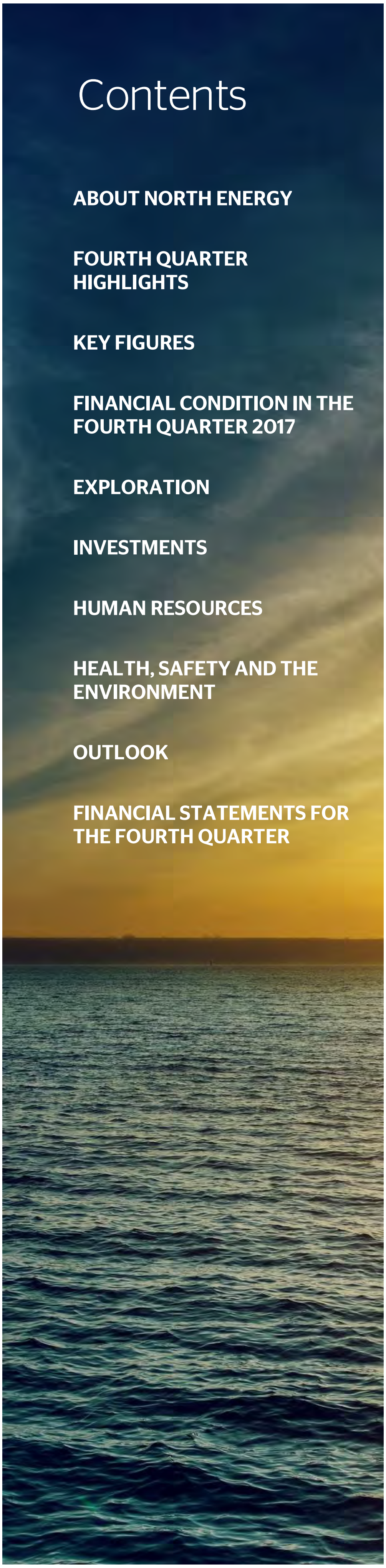
INTERIM REPORT
for the fourth quarter 2017

north energy



Contents

About North Energy

North Energy ASA ("North Energy", the "Company" or the "Group") is a holding company with subsidiaries operating and investing within the energy value chain and other industries. The Company's investment activities are held in the subsidiary North Energy Capital ("NEC"). The company has decided to discontinue its petroleum operations on the Norwegian Continental Shelf ("NCS") and to liquidate the subsidiary North E&P.

North Energy is located in Oslo. As of the end of the fourth quarter, the Company and its subsidiaries consisted of 6 employees.

Fourth quarter highlights

Liquidation of North E&P on track

- **Tax return filed.** Last quarter, the Board of North Energy decided to discontinue petroleum activity on the Norwegian Continental Shelf and close down the subsidiary North E&P. The liquidation process has been ongoing during the fourth quarter, and in October the company filed the tax return for 2017 with the Norwegian government and requested for an early tax settlement. There are currently no indications regarding the timing of the settlement.

Growth in investment activity

- **Growth of investment portfolio.** Looking back at the last 12 month we see that North Energy has increased its investment portfolio with more than NOK 100 million. This has been achieved purely through value increases and realized gains and without any external financing.

- **Strengthening of the position in Touchstone Exploration.** During December 2017, NEC participated in a private placement and was allocated 7.3 million shares in the company. Following the completion of the private placement NEC holds approximately 10 percent of the Canadian-based company. Touchstone Exploration Inc. is an international upstream oil and gas company currently active onshore in the Republic of Trinidad and Tobago.

- **Reach Subsea with important contract announcements.** The successful co-operation between MMT Sweden and Reach Subsea has resulted in a new frame agreement with Statoil covering both survey and light construction work for the next three years, with the first call-off contract for Havila Subsea starting February 2018. Furthermore, BP UK has awarded Reach a 12 week contract, plus options, for use of Normand Reach from April/May.

