ANNUAL REPORT 2014

Idé og design: KJ32 **fasett**

Norwegian Energy Company ASA
Badehusgata 37
P.O. Box 550 Sentrum
4003 Stavanger

www.noreco.com

2014

CONTENT

4 Key figures

6 Management team

10 Licence portfolio

14 Annual statement of reserves

20 Noreco group

22 Board of directors

24 Directors report

39 Consolidated statement of comprehensive income

40 Consolidated statement of financial positions

42 Consolidated statement of changes in equity

44 Consolidated statement of cash flows

46 Notes

126 Statutory accounts Norwegian Energy Company ASA

150 Auditor’s Report

154 Statement of compliance

156 Glossary

KEY FIGURES

(NOK mill)	**2014**	**2013**	**2012**	**2011**
Profit and Loss				
Revenue	1 143	894	832	1 616
EBITDA	(448)	(440)	(817)	(997)
EBIT	(3 740)	(1 969)	(1 508)	(1 914)
Result before tax	(4 520)	(1 954)	(1 994)	(2 381)
Net result	**(2 912)**	**(1 008)**	**(593)**	**(1 442)**
Net cash flow from operations	**730**	**1 476**	**905**	**1 294**
Balance sheet				
Non-current assets	2 425	4 797	5 411	6 809
Current assets	1 209	1 408	2 515	2 055
Total assets	**3 634**	**6 205**	**7 926**	**8 864**
Equity	(803)	1 750	2 028	2 428
Liability	4 437	4 455	5 898	6 436
Total equity and liabilities	**3 634**	**6 205**	**7 926**	**8 864**

MANAGEMENT TEAM

MANAGEMENT TEAM

2014

Tommy Sundt (42)
CEO

Tommy Sundt joined Noreco in September 2014. Until recently and for ten years Sundt was CFO in Rocksource ASA, an oil and gas company listed on the Oslo Stock Exchange. Sundt has previously held positions in companies dealing with business development, entrepreneurial activities and investments. Early in his career he was an auditor. Sundt holds an M.Sc. in Economics and Business Administration from the Norwegian School of Economics and Business administration (NHH).

Odd Arne Slettebø (32)
CFO

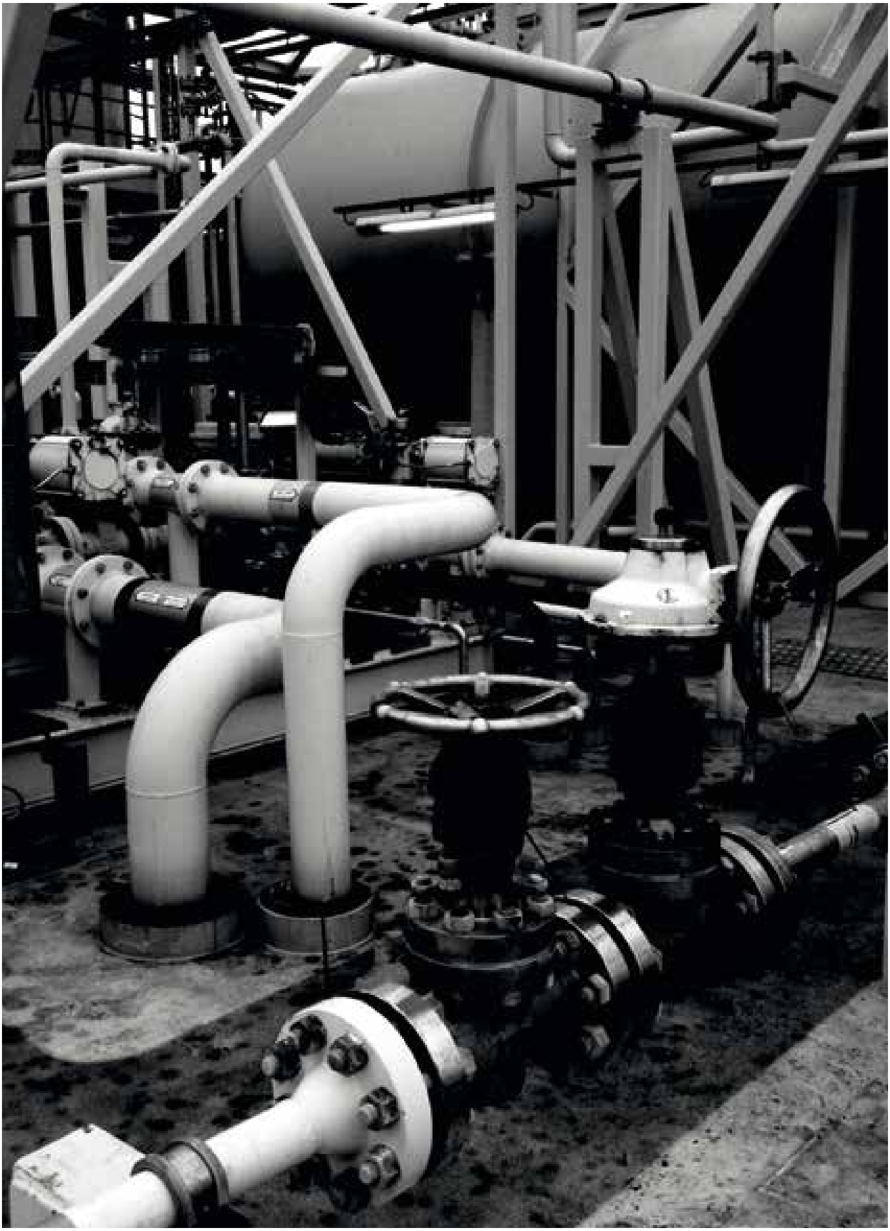
Odd Arne Slettebø joined Noreco in 2012 as Finance Manager for group accounting, and from 1 January 2014 until November 2014 he has been the company's group Finance Manager. Before this Slettebø came from the position as Audit Manager in PwC (PricewaterhouseCoopers AS) where he worked five years with audit of large and medium sized clients in the oil & gas and oil service industry. Slettebø is a state authorised public accountant and holds a master degree in Accounting and Auditing from Norwegian School of Economics and Business administration (NHH).

Øyvind Sørbø (47)
Stavanger
Vice President Commercial

Øyvind Sørbø joined Noreco in September 2006. Sørbø has worked in the oil and gas industry since 1993, and held positions in Amoco and BP within finance, economic analysis, commercial operations and business development. He has held several commercial responsibilities within BP. In Noreco, Sørbø has held positions as Sr. Commercial Advisor and Business Development Manager. Sørbø holds a BA (Hons) degree in Economics and Finance from the University of Strathclyde Scotland.

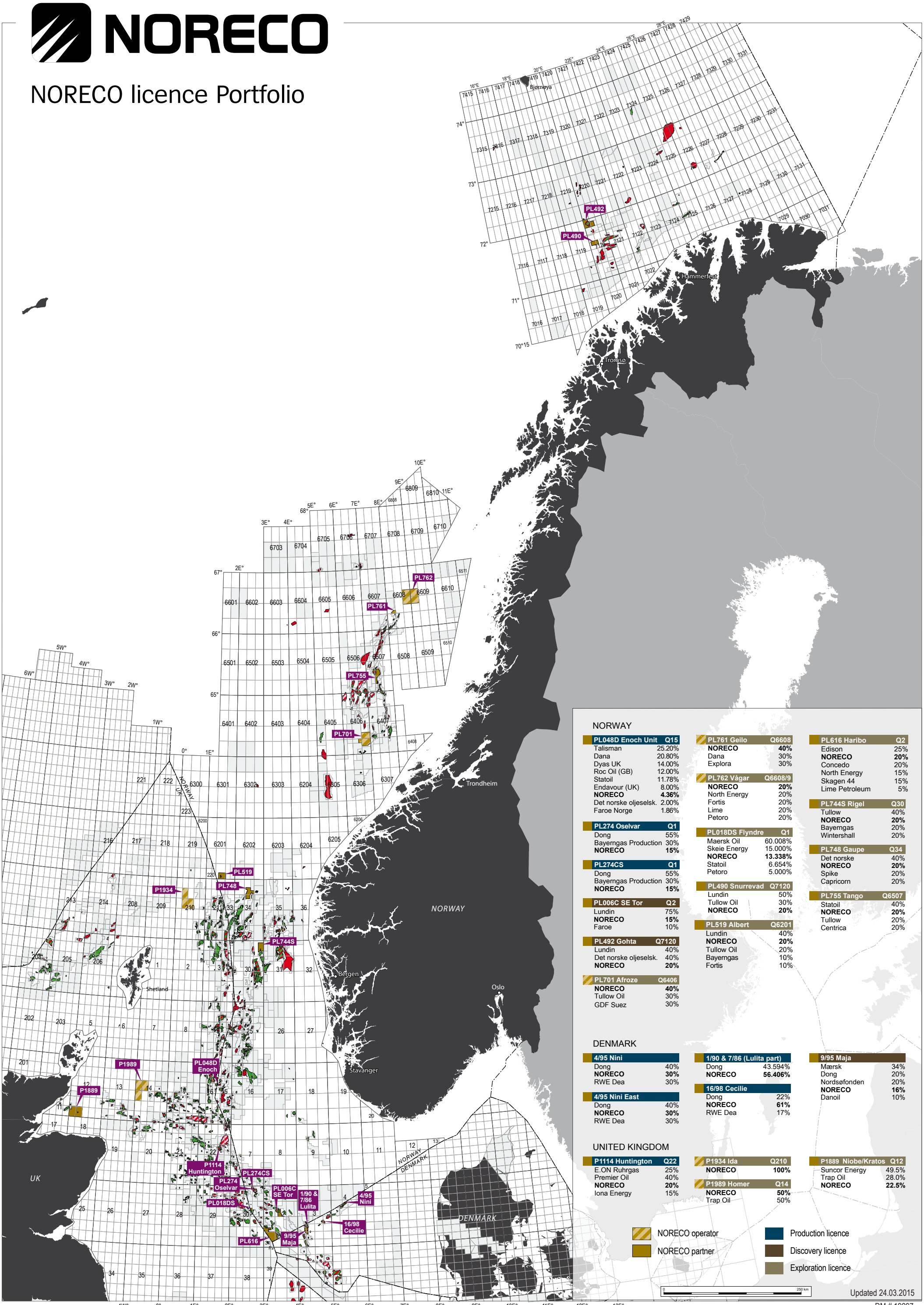
Lars Fosvold (53)
Stavanger
Vice President Exploration and Operations

Lars Fosvold joined Noreco in December 2005. He has worked in the oil and gas industry since 1986 in Norway and internationally. He has held various specialist and leading geoscience positions in the total value chain from exploration to development and production with several major oil companies. Fosvold holds a BSc (Hons) in Applied Geology from the University of Strathclyde in Scotland.

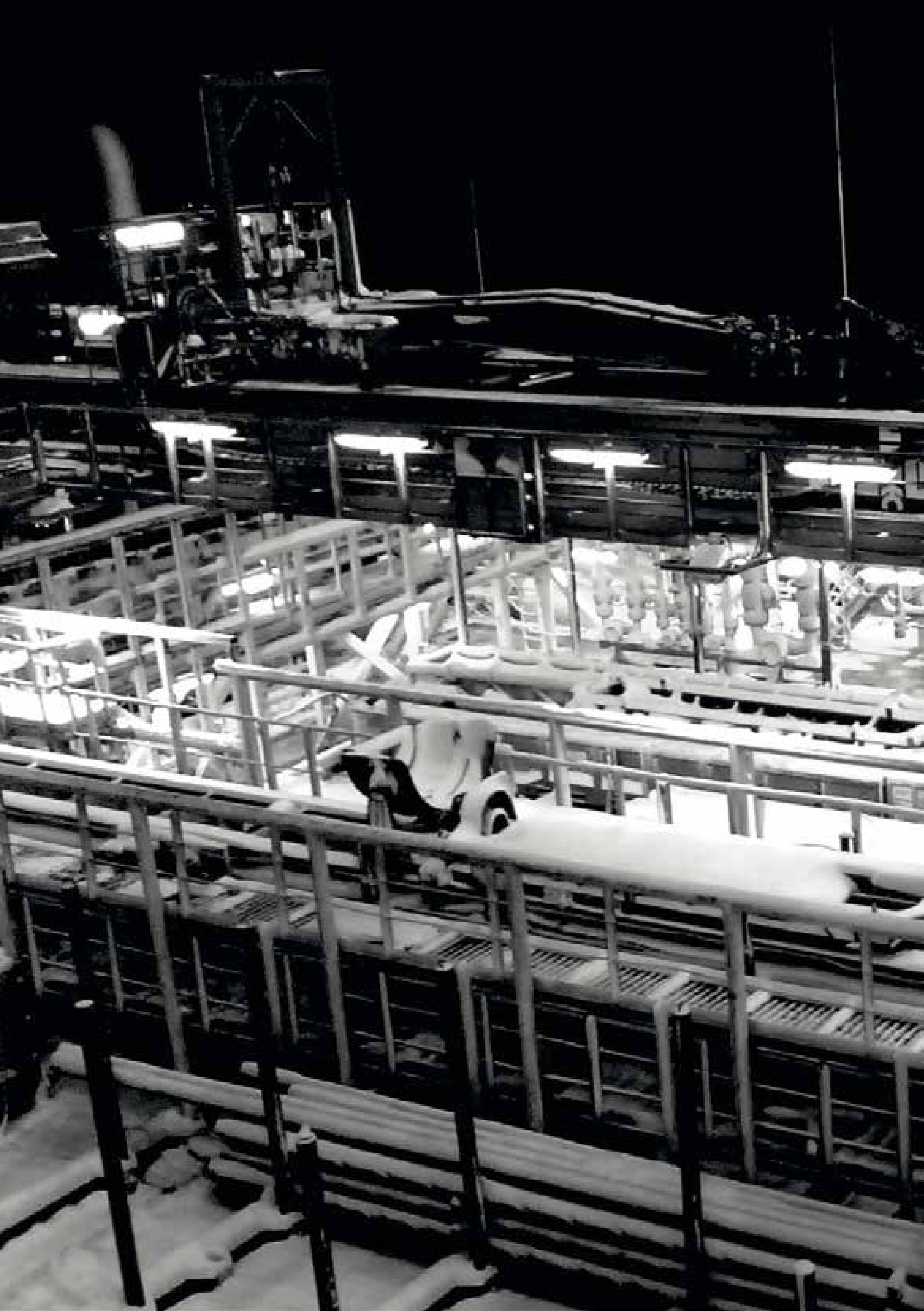


LICENCE PORTFOLIO

NORECO licence Portfolio



DM # 19297



ANNUAL STATEMENT OF RESERVES

ANNUAL STATEMENT OF RESERVES

2014

Noreco's classification of reserves follows the SPE/WPC/AAPG/SPEE Petroleum Resources Management System (SPE-PRMS) published in 2007. The system is a recognised resource classification system in accordance with the Oslo Stock Exchange Circular 1/2013 'Revised listing and disclosure requirements for oil and natural gas companies'.

The SPE-PRMS uses 'reserves', 'contingent resources' and 'prospective resources' to classify hydrocarbon resources of varying technical maturity and commercial viability. The maturity within each class is also described to help guide classification of a given asset.

Details of SPE-PRMS can be found here: http://www.spe.org/industry/reserves/prms.php

RESERVES

In this document Noreco reports the company's reserves, estimated by Noreco in accordance with the SPE-PRMS standard. Economic limit tests have been performed based on a market forward oil price as of end 2014 as well as the company's best assumptions of future operating costs.

In addition, Noreco uses an external company (DeGolyer and MacNaughton) to perform an independent reserves analysis. Both the in-house and the independent reserves estimation follow SPE-PRMS.

As per 31 December 2014, Noreco has reserves in seven fields. Further information about the fields is available on Noreco's homepage www.noreco.com.

Noreco's reserves overview is shown in Table 1 and 2. The division is as suggested in Oslo Børs Circular 1/2013 Annex III, and the SPE-PRMS reserves categories used are shown in brackets.

Table 1: Noreco reserves by asset

Developed assets (in production) as of 31.12.2014

	1P					2P				
	Liquids (mill bbl)	Gas (bscf)	mill boe	Interest %	Net mill boe	Liquids (mill bbl)	Gas (bscf)	mill boe	Interest %	Net mill boe
Nini	0.2	0.0	0.2	30.0	0.1	1.5	0.0	1.5	30.0	0.4
Nini East	0.8	0.0	0.8	30.0	0.2	3.9	0.0	3.9	30.0	1.2
Cecilie	0.0	0.0	0.0	61.0	0.0	0.0	0.0	0.0	61.0	0.0
Lulita	0.5	2.2	0.9	28.2	0.3	0.7	2.9	1.3	28.2	0.4
Enoch	0.0	0.0	0.0	4.4	0.0	0.1	0.0	0.1	4.4	0.0
Oselvar	0.7	2.8	1.2	15.0	0.2	3.1	14.8	5.8	15.0	0.9
Huntington	11.4	8.0	13.3	20.0	2.7	17.9	9.7	20.1	20.0	4.0
Total					3.4					6.8

Under development (approved for development) as of 31.12.2014

	1P					2P				
	Liquids (mill bbl)	Gas (bscf)	mill boe	Interest %	Net mill boe	Liquids (mill bbl)	Gas (bscf)	mill boe	Interest %	Net mill boe
Total					0.0					0.0

Non-developed assets (justified for development) as of 31.12.2014

	1P					2P				
	Liquids (mill bbl)	Gas (bscf)	mill boe	Interest %	Net mill boe	Liquids (mill bbl)	Gas (bscf)	mill boe	Interest %	Net mill boe
Nini East	0.0	0.0	0.0	30.0	0.0	1.2	0.0	1.2	30.0	0.4
Total					0.0					0.4

Total reserves as of 31.12.2014

	1P					2P				
	Liquids (mill bbl)	Gas (bscf)	mill boe	Interest %	Net mill boe	Liquids (mill bbl)	Gas (bscf)	mill boe	Interest %	Net mill boe
Nini	0.2	0.0	0.2	30.0	0.1	1.5	0.0	1.5	30.0	0.4
Nini East	0.8	0.0	0.8	30.0	0.2	5.0	0.0	5.0	30.0	1.5
Cecilie	0.0	0.0	0.0	61.0	0.0	0.0	0.0	0.0	61.0	0.0
Lulita	0.5	2.2	0.9	28.2	0.3	0.7	2.9	1.3	28.2	0.4
Enoch	0.0	0.0	0.0	4.4	0.0	0.1	0.0	0.1	4.4	0.0
Oselvar	0.7	2.8	1.2	15.0	0.2	3.1	14.8	5.8	15.0	0.9
Huntington	11.4	8.0	13.3	20.0	2.7	17.9	9.7	20.1	20.0	4.0
Total					3.4					7.2

Table 2: Noreco reserves development

Reserves development

Net mill boe	Developed assets (on production)		Under development (approved for development)		Non-developed assets (justified for development		Total	
	1P	2P	1P	2P	1P	2P	1P	2P
Balance as of 31.12.2013	7.9	15.3	0.0	0.0	0.0	0.3	7.9	15.6
Production	(2.0)	(2.0)	-	-	-	-	(2.0)	(2.0)
Aquisitions/disposals	-	-	-	-	-	-	-	-
Extensions and discoveries	-	-	-	-	-	-	-	-
New developments	-	-	-	-	-	-	-	-
Revisions of previous estimates	(2.5)	(6.5)	-	-	-	0.1	(2.5)	(6.4)
Balance as of 31.12.2014	3.4	6.8	0.0	0.0	0.0	0.4	3.4	7.2

For conversion between gas volumes (scf) and oil equivalents (boe), Noreco has used 5600 scf equals 1 boe for Danish and Norwegian fields. For Huntington Noreco has used 4400 scf equals 1 boe.

The Nini, Nini East and Cecilie reserves are all produced via the Siri platform.

Nini, DCS, operated by Dong Energy, Noreco 30 percent
The reserves assessment of the Nini field is based on decline analysis of the producing wells. Reserves are approximately 20 percent lower than last year after accounting for the 2014 production and reduced economical lifetime.

Nini East, DCS, operated by Dong Energy, Noreco 30 percent
The reserves assessment of Nini East is based on detailed reservoir modelling. The reserves for a new production well are included in the Justified for Development category. Reserves are approximately 15 percent lower than last year after accounting for the 2014 production and reduced economical lifetime.

