NORECO

Norwegian Energy Company ASA
Annual Report 2017

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Content

Norwegian Energy Company ASA ("Noreco") is a Norwegian company quoted on the Oslo Stock Exchange. The company was originally established in 2005 focusing on exploration and production of hydrocarbon resources on the Norwegian, Danish and United Kingdom continental shelves.

Due to a number of unplanned events including technical issues at producing fields, reduced reserves, oil price development and lack of exploration success the company in late 2014 had to realise the lack of ability to service its debt and the company entered into a dialogue with its creditors.

In March 2015 a financial restructuring was initiated including partial debt conversion into equity and amended terms relating to the bond loans. Following the conversion, the holders of the converted bonds owned 92 per cent of the outstanding shares of the company, while the existing shareholders owned 8 per cent of the outstanding shares.

Following the financial restructuring a new board was elected introducing and implementing a new strategy, limiting commitments, reducing costs and monetising remaining assets in order to repay bond debt and maximise value for shareholders. This strategy has during 2015 and 2016 been implemented and executed resulting in a fully transformed company by year-end 2016.

Noreco is currently working to enhance its reserves and production base, with specific focus on Denmark and the United Kingdom. The Company continues to work with the new strategy in 2018 and has made substantial progress since year-end 2017.

Group Financial Position

In August 2009 cracks were discovered in the structure of the Siri installation of which Noreco held 50%. The close down of the production together with the significant cost related to the repair was financially challenging. Since 2009 Noreco has attempted to engage in a constructive dialogue with the insurer to cover the damages in accordance with the established insurance program. The insurers however were unwilling to honour their obligation leading to Noreco filing the claims which ended up in a court case that commenced 12 September 2016 in the Maritime and Commercial High Court in Copenhagen.

In December 2016, Noreco together with its partners, Awilhelmsen Special Opportunities AS and QVT Financial LP, received a favorable ruling from the Maritime and Commercial High Court amounting to approximately USD 470 million (including interest). Noreco was entitled to approximately USD 270 million of the total amount.

In January 2017, it was announced that the Supreme Court in Copenhagen had received an appeal from the counterparties in relation to the SIRI Insurance Claims ruling, the appeal was dismissed by the court on 17 February 2017.

In late February 2017, The Eastern High Court in Copenhagen received an appeal from the insurers which was accepted. The court hearings started on 1 March 2018 and concluded on 23 March 2018. The verdict from the Eastern High Court was given on 4 May, Noreco was awarded approx. USD 12,5 million including additional interest of approx. USD 8,3 million, in total approx. USD 20,8 million. The court ruled in favor of the insurers with regards to their claim on Section 1 and LOPI, Noreco was awarded parts of the Sue and Labor claim. Due to this new verdict the financial statements for the year 2017 has been changed compared to the Annual financial statements approved by the Board of Directors on 25 April 2018. The company has re-issued the 2017 annual financial statements, to be presented for the Annual General Meeting on 28 June 2018.

Noreco, in cooperation with its Danish legal counsel, finds the decision from the Eastern High Court to be incorrect because of misunderstandings of general and fundamental principles of Danish insurance law. As a result of this, Noreco applied to the Danish Appeals Permission Board on the 31 May 2018 for permission to appeal the decision to the Supreme Court of Denmark. Noreco and its Danish legal counsel strongly disagrees with the decision from the Eastern High Court as the decision is in contravention to general and fundamental principles of Danish insurance law. It is expected that it will take approx. 11–13 weeks for the Danish Appeals Permission Board to process the application. Noreco expects that it will take between 1–2 years before a final decision from the Danish Supreme Court will be available.

It is the firm belief of the Board of Directors that the ruling by the Eastern High Court is incorrect and hence they believe that the accounts should reflect this; however due to IFRS regulations this is not possible and as a result a non-GAAP balance sheet has been prepared.

As part of the negotiations with the bondholders in 2015, an agreement with Dong as partner in the Danish licences was reached according to which Noreco's participating interests in the Nini and Cecilie licenses were transferred with all rights and obligations, except the abandonment obligation capped at the amount equal to the restricted cash deposit of DKK 445 million adjusted for interest.

In December 2016 Noreco Oil UK Limited entered into an agreement to transfer its 20% participating interest in the Huntington license with all rights and obligations to Premier Oil E&P UK Limited, which has led to the reversal of the liabilities relating to the license with an accounting effect of NOK 305 million in 2016. Transaction was completed during 2017.

The subsidiary Noreco Norway AS has following the transaction with Det norske oljeselskap ASA (Aker BP) ceased all hydrocarbon activities and management has focused on monetizing the tax losses and other remaining assets. Noreco Norway AS received the Exit refund during the year and settled NOR06 in accordance with the approved bondholder proposal of 16 March 2016. In addition to this, Noreco Norway AS received a success payment of USD 13,1 million related to the disposal of PL435 (Dvalin). The total amount paid to the NOR06 bondholders is around NOK 426,8 million comprising of the Exit refund and an additional amount from the Dvalin success payment.

In line with the agreement reached with bondholders for restructuring excess cash has been used for the repayment of outstanding bond debt. Extension of NOR10 bond loan with an interest rate of 10% was approved 2 March 2018. New maturity date is 6 September 2018. Noreco has during 2017 made the following payments:

NOR10:
On 6 March 2017 NOK 5 million in interest was PIK'ed.

On 4 September 2017 NOK 5,2 million in interest was settled in cash.

Outstanding principal amount at the end of 2017 was NOK 161,3 million including PIK'ed interest.

NOR06:
On 6 March 2017 NOK 15,4 million in interest was PIK'ed.

On 15 May 2017 the company made a cash payment of NOK 33,7 million following the Dvalin payment.

On 9 November 2017 the company made a cash payment of NOK 393,1 million following receipt of the tax refund and the subsequent settlement of NOR 06 bond debt. There are no further obligations to NOR06 bondholders.

Outstanding principal amount at the end of 2017 was NOK 0 million.

Group Financial Results for 2017

Due to the disposal of the remaining hydrocarbon activities in Norway during the year, the accounts are presented with continued and discontinued operations.

Total revenues for 2017 amounted to NOK 10 million, down from NOK 11 million the previous year for continued operations. The decrease is partly due to reduced production in Lulita.

Production expenses for continued operations ended with an expense of NOK 386 million due to the reversal of the Siri Incurance Claim (USD 59,7 million) previously accounted for after the verdict from Eastern High Court on 4 May 2018., Noreco was awarded approx. USD 12,5 million in addition to interest of approx. USD 8,3 million, in total approx. USD 20,8 million which is now accounted for in the balance sheet. In 2016 production expenses was NOK 5 million.

Personnel expenses for continued operations were NOK 29 million in 2017 for continued operations, increased by NOK 9 million compared to 2016 due to increased number of employees in addition to social tax on beneficial amount from option program realized by former CEO. As a comparison the total cost for the Noreco Group in 2016 was 20 million.

Other operating expenses for continued operations amounted to NOK 33 million in 2017, compared to NOK 11 million last year. The 2017 operating expenses are influenced by a large amount of consulting fees mainly in relation to new business opportunities.

Other (losses/) gains for continued operations was NOK 0 million in 2017, while the corresponding amount for 2016 was positive NOK 1 million.

The **net operating result** for continued operations (EBIT) for 2017 was a loss of NOK 440 million compared to a loss of NOK 24 million in 2016, mainly caused by the reversal of the Siri Incurance Claim of USD 59,7 million after the verdict from

Eastern High Court on 4 May 2018 which was replaced by the awarded amount of approx. USD 20,8 million.

Net financial items for continued operations amounted to an income of NOK 14 million in 2017, compared to an expense of NOK 67 million previous year. The reduced net financial items are mainly due to currency translation.

Interest expenses on bond loans decreased from NOK 45 million in 2016 to NOK 31 million in 2017. The decrease was driven by the reduced principal amount due to repayments of outstanding amount.

Financial expenses include an effect of NOK 22 million due to remeasuring of bond at fair value. This is the effect of change in own credit risk that shall be reclassified to OCI from 1 January 2018 according to IFRS 9.

The Group's **net result** for the year from continued operations amounted to a loss of NOK 435 million compared to a loss of NOK 26 million in 2016.

Taxes for the Group from continued operations amounted to an expense of NOK 9 million from a negative net result before tax of NOK 426 million in 2017. This corresponds to an average tax rate of 2,1 percent. Noreco operates in three countries and thus under multiple tax regimes. The tax rate represents the weighted results from the different subsidiaries. The Tax rate in 2017 is mainly influenced by the change in deferred tax assets in Denmark and the reversal of deferred tax in Norway due to advance tax assessment for 2017 when ceasing the Noreco Norway.

Result from discontinued operations amounted to a gain of NOK 102 million compared to a gain of NOK 304 million in 2016. The profit in 2017 relate to excess value of the Zidane payment after paying the bondholders their part while profit in 2016 related to the reversal of previously expensed costs in relation to the Huntington field.

Net result for the full year 2017 including continued and discontinued operations was a loss of NOK 332 million, compared to a profit of NOK 279 million last year.

Net cash flow from the Group's continued operations in 2017 amounted to NOK 438 million. Cash and cash equivalent excluding restricted cash of NOK 600 million was NOK 133 million at year end 2017, up from NOK 89 million at the end of 2016 excluding restricted cash of NOK 595 million. During the year the company has repaid debt of NOK 426,8 million.

Interest-bearing debt of the Group had a book value of NOK 155 million (principal amount NOK 161 million) on 31 December 2017, compared to NOK 530 million (principal amount NOK 630 million) at the end of 2016. The group's NOR06 bond loan was repaid during the year. Last year this amounted to NOK 474 million in principal amount.

The Going Concern Assumption

Pursuant to the Norwegian Accounting Act section 3-3a, the board confirms that the requirements of the going concern assumption are met and that the annual accounts have been prepared on that basis. The financial solidity and the company's cash position are considered satisfactory in regards of the planned activity level for the next twelve months.

Financial Risk

Noreco's most significant risk factors are related court ruling, transaction risk and currency exchange rates. All of the company's bond debt has a fixed interest rate. More information on the management of financial risk can be found in the notes to the financial statements.

In December 2016 the Maritime and Commercial High Court in Copenhagen ruled in favor of the claimants (Noreco and its partners; Awilhelmsen Special Opportunities AS and QVT Financial LP) in the insurance case against the insurer of the Siri Platform. The amount awarded was approximately USD 470 million, including interest. Of the total amount, Noreco is entitled to approximately USD 270 million. The ruling was appealed by the counterparties. In May 2018, the Eastern High Court awarded Noreco approx. USD 20,8 million in the appeal case. Noreco has applied to the Danish Appeals Permission Board for permission to appeal the decision to the Supreme Court of Denmark, but has as a precautionary measure written down the book value of the claim to reflect the ruling from the Eastern High Court. The claim is recognised with NOK 171 million as a current receivable at 31 December 2017.

Health, Environment And Safety

Noreco puts emphasis on everyone performing company activities in line with good business integrity and with respect for people and the environment.

During 2017 Noreco was still involved in exploration and production of oil and gas which could cause emissions to the sea and air. Noreco's operations were in accordance with all regulatory requirements, and there were no breaches of these requirements in 2017.

Personnel Resources And Working Environment

At the start of 2017 the company had 6 employees, and at the end of the year this number was increased to 8. At the end of 2017, 50 per cent of the employees were women compared to 33 per cent in 2016.

The company's board of directors consists of two women and three men, all elected by shareholders. There are no longer any employee representatives on the Board. At the end of 2017, 40 per cent of the board members were women, same as at end 2016.

Noreco pays equal salaries and gives equal compensation for positions at the same level, regardless of gender, ethnicity, religion or disabilities.

Sick leave in Noreco has decreased compared to previous years. The management's compensation is described in note 9 to the annual accounts.

Research And Development

The company has no activity within research and development.

Corporate Governance

The board wishes to maintain an appropriate standard on corporate governance and to fulfil the recommendations in the Norwegian Code of Practice for Corporate Governance.

Corporate governance in Noreco is based on equal treatment of all shareholders through the activity that the board and General Assembly practice. In total, 11 board meetings were held in 2017.

The activities of the board have been focused on promoting value preserving measures in the company's portfolio, strengthening the company's financial position and further developing the company strategy. Significant work was carried out by the board in 2017 regarding the implementation and execution of the new strategy.

On 8 March 2017 an Extraordinary General Meeting in Norwegian Energy Company ASA was held. The meeting approved an extension of the current option programme, entailing an extension of the maturity so that the options can be exercised up to 8 March 2019. The meeting also adopted an additional option programme giving the right to acquire or subscribe up to a total of 150 000 shares in the Company. The additional options must be exercised within 8 March 2019 and can be granted to key personnel of the Company, including members of the Board and future hires, as deemed appropriate by the Board. The general meeting also passed a resolution authorising the Board of Directors to acquire treasury shares up to an aggregate nominal value of NOK 7.094.730, the authorisation is valid until 8 March 2019. Additionally, the Board of Directors was authorised to increase the share capital with up to NOK 35 473 650, this authorisation is also valid until 8 March 2019.

On 11 April 2017, the Board allocated rights to acquire or subscribe up to 80,000 shares in Noreco at a strike price of NOK 260 per share. Lars Purlund was allocated 70,000 option rights and Riulf Frederik Rustad was allocated 10,000 option rights.

On 24 May 2017, the Annual General Meeting for 2017 was held in Oslo. The meeting approved that the remuneration of the members of the Board for the period from the AGM in 2017 until the AGM in 2018 should be:

Chairman:	NOK 450.000
Shareholder elected directors:	NOK 300.000
Employee elected directors:	NOK 150.000
Deputy Directors:	NOK 5.000 per meeting

Further information on corporate governance and corporate social responsibility can be found on the company's web site, www.noreco.com.

Ownership

There are no restrictions on the transfer of shares in Noreco. The company currently has approximately 2.700 shareholders, and approximately 37% percent of the shares are held by Norwegian residents.

Norwegian Energy Company ASA

In 2017, the parent company was a pure holding company, and the operating expenses mainly consisted of shareholder costs, M&A costs and payroll expenses. For comments on financial risk and market conditions and statement regarding going concern, please see other parts of this annual report. These comments are also valid for the parent company.

Parent Financial Results for 2017

Personnel expenses were NOK 25 million in 2017 for continued operations, increased by NOK 12 million compared to 2016 due to increased number of employees in addition to social tax on beneficial amount from option program realized by former CEO.

Other operating expenses amounted to NOK 13 million in 2017, compared to NOK 4 million last year. The 2017 operating expenses are influenced by a large amount of consulting fees mainly in relation to new business opportunities.

The net operating result for continued operations (EBIT) for 2017 was a loss of NOK 38 million compared to a loss of NOK 17 million in 2016, mainly caused by higher consulting fees and personnel expenses.

Net financial items amounted to an expense of NOK 133 million in 2017, compared to an income of NOK 14 million previous year. The decrease in net financial items is mainly due to the guarantee provision of NOK 280 million made in relation to the Asset retirement obligation in the Danish subsidiaries.

Write-down of financial assets amounts to NOK 273 million in 2017, guarantee provision of NOK 280 million made in relation to the Asset retirement obligation in the Danish subsidiaries, in addition to reversal of a previous write down of loan to Noreco Norway and write-down of Joint Venture loan.

Other financial expenses decreased from NOK 74 million in 2016 to NOK 39 million in 2017. The amount mainly consists of exchange loss.

The company's **net result** for the year from continued operations amounted to a loss of NOK 171 million compared to a loss of NOK 2 million in 2016.

Allocations

The result for the year for Norwegian Energy Company ASA in 2017 was a loss of NOK 171 million. The board proposes the following allocations:

Allocated to other equity	NOK 171 million
Total appropriation	NOK 171 million

Outlook

Noreco will continue work to enhance its reserves and production base, with specific focus on Denmark and the United Kingdom. The Company continued work with the new strategy in 2018 and has made substantial progress since year-end 2017.

The Company, together with its partners, received a strong ruling in the Siri case from the Maritime and Commercial High Court, the appeal in the Eastern High Court concluded on 23 March 2018 and the Company received the ruling on 4 May 2018. The Company has applied to the Danish Appeals Permission Board for permission to appeal the decision to the Supreme Court of Denmark.

Overall the Company is seeking to continue to maximise remaining values in its subsidiaries in all three jurisdictions it operates.