A strong financial position

- **Net cash position.** The net cash position of North Energy was recorded at NOK 61 million at the end of the fourth quarter, a decrease of NOK 10 million from the previous quarter. The decrease was largely due to new investments which during the fourth quarter increased the investment portfolio with NOK 23 million. The net cash position, together with the expected tax settlement of NOK 201 million from the liquidation of North E&P, and the increasing value of North Energy's investment portfolio places the Company in a comfortable financial position.

- **Continued cost adaptions.** The termination of the petroleum activities on the NCS and the liquidation of North E&P have led to markedly fewer expenditures for the North Energy group, which lowers the threshold for creating shareholder value going forward.

- **North E&P received tax settlement for 2016.** The subsidiary North E&P has in the fourth quarter received the final tax settlement from the Norwegian Government for the year 2016. This resulted in a tax refund of NOK 68.2 million, in line with the submitted tax return, which was fully utilized as a down payment of the exploration loan. Remaining exploration loan as of the end of fourth quarter is 15 million NOK. This will be settled when the company receives the tax refund based on the liquidation accounts.

Key figures

NOK mln	Q4 2017	Q3 2017	Q4 2016	Full year 2017
Sale of services	1.0	1.1		2.1
Gain from sales of licences	-	-	4.5	-
Exploration and licence expenses	0.8	-4.4	-11.6	-1.1
Payroll and related expenses	-0.9	-1.3	1.7	-18.2
Operating profit	-2.4	-11.9	-14.2	-43.5
Profit before income tax	-7.0	-2.1	-24.4	5.5
Income tax credit	-0.7	6.6	21.7	22.7
Profit/loss for the period	-7.7	4.5	-2.7	28.1
Comprehensive income	11.7	-2.0	4.8	35.4
Investments	156.6	133.8	51.3	156.6
Total assets	459.7	539.5	462.0	459.7
Total equity	420.0	399.7	406.9	420.0
Equity ratio (%)	91 %	74 %	88 %	91 %
Interest-bearing debt	34.6	102.5	26.2	34.6
Number of employees (EOP)	6	11	14	6
Number of licences	0	0	4	0

Financial condition in the fourth quarter 2017

The consolidated financial statements encompass North Energy ASA, North Energy Capital AS, North E&P AS, North Energy Norge AS, and Accello Partners I AS.

North Energy recorded a comprehensive income of NOK 11.7 million in the fourth quarter of 2017, compared with NOK 4.8 million in the corresponding quarter of 2016. North Energy reports, as last quarter, income from sale of G&G services through its subsidiary North Energy Norge AS. Exploration and license expenses includes a correction of NOK 0.8 million related to previously owned licenses.

The improvement in the operating profit of NOK 9.5 million for the quarter compared to the third quarter is due to less expenses as a result of the closure of the company North E&P. The profit before tax is however lower than last quarter mainly due to a new impairment performed with NOK 3.7 million related to the investment in Reach Subsea ("Reach").

Payroll and related expenses in the fourth quarter were NOK 0.9 million compared to NOK 1.3 million last quarter. The decrease is mainly due to reduced number of employees and an adjustment of pension costs for the year. At the end of the fourth quarter 2017, there were 6 employees in the Group, down from a staff of 14 at the end of 2016.

At the end of the quarter, total investments amounted to NOK 156.6 million, compared to NOK 51.3 million at the end of fourth quarter 2016. The substantial year-on-year growth is a reflection of the Group's shift in strategy, with an increased focus on investments. The amount invested is up from last quarter with NOK 23 million, mainly due to a further increase of the investment in Touchstone Exploration, as well as value increases in the portfolio..

The investment in Reach is accounted for as an associated company in the consolidated Group results. North Energy's holding in Reach is through Accello Partners, which controls a 28.3 per cent stake in Reach. At the end of the fourth quarter, the share price of Reach ended at NOK 2.2 leading to an impairment of NOK 3.7 million. North Energy consolidates its share of the net result from Reach. From the day of acquisition

to the end of the third quarter this year, the net result amounts to a loss of NOK 4.1 million.

Net financial items in the fourth quarter were a loss of NOK 1.6 million. This consists mainly of a loss related to sale of shares, in addition to losses on exchange rates and interest expenses on borrowings.