Cecilie, DCS, operated by Dong Energy, Noreco 61 percent
The reserves for the Cecilie field are based on decline analysis of existing wells. Cecilie is not considered to carry commercial reserves due to the oil price assumptions.

Lulita, DCS, operated by Maersk Oil & Gas, Noreco 28.2 percent
The 2P reserves for the Lulita field are based on decline analysis. The Lulita field is produced with a single well and there is potential for infill drilling (sidetrack). New seismic is being interpreted to address future possibilities. However, no firm plan exists and consequently there are no undeveloped reserves booked for Lulita. Reserves are reduced by approximately 5 percent after accounting for 2014 production and reduced economical lifetime.

Enoch, NCS, operated by Talisman, Noreco 4.36 percent
The Enoch field is produced with a single well, but the field has been shut down in 2014. The 2P reserves have been reduced by 95 percent accounting for reduced economical lifetime.

Oselvar, NCS, operated by Dong Energy, Noreco 15 percent
The reserves assessment of the Oselvar field is based on decline analysis. The production level so far has been lower than expected. The 2P reserves are approximately 70 percent lower than last year after accounting for the 2014 production, weaker than expected reservoir performance, and reduced economical lifetime.

Huntington Forties, UKCS, operated by E.ON Exploration and Production, Noreco 20 percent
Noreco's reserve estimate of the Huntington Forties reservoir is based on reservoir modelling together with recent production history. The 2P reserves on Huntington have been reduced by 40 percent accounting for 2014 production, weaker than expected reservoir performance and reduced economical lifetime. The assumptions for the reserves as of 31.12.2014 are as follows: (i) The economic production cut-off is end 2019, (ii) water injection mitigation and (iii) some contribution from the low resistivity zone in the reservoir.

CONTINGENT AND PROSPECTIVE RESOURCES

Noreco's contingent resources are from discoveries in various stages of maturation towards development on the Norwegian Danish and UK continental shelves.

In accordance with guidelines from Oslo Stock Exchange, Noreco does not quantify contingent resources in this ASR.

For a description and overview of our contingent resources, reference is made to Noreco's homepage www.noreco.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The reported reserve estimates are based on standard industry practices and methodology such as decline analysis, reservoir modelling and geological and geophysical analysis. The evaluations and assessments have been performed by engineers with extensive industry experience, and the methodology and results have been quality controlled as part of the company's internal reserves estimation procedures. The 2P reserves estimate represents the expected outcome for the fields based on the performance observed to date, the company's understanding of the fields and the planned activities in the licences.

A third party independent assessment has been performed by DeGolyer and MacNaughton on all of Noreco's fields categorised as reserves. The assessment is based on input data provided by Noreco, as well as full access to subsurface data and licence documentation. DeGolyer and MacNaughton performed an independent review of reserves on this basis. The independent review concludes with a

reserves estimate that is 28 percent higher than Noreco's overall 2P estimate and hence serves as a verification of the Noreco reserves estimate.
The information included herein may contain certain forward-looking statements that address activities, events or developments that Noreco expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by Noreco, which are beyond its control and are subject to certain additional risks and uncertainties. As a result of these factors, actual events may differ materially from those indicated in or implied by such forward-looking statements.

The 2P reserve estimate for the Noreco portfolio is 7.2 million barrels of oil equivalents (boe) compared to 15.6 million boe in the year end 2013 reserves statement. This decrease is mainly a result of Oselvar and Huntington write downs and Noreco's production of 2 million boe in 2014.

Tommy Sundt
CEO, Noreco

NORECO GROUP

NORECO GROUP

2014

- **Norwegian Energy Company ASA***
  - **Altinex ASA**
    - **Noreco Denmark A/S**
      - **Noreco Oil Denmark A/S**
        - Nini 30 %
        - Cecilie 37 %
        - Lulita 19.452 %
        - All DK exploration activity
        - **Noreco Petroleum Denmark A/S**
          - Cecilie 24 %
          - Lulita 8.751 %
        - **Noreco Oil (UK) Ltd**
          - Huntington 20 %
    - **Noreco Norway AS**
      - Enoch 4.36 %
      - Oselvar 15 %
      - All NO exploration activity
  - **Norwegian Energy Company (UK) Ltd**
    - All UK exploration activity

* All companies 100 % controlled by parent

BOARD OF DIRECTORS

BOARD OF DIRECTORS

2014

Silje Augustson
Chair

Augustson has significant experience from the capital markets and the financial services industries mainly based out of London. Her experience spans from roles within equity sales and research in investment banking, to business development, strategy and investor capital fundraising in the alternative asset management industry. Ms. Augustson has held positions with JP Morgan, The Brunswick Group, Theorema Asset Management, and Belay Asset Management. Currently she works with Xynteo, a strategic advisory firm based in Oslo and London, with clients in the Oil and Gas industry. Augustson is a Non-Executive Director of Panoro Energy ASA, and serves on the board of the Storm Nordic Fund, the Storm Bond Fund, SurfSide Holding AS and Mikrofinans Norge AS. She holds a Deug in Economics from the University of Toulouse UT1 (1996), and a Master in European Management/Diplome de Grande Ecole from ESCP-EAP (1999).

Riulf Rustad
Board member

Rustad is a Norwegian citizen residing in Norway. He has been investment director with Storebrand and has since 2000 been an investor with investments in various sectors such as oil & gas and oil services. Rustad holds various board positions including companies quoted on Oslo Børs.

Julien Balkany
Board member

Balkany is a French citizen residing in London. He has been managing director of Nanes Delorme Capital Management LLC and has since October 2014 been a non-executive Chairman of Panoro Energy which is publicly listed on Oslo Børs. He holds various other positions in the oil and gas sector.

Andreas Greve-Isdahl
Alternate board member

Greve-Isdahl holds an MBA from Hult, Shanghai and a bachelor in Innovation & Entrepreneurship from OMH, Oslo. Greve-Isdahl has extensive international business expertise after living/working in the UK, China, UAE, USA, Vietnam and Norway. Previous roles include founder/ entrepreneur, consultant and most recently as advisor to Sabaro Investment Limited, where he is involved in all parts of Sabaro's operations, from investments and portfolio management to exit.

Lotte Kiørboe
Employee elected board member

Kiørboe joined Noreco in 2008. She has a Masters degree in geology from Copenhagen, and a PhD from Aarhus University. She began her career in 1988 with GEUS, where she worked with oil-related tasks including continental appraisal by the Faroe Islands and Greenland. From 1997 until 2008, Kiørboe was employed with Maersk Oil in exploration in West Africa, Brazil and Norway. Kiørboe currently holds the position of Exploration Manager in Denmark.

DIRECTORS REPORT

DIRECTORS REPORT

Noreco
Norwegian Energy Company ASA ('Noreco') is a Norwegian exploration and production company engaged in exploration and production of hydrocarbon resources on the Norwegian, Danish and United Kingdom continental shelves. Its head office is located in Stavanger, Norway.

The company's vision, values and strategy are described on its website www.noreco.com. The company's social responsibility and guiding principles for corporate governance as well as the report on payments to governments are also documented there. These policies are reflected in more detailed governing documents, procedures and routines and are the basis for all day-to-day corporate activities. These policies are available for all employees in the internal management system.

Exploration
In 2014 Noreco completed the drilling of the Noreco operated Verdande exploration well on licence PL484. The well did encounter hydrocarbons in the Cretaceous interval; however the reservoir interval was thin and poorly developed. The deeper Jurassic reservoir interval was found to be tight with only oil shows being recorded and the discovery is thus deemed not commercial.

An appraisal well was drilled on the Gohta structure in the Barents Sea Licence PL492 (operated by Lundin). The well was tested and successfully proved the lateral extent of the productive reservoir on the western flank of the structure. While the oil test was inconclusive due to technical issues, the gas test successfully yielded production rates corresponding to 700 000 Sm^3 gas per day (4 403 boe per day).

Further appraisal drilling will be needed to confirm reservoir productivity on the northern flank. The operator has tentative plans to drill this well in 2016. Drilling so far has confirmed the previous resource estimates (111 – 232 mmboe). Noreco holds a 20 percent working interest in the discovery.

Noreco has continued to mature and manage its portfolio of exploration licences. As part of this process, numerous licences have been relinquished as material prospectivity could not be confirmed. Noreco was not awarded any new licences in the Norwegian APA 2014 licencing round.

Production
At the end of 2014, Noreco had an interest in the following seven producing fields: Oselvar in Norway, Nini (Nini and Nini East), Cecilie and Lulita in Denmark, Huntington in the UK and the Enoch field, which straddles the Norwegian/UK border.

Net production to Noreco in 2014 averaged 5 499 barrels of oil equivalents per day (boepd). This was significantly lower than expected, mainly due to issues with gas delivery through the CATS system from the Huntington field.

Production at the Nini field (which consists of Nini and Nini East) was better than expected in 2014. A temporary production solution which involved transferring the stabilised crude directly from the Siri Platform to a tanker was deployed for most of the year. Production from Cecilie resumed at the end of the second quarter of 2014 and the field produced in accordance with expectations.

In November 2014 the repair project on the Siri Platform was approved by the Danish authorities and the platform returned to normal production; however still with some restrictions until the full clean up of the platform has been executed.

The Oselvar field came on stream in April 2012, and production has been considerably lower than anticipated in the plan for development and operation. In 2014 the operator continued to further develop the reservoir model to reflect the performance of the reservoir. This resulted in a further downward revision of the reserves estimate. Noreco's share of the remaining reserves were reduced from 3.4 million boe at end of 2013 to 0.9 million boe at end of 2014.

After significant delays, production at the Huntington field started in April 2013, but output was considerably lower than planned. Since then production at the field has been repeatedly hampered by operational problems at the Huntington production system and numerous planned and unplanned shutdowns of the CATS pipeline system, which have restricted Huntington from exporting gas, and consequently also affecting oil production. Furthermore, production data has shown that the water injection being injected into the Huntington reservoir does not give the desired effect of pressure support. The licence is working on several mitigating actions to improve the situation. Options being considered include well intervention and side tracking of existing wells. The lack of pressure support from the water injection and historic reservoir performance led the partnership to reduce the reserves. Gas injection is also being considered to reduce the field's dependence on gas exports through CATS. The reserves estimate was updated in Q4 2014 and the remaining reserves were reduced from 7.8 million boe at end of 2013 to 4.0 million boe at end of 2014. The produced volumes were 1.0 million boe in 2014. The assumptions for the reserves as of 31.12.2014 are as follows: (i) The economic production cut-off is end 2019, (ii) water injection mitigation and (iii) some contribution from the low resistivity zone in the reservoir. The Huntington partnership is currently evaluating reservoir characteristics, production profiles and potential mitigating actions, and future decommissioning costs. The result of this work is uncertain and might impact the company's estimated reserves on Huntington.

Financial position and summary of completed financial restructuring

Since the beginning of October 2014 a number of events occurred and circumstances were identified, which implied that the company's debt servicing ability was significantly impaired. These events and circumstances included lower than anticipated production from the company's key producing asset Huntington, lower reserves on Huntington and Oselvar, increased projected operating costs, a significant continued drop in oil prices and accelerated retention of cash to cover future abandonment costs. In light of this, the company initiated a comprehensive process aimed at securing a sustainable financial solution. It soon became clear that a capital restructuring was needed in order to be able to continue as a going concern and thus preserving values to the benefit of all stakeholders. As a consequence of the adverse circumstances, Noreco was not able to make the scheduled payments for bond loan interests and instalments that were due on 9 December 2014. As a result, all outstanding bond loans and the exploration loan facility, which carried cross default clauses, were defaulted on and the creditors thus had the right to call the entire principal amounts and accrued interests for payment.

Noreco maintained close dialogue with shareholders, Nordic Trustee, the trustee advisors and representatives for the bondholders' ad hoc committee in this period. The company also reviewed planned activities in its licences in light of the low oil price, and it identified a number of actions that have substantially reduced expected costs and improved the company's financial situation and outlook. Based on feedback from the financial stakeholders on the board's first restructuring proposal presented on 15 December 2015, which entailed a full bond debt to equity conversion, the board resolved to finalise and present a revised restructuring proposal on 4 February 2015. This proposal received close to unanimous support and was approved in bondholders' meetings and a shareholder meeting on 2 and 3 March 2015 respectively.

In summary, the financial restructuring entailed that the company in March 2015 converted NOK 1 979 million of bond debt (including accrued interest) to equity with NOK 1 218 million of bond debt remaining on amended terms, including amended maturities, with possible payment-in-kind ('PIK') interests and no fixed amortisations except final maturity in three years, but with 'cash sweep' if cash should become available. NOR06 changed borrower to Noreco Norway AS without any recourse to the parent company or other parts of the group. The remaining outstanding amounts of the three bond loans NOR10, NOR11 and NOR12 were combined into an amended NOK 600 million NOR10 bond loan. Following the conversion, the holders of the converted bonds owned 92 percent of the outstanding shares of the company, while the existing shareholders owned 8 percent of the outstanding shares.

The restructuring was completed on 24 March 2015, through the issuance of new shares and execution of amended bond agreements.

As part of the negotiations on an overall restructuring for Noreco during winter 2015, a committee of bondholders stated that their consent would require that the costs and cash flows related to Noreco's operations in Denmark had to be improved. Noreco was prevented from making payments for its share of production costs at the Nini and Cecilie fields, and it was consequently in breach of the licence agreements. Since then Noreco and representatives from the bondholders have been in dialogue with the operator and partners in the licences in order to achieve an amicable solution. Noreco is currently in a constructive process with the other licence partners. The company's ambition is to conclude an agreement, which will result in an orderly transfer of its ownership of the respective licences.

Financial results for 2014

Total revenues for 2014 amounted to NOK 1 143 million, up from NOK 894 million the previous year. Production increased from 4 099 barrels of oil equivalents per day (boepd) in 2013 to 5 499 boepd in 2014, while the realised oil price was reduced from USD 102 per boe in 2013 to USD 92 per boe in 2014.

Production expenses were NOK 587 million in 2014, up from NOK 430 million last year. Lower production costs in 2013 were primarily due to the commencement of the Huntington field in April 2013, and FPSO lease on the Huntington field was included starting in September 2013. Production costs on the Danish Nini and Cecilie fields were NOK 303 million combined in 2014, while the corresponding costs in 2013 amounted to NOK 239 million. Approximately NOK 40 million included in the 2014 production costs were related to a non-recurring write-off of a receivable that had arisen when payments were made on behalf of a licence partner. The Nini and Cecilie production costs in 2014 were also impacted by a higher proportion of allocated operating expenditures in the Siri area, as a consequence of the increased share of total production handled through the Siri platform in 2014.

Exploration and evaluation expenses were NOK 837 million in 2014, up from NOK 666 million in 2013. Exploration and evaluation expenses in 2014 included write-off of the Huntington Fulmar discovery and amounted to NOK 600 million. The PL 484 Verdande well was written off as a dry well in 2014, and amounted to NOK 158 million.

Payroll expenses were NOK 87 million in 2014, down by NOK 40 million compared to 2013. The reduction was due to a lower number of employees, (the average number of employees was reduced from 65 in 2013 to 52 in 2014), as well as a reduction in employee bonuses, and increased charge of personnel expenses to operated licences.

Other operating expenses amounted to NOK 104 million in 2014, compared to NOK 95 million last year. Operating costs in 2014 included NOK 7 million in a non-recurring cost related to the scale-down of premises in Stavanger. Noreco also incurred NOK 27 million in fees to financial and legal advisors relating to the financial restructuring process, included in the operating expenses for 2014.

Other (losses)/gains were NOK 25 million in 2014, while the corresponding amount for 2013 was negative NOK 15 million. The change was primarily related to increased value on oil put options with a strike of USD 70 per barrel.

Write-downs amounted to NOK 2 885 million in 2014, up from NOK 1 211 million in 2013. For the Huntington cash generating unit, which comprised UK goodwill and Huntington Forties at year end 2014, total write-downs amounted to NOK 2 112 million. The write-downs were due to significantly lower production projections for 2015 and onwards for Huntington Forties, as well as effects from materially reduced oil price expectations, revised estimates for operating costs including mitigating measures and increased estimates for future abandonment costs. The Oselvar field incurred write-downs of NOK 396 million after which the gross book value was zero, as a result of lower reserves and thus a shorter economic lifetime, as well as increased estimates for future abandonment costs. The Siri Fairway cash generating unit, comprising the Nini and Cecilie fields was written down by NOK 327 million in 2014, after which the book values were zero. The impairment was mainly due to lower oil price expectations and increased estimates for future abandonment costs. Goodwill related to the Danish business was written down by NOK 29 million in 2014, and Enoch was written down by NOK 21 million. Following the write-downs in 2014, only Huntington, Lulita and associated goodwill had remaining book values on 31 December 2014.

The net operating result (EBIT) for 2014 was a loss of NOK 3 740 million, compared to a loss of NOK 1 969 million in 2013.

Financial income amounted to NOK 172 million in 2014, down from NOK 570 million last year. Financial income in 2013 included a gain on extinguishment of debt of NOK 523 million that was related to the bond restructuring which was completed on 9 December 2013. Interest income was stable, with NOK 23 million in 2014 and NOK 24 million in 2013, while currency translation income increased to NOK 149 million in 2014 from NOK 22 million in 2013.

Financial expenses were NOK 953 million in 2014, compared to NOK 556 million in 2013. Interest expenses on bond loans increased from NOK 407 million in 2013 to NOK 820 million in 2014. The increase was mainly driven by increased amortisation including recognition of the remaining difference between book values and principal amounts at the end of 2014, as a consequence of the outstanding bond loans being in default at the end of 2014. Amortisation amounted in total to NOK 634 million in 2014, while the corresponding amount for 2013 was NOK 82 million.

The company's ordinary result before tax (EBT) was a loss of NOK 4 520 million, compared to a loss of NOK 1 954 million in 2013.

Taxes amounted to an income of NOK 1 609 million in 2014. This corresponds to an average tax rate of 35.6 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 2014 was lower than for the same period in 2013 (48.4 percent) primarily due to de-recognition of deferred tax assets in Denmark and the UK as a consequence to impairment of assets and thus lower expectations to future taxable income in these jurisdictions. The tax rate in 2014 was also impacted by the interest expenses including amortisation in Noreco ASA, which contributed to significant pre-tax losses, but had no tax impact since deferred tax assets were not recognised in this entity.

Net result for the full year 2014 was a loss of NOK 2 912 million, compared to a loss of NOK 1 008 million last year.

Net cash flow from operations in 2014 amounted to NOK 730 million, down from NOK 1 476 million in 2013. The difference between cash flow from operations and the result before tax is mainly caused by significant write-downs, ordinary depreciation, tax refund, bond amortisation effects and expensed exploration expenditures which were previously capitalised and classified as investment activity in the cash flow statement.

Net cash flow used in investing activities in 2014 was NOK 319 million compared to NOK 1 031 in 2013. The investment activities in 2014 were mainly related to exploration and appraisal wells.

Cash flows used in financing activities in 2014 was a net cash outflow of NOK 170 million compared to a net cash outflow of NOK 626 million in 2013. The main cash inflows from financing activities in 2014 were related to utilisation of the exploration facility and issue of share capital, while the significant cash outflows were related to repayment of exploration loan, repayment of bond loans and paid interests.

Interest-bearing debt, excluding exploration loans, had a book value of NOK 3 051 million (equal to principal amount) on 31 December 2014, compared to NOK 2 480 million (principal amount NOK 3 102 million) on 31 December 2013. The group's exploration loan amounted to NOK 284 million at the end of 2014, compared to NOK 333 million at the end of 2013. Total interest-bearing debt at year end 2014 had a book value of NOK 3 335 million, of which all was classified as current liabilities.

On 31 December 2014 Noreco had a total of restricted cash, cash and cash equivalents of NOK 1 254 million, of which NOK 609 million was restricted. Of this NOK 546 million is in escrow as security for abandonment obligations related to the company's producing fields Nini and Cecilie in Denmark. Free cash at the end of 2014 amounted to NOK 644 million as the bond payments due 9 December 2014 was not met.

Noreco has one reporting segment: exploration and production. In order to provide users with better insight into the company's activities, additional information about each field is provided in the annual statement of reserves. In addition, geographical information is disclosed in note 5 to the consolidated financial statements.