Oslo,
13 June 2018

Riulf Rustad
Chair

Tone Kristin Omsted
Board Member

Lars Purlund
Board Member

Marianne Lie
Board Member

John Philip Madden
Board Member

Riulf Frederik Rustad
Managing Director

Non-NGAAP Measures

Non-NGAAP Balance sheet for Norwegian Energy Company ASA

NOK million	Condensed NGAAP balance sheet 2017	Non-NGAAP 2017	Condensed NGAAP balance sheet 2016	Non-NGAAP 2016
Assets				
Restricted Cash	580	580	551	551
Investments in subsidiaries, loan to and receivables from group companies	276	1 760	171	1 670
Machinery and equipment	1	1	-	-
Bank deposits, cash and cash equivalents	26	26	49	49
Total assets	**883**	**2 367**	**771**	**2 270**
Equity				
Share capital	72	72	71	71
Other equity	299	1 484	454	1 406
Total equity	**371**	**1 556**	**525**	**1 477**
Liabilities				
Bond loan	161	161	156	156
Guarantee provision	280	578		547
Debt to group companies	55	55	84	84
Trade payables and other current liabilities	16	15	6	6
Total liabilities	**512**	**809**	**246**	**793**
Total equity and liabilities	**883**	**2 366**	**771**	**2 270**

The differences between the NGAAP and the non-NGAAP balance sheet consist of the following:

Though the ruling from Danish High Court only awarded Noreco a total compensation of USD 20.8 million, the company remains confident in a compensation significantly above this amount and is consequently working on appealing the ruling to the Danish Supreme Court. The above Non-GAAP balance sheet is representing the company's view on a fair value of the subsidiaries. The value has been increased by Noreco's share of the result of the Siri insurance case as ruled by the Danish Maritime and Commercial High Court and not yet accounted for in the NGAAP balance . Basis is the amount previously awarded before interest (USD 208 million) adjusted for tax and amount already accounted for in the value of the Danish subsidiaries (USD 59.7 million less tax). The ruling in the Danish High Court has not led to an impairment of the Danish subsidiaries; hence the starting point is unchanged and the amount adjusted for therefore is unchanged in USD compared to last year. Furthermore value of subsidiaries has been adjusted by the guarantee provision offset by a similar liability named "Guaranty provision"; hence no effect to the equity.

	2017	2016
Loan and receivables to group companies	276	171
Court	-340	–
Adjustment share of result from Siri Claim	1 245	951
Guarantee provision	578	547
Investment in subsidiaries, loan to and receivables from group companies	**1 760**	**1 670**

Equity: The value has been increased by the above mentioned increased value of the insurance case

Guarantee provision: This amount is relating to the guarantee (Escrow account above mentioned as Restricted cash) provided by Noreco ASA towards abandonment cost in the Danish subsidiaries. It is the view of the company that Noreco ASA will be liable for this amount and it therefore should be presented in the balance sheet. At the same time the company expects that he subsidiary will be able to repay the amount to Noreco ASA and the amount has consequently been treated as a recievable and included in investment in subsidiaries.

Statutory Accounts 2017

Norwegian Energy Company ASA (Parent)

Content

Income Statement for Norwegian Energy Company ASA (Parent)
for the year ended 31 December

NOK million	Note	2017	2016
Revenue		-	0
Total revenues		**-**	**0**
Personnel expenses	10, 14	(25)	(13)
Other operating expenses	13, 14	(13)	(4)
Total operating expenses		**(38)**	**(17)**
Net operating result (EBIT)		**(38)**	**(17)**
Interests received from group companies		65	68
Gain on extinguishment of debt	4	0	15
Interest income		0	1
Other financial income [1]		133	25
Write-down of financial assets	11	(273)	-
Interest expenses to group companies		(8)	(9)
Interest expenses		(11)	(12)
Other financial expenses [2]		(39)	(74)
Net financial items		**(133)**	**14**
Result before tax (EBT)		**(171)**	**(2)**
Net result for the year		**(171)**	**(2)**
Appropriation:			
Allocated to/(from) other equity		(171)	(2)
Covered by other paid-in capital			
Covered by share premium			
Total appropriation		**(171)**	**(2)**

1) Other financial income is group contribution of NOK 53 million and currency translation income NOK 80 million

2) Other financial expenses is currency translation expenses

Balance Sheet for Norwegian Energy Company ASA (Parent)
on 31 December

NOK million	Note	31.12.17	31.12.16
ASSETS			
Non-current assets			
Financial non-current assets			
Investment in subsidiaries	2	0	0
Loan to group companies		187	153
Restricted cash	3	578	547
Machinery and equipment		1	0
Total non-current assets		**766**	**700**
Current assets			
Receivables			
Receivables from group companies		89	18
Other current receivables		0	0
Total current receivables		**89**	**18**
Financial current assets			
Restricted cash	3	2	4
Bank deposits, cash and cash equivalents		26	49
Total financial current assets		**28**	**52**
Total current assets		**117**	**71**
Total assets		**883**	**771**
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	7,8	72	71
Total paid-in capital		**72**	**71**
Retained earnings			
Other equity	7	299	454
Total retained earnings		**299**	**454**
Total equity		**371**	**525**
Liabilities			
Provisions			
Guarantee provisions	11	280	-
Deferred tax	12	-	-
Total provisions		**280**	**-**
Other non-current liabilities			
Bond loan	4	–	156
Total other non-current liabilities		**–**	**156**
Current liabilities			
Bond loan	4	161	0
Trade payables		4	(4)
Debt to group companies		55	84
Other current liabilities	5	12	10
Total current liabilities		**232**	**89**
Total liabilities		**512**	**246**
Total equity and liabilities		**883**	**771**

Cash Flow Statement for Norwegian Energy Company ASA (Parent)
for the year ended 31 December

NOK million	Note	2017	2016
Net result for the period		(171)	(2)
Adjustments to reconcile net result before tax to net cash flows from operating activities:			
Depreciation and writedowns		0	0
Write-downs	11	273	-
Unrealised loss / (gain) related to financial instruments		-	(1)
Share based payment		13	–
Gain on extinguishment of debt	4	–	(15)
Interest received /paid - net		13	1
Group contribution and impairments with no cash effect		(67)	–
Effect of changes in exchange rates		(45)	(31)
Changes in working capital			
Changes in trade receivable		(71)	59
Changes in trade payables		8	(4)
Changes in other current balance sheet items		14	31
Net cash flow from operations		**(33)**	**37**
Cash flows from financing activities			
Issue of share capital		4	-
Payment of loans from group companies		11	13
Payment of loans to group companies		–	(94)
Repurchase own bonds			(170)
Interest paid		(5)	(10)
Net cash flow from (used) in financing activities		**10**	**(262)**
Net change in cash and cash equivalents		(23)	(225)
Cash and cash equivalents at the beginning of the period		49	274
Cash and cash equivalents at end of the year		**26**	**49**

1 Accounting principles

Norwegian Energy Company ASA is a public limited company registered in Norway, with headquarters in Oslo (Nedre Vollgate 1, 0158 Oslo)

The annual accounts for Norwegian Energy Company ASA (“Noreco” or “the Company”) have been prepared in compliance with the Norwegian Accounting Act (“Accounting Act”) and accounting principles generally accepted in Norway (“NGAAP”) as of 31 December 2017.

The Company is listed on the Oslo Stock Exchange under the ticker “NOR”.

The financial statements for 2017 were approved by the Board of Directors on 13 June 2018 to be approved by the Annual General Meeting on 28 June 2018.

Going concern
The Board of Directors confirm that the financial statements have been prepared under the presumption of going concern, and that this is the basis for the preparation of these financial statements. The financial solidity and the company’s cash position are considered satisfactory in regards of the planned activity level for the next twelve months.

Basis of preparation
The financial statements are prepared on the historical cost basis with some exceptions, as detailed in the accounting policies set out below. The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding.

Use of estimates
The preparation of financial statements in compliance with the Accounting Act requires the use of estimates. The application of the company’s accounting principles also require management to apply judgment. Areas, which to a great extent contain such judgments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, are described in the notes.

Revenues
Income from sale of services are recognised at fair value of the consideration, net after deduction of VAT. Services are recognised in proportion to the work performed.

Classification of balance sheet items
Assets intended for long term ownership or use have been classified as fixed assets. Receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year’s installment on long term liabilities and long term receivables are classified as current liabilities and assets.

For interest bearing debt where the company is required to be in compliance with financial covenants, the loans are classified as current liabilities if Noreco is in breach with the covenants to that extent that the loan would be payable on the demand of the creditor. If a waiver is agreed with the creditor prior to approval of these financial statements, the classification is carried forward in accordance with the payment schedule of the initial borrowing agreement.

Investments in subsidiaries
For investments in subsidiaries, the cost method is applied. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken as income. Dividends exceeding the portion of retained profit after the aquisition are reflected as a reduction in cost price. Dividend/group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount.

Asset impairments
Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cash flows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost of disposal and the recoverable amount.

Previous impairment charges are reversed in later periods if the conditions causing the write-down are no longer present.

Debtors
Trade debtors are recognised in the balance sheet after provision for bad debts. The bad debt provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Other debtors, both current and long term, are recognised at the lower of nominal and net realisable value. Net realisable value is the present value of estimated future payments. When the effect of a writedown is insignificant for accounting purposes this is, however, not carried out. Provisions for bad debts are valued the same way as for trade debtors.

Foreign currencies
Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet date. Exchange gains and losses relating to sales and purchases in foreign currencies are recognised as other financial income and other financial expenses.

Bonds and other debt to financial institutions
The Company's bond debt was restructured in early part of 2015. See the consolidated financial statement 2015 note 24 for more information. Interest-bearing loans and borrowings are initially recognised at cost and subsequently measured at historical cost. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised either in interest income and other financial items or in interest and other finance expenses within Net financial items. Financial liabilities are presented as current if the liabilities are due to be settled within 12 months after the balance sheet date, or if they are held for the purpose of being traded.

Other liabilities
Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

Taxes
The tax in the income statement includes payable taxes for the period, refundable tax and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carryforward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. Deferred tax and tax benefits which may be shown in the balance sheet are presented net. Deferred tax benefits on net tax reducing differences which have not been eliminated, and carryforward losses, is not presented in the balancesheet due to uncertainty about future earnings.

Tax reduction on group contributions given and tax on group contribution received, recorded as a reduction of cost price or taken directly to equity, are recorded directly against tax in the balance sheet (offset against payable taxes if the group contribution has affected payable taxes, and offset against deferred taxes if the group contribution has affected deferred taxes).

Deferred tax is reflected at nominal value.

Cash flow statement
The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

2 Investments in subsidiaries

Investments in subsidiaries are booked according to the cost method.

NOK million Subsidiaries	Location	Ownership/ voting right	Equity 31 December 2017	Net Income 2017	Book value
Altinex AS	Oslo	100 %	-360	2	-
Norwegian Energy Company UK Ltd	Great Britain	100 %	-7	-1	-
Djerv Energi AS	Oslo	100%	0	0	0
Book value 31.12.17					**-**

Investment in Altinex is unchanged compared to last year following an impairment test as of 31 December 2017. The impairment is justified by the overall value of subsidiaries in Altinex AS. The intercompany receivable related to the UK investment is impared to zero.

3 Restricted Bank Deposits

NOK million	2017	2016
Restricted cash pledged as security for abandonment obligation [1)]	578	547
Other restricted cash and bank deposits	2	4
Total restricted bank deposits	**580**	**551**

[1)] Restricted cash pledged as security for abandonment obligation in Denmark originally DKK 445 million adjusted for interest.

4 Borrowings

4.1 Summary of borrowings

The bond was entered into in March 2015 with a face value of NOK 600 million and final maturity on 6 March 2018. An extension of the bond was approved on 2 March 2018 with a new maturity date of 6 September 2018. The loan held a fixed interest rate of 6,5% p.a. with semi-annually payments only if available cash on the proceeds account (and subject always to the company having a lawful level of equity), otherwise payment-in-kind (PIK). The fixed interest rate was amended to 10% p.a. with effect from 6 March 2018.

In third quarter 2015 Noreco repaid approx. NOK 243 million at par on NOR10.

In first quarter 2016 Noreco repaid nominel NOK 200 million at 85% of par value. The Company has later PIKed interest on the bond. Remaining outstanding principal as per 31 December 2017 were NOK 161 million.

For more information please see the consolidated financial statement for Noreco, note 23

NOK million	2017	2016
Non current debt		
NOR10 bond loan	-	156
Total	-	156
Current debt	2017	2016
NOR10 bond loan	161	(0)
Total	**161**	**(0)**
Total borrowings	**161**	**156**

4.2 Covenants

Covenants relating to interest bearing debt outstanding on 31 December 2017

All the outstanding bonds at 31 December 2017 were subject to the same covenants. The covenants were in line with what is considered customary in the Norwegian high yield bond market. Norwegian Energy Company ASA (parent) was in line with the covenants at 31 December 2017.

4.3 Payment Structure

Payment structure loans after refinancing (NOK million):

Year	NOR10
2018	161
Total	**161**

Year	NOR10
Interest rate	6,50 %
2018	2
Total	**2**

4.4 Assets Pledged as Security for Interest Bearing Debt

Specification of assets pledged as security as at 31 December:

NOK million	2017	2016
Collateralised debt (book value)		
Bond loans	161	156
Total collateralised debt (book value)	161	156
Capitalised value in the consolidated accounts of assets pledged as securities		
Shares in subsidiaries	0	(0)
Total capitalised value	0	-0

5 Current Liabilities

NOK million	2017	2016
Accrued interest	3	3
Salary accruals	0	0
Other current liabilities	8	6
Total other current liabilities	**12**	**10**

6 Guarantees

Overview of issued guarantees on 31 December 2017

The parent company of the Group Norwegian Energy Company ASA ("Noreco") has issued a parent company guarantee on behalf of its subsidiary Norwegian Energy Company UK Ltd and Noreco Oil (UK) Limited. Noreco guarantees that, if any sums become payable by Norwegian Energy Company UK Ltd or by Noreco Oil (UK) Limited to the UK Secretary of State under the terms of the licence and the company does not repay those sums on first demand, Noreco shall pay to the UK Secretary of State on demand an amount equal to all such sums. Department for Business, Energy & Industrial Strategy, declined at the time of transfer of the license to withdraw Noreco Oil (UK)'s s29 notice with respect to the Huntington platform and pipeline. Under the forfeiture agreement Premier E&P ("Premier") assumes this risk as between Premier and Noreco, while this contingent liability to the Secretary of State would need to be recognised in any future sale of the company, Noreco Oil (UK) Limited does have recourse against Premier if it defaults in its performance.

On 6 December 2007, Noreco issued a parent company guarantee to the Danish Ministry of Climate, Energy and Building on behalf of its subsidiary Noreco Oil Denmark A/S and Noreco Petroleum Denmark A/S. It is still in existence but only now relevant insofar as participation in Lulita is concerned.

On 31 December 2012, Norwegian Energy Company ASA issued a parent company guarantee on behalf of its subsidiary Noreco Norway AS. Noreco guarantees that, if any sums become payable by Noreco Norway AS to the Norwegian Secretary of State under the terms of the licences and the company does not repay those sums on first demand, Norwegian Energy Company ASA shall pay to the Norwegian Secretary of State on demand an amount equal to all such sums. Norwegian Energy Company ASA intends to apply for a withdrawal of this guarantee because Noreco Norway AS was liquidated in Q1 2018.

On 6 December 2013, several subsidiaries in the Noreco group entered into Co-debtor guarantees related to the refinancing of outstanding bonds at that time. These are unconditional and irrevocable Norwegian law on-demand guarantee from the Guarantor securing the Obligor's obligations when they have become due under the Bond Agreement and any other Finance Document, including interest, cost and expenses, with payment by the Guarantor to be made within 10 business days of any demand, such guarantees to be qualified as required by Danish law with respect to any Danish Guarantor.

7 Shareholders' equity

Changes in equity	Share capital	Share premium	Other paid-in equity	Other equity	Total
Equity 31 December 2016	71			454	525
Proceeds from share issued	1	3		–	4
Options cost	–			13	13
Profit for the year				(171)	(171)
Equity 31 December 2017	**72**	**3**		**296**	**371**

8 Share capital and shareholder information

Changes in equity	2017	2016
Ordinary shares	7 194 730	7 094 730
Total shares	7 194 730	7 094 730
Par value (NOK 1)	10,00	10,00

The Group does not own any of its parent company shares. All shares have equal rights.

Changes in number of shares and share capital:

NOK million	No. of shares	Share Capital
Share capital on 1 January 2016	7 094 730	71
Share capital on 31 December 2016	**7 094 730**	**71**

NOK million	No. of shares	Share Capital
Share capital on 1 January 2017	7 094 730	71
Share issue 13 June 2017	50 000	1
Share issue 11 September 2017	50 000	1
Share capital on 31 December 2017	**7 194 730**	**72**

Changes in 2017

On 13 June 2017 the share capital of Noreco was increased by NOK 500,000 from NOK 70 947 300 to NOK 71 447 300 by issuance of 50 000 new shares, each at a nominal value of NOK 10, for a subscription price of NOK 42 per share. The new shares were subscribed for by Silje Augustson.