Total assets at the end of the fourth quarter were NOK 459.7 million, slightly down from NOK 462.0 million in the same quarter last year. We see a shift with more capital employed through investments and less through tax receivables from exploration expenses and less cash compared to last year.

Total equity at the end of the fourth quarter was NOK 420.0 million, up from NOK 406.9 million at the end of the fourth quarter 2016. The total comprehensive income of NOK 35.4 million recorded year-to-date in 2017 has partly been offset by the distribution of a NOK 29.8 million dividend in the first quarter. The Company's equity ratio stood at 91 percent at the end of the quarter.

Interest-bearing debt at the end of the fourth quarter was NOK 34.6 million. This consists of the exploration credit facility of NOK 15 million and the bank overdraft held by Accello of NOK 19.6 million.

North Energy recorded NOK 65.3 million in cash and cash equivalents at the end of the fourth quarter. The decrease in cash from last quarter is mainly due to the additional investment in Touchstone Exploration. Adjusted for tax refund receivables of NOK 32.7 million, net working capital of negative NOK 2.3 million and debt of NOK 34.6 million, the Company reported a net cash position of NOK 61.0 million.

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

Exploration

The company North E&P prepared the liquidation accounts during the last quarter, and submitted its tax return for 2017 in October, wherein the Company requested an early tax settlement.

The net cash position of North E&P is NOK 241 million. The final proceeds received from the liquidation, as well as the timing of receipt of proceeds, are dependent on the final assessment by the Norwegian Oil Taxation Office.

The newly established subsidiary, North Energy Norge, a consultancy set-up providing geological and geophysical ("G&G") services, continues to deliver services to a customer outside the NCS.

Investments

At the end of fourth quarter, North Energy reported total investments of NOK 156.6 million, an increase from NOK 133.8 million last quarter. The increase is mainly due to additional investments in Touchstone Exploration and net value increases in the portfolio.

North Energy's main investment is its shareholding in Reach Subsea, valued at NOK 89.3 million, down from NOK 92.3 million last quarter. The decrease is due to the share price decrease of Reach Subsea, leading to a new impairment of the investment value. The consolidated net loss of 4.1 NOK million includes the period from acquisition up until the end of the third quarter.

Reach Subsea is a company providing certain ROV, engineering and consultancy services to the oil and gas industry. The investment in Reach is in line with North Energy's revised strategy to focus on strategic opportunities where substantial influence and control can be exercised. The company is listed on the Oslo Stock Exchange and as of the end of fourth quarter 2017, the company had a market capitalization of NOK 315 million.

During the last quarter, North Energy acquired a stake in Touchstone Exploration Inc., a Canadian-based, international upstream oil and gas company currently active in the Republic of Trinidad and Tobago. It is one of the largest independent onshore oil producers in

Trinidad, with an experienced management and executive team. The company is listed on the Toronto stock exchange as well as on the London stock exchange. During the fourth quarter, North Energy participated in a private placement and by that increased its ownership to around 10 percent. Additional share acquisitions have taken place in Q1 2018.

Late September 2017 North Energy subscribed for new shares in the private placement of 1 billion shares announced by Seabird Exploration. In October, the Company was allocated 80 million class A shares at a subscription price of NOK 0.1. In December Seabird completed a subsequent repair offering of 50 million class A shares. The class A shares has as of 5th February 2018 been converted to ordinary shares and became tradable on Oslo Stock Exchange the same day. Following the completion of the private placement, the subsequent repair offering and the additional purchase of shares, North Energy owns, through its subsidiary North Energy Capital, 7.52 percent of the outstanding shares in the company.

Apart from the above-mentioned investments, the Company's other investments consist of various shares and bonds.

Human resources

The organisation consisted of 6 employees at the end of the fourth quarter. During the quarter, the exploration organization has been reduced further, as part of the ongoing process of discontinuing the Company's petroleum activities on the NCS. North Energy has during the year build up a team within the subsidiary North Energy Norge AS to support the sale of G&G services to other customers.

Health, safety and the environment (HSE)

There were no reported incidences in North Energy and its subsidiaries in the fourth quarter of 2017. Absence due to sickness was less than 1 per cent.