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. While the financial solidity at 31 December 2014 was considered critical, mitigating measures have been implemented after the balance sheet date, which included a bond debt restructuring completed in March 2015. The financial solidity and the company's cash position are now considered satisfactory in regards of the planned activity level for the next twelve months.

In the board's view, the annual accounts give a true and fair view of the company's assets and liabilities, financial position and results. The board is not aware of any factors that materially affect the assessment of the company's position as of 31 December 2014, or the results for 2014, other than those presented in this report or that otherwise follow from the financial statements.

The market
The oil price fell dramatically in the last part of 2014, impacting the valuation of the Noreco assets substantially. Even though the board is of the view that the oil price in the long term will increase, the current market conditions are expected to prevail for a period. The challenging economic environment will impact Noreco's activity level and ability to invest in new projects. The asset market is naturally impacted by the downturn in the industry, and even though several assets are available in the market, the universe of buyers is limited. Noreco was not involved in any major transactions last year.

Financial risk
Noreco's most significant risk factors are related to oil prices, exploration success, production interruption, currency exchange rates and ability to service debt. The majority of the group's debt has a fixed interest rate. Risk associated with interest rate changes is thereby limited.

Financial risk management is performed by a central finance and accounting function and it is the goal of the risk management to minimise the possible negative impact on the company's financial results. Financial derivative instruments may be used when appropriate to mitigate certain risk exposures.

All of the company's bond debt has a fixed interest rate, and the interest rate risk is considered low. More information on the management of financial risk can be found in the notes to the financial statements.

Production of oil and gas is the company's main earnings driver. The operation of production installations is exposed to risks of interruptions and delays due to technical problems or other unforeseen events. Production of oil and gas is also associated with the risk of wells not delivering the anticipated production, the risk of it becoming more expensive to operate the fields than anticipated, or the risk of long-term production interruptions. Noreco's production is also concentrated in a limited number of fields.

Such risks are reduced by continued focus on reservoir understanding and on the technical integrity of production facilities. In addition, the company has an extensive insurance package covering physical damage to installations, loss of well control, liability, pollution, removal of debris and business interruption.

The five-month production shutdown on the Siri platform in 2009 was an example of such a risk, causing a loss of production. Noreco has filed insurance claims to cover the loss of production income and the costs of the temporary and permanent solution which allowed production to be resumed. The company has not yet received any compensation related to these insurance claims. The process has taken more time than anticipated due to the technical complexity of the claim and the fact that Noreco has had to instigate legal proceedings against insurers for recovery of the losses. The total claim exceeds NOK 2 billion, of which NOK 440 million was recognised as a non-current receivable at 31 December 2014.

Based on technical documentation containing third party evaluations and the insurance agreements, the company remains firm that the booked claim is covered and at a minimum the booked amounts will be awarded. The USD amount recognised at 31 December 2014 is unchanged from 31 December 2013.

Noreco filed the writ to the Danish courts on 14 February 2014 and a final court hearing has been scheduled for the second half of 2016. Since commencement of the legal proceedings, underwriters have produced their statement of defence and Noreco its reply. Underwriters have at the end of January 2015 submitted its rejoinder which formally marked the end of the exchange of written pleadings. Underwriters have requested the appointment of a technical expert to review and pronounce upon the technical evidence. This process is expected to last through most of 2015 and possibly the early part of 2016. See also note 2.9 for a description of the group's applicable accounting principles, and note 4.2 b) regarding the necessary judgmental assessments.

Noreco by the nature of its business, is involved in capital-intensive exploration projects. Post the financial restructuring, the company is no longer engaging in acquiring new commitments as such. The funding of current commitments is considered satisfactory and the group is working to further reduce these through asset disposals and farm outs of licences.

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. The board believes that this is a key condition for creating value over time in a very demanding business. The company's vision for health, environment, safety and quality (HSEQ) is zero accidents, zero unwanted incidents, and zero long-term impact on the environment. The company seeks to protect people, the environment and its assets through involvement and to improve HSEQ in all aspects of our business.

One of the company goals in the HSEQ programme is to achieve compliance and business improvements by further development and use of the management system. To fulfil this goal, the company has performed a number of activities during 2014, whereby the process owners and process responsible have been trained in the use of the management system. Another goal in the HSEQ programme is to continue efforts to prevent major accidents through systematic risk management in all decisions that the company makes. To fulfil this goal, the company has performed an extensive training programme for all members of the emergency preparedness organisation. Risks have been evaluated for all of the company's producing fields. Noreco is also promoting exchange of experience by engaging in close dialogue with the rest of the industry.

To fulfil the goal of strengthening the robustness, health and individual development and performance, Noreco uses a competence mapping module in the management system. In addition, the company has completed a safety day for all employees and their families, and all employees have been offered follow up from our physiotherapist through development of a health profile. All employees are encouraged to engage in physical activity.

The employees are the key to achieving the company's goals and visions within HSEQ. The company's HSEQ management is integrated in the overall management system, which is regularly updated. The employees are also actively engaged in being part of the HSEQ culture.

Noreco actively follows up the HSEQ work in all its licences. This mainly involves management follow-up of HSEQ in the licence control committees and inspections on the facilities. Noreco keeps statistics and overviews of HSEQ incidents in addition to follow-up plans for the activities.

Exploration, development and production of oil and gas may cause emissions to the sea and air. Noreco's operations are in accordance with all regulatory requirements, and there were no breaches of these requirements in 2014. In 2014 Noreco operated one exploration well in the Norwegian Sea with the semi submersible drilling rig Bredford Dolphin. There were no serious injuries or long term damage made to the environment during the drilling operation on Verdande.

Personnel resources and working environment

Noreco's employees are essential to value creation and -preservation of the company.

At the start of 2014 the company had 54 employees, and at the end of the year this number was reduced to 47. Three employees in resignation period are not included in these numbers.

Noreco has a diverse workforce with a total of nine nationalities represented: Norwegian, Danish, British, Irish, Pakistani, Polish, South African, Turkish and Mexican.

The company's board of directors consists of two women and two men, whereof one woman and two men were elected by shareholders. One woman holds the role of employee representative for the board, and was elected by employees.

At the end of 2014, 40 percent of the employees were women compared to 43 percent in 2013, 39 percent in 2012 and 35 percent in 2011. It is a goal to maintain a good gender balance in the workforce.

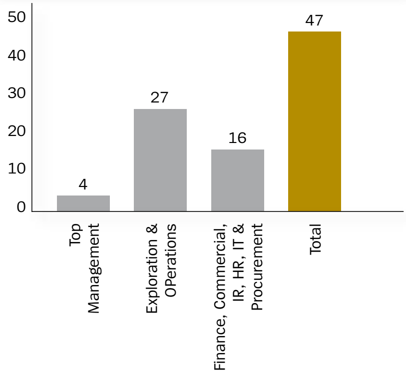
For the whole company, two of the middle management positions are occupied by women. During 2014 the work environment committee consisted of four employee representatives. Three of these roles were occupied by women and one by a man. The safety delegate role during 2014 was also occupied by a woman.

Noreco pays equal salaries and gives equal compensation for positions at the same level, regardless of gender, ethnicity, religion or disabilities. Women are underrepresented in management positions compared to the company's overall gender mix. This causes the average salary in the company to be lower for women than for men.

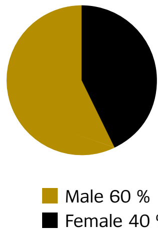
According to annual work environment surveys, Noreco has a good working environment. Sick leave in Noreco remains low and was 2.4 percent in 2014 versus 1.5 percent in 2013 and 1.2 percent in 2012. Given the company's challenging financial situation, special emphasis was put on keeping employees well informed about the developments at all times.

The management's compensation is described in the notes to the annual accounts.

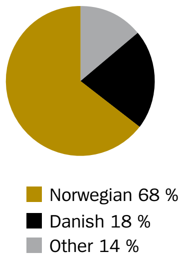
Number of employees 31.12.2014



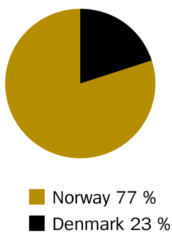
Employees' Gender



Employees' Nationality



Employees' Location



Research and development

Noreco collaborates with several research institutions to increase the understanding of a number of complex challenges within the oil and gas industry's upstream segment. The company has no current plans to participate in the commercialisation of these efforts.

Corporate governance

The board is focused on maintaining 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, 34 board meetings were held in 2014.

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 has been done by the board in 2014 in connection with the financial restructuring.

In January 2014, the company received a request to convene an extraordinary general meeting to elect the shareholder representatives to the board. Such general meeting was held on 4 February 2014. The following directors were elected: Morten Garman (chair), Hilde Drønen, Marika Svärdström, Erik Henriksen and David Gair. Directors elected by and among company employees, Hilde Alexandersen and Bård Arve Lærum, were not up for election.

Noreco held its annual general meeting in April 2014. The annual general meeting resolved to grant a proxy to the board for increasing the share capital by a total amount of up to NOK 16 million in relation to employee incentive schemes. In addition, Trygve Pedersen was elected as a new board member to replace David Gair who had withdrawn.

In September 2014, an extraordinary general meeting approved a reversed split of the company's outstanding shares.

On 1 October 2014, the chairman of the board Morten Garman and board member Erik Henriksen gave their notices of immediate resignation from the board of directors of Noreco. In a subsequent board meeting, the board appointed board member Hilde Drønen as acting chair.

In October 2014, the company received a new request to convene an extraordinary general meeting from the shareholder Sabaro Investments Limited with the purpose of electing a chairman and members of the board. The extraordinary general meeting was held on 27 October 2014. Erik Henriksen (chairman), Tone Bjørnov (deputy chair), Andreas Greve-Isdahl and Silje Augustson were appointed as the new shareholder elected board members.

Following the extraordinary general meeting held on 27 October 2014, Tom Henning Slethei and Ole Rettedal notified the company that they withdrew from the nomination committee. Tone Bjørnov resigned as a board member in November 2014. Employee elected board member Hilde Alexandersen resigned in November and was replaced by her deputy member

Liselotte Vibeke Kiørboe. In December, chairman of the board Erik Henriksen gave his notice of resignation.

In December 2014, the board called for an extraordinary general meeting for supplement election of board members and appointment of nomination committee members. The extraordinary general meeting was held on 13 January 2015. The following directors were elected: Silje Augustson, Andreas Greve Isdahl, John-Kaare Aune (new) and Ariane Foisy (new). Directors elected by and among company employees were not up for election. In a subsequent board meeting, the board elected Silje Augustson as chair of the board. New members of the company's nomination committee were also elected: Morten Garman, Kristian Utkilen (new) and Leif Bryn Petersen (new).

On 3 March 2015 an extraordinary general meeting was held to vote on a restructuring proposal, which involved a capital reduction, partial conversion of bond loans to equity and a reversed split of the shares. The general meeting approved all items on the agenda.

Following the successfully approved restructuring of Noreco, the board called for an extraordinary general meeting in March 2015 with the purpose of appointing a new board than could reflect the shareholder base following the conversion of bond debt as set out in the restructuring. The extraordinary general meeting was held on 27 March 2015. The following directors were elected: Silje Augustson (chair), Riulf Rustad (new), Julien Balkany (new) and Andreas Greve Isdahl (alternate). Directors elected by and among company employees were not up for election, however employee representative Bård Lærum stepped down as the number of employee representatives have been reduced to one.

Further information on corporate governance in Noreco 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 5600 shareholders, and approximately 38 percent of the shares are held by Norwegian residents.

On 24 March 2015, the restructuring was executed and 652 715 195 new shares were issued by partial conversion of the NOR10, NOR11 and NOR12 bond loans. The new shares represented 92 percent of all outstanding shares in the company. Following the share issue, the remaining outstanding amounts on the NOR11 bond loan and the convertible NOR12 bond loan were transferred to NOR12. Hence, after the completion of these transactions, Noreco has no convertible bond loans.

Norwegian Energy Company ASA
In 2014, the parent company was a pure holding company, and the operating expenses mainly consisted of shareholder costs, restructuring costs and payroll expenses. A write-down was made of the shareholding in Altinex AS of NOK 2 317 million. The write-down related to impairments of the underlying fields of Altinex AS' subsidiaries, which where mainly caused by reduced reserves and lower oil prices. The investment in Norwegian Energy Company UK Ltd was written down by NOK 285 million, mainly due to derecognition of a deferred tax

asset in this subsidiary, for which expectations to future taxable income was significantly reduced in 2014. Interest expenses in the parent company amounted to NOK 820 million, of which coupon and default interest amounted to NOK 198 million, and amortisation amounted to NOK 622 million. 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.

Allocations

The result for the year for Norwegian Energy Company ASA in 2014 was a loss of NOK 3 330 million. The board proposes the following allocations:

Allocated from other equity	NOK 1 551 million
Covered by other paid-in capital	NOK 771 million
Covered by share premium	NOK 1 007 million
Total appropriation	**NOK 3 330 million**

Outlook

With a completed financial restructuring in place, Noreco is no longer in distress. The company is in a strong position to maximise the value of its portfolio of exploration licences, discoveries and producing fields.

In light of the current challenging market conditions and the significant future debt servicing requirements, the key focus for Noreco in the short term will be to limit future investment commitments, implement cost saving measures and optimise its assets through either continued operations or through divestment efforts. Surplus cash will be used to strengthen the company's balance sheet through repayment of debt.

Approved by the board 30 April 2015

Silje Augustson
Chair of the board

Riulf Rustad
Board member

Julien Balkany
Board member

Lotte Kiørboe
Employee elected board representative

Tommy Sundt
CEO

CONSOLIDATED STATMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

All figures in NOK million	Note	2014	2013
Revenue	**5,6**	**1 143**	**894**
Production expenses	7	(587)	(430)
Exploration and evaluation expenses	8,28	(837)	(666)
Payroll expenses	9,22,26	(87)	(127)
Other operating expenses	10	(104)	(95)
Other (losses)/ gains	11	25	(15)
Total operating expenses		**(1 591)**	**(1 333)**
Operating results before depreciation and write-downs		**(448)**	**(440)**
Depreciation	13,32	(407)	(319)
Write-downs and reversal of write-downs	12,13	(2 885)	(1 211)
Net operating result		**(3 740)**	**(1 969)**
Financial income	14	172	570
Financial expenses	14	(953)	(556)
Net financial items		**(780)**	**15**
Result before tax		**(4 520)**	**(1 954)**
Income tax benefit	15	1 609	947
Net result for the year		**(2 912)**	**(1 008)**
Other comprehensive income (net of tax):			
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement of defined benefit pension plans	22	-	0
Total		-	*0*
Items to be reclassified to profit or loss in subsequent periods			
Cash flow hedge		-	7
Discontinued cash flow hedge		-	4
Reclassification of currency translation adjustment upon disposal of subsidiary		(28)	-
Currency translation adjustment		278	264
Total		*249*	*274*
Total other comprehensive result for the year (net of tax)		**249**	**275**
Total comprehensive result for the year (net of tax)		**(2 663)**	**(733)**
Earnings per share (NOK 1)			
Basic	16	(52.0)	(149.3)
Diluted	16	(52.0)	(149.3)

Note 1 to 33 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS

as of 31 December

All figures in NOK million	Note	31.12.2014	31.12.2013
Non-current assets			
Licence and capitalised exploration expenditures	12,28	325	743
Goodwill	12	23	174
Deferred tax assets	15	633	293
Property, plant and equipment	13,28	428	3 087
Restricted cash	18,20	576	500
Receivables	29	440	-
Total non-current assets		**2 425**	**4 797**
Current assets			
Tax refund	15	315	378
Derivatives	19,20	28	1
Trade receivables and other current assets	17,20	189	551
Restricted cash	18,20	33	74
Bank deposits, cash and cash equivalents	18,20	644	403
Total current assets		**1 209**	**1 408**
Total assets		**3 634**	**6 205**

Note 1 to 33 are an integral part of these consolidated financial statements.

All figures in NOK million	Note	31.12.2014	31.12.2013
Equity			
Share capital	21	568	466
Other equity	21,26	(1 371)	1 284
Total equity		**(803)**	**1 750**
Non-current liabilities			
Deferred tax	15	0	953
Asset retirement obligations	23	612	327
Bond loan	20,24,27	-	1 939
Other interest bearing debt	20,24,27	0	0
Total non-current liabilities		**612**	**3 220**
Current liabilities			
Bond loan	20,24,27	3 051	541
Other interest bearing debt	20,24,27	284	333
Derivatives	19,20	3	4
Tax payable	15	28	13
Trade payables and other current liabilities	20,25	458	343
Total current liabilities		**3 825**	**1 235**
Total liabilities		**4 437**	**4 455**
Total equity and liabilities		**3 634**	**6 205**

Stavanger, 30 April 2015

Silje Augustson
Chair of the board

Riulf Rustad
Board member

Julien Balkany
Board member

Lotte Kjørboe
Employee elected board representative

Tommy Sundt
CEO

Note 1 to 33 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

All figures in NOK million	Note	Share capital	Currency translation fund	Hedging reserve	Other equity	Total equity
Equity at 01.01.2013		**1 097**	**(64)**	**(11)**	**1 005**	**2 028**
Net result for 2013					(1 008)	(1 008)
Comprehensive income/(loss) for the period (net of tax)						
Currency translation adjustments		-	264	-	-	264
Cash flow hedge	19	-	-	7	-	7
Discontinued cash flow hedge		-	-	4	-	4
Total comprehensive income(loss) for 2013		**-**	**264**	**11**	**(1 007)**	**(733)**
Transactions with owners						
Proceeds from share issued	21	437	-	-	2	439
Issue cost		-	-	-	(13)	(13)
Capital reduction		(1 068)	-	-	1 068	-
Equity component of convertible bond		-	-	-	16	16
Share-based incentive program	26	-	-	-	13	13
Total transactions with owners for the period		**(631)**	**-**	**-**	**1 086**	**455**
Equity at 31.12.2013		**466**	**200**	**-**	**1 084**	**1 750**

Note 1 to 33 are an integral part of these consolidated financial statements.

All figures in NOK million	Note	Share capital	Currency translation fund	Hedging reserve	Other equity	Total equity
Equity at 01.01.2014		**466**	**200**	**-**	**1 084**	**1 750**
Net result for 2014					(2 912)	(2 912)
Comprehensive income/(loss) for the period (net of tax)						
Reclassification of currency translation adjustment upon disposal of subsidiary		-	(28)	-	-	(28)
Currency translation adjustments		-	278	-	-	278
Total comprehensive income(loss) for 2014		**-**	**249**	**-**	**(2 912)**	**(2 663)**
Transactions with owners						
Proceeds from share issued	21	102	-	-	3	105
Issue cost		-	-	-	(4)	(4)
Share-based incentive program	26	-	-	-	7	7
Total transactions with owners for the period		**102**	**-**	**-**	**7**	**109**
Equity at 31.12.2014		**568**	**449**	**-**	**(1 820)**	**(803)**

Note 1 to 33 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December

All figures in NOK million	Note	2014	2013
Net result for the period		(2 912)	(1 008)
Income tax benefit	15	(1 609)	(947)
Adjustments to reconcile net result before tax to net cash flows from operating activities:			
Tax paid		0	(64)
Tax refunded	15	378	1 351
Depreciation	13	407	319
Write-downs and reversal of write-downs	12,13	2 885	1 211
Expensed exploration expenditures previously capitalised	12	758	556
Share-based payments expenses	26	7	13
Impact from termination of defined benefit pension plan	22	-	(7)
Loss related to discontinued cash flow hedge	19	-	4
Unrealised loss / (gain) related to financial instruments		(28)	5
Gain on extinguishment of debt	14,24	-	(569)
Paid/received interests and borrowing cost - net		92	431
Interests received		23	28
Effect of changes in exchange rates (net foreign exchange loss)	14	(91)	13
Loss on repurchase of bonds	14	-	3
Amortisation of borrowing costs	14	633	82
Accreation expense related to asset retirement obligations	23	34	25
Reclassification of currency translation adjustment upon disposal of subsidiary		(28)	-
Changes in working capital			
Changes in trade receivables		20	33
Changes in trade payables		3	20
Changes in other current balance sheet items		156	(24)
Net cash flow from operations		**730**	**1 476**

Note 1 to 33 are an integral part of these consolidated financial statements.