On 11 September 2017 the share capital of Noreco was increased by NOK 500,000 from NOK 71 447 300 to NOK 71 947 300 by issuance of 50 000 new shares, each at a nominal value of NOK 10, for a subscription price of NOK 42 per share. The new shares were subscribed for by Silje Augustson.

Existing mandates

The Board of Directors was in March 2017 granted a mandate by the General Meeting to increase the share capital by a total amount of up to NOK 35,5 million by one or more share issues in relation to the employee incentive schemes existing at any time for employees in the group as well as strengthening of the company`s balance sheet and in relations to business opportunities. The mandate expires on 8. March 2019. The share capital was increased by NOK 1 million in 2017.

Overview of shareholders at 6 June 2018:

Changes in equity	Shareholding	Ownership share	Voting share
Goldman Sachs Intern SECURITY CLIENT SEGR	2 165 050	30,09 %	30,09 %
Euroclear Bank S.A./ 25% CLIENTS	997 554	13,87 %	13,87 %
J.P. Morgan Bank (Ir JPMBI RE AIF CLIENTS	260 327	3,62 %	3,62 %
State Street Bank an S/A SSB CLIENT OMNI	214 662	2,98 %	2,98 %
ALTO HOLDING AS	144 000	2,00 %	2,00 %
OUSDAL AS	142 975	1,99 %	1,99 %
HANASAND EINAR MIKAL	135 000	1,88 %	1,88 %
Bank of America, N.A BANA LDN GCAS FOR UC	129 959	1,81 %	1,81 %
HANASAND LIV INGER	104 000	1,45 %	1,45 %
JPMorgan Chase Bank, S/A ESCROW ACCOUNT	99 376	1,38 %	1,38 %
Credit Suisse AG S/A CSAG Dub PB Clie	93 576	1,30 %	1,30 %
LEIKVOLLBAKKEN AS	80 777	1,12 %	1,12 %
TOPDANMARK LIVSFORSI BNY MELLON SA/NV	63 767	0,89 %	0,89 %
Banque Lombard Odier S/A GENERAL DOSSIER	63 469	0,88 %	0,88 %
MIDDELBORG INVEST AS	62 604	0,87 %	0,87 %
PERSHING LLC	51 920	0,72 %	0,72 %
REECO AS	47 630	0,66 %	0,66 %
MOROAND AS	47 500	0,66 %	0,66 %
DIRECTMARKETING INVE	47 244	0,66 %	0,66 %
Nordnet Bank AB	46 635	0,65 %	0,65 %
Total	**4 998 025**	**69,0 %**	**69,0 %**
Other owners (ownership <0,66%)	2 198 705	31,0 %	31,0 %
Total number of shares at 23. April 2018	**7 194 730**	**100 %**	**100 %**

9 Share-based compensation

Fair value of the option is calculated by external advisors using the Black and Scholes Merton option pricing model. Inputs to the option pricing model is for instance grant date, exercise price, expected exercise date, volatility and risk free rate.

Outstanding share options and bonus shares	
Total share options and bonus shares outstanding as at 1 January 2016	1 018
Share options granted in 2016	200 000
Share options and bonus shares forfeited by employees due to the discontinuation of the options program	(366)
Outstanding at 31 December 2016	**200 652**
Share options granted in 2017 [1)]	80 000
Share options excercised by former CEO [2)]	(100 000)
Share options and bonus shares forfeited by employees due to the discontinuation of the option program	(25)
Outstanding at 31 December 2017	**180 627**

1) The granted shares in 2017 have no vesting period and the fair value at grant date was NOK 141 per share .

2) The exercised shares in 2017 were exercised at a share price of NOK 250 per share for the shares exercised at 13 June 2017 and NOK 296 per share for the shares exercised at 11 September 2017.

Grants	Exercise price	Outstanding share options and bonus shares at 31.12.2017	Average remaining contractual term	Weighted average exercise price
Share options programme 2014	1 600	627	1,32	1600
Share options programme 2016	42	100 000	1,19	42
Share options programme 2017	260	80 000	1,19	260
Total		**180 627**	**1,19**	**144**

10 Payroll expenses, number of employees, remunerations, etc

NOK million	2017	2016
Salaries (directors' fees)	(8)	(5)
Social security tax	(4)	(1)
Salaries from group companies	–	(0)
Costs relating to share based payments	(13)	(7)
Other personnel expenses	(0)	(0)
Total personnel expenses	**(25)**	**(13)**
Average number of man-years	5	3

See note 9 in the group annual report for further information on compensation to key management and Board of Directors etc.

11 Writedown of financial assets

NOK million	2017	2016
Writedown investments in subsidiaries	0	–
Net writedown loans to subsidiaries	7	–
Provision guarantee related to Danish subsidiaries	(280)	–
Total writedown of financial assets	**(273)**	**–**

Write down loans to subsidiaries mainly consist of impairment of the guarantee made by Noreco ASA in relation to the asset retirement obligation in the Danish subsidiaries of NOK 280 million and impairment of loans to Joint venture, Noreco Oil UK Ltd. and Noreco UK Ltd whereas previous write down of loan to Noreco Norway has been reversed following the liquidation of Noreco Norway in Q1 2018 resulting in a cash payment to Altinex.

12 Tax

Reconciliation of nominal to actual tax rate:

NOK million	2017	2016
Result before tax	(171)	(2)
Corporation income tax of income (loss) before tax — 24%	(41)	(1)
Additional income tax of income (loss) before tax — 54%	–	–
Sum calculated tax expense	**(41)**	**(1)**
Permanent differences	1	8
Changes in deferred tax asset — not recognised	40	–
Reduction in loss carry forward — debt forgiveness		(8)
Changes in tax rate	–	–
Income tax expense	**(0)**	**(0)**

Deferred tax liability and deferred tax assets:

NOK million	2017	2016
Net operating loss deductible	529	649
Fixed assets	(0)	–
Liabilities	280	–
Tax base deferred tax liability / deferred tax asset	809	649
Net deferred tax liability / (deferred tax asset) (23%/24%)	(186)	(156)
Unrecognised deferred tax asset	186	156
Deferred tax liability / (deferred tax asset) recognised	–	–
Recognised deferred tax asset	–	–
Recognised deferred tax liability	–	–

13 Other operating expenses and audit fees

NOK million	2017	2016
Continued operations		
Lease expenses	(1)	(1)
IT expenses	(1)	(1)
Travel expenses	(2)	(2)
General and administrative costs	(0)	(0)
Consultant fees	(6)	(1)
Other operating expenses	(2)	(1)
Total other operating expenses	**(13)**	**(4)**

Expensed audit fee:

NOK million	2017	2016
Statutory audit (incl. audit related services with financial statements)	(1)	(1)
Total audit fees	**(1)**	**(1)**

VAT is not included in the audit fee

14 Related party transactions

Transactions with related party NOK million	2017	2016
a) Allocation of cost to group companies	12	–
b) Purchases of services	7	6
c) Sale of assets	–	–

Interest income and interest expenses to group companies are presented separately in the income statement.

Services are charged between group companies at an hourly rate which corresponds to similar rates between independent parties. The revenue is registered as a cost reduction since operationally it is considered cost sharing.

The allocation of service cost to group companies amounts to NOK 12 million for 2017.

Purchase of services includes consultancy cost from the Chair and a Boardmember of NOK 6 million in addition to office rent of NOK 1 million.

Noreco is renting offices from Riulf Rustad at a cost of NOK 84.000 pr month. The agreement is assumed to be at arm's length.

Balances with group companies
Carrying value of balances with group companies are stated on the face of the balance sheet and are all related to 100 percent controlled subsidiaries.

Noreco did not have any other transactions with any other related parties during 2017. Directors' fee paid to shareholders and remuneration to management is described in Note 9 in the consolidated financial statements.

Consolidated Statements

Content

Consolidated Statement of Comprehensive Income

NOK million	Note	2017*	Restated 2016**
Continued operation			
Revenue	**5,6**	**10**	**11**
Production expenses	7	(386)	(5)
Exploration and evaluation expenses	8	-	(0)
Payroll expenses	9,21	(29)	(20)
Other operating expenses	10	(33)	(11)
Other (losses)/ gains	11	-	1
Total operating expenses		**(448)**	**(35)**
Operating results before depreciation and write-downs		**(439)**	**(23)**
Depreciation		(1)	(1)
Net operating result		**(440)**	**(24)**
Financial income	14,32	180	82
Financial expenses	14,32	(165)	(149)
Net financial items		**14**	**(67)**
Result before tax		**(426)**	**(91)**
Income tax benefit	15	(9)	65
Net result for the year continued operation		**(435)**	**(26)**
Discontinued operation			
Profit (loss) from discontinued operation (net of income tax)	5	102	304
Net result for the period		**(332)**	**279**
Currency translation adjustment		20	8
Total other comprehensive result for the year (net of tax)		**20**	**8**
Total comprehensive result for the year (net of tax)		**(312)**	**287**
Earnings per share (NOK 1)			
Basic	16	(46,2)	39,3
Diluted	16	(45,4)	38,2
Earnings per share continuing operation (NOK 1)			
Basic	16	(60,4)	(3,6)
Diluted	16	(59,4)	(3,5)

Note 1 to 31 are an integral part of these consolidated financial statements

*) The financial statements for the year ended 2017 has been changed compared to the Annual financial statements approved by the Board of Directors on 25 April 2018. The previously booked Siri claim of USD 59 million has been replaced by the awarded amount from the latest verdict USD 20,8 million including interest. Both the reversal of the previously booked Siri claim and the new awarded amount is booked as production expenses apart from interest booked through financial income. These changes have been made in these re-issued 2017 Annual financial statements. Notes have been adjusted accordingly. The Group has in 2017 determined that hedge accounting could not be used according to IAS39, and has corrected this by increasing financial expenses by NOK 26,5 million, reduced result before and after tax by the same amount. Total comprehensive income was not affected.

**) See note 32 for changes in restated 2016

Consolidated Statement of Financial Position
as of 31 December

NOK million	Note	31.12.2017*	31.12.2016
Non-current assets			
Deferred tax assets	15	(0)	9
Property, plant and equipment	13	11	12
Restricted cash	18,19	598	591
Receivables	17	–	510
Total non-current assets		**609**	**1 122**
Current assets			
Tax refund	15	(0)	397
Trade receivables and other current assets	17,19	174	8
Restricted cash	18,19	2	4
Bank deposits, cash and cash equivalents	18,19	133	89
Total current assets		**310**	**498**
Total assets		**919**	**1 620**
Equity			
Share capital	20	72	71
Other equity	20,25	69	366
Total equity		**141**	**437**
Non-current liabilities			
Deferred tax	15	0	23
Asset retirement obligations	22	593	563
Bond loan	19,23,26	-	153
Total non-current liabilities		**593**	**739**
Current liabilities			
Bond loan	19,23,26	155	377
Other interest bearing debt	19,23,26	(0)	(0)
Tax payable	15	-	0
Trade payables and other current liabilities	19,24	30	67
Total current liabilities		**185**	**444**
Total liabilities		**778**	**1 183**
Total equity and liabilities		**919**	**1 620**

Note 1 to 31 are an integral part of these consolidated financial statements

*) The financial statements for the year ended 2017 has been changed compared to the Annual financial statements approved by the Board of Directors on 25 April 2018. The previously booked Siri claim of USD 59 million has been replaced by the awarded amount from the latest verdict USD 20,8 million including interest. The previously booked Siri claim is reversal of long term receivables while the awarded amount from the last verdict is short term receivables. These changes are shown in the re-issued 2017 Annual financial statement. Notes have been adjusted accordingly.

Oslo,
13 June 2018

Riulf Rustad
Chair

Tone Kristin Omsted
Board Member

Lars Purlund
Board Member

Marianne Lie
Board Member

John Philip Madden
Board Member

Riulf Frederik Rustad
Managing Director

Consolidated Statement of Change in Restated Equity

NOK million	Note	Share capital	Currency translation fund	Other equity	Total equity
Equity at 01.01.2016		**71**	**465**	**(392)**	**144**
Net result for 2016				279	279
Comprehensive income/(loss) for the period (net of tax)					
Currency translation adjustments		-	8	-	8
Total comprehensive income(loss) for 2016		**-**	**8**	**279**	**287**
Transactions with owners					
Proceeds from share issued	20	0	-	0	0
Share-based incentive program	25	-	-	7	7
Total transactions with owners for the period		**0**	**-**	**7**	**7**
Equity at 31.12.2016		**71**	**473**	**(107)**	**437**
Equity at 01.01.2017		**71**	**473**	**(107)**	**437**
Net result for 2017				(332)	(332)
Comprehensive income/(loss) for the period (net of tax)					
Currency translation adjustments		-	20	-	20
Total comprehensive income(loss) for 2017		**-**	**20**	**(332)**	**(312)**
Transactions with owners					
Proceeds from share issued	20	1	-	3	4
Share-based incentive program	25	-	-	13	13
Total transactions with owners for the period		**1**	**-**	**16**	**17**
Equity at 31.12.2017		**72**	**493**	**(424)**	**141**

Note 1 to 31 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows
for the year ended 31 December

NOK million	Note	2017	Restated 2016*
Net result for the period		(332)	279
Income tax benefit for total operations	15	(6)	(76)
Adjustments to reconcile net result before tax to net cash flows from operating activities:			
Tax refunded	15	401	119
Depreciation	13	(0)	1
Write-downs and reversal of write-downs	12,13,5	-	(245)
Expensed exploration expenditures previously capitalised	12	-	6
Share-based payments expenses	25	13	7
(Gain) / loss on sale of licences	11	-	(66)
Change in fair value of bonds	19	22	34
Unrealised loss / (gain) related to financial instruments		-	(1)
Interests received		-	3
Effect of changes in exchange rates (net foreign exchange loss)	14	20	8
Paid abandonment cost	22	(9)	0
Payment in kind interest with no cash effect		36	16
Reversal of Siri claim		343	
Changes in working capital			
Changes in trade receivable		1	0
Changes in trade payables		(37)	(1)
Changes in other current balance sheet items		(12)	75
Net cash flow from operations		**438**	**159**
Cash flows from investing activities			
Purchase of tangible assets	13	1	6
Purchase of intangible assets	12	-	(6)
Net cash outflow from divestment of assets		-	(31)
Net cash flow used in investment activities		**1**	**(31)**
Cash flows from financing activities			
Issue of share capital		4	-
Repayment of bonds	23	(393)	(179)
Repayment of exploration facility	23	-	(110)
Repurchase own bonds	23	-	(170)
Interest paid	23	(5)	(31)
Net cash flow from (used) in financing activities		**(394)**	**(491)**
Net change in cash and cash equivalents		**45**	**(363)**
Cash and cash equivalents at the beginning of the year	18	89	452
Cash and cash equivalents at end of the year	**18**	**133**	**89**

*) See note 32 for changes in restated 2016

Notes

1 General information

Norwegian Energy Company ASA ("Noreco", "the Company" or "the Group") is a public limited company registered in Norway, with headquarters in Oslo (Nedre Vollgate 1, 0158 Oslo). The Company has subsidiaries in Norway, Denmark and the United Kingdom. The Company is listed on the Oslo Stock Exchange.

The consolidated financial statements for 2017 was approved by the Board of Directors on 13 June 2018 for adoption by the General Meeting on 28 June 2018. These consolidated financial statements replaces the previously issued financial statements for 2017, approved by the Board of Directors on 25 April 2018. The reason for the re-issue of the 2017 financial statements is a precautionary measure following the verdict by the Eastern High Court on 4 May 2018.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Group also provides the disclosure requirements as specified under the Norwegian Accounting Law (Regnskapsloven).

2.1 Basis of preparation

The consolidated financial statements of Norwegian Energy Company ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations from the IFRS interpretation committee (IFRIC), as endorsed by the EU. The Group does also provide information which is obligated in accordance with the Norwegian Accounting Act and associated N-GAAP standards.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

In accordance with the Norwegian Accounting Act, section 3-3a, the Board of Directors confirms that the consolidated financial statements have been prepared under the assumption of going concern and that this is the basis for the preparation of the financial statements. The financial solidity and the Company's cash position at 31 December 2017 was considered satisfactory in regards of the planned activity level in 2018.

The Board of Directors is of the opinion that the consolidated financial statements give a true and fair view of the Company's assets, debt, financial position and financial results. The Board of Directors are not aware of any factors that materially affect the assessment of the Company's position as of 31 December 2017, besides what is disclosed in the Director's report and the financial statements.

The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding.

2.1.1 Changes in accounting policies and disclosures

Standards issued but not yet effective, which the Group has not early adopted IASB has issued multiple new standards and interpretations that may impact the Group, which are described below. These standards are not yet effective, and the Group has not early adopted these standards.

IFRS 9 Financial instruments
IFRS 9, effective from 1 January 2018, will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a new model for classification and measurement of financial assets and financial liabilities, a reformed approach to hedge accounting, and a more forward-looking impairment model. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling.