Outlook

Following an extensive strategic review initiated by the Board in 2015, North Energy has successfully transformed into a profitable holding company for industrial investments based on active ownership. The recent decision to seize operations on the NCS is a natural consequence of the persistent challenges facing small cap exploration companies. Following the liquidation of North E&P, we see North Energy as a more focused company with a solid platform to support new investments.

Through a number of investments and the increased value of the portfolio, North Energy has over the last couple of years demonstrated an ability to create significant value with its revised business strategy. New investments, with focus on strategic opportunities where substantial influence and control can be exercised, are expected to follow.

North Energy - Financial statements fourth quarter 2017

CONSOLIDATED INCOME STATEMENT

NOK 1 000	Note	Q4 2017 (unaudited)	Q4 2016 (unaudited)	YTD Q4 2017 (unaudited)	YTD Q4 2016 (audited)
Sales of services		961	0	2 097	0
Gain from sales of licences		0	4 502	0	14 039
Payroll and related expenses		(929)	1 729	(18201)	(32 481)
Depreciation and amortisation		(33)	(557)	(1 236)	(2 552)
Exploration and licence expenses		818	(11 567)	(1 095)	(29 089)
Other operating expenses		(3 245)	(8 260)	(25 100)	(40 781)
Operating loss		**(2 427)**	**(14 153)**	**(43 536)**	**(90 863)**
Financial income		(458)	11 514	54 520	37 617
Financial expenses		(1 160)	(21 741)	(12 778)	(43 391)
Net financial items		**(1 617)**	**(10 228)**	**41 742**	**(5 774)**
Net result from investment in an associate	12	(2 933)	0	7 247	0
Gain from bargain purchase		0	0	0	100 808
Profit/(loss) before income tax		**(6 978)**	**(24 381)**	**5 452**	**4 171**
Income tax credit	9	(718)	21 659	22 679	76 612
Profit/(loss) for the period		**(7 695)**	**(2 722)**	**28 131**	**80 782**
Attributable to:					
Owners of North Energy ASA		(6 193)	(1 614)	21 010	83 156
Minority interests		(1 502)	(1 107)	7 122	(2 374)
		(7 695)	**(2 722)**	**28 131**	**80 782**
Earnings per share (NOK per share)					
- Basic		(0.05)	(0.01)	0.18	0.70
- Diluted		(0.05)	(0.01)	0.18	0.70

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit/(loss) for the period	**(7 695)**	**(2 722)**	**28 131**	**80 782**
Other comprehensive income, net of tax				
Items that will not be reclassified to profit or loss in subsequent periods:				
Actuarial gain/(loss) pension	0	(65)	0	(65)
Items that will be reclassified to profit or loss in subsequent periods:				
Available for sale investments - change in fair value	18 590	7 613	26 129	12 329
Available for sale investments - change in fair value - reclassified to profit or loss	838	0	(18 884)	(1 296)
Total other comprehensive income, net of tax	**19 428**	**7 548**	**7 245**	**10 968**
Total comprehensive income/(loss) for the period	**11 733**	**4 826**	**35 376**	**91 750**
Attributable to:				
Owners of North Energy ASA	13 420	4 411	26 932	92 602
Minority interests	(1 687)	415	8 445	(852)
	11 733	**4 826**	**35 376**	**91 750**