All figures in NOK million	Note	2014	2013
Cash flows from investing activities			
Purchase of tangible assets	13	(12)	(49)
Purchase of intangible assets	12	(307)	(412)
Establishment of security account for abandonment obligation in Denmark	18	-	(570)
Net cash flow used in investment activities		**(319)**	**(1 031)**
Cash flows from financing activities			
Issue of share capital		105	439
Paid issue costs		(12)	(4)
Proceeds from issuance of bonds	24	-	300
Proceeds from utilisation of exploration facility	24	291	345
Repayment of bonds		(53)	0
Repayment of exploration facility	24	(352)	(573)
Repayment of reserve based facility	24	-	(581)
Repurchase own bonds		-	(50)
Paid borrowing costs	14	(35)	(61)
Interests paid		(115)	(440)
Net cash flow from (used in) financing activities		**(170)**	**(626)**
Net change in cash and cash equivalents		**241**	**(181)**
Cash and cash equivalents at the beginning of the year	18	403	584
Cash and cash equivalents at end of the year	**18**	**644**	**403**

Note 1 to 33 are an integral part of these consolidated financial statements.

8

16

32

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 Stavanger (Badehusgata 37, 4014 Stavanger). The company has subsidiaries in Norway, Denmark and the United Kingdom. The company's objectives are exploration and production of crude oil and natural gas.

The company is listed on the Oslo Stock Exchange.

The consolidated financial statements for 2014 were approved by the board of directors on 30 April 2015.

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 Act (Regnskapsloven).

2.1 Basis of preparation

The consolidated financial statements of Norwegian Energy Company ASA (Noreco 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 required by 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.

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. While the financial solidity at 31 December 2014 was considered critical, mitigating measures have been implemented after the balance sheet date, which included a bond debt restructuring completed in March 2015. The financial solidity and the company's cash position are now considered satisfactory in regards of the planned activity level for the next twelve months.

In the board's view, the annual accounts give a true and fair view of the company's assets and liabilities, financial position and results. The board is not aware of any factors that materially affect the assessment of the company's position as of 31 December 2014, or the results for 2014, other than those presented in this report or that otherwise follow from 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

a) New and amended standards adopted by the group

The following standards have been adopted by the group for the first time for the financial year beginning on 1 January 2014:

IFRS 10 Consolidated financial statements and IAS 27 Separate financial statement

IFRS 10 Consolidated financial statements and IAS 27 Separate financial statement builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. All subsidiaries are wholly owned and the standard has not lead to any significant changes in entities deemed to be controlled by Noreco.

IFRS 11 Joint arrangements

IFRS 11 Joint arrangements focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement. Joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The group has not identified significant entities or activities within the scope of IFRS 11 where the accounting has been changed. Those of the group's licence activities that are within the scope of the standard are assessed as joint operations, and are accounted for in a manner similar to proportionate consolidation. The changes did therefore not have a material impact on the group.

IFRS 12 Disclosures of interests in other entities

IFRS 12 Disclosures of interest in other entities includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The new standard requires a number of new disclosures, but has beyond that no impact on the group's financial position or performance.

IAS 32 Financial instruments: Presentation

Amendment to IAS 32 Financial instruments: Presentation on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. The amendment did not have a significant effect on the group financial statements.

IAS 39 Financial instruments: Recognition and measurement

Amendment to IAS 39, Financial instruments: Recognition and measurement on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. The group has applied the amendment and there has been no significant impact on the group financial statements as a result.

IFRIC 21 Levies

IFRIC 21, Levies sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 Provisions. The interpretation addresses what the obligation event is that gives rise to pay a levy and when a liability should be recognised. The group is not currently subjected to significant levies so the impact on the group is not material.

Other standards, amendments and interpretations which were effective for the financial year beginning on 1 January 2014 are not material to the group.

b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

IFRS 9 Financial instruments

IFRS 9 Financial instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. 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. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted, but the standard has not yet been endorsed by the EU. The group is yet to assess IFRS 9's full impact.

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from contracts with customers' deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, but the standard has not yet been endorsed by the EU. The group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

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 2014, 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. All subsidiary undertakings are included in the consolidation. The group had the following subsidiaries on 31 December 2014:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the group (%)
Altinex ASA	Norway	Intermediate holding company	100 %	100 %
Norwegian Energy Company UK Ltd	United Kingdom	Exploration activity in United Kingdom	100 %	100 %
Noreco Norway AS	Norway	Exploration and production activity in Norway		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	United Kingdom	Production activity in United Kingdom		100 %
Noreco Petroleum (UK) Ltd (1)	United Kingdom	Dormant company		

(1) Noreco Petroleum (UK) Ltd was owned 100 % by Norwegian Energy Company ASA. The company was liquidated in May, 2014. The company was fully consolidated until the liquidation.

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 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.

c) 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. All of these are related to licences on the Norwegian, Danish and UK continental shelf. The company recognises investments in jointly controlled assets (oil and gas licences) 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.

A number of the group's unincorporated exploration and production activities are conducted through arrangements that are not jointly controlled, either because unanimous consent is not required among all parties involved, or no single group of parties has joint control over the activity. Licence activities where control can be achieved through agreement between more than one combination of involved parties are considered to be outside the scope of IFRS 11, and these activities are accounted for on a pro-rata basis using the group's ownership share. In determining whether each separate arrangement related to the group's unincorporated joint exploration and production licence activities is within or outside the scope of IFRS 11, the group considers the terms of relevant licence agreements, governmental concessions and other legal arrangements impacting how and by whom each arrangement is controlled. Subsequent changes in the ownership shares and number of licence participants, transactions involving licence shares, or changes in the terms of relevant agreements may lead to changes in the group's evaluation of control and impact a licence arrangement's classification in relation to IFRS 11 in the group's consolidated 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. Segment reporting is regularly evaluated by the company management. 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 Chief Executive Officer (CEO). In 2013 and 2014, the group had one reporting segment: Exploration and production. Geography is important for the group, and consequently, information about countries in which the company operates has been disclosed in the segment note. Information about reserves is given in a separate report.

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, assets under construction and 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. (See also note 2.6 a) regarding goodwill.)

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

Assets under construction are not depreciated until the asset is put into operation.

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

a) Goodwill

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 cash generating units (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.

b) Licence and capitalised exploration expenditures

Exploration costs are accounted for in accordance with the successful effort method. This means that all exploration costs including pre-operating costs (seismic acquisitions, seismic studies, internal man hours, etc.) are expensed as incurred. Exceptions are costs related to acquisition of licences and drilling of exploration wells. Exploratory wells are accounted for as follows:

- Costs of exploratory wells which result in proven reserves remain capitalised, but reclassified to property, plant and equipment when the development plan is approved and initiated.
- Costs of dry exploratory wells and wells where proven reserves were not found are expensed in the income statement when sufficient information to complete the assessment has been gathered.
- Cost of exploration wells are temporarily capitalised until a determination is made as to whether the well has found proven reserves or not. In the period before proven reserves are determined and any development begins, the following two conditions must be met:

    o The well has found a sufficient quantity of reserves to justify its completion as a producing well, if appropriate, assuming that the required capital expenditures are made;
    o The group is making sufficient progress assessing the reserves and the economic and operating viability of the project. This progress is evaluated on the basis of indicators such as:

        • Whether additional exploration works are under way or firmly planned, and/or there is nearby exploration activity which is expected to contribute to development of the group's discoveries (wells, seismic or significant studies),

- Whether costs are being incurred for development studies,
- Whether the group is waiting for governmental or other third-party authorisation of a proposed project,
- Whether the group is waiting for availability of capacity on an existing transport or processing facility to be able to produce the existing discovery, and
- Whether there is a common understanding among the partners to wait with further progress for a specific discovery until an ongoing development project is on stream.

Costs of exploration wells not meeting these conditions are charged to expense on the line item for exploration expenses.

When acquiring shares in exploration licences ('farm-in' agreements) where the agreement is to cover a share of the sellers ('farmor') cost, these expenses are charged in the same manner as own exploration expenses in the income statement.

For similar sales of assets in exploration licences (farm-out agreements), the group will normally surrender parts of a licence given that the buyer ('farmee') carries some defined cost.

The seller does not recognise any gain/loss but treats the cost as a cost reduction as cost occurs.

In those cases where the carry period starts before the accounting date of the agreement, a profit/loss calculation may be necessary.

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.

To be able to group exploration and evaluation assets into one cash-generating unit, they should normally be planned to be part of a joint development, or it is planned and likely that a new discovery can be tied back to another of the group's fields.

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. The group's goodwill, which has its background from the acquisition of Altinex ASA in 2007, is allocated to the following cash generating units: Norway, Denmark, and United Kingdom (UK). Only assets and business which were a part of the acquisition are included in these cash-generating units.

b) Impairment testing

Intangible assets with an indefinite useful life are not subject to amortisation and are tested at least annually for impairment or more often if impairment indicators are present. 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 Financial assets

2.8.1 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).

2.8.2 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.

2.9 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.

2.10 Derivative financial instruments and hedging acitivites

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 designates certain derivatives as either:

a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge)

At the inception of the transaction, the group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are shown in note 19. Movements on the hedging reserve in other comprehensive income are described in note 19. Fair value of a hedging derivative is classified as current asset or liability, as long as there is not a material part of the value that relates to a hedge item which matures later then 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses)'.

Amounts accumulated in other comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance expenses'. Gain or loss related to the ineffective part is recognised as 'other gains/(losses)'.

When a hedging instrument expires, or is sold, or no longer meets the criteria for hedge accounting, any gain or loss accumulated in other comprehensive income at that time remains within other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. If a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement within 'other gains/(losses)'.

The group has no derivatives designated for cash flow hedging as of 31 December 2014 and 2013.

2.11 Trade receivables

Trade receivables are amounts due from customers for goods 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.

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash, bank deposits and short term liquid placements, that immediately 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.

2.13 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 gross. 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.

2.14 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.

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

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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. If the breach which results in any reclassification is related to a loan with cross-default terms in the loan agreement, all loans with the same cross-default terms are reclassified.

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.

Gains or losses arising from repurchases of the group's bond debt are recognized as financial income or financial expense. The gain or loss is calculated as the difference between the fair value paid at the time of the repurchase and the amortised cost.

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.

2.17 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.

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

2.18 Compound financial instruments

Compound financial instruments issued by the group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

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 51 percent. The special tax is applied to relevant income in addition to the standard 27 percent income tax, resulting in a 78 percent marginal tax rate on income subject to petroleum tax. The standard income tax rate was changed from 28 percent from 1 January 2014. The special petroleum tax rate was changed from 50 percent at the same time. As of 31 December 2013, the deferred tax and deferred tax asset relating to onshore activity in Norway was calculated with a tax rate of 27 percent.

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 5.5 percent per year. The uplift is computed on the basis of the original capitalised cost of offshore production installations. The uplift may be deducted from taxable income for a period of four years, starting in the year in which the capital expenditures are incurred. Uplift benefit is recorded when the deduction is included in the current year tax return and impacts taxes payable. Unused uplift may be carried forward indefinitely. In accordance with the Norwegian Petroleum Taxation Act, sale of oil is taxed according to norm price. In the consolidated financial statements, the difference between norm price and actual obtained price are treated as a permanent difference. Losses carry forward are calculated with a fixed interest rate per year. For 2014, this interest rate is 1.3 percent. (2013: 1.5 percent)

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 percent 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 (27 percent), ref. the Norwegian Petroleum Taxation Act §3d. If interest expense is to related parties and net interest expense exceeds NOK 5 million, they can not be deducted for the amount that exceeds 30 percent 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 has had limited impact on the group.

The Norwegian Petroleum Taxation Act also regulates the access to demand payment of the tax value of losses that occur from exploration activity on the Norwegian Continental Shelf. For fiscal losses in group companies that undertake exploration activity on the Norwegian continental shelf, the company applies for a refund of the tax amount for such a loss. The receivable that then occurs is recognised as short term claim for the current assets, under the line 'Tax receivable'. 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. The tax refund will be determined by the authorities, and will be received at the end of the year following the year of discontinuance of petroleum activity in the parent company.

In the UK, oil and gas companies are subject to a company tax of 30 percent, in addition to a 32 percent special tax related to exploration and production activities on the UK Continental Shelf. Investments can be deducted 100 percent in the year the investment is made. Losses can be utilised indefinitely for entities which have commenced 'trading'. For entities at a pre-trading stage the losses can be carried forward in six years, and the losses give an annual markup of 10 percent (6 percent prior to 2012), for up to six years. Finance cost is deducted in the company tax, not the special tax. In March 2015, UK authorities announced certain changes to the oil and gas tax regime. The group's operations in the UK currently has no outlook to utilise all of its tax loss carry forwards. Hence the effect of these changes are expected to be limited.

In Denmark the maximum marginal tax rate for oil and gas companies is 78 percent, whereof 25 percent 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 percent.

On 20 December 2013, 'Folketinget' (the Danish government) concluded that with effect from 1 January 2014 hydrocarbon taxes in Denmark will be harmonised. The main changes are a reduction in the special hydrocarbon tax rate from 70 percent to 52 percent with a marginal tax rate of 64 percent, the 5 percent duty on oil production is cancelled, and the hydrocarbon allowances are reduced from 25 percent annually for 10 years to 5 percent annually for 6 years. The changes have not had a negative impact on the group accounts, and the current tax rate for the Danish companies still remains 25 percent.

2.20 Employee benefits

The group only has defined contribution plans as of 31 December 2014. For comparable periods, a defined benefit plan existed.

a) Defined contribution plan

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.

b) Defined benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.
Past-service costs are recognised immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined obligations and the fair value of plan assets. This cost is included in employee benefit expense in the income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

c) Bonus plans

The group recognises a liability and an expense for bonuses based on an estimate that takes into consideration the performance of the company compared to board approved performance objectives for the period. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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.

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.
- present 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.

Material contingent liabilities are 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 it is probable 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.

2.25 Production costs

Production costs are costs that are directly attached to production of hydrocarbons, e.g. costs 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

a) Generally about 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.

b) Treatment of information about dry/non-commercial wells after the end of the reporting period

The group expenses recognised drilling costs related to a well if it becomes evident in the period after the reporting period and leading up to the publication of the quarterly or annual report, that the on-going drilling has not identified a commercial discovery.

The same principle applies if new information clarifies the commercial assessment related to a previously drilled prospect, where the commerciality assessment was not completed at the completion of the drilling operation.

3 Financial risk management

3.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, interest rate risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance through the use of various types of financial instruments. The group uses bank loans and bonds to finance its operations and any investments in new businesses. 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. The group also enters into derivative transactions as options, swap agreements and forward contracts. The purpose is to hedge the certain items in the balance sheet or cash flows.

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 policy is to hedge significant items in currencies other than its functional currency against exchange rate fluctuations. This ensures that vital cash flow such as tax is hedged using forward exchange contracts. In addition, income in other currency is continuously converted to functional currency. There were no outstanding foreign currency derivatives at year end. The group's balance sheet also 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, especially the rate between NOK and USD. See note 17 Trade receivables and other current receivables, note 18 Restricted cash, bank deposits, cash and cash equivalents, note 19 Derivative financial instruments, note 24 Borrowings and note 25 Trade payables and other payables.

A decrease in the average exchange rate and the closing rate of USD, GBP and DKK with 5 percent would have the following impact on income statement and equity:

NOK milion	USD	GBP	DKK
Revenue	(57)	0	0
Total operating expenses	52	2	17
Net income for the year	78	16	17
Equity	54	19	17

With a similar increase of the exchange rates it would impact the figures equally with the opposite sign.

b) Price risk
The main risk the group is exposed to, with regards to its incoming cash flow, is related to the development of the oil and gas prices. The group has for a small part of its future production entered into put options specifying a price floor for the pricing of a bulk of the company's oil production. The options entitle a right, but not an obligation, to sell oil at a specified minimum price. If the market price of oil exceeds the strike price of the options, which currently is USD 70, the options are not exercised and the group sells at market price. Hedge accounting has not been applied when accounting for the oil price derivatives; see note 19 Derivative financial instruments.

In 2014 the group realised an average oil price of USD 92 per barrel of oil equivalents. If the realised average price had been 5 percent lower (USD 87), the revenue would have been reduced with NOK 57 million.

c) Interest rate risk
Loans with floating interest rate represent an interest risk for the group's future cash flow. 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 3 335 million (2013: NOK 3 447 million) in interest-bearing debt (nominal value), of which NOK 3 335 million (2013: NOK 945 million) is classified as current. Of the group's debt, NOK 3 051 million (2013: NOK 3 102 million) are loans with a fixed interest rate. The remaining, NOK 284 million (2013: NOK 345 million), are loans with a floating interest rate. The exploration loan is the only loan with a floating interest at 31 December 2014. For further information about the group's interest-bearing debt, see note 24.

All bank deposits (NOK 1 254 million) are at floating interest rates. See note 18 Restricted cash, bank deposits, cash and cash equivalents for further information about bank deposits.

At the end of the reporting period, the majority of interest bearing debt had a fixed interest rate. The group considers the risk exposure to changes in market interest to be at an acceptable level.

During 2014 the interest expenses related to the exploration loan amounted to NOK 26 million including amortisation of borrowing cost. The interest terms for the loan are 3 month NIBOR + a 2.5 percent margin. The average NIBOR in 2014 was 1.70 percent and an increase of 10 percent to 1.87 percent would increase the interest expenses related to exploration loan with NOK 1 million.

Liquidity risk
Management of liquidity risk implies maintaining a sufficient buffer of cash and cash equivalents and the availability of funding through revolving credit facilities. Noreco by the nature of its business, is involved in capital-intensive exploration projects. Post the financial restructuring, the company is no longer engaging in acquiring new commitments as such. The funding of current commitments is considered satisfactory and the group is working to further reduce these through asset disposals and farm outs of licences.

The group's cash forecasts indicate that liquidity will be sufficient in the next 12 months. With the completion of a comprehensive bond debt restructuring in March 2015, cash outflow to financing activities have been significantly reduced compared to the previous debt structure. The group has substantial unrestricted cash reserves, and is thus fairly ready to face a period of challenging market conditions. The NOR06 bond loan and the exploration facility will primarily be serviced by Noreco Norway AS, which for liquidity purposes will be ring-fenced, while the remaining Noreco group will service the NOR10 bond loan. The ring-fence structure implies that some parts of the cash in the group may not be freely accessible for the parent company.

Completion of the restructuring further implies that Noreco until final maturity of the bond loans in 2018 will pay interest and instalments only to the extent that remaining liquidity is sound. Hence, there are no mandatory scheduled down payments on the bond loans within the next twelve months. However, if Noreco disposes of assets, if the market conditions improve or if production exceeds expectations, all or the majority of the proceeds or increased cash-flow may be dedicated to down payment of the bond debt.

The company's debt ratio remains high which may restrict Noreco's ability to raise additional capital through issuance of new shares or other debt instruments. Given the limited outlook for the ability to raise additional cash, significant negative events or operational underperformance may prevent Noreco from maintaining current level of operations, restricting Noreco in responding to changing market conditions or in pursuing favourable business opportunities.

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 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. The group is entitled to a tax refund from the Norwegian tax authorities in accordance with the Norwegian Petroleum Taxation Act relating to exploration expenditures on Norwegian exploration licences. The credit risk relating to the refund is considered low.

The maximum credit risk can be summarised as follows:

Maximum credit risk (NOK million)	**Note**	**2014**	**2013**
Non-current assets			
Restricted cash	18,20	576	500
Receivables	29	440	-
Total		1 016	500
Current assets			
Tax refund	15	315	378
Derivatives	19,20	28	1
Trade receivables and other current receivables	17,20	189	551
Restricted cash	18,20	33	74
Bank deposits, cash and cash equivalents	18,20	644	403
Total		1 209	1 407
Maximum credit risk		**2 225**	**1 907**

3.2 Capital risk management

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

The group manages its capital structure in relation to the risk. The management of the capital structure involves active monitoring and making adjustments to the financing instruments in parallel with changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may refinance its debt, issue new shares or debt instruments, or divest assets. No changes were made in the objectives, policies or procedures during the years ended 31 December 2013 and 31 December 2014.

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 24.