The standard permits early adoption, and was issued July 2014. IFRS 9 was endorsed by the EU in late 2016. IFRS 9 requires that for a financial liability designated as at fair value through profit or loss the effects of changes in the liability's credit risk shall be included in other comprehensive income instead of through profit and loss. This will be relevant for the bond loans recognized at fair value through profit or loss according to IAS 39. This will not have any effect on total equity. Comparative figures for 2017 shall be restated when reporting in 2018, unless determined to be immaterial.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except that the group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. The group plans to use practical expedients when measuring expected credit losses, taking into consideration the customer base, historical experience, outlook and detailed evaluation of some individual balances. The effect of classification of financial instruments and the expected credit loss principle are not expected to have any significant impact on the financial statements of the group and the group do not expect any effect on equity 1 January 2018.

IFRS 15 Revenue from contracts with customers

IFRS 15 is a joint revenue recognition standard issued from IASB and FASB and is effective from 1 January 2018, with earlier adoption allowed. The standard presents a single, principles-based five-step model for determination and recognition of revenue to be applied to all contracts with customers. The standard replaces existing IFRS requirements in IAS 11 Construction Contracts and IAS 18 Revenue, as well as supplemental IFRIC guidance. The standard was endorsed by the EU in October 2016. The Group plans to apply the modified retrospective approach only to contracts that are not completed at 1 January 2018. Under this method, comparative figures are not restated and the cumulative effect of initially applying the standard (if any) would be recognized at the date of adoption. Under IFRS 15, revenue will be recognised when the customer obtains control of the hydrocarbons, which will ordinarily be at the point of delivery when title passes. The changes in over/underlift balances currently included in revenues under the Group's entitlement method do not meet the IFRS 15 definition of revenue from contracts with customers, but will still be included as a form of revenue. The Group does not expect any impact on equity at adoption of IFRS 15 at 1 January 2018.

IFRS 16 Leases

IFRS 16 was issued by IASB in January 2016, and is effective from 1 January 2019, covers the recognition of leases and related disclosure in the financial statements, and will replace IAS 17 Leases. In the financial statement of lessees, the new standard requires recognition of all contracts that qualify under its definition of a lease as right- of-use assets and lease liabilities in the balance sheet, while lease payments are to be reflected as interest expense and reduction of lease liabilities. The right-of-use assets are to be depreciated in accordance with IAS 16 Property, Plant and Equipment over the shorter of each contract's term and the assets' useful life. The standard consequently implies a significant change in lessees' accounting for leases currently defined as operating leases under IAS 17, both with regard to impact on the balance sheet and the statement of income. IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. While this definition is not dissimilar to that of IAS 17, it would have required further evaluation of each contract to determine whether all leases included or contracts currently not defined as leases, would qualify as leases under the new standard. The standard introduces new requirements both as regards establishing the term of a lease and the related discounted cash flows that determine the amount of a lease liability to be recognised. The standard requires adoption either on a full retrospective basis, or retrospectively with the cumulative effect of initially recognising the standard as an adjustment to retained earnings at the date of initial application, and if so with a number of practical expedients in transitioning existing leases at the time of initial application. The standard was endorsed in November 2017 by the EU. The Noreco Group currently leases some office equipment and premises, currently classified as operating leases. Due to the size of lease payments and the duration of the contracts, IFRS 16 is not expected to have a material impact on the Consolidated balance sheet or statement of income.

Other amendments to standards.

The disclosure initiative amendments to IAS 7 Statement of Cash Flows, effective from 1 January 2017, establish certain additional requirements for disclosure of changes in financing liabilities. Other standards and amendments to standards, issued but not yet effective, are either not expected to impact Norecos Consolidated financial statements materially, or are not expected to be relevant to the Consolidated financial statements upon adoption.

2.2 Consolidation

a) Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

As of 31 December 2017, all consolidated subsidiaries are 100 percent controlled by the parent company, Norwegian Energy Company ASA or other group companies. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company does not differ from the proportion of ordinary shares held. The parent company does not have any shareholdings in the preference shares of subsidiary undertakings included in the group. All subsidiary undertakings are included in the consolidation. The group had the following subsidiaries on 31 December 2017:

Name	Country of incorp and place of business	Nature of business	Ordinary shares directly held by parent (%)	Ordinary shares held by the group (%)
Altinex AS	Norway	Intermediate holding company	100 %	100 %
Norwegian Energy Company UK Ltd	Great Britain	Exploration activity in Great Britain	100 %	100 %
Noreco Norway AS	Norway	Monetizing the company's assets with the aim of repaying outstanding debt after which the company will be liquidated in Q1 2018		100 %
Djerv Energi AS	Norway	Dormant Company	100 %	100 %
Noreco Denmark A/S	Denmark	Intermediate holding company		100 %
Noreco Oil Denmark A/S	Denmark	Exploration and production activity in Denmark		100 %
Noreco Petroleum Denmark A/S	Denmark	Production activity in Denmark		100 %
Noreco Oil (UK) Ltd	Great Britain	Production activity in Great Britain		100 %

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Inter-company transactions, balances, income and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

b) Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c) Disposal of subsidiaries
When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

d) Interest in jointly controlled assets
A jointly controlled asset is a contractual agreement between two or more parties regarding a financial activity under joint control. The Group has ownership in licences that are not separate legal companies. The Company recognises investments in jointly controlled assets by applying the proportionate consolidation method by accounting for its share in the assets income, cost, assets, debt and cash flow in the respective line items in the Company's financial statements.

2.3 Segment reporting

The group's segments were established on the basis of the most appropriate distribution of resource and result measurement. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director. After the restructuring in 2015, the whole group is considered as a single operating segment.

2.4 Foreign currency translation

a) Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Norwegian Kroner (NOK), which is the group's presentation currency and the parent company's functional currency.

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses are recognised in the income statement as other financial income or other financial expenses.

c) Group companies
The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

I) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

II) income and expenses for each income statement are translated at the average quarterly exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
III) All currency translation adjustments are recognised in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation adjustments arising are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment include production facilities, machinery and equipment. Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes purchase price or construction cost and any costs directly attributable to bringing the assets to a working condition for their intended use, including capitalised borrowing expenses incurred up until the time the asset is ready to be put into operation.

For property, plant and equipment where asset retirement obligations for decommissioning and dismantling are recognised as a liability, this value will be added to acquisition cost for the respective assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement using the effective interest method.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and depreciated separately.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gain or loss from sale of property, plant and equipment, which is calculated as the difference between the sales consideration and the carrying amount, is reported in the income statement under other (losses)/gains.

Expenses related to drilling and equipment for exploration wells where proven and probable reserves are discovered are capitalised and depreciated using the unit-of-production (UoP) method based on the proven and probable reserves expected to be produced from the well. Development cost related to construction, installation and completion of infrastructural facilities such as platforms, pipelines and drilling of production wells, are capitalised as producing oil and gas fields. They are depreciated using the unit-of-production method based on the proven and probable developed reserves expected to be recovered from the area for the economic lifetime of the field. For fields where the oil share of the reserves constitutes the most significant part of the value, the capitalised cost is depreciated based on produced barrels of oil. This gives a more correct matching of expenses and revenue than using all produced oil equivalents. If realisation of the probable reserves demands further future investments, these are added to the basis of depreciation.

Acquired assets used for extraction and production of petroleum deposits, including licence rights, are depreciated using the unit-of-production method based on proven and probable reserves.

Historical cost price for other assets is depreciated over the estimated useful economic life of the asset, using the straight line method.

The estimated useful lives are as follows:
• Office equipment and fixtures: 3-5 years

Depreciation methods, useful lives, residual values and reserves are reviewed at each reporting date and adjusted if appropriate.

2.5.1 Property, plant and equipment held for sale

Property, plant and equipment are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are measured at the lower of carrying amount and the fair value less costs of disposal.

2.6 Intangible assets

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

In connection with divestment of assets, gain or loss is calculated by settling all carrying balances related to the realised asset and comparing this with the agreed consideration adjusted for any pro/contra settlement.

In cases where the sold asset forms a part of a cash generating unit to which goodwill is allocated, goodwill is allocated to the sold asset based on the relative share of fair value which forms part of the specific cash generating unit for goodwill. This method is used unless the Company can demonstrate that another method better reflects the goodwill related with the sold asset.

2.7 Impairment of non-financial assets

a) Unit of account
The Group applies each prospect, discovery, or field as unit of account for allocation of profit or loss and balance sheet items.

When performing impairment testing of licence and capitalised exploration expenses and production facilities, each prospect, discovery, or field is tested separately as long as they are not defined to be part of a larger cash generating unit.

Developed fields producing from the same offshore installation are treated as one joint cash generating unit.

The size of a cash-generating unit can not be larger than an operational segment.

Goodwill is tested for impairment at the same level in which the goodwill is allocated. During 2015 all goodwill was impaired.

b) Impairment testing
Intangible assets with an indefinite useful life are not subject to amortisation and are tested annually for impairment. Property, plant and equipment subject to amortisation are reviewed 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash- generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group's business, the operation and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a major line of business or geographical are of operations.
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic are of operations.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

2.9 Financial assets

2.9.1 Classification

The Group classifies financial assets in the following categories: Financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose of the asset. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as available-for-sale unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', "restricted cash" and 'cash and cash equivalents' in the balance sheet (notes 2.11 and 2.12).

2.9.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or

loss, are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains' in the period in which they arise.

2.10 Impairment of financial assets

a) Assets carried at amortised cost
The Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired at the end of each reporting period. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to- maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.11 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group has no derivatives designated as hedging as of 31 December 2017.

2.12 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash, bank deposits and short term liquid placements, that immediately and with insignificant share price risk can be converted to known cash amounts and with a remaining maturity less than three months from the date of acquisition. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.14 Over/under lifting of hydrocarbons

Over lifting of hydrocarbons is presented as current liabilities, under lifting of hydrocarbons is presented as current receivables. The value of over lifting or under lifting is measured at the estimated sales value, less estimated sales costs. Over lifting and under lifting of hydrocarbons are presented at gross value. Over/under lift positions at the balance sheet date, are expected to be settled within 12 months from the balance sheet date.
For the accounts, the items are treated as financial instruments at fair value through profit or loss. The item is considered to be a financial instrument as the over/under lift position will be settled in cash at the end of the fields' life time or when the licence is sold or returned.

2.15 Share capital and share premium

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or option shares are recognised as a deduction from equity, net of any tax effects.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are measured at fair value at first time recognition. Subsequent measurements are considered trade payables at amortised cost when using effective interest rate.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. The subsequent measurement depends on which category they have been classified into. The categories applicable for company are either financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortised cost using the effective interest method. The company has designated the amended and restated bond loan at fair value through profit or loss.

Borrowings are classified as non-current if contractual maturity is more than 12 months from the balance sheet date. If the Group is in breach with any covenants on the balance sheet date, and a waiver has not been approved before or on the balance sheet date with 12 months duration or more after the balance sheet date, the loan is classified as current even if expected maturity is longer than 12 months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or when the contractual obligation expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income as a gain or loss under financial items. Transaction costs incurred during this process are treated as a cost of the settlement of the old debt and included in the gain or loss calculation.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they incur.

2.19 Current and deferred income tax

The tax expense for the period comprises current tax, tax impact from refund of exploration expenses and 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, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets, and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects nether accounting nor taxable profit or loss. Deferred income tax is determined using nominal tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income 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 income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Companies engaged in petroleum production and pipeline transportation on the Norwegian continental shelf are subject to a special petroleum tax on profits derived from these activities. The special petroleum tax is currently levied at 54 per cent. The special tax is applied to relevant income in addition to the standard 24 per cent income tax, resulting in a 78 per cent marginal tax rate on income subject to petroleum tax. As of 31 December 2017, the deferred tax and deferred tax an asset relating to onshore activity in Norway is calculated with a tax rate of 24 per cent as a consequence of the change in tax rates, and for petroleum production and pipeline transportation an additional tax rate of 54 per cent is applied.

The basis for computing the special petroleum tax is the same as for income subject to ordinary income tax, except that onshore losses are not deductible against the special petroleum tax, and a tax-free allowance, or uplift, is granted at 5.4 per cent per year. Losses carry forward are calculated with a fixed interest rate per year. For 2017, this interest rate is 0.8 per cent.

Interest expenses on interest-bearing debts are distributed between onshore and offshore activities. The tax allowance for the offshore debt interests are calculated as interest expense multiplied by 50 per cent of the ratio between the tax value of the offshore asset and average interest-bearing debt. The remaining net financial expenses are allocated to onshore. Net finance costs onshore can be transferred to the continental shelf (24 per cent from 1 January 2017), ref. the Norwegian Petroleum Taxation Act §3d. If interest expense is to related parties and net interest expense exceeds NOK 5 million, they cannot be deducted for the amount that exceeds 30 per cent of ordinary income, adjusted for interest and tax depreciation. This rule applies from 2014, but the companies covered by the Norwegian Petroleum Taxation Act § 3 d are as of today exempt. The interest limitation rule will have limited impact on the Group. If a business liable for special tax is discontinued, and a loss has not been covered, the Company may claim payment from the Norwegian government of the tax value of its uncovered losses, ref. the Norwegian Petroleum Taxation Act §3c.

In Denmark the maximum marginal tax rate for oil and gas companies is 64 per cent, whereof 25 per cent is related to ordinary company tax. At the current oil price level, the Danish subsidiaries will not be in a position where they have to pay the extra petroleum tax. The current tax rate for the Danish companies is 25 per cent.

2.20 Pensions

The Group only has defined contribution plans as of 31 December 2017. For the defined contribution plan, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.21 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

Fair value:

- Including any market performance conditions
- Excludes the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period)

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period (which is the period over which all of the specified vesting conditions are to be satisfied).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

2.22 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event, and it is probable (more likely than not) that it will result in an outflow from the entity of resources embodying economic benefits, and that a reliable estimate can be made of the amount of the obligation.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22.1 Asset retirement obligations

Provisions reflect the estimated cost of decommissioning and removal of wells and production facilities used for the production of hydrocarbons. Asset retirement obligations are measured at net present value of the anticipated future cost (estimated based on current day costs inflated). The liability is calculated on the basis of current removal requirements and is discounted to present value using a risk-free rate adjusted for credit risk. Liabilities are recognised when they arise and are adjusted continually in accordance with changes in requirements, price levels etc. When a decommissioning liability is recognised or the estimate changes, a corresponding amount is recorded to increase or decrease the related asset and is depreciated in line with the asset. Increase in the provision as a result of the time value of money is recognised in the income statement as a financial expense. If abandonment cost through agreements with partners have been limited to a given amount, this then forms the basis for the recognized liability.

2.23 Contingent liabilities and assets

Contingent liabilities are defined as:

- Possible obligations that arise from past events, whose existence depends on uncertain future events.
- Pesent obligations which have not been recognised because it is not probable that they will result in a payment.
- The amount of the obligation cannot be measured with sufficient reliability.

Specific mention of material contingent liabilities is disclosed, with the exception of contingent liabilities where the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements, but are disclosed if there is a certain probability that a benefit will accrue to the Group.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and added taxes. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the production of oil, gas and NGL (hydrocarbons) is recognised depending on the Group's share of production in the separate licences the Group is part of, independently of whether the produced oil and gas has been sold (the entitlement method). Over/under lifting of hydrocarbons as a consequence of the entitlement method is valued to estimated sale value minus estimated sales costs on the reporting date. Over/under lifting occurs when the Group has lifted and sold more or less hydrocarbons from a producing field than what the Group is entitled to at the lift time. See note 2.13 for description of accounting for over/under lifting of hydrocarbons in the balance sheet.

2.25 Production cost

Production cost is costs that are directly attached to production of hydrocarbons, e.g. cost for operating and maintaining production facilities and installations. Costs mainly consist of man-hours, insurance, processing costs, environmental fees, transport costs etc.

2.26 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.28 Consolidated statement of cash flow

The consolidated statement of cash flow is prepared according to the indirect method. See note 2.12 for the definition of "Cash and cash equivalents".

2.29 Subsequent events

Events that take place between the end of the reporting period and the issuing of the quarterly or annual accounts, will be considered if the event is of such a nature that it gives new information about items that were present on the balance sheet date.

3 Financial risk management

3.1 Financial risk factors

The group's activities expose it to financial risks: market risk (including currency risk, price risk, interest rate risk), credit risk and liquidity risk. The Group uses bonds to finance its operations in connection with the day to day business, financial instruments, such as bank deposits, trade receivables and payables, and other short term liabilities which arise directly from its operations, are utilised.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market risk comprises three types of risk: foreign currency risk, price risk and interest rate risk. Financial instruments affected by market risk include loans and borrowings, deposits, trade receivables, trade payables, accrued liabilities and derivative financial instruments.