CONSOLIDATED BALANCE SHEET

NOK 1 000	Note	31.12.2017 (unaudited)	31.12.2016 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		34	1 271
Capitalised exploration and licence costs		0	0
Tax receivable, refund tax value exploration expenses	9	0	0
Other receivables		12 197	2 418
Available for sale investments	10	57 066	51 262
Investment in an associate	12	89 320	0
Deferred tax asset	9	0	207 291
Total non-current assets		**158 617**	**262 242**
Current assets			
Prepayments and other receivables		2 390	5 372
Tax receivable, refund tax value exploration expenses	9	32 691	67 887
Tax receivable, refund tax value offshore tax losses	9	200 701	0
Cash and cash equivalents		65 312	126 535
Total current assets		**301 094**	**199 794**
Total assets		**459 710**	**462,036**
EQUITY AND LIABILITIES			
Equity			
Share capital	5	119 047	119 047
Share premium		936 010	965 772
Other paid-in capital		30 691	30 691
Retained earnings		(681 060)	(707 992)
Minority interests		15 302	(652)
Total equity		**419 990**	**406 866**
Liabilities			
Non-current liabilities			
Pension liabilities		0	(0)
Non-current borrowings	12	0	0
Deferred tax liability		358	0
Total non-current liabilities		**358**	**(0)**
Current liabilities			
Current borrowings, exploration loan	8	15 017	24 663
Current borrowings, bank overdraft	12	19 610	0
Convertible loans		0	(0)
Trade creditors		528	2 967
Tax payable	9	0	0
Other current liabilities		4 208	27 539
Total current liabilities		**39 363**	**55 169**
Total liabilities		**39 721**	**55 169**
Total equity and liabilities		**459 710**	**462,036**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK 1 000	Share capital	Share premium	Other paid-in capital	Retained earnings	Minority interests	Total equity
Equity at 1 January 2016	119 047	965 772	30 691	(800 594)	0	314 916
Total comprehensive income for 01.01.16-31.12.16				92 602	(852)	91 750
Share issue in subsidiary					200	200
Equity at 31 December 2016	**119 047**	**965 772**	**30 691**	**(707 992)**	**(652)**	**406 866**
Total comprehensive income for 01.01.17-31.12.17				26 932	8 445	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**	**(681 060)**	**15 302**	**419 990**

CONSOLIDATED CASH FLOW STATEMENT

NOK 1 000	Q4 2017 (unaudited)	Q4 2016 (unaudited)	YTD Q4 2017 (unaudited)	YTD Q4 2016 (audited)
Cash flow from operating activities				
Profit/(loss) before income tax	(6 978)	(24 381)	5 452	4 171
Adjustments:				
Tax refunded/paid	67 887	609 540	67 887	609 540
Depreciation	33	557	1 236	2 552
Gain/(loss) from sales of licences	0	(4 502)	0	(14 039)
Impairment of capitalised exploration expenses	0	0	0	0
Pensions	1 121	3 623	478	1 328
Transaction costs and interest on borrowings recognised in P&L	381	2 597	4 667	20 744
Changes in fair value of conversion rights and loans at amortised cost	0	195	0	488
Gain/loss from sales of available for sale investments	1 393	(530)	(48 319)	(16 756)
Net result from investment in an associate	2 933	0	(7 247)	0
Gain from bargain purchase	0	0	0	(100 808)
Changes in current payables, receivables and other accruals	(11 971)	29 799	(22575)	54 948
Net cash flow from operating activities	**54 798**	**616 899**	**1 580**	**562 168**
Cash flow from investing activities				
Purchase of property, plant and equipment	24	0	0	(55)
Proceeds from sales of property, plant and equipment	0	0	0	0
Proceeds from sales of licences	0	9 417	0	18 726
Capitalised exploration and licence costs	0	(0)	0	(0)
Investment in an associate	0	0	(22 753)	0
Purchase of available for sale investments	(24 257)	0	(48 101)	(35 045)
Proceeds from sales of available for sale investments	16 323	1 780	69 013	27 596
Proceeds/payments from other non-current receivables	0	(931)	(10 482)	(932)
Net cash flow arising on acquisition of subsidiary	0	0	0	5 979
Net cash flow from investing activities	**(7 910)**	**10 266**	**(12 322)**	**16 268**
Cash flow from financing activities				
Funds drawn borrowings	0	0	57 000	83 807
Repayments of borrowings	(68 174)	(551 043)	(75 859)	(551 043)
Transaction costs and interest on borrowings paid	(314)	(3 406)	(1 860)	(19 694)
Dividends paid	0	0	(29 762)	0
Net proceeds from share issues	0	0	0	0
Share issues in subsidiary, contribution from minority	0	0	0	200
Net cash flow from financing activities	**(68 488)**	**(554 449)**	**(50 481)**	**(486 730)**
Net change in cash and cash equivalents	**(21 600)**	**72 715**	**(61 223)**	**91 706**
Cash and cash equivalents at beginning of the period	86 912	53 820	126 535	34 829
Cash and cash equivalents at end of the period	**65 312**	**126 535**	**65 312**	**126 535**