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) in active 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 assets or liability, 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 20 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

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. 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 impairment of goodwill

Goodwill impairment tests are performed annually or more frequently if events or changes in circumstances indicate a potential impairment in accordance with the accounting policy stated in note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 12). An impairment charge of NOK 164 million arose during 2014 (2013: NOK 350 million), distributed with NOK 134 million for the cash generating unit for UK and NOK 29 million for Denmark. After the impairments, the book value of UK goodwill is zero. The book value of Danish goodwill is equal to the recoverable amount, and changes in the assumptions may require further write-downs.

The asset supporting the book value of remaining goodwill related to the Danish business, is the Lulita field. The recoverable amount of the Lulita field is highly sensitive to changes in oil price. A negative change in oil price of 5 % will impact the recoverable amount by NOK 4 million.

b) Estimated recoverable amount on intangible assets

The group's intangible assets with an indefinite lifespan will be subject to annual impairment testing. The group's activities are largely affected by changes in hydrocarbon prices and changes in currency rates for USD. A decline in oil price will affect the group's cash flow significantly. Expectations for future oil price are also an important factor when assessments are made regarding whether discoveries are financially viable. Further, the oil price also affects the company's exploration activity.

c) Estimated recoverable amount on property, plant and equipment

The group performs impairment testing on property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, ref. note 2.7. Recoverable amount from cash generating units are determined through calculations of value-in-use. These calculations require the use of estimates (note 13). There was a net loss on impairment during 2014 of NOK 1 119 million (2013: NOK 860 million). This caused the carrying value of certain assets to be written down to zero. See information regarding sensitivity related to the impairment test in note 13.

d) Estimated reserves and resources – accounting impact

Proven and probable reserves are used to calculate production volumes related to amortisation. Reserve estimates are also used for testing of licence-related assets for write down. Changes to reserve estimates can, for instance, be caused by changes to price and cost estimates. Changes in production profile can occur as a result of new information about the reservoir. Future changes in proven and probable oil and gas reserves can have a significant impact on amortisation, timing of decommissioning, including testing licence-related assets for write down. This can have a significant negative or positive impact on the operating result as a consequence of increased or reduced amortisation, or reversal of previously recognised write down.

e) 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, in conjunction with its partners, has an insurance claim where the expected settlement is estimated in connection with the impairment test in accordance to IAS 39.

f) 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. Norwegian tax authorities can be of a different opinion than the company with regards to what constitutes exploration cost and continental shelf deficiency in accordance with the Petroleum Taxation Act. See also note 15.

g) 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 major changes in the decommissioning and removal liabilities.

4.2 Critical judgements in applying the entity's accounting policies

a) Assessment of progress and possible development alternatives for the company's non-developed assets.
When performing impairment tests of intangible assets, progress is assessed in accordance with the policy stated in note 2.6. This determination requires judgement. The group's intention and plans are stated as basis, so far as there is no information indicating that the majority of partners in the licences will not be able to support The group's intentions and plans.

b) 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 note 17 and 29 for further information.

c) Method for valuation of intangible assets
In relation to impairment testing of intangible assets, different valuation methods, adjusted to the available information available for the different assets, are used. A significant degree of judgement is used to determine the appropriate method, which is dependant on maturity, geographical location, available budgets, taxation regulations etc. Changes in methods will in certain cases have a significant impact on the valuation used as basis for the company's recorded values.

d) Resource and reserve estimates
Estimates of oil and gas reserves are prepared by internal experts in line with industry standards. The estimates are based both on the group's judgement assessments and information from the operators. In addition, the most significant volumes are verified by an independent third party. Proven and probable oil and gas reserves include the estimated amounts of crude oil, natural gas and condensates that geological and technical data reasonably determine to be extractable from known reservoirs and under existing financial and operational conditions per the date the estimate is prepared.

e) Deferred tax asset
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. See note 15 for further information.

5 Segment information

The group's activities are entirely related to exploration and development of oil, gas and NGL. The group's activities are considered to have a homogenous risk and rate of return before tax and are therefore considered as one operating segment, see note 2 Summary of significant accounting policies.

Noreco has activities in Norway, Denmark and UK. See note 2.3 for additional information on segment reporting.

Excess value is allocated to the units expected to gain advantages by the acquisition. Loans, receivables and payables between the companies are included in segment assets and liabilities. These are eliminated in the consolidated balance sheet.

Geographical information 2014

Condensed income statement (NOK million)	**Norway**	**Denmark**	**UK**	**Inter-company**	**Group**
Total revenue	101	431	610	-	1 143
Total operating expenses	(406)	(319)	(866)	-	(1 591)
Depreciation	(16)	(91)	(300)	-	(407)
Write-downs and reversal of write-downs	(417)	(356)	(2 112)	-	(2 885)
Net operating result	(737)	(336)	(2 667)	-	(3 740)
Net financial items	(766)	8	(22)	-	(780)
Result before tax	(1 504)	(328)	(2 689)	-	(4 520)
Income tax benefit	564	41	1 003	-	1 609
Net result for the period	(939)	(287)	(1 686)	-	(2 912)
Condensed statement of financial position					
Licence and capitalised exploration expenses	259	60	6	-	325
Goodwill	(0)	23	(0)	-	23
Property, plant and equipment	0	37	390	-	428
Other assets	2 143	898	181	(364)	2 859
Total assets	2 402	1 018	577	(364)	3 634
Total liabilities	3 618	633	550	(364)	4 437
Capital expenditure					
Capital expenditures production facilities	0	11	1	-	12
Capital expenditures exploration and evaluations	267	35	4	-	307
Total capital expenditure	267	46	5	-	319

Geographical information 2013

Condensed income statement (NOK million)	**Norway**	**Denmark**	**UK**	**Inter-company**	**Group**
Total revenue	106	384	404	-	894
Total operating expenses	(490)	(536)	(308)	-	(1 333)
Depreciation	(30)	(102)	(187)	-	(319)
Write-downs and reversal of write-downs	(393)	(600)	(218)	-	(1 211)
Net operating result	(807)	(854)	(308)	-	(1 969)
Net financial items	80	(8)	(57)	-	15
Result before tax	(728)	(862)	(365)	-	(1 954)
Income tax benefit	592	186	169	-	947
Net result for the period	(135)	(676)	(196)	-	(1 008)
Condensed statement of financial position					
Licence and capitalised exploration expenses	148	18	577	-	743
Goodwill	(0)	43	131	-	174
Property, plant and equipment	382	299	2 405	-	3 087
Other assets	1 696	1 324	529	(1 347)	2 201
Total assets	2 226	1 685	3 642	(1 347)	6 205
Liabilities	2 930	914	1 958	(1 347)	4 455
Capital expenditure					
Capital expenditures production facilities	1	14	(0)	-	14
Capital expenditures asset under construction	-	-	36	-	36
Capital expenditures exploration and evaluations	293	16	103	-	412
Total capital expenditure	293	29	139	-	461

6 Revenue

(NOK million)	**2014**	**2013**
Sale of oil	1 056	828
Sale of gas and NGL	86	65
Total revenue	1 143	894

Revenue per customer	**2014**	**2013**
Shell	32.0 %	51.2 %
BP	25.5 %	15.4 %
Exxon	23.2 %	13.3 %
Other - each less than 10 %	19.3 %	20.1 %
Total	100.0 %	100.0 %

7 Production expenses

(NOK million)	2014	2013
Huntington	(242)	(130)
Nini [(1)]	(252)	(199)
Cecilie [(1)]	(51)	(40)
Lulita	(9)	(10)
Oselvar	(30)	(35)
Enoch	(3)	(16)
Total production expenses	(587)	(430)

(1) Included in production expenses in 2014 is a non-cash, non-recurring expense of NOK 40 million, whereof NOK 36 million relates to Nini and NOK 4 million relates to Cecilie. The expense is related to a receivable that arose due to payments done on behalf of a licence partner in previous years. Due to recent development in the case the receivable has been written off.

8 Exploration and evaluation expenses

(NOK million)	2014	2013
Acquisition of seismic data, analysis and general G&G costs	(58)	(95)
Exploration wells capitalised in previous years	(603)	(311)
Dry exploration wells this period	(155)	(244)
Other exploration and evaluation costs	(21)	(15)
Total exploration and evaluation costs	(837)	(666)

9 Payroll expenses and remuneration

(NOK million)	2014	2013
Salaries	(89)	(107)
Social security tax	(11)	(15)
Pensions costs (note 22)	(2)	(4)
Costs relating to share-based payments (note 26)	(7)	(13)
Other personnel expenses	(2)	(3)
Personnel expenses charged to operated licences	24	15
Total personell expenses	(87)	(127)

Average number of man-years	2014	2013
Norway	41	54
Denmark	11	11
Total	52	65

Compensation to key management for 2014

(NOK 1 000)	Remuneration	Bonus earned 2013, paid 2014	(1) Retention bonus for 2014 paid 2015	Pension	(2) Other remuneration	(3) Total compensation	(4) Number of shares	(5) Number of options and bonus shares	(6) Shares purchased in 2015*
Senior executives									
Tommy Sundt (7, 9) CEO	913	0	0	29	143	1 085	0	0	0
Svein Arild Killingland (7) CEO	3 380	1 708	0	74	692	5 853	15 000	179 736	-
Odd Arne Slettebø (8) CFO	1 250	118	0	69	114	1 550	2 282	25 780	0
Ørjan Gjerde (9) CFO	1 708	823	0	54	235	2 820	10 000	0	-
Lars Fosvold VP, Exploration and operations	2 134	294	300	74	1 398	4 199	22 912	92 282	0
Øyvind Sørbø VP, Commercial	1 872	254	200	73	850	3 249	13 542	79 226	0
Total compensation 2014	**11 256**	**3 195**	**500**	**372**	**3 431**	**18 755**	**63 736**	**377 024**	**58 606**
Total compensation 2013	13 739	2 764	0	1 143	3 751	21 397			

(1) The accrued retention bonus for 2014 was settled in January 2015

(2) Other remuneration include compensation for lapse of pension agreement, telephone, broadband and other minor remunerations

(3) All figures stated regarding salary and other compensation based on full year 2014, not only part of the year that person held a position with reporting requirement

(4) The number of shares owned by key management is allocated between private shareholding and shareholding through companies controlled by key management. Number of shares owned as of 31 December 2014.

(5) The number of options includes bonus shares according to the company's incentive arrangement
On 21 January 2014 the repair share issue related to the refinancing in the fourth quarter 2013 was completed. On the repair key management received shares.

(6) Figures show net increase in share holding in 2015. Share transactions for resigned persons are not disclosed.

(7) Tommy Sundt was appointed CEO from the 24 November 2014 replacing Svein Arild Killingland

(8) Odd Arne Slettebø was appointed CFO from the 24 November 2014 replacing Tommy Sundt

(9) Ørjan Gjerde left Noreco 31 August 2014 and was replaced by Tommy Sundt who joined Noreco on 2 September 2014 as CFO

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 and bonus shares	(3) Shares purchased in 2014	Period served on the board	
Current board of directors							
Silje Augustson (4) Chair of the board	70	70	-	-	-	27.10.2014	-
Riulf Rustad Board member	-	-	-	-	-	27.03.2015	-
Julien Balkany Board member	-	-	-	-	-	27.03.2015	-
Liselotte Kjørboe Board member staff representative	16	16	2 661	33 177	2 281	21.11.2014	-
Andreas Greve-Isdahl (5) Alternate board member	70	70	-	-	-	27.10.2014	-
Previous board of directors							
Erik Henriksen Chair of the board	350	350	17 047 675	-	2 167 799	04.02.2014 27.10.2014	01.10.2014 13.01.2015
Ståle Kyllingstad Chair of the board	28	28	8 579 586			01.01.2014	04.02.2014
Morten Garman Chair of the board	328	328	-	-		04.02.2014	01.10.2014
Tone Bjørnov Deputy chair	14	14	-	-		27.10.2014	11.11.2014
Eimund Nygaard Board member	19	19	277 016			01.01.2014	04.02..2014
Trygve Pedersen Board member	202	202		-		25.04.2014	27.10.2014
Hilde Drønen Board member	338	338	400	-		01.01.2014	27.10.2014
Ingrid Marika Svärdström Board member	292	292	11 828	-		04.02.2014	27.10.2014
David Gair Board member	90	90	6 660	-	6 660	04.02.2014	25.04.2014
Bård Arve Lærum Board member staff representative	150	150	9 192	34 409	8 000	01.01.2014	30.03.2015
Hilde Alexandersen Board member staff representative	134	- 134	9 664		8 500	01.01.2014	21.11.2014
Total compensation 2014	**2 101**	**2 101**	**25 944 682**	**67 586**	**2 193 240**		
Total compensation 2013	1 774	1 774					

(1) The number of shares owned by board members is allocated between private shareholding and shareholding through companies associated with board members. Number of shares owned as of 31 December 2014
(2) The number of options includes bonus shares according to the company's incentive arrangement
(3) Figures show net increase in share holding in 2014
(4) Silje Augustson was elected to the board 27 October 2014, was elected as chair of the board 13 January 2015 and reelected as chair of the board 27 March 2015
(5) Andreas Greve-Isdahl was elected to the board on the 27 October 2014 and was elected as alternate board member 27 March 2015

Director's fees
The annual remuneration to board members is decided on by the shareholders' meeting. Benefits approved in the annual general meeting for 2014 included:

The chair of the board receives an annual remuneration of NOK 500 000 and the other shareholder elected members of the board receive an annual remuneration of NOK 400 000. Employee elected board representatives receive an annual remuneration of NOK 150 000. Deputy board members receive remuneration of NOK 5 000 per meeting they attend. 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. The board is not part of the group's option program. The remuneration is paid quarterly.

Board of directors' statement on remuneration to the CEO 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 CEO and other executive officers. The guidelines set out below for the CEO and other executive officers' salary and other benefits for 2014 are detailed below for the sake of good order. However the current scheme is under review and as such a revised proposal will be put forward.

Noreco is a Norwegian E&P company, and its activities have been spread across North-West Europe (mainly Norway, Denmark and United Kingdom). Noreco's employment base is international. The total compensation package for the CEO and other executive officers has therefore sought to be competitive both within the Norwegian labour market and internationally.

The current remuneration package for the CEO and other executive officers includes fixed elements and variable elements. The fixed elements consist of a base salary and other benefits. Other benefits include free mobile phone and similar benefits. The fixed elements also include life, accident and sickness insurance in accordance with normal practice in the oil industry and a pension plan for all the employees, including the executive officers and the CEO. In 2011 the company established a new pension plan whose main elements are a pension premium based on income up to a maximum of 12G and a monthly payment of pension for salary in excess of 12G. The main elements of the previous pension scheme were a pension premium based on income up to the maximum of 12G and annual payment to cover purchase of Noreco shares for the value of the cost of the insurance premium for pension above 12G. Transfer from older pension schemes to the current pension scheme is voluntary. The variable elements consist of an annual bonus scheme, a deferred bonus and participation in a share option program.

The level of the annual cash bonus is determined by the board based on the company's performance. The annual cash bonus will as a principle be limited to a maximum payment of 30% of the base salary, but can be deviated from under extraordinary circumstances. The CEO can receive a cash bonus of maximum 100% of the base salary.

The CEO has 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. On certain conditions, including if a sale or merger transaction is carried out where one investor or several new investors obtain(s) decisive influence over the company, the CEO will be entitled to receive a severance payment of 12 months' base salary.

Other members of the group management have an arrangement of up to 12 months' severance payment after termination of employment if the company is de-listed, enters into a merger or an acquisition and the person concerned is not offered an equivalent position in the new company.

Other variable elements of remuneration may be used or other special supplementary payment may be awarded than those mentioned above if this is considered appropriate in order to attract and/or retain a manager.

In November 2013 the company decided to change its pension scheme in Norway from defined based to contribution based. The defined contribution plan was effective from 1 January 2014.

The annual general meeting of shareholders held on 25 April 2014 resolved that the board of directors was authorised to increase share capital by up to NOK 16 million by one or several issues of new shares in relation to employee incentive schemes existing at any time for employees in the group.

There have been no deviations from the guidelines described above in 2014.

Due to the change in the company's strategy and structure following the completed financial restructuring in March 2015, the current remuneration scheme is under review. An expected revised scheme will seek to better reflect and align management and employees with the new strategic direction and refocus of the business both operationally and geographically.

The new scheme if and when prepared will be proposed in due course and made subject to advisory vote and, if relevant, approval at the next upcoming annual general meeting or extraordinary general meeting. Until such approval no issue of shares will take place under the existing scheme.

Compensation to key management for 2013

(NOK 1 000)	Director's fees	Remuneration	Bonus earned 2012, paid 2013	Pension	Bonus earned 2013, to be paid in 2014	(1) Other remuneration	(2) Total compensation	(3) Number of shares	(4) Number of options	(5) Shares purchased in 2014
Senior executives										
Svein Arild Killingland [6] CEO	-	1 972	-	121	1 708	416	4 217	150 000	-	1 500 000
Einar Gjelsvik [7] CEO	-	2 173	1 815	136		527	4 651	-	-	
Ørjan Gjerde CFO	-	2 211	111	147	823	259	3 551	145 000	514 867	1 000 000
Lars Fosvold VP, Exploration	-	1 991	171	206	294	930	3 591	291 169	766 536	2 000 000
John Bogen [8] COO, VP Development & Production	-	1 896	163	209		902	3 170	135 941	656 571	
Kjetil Bakken [9] VP, Strategy & Investor Relations	-	1 792	340	147		223	2 502	-	-	
Øyvind Sørbø [10] VP, Commercial	-	1 704	164	178	254	494	2 793	193 483	337 007	1 160 570
Board of directors										
Ståle Kyllingstad [11] Chairman of the board	302	-	-	-		-	302	1 029 470 893	-	
Ole Melberg Deputy chairman	51	-	-	-		-	51	260 048	-	
Eimund Nygaard [12] Board member	201	-	-	-		-	201	27 701 514	-	
Shona Grant Board member	45	-	-	-		-	45	20 000	-	
Mona Iren Kolnes Board member	45	-	-	-		-	45	30 000	-	
Arnstein Wigestrand Board member	90	-	-	-		-	90	87 027	-	
Hilde Drønen Board member	402	-	-	-		-	402	40 000	-	
Erik Henrtiksen Board member	168	-	-	-		-	168	1 515 354 828	-	21 000 000
Ingrid Marika Svärdström Board member	168	-	-	-		-	168	-	-	
Bård Arve Lærum Board member staff representative	151	1 482	117	170		327	2 247	119 167	305 215	800 000
Hilde Alexandersen Board member staff representative	151	1 402	120	182		318	2 173	116 301	288 639	850 000
Total compensation 2013	**1 774**	**16 623**	**3 001**	**1 495**	**3 078**	**4 396**	**30 366**	**2 574 115 371**	**2 868 835**	**28 310 570**

(1) Other remuneration include pension exceeding 12G, telephone, broadband and other minor remunerations
(2) All figures stated regarding salary and other compensation based on full year 2013, not only part of the year that person held a position with reporting requirement
(3) The number of shares owned by key management is allocated between private shareholding and shareholding through companies controlled by key management. Number of shares owned as of 31 December 2013
(4) The number of options includes bonus shares according to the company's incentive arrangement
(5) On 21 January 2014 the repair share issue related to the refinancing in the fourth quarter 2013 was paid out to the company (ref. note 32). On the repair key management received shares. In addtion to the shares listed in the table the employee elected deputies were allocated the following shares:
Kenneth Brix received 40 302 shares and held 47 021 shares after the allocation
Liselotte Vibeke Kiørboe received 268 842 shares and held 313 662 shares after the allocation
Anne Hellvik Kvadsheim received 492 713 shares and held 492 713 shares after the allocation
Erik Borg received 158 853 shares and held 197 972 shares after the allocation
(6) Svein Arild Killingland was appointed CEO from 13 May 2013 replacing Einar Gjelsvik
(7) Total compensation for Einar Gjelsvik includes NOK 3.2 million in redundancy payments
(8) John Bogen left the company on 31 January 2014
(9) Kjetil Bakken left the company on 31 January 2014
(10) Øyvind Sørbø was appointed VP Commercial from 15 October 2013
(11) Ståle Kyllingstad own shares through the company IKM Industri-Invest AS
(12) Eimund Nygaard is CEO in Lyse Energi AS which is the owner of the shares

10 Other operating expenses

(NOK million)	**2014**	**2013**
Lease expenses (1)	(22)	(11)
IT expenses	(19)	(27)
Travel expenses	(5)	(5)
Office cost	(5)	(5)
Consultant fees (2)	(60)	(49)
Other operating expenses	(4)	(2)
Other operating expenses charged to own operated licences	10	5
Total other operating expenses	(104)	(95)

(1) Lease expenses in 2014 include NOK 7 million in a non-recurring cost related to scale down of premises in Stavanger
(2) Consultant fees in 2014 include financial and legal advisor fees relating to the ongoing restructuring efforts of NOK 27 million.