(a) Foreign currency risk
The group is composed of businesses with various functional currencies in USD, GBP and NOK. The group is exposed to foreign exchange risk for series of payments in other currencies than the functional currency, mainly related to the ratio between NOK and USD, DKK and USD, and GBP and NOK. The Group's balance sheet includes significant assets and liabilities which are recorded in other currencies than the Group's presentation currency. As such the group's equity is sensitive to changes in foreign exchange rates. See Note 17 Trade receivables and other current receivables, Note 18 Restricted cash, bank deposits, cash and cash equivalents, Note 19 Financial instruments, Note 22 Asset retirement obligation, Note 23 Borrowings and Note 24 Trade payables and other payables, Note 28 Contingencies and commitments. A decrease in the closing rate of USD, GBP and DKK with 10 percent would have the following impact on financial assets, financial liabilities and equity:

NOK million	USD	GBP	DKK
Financial Assets	-17	0	-58
Financial Liabilities	0	0	-64
Equity	7	-1	0

The Company considers the currency risk relating to the different financial instruments to be low, as the main financial items held in a currency other than the functional currency of the respective components is offset by positions in other components of the Group. With regards to trade receivables and payables, the Company deems the exposure risk to be immaterial.

(b) Price risk
Noreco produces and sells hydrocarbons in Denmark and are as a result exposed to changes in commodity and oil prices. As of 31 December Noreco had outstanding bond debt, listed at Oslo Stock exchange, which is recorded at fair value. A deviation from recorded fair value would directly affect the company's recorded equity, and correspondingly the group is exposed to the development on the bond debt. An increase of 10% on the market value in comparison to par value on each of the bonds as of 31 December would influence the Net result negative for the period by approximately NOK 15 million.

(c) Interest rate risk
The Group has no loans with floating interest rate. Loans with fixed interest rate expose the Group to risk (premium/discount) associated with changes in the market interest rate. At year-end, the group has a total of NOK 161 million (2016: NOK 630 million) in interest-bearing debt (nominal value), of which NOK 161 million (2016: NOK 377 million) is classified as current. All the Group's debt are loans with a fixed interest rate. For further information about the Group's interest-bearing debt, see Note 23.

All bank deposits (NOK 684 million) are at floating interest rates. See note 18 Restricted cash, bank deposits, cash and cash equivalents for further information about bank deposits. The Group considers the risk exposure to changes in market interest to be at an acceptable level.

Liquidity risk
The remaining Noreco group will service the NOR10 bond loan. Completion of the financial restructuring in early 2015 implies that Noreco until final maturity of the bond loans in March 2018 will pay interest and instalments only to the extent that remaining liquidity is sound. However, if Noreco disposes of assets, all or the majority of the proceeds or increased cash-flow may be dedicated to down payment of the bond debt. After balance sheet date the company extended the final maturity of the bond loans until September 2018. The company doens not considere there to be any liquidity risk connected with the NOR10 bond.

Credit risk
The groups most significant credit risk arises principally from recognised receivables and insurance arrangements related to the group's operation. The credit risk arising from the production of oil, gas and NGL is considered limited, as sales during 2017 are to major oil companies with considerable financial resources. The counterparty in derivatives and insurance related issues are large international banks and insurance companies whose credit risk is considered low.

3.2 Capital risk management

The group's objectives when managing capital is to safeguard the group's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain an acceptable capital structure to reduce the cost of capital.

The group monitors the debt with the basis of cash flows, equity ratio and the gearing ratio. See further information regarding borrowings and covenants in Note 23.

3.3 Fair value estimation

The Group has certain financial instruments carried at fair value. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted)inactive markets for identical assets and liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the assetsorliability, either directly or indirectly.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specified valuation techniques used to value financial instruments include:
• Quoted market prices or dealer quotes for similar instruments;
• The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
• The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;

Level 3: Inputs for other assets or liabilities that are not based on observable market data

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the financial instruments included in this level. See Note 19 for fair value hierarchy and further information.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Due to the change in the Group's assets and liabilities the uncertainty related to the applied assumptions and estimates have reduced significantly during the year. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Estimated value of financial assets
For every reporting date, an assessment is made on whether objective evidence is present that financial assets or groups of financial assets should be written down. The Group has an insurance claim where the expected outcome is estimated in connection with the impairment test in accordance to IAS 39.

b) Income tax
All figures reported in the income statement and balance sheet are based on the group's tax calculations, and should be regarded as estimates until the tax for the year has been settled. Tax authorities can be of a different opinion than the company including what constitutes exploration cost and continental shelf deficiency in accordance with the Petroleum Taxation Act. See also Note 15.

c) Asset retirement obligation
Production of oil and gas is subject to statutory requirements relating to decommissioning and removal obligation once production has ceased. Provisions to cover these future decommissioning and removal expenditures must be recognised at the time the statutory requirement arises. The costs will often incur some time in the future, and there is significant uncertainty attached to the scale and complexity of the decommissioning and removal involved. Estimated future costs (estimated based on current costs inflated) are based on known decommissioning and removal technology, expected future price levels, and the expected future decommissioning and removal date, discounted to net present value using a risk-free rate adjusted for credit risk. Changes in one or more of these factors could result in changes in the decommissioning and removal liabilities; however through agreements with partners and the group structure these obligations are capped and very little uncertainty is attached to the estimates.

4.2 Critical judgements in applying the entity's accounting policies

a) Impairment testing of financial assets
The Group follows the guidance of IAS 39 to determine impairment of receivables recognised in accordance with amortised cost. This determination requires significant judgement. The Group has a receivable due from the company's insurance companies, and the judgement used as basis for the Company's impairment test include a number of technical and legally complex conditions. See Notes 19 and 28 for further information.

5 Discontinued operations

In October 2014, Noreco initiated a comprehensive financial restructuring due to a material decrease in the Company's debt servicing ability, a restructuring proposal was presented in February 2015. The restructuring proposal entailed that Noreco would be converting NOK 1 979 million of bond debt to equity with NOK 1 218 million of bond debt remaining on amended terms, including amended maturities, with possible payment-in-kind interest and no fixed amortizations except final maturity in three years, but with "cash sweep" if cash should become available. The restructuring proposal was approved in March 2015.

On 2 March 2016 it was announced that Noreco had divested its Norwegian exploration activities to Det norske oljeselskap ASA (Aker BP). The transaction constituted a ceasing of all of Noreco Norway's petroleum activities, and Noreco initiated the process of claiming Exit refund during first half of 2017. During Q4 2017 Noreco Norway received the Exit refund and repaid NOK 393 million to the bondholders in accordance with the approved bondholder proposal of 16 March 2016.

In December 2016 Noreco announced that its fully owned subsidiary Noreco Oil UK Limited had entered into an agreement to transfer its 20 % participating interest in the Huntington license with all rights and obligations to Premier Oil E&P UK Limited, resulting in a reversal of the previously accrued cost relating to production expense and asset retirement obligations related to the license. Due to tax loss carry forward the reversal has no tax implications.

Consolidated statement of income for discontinued operation

NOK million	2017	2016
Revenue	**-**	**(0)**
Production expenses	0	60
Exploration and evaluation expenses [1]	(1)	(16)
Payroll expenses	(0)	(14)
Other operating expenses	(4)	(24)
Other (losses) / gains [2]	112	65
Total operating expenses	**107**	**70**
Operating result before depreciation and write-downs (EBITDA)	**107**	**70**
Depreciation	(0)	-
Write-downs and reversals of write-downs	-	244
Net operating result (EBIT)	**107**	**314**
Financial income	2	11
Financial expenses	(21)	(31)
Net financial items	**(19)**	**(20)**
Result before tax (EBT)	**88**	**294**
Income tax benefit / (expense)	15	10
Net result for the period	**102**	**304**
Earnings per share discontinued operation (NOK 1)		
Basic	14,2	42,9
Diluted	14,0	41,7

NOK million	2017	2016
Net cash from operating activities	472	(382)
Net cash from investing activities	0	12
Net cash from financing activities	(390)	(107)
Net cash flow for the period [3]	**82**	**(477)**

1) Noreco Norway no longer has any exploration assets.

2) Proceedings from Dvalin settlement related to Noreco Norway AS

3) The cash from operating activities is related to the tax refund and Dvalin payment. The financing activities is related to the payment of NOR06 bond loan.

6 Revenue

NOK million	2017	2016
Continued operation		
Sale of oil	7	9
Sale of gas and NGL	2	2
Total revenue continued operation	**10**	**11**
Total revenue discontinued operation	**-**	**(0)**
Total revenue	**10**	**11**

As of year end the Group has only a 10% ownership in the Danish oilfield Lulita left as a continuing operation.

Revenue per customer, continued operation	2017	2016
INEOS E&P AS	100,0 %	100,0 %
Total	**100,0 %**	**100,0 %**

7 Production Expenses

NOK million	2017	2016
Continued operation		
Lulita	2	(5)
Siri [1]	(388)	–
Total production expenses continued operation	**(386)**	**(5)**
Total production expenses discontinued operation	**0**	**60**
Total production expenses	**(385)**	**55**

1) The ruling from Danish High Court only awarded Noreco a total compensation of USD 20,8 million including interest of USD 8,3 million. The amount already accounted for in the Danish subsidiaries of USD 59.7 million has been reversed while awarded amount has been accounted for.

8 Exploration and Evaluation Expenses

NOK million	2017	2016
Continued operation		
Total exploration and evaluation costs continued operation	**-**	**-**
Total exploration and evaluation costs discontinued operation	**(1)**	**(16)**
Total exploration and evaluation costs	**(1)**	**(16)**

9 Payroll Expenses and Remuneration

NOK million	2017	2016
Continued operation		
Salaries	(12)	(11)
Social security tax	(4)	(1)
Pensions costs (note 21)	(1)	(1)
Costs relating to share-based payments (note 25)	(13)	(7)
Other personnel expenses	(0)	(0)
Personnel expenses charged to operated licenses	-	0
Total personell expenses continued operation	**(29)**	**(20)**
Total personell expenses discontinued operation	**(0)**	**(14)**
Total personell expenses	**(30)**	**(34)**

	2017	2016
Average number of employees, continued operations	**8**	**6**
Average number of employees, discontinued operation	**-**	**20**
Average number of employees	**8**	**26**

The staff in the discontinued operation consist of the E&P organisation in Noreco Norway AS (discontinued during 2016).

Share based payments relate to the option program decided at the EGM in January 2016 for the benefit of the executive management. This option programme was in March 2017 extended until March 2019. During the year former CEO Silje Augustson exercised 100,000 of her share options resulting in high social security cost in 2017. The Board of Directors allocated 80,000 new share options in the second quarter. As a result of the high volatility in the share price the cost relating to share based payment increased by approx. NOK 11 million.

Compensation to key management for 2017

NOK 1 000	Remuneration	Bonus earned 2016, paid 2017	Retention bonus for 2016 paid 2017	Pension	Other remuneration 1)	Total compensation 2)	Number of shares 3)	Number of options	Shares purchased in 2017 4)
Senior executives									
Silje Christine Augustson, CEO 1)	1 529		-	-	107	1 636	50 000		100 000
Cecilie Olesen Lindseth, MD 2)	500	-	-	-	2	502			
Total compensation 2017	**2 029**	**0**	**0**	**0**	**109**	**2 138**	**50 000**	**0**	**100 000**
Total compensation 2016	1 731	0	0	0	0	1 731	10 000	0	10 000

1) Compensation includes salary as CEO. Silje Augustson was employed until 30 September 2017. She excersized her option program in June and August 2017 giving a total gain on share based payment of 22.85 million NOK. No severance payment was made to former CEO when leaving the company.

2) Compensation includes salary to Managing Director Cecilie Olesen Lindseth employed 1 October 2017. Riulf Frederik Rustad is constituted Managing Director with effect from 3 April 2018

3) Shares held as per the end of employment

The Company has not issued any loans or acted as a guarantor for directors or management.

NOK 1 000	Director's fees	Total compensation 1)	Number of shares 2)	Number of options 3)	Shares purchased in 2017 4)	Period served on the board	
Current Board of directors							
Riulf Rustad – Chair of the Board	450	3 354	142 975	100 000	-	27/03/15	-
Lars Purlund – Board member	300	2 454	12 559	70 000	-	26/05/16	-
Marianne Lie – Board member	300	300	2 000	-	-	26/05/16	-
Tone Kristin Omsted – Board member	300	300	-	-	-	26/05/16	-
John Philip Madden III – Board member	300	300	-	-	-	26/05/16	-
Total compensation 2017	**1 650**	**6 708**	**157 534**	**170 000**	**-**		
Total compensation 2016	1 538	8 200	182 534	200 000	152 329		

1) Total compensation includes for the Chair and each Director payment for services rendered as consultants in accordance with consultancy agreement with a remuneration of NOK 2,000 per hour. Approved by General meeting in 2016.
2) The number of shares owned by board members is allocated between private shareholding and shareholding through companies controlled by board members. Number of shares owned as of 31 December 2017
3) Total number of options according to the Company's incentive arrangement
4) Figures show the net increase in share holding in 2017

The Company has not issued any loans or acted as a guarantor for directors or management.

Directors' fees

The annual remuneration to board members is decided on by the Shareholder's Meeting. Current benefits are;
The Chair of the Board receives an annual remuneration of NOK 450 000 and the other shareholder elected members of the board receive an annual remuneration of NOK 300 000. The remuneration is paid quarterly. The Board members have entered into consultancy agreements to provide services to the Company on an hourly basis at a cost of NOK 2 000 per hour. Also Riulf Rustad will receive 1 per cent of net insurance proceeds received by the Noreco's bondholders and/or shareholders in connection with the Siri insurance claim.

Employee elected board representatives receive an annual remuneration of NOK 150 000, and deputy director of the board receive NOK 5.000 per meeting. The remuneration is paid quarterly.

In addition to the above, Board members are reimbursed for travel expenses and other expenses in connection with company related activities.

Board of Directors' Statement on Remuneration to the Managing Director and the Executive Officers

In accordance with §6-16a of the Norwegian Public Limited Liability Companies Act, the Board of Directors of Norwegian Energy Company ASA ("Noreco" or the "Company") has prepared a statement related to the determination of salary and other benefits for the Managing Director and other executive officers. The guidelines, set out below for the Managing Director's salary and other benefits, is for the coming fiscal year and will be presented to the shareholders for their advisory vote at the Annual General Meeting 28 June 2018. The total compensation package for the Managing Director shall be competitive, reflect the responsibilities and effort required, reward success and not the opposite, and also ensure alignment of interest with shareholders.

The remuneration package for the Managing Director includes fixed and variable elements. The fixed element consist of a base salary and other benefits, such as free mobile phone and life, accident and sickness insurance in accordance with normal practice in the oil industry.

The Managing Director, as opposed to earlier practice, does not have an employment agreement under which he is entitled to receive a severance payment equal to 12 months' base salary in addition to salary in the termination period if the employment is terminated.

Variable elements of remuneration may be used or other special supplementary payment may be awarded than those mentioned above if this is considered appropriate. At an extraordinary General Meeting held at 21 january 2016, the General assembley authorized the Board of Directors to grant options to buy or subscribe up to a total of 200,000 shares in the Company, 100,000 of which were granted to the former CEO (Silje Augustson). The option scheme was extended until 8 March 2019 by an extraordinary General Meeting in 2017. The current Managing Director has been granted 10,000 options.

Remuneration to the Managing Director will be evaluated regularly by the Board of Directors to ensure that salaries and other benefits are kept, at all times, within the above guidelines and principles.

Compensation to key management for 2016

NOK 1 000	Remuneration	Bonus earned 2015, paid 2016	Retention bonus for 2015 paid 2016	Pension	Other remuneration [1]	Total compensation [2]	Number of shares [3]	Number of options	Shares purchased in 2017 [4]
Senior executives									
Silje Christine Augustson CEO [1]	1 731	-	-	-	-	1 731	10 000	-	10 000
Total compensation 2016	**1 731**	**0**	**0**	**0**	**0**	**1 731**	**10 000**	**0**	**10 000**
Total compensation 2015	17 143	0	500	289	1 656	19 586	361	0	0

1) Compensation only includes salary as CEO, and not compensation as a board member

The Company has not issued any loans or acted as a guarantor for directors or management.