Notes to the interim consolidated financial statements fourth quarter 2017

Note 1 - General and corporate information

These financial statements are the unaudited interim condensed consolidated financial statements of North Energy ASA and its subsidiaries (hereafter "the Group") for the fourth quarter of 2017. North Energy ASA is a public limited company incorporated and domiciled in Norway, with its main office located in Oslo. North Energy ASA's shares were listed on Oslo Axess, an exchange regulated by the Oslo Stock Exchange, on 5 February 2010. The company's ticker is NORTH.

Note 2 - Basis of preparation

The interim accounts have been prepared in accordance with IAS 34 Interim Financial Reporting and the supplementary requirements in the Norwegian Securities Trading Act (Verdipapirhandelloven). The interim accounts do not include all the information required in the annual accounts and should therefore be read in conjunction with the annual accounts for 2016. The annual accounts for 2016 were prepared in accordance with the EU`s approved IFRS.

Note 3 - Accounting policies

The accounting policies adopted in the preparation of the interim accounts are consistent with those followed in the preparation of the annual accounts for 2016. In addition the company has adopted the IFRS 15 Revenue from contract with customers and the IFRS 9 Financial Instruments. The new standards, and any amendments and interpretations to existing standards effective from 1 January 2017 did not have any material impact on the financial statements of North Energy.

Note 4 - Critical accounting estimates and judgements

The preparation of the interim accounts entails the use of judgements, estimates and assumptions that affect the application of accounting policies and the amounts recognised as assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances. The actual results may deviate from these estimates. The material assessments underlying the application of the company's accounting policies and the main sources of uncertainty are the same for the interim accounts as for the annual accounts for 2016.

Note 5 - Share capital

Number of outstanding shares at 1 January 2017	119,047,065
New shares issued during the period	0
Number of outstanding shares at 31 December 2017	**119,047,065**

Nominal value NOK per share at 31 December 2017	1
Share capital NOK at 31 December 2017	119,047,065

Note 6 - Business segments

The Group reports only one business segment which, after the discontinued exploration activities, only includes the investment activities.

Note 7 - Events after the balance sheet date

No material events have occurred after the balance sheet date.

Note 8 - Current borrowings, exploration loan

	31.12.2017	31.12.2016
Revolving credit facility (exploration loan), funds drawn	15 017	26 191
Revolving credit facility (exploration loan), transaction costs	(0)	(1 527)
Total carrying amount current borrowings	**15 017**	**24 663**

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

Note 9 - Income tax

Specification of income tax	YTD Q4 2017	YTD Q4 2016
Calculated refund tax value of exploration costs this year	32 691	56 533
Of this, refund not recognised in income statement (acquisition of licences recognised net of tax)	0	0
Correction refund previous years	0	124
Tax payable	0	0
Change deferred tax asset and tax receivable from refund tax value offshore tax losses in balance sheet	(10 012)	20 189
Of this, deferred tax asset not recognised in income statement (acquisition of licences recognised net of tax)	0	(0)
Of this, deferred tax asset not recognised in income statement (sale of licences recognised net of tax)	0	(3)
Of this, deferred tax asset related to items in comprehensive income recognised in comprehensive income	0	(231)
Of this, deferred tax asset related to equity transactions recognised directly in equity	0	0
Total income tax credit	**22 679**	**76 612**

Specification of tax receivable, refund tax value exploration expenses	31.12.2017	31.12.2016
Calculated refund tax value of exploration costs this year	32 691	67 887
Calculated refund tax value of exploration costs previous year	0	0
Correction refund previous years, not yet assessed	0	0
Total tax receivable, refund tax value exploration expenses	**32 691**	**67 887**
Of this:		
Classified as non-current	0	0
Classified as current	32 691	67 887