Auditor's fees (ex. VAT)

(NOK million)	**2014**	**2013**
Auditor's fees	(3)	(2)
Other assurance service	(1)	(0)
Other non-audit assistance	0	(2)
Total audit fees	(4)	(5)

11 Other (losses) / gains

(NOK million)	2014	2013
Change in value, put options [1]	29	(11)
Change in value, other derivatives	(5)	-
Loss on discontinued cash flow hedge (ref note 19, 20.2)	-	(4)
Gain /(loss) on sale of assets	0	(0)
Total other (losses) / gains	25	(15)

(1) On 31 December 2014 the company had oil put options for a total volume of 300 000 bbl lapsing in the period from the start of Q1 2015 to the end for Q2 2015 and with a strike of USD 70 per barrel. At 31 December 2014 these contracts had a total value of NOK 28 million. On 27 January 2015 the company sold the put options with proceeds of NOK 45 million.

(Loss) / gain per divestment	Accounting date	2014	2013
PL484 Verdande (farm-out)	15.01.14	0	-
Total		0	-

All figures are stated before tax effects associated with the divestments.

12 Intangible fixed assets

Intangible fixed assets at 31 December 2014

(NOK million)	Licence and capitalised exploration expenditures	Goodwill	Total
Acquisition costs at 1 January 2014	743	1 025	1 768
Additions	307	-	307
Expensed exploration expenditures previously capitalised	(758)	-	(758)
Currency translation adjustment	33	203	236
Acquisition costs at 31 December 2014	**325**	**1 228**	**1 553**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 1 January 2014	-	(852)	(852)
Write-downs	-	(164)	(164)
Currency translation adjustment	-	(191)	(191)
Accumulated depreciation and write-downs 31 December 2014	**-**	**(1 206)**	**(1 206)**
Book value 31 December 2014	**325**	**23**	**348**

Intangible fixed assets at 31 December 2013

(NOK million)	Licence and capitalised exploration expenditures	Goodwill	Total
Acquisition costs at 31 December 2012	944	947	1 891
Presentation adjustment	(126)	-	(126)
Acquisition costs at 1 January 2013	819	947	1 766
Additions	412	-	412
Expensed exploration expenditures previously capitalised	(556)	-	(556)
Currency translation adjustment	68	78	146
Acquisition costs at 31 December 2013	**743**	**1 025**	**1 768**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 31 December 2012	(126)	(451)	(576)
Presentation adjustment	126	-	126
Accumulated depreciation and write-downs 1 January 2013	-	(451)	(451)
Write-downs	-	(350)	(350)
Currency translation adjustment	-	(51)	(51)
Accumulated depreciation and write-downs 31 December 2013	**-**	**(852)**	**(852)**
Book value 31 December 2013	**743**	**174**	**917**

Goodwill is allocated to the group's cash-generating units identified in connection with the acquisitions the goodwill relates to. Goodwill is allocated to three cash generating units: Norway, Denmark and United Kingdom. In connection with the impairment test of goodwill, only assets that originated from the Altinex acquisition in 2007 are included.

Overview of Goodwill per cash generating unit

(NOK million)	Currency	Exchange rate	Cost price in local currency	Date of acquiring	Book value as of 31.12.2014
Altinex Norway	NOK	1.00	232	01.07.07	-
Altinex UK	USD	6.08	120	01.07.07	-
Altinex Denmark	USD	6.08	42	01.07.07	23
Total goodwill (NOK)					**23**

Overview of write-downs

(NOK million)	Write-downs 2014	Write-downs 2013
Goodwill United Kingdom	(134)	(218)
Goodwill Denmark	(29)	(116)
Goodwill Norway	-	(17)
Total write-downs	**(164)**	**(350)**

Overview of write-offs (Expensed exploration expenditures previously capitalised) 2014

(NOK million)	Write-offs before tax	Income tax benefit/ expense	Net write-off after tax
P1114 Huntington Fulmar	(600)	372	(228)
PL484 Verdande	(158)	123	(35)
Other	(0)	(1)	(1)
Total write-offs 2014	**(758)**	**494**	**(264)**

Overview of write-offs (Expensed exploration expenditures previously capitalised) 2013

(NOK million)	Write-offs before tax	Income tax benefit/ expense	Net write-off after tax
7/86 Amalie	(255)	64	(192)
P1650 Crazy Horse	(16)	10	(6)
PL360 Lupin	(50)	39	(11)
PL453 Ogna	(96)	75	(21)
P1658 Scotney	(120)	74	(46)
Other	(18)	15	(3)
Total write-offs 2013	**(556)**	**278**	**(278)**

Impairment test of intangible assets

In accordance with the group's accounting policies, an impairment test for the group's goodwill and capitalised exploration expenses has been carried out at 31 December 2014. The impairment test is carried out by the company and is based on expected cash flows from relevant reserves and resources (value-in-use). For licences which still are considered to be in an exploration phase, an average price multiple based on several analyst estimates, or average multiple of observed market transactions has been applied (fair value less costs of disposal).

The impairment calculations are based on the following assumptions:

	2014	**2013**
Discount rate (after tax)	10.0 percent	10.0 percent
Inflation	2.0 percent	2.0 percent
Cash flow	After tax	After tax
Prognosis period (1)	Estimated life time of the oil field	Estimated life time of the oil field
Reserves/resources (2)	Internal estimated resources and reserves as of 31 December 2014	Internal estimated resources and reserves as of 31 December 2013
Oil price (3)	Forward curve for oil price for the period 2015-2017. From 2018 the oil price is adjusted for inflation.	Forward curve for oil price for the period 2014-2016. From 2017 the oil price is adjusted for inflation.
Currency rates	Average forward-rate for the period 2015-2018. From 2019 the average rate for 2018 is used.	Average forward-rate for the period 2014-2017. From 2018 the average rate for 2017 is used.

(1) In estimating the recoverable amount for fields, an estimation period corresponding to the lifetime of the individual field is used. This is because the production profiles and investment costs significantly affect the value of future cash flows and can be reasonably estimated over the total lifetime of the oil fields.

(2) As a basic rule, the company's resource estimates are applied for impairment testing. Reserves for the producing fields are annually verified by an independent party. For the resources applied for impairment testing of intangible assets, the company performs an assessment to identify any deviations from resource estimates from the partners in the licences. If any deviations are identified, an estimate which place greater emphasis on information from other partners and other external sources are applied.

(3) Forward curve for Brent blend from accessible market data is applied for forecasting of expected revenue from sale of oil. Gas, NGL, and condensate prices are derived using the oil price based on historical correlation. Revenue for each field is adjusted for the quality of the product. For some fields, Noreco has entered into fixed price agreements, and these prices are applied for those fields when calculating the future cash flows.

Result from impairment test of goodwill on 31 December 2014

Goodwill associated with the business in the United Kingdom was written down to zero in 2014. The write-down was due to updated expectations to the Huntington production and asset retirement obligation. The write-down amounted to NOK 134 million.

Goodwill associated with the Danish business was written down by NOK 29 million in 2014. The write-down was performed as a consequence of the lower oil price, which reduced the recoverable amount of the asset supporting the goodwill. The remaining goodwill associated with the business was NOK 23 million at 31 December 2014.

Result from impairment test of licence and capitalised exploration expenses as of 31 December 2014

During the year, a number of impairment tests of the intangible assets have been performed. The company has continued its evaluations of potential development of the Jurassic discovery in the Huntington-licence on the British continental shelf (Huntington Fulmar). In the fourth quarter 2014, the partnership concluded not to continue further evaluations, which required a write-off of the book value which amounted to NOK 600 million pre tax and NOK 228 million post tax, and was included in exploration and evaluation expenses in 2014.

Dry exploration wells included in exploration and evaluation expenses in 2014 were related to the PL484 Verdande well.

The remaining assets with capitalised exploration and evaluation expenditures have a recoverable amount that exceeds the book value at the level that the assets are tested for impairment. At the end of 2014, licence and caplitalized exploration expenditures mainly consist of the Gotha discovery and caplitalised exploration costs on Xana, for which drilling operations are currently ongoing.

See further information in note 2.6. b), 2.7 and 4.2 a) regarding the group's accounting principles for these assets, and description of the judgmental assessments that is required.

Sensitivities related to the impairment test

Goodwill

The impairment tests performed during 2014 showed that the carrying amount of goodwill exceeded the recoverable amount for Denmark and UK. After the impairments, the book value of UK goodwill at 31 December 2014 is zero. The book value of Danish goodwill at 31 December 2014 is equal to the recoverable amount, and changes in the assumptions may require further write-downs.

The most sensitive assumptions used in the calculations are the resource and reserve estimates, regularity for the group's producing fields, discount rate, foreign exchange rates and oil price. The asset supporting the book value of the remaining goodwill related to the Danish business, is the Lulita field. The recoverable amount of the Lulita field is highly sensitive to changes in oil price. A negative change in oil price of 5 % will impact the recoverable amount by NOK 4 million.

Licences and capitalised exploration expenditures

For licences and capitalised exploration expenditures the most sensitive assumption is the assessment of commerciality, in relation to the impairment test of these assets. During 2014 an appraisal well with a new target in the Gohta discovery was completed, however the results from the testing were inconclusive and the expected range of resources was not changed as a result from the appraisal well. Further appraisal of the Gohta discovery may be completed in the future, to clarify if the size of the discovery exceeds commercial thresholds. If the results from the well show that the discovery will not be economically viable, the capitalised expenditures incurred must be written off. These expenditures amount to NOK 254 million pre tax and NOK 56 million post tax.

13 Property, plant and equipment

Property, plant and equipment on 31 December 2014

(NOK million)	Production facilities	Office equipment and fixtures	Total
Acquisition costs at 1 January 2014	5 514	4	5 518
Additions	12	0	12
Revaluation abandonment assets	161	-	161
Currency translation adjustment	981	1	981
Acquisition costs at 31 December 2014	**6 668**	**5**	**6 673**
Accumulated depreciation			
Accumulated depreciation and write downs 1 January 2014	(2 427)	(4)	(2 431)
Depreciation	(407)	-	(407)
Write-downs	(2 818)	-	(2 818)
Reversal of write-downs	96	-	96
Currency translation adjustment	(685)	(1)	(685)
Accumulated depreciation and write downs 31 December 2014	**(6 241)**	**(5)**	**(6 245)**
Book value 31 December 2014	**427**	**0**	**428**
Economic life	N/A	3-5 years	
Depreciation plan	UoP	Straight line	

Property, plant and equipment on 31 December 2013

(NOK million)	Asset under construction	Production facilities	Office equipment and fixtures	Total
Acquisition costs at 31 December 2012	2 257	2 633	4	4 893
Presentation adjustment	-	251	-	251
Acquisition costs at 1 January 2013	2 257	2 884	4	5 144
Additions	36	14	-	49
Transferred from Asset Under Construction to Production Facilities	(2 448)	2 448	-	-
Revaluation abandonment assets	46	(91)	-	(45)
Currency translation adjustment	109	260	0	369
Acquisition costs at 31 December 2013	**-**	**5 514**	**4**	**5 518**
Accumulated depreciation				
Accumulated depreciation and write downs 31 December 2012	-	(899)	(4)	(902)
Presentation adjustment	-	(251)	-	(251)
Accumulated depreciation and write downs 1 January 2013	-	(1 150)	(4)	(1 153)
Depreciation	-	(319)	-	(319)
Write-downs	-	(917)	-	(917)
Reversal of write-downs	-	57	-	57
Currency translation adjustment	-	(98)	(0)	(99)
Accumulated depreciation and write downs 31 December 2013	**-**	**(2 427)**	**(4)**	**(2 431)**
Book value 31 December 2013	**-**	**3 087**	**0**	**3 087**
Economic life	N/A	N/A	3-5 years	
Depreciation plan	N/A	UoP	Straight line	

Impairment test of property, plant and equipment

The impairment tests are carried out by the company and are based on expected cash flows from the group's producing fields (Value-in-use).

Main assumptions applied for the impairment test on 31 December

	2014	**2013**
Discount rate (after tax)	10.0 percent	10.0 percent
Inflation	2.0 percent	2.0 percent
Cash flow	After tax	After tax
Prognosis period (1)	Estimated life time of the oil/gas field	Estimated life time of the oil/gas field
Reserves/resources (2)	Internal estimated reserves at 31 December 2014	Internal estimated reserves as of 31 December 2013
Oil price (3)	Forward curve for oil price for the period 2015-2017. From 2018 the oil price is adjusted for inflation.	Forward curve for oil price for the period 2014-2016. From 2017 the oil price is adjusted for inflation.
Currency rates	Average forward-rate for the period 2015-2018. From 2019 the average rate for 2018 is used.	Average forward-rate for the period 2014-2017. From 2018 the average rate for 2017 is used.

(1) In estimating the recoverable amount for fields, an estimation period corresponding to the lifetime of the individual field is used. This is because the production profiles and investment costs significantly affect the value of future cash flows and can be reasonably estimated over the total lifetime of the oil fields.
(2) The company's reserve estimates are applied for impairment testing. The reserves are annually verified by an independent party. See further information in note 32.
(3) Forward curve for Brent blend from accessible market data is applied for forecasting of expected revenue from sale of oil. Gas, NGL, and condensate prices are derived using the oil price based on historical correlation. Revenue for each field is adjusted for the quality of the product. For some fields, Noreco has entered into fixed price agreements, and such prices are applied for those fields when calculating the future cash flows.

Result from impairment test as of 31 December 2014
Due to lower production projections and reduced oil price, a significant write-down amounting to NOK 1 978 million before tax has been performed related to the Huntington Forties licence.

For the Norwegian field Oselvar, updated geological and reservoir evaluations that indicate lower in-place columes, more complex reservoir, less connectivity and poorer reservoir quality led to a reduction of reserves and a shorter economic lifetime than previously assumed. Combined with the reduced oil price and increased abandonment estimates, this led to a write-down amounting to NOK 396 million before tax.

Due to changes in the oil prices and increased abandonment estimates, a write-down of NOK 328 before tax was also recognised regarding the Siri Fairway.

The Enoch field was written-down by NOK 21 before tax in 2014.

Overview of write-downs and reversals 2014

(NOK million)	Write-downs before tax	Reversals before tax	Income tax benefit/ expense	Net write-downs and reversals after tax
Oselvar	(396)	-	278	(117)
Enoch	(21)	-	17	(5)
Huntington	(1 978)	-	1 226	(752)
Siri Fairway (Cecilie og Nini)	(423)	96	82	(245)
Total write-downs and reversals 2014	**(2 818)**	**96**	**1 603**	**(1 119)**

Overview of write-downs and reversals 2013

(NOK million)	Write-downs before tax	Reversals before tax	Income tax benefit/ expense	Net write-downs and reversals after tax
Oselvar	(388)	-	284	(104)
Enoch	-	12	(9)	3
Siri Fairway (Cecilie og Nini)	(529)	45	121	(363)
Total write-downs and reversals 2014	**(917)**	**57**	**396**	**(465)**

Sensitivities related to the impairment test of assets which are carried at recoverable amount
The book values of Huntington and Lulita are equal to the recoverable amounts by the end of 2014, and changes in the assumptions may require future write-downs. Oselvar, Enoch and Siri Fairway have book values of zero at the end of 2014. The write-downs may be fully or partially reversed if new information results in increased recoverable amounts.

Assuming an oil price 10 percent lower than what was applied in the impairment test (USD per barrel of 61, 69 and 73 in 2015, 2016 and 2017 respectively), the write-downs would have increased by NOK 130 million before tax. Inversely, assuming an oil price 10 percent higher than what was applied in the impairment test, the write-downs would have been reduced by NOK 210 million before tax.

The calculated values are most sensitive to changes in the reserve estimates, regularity for the group's producing fields, discount rate, foreign exchange rates and oil price. The table below shows the sensitivities for the group's assets carried at recoverable amont values (before tax).

(NOK million)

Change of gross book value (before tax) if:	**Discount rate is changed to 11 percent**	**Oilprice reduced with 5 percent**
Huntington Forties	(4)	(60)
Siri Fairway (Nini and Cecilie)	-	-
Lulita	(1)	(4)
Enoch	-	-
Oselvar	-	-

Sensitivity for the reserve assumptions is approximately the same as the sensitivity for change in oil price.

See also note 33 regarding status on the Danish licences.

14 Financial income and expenses

(NOK million)

Financial income	**2014**	**2013**
Interest income	23	24
Gain on extinguishment of debt	-	523
Foreign exchange gains	149	22
Other financial income	0	1
Total financial income	172	570

Financial expenses	**2014**	**2013**
Interest expense from bond loans	(820)	(407)
Interest expense from reserve based loan	-	(33)
Interest expense from exploration loan	(26)	(32)
Interest expenses current liabilities	(12)	(3)
Accretion expense related to asset retirement obligations (ref note 23)	(34)	(25)
Loss on repurchase of bond	-	(3)
Foreign exchange losses	(58)	(36)
Other financial expenses	(2)	(17)
Total financial expenses	(953)	(556)
Net financial items	**(780)**	**15**

Cash flow details relating to financial income and expenses	**2014**	**2013**
Amortisation		
Amortisation of borrowing costs included in interest expenses (1)	(634)	(82)
Paid borrowing cost		
Incurred borrowing cost	-	(95)
Unpaid borrowing cost at year end	-	34
Paid borrowing cost from previous periods	(34)	-
Paid borrowing cost for the period	(34)	(61)

(1) Out of the toal interest expenses on the bond loans for 2014, coupon and default interests amount to NOK 56 million. As a consequence of the bonds being in default on 31 December 2014 and thus the creditors had the right to call the entire bonds for payment, the bond loans have been reclassified to current liabilities and the remaining difference between principal amounts and book values of NOK 510 million has been recognised in 2014. Coupon and amortisation in 2014 amounted to NOK 198 million and NOK 622 million, respectively.

Consultant fees relating to the restructuring efforts of NOK 27 million have been expensed as operating expenses in 2014. Parts of, or the entire amount may be reclassified and included in a gain or loss calculation of the bond debt restructuring in subsequent periods.

15 Tax

Income tax benefit

(NOK million)	2014	2013
Tax payable	(27)	(17)
Tax refundable	315	378
Change in deferred tax liability/tax asset	1 320	511
Deferred tax asset previously not recognised	-	74
Change regarding previous years	1	2
Change in tax rates	-	2
Other items	(1)	(4)
Income tax benefit	**1 609**	**947**
Domestic income tax benefit	564	592
Foreign income tax benefit	1 044	354

Tax expense relating to other comprehensive income

(NOK million)	2014	2013
Remeasurement of defined benefit pension plans	-	(1)
Cash flow hedge	-	-
Discontinued cash flow hedge	-	-
Reclassification of currency translation adjustment upon disposal of subsidiary	-	-
Currency translation adjustment	-	-
Total tax expense on other comprehensive income	**-**	**(1)**

Reconciliation of nominal to actual tax rate

(NOK million)	2014	%	2013	%
Income (loss) before tax	**(4 520)**		**(1 954)**	
Calculated tax expense on profit before tax	1 221	27 %	547	28 %
Adjustment of calculated tax expense in foreign subsidiaries in relation to difference in tax rate	86	2 %	(28)	-1 %
Petroleum tax expense	1 309	29 %	498	25 %
Tax effect of:				
Change in recognised deferred tax asset compared to previous years	(770)	-17 %	74	4 %
Effect of change in tax rate	-	0 %	2	0 %
Permanent differences	166	4 %	(134)	-7 %
Currency translation adjustments	(388)	-9 %	(5)	0 %
Other items	(15)	0 %	(7)	0 %
Income tax benefit	**1 609**	**36 %**	**947**	**48 %**

Tax refund
Noreco Norway AS is the only entity with exploration activity in Norway during 2014 and 2013

Basis for tax refund for exploration expenses in Norway

(NOK million)	2014	2013
Loss before tax in Norwegian exploration company	(727)	(804)
Financial items (onshore)	76	78
Permanent differences	-0	0
Change in temporary differences (ex. financial items)	106	(108)
Onshore expenses	-	0
Non-exploration expenses - offshore	142	350
Basis for exploration tax refund 78 %	**(403)**	**(485)**
Calculated exploration refund	**315**	**378**

Tax payable
Tax payable relates to the group’s entities in Denmark and UK. The amounts payable as of 31 December were:

(NOK million)	2014	2013
Tax payable in Norway	-	-
Tax payable other countries	28	13
Total tax payable	**28**	**13**

Deferred tax liability and deferred tax asset

(NOK million)	2014	2013
Tax loss carry forward	(2 971)	(1 979)
Fixed assets	197	2 392
Current assets	-	177
Liabilities	(254)	615
Other	(108)	(226)
Basis of deferred tax liability/deferred tax asset	**(3 136)**	**979**
Net deferred tax liability/deferred tax asset	**(1 483)**	**(660)**
Unrecognised deferred tax asset	850	-
Deferred tax liability/deferred tax asset recognised	**633**	**(660)**
Recognised deferred tax asset	633	293
Recognised deferred tax liability	0	(953)
Recognised deferred tax asset domestic (1)	513	288
Recognised deferred tax asset foreign (2)	120	5
Recognised deferred tax liability domestic	(0)	(24)
Recognised deferred tax liability foreign	0	(930)
Net deferred tax liability/deferred tax asset	**633**	**(660)**

(1) Deferred tax asset on 31 December 2014 relates to Noreco Norway AS
(2) Deferred tax asset on 31 December 2014 relates to Noreco Oil (UK) Ltd.