NOK 1 000	Director's fees	Total compensation [1]	Number of shares [2]	Number of options [3]	Shares purchased in 2017 [4]	Period served on the board	
Current Board of Directors							
Riulf Rustad, Chair of the Board	468	5 639	157 975	100 000	127 770	27/03/15	-
Lars Purlund, Board member	208	753	12 559	-	12 559	26/05/16	-
Marianne Lie, Board member	178	178	2 000	-	2 000	26/05/16	-
Tone Kristin Omsted, Board member	178	178	-	-	-	26/05/16	-
John Philip Madden III, Board member	178	178	-	-	-	26/05/16	-
Previous Board of Directors							
Silje Christine Augustson, Chair of the Board/Board member	165	611	10 000	100 000	10 000	27/10/14	26/05/16
Julien Balkany, Board member	162	662	-	-	-	27/03/15	26/05/16
Total compensation 2016	**1 538**	**8 200**	**182 534**	**200 000**	**152 329**		
Total compensation 2015	1 624	7 360	30 232	0	30 205		

1) Total compensation includes for the Chair and each Director payment for services rendered as consultants in accordance with consultancy agreement with a remuneration of NOK 2,000 per hour and success fee for sale of certain assets in the range of NOK 500 000 to NOK 1 000 000. Total compensation for Riulf Rustad also includes 1 percent of net insurance proceeds received by the Noreco's bondholders and/or shareholders in relation to the Siri insurance claim.

2) The number of shares owned by board members is allocated between private shareholding and shareholding through companies controlled by board members. Number of shares owned as of 31 December 2016

3) Total number of options according to the Company's incentive arrangement

4) Figures show the net increase in share holding in 2016

Director's fees

The annual remuneration to board members is decided on by the Shareholder's Meeting. Current benefits are;

The Chair of the Board receives an annual remuneration of NOK 450 000 and the other shareholder elected members of the board receive an annual remuneration of NOK 300 000. The remuneration is paid quarterly. The Board members have entered into consultancy agreements to provide services to the Company on an hourly basis at a cost of NOK 2 000 per hour. In addition the three board members elected by shareholders are compensated for a sale of certain assets in the range of NOK 500 000 to NOK 1 000 000. Also Riulf Rustad will receive 1 per cent of net insurance proceeds received by the Noreco's bondholders and/or shareholders in connection with the Siri insurance claim.

Employee elected board representatives receive an annual remuneration of NOK 150 000, and deputy director of the board receive NOK 5.000 per meeting. The remuneration is paid quarterly.

In addition to the above, Board members are reimbursed for travel expenses and other expenses in connection with company related activities.

10 Other Operating Expenses

Specification of other operating expenses

NOK million	2017	2016
Continued operation		
Lease expenses	(1)	(1)
IT expenses	(2)	(1)
Travel expenses	(2)	(2)
Office cost	(0)	(0)
Consultant fees [1)]	(26)	(3)
Other operating expenses	(2)	(4)
Total other operating expenses continued operation	**(33)**	**(11)**
Total other operating expenses discontinued operation	**(4)**	**(24)**
Total other operating expenses	**(37)**	**(35)**

1) Consultant fees in YTD 2017 include fees relating to the restructuring efforts and M&A.

NOK million	2017	2016
Continued operation		
Auditor's fees	(2)	(2)
Other assurance service	(0)	-
Other non-audit assistance	(0)	(0)
Total audit fees continued operation	**(2)**	**(3)**
Total audit fees discontinued operation	**-**	**-**
Total audit fees	**(2)**	**(3)**

11 Other (Losses) / Gains

NOK million	2017	2016
Continued operation		
Change in value, other derivatives	-	1
Total other (losses)/gains continued operations	**-**	**1**
Total other (losses)/gains discontinued operations	**112**	**65**
Total other (losses) / gains	**112**	**66**

12 Intangible Fixed Assets

Intangible fixed assets at 31 December 2017

NOK million	Licence and capitalised exploration expenditures	Goodwill	Total
Acquisition costs at 1 January 2017	(0)	7	7
Additions	-	-	-
Disposal	-	-	-
Currency translation adjustment	-	(0)	(0)
Acquisition costs at 31 December 2017	**-**	**7**	**7**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 1 January 2017		(7)	(7)
Disposal		-	-
Currency translation adjustment		0	0
Accumulated depreciation and write-downs 31 December 2017	**-**	**(7)**	**(7)**
Book value 31 December 2017	**-**	**-**	**-**

Impairment test was not performed in 2017 for intangible assets due to all intangible non-current assets being impaired in full during 2015, and no triggers or reversal triggers have been present in 2017.

Intangible fixed assets at 31 December 2016

NOK million	Licence and capitalised exploration expenditures	Goodwill	Total
Acquisition costs at 1 January 2016	(0)	1 095	1 095
Additions	6	-	6
Expensed exploration expenditures previously capitalised	(6)	-	(6)
Disposal	-	(1 087)	(1 087)
Reclassified to assets held for sale	-	38	38
Currency translation adjustment	0	(39)	(39)
Acquisition costs at 31 December 2016	**-**	**7**	**7**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 1 January 2016		(1 095)	(1 095)
Write-downs		-	-
Disposal		1 087	1 087
Reclassified to assets held for sale		(38)	(38)
Currency translation adjustment		39	39
Accumulated depreciation and write-downs 31 December 2016	**-**	**(7)**	**(7)**
Book value 31 December 2016	**-**	**(0)**	**(0)**

13 Property, Plant and Equipment

Property, plant and equipment at 31 December 2017

NOK million	Production facilities	Office equipment and fixtures	Total
Acquisition costs at 1 January 2017	(62)	6	(57)
Additions	0	1	1
Revaluation abandonment assets	0	-	0
Disposal	(0)	(0)	(0)
Currency translation adjustment	(10)	(0)	(10)
Acquisition costs at 31 December 2017	**(72)**	**6**	**(66)**
Accumulated depreciation			
Accumulated depreciation and write downs 1 January 2017	74	(6)	69
Depreciation	(0)	(0)	(0)
Write-downs / reversal of writedowns	(0)	-	(0)
Disposal	(0)	-	(0)
Currency translation adjustment	9	0	9
Accumulated depreciation and write downs 31 December 2017	**83**	**(5)**	**77**
Book value 31 December 2017	**10**	**1**	**11**
Economic life	N/A	3-5 years	
Depreciation plan	UoP	Straight line	

Property, plant and equipment at 31 December 2016

NOK million	Production facilities	Office equipment and fixture	Total
Acquisition costs at 1 January 2016	3 790	6	3 796
Additions	-	(6)	(6)
Revaluation abandonment assets	10	-	10
Disposal	(3 809)	6	(3 803)
Reclassified to assets held for sale	78	0	78
Currency translation adjustment	(131)	(0)	(131)
Acquisition costs at 31 December 2016	**(62)**	**6**	**(57)**
Accumulated depreciation			
Accumulated depreciation and write downs 1 January 2016	(3 788)	(6)	(3 793)
Depreciation	(1)	(0)	(1)
Write-downs / reversal of writedowns	-	1	1
Disposal	3 809	-	3 809
Reclassified to assets held for sale	(78)	0	(78)
Currency translation adjustment	131	0	131
Accumulated depreciation and write downs 31 December 2016	**74**	**(6)**	**69**
Book value 31 December 2016	**12**	**0**	**12**
Economic life	N/A	3-5 years	
Depreciation plan	UoP	Straight line	

14 Financial Income and Expenses

Financial income

NOK million	2017	2016
Continued operation		
Interest income	74	3
Change in fair value of bond debt	2	0
Foreign exchange gains [1]	104	79
Other financial income	-	0
Total financial income continued operation	**180**	**82**
Total financial income discontinued operation	**2**	**11**
Total financial income	**181**	**93**

Financial expenses	**2017**	**2016**
Continued operation		
Interest expense from bond loans	(31)	(45)
Interest expenses current liabilities	0	(0)
Accretion expense related to asset retirement obligations (ref note 23)	(0)	(0)
Foreign exchange losses [1]	(127)	(91)
Change in fair value of bond debt	(22)	(14)
Other financial expenses	14	1
Total financial expenses continued operation	**(165)**	**(149)**
Total financial expenses discontinued operation	**(21)**	**(31)**
Total financial expenses	**(186)**	**(180)**

Net financial items continued operation	**14**	**(67)**
Net financial items discontinued operation	**(19)**	**(20)**
Net financial items	**(5)**	**(87)**

1) The Group has in 2017 determined that hedge accounting could not be used according to IAS39, and has corrected this by increasing financial expenses by NOK 11 million in 2016 and and by NOK 26,5 million in 2017. The foreign exchange currency gains and losses is mainly related to the ARO and the restricted cash in relation to the ARO .

15 Tax

Income tax NOK million	2017	2016
Income (loss) before tax total	(338)	203
Income tax benefit / (expense) total	6	76
Equivalent to a tax rate of	**-1,7 %**	**37,3 %**
Income (loss) before tax continued operations	(426)	(91)
Income tax benefits / (expense) continued operations	(9)	65
Equivalent to a tax rate of	**-2,0 %**	**-71,8 %**
Income (loss) before tax discontinued operations	88	294
Income tax benefits / (expense) discontinued operations	15	10
Equivalent to a tax rate of	**16,6 %**	**3,5 %**

Noreco operates in three countries and different tax regimes with separate tax rates. As such, the weighted average tax rate varies from period to period based on variations of the tax basis. This year is higly influenced by bond loans measured at fair value.

Deferred tax asset and deferred tax liability are presented net for each jurisdiction and tax regime, where our legal entities have, or are expected to have a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Tax loss carry forward 31.03.18	Offshore		Onshore	
NOK million	Recognised	Un-Recognised	Recognised	Un-Recognised
Norway (offshore 53% / onshore 25%)				
Norwegian Energy Company ASA	–	–	–	529
Altinex AS	–	–	–	–
Denmark (offshore 39% / onshore 25%)				
Noreco Denmark A/S	–	–	–	–
Noreco Oil Denmark A/S (Chapter 2, 25%)	–	404	–	–
Noreco Oil Denmark A/S (Chapter 3a, 52%)	–	5 031	–	–
Noreco Petroleum Denmark A/S (Chapter 2, 25%)	–	16	–	–
Noreco Petroleum Denmark A/S (Chapter 3a, 52%)	–	822	–	–
UK (offshore 20% / onshore 30%)				
Norwegian Energy Company (UK) Ltd.		462	–	462
Noreco Oil (UK) Ltd.	–	769	–	596
Total tax loss carry forward	**–**	**7 504**	**–**	**1 587**

Tax loss carry forwards in the Danish offshore tax regime of NOK 5 853 million and NOK 420 million has been calculated according to Chapter 3A and Chapter 2 respectively in the Danish Hydrocarbon Taxation Act (kulbrinteskatteloven).

Current forecasts indicate that the remaining tax loss carry forward in Denmark and the UK will not be utilized until enhanced reserves and production base have been established. All figures reported in the income statement and the statement of financial position are based on Noreco's tax calculations, and should be considered estimates until the final tax return is settled for each specific year.

In January 2016 the Noreco Oil Denmark AS received a ruling resulting in an increased tax payment for 2011 of NOK 37 million which has been accounted for. However, the Company is of the opinion that all transactions have been treated correctly in the submitted tax returns and the ruling therefore has been challenged.

Tax refund

NOK million	2017	2016
Current assets		
Exit refund 2016	-	389
Tax refund related to Norwegian exploration activity in 2015	-	8
Total tax refund	**–**	**397**

Tax payable

NOK million	2017	2016
Tax payable other countries	-	0
Total tax payable	**-**	**0**

Reconciliation of nominal to actual tax rate

NOK million	2017	%	2016	%
Income (loss) before tax	**(338)**		**203**	
Calculated tax expense on profit before tax	81	24 %	(51)	25 %
Adjustment of calculated tax expense in foreign subsidiaries				
in relation to difference in tax rate	-	0 %		0 %
Petroleum tax expense	-	0 %		0 %
Tax effect of:				
Change in recognised deferred tax assets compared to previous years	(49)	-16 %	403	-199 %
Effect of change in tax rate	6	2 %	(11)	5 %
Permanent differences	(15)	-5 %	(267)	131 %
Currency translation adjustments	–	0 %		0 %
Other items	(17)	-5 %	1	0 %
Income tax benefit	**6**	**-2 %**	**76**	**37 %**

Deferred tax liability and deferred tax asset

NOK million	2017	2016
Net operating loss deductible	9 091	9 270
Fixed assets	(229)	(240)
Current assets	–	-
Liabilities	–	–
Other	(23)	(44)
Basis of deferred tax liability/deferred tax asset	**8 839**	**8 986**
Net deferred tax liability/deferred tax asset	**1 841**	**1 830**
Unrecognised deferred tax asset	1 841	1 844
Deferred tax liability/deferred tax asset recognised	**(0)**	**(14)**
Recognised deferred tax asset	(0)	9
Recognised deferred tax liability	(0)	(23)
Recognised deferred tax asset domestic	-	-
Recognised deferred tax asset foreign	(0)	9
Recognised deferred tax liability domestic	(0)	(23)
Recognised deferred tax liability foreign	-	-
Net deferred tax liability/deferred tax asset	**(0)**	**(14)**

Deferred tax asset is recognised for tax loss carry forwards and negative temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable.

For Noreco Oil (UK) Ltd (Huntington), this implies that only loss carry forwards sufficient to offset the total estimated taxable income used in the impairment test are considered probable.

All figures reported in the income statement and the balance sheet are based on Noreco's tax calculations, and should be considered as estimates until the final tax return is settled for each specific year.

16 Earnings per share

Earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares in issue during the year.

NOK million	2017	2016
Net total operations attributable to ordinary shareholders	(332)	279
Shares issued 1 January	7 094 730	7 094 730
Shares issued during the year	100 000	–
Reverse split	-	-
Shares issued at 31 December	**7 194 730**	**7 094 7310**
Weighted average number of shares	**7 137 230**	**7 094 730**
Earnings per share on total operations (NOK 1)		
Earnings per share	(46,2)	39,3
Diluted earnings per share [1)]	(45,4)	38,2
Earnings per share on continued operations (NOK 1)		
Earnings per share	(60,4)	(3,6)
Diluted earnings per share [1)]	(59,4)	(3,5)
Earnings per share on discontinued operations (NOK 1)		
Earnings per share	14,2	42,9
Diluted earnings per share [1)]	14,0	41,7

1) Diluted number of shares in 2017 includes 180.000 shares related to the options scheme for members of the Board and senior executives, and outstanding share options from previous years of 1018, while the diluted number of shares in 2016 includes 200.000 shares related to the options scheme for members of the Board and senior executives, and outstanding share options from previous years of 652.

17 Non-current receivables, trade receivables and other current receivables

NOK million	2017	2016
Non-current assets		
Other receivables [1)]	–	510
Total non-current assets	**–**	**510**
Current assets		
Trade receivables *	2	6
Receivables from operators relating to joint venture licences *	0	0
Underlift of oil/NGL *	1	1
Prepayments	0	0
Other receivables [1)]	171	0
Total trade receivables and other current receivables	**174**	**8**

* See note 19 for fair value disclosures

1) The company continues to progress an insurance claim which is related to damage to the Siri platform that was discovered in 2009. The total claim exceeds NOK 3 billion, of which NOK 171 million is recognised as a current receivable at 31 December 2017. The book value of the receivable has been written down from USD 59 million to reflect the latest ruling from the Eastern High Court. Based on technical documentation containing third party evaluations and the insurance agreements, the company remains firm that the claim is covered and at a minimum the booked amounts will be awarded.

On December 15 2016 the court ruling on the Siri insurance claim was announced. The Maritime and Commercial High Court in Copenhagen ruled in favour of the claimants (Noreco and its partners; Awilhelmsen Special Opportunities AS and QVT Financial LP) an amount to approximately USD 470 million, including interest. Of the total amount, Noreco is entitled to approximately USD 270 million. Noreco's share, excluding interest, amounts to USD 207 million equal to NOK 1.6 billion less tax.

On 27 February 2017, it was announced that the Eastern High Court in Copenhagen Received an appeal from the counterparty in relation to the Siri insurance claim court case. The Eastern High Court handled the appeal in March 2018 and a ruling was given in May 2018 in which Noreco was awarded approx USD 12,5 million plus additional interest of approx USD 8,3 million. Noreco believes that the decision from the Eastern High Court as a principle is incorrect and will apply to the Danish Appeals Permission Board for permission to appeal to the Supreme Court of Denmark.

Ageing analysis of trade receivables and other short term receivables on 31 December 2017

NOK 1 000	Total	Not past due	Past due > 30 days	30-60 days	61-90 days	91-120 days	> 120 days
Trade receivables	2	2	-	-	-	-	-
Receivables from operators relating to joint venture licences	0	0	-	-	-	-	-
Underlift of oil/NGL	1	1	-	-	-	-	-
Prepayments	0	0	-	-	-	-	-
Other receivables	171	171	-	-	-	-	-
Total	**174**	**174**	**-**	**-**	**-**	**-**	**-**

Ageing analysis of trade receivables and other short term receivables on 31 December 2016

NOK 1 000	Total	Not past due	Past due > 30 days	30-60 days	61-90 days	91-120 days	> 120 days
Trade receivables	6	2	-	-	-	–	5
Receivables from operators relating to joint venture licences	0	0	-	-	-	-	-
Underlift of oil/NGL	1	1	-	-	-	-	-
Prepayments	0	0	-	-	-	-	-
Other receivables	0	0	-	-	-	-	-
Total	**8**	**4**	**-**	**-**	**-**	**-**	**5**

18 Restricted Cash, Bank Deposits, Cash and Cash Equivalents

Specification of restricted cash, bank deposits, cash and cash equivalents.