Oil exploration companies operating on the Norwegian continental shelf may claim a 78 per cent refund of their exploration costs limited to taxable losses for the year. The refund is paid in November the following year. See footnote ** 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	31.12.2017	31.12.2016
Property, plant and equipment	348	(5 742)
Capitalised exploration and licence costs	0	0
Pensions	2 038	1 023
Prepayments and other receivables	(87)	0
Current borrowings	0	1 527
Convertible loans and conversion rights	0	0
Other current liabilities	0	(13 000)
Available for sale investments	1 924	14 007
Tax losses carried forward, onshore	(39 012)	(50 105)
Tax losses carried forward, offshore only 24% basis	(228 258)	(223 124)
Tax losses carried forward, offshore only 54% basis	(960)	(952)
Tax losses carried forward, offshore both 24% and 54% basis	(186 411)	(182 530)
Total basis for deferred tax asset	(450 417)	(458 896)
Deferred tax asset before valuation allowance	208 702	219 082
Not capitalised deferred tax asset (valuation allowance) *	(8 359)	(11 791)
Deferred tax asset	**200 343**	**207 291**
Of this:		
Classified as deferred tax asset	(358)	207 291
Classified as current tax receivable from refund tax value offshore tax losses **	200 701	0

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

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

North E&P AS 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 advance tax return for 2017. The tax office has not yet completed their work and North E&P is still awaiting the tax settlement.

Reconciliation of effective tax rate	YTD Q4 2017	YTD Q4 2016
Profit/(loss) before income tax	5 452	4 171
Expected income tax 78%	(4 253)	(3 253)
Adjusted for tax effects (24% - 78%) of the following items:		
Permanent differences	(617)	91 895
Correction previous years	0	84
Interest on tax losses carried forward offshore	1 571	1 690
Finance items and different tax rates within the group	18 918	(5 900)
Changed tax rates from 1 January 2018 and 1 January 2017	(361)	(2 698)
Change in valuation allowance for deferred tax assets	7 420	(5 206)
Total income tax credit	**22 679**	**76 612**

Note 10 - Available for sale investments

Available for sale investments are investments in shares and bonds. The main investments consist of shares in Touchstone Exploration and shares in Seabird Exploration. In 2017 North Energy has sold bonds and shares with a net gain of NOK 48.3 million recognised in the income statement under financial items.

Note 11 - Fair value of financial instruments

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

Fair value of stock exchange-listed shares and bonds is the stock market price at the balance sheet date (level 1 in the fair value hierarchy).

Note 12 - Acquisition of subsidiary and investment in an associate

On 13 February 2017, 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.

Prior to the transaction Accello owned 27.6 million shares in Reach. Accello has further been allocated 12.5 million shares at NOK 1.75 per share in Reach's contemplated private placement, and in addition purchased 0.5 million shares. At 31 December 2017 Accello own 40.6 million shares in Reach, corresponding to 28.34 per cent of the total outstanding shares, and the investment in Reach is accounted for as an associate under the equity method of accounting.

Net result from investment in an associate recognised in the income statement consist of:

	YTD Q4 2017	YTD Q4 2016
Gain arising on acquisition	15 128	0
Impairment of investment in Reach	(3 735)	0
Share of net result in Reach *	(4 146)	0
Net result from investment in an associate	**7 247**	**0**

* Share of net result in Reach is for the period from acquisition 13 February 2017 to 30 September 2017.

Net result from investment in an associate in fourth quarter of 2017 is NOK -2.9 million, mainly due to an impairment of the investment.

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

North Energy ASA

Head office North Energy ASA
Visiting address:
Tjuvholmen allé 3
0252 Oslo

Postal address:
Postboks 1567 Vika
0118 Oslo

Telephone +47 22 01 79 50

Website: www.northenergy.no
Business register number:
NO 891797702 MVA

Board of Directors North Energy ASA
Anders Onarheim (Chairman)
Jogeir Romestrand
Elin Karfjell

Management
Knut Sæberg, CEO

Investor Relations
Knut Sæberg, CEO
+47 918 00 720,
knut.saeberg@northenergy.no

Rune Damm, Finance Manager
+47 416 66 685,
rune.damm@northenergy.no

Annual and quarterly reports are
available on our website: **www.northenergy.no**