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. The tax loss carry forwards in Noreco Norway AS are subject to the Norwegian Petroleum Taxation Act §3c and may thus be refunded upon seizure of all petroleum activities in the entity.

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.

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.

Tax loss carry forward - expiry dates

(NOK million)	**2014**
Unlimited	(2 419)
Expires:	**-**
2015	(4)
2016	(19)
2017	(39)
2018	(81)
2019	(111)
2020	(228)
2021	(70)
Sum	(2 971)

Tax loss carry forward that expires according to the table above are related to Norwegian Energy Company (UK) Ltd.

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)	2014	2013
Net loss attributable to ordinary shareholders	(2 912)	(1 008)
Shares issued 1 January	4 656 094 082	353 831 111
Shares issued during the year	(4 599 336 239)	4 302 262 971
Shares issued at 31 December	56 757 843	4 656 094 082
Weighted average number of shares (*)	56 032 843	6 748 916
Earnings per share (NOK 1) (*)		
Earnings per share	(52.0)	(149.3)
Diluted earnings per share	(52.0)	(149.3)

(*) Weighted average number of shares and earnings per share for comparable periods have been revised due to the reverse split that was completed in Q3 2014.

The company has implemented an option program which includes all employees in the group. In addition, employees are granted bonus shares, which will give right to new matching shares after a vesting period. See more information regarding the possible number of new shares in note 26.

Further, at the end of 2014, the company had issued a convertible bond that could be converted into shares. This bond loan was partly rolled over to the amended and restated NOR10 bond and partly converted to equity in connection with the bond restructuring that was completed in March 2015. See further information in note 24.

In accordance with IAS 33, any dilution effect caused by share options or covertible bonds is not shown in the consolidated statement of comprehensive income since conversion to ordinary shares would have reduced the loss and improved the result per share.

In 2015, 652 715 195 new shares have been issued, see note 21. These will impact the future calculations of earnings per share.

17 Trade receivables and other current receivables

(NOK million)	2014	2013
Tax receivables	-	15
Trade receivables (*)	86	106
Receivables from operators relating to joint venture licences (*)	48	43
Underlift of oil/NGL (*)	23	17
Prepayments	12	2
Other receivables (1) (*)	20	368
Total trade receivables and other current receivables	**189**	**551**

(*) See note 19 for fair value disclosures

Specification of underlift oil/NGL (**)	boe	USD/boe	Value (NOK million)
Underlift oil	57 827	52.44	23
Underlift NGL and condensate	5 060	18.37	1
Total	62 888	49.69	23

(**) Underlift and overlift oil and NGL from the different fields is presented gross. For specification of overlift, see note 25 Trade payables and other payables.

Current receivables in currency:

(NOK million)	2014	2013
NOK	25	34
DKK	8	35
USD	124	472
GBP	33	10
EUR	0	0
Total	189	551

(1) Other receivables 31 December 2013 included an insurance claim related to the damages to the Siri platform. At year-end 2014 the receivable was classified as non-current, due to the final court hearing being scheduled for the second half of 2016. For further information regarding the insurance claim, see note 29.

Receivables are valued at amortised cost. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Fair value is not considered to diverge from booked amount.

The group's trade receivables mainly consist of receivables related to sales of hydrocarbons. The debtors are large established oil companies and the credit risk is considered to be low. The group has not realised any losses on receivables in 2014 and 2013.

Receivables in USD are mainly in subsidiaries which have USD as their functional currency. The company has not hedged receivables against fluctuations in currency. The company has operating costs in different currencies and receivables will hedge trade payables and other current liabilities in different currencies. The company has not used hedge accounting in such instances.

Ageing analysis of trade receivables and other short term receivables on 31 December 2014

			Past due				
(NOK million)	**Total**	**Not past due**	**> 30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**> 120 days**
Trade receivables	86	16	69	-	-	0	1
Receivables from operators relating to joint venture licences	48	48	-	-	-	-	-
Underlift of oil/NGL	23	23	-	-	-	-	-
Prepayments	12	12	-	-	-	-	-
Other receivables	20	12	8	-	-	-	-
Total	**189**	**111**	**77**	**-**	**-**	**0**	**1**

Ageing analysis of trade receivables and other short term receivables on 31 December 2013

			Past due				
(NOK million)	**Total**	**Not past due**	**> 30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**> 120 days**
Tax receivables	15	15	-	-	-	-	-
Trade receivables	106	102	4	-	-	0	1
Receivables from operators relating to joint venture licences	43	43	-	-	-	-	-
Underlift of oil/NGL	17	17	-	-	-	-	-
Prepayments	2	2	-	-	-	-	-
Other receivables	368	6	-	-	-	-	363
Total	**551**	**184**	**4**	**-**	**-**	**0**	**363**

18 Restricted cash, bank deposits, cash and cash equivalents

(NOK million)	2014	2013
Non-current assets		
Restricted cash pledged as security for abandonment obligation in Denmark	546	500
Other restricted cash and bank deposits	31	-
Total non-current restricted cash	576	500
Current assets		
Restricted cash for repayments to bondholders	-	70
Other restricted cash and bank deposits	33	4
Total current restricted cash	33	74
Unrestricted cash, bank deposits and cash equivalents	644	403
Total bank deposits	**1 254**	**978**

A general liquidity requirement of minimum NOK 100 million at Noreco group level existed in accordance with the covenants for the bond loans that were outstanding on 31 December 2014, see note 24.4. This requirement has been replaced in the amended and restated bond loan agreements that were effective from 23 March 2015. See note 24.2 regarding implications from the bond restructuring.

Cash held in different currency

	2014		2013	
(NOK million)	Amount in currency	NOK	Amount in currency	NOK
NOK	659	659	913	913
DKK	475	577	10	11
USD	2	17	8	47
GBP	-	1	1	7
Total		**1 254**		**978**

There are no differences between fair value and carrying amount for cash at bank.

Overdraft facilities

As at 31 December 2014

(NOK million)	Facility amount in currency	NOK	Used	Unused	Available [1]
NOK (Exploration loan facility in Noreco Norway AS)	850	850	284	566	-
Total		**850**	**284**	**566**	**-**
Unrestricted cash and cash equivalents					644
Accessible liquidity at 31 December 2014					**644**

(1) The basis for utilisation of the exploration loan facility is 70 percent of exploration losses which are entitled for 78 percent tax refund from the Norwegian tax authorities. On 31 December 2014 the available amount was fully utilised based on incurred exploration costs which will covered by refund for 2014.

In accordance with the exploration loan agreement, a prerequisite for drawing on the facility is that the company should have a liquidity prognosis showing that the company expects to be compliant with all covenants for the next 12 months. Due to the default on outstanding bond loans, the company was also in cross default on the exploration loan facility at the end of 2014. Certain amendments to the exploration loan facility agreement are currently being finalised and is expected to be executed shortly. See note 24.3 for further details on the amendments to the exploration loan facility.

As at 31 December 2013

(NOK million)	Facility amount in currency	NOK	Used	Unused	Available
NOK (Exploration loan facility in Noreco Norway AS)	1 240	1 240	345	895	-
USD (overdraft facility in Noreco Oil Denmark AS)	3	18	-	18	18
Total		**1 258**	**345**	**913**	**18**
Unrestricted cash and cash equivalents					403
Accessible liquidity at 31 December 2013					**422**

19 Derivative financial instruments

Commodity derivatives

The group has a strategy to hedge some of the future oil sale against fluctuations in the sales price. This is done by buying put options for part of the estimated oil production. These options give the company a right, but not an obligation, to sell oil at a minimum price at USD 70 per barrel. For accounting purposes, these options are classified as derivatives held for trading and are measured at fair value through profit or loss.

On 31 December 2014, the group has the following option contracts:

Derivatives held for trading	Cost (USD million)	Book value (USD million)	Book value / Fair value (NOK million)
Options expiring in 2015	1	3,79	28
Options expiring in 2016	-	-	-
Total book value	**1**	**3.79**	**28**

On 31 December 2013, the group had the following option contracts:

Derivatives held for trading	Cost (USD million)	Book value (USD million)	Book value / Fair value (NOK million)
Options expiring in 2014	2	0,07	0
Options expiring in 2015	1	0.16	1
Total book value	**3**	**0.23**	**1**

Interest rate swap agreements

On 31 December 2014, the group had the following interest rate swap:

(NOK million)

Derivatives held for trading	Notional principal	Receive	Pay	Maturity	Fair value 31.12.2014
Interest rate swap	325 NOK	3M NIBOR	2.58 %	27.04.16	(3)
Total book value					**(3)**

On 31 December 2013, the group had the following interest rate swap:

(NOK million)

Derivatives held for trading	Notional principal	Receive	Pay	Maturity	Fair value 31.12.2013
Interest rate swap	325 NOK	3M NIBOR	2.58 %	27.04.16	(4)
Total book value					**(4)**

20 Financial instruments

20.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows (see 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.

On 31 December 2014

(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				
- Trading derivatives		28		28
- Underlift of oil (ref. note 17)		23		23
Total	**-**	**51**	**-**	**51**
Liabilities				
Recurring fair value measurements of liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements (ref. note 19)		3		3
- Overlift of oil (ref. note 25)		4		4
Total	**-**	**8**	**-**	**8**

On 31 December 2013

(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				
- Trading derivatives		1		1
- Underlift of oil (ref. note 17)		17		17
Total	**-**	**19**	**-**	**19**

Liabilities				
Recurring fair value measurements of liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements (ref. note 19)		4		4
- Overlift of oil (ref. note 25)		16		16
Total	**-**	**20**	**-**	**20**
Liabilities for which fair values are disclosed				
Bonds		2 481		2 481
Total	**-**	**2 481**	**-**	**2 481**

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.

The fair value of commodity derivatives and over/underlift of hydrocarbons are based on the spot oil price at closing date. The fair value of interest rate swap agreements is based on the market's expectation for future interests. The fair value of foreign exchange derivatives are based on the spot foreign exchange rate at the closing date, as well as the market's expectation for future interests.

There have been no transfers between any levels during the period.

20.2 Financial instruments by category

As at 31 December 2014

(NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Derivatives	-	28	28
Trade receivables and other current assets	154	23	177
Restricted cash	609		609
Bank deposits, cash and cash equivalents	644	-	644
Total	1 408	51	1 459

(NOK million)	Other financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bond loan	3 051		3 051
Other interest bearing debt	284		284
Derivatives		3	3
Trade payables and other current liabilities	442	4	447
Total	3 777	8	3 785

As at 31 December 2013

(NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Derivatives	-	1	1
Trade receivables and other current assets	517	17	534
Restricted cash	574		574
Bank deposits, cash and cash equivalents	403	-	403
Total	1 495	19	1 513

(NOK million)	Other financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bond loan	2 481		2 481
Other interest bearing debt	333		333
Derivatives		4	4
Trade payables and other current liabilities	294	16	310
Total	3 107	20	3 127

20.3 Financial instruments - Fair values

Set out below is a comparison of the carrying amounts and fair value of financial instruments:

As at 31 December 2014

(NOK million)	Carrying amount	Fair value
Financial assets:		
Derivatives (ref. note 19)	28	28
Trade receivables and other current assets (ref. note 17) (*)	177	177
Restricted cash (*)	609	609
Bank deposits, cash and cash equivalents (*)	644	644
Total	**1 459**	**1 459**
Financial liabilities:		
Bonds (current and non current, ref. note 24.1)	3 051	1 030
Other interest bearing debt (ref. note 24.1) (*)	284	284
Derivatives (ref. note 19)	3	3
Trade payables and other current liabilities (ref. note 25) (*)	447	447
Total	**3 785**	**1 764**

(*) 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 2013

(NOK million)	Carrying amount	Fair value
Financial assets:		
Derivatives (ref. note 19)	1	1
Trade receivables and other current assets (ref. note 17) (*)	534	534
Restricted cash (*)	574	574
Bank deposits, cash and cash equivalents (*)	403	403
Total	**1 513**	**1 513**
Financial liabilities:		
Bonds (current and non current, ref. note 24.1)	2 481	2 481
Other interest bearing debt (ref. note 24.1)	333	333
Derivatives (ref. note 19)	4	4
Trade payables and other current liabilities (ref. note 25) (*)	310	310
Total	**3 127**	**3 127**

(*) 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.

21 Share capital

	2014	2013
Total shares (all ordinary shares)	56 757 843	4 656 094 082
Par value (NOK 1)	10.00	0.10

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 2013	**353 831 111**	**1 097**
Share issue employees on 14 January 2013	1 814 206	6
Share issue employees on 18 March 2013	448 778	1
Share issue on 4 December 2013	4 299 999 987	430
Capital reduction on 31 December 2013	-	(1 068)
Share capital on 31 December 2013	**4 656 094 082**	**466**

(NOK million)	**No. Of shares**	**Share Capital**
Share capital on 1 January 2014	**4 656 094 082**	**466**
Share issue (repair) on 21 January 2014	1 000 000 000	100
Share issue employees on 14 February 2014	2 391 002	0
Share issue for reverse split on 17 September 2014	16	0
Reverse split 17 September 2014	(5 601 900 249)	-
Share issue through partial conversion of bond on 22 October 2014	172 992	2
Share capital on 31 December 2014	**56 757 843**	**568**

Changes in 2014
On 21 January 2014 Noreco issued 1 000 000 000 new shares in connection with the repair share issue related to the refinancing in the fourth quarter 2013.
On 14 February 2014 Noreco issued 2 391 002 new shares as part of its employee incentive scheme.
On 17 September 2014 Noreco issued 16 new shares and carried out a reverse split
On 22 October 2014 Noreco issued 172 992 new shares in favour of bondholder of the convertible bond NOR12 that exersised the option of converting their bonds to equity in accordance with the bond agreement.

Changes in 2015
On 3 March 2015 Noreco carried out a share capital reduction by a reduction in the nominal value of the ordinary shares from NOK 10 to NOK 0.10. The amount of the reduction was applied to cover losses which could not be covered otherwise. On 23 March 2015, Noreco issued 652 715 195 new shares, which were settled by conversion of bond debt. In addition, a reverse split of the company's shares in the ratio 100:1 is expected to be carried out shortly. By completion of the reverse split, the company's share capital will be NOK 70 947 303.8 divided on 7 094 730 ordinary shares, each with a nominal value NOK 10.

Existing mandates

The board of directors was in 2014 granted a mandate by the General Meeting to increase the share capital by a total amont of up to NOK 16 million by one or more share issues in relation to employee incentive schemes existing at any time for employees in the group. The mandate expires on 1 June 2016. The mandate has not been utilised.

The above-mentioned mandate replaced all previously granted mandates relating to the issuing of shares.

Overview of shareholders at 23 April 2015:

Name	Shareholding	Ownership share	Voting share
EUROCLEAR BANK S.A./N.V.	226 471 806	31,92 %	31,92 %
MP PENSJON PK	33 861 248	4,77 %	4,77 %
STATE STREET BANK & TRUST COMPANY	31 072 503	4,38 %	4,38 %
SPARINV: HIGH YI VAL BONDS UDB	29 456 451	4,15 %	4,15 %
JPMORGAN CLEARING CORP.	27 029 926	3,81 %	3,81 %
CITIBANK, N.A.	19 529 333	2,75 %	2,75 %
CLEARSTREAM BANKING S.A.	18 417 029	2,60 %	2,60 %
WENAASGRUPPEN AS	17 739 657	2,50 %	2,50 %
DANSKE BANK A/S	15 961 294	2,25 %	2,25 %
SABARO INVESTMENT LT	15 547 675	2,19 %	2,19 %
J.P. MORGAN BANK LUXEMBOURG SA	10 094 492	1,42 %	1,42 %
TRONDHEIM KOMMUNALE PENSJONSKASSE	9 927 313	1,40 %	1,40 %
EU ACTIVE ENERGY TECHNOLOGY INVEST	9 236 253	1,30 %	1,30 %
ARCTIC FUNDS PLC	8 157 408	1,15 %	1,15 %
IKM INDUSTRI-INVEST AS	7 748 040	1,09 %	1,09 %
STØLE SVEIN	7 002 695	0,99 %	0,99 %
SPAREBANK 1 SR-BANK ASA	6 489 073	0,91 %	0,91 %
NORTURA KONSERNPENSJONSKASSE	4 785 227	0,67 %	0,67 %
RBC INVESTOR SERVICE	4 760 128	0,67 %	0,67 %
DIRECTMARKETING INVEST AS	4 724 442	0,67 %	0,67 %
Total	**508 011 993**	**71,6 %**	**71,6 %**
Other owners (ownership <0,67%)	**201 461 045**	**28,4 %**	**28,4 %**
Total number of shares at 23 April 2015	**709 473 038**	**100 %**	**100 %**

22 Post-employment benefits

Defined contribution plan
Employees in certain of the companies in the group have a defined contribution plan. Pension costs related to the company's defined contribution plan amounts to NOK 0 million for 2014. For 2013 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').

Defined benefit plan
Up until 31 December 2013, employees in certain of the Norwegian companies had a defined benefit plan in a life insurance company. On 31 December 2013 the defined benefit plans were changed to defined contribution plans. Upon cancellation, a net settlement gain of NOK 7 million (including social security tax) reduced the pension cost for 2013. The 2013 pension cost including the settlement amounted to NOK 4 million. During 2013 total payments of NOK 10 million were made to the plan.

23 Asset retirement obligations

(NOK million)	**2014**	**2013**
Balance on 1 January	327	323
Provisions made during the year (1)	166	(45)
Accreation expense - present value calculation	34	25
Currency translation	85	24
Provision made for asset retirement obligations on 31 December	**612**	**327**

(1) Due to revised estimates on future abandonment costs at Huntington, the recognised asset retirement obligation has been increased with NOK 27 million in 2014. The asset retirement obligations associated with Siri Fairway and Oselvar field have been increased by NOK 85 million and NOK 52 million. In 2014 respectively, due to revised estimates on future abandonment costs as well as reduced economic lifetime and thereby less time until the estimated time for abandonment, Asset retirement obligation associated with the Enoch field has been adjusted by NOK 3 million.

In accordance with the agreement with the partners and normal practice in the industry, a restricted cash account will be established and serve as security for Noreco's share of the estimated future abandonment costs at Huntington. The first deposit is to be performed when the estimated abandonment obligation exceeds the value of the remaining production. As a result of reduced reserves and lower oil price assumptions, the value of the remaining production has been significantly reduced, which in turn implies that the first cash deposit scheduled for December 2015 is expected to increase correspondingly.

Provisions made for asset retirement obligations includes the future expected costs (esimtated based on current day costs inflated) for close-down and removal of oil equipment and production facilities used in hydrocarbon activities. The estimated future provision is discounted using a risk-free rate adjusted for credit risk of 9 percent, which represent the group's expected average alternative borrowing interest, to calculate the net present value of the obligation. Inflation is assumed to be 2.0 percent.