NOK million	2017	2016
Non-current assets		
Restricted cash pledged as security for abandonment obligation [1)]	578	547
Other restricted cash and bank deposits	20	43
Total non-current restricted cash	**598**	**591**
Current assets		
Other restricted cash and bank deposits	2	4
Total current restricted cash	**2**	**4**
Unrestricted cash, bank deposits, cash equivalents	133	89
Total bank deposits	**733**	**684**

Restricted cash

The restricted cash pledged as security for abandonment obligation in Denmark is originally DKK 445 million adjusted for interest. Not included in above is a deposit to the benefit of Noreco made by Awilhelmensen Special Opertunities AS and QVT Finacial LP in relation an agreed secured minimum payment of USD 15 mill on the Siri insurance claim less legal fees. The deposit will remain if the Danish Appeals permission Board permits the appeal to the Supreme Court of Denmark .

1) The restricted cash is on a DKK bank account in the parent company with NOK functional currency. The corresponding DKK asset retirement obligation is recognized in the Danish subsidiary with USD functional currency. This contributes to offsetting currency gains and losses, see note 14. Any inefficiencies on this economic hedge gives a net effect on profit or loss.

19 Financial instruments

19.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows (se also note 3.3):

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs for the asset or liability that are not based on observable market data.

Further disclosure on fair value measurement of the bond loan, level 3 disclosures and own credit risk disclosure are not considered necessary as the bond is valued close to par at 31 December 2017 had a maturity to March 2018.

NOK million	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements of assets				
Financial assets at fair value through profit or loss				
- Underlift of oil (ref. note 17)		2		2
Total	**-**	**2**	**0**	**2**
Liabilities				
Recurring fair value measurements of liabilities				
Financial liabilities at fair value through profit or loss				
- Bond loans			155	155
Total	**-**	**(0)**	**155**	**155**
On 31 December 2016				
Assets				
Recurring fair value measurements of assets				
Financial assets at fair value through profit or loss				
- Underlift of oil		1		1
Total	**-**	**2**	**-**	**2**
Liabilities				
Recurring fair value measurements of liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements (ref. note 19)		-		-
- Bond loans	-		530	530
Total	**-**	**(0)**	**530**	**530**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value for a financial instrument are observable, the instrument is included in level 2.

In November 2017 Noreco Norway AS made a cash payment of NOK 393,1 million following receipt of the tax refund and the subsequent settlement of NOR 06 bond debt. There are no further obligations to NOR06 bondholders. Outstanding principal amount of NOR06 at the end of 2017 was NOK 0 million.

19.2 Financial instruments by category

As at 31 December 2017

NOK million	Financial assets at amortised cost	Assets at fair value through profit or loss	Total
Assets			
Trade receivables and other current assets	173	2	174
Restricted cash	600		600
Bank deposits, cash and cash equivalents	133	0	133
Total	**906**	**2**	**908**

NOK million	Other financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bond loan		155	155
Trade payables and other current liabilities	30	(0)	30
Total	**30**	**155**	**185**

As at 31 December 2016

NOK million	Financial assets at amortised cost	Assets at fair value through profit or loss	Total
Assets			
Trade receivables and other current assets	7	1	8
Restricted cash	595		595
Bank deposits, cash and cash equivalents	89	0	89
Total	**691**	**1**	**692**

NOK million	Other financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bond loan		530	530
Other interest bearing debt	0		0
Derivatives		-	-
Trade payables and other current liabilities	67	(0)	67
Total	**67**	**530**	**597**

19.3 Financial instruments - Fair values

Set out below is a comparison of the carrying amounts and fair value of financial instruments as on 31 December 2017:

As at 31 December 2017

NOK million	Note	Carrying amount	Fair value
Financial assets:			
Trade receivables and other current assets *	17	174	174
Restricted cash *	18	600	600
Bank deposits, cash, cash equivalents and quoted shares *	18	133	133
Total		**907**	**907**
Financial liabilities:			
Bonds (current and non current)	23.1	155	155
Trade payables and other current liabilities *	24	30	30
Total		**185**	**185**

* The carrying amount is a reasonable approximation of fair value, hence the items are not included in the fair value hierarchy as the information in not required.

As at 31 December 2016

NOK million	Note	Carrying amount	Fair value
Financial assets:			
Trade receivables and other current assets *	17	8	8
Restricted cash *	18	595	595
Bank deposits, cash and cash equivalents *	18	89	89
Total		**692**	**692**
Financial liabilities:			
Bonds (current and non current)	23.1	530	530
Other interest bearing debt	23.1	0	0
Derivatives	-	-	
Trade payables and other current liabilities *	24	67	67
Total		**597**	**597**

* The carrying amount is a reasonable approximation of fair value, hence the items are not included in the fair value hierarchy as the information in not required.

20 Share Capital

The Group does not own any of its parent company shares. All shares have equal rights. All shares are fully paid.

Changes in number of shares and share capital:

NOK million	No. of shares	Share Capital
Share capital on 1 January 2016	7 094 730	71
Share capital on 31 December 2016	**7 094 730**	**71**
Share capital on 1 January 2017	7 094 730	71
Share issue 13 June 2017	50 000	1
Share issue 11 September 2017	50 000	1
	-	-
Share capital on 31 December 2017	**7 194 730**	**72**

Changes in 2017

On 13 June 2017 the share capital of Noreco was increased by NOK 500,000 from NOK 70 947 300 to NOK 71 447 300 by issuance of 50 000 new shares, each at a nominal value of NOK 10, for a subscription price of NOK 42 per share. The new shares were subscribed for by Silje Augustson.

On 11 September 2017 the share capital of Noreco was increased by NOK 500,000 from NOK 71 447 300 to NOK 71 947 300 by issuance of 50 000 new shares, each at a nominal value of NOK 10, for a subscription price of NOK 42 per share. The new shares were subscribed for by Silje Augustson.

Existing mandates

The Board of Directors was in March 2017 granted a mandate by the General Meeting to increase the share capital by a total amount of up to NOK 35,5 million by one or more share issues in relation to the employee incentive schemes existing at any time for employees in the group as well as strengthening of the company's balance sheet and in relations to business opportunities. The mandate expires on 8. March 2019. The share capital was increased by NOK 1 million in 2017.

Overview of shareholders at 6 June 2018:

Changes in equity	Shareholding	Ownership share	Voting share
Goldman Sachs Intern SECURITY CLIENT SEGR	2 165 050	30,09 %	30,09 %
Euroclear Bank S.A./ 25% CLIENTS	997 554	13,87 %	13,87 %
J.P. Morgan Bank (Ir JPMBI RE AIF CLIENTS	260 327	3,62 %	3,62 %
State Street Bank an S/A SSB CLIENT OMNI	214 662	2,98 %	2,98 %
ALTO HOLDING AS	144 000	2,00 %	2,00 %
OUSDAL AS	142 975	1,99 %	1,99 %
HANASAND EINAR MIKAL	135 000	1,88 %	1,88 %
Bank of America, N.A BANA LDN GCAS FOR UC	129 959	1,81 %	1,81 %
HANASAND LIV INGER	104 000	1,45 %	1,45 %
JPMorgan Chase Bank, S/A ESCROW ACCOUNT	99 376	1,38 %	1,38 %
Credit Suisse AG S/A CSAG Dub PB Clie	93 576	1,30 %	1,30 %
LEIKVOLLBAKKEN AS	80 777	1,12 %	1,12 %
TOPDANMARK LIVSFORSI BNY MELLON SA/NV	63 767	0,89 %	0,89 %
Banque Lombard Odier S/A GENERAL DOSSIER	63 469	0,88 %	0,88 %
MIDDELBORG INVEST AS	62 604	0,87 %	0,87 %
PERSHING LLC	51 920	0,72 %	0,72 %
REECO AS	47 630	0,66 %	0,66 %
MOROAND AS	47 500	0,66 %	0,66 %
DIRECTMARKETING INVE	47 244	0,66 %	0,66 %
Nordnet Bank AB	46 635	0,65 %	0,65 %
Total	**4 998 025**	**69,0 %**	**69,0 %**
Other owners (ownership <0,66%)	2 198 705	31,0 %	31,0 %
Total number of shares at 23. April 2018	**7 194 730**	**100 %**	**100 %**

21 Post-Employment Benefits

Defined contribution plan

The Group only has defined contribution plans for its employees. Pension costs related to the company's defined contribution plan amounts to NOK 1 million for 2017. For 2016 the corresponding costs were NOK 1 million.

The Norwegian Companies are obliged to have occupational pension in accordance with the Norwegian act related to mandatory occupational pension. All companies meet the Norwegian requirements for mandatory occupational pension ("obligatorisk tjenestepensjon").

22 Asset Retirement Obligations

Specification of asset retirement obligations

NOK million	2017	2016
Balance on 1 January	563	837
Provisions made during the year	(4)	(35)
Abandonment cost paid	(9)	0
Liabilities sold	-	12
Reversed provision from disposal of assets	-	(256)
Currency translation	43	5
Provision made for asset retirement obligations on 31 December	**593**	**563**

As part of the overall restructuring, an agreement was reached that entails that the partners will take over Noreco's share of the Nini and Cecilie licences. The restricted cash account of originally DKK 445 million adjusted for interest, set aside for future abandonment costs for Nini and Cecilie will not be transferred. The Danish part of Noreco remains liable for the abandonment obligation, but the liability is in any and all circumstances limited to a maximum amount which equals the restricted cash account. Total provision made for asset retirement obligations reflects this.

In 2016 Noreco received a new estimate on the abandonment of the Lulita field. Noreco is investigating the amount and has made it's own preliminary assessment resulting in an increased provision of NOK 10 million in 2016. The provision has not changed in 2017.

During 2016 Noreco reached an agreement of transfer with the operator, Premier E&P, on the Huntington field following which Noreco has reversed the obligation for any abandonment on the field.

Hence, the balance as per 31.12.2017 is NOK 578 million for Nini/Cecilie and NOK 15 million for Lulita.

Expected maturity

NOK million	2017	2016
1-5 years		16
> 5 years	593	547
Provision made for asset retirement obligations on 31 December	**593**	**563**

23 23.1 Summary of Borrowings

NOK million Non-current debt	Note	2017 Principal amount	2017 Book value	2016 Principal amount	2016 Book value
NOR10 bond loan	23.3	–	–	156	153
Total non-current bonds		**–**	**–**	**156**	**153**

NOK million Non-current debt	Note	2017 Principal amount	2017 Book value	2016 Principal amount	2016 Book value
NOR06 bond loan	23.3	(0)	–	474	377
NOR10 bond loan	23.3	161	155	–	–
Total current bonds		**161**	**155**	**474**	**377**
Total borrowings		**161**	**155**	**630**	**530**

Movements in interest-bearing liabilities	31.12.2016	Cash flows Receipts / payments	Non-cash changes Reclass-ification	Non-cash changes Value adjustment of bond	Payment in kind	31.12.2017
NOR06 bond loan [1)]	153	(0)	-155	-3	5	–
Total movement non-current interest bearing liabilities	**153**	**0**	**-155**	**-3**	**5**	**0**
NOR06 bond loan	337	(393)		-15	31	0
NOR10 bond loan			155			155
Total movement non-current interest bearing liabilities	**377**	**-393**	**155**	**-15**	**31**	**155**
Total movement non-current interest bearing liabilities	**530**	**-393**	**0**	**-18**	**36**	**155**

1) The fairvalue adjustment of NOR10 was NOK 2,6 million in 2017. The loan was reclassified for non-current to current at the end of the year as maturity date is 6 March 2018. Payment in kind interest amounted to NOK 5 million in 2017. Noreco bought back 175 400 of the NOR10 bonds at a rate of NOK 96 per bond.

23.2 The Refinancing and Subsequent Measurement

On 2 March 2015, the bondholders' meeting in NOR06, NOR10, NOR11 and NOR12 resolved to approve the company's proposal with close to unanimous support. On 3 March 2015, the general meeting also resolved to approve the proposal, also with close to unanimous support. The financial restructuring was completed on 24 March 2015, through issuance of new shares and execution of amended bond agreements, after which the amended bond loans were admitted to trading at Oslo Stock Exchange. Following a temporary period on N-OTC , the new shares were admitted to trading at Oslo Stock Exchange on 13 May 2015. (see details on borrowing below.)

NOK million

Measurement at initial recognition

Borrowings were initially recognised at fair value, net of transaction costs incurred. However, management disagreed with this method as the intention was to repay the loans at par value. The subsequent quarters have been adversely affected by a loss as the FV of the bonds increased with the improved outlook of a full repayment becoming increasingly clear. The following fair values were observed and were applied for the amended and restated bond loans at initial recognition:

NOR10	56%

Subsequent measurement

The subsequent measurement depends on which category the borrowings have been classified into. The categories applicable for Noreco are either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost using the effective interest method. Noreco has designated the amended and restated bond loans at fair value through profit or loss. The following fair values were applied for the amended and restated bond loans at the end of 2017:

NOR10	96,1%

23.3 Details on borrowing

Details on borrowings outstanding on 31 December 2017

NOR10

The bond was entered into in March 2015 with a face value of NOK 600 million and final maturity on 6 March 2018. An extension of the bond was approved on 2 March 2018 with a new maturity date of 6 September 2018. The loan held a fixed interest rate of 6,5% p.a. with semi-annually payments only if available cash on the proceeds account (and subject always to the company having a lawful level of equity), otherwise payment-in-kind (PIK). The fixed interest rate was amended to 10% p.a. with effect from 6 March 2018.

In third quarter 2015 Noreco repaid approx. NOK 243 million at par on NOR10.

In first quarter 2016 Noreco repaid NOK 200 million of NOR10 bonds at the fixed price of 85% of par value. The Company has later PIKed interest on the bond, remaining outstanding principal as per 31 December 2017 were NOK 161 million.

Details on borrowings outstanding on 31 December 2016

NOR06

The issuer is Noreco Norway AS (change of debtor from Norwegian Energy Company ASA). The bond was entered into in March 2015 with a face value of NOK 618 million (principal amount including accrued, but unpaid interest and default interest until 5 March 2015 (assumed settlement date) and a final maturity date in March 2018 (3 years after the original issue). The bond holds a fixed interest rate of 6.5 % with semi annually payments only if available cash on the proceeds accounts (and subject always to the company having a lawful level of equity), otherwise payment-in-kind (PIK).

Noreco has a call option any time at par value (included accrued but unpaid interests and accumulated PIK interest). There are standard event of default provisions, however no cross default to other group companies. Nordic Trustee on behalf of the NOR06 bondholders have been granted an option ("Purchase option") to acquire all the shares (100 %) and intra-group loans to Noreco Norway AS for NOK 1 at any time (subject to release of Noreco ASA's parent company guarantee for Norwegian operations). However, Noreco ASA shall always have the right to repurchase the purchase option at any time (all or nothing) at an amount of NOK 30 million or cancel the purchase option by exercising the call option for the entire bond (in each case also in response to the purchase option being exercised). Acquisition of the shares constitutes a change of control and is dependent on authority approval.

In March 2016, Noreco Norway AS entered into an agreement with Det norske oljeselskap ASA for the sale of its remaining exploration licences, employees and a cash balance of approximately NOK 45 million. In relation to this the NOR06 bond agreement was amended and restated to reflect a series of four repayments and a cap of the outstanding amounts. During 2016 Noreco Norway AS made two of the four pre-defined repayments of approximately NOK 27 million, in addition to this a repayment of NOK 173 million related to the Oselvar transaction was made. The remaining payments are ; the 'exit refund' now estimated to approximately NOK 377 million and the success payment for the 'Dvalin' development (previsouly known as the 'Zidane' success payment, of which an estimated NOK 36.5 million will go to repayment of NOR06.

NOR10

The bond was entered into in March 2015, with a face value of NOK 600 million with a final maturity date in March 2018. The loan holds a fixed interest rate of 6.5 % with semi annually payments only if available cash on the proceeds account (and subject always to the company having a lawful level of equity), otherwise payment-in-kind (PIK).

In third quarter 2015 Noreco repaid approx. NOK 243 million at par on NOR10. In late December 2015 it was confirmed that a buy back of a principal amount of approximately NOK 200 million of NOR10 bonds at the fixed price of 85% of par value was to take place. The effective in the first quarter 2016. Remaining outstanding principal is now NOK 156 million.

Exploration loan Noreco Norway AS Noreco Norway AS had an exploration loan as of 31 December 2015 where the amount outstanding was NOK 110 million. A full repayment of the loan was done in December 2016.

