børs Bench-mark Index over the same period provided a negative return of 2.8 per cent, while the energy index yielded a positive return of 1.74 per cent in 2018. During the year, 63.3 million North Energy shares changed hands on the Oslo Stock Exchange, down from 260.1 million in 2017, representing a daily average trading volume of 254,000 shares.

Ownership structure

At the end of 2018 North Energy had 1,503 shareholders, down from 1,630 shareholders at the end of 2017. Approximately 8 per cent of the Company's shares were owned by foreign investors at the end of 2018, which is at the same level as last year.

The Company's employees, management and Board held approximately 28.7 per cent of the shares in the Company. North Energy's 20 largest shareholders held 49.9 per cent of the shares as of 31 December 2018.

Share capital

North Energy's share capital at 31 December 2018 was NOK 119 047 065 divided into 119 047 065 shares, each with a nominal value of NOK 1.

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, which comprise:

- The financial statements of the parent company North Energy ASA (the Company), which comprise the statement of financial position as at 31 December 2018, the income statement, statement of comprehensive loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of North Energy ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2018, the income statement, statement of comprehensive income, statement of changes in equity and statement of 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 Company as at 31 December 2018, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, 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 the Petroleum activities of North E&P AS were discontinued and the activities of the group were focused on investments. However, our audit focus in 2018 has been maintained on income

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

taxes due to an uncertain tax position relating to petroleum activities following a notice of deviation from the Oil Taxation Office.

Key Audit Matter	How our audit addressed the Key Audit Matter
Uncertain tax position - Notice from the Petroleum Taxation Office In a letter from the Oil Taxation Office dated 23 October 2018 the Company's subsidiary, North E&P AS received a notice of deviation from the Petroleum Taxation Office (OTO) related to exploration costs for 2014 and 2015. The OTO claims that North E&P AS has incurred costs to exploit the exploration cost tax refund system and not for adequate operational reasons. The OTO challenges NOK 146.4 million of tax deductions made for exploration costs in 2014 and 2015. A tax reassessment may result in a claim from the OTO for repayment of NOK 114.2 million plus interest and any penalty taxes. The Company has taken measures to secure funds to cover a potential future payment of such claim. The company strongly disputes both the content and the conclusion of the notice. As at 31 December 2018 and 20 March 2019, the Company is in the process of responding to the notice from the OTO pending certain clarifications requested from the OTO regarding the notice. No tax assessment has been obtained from the OTO relating to the matter. As a result, at 31 December 2018 the Company has an uncertain tax position. No amount has been recorded as a liability in the balance sheet of the group at 31 December 2018 as the Company believes that it is more likely than not that the Company's position on the tax deductions taken will ultimately be sustained. We refer to note 15 and 23 to the financial statements where management explains their position and the notice from the Oil Taxation office. We focused on this area due to the significant values and the nature of the judgements and assumptions management are required to make in determining if a provision should be made for the uncertain tax position at 31 December 2018.	We have obtained and read the notice from the Petroleum Taxation Office and held meetings with the management and board of directors to understand their assessment of the company's position. Furthermore, we have obtained from management and read other correspondence with the OTO. To further understand the company's position, we obtained and read the company's draft response to the notice. We discussed and challenged details of the draft response with management and their external legal advisor. As part of our audit, we obtained a written assessment from management and a legal letter from the Company's external legal advisor on whether it is more likely than not that the Company's tax position will eventually be sustained. Further, we consulted with and obtained assistance from our own internal tax experts on whether it is more likely than not that the Company's tax position will eventually be sustained. The information obtained from our procedures shows that management have applied reasonable assumptions assessing the uncertain tax position relating to the notice of deviation for exploration costs for 2014 and 2015. We evaluated the appropriateness of the related note disclosures in note 15 and 23 to the financial statements and found that they satisfied IFRS requirements.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except 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 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 and the Group'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 and the Group 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.

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 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 proposed allocation of the result 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, 20 March 2019
PricewaterhouseCoopers AS

Gunnar Slettebø
State Authorised Public Accountant

North Energy ASA- Financial Calendar for 2019

North Energy ASA will present financial statements on the following dates in 2019:

Q1 2019 interim financial report: 29 May 2019
Q2 2019 interim financial report: 22 August 2019
Q3 2019 interim financial report: 21 November 2019

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

The annual General Meeting is planned to be held on 28 May 2019.

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