23.4 Covenants

Covenants relating to interest bearing debt after the refinancing in 2015

The three other bond loans NOR 10, NOR 11 and NOR 12 were converted into an amended and restated bond loan NOR10, with a face value of NOK 600 million. The outstanding bond at 31 December 2017 were subject to the same covenants. The covenants were in line with what is considered customary in the Norwegian high yield bond market, as of 31 December 2017 the Company was in compliance with all covenants.

23.5 Payment structure

Payment structure loans after refinancing (NOK million):

Year	NOR10	Total 2017
2018	161	161
Total	**161**	**161**

Interest payments after refinancing (NOK million):

Year	NOR10	Total 2017
Interest rate	**6,50 %**	
2018	2	2
Total	**2**	**2**

Extension of the NOR10 bond loan was approved on the 2. March 2018 at a bondholders meeting. New maturity date is 6. September 2018 and the interest rate is 10%. The extended interest is not included in the table above.

23.6 Assets Pledged as Security for Interest Bearing Debt

Net book value in the consolidated accounts of assets pledged as securities

NOK million	2017	2016
Property, plant and equipment	10	12
Receivable	–	510
Tax receivable	(0)	9
Cash at bank	135	93
Total net book value	**146**	**624**

Specification of assets pledged as securities per bond/loan:

NOK million	2017	2016
Bond loan NOR10		
Property, plant and equipment	10	12
Receivable	–	510
Tax receivable	(6)	-
Cash at bank	135	85
Total	**146**	**607**
Bond loan NOR06		
Tax receivable		377
Cash at bank	–	8
Total	**–**	**385**

24 Trade Payables and Other Payables

NOK million	2017	2016
Trade payable *	5	7
Liabilities to operators relating to joint venture licences *	0	24
Accrued interest *	3	14
Employee bonus/salary accruals	0	0
Public duties payable *	1	0
Other current liabilities *	20	22
Total trade payable and other payables	**30**	**67**

* See note 19 for fair value disclosures

Trade and other payables held in currency

NOK million	2017	2016
NOK	4	17
DKK	–	4
USD	25	37
GBP	1	8
EUR	–	–
Total	**30**	**67**

Ageing analysis of trade payables and other current liabilities on 31 December 2017

NOK 1 000	Total	Not past due	Due				
			> 30 days	30-60 days	61-90 days	91-120 days	> 120 days
Trade payable	5	5	-	-	-	-	-
Liabilities to operators relating to joint venture licences	-	-	-	-	-	-	-
Overlift of oil	-	-	-	-	-	-	-
Accrued interest	3	3	-	-	-	-	-
Employee bonus/salary accruals	-	-	-	-	-	-	-
Public duties payable	1	1	-	-	-	-	-
Other current liabilities	20	20	-	-	-	-	-
Total	**30**	**30**	**-**	**-**	**-**	**-**	**-**

Ageing analysis of trade payables and other current liabilities on 31 December 2016

NOK 1 000	Total	Not past due	Due				
			> 30 days	30-60 days	61-90 days	91-120 days	> 120 days
Trade payable	7	7	-	-	-	-	-
Liabilities to operators relating to joint venture licences	24	-	24	-	-	-	-
Overlift of oil	-	-	-	-	-	-	-
Accrued interest	14	14	-	-	-	-	-
Employee bonus/salary accruals	0	0	-	-	-	-	-
Public duties payable	0	0	-		-	-	-
Other current liabilities	22	-	22	-	-	-	-
Total	**67**	**21**	**46**	**-**	**-**	**-**	**-**

25 Share-based compensation

The Group established an option program in January 2008. The purpose of the program was to establish a long-term incentive program for employees. During 2015 the options program was discontinued in Noreco Norway.

All remaining options for the employees in Norway were cancelled and the remaining cost booked in Q4 2015. The options issued to Danish employees remain open active until future expiry dates.

Total share options and bonus shares outstanding as at 1 January 2016	**1 018**
Share options granted in 2016	200 000
Share options and bonus shares forfeited by employees due to the discontinuation of the options program	(366)
Outstanding at 31 December 2016	**200 652**
Share options and bonus shares forfeited by employees due to the discontinuation of the options program	(25)
Share options granted 2017 1)	80 000
Share options exercised by former CEO 2)	(100 000)
Outstanding at 31 December 2017	**180 627**

Grants	Exercise price	Outstanding share options and bonus shares at 31.12.2017	Average remaining Contractual term	Weighted average exercise price
Share options programme 2014	1 600	627	1,32	1 600
Share options programme 2016	42	100 000	1,19	42
Share options programme 2017	260	80 000	1,19	260
Total		**180 627**	**1,19**	**144**

1) The granted shares in 2017 have no vesting period and the fair value at grant date was NOK 141 per share .

2) The exercised shares in 2017 had a shares price of NOK 250 per share for the shares exercised at 13 June 2017 and NOK 296 per share for the shares exercised at 11 September 2017.

26 Guarantees

Overview of issued guarantees on 31 December 2017

The parent company of the Group Norwegian Energy Company ASA ("Noreco") has issued a parent company guarantee on behalf of its subsidiary Norwegian Energy Company UK Ltd and Noreco Oil (UK) Limited. Noreco guarantees that, if any sums become payable by Norwegian Energy Company UK Ltd or by Noreco Oil (UK) Limited to the UK Secretary of State under the terms of the licence and the company does not repay those sums on first demand, Noreco shall pay to the UK Secretary of State on demand an amount equal to all such sums. Department for Business, Energy & Industrial Strategy, declined at this time to withdraw Noreco Oil (UK)'s s29 notice with respect to the Huntington platform and pipeline. Under the forfeiture agreement Premier assumes this risk as between Premier and Noreco so, while this contingent liability to the Secretary of State would need to be recognised in any future sale of the company, Noreco Oil (UK) Limited does have recourse against Premier if it defaults in its performance.

On 6 December 2007, Noreco issued a parent company guarantee to the Danish Ministry of Climate, Energy and Building on behalf of its subsidiary Noreco Oil Denmark A/S and Noreco Petroleum Denmark A/S. It is still in existence but only now relevant insofar as participation in Lulita is concerned.

On 31 December 2012, Norwegian Energy Company ASA issued a parent company guarantee on behalf of its subsidiary Noreco Norway AS. Noreco guarantees that, if any sums become payable by Noreco Norway AS to the Norwegian Secretary of State under the terms of the licences and the company does not repay those sums on first demand, Norwegian Energy Company ASA shall pay to the Norwegian Secretary of State on demand an amount equal to all such sums. Norwegian Energy Company ASA intends to apply for a withdrawal of this guarantee because Noreco Norway AS was liquidated in Q1 2018.

On 6 December 2013, several subsidiaries in the Noreco group entered into Co-debtor guarantees related to the refinancing of outstanding bonds at that time. These are unconditional and irrevocable Norwegian law on-demand guarantee from the Guarantor securing the Obligor's obligations when they have become due under the Bond Agreement and any other Finance Document, including interest, cost and expenses, with payment by the Guarantor to be made within 10 Business Days of any demand, such Guarantees to be qualified as required by Danish law with respect to any Danish Guarantor.

27 Investment in jointly owned assets

Investment in jointly owne assets are included in the accounts by the gross method (proportionally consolidated), based on the ownership share.

The Group holds the following licence equities on 31 December:

2017 Licence	Field	Country	Ownership share
1/90	Lulita	Denmark	10,0 %

28 Contingencies and commitments

Contingent assets

Insurance payments
- Loss of production income (LOPI) etc.
In December 2016 the court ruling on the Siri Insurance Claims was announced. The Maritime and Commercial High Court in Copenhagen ruled in favour of the claimants (Noreco and its partners; Awilhelmsen Special Opportunities AS and QVT Financial LP) an amount to approximately USD 470 million, including interest. Of the total amount, Noreco is entitled to approximately USD 270 million. In January 2017 it was announced that the counter parties had appealed the ruling and in March 2017 Eastern High Court informed that it had accepted to handle the appeal by the insurance companies. The verdict from the Eastern High Court was given in May 2018, in which Noreco was awarded approx. USD 12,5 million plus additional interest of approx. USD 8 million. Noreco believes that the decision from the Eastern High Court as a principle is incorrect and will apply to the Danish Appeals Permission Board for permission to appeal to the Supreme Court of Denmark.

The book value of the receivable relates to costs incurred to prevent further damage, and loss of production income in 2009/2010. See note 17 for further information.

Contingent liabilities
Sale of producing assets and abandonment guarantees
The Group has sold participating interest in a number of producing assets including installation, wells and other infrastructure and abandonment liabilities which existed at the completion date of that license sales in Noreco Norway AS. If the obligor failes to settle its liability for decommissioning costs, the Noreco Group could be liable for such costs, however in connection with the liquidation of Noreco Norway the Group will seek exemption.

Nini/Cecilie abandonment guarantee
Noreco was 2015 prevented from making payments for its share of production costs at the Nini and Cecilie fields, and was consequently in breach of the licence agreements. In accordance with the JOAs, the Nini and Cecilie licences were forfeitured in and the licences were taken over by the partners, whereas the debt remained with Noreco. Noreco and representatives from the bondholders reached during 2015 an agreement which entails that The Danish part of Noreco remains liable for the abandonment obligation, but the liability is in any and all circumstances limited to a maximum amount which equals the restricted cash account of DKK 445 million adjusted for interest. Total provision made for asset retirement obligations reflects this.

Apart from the issues discussed above, the Group is not involved in claims from public authorities, legal claims or arbitrations that could have a significant impact on the Company's financial position or results.

29 Related Party transactions

The Noreco Group is renting offices from Riulf Rustad at a cost of NOK 84.000 pr month. The agreement is assumed to be at arm's length. In addition Noreco Group is renting an accomodation in London for the board directors disposal when working with business development in UK.

The Group did not have any other transactions with any other related parties during 2017. Directors' fee paid to shareholders and remuneration to management is described in Note 9.

30 Supplementary oil and gas information (unaudited)

In 2014 the Group reported oil, gas and NGL reserves according to the guidelines given in the Stock Exchange circular no. 1/2013. The report was included as a separate separate section in the annual report in 2014. Noreco has disposed of its Norwegian exploration activities and currently only have an interest in the Danish field Lulita.

The reserves for Lulita, are shown below using the figures from the audited 2014 Reserves Report as basis.

Total reserves as of 31.12.2017

1P+2P	Liquids (mill bbl)	Gas (bscf)	mill boe	Interest %	Net mill boe
Lulita	1,18	4,79	2,03	10,00	0,20
Total					**0,20**

31 Subsequent Events

As a consequence of the transaction with Det norske oljeselskap ASA (Aker BP), Noreco Norway ceased all of its petroleum activities. Noreco Norway initiated the process of claiming Exit refund during first half of 2017, and during Q4 2017 Noreco Norway recieved the Exit refund. In accordance with the approved bondholder proposal, as of march 2016, Noreco Norway repaid approximately NOK 393 million to the bondholders, and the remaining NOR06 bond debt was discharged, resulting in a large taxable profit. To neutralise the tax effect a group contribution was made. Following the group contribution Noreco Norway was in Q1 2018 liquidated.

Extension of NOR10 bond loan with an interest rate of 10% was approved 2 March 2018. New maturity date is 6 September 2018.

The Board of Directors has constituted Riulf Frederik Rustad as Managing Director of Norwegian Energy Company ASA with effect from 3 April 2018.

The verdict related to the Siri Insurance Claims appeal case was given by the Eastern High Court on 4 May 2018. Noreco was awarded approx. USD 12,5 million plus additional interest of approx. USD 8,3 million. The amounts awarded in this verdict has been reflected in these re-issued Annual Financial statement for 2017. Noreco believes that the decision from the Eastern High Court as a principle is incorrect and will apply to the Danish Appeals Permission Board for permission to appeal to the Supreme Court of Denmark.

32 Corrections 2016

In 2016 the Group recognized negative NOK 11 million to OCI as a a cash flow hedge of an asset retirement obligation in another currency than the functional currency of the Danish subsidiary. The Group has in 2017 determined that hedge accounting could not be used according to IAS 39, and has corrected this in the comparative figures for 2016 by increasing financial expenses in 2016 by NOK 11 million, reduced result before and after tax by the same amount. Total comprehensive income was not affected. There was no effect as of 1 January 2016, and consequently no statement of financial position as of 1 January 2016 is presented in these financial statements. In these re-issued 2017 Annual financial statements, compared to the previously issued 2017 Annual financial statements approved by the Board of directors on 25 April 2018, currency losses have been increased by NOK 27 million due to the same issue.

Auditors Report

KPMG

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To the General Meeting of Norwegian Energy Company ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company Norwegian Energy Company ASA (the Company), which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Norwegian Energy Company ASA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 and consolidated statement of comprehensive Income, consolidated statement of changes in equity, cash flow 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 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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

Basis for Opinion

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

Emphasis of Matter – Restatement of financial statements

This audit report replaces our previous audit report issued on 30 April 2018. The financial statements have been reissued. The previous financial statements were issued on 30 April 2018 and withdrawn following the court verdict on 4 May 2018 on a pending legal claim. Subsequent to the Company's withdrawal of their financial statements on 11 May 2018, we withdrew our audit opinion. The financial statements have now been reissued following adjustments related to the legal claim and the restated financial statements have been audited by KPMG. We draw attention to note 31which describes the effects of the restatement. Our opinion is not modified in respect of this matter.

Our procedures on subsequent events are restricted solely to the amendments of the financial statements as described in Note 31 to the financial statements

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.

1. Siri Insurance Claim

Reference is made to the consolidated financial statements Note 17 [Non-current receivables, trade receivables and other current receivables], Note 28 [Contingencies and commitments] and the Board of Directors report.

The key audit matter	*How the matter was addressed in our audit*
The Company had an insurance claim related to damage of the Siri platform that was discovered in 2009. The total claim exceeded NOK 1.6 billion (Norwegian Energy Company ASA's share) of which NOK 485 million was recognised in the Statement of Financial Position published on April 30 2018. This was based on the virtual certainty criteria further substantiated by the initial court verdict received on 15 December 2016. The counterparties had gone into an appeal. On May 4 2018, subsequent to publication of the financial statements, the Eastern High Court in Denmark announced the verdict relating to the appeal from the insurers. The appeal verdict awarded the Company approximately USD 12,5 million plus additional interest of USD 8,3 million, in total approximately USD 20,8 million. This has been recognized as a current other receivable. Given the significant deviation from the initial estimated insurance claim settlement versus the awarded outcome, the Company withdrew the Financial Statements published on April 30, 2018. KPMG also subsequently withdrew our audit opinion. The Company has amended the previously published financial statements to reflect the change in the Siri Insurance Case, and the amount recognized in the balance sheet represents the verdict received on May 4 2018. Given the significance of the receivable as well as the uncertainty around the outcome of the Company's appeal to the Danish Appeals Permission Board, we regard this as a key audit matter.	Our audit procedures include: • Obtaining a copy of the court ruling on May 4, 2018 in order to assess the outcome of the ruling and its impact on financial statements. • Assessing the classification of the asset (long term vs short term) and challenging management on any potential recognition of additional receivable following the ruling, citing conditions of virtual certainty stipulated by the applicable accounting standards. • Obtaining legal assessment from the Company's external legal counsel on further legal process and the merits of the case. • Assessing the appropriateness of the relevant disclosure note in the financial statements and whether these adhere to the applicable accounting standards and disclosure requirements.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, the statements on Corporate Governance and Corporate Social Responsibility, but does not include 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 of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the Group 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. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use 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 skepticism 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 proposal for the allocation of the profit 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, 13 June 2018
KPMG AS

Mads Hermansen
State Authorised Public Accountant

Board and Management Confirmation

Today, the board of directors and the Managing Director reviewed and approved the board of directors' report and the Norwegian Energy Company ASA consolidated and separate annual financial statements as of 31 December 2017.

To the best of our knowledge, we confirm that:

- the Norwegian Energy Company ASA consolidated annual financial statements for 2017 have been prepared in accordance with IFRSs and IFRICs as adopted by the European Union (EU), and additional Norwegian disclosure requirements in the Norwegian Accounting Act, and that

- the financial statements for Norwegian Energy Company ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian Accounting Standards, and

- that the board of directors' report for the group and the parent company is in accordance with the requirements in the Norwegian Accounting Act and Norwegian Accounting Standard no 16, and

- that the information presented in the financial statements gives a true and fair view of the company's and the group's assets, liabilities, financial position and results for the period viewed in their entirety, and

- that the board of directors' report gives a true and fair view of the development, performance, financial position, principle risks and uncertainties of the company and the group.

Oslo,
13 June 2018

Riulf Rustad
Chair

Tone Kristin Omsted
Board Member

Lars Purlund
Board Member

Marianne Lie
Board Member

John Philip Madden
Board Member

Riulf Frederik Rustad
Managing Director

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