Expected maturity

	2014	2013
1-5 years	8	5
6-10 years	176	104
over 10 years	428	218
Provision made for asset retirement obligations on 31 December	**612**	**327**

24 Borrowings

24.1 Summary of borrowings

(NOK million)		2014		2013	
Non-current debt	**Note**	**Principal amount**	**Book value**	**Principal amount**	**Book value**
Bond loan NOR06	24.3	-	-	500	402
Bond loan NOR10 1st Lien	24.3	-	-	899	829
Bond Loan NOR11 2nd Lien	24.3	-	-	736	502
Bond Loan NOR12 Convertible	24.3	-	-	367	206
Total non-current bonds		**-**	**-**	**2 502**	**1 939**

Current debt	Note	Principal amount	Book value	Principal amount	Book value
Bond loan NOR06	24.3	588	588	100	80
Bond loan NOR10 1st Lien	24.3	1 372	1 372	500	461
Bond Loan NOR11 2nd Lien	24.3	722	722	-	-
Bond Loan NOR12 Convertible	24.3	369	369	-	-
Total current bonds (1)		**3 051**	**3 051**	**600**	**541**
Exploration loan	24.3	284	284	345	333
Total current other interest bearing debt		**284**	**284**	**345**	**333**
Total borrowings		**3 335**	**3 335**	**3 447**	**2 813**

(1) At 31 December 2014 all outstanding bond loans and the exploration loan facility, which carried cross default provisions, were defaulted on and the creditors had the right to call the entire principal amounts and accured interests for payment. As a resultat, the outstanding bonds and exploration loan were reclassified to current liabilities and the remaining difference between principal amounts and book values of NOK 510 million were recognised as financial expense in 2014. See note 14.

24.2 The refinancing

In October 2014, Noreco initiated a comprehensive financial restructuring due to a material decrease in the company's debt servicing ability. The restructuring process was triggered by weaker production at Huntington in 2014 than previously anticipated as well as lower production projections for 2015 and onwards. Through the fourth quarter, Noreco's financial outlook continued to deteriorate as a consequence of the significant and continued drop in oil prices, increases in projected operating costs and accelerated retention of cash to cover future abandonment costs. These adverse circumstances led to significant write-downs, which in turn led to a situation where the equity was lost by the end of 2014. On 15 December 2014 Noreco informed that it would not be able to make payments for bond loan interests that were due on 9 December 2014. As a consequence of the non-payment, all outstanding bond loans and the exploration loan facility, which carried cross default provisions, were defaulted on and the creditors had the right to call the entire principal amounts and accrued interests for payment.

On 4 February 2015, the board presented a comprehensive financial restructuring proposal. The restructuring 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 amoritsations except final maturity in three years, but with 'cash sweep' if cash should become available. The bond loan NOR06 would change borrower to Noreco Norway AS without any recourse to the parent company or other parts of the group. The three other bond loans NOR 10, NOR 11 and NOR 12 were to be converted into an amended and restated NOK 600 million senior secured bond loan of Noreco. Following the proposed conversion the holders of the converted bonds would own 92 percent of the outstanding shares of the company, and would in this way dilute the existing share capital to 8 percent of the total.

On 2 March 2015, the bondholders' meetings in NOR06, NOR 10, NOR11 and NOR 12 resolved to approve the company's proposal with sufficient qualified majorities.
On 3 March 2015, the general meeting also resolved to approve the proposal with qualified majority.

24.3 Details on borrowing

Details on borrowings outstanding on 31 December 2014

NOR06 1st lien Secured Oselvar Bond
The bond was entered into in December 2013 with at face value of NOK 600 million and a final maturity date of 9 December 2017 (4 years after the original issue date). The bond held a fixed interest rate of 6,5 % with semi annual interest payments. The first interest payment was due on 9 June 2014.

Upon the occurence of a change of control event, the bondholders had the right to require the issuer to redeem its bonds (a 'put option') at a price of 101 % of par value plus accrued interest.

Noreco could redeem the bonds in whole or in parts ('call option') at 105 % in 2014, 103.5 % in 2015, 102.5 % in 2016 and 101 % in 2017. Cross default clauses existed.

The loan was listed on the Oslo Stock Exchange with the ticker NOR06.

In March 2015, NOR06 was replaced by an amended and restated bond loan in connection with the refinancing process. The issuer is now Noreco Norway AS (change of debtor from Norwegian Energy Company ASA). The ticker will remain NOR06. Please see below for further details.

NOR10 1st lien Secured Huntington and Denmark Bond
The bond was entered into in December 2013 with at face value of NOK 1 399 million and a final maturity date of 9 December 2016 (3 years after the original issue date). The bond held a fixed interest rate of 6.0 % with semi annual interest payments. The first interest payment was due on 9 June 2014.

Upon the occurence of a change of control event, the bondholders had the right to require the issuer to redeem its bonds (a 'put option') at a price of 101 % of par value plus accrued interest.

Noreco could redeem the bonds in whole or in parts ('call option') at 105 % in 2014, 103 % in 2015 and 101 % in 2016. Cross default clauses existed.

The loan was listed on the Oslo Stock Exchange with the ticker NOR10.

In March 2015, NOR10 was partly converted to equity and partly replaced with an amended and restated bond loan, NOR10 in connection with the refinancing process. The bond loan will continue with ticker NOR10. Please see below for further details.

NOR11 2nd Lien Bond (Huntington and Denmark)
The bond was entered into in December 2013 with a face value of NOK 736 million and a final maturity date of 9 June 2019 (5.5 years after the original issue date and reduced from the initially agreed maturity date of 9 December 2020 as commented on below). The bond held a fixed interest rate of 6.75 % with semi annual interest payments. The first interest payment was due on 9 June 2014.

Upon the occurence of a change of control event, the bondholders had the right to require the issuer to redeem its bonds (a 'put option') at a price of 101 % of par value plus accrued interest.

Noreco could redeem the bonds in whole or in parts ('call option') at 105 % until 2016, 104 % in 2017, 103 % in 2018 and 102 % in 2019. Cross default clauses existed.

The loan was listed on the Oslo Stock Exchange with the ticker NOR11.

In March 2015, NOR11 was partly converted to equity and partly replaced with an amended and restated bond loan, NOR10 in connection with the refinancing process. Please see below for further details.

NOR12 Unsecured Convertible Bond
The bond was entered into in December 2013 with a face value of NOK 367 million and a final maturity date of 9 December 2018 (5 years after the original issue date). The bond held a fixed interest rate of 4.0 % with semi annual interest payments. The first interest payment was due on 9 June 2014. Such interest payments to be paid in kind or cash interest at the company's discretion. Covertible bonds issued and paid in kind interest should have the same rights as the original convertible bonds. If interests was paid in kind the interest amount would be added to the loan balance.

Each bondholder could exercised one or more of the conversion rights at a price of NOK 0.30 per common share at any time during the exercise period. The exercise period meant the period commencing on the issue date and ending on 9 December 2018 or, in the event of a new board resolution persuant to an extended authorisation by the issuer's general meeting, to (but not including) the maturity date.

Upon the occurence of a change of control event, the bondholders had the right to require the issuer to redeem its bonds (a 'put option') at a price of 101 % of par value plus accrued interest or convert its bonds at a convertion price per common share of the issuer in accordance with a formula defined in the bond agreement.

At any time three years after the issue date, Noreco had the right ('issuer soft call option') to redeem all or some of the bonds at 100 % in 2017 and 2018, subject to 120 % parity check based on 20/30 last trading days. Cross default clauses existed.

The loan was listed on the Oslo Stock Exchange with the ticker NOR12.

In March 2015, NOR12 was partly converted to equity and partly replaced with an amended and restated bond loan, NOR10 in connection with the refinancing process. Please see below for further details.

Exploration loan Noreco Norway AS
The exploration loan was issued on 19 March 2013 with a principal amount of NOK 1 240 million. At the request of the company, the borrowing limit was reduced to NOK 850 million in 2014. Amount outstanding at 31 December 2014 was NOK 284 million. The loan holds interest rate of NIBOR 3 months plus 2.5 % margin with quarterly interest payments. A full repayment of the loan will be due in December the year after drawdown.

Change of control of Noreco and delisting lead to mandatory repayment. Cross default clauses exist. See below for expected changes to the exploration loan agreement after the balance sheet date.

Details on amended and restated bond loans in connection with the refinancing in 2015

Amended and restated 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.

Amended and restated 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).

Noreco has a call option at any time at par value (included accrued but unpaid interests and accumulated PIK interest). There are standard event of default provisions, however Noreco Norway AS shall not be included in the cross default.

Amended exploration loan Noreco Norway AS
Certain amendments to the exploration loan facility agreement are currently being finalised and is expected to be executed shortly, upon which availability of the exploration loan facility will be re-established. The amended agreement will include a reduction in the borrowing limit from NOK 850 million to NOK 500 million. In addition, the cross default clause will be limited to borrowings within Noreco Norway and the previously issued parent company guarantee issued by Norwegian Energy Company ASA will be cancelled.

24.4 Covenants

Covenants relating to interest bearing debt outstanding on 31 December 2013 and 31 December 2014
All the outstanding bonds at 31 December 2014 were subject to the same covenants. The covenants were in line with what is considered customary in the Norwegian high yield bond market. A general liquidity requirement in the amount of NOK 100 million at Noreco group level applied, as well as incurrence based covenants on significant asset disposals and new financial indebtedness, which were only permitted if the group gearing ratio (net interest-bearing debt to EBITDAX, with the X only relating to exploration activity on the Norwegian continental shelf) was less than 3.5 x.

Customary events of default exist for the exploration loan, hereunder material adverse change, and in addition if the borrower fails to claim refund that it is entitled to under the Petroleum Tax Act relating to exploration costs financed under the agreement.

All outstanding bond loans and the exploration loan facility, which carried cross default provisions, were defaulted on as of 31 December 2014. The creditors therefore had the right to call the entire principal amounts and accrued interests for payment. All outstanding bond and exploration loans were reclassified to current liabilities as of 31 December 2014.

Covenants relating to interest bearing debt after the refinancing in 2015
As described in note 24.2 and 24.3, the restructuring 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. The amended and restated bond loan NOR06 with a face value of NOK 618 million, changed borrower to Noreco Norway AS without any recourse to the parent company or other parts of the group. 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.

There are no covenants related to financial statements or ratios figures for the amended and restated bond loans. However, there are a number of general covenants, including but not limited to restrictions on assets sales and acquisitions, investments and the ability to pay dividends or other capital distributions.

The amended and restated bonds have provisions for possible payment-in-kind interest and no fixed amortisations except for final maturity, but with ‘cash sweep’ if cash should become available. The ability of the group to service its debt will ultimately be dependent on the performance of the group’s assets, which could be realised either through continued operations, and/or disposal of some of or all of its assets.

Upon sale of assets, all net proceeds shall be deposited to a proceeds account and distributed for repayment. Further, Noreco has to dedicate a substantial portion of its cash flow from operations to service debt, which in turn will reduce the amount of cash flow it will have available for capital investment, working capital and other general corporate purposes. This implies that Noreco’s ability to fund its operations will be restricted untill the bond loans have been fully repaid.

24.5 Payment structure

Payment structure loans before refinancing (NOK million):

Year	NOR06	NOR10	NOR11	NOR12	Exploration loan	Total 2014	Total 2013
2014						-	945
2015	588	1 372	722	369	284	3 335	600
2016						-	549
2017						-	350
2018						-	647
2019						-	445
Total	**588**	**1 372**	**722**	**369**	**284**	**3 335**	**3 536**

Interest payments before refinancing (NOK million):

Year	NOR06	NOR10	NOR11	NOR12	Exploration loan (1)	Total 2014	Total 2013
Interest rate	**6.50 %**	**6.00 %**	**6.75 %**	**4.00 %**	**3.98 %**		
2014						-	188
2015	23	50	30	9	1	113	137
2016						-	100
2017						-	67
2018						-	44
2019						-	30
Total	**23**	**50**	**30**	**9**	**1**	**113**	**565**

(1) Interest rate terms are NIBOR 3 months plus 2.5 % margin. NIBOR 3 months of 1.48 % has been used in the calculation.

The interest amounts include incurred interest for all debt as of 31 December 2014. All outstanding bond loans and the exploration loan facility, which carried cross default provisions, were defaulted on as of 31 December 2014. The creditors therefore had the right to call the entire principal amounts and accrued interests for payment. All outstanding bond and exploration loans were reclassified to current liabilities as of 31 December 2014.

Payment structure loans after refinancing (NOK million):

Year	Amended and restated NOR06	Amended and restated NOR10	Exploration loan	Total 2014
2015	-	-	284	284
2016	-	-	-	-
2017	-	-	-	-
2018	618	600	-	1 218
Total	**618**	**600**	**284**	**1 502**

Interest payments after refinancing (NOK million):

Year	Amended and restated NOR06	Amended and restated NOR10	Exploration loan	Total 2014
Interest rate	6.50 %	6.50 %	3.98 %	
2015	20	20	11	51
2016	40	39		79
2017	40	39		79
2018	20	20		40
Total	**120**	**117**	**11**	**248**

As described in note 24.2 and 24.3, the restructuring entailed that Noreco converted NOK 1 979 million of bond debt to equity with NOK 1 218 billion of bond debt remaining on amended terms, including amended maturities, with possible payment-in-kind interest and no fixed amoritsations except final maturity in three years, but with 'cash sweep' if cash should become available. This implies that the actual repayment structure of the amended and restated NOR06 and NOR10 bond loans may differ from the illustration as set out above. The interest payment schedule above assumes that interest is paid in cash semi-annually.

24.6 Assets pledged as security for interest bearing debt

(NOK million)	2014	2013
Collateralised debt (net book value)		
Bond loans (current and non current part, ref. note 24.1)	2 682	2 275
Exploration loan (ref. note 24.1)	284	333
Total collateralised debt	2 966	2 608
Capitalised value in the consolidated accounts of assets pledged as securities		
Licence and capitalised exploration expenditures	319	743
Property, plant and equipment	427	3 087
Tax receivable	-	378
Cash at bank	-	-
Total capitalised value	746	4 208

Specification of assets pledged as securities per bond/loan:

(NOK million)	2014	2013
Bond loan NOR10 1st Lien		
Licence and capitalised exploration expenditures	60	595
Property, plant and equipment	427	2 705
Total	487	3 300
Bond loan NOR06		
Property, plant and equipment	-	382
Total	-	382
Bond Loan NOR11 2nd Lien		
The bond holds a second ranking security as descibed below.		
Exploration loan		
Licence and capitalised exploration expenditures	259	148
Tax receivable	-	378
Total	259	526

Overview of security and pledges

The Bond loan NOR10 1st lien was secured with pledge in licences owned by Noreco Oil Denmark A/S (the company held the title to a number of assets in Denmark, including the producing Nini, Lulita and Cecilie assets), licences owned by Noreco Petroleum Denmark A/S (the company was a holder of licences in Denmark, such as the Cecilie and Lulita fields) and licences in Noreco Oil (UK) Ltd (the Huntington field on UK sector) and also the project agreements relating to these licences. Further the bond was secured with pledge in the earnings accounts relating to Noreco Oil Denmark AS, Noreco Petroleum Denmark AS and Noreco Oil (UK) Ltd, Noreco Oil (UK) Ltd's goodwill and uncalled capital and the company's property, assets, rights and revenues (present and future). In addtion to guarantees, intra group loans held by the three above mentioned companies and the shares in Noreco Oil Denmark A/S, Noreco Oil (UK) Ltd and Noreco Petroleum Denmark A/S. Book value of the shares in Noreco Oil Denmark A/S is USD 0 million, Noreco Oil (UK) Ltd USD 0 million, and in Noreco Petroleum Denmark A/S was USD 0 million. The securities in the amended and restated NOR10 will substantially be at the same terms as the old bond.

The bond loan NOR06 was secured with pledge in licences owned by Noreco Norway AS (the company holds all of the group's Norwegian licences, including the Oselvar and Enoch producing assets), project proceeds relating to the Oselvar licence, insurance proceeds directly deriving from any damage to equipment and/or property in respect of the Oselvar licence and Norwegian law on-demand guarantees issued by Noreco Norway AS. Further intra group loans made by Noreco Norway AS, the Noreco Norway earnings account was pledged as security for the loan in addtion to the shares in Noreco Norway AS. The loan had in addition second lien security in the same assets with substantially the same terms as the Bond loan NOR10. The amended and restated NOR06 was issued by Noreco Norway AS (change of debtor from Norwegian Energy Company ASA). The security in the amended and restated NOR06 will substantially be at the same terms as the old bond. The second lien security in NOR10 assets have been cancelled.

The bond loan NOR11 was also secured with second lien security in the same assets with substantially the same terms as the Bond loan NOR10. In March 2015, NOR11 was partly converted to equity and partly replaced with the amended and restated NOR10 bond loan.

The exploration loan is secured with pledge in the tax refund balance related to Norwegian exploration activity and all Norwegian exploration licences.

25 Trade payables and other payables

(NOK million)	2014	2013
Trade payable (*)	17	58
Liabilities to operators relating to joint venture licences (*)	224	190
Overlift of oil (*)	4	16
Accrued interest (*)	114	11
Employee bonus/salary accruals	11	33
Public duties payable (*)	8	8
Other current liabilities (*)	79	27
Total trade payable and other payables	**458**	**343**

(*) See note 20.3 for fair value disclosures

Specification of overlift oil	boe	USD/boe	Net book value (NOK million)
Overlift oil	10 903	54.84	4
Overlift NGL	-	-	-
Total	10 903	54.84	4

Overlift and underlift of oil and NGL from the different fields is presented gross. For details of underlift, see note 17 Trade receivables and other current assets.

Trade and other payables held in currency

(NOK million)	2014	2013
NOK	174	114
DKK	196	22
USD	18	122
GBP	71	84
EUR	0	-
Total	**458**	**343**

Debt is valued at amortised cost. Fair value is not considered to diverge from booked amount.

Payables in USD are mainly related to companies which have USD as functional currency. The company has covered its USD requirements, cf. note 17 Trade Receivables and other current assets and note 18 Cash and Cash Equivalents. Payables in DKK are entirely in companies with USD as functional currency. For currencies in which the company has income, the revenue generating cash flows will hedge the company's payables in corresponding currency. The company has not used hedge accounting in such situations.

Ageing analysis of trade payables and other current liabilities on 31 December 2014

(NOK million)	Total	Not past due	Due > 30 days	Due 30-60 days	Due 61-90 days	Due 91-120 days	Due > 120 days
Trade payable	17	17	0	-	-	-	-
Liabilities to operators relating to joint venture licences	224	224	-	-	-	-	-
Overlift of oil	4	4	-	-	-	-	-
Accrued interest	114	114	-	-	-	-	-
Employee bonus/salary accruals	11	11	-	-	-	-	-
Public duties payable	8	8	0	-	-	-	-
Other current liabilities	79	76	2	-	-	-	-
Total	**458**	**455**	**3**	**-**	**-**	**-**	**-**

Ageing analysis of trade payables and other current liabilities on 31 December 2013

(NOK million)	Total	Not past due	Due > 30 days	Due 30-60 days	Due 61-90 days	Due 91-120 days	Due > 120 days
Trade payable	58	38	18	1	0	-	1
Liabilities to operators relating to joint venture licences	190	190	-	-	-	-	-
Overlift of oil	16	16	-	-	-	-	-
Accrued interest	11	11	-	-	-	-	-
Employee bonus/salary accruals	33	33	-	-	-	-	-
Public duties payable	8	8	-	-	-	-	-
Other current liabilities	27	27	-	-	-	-	-
Total	**343**	**324**	**18**	**1**	**0**	**-**	**1**

26 Share-based compensation

The group has an option program established in January 2008. The purpose of the program is to establish a long-term incentive program for employees.

Share options are granted annually by the board. The options will be fully acquired after three years and expire after five years. The options will according to plan be settled when the shares are issued.

In addition, the group has an agreement where employees have an option to purchase shares equivalent to up to 50 % of their bonus at the payment date. Employees who retain these shares for two years, and are still employed in Noreco by the expiration of the two-year period, will be granted an option to receive additional shares at a one-to-one basis.

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.

Historic volatility in the Noreco shares has been used to estimate volatility. The share price for the first 12 months after listing on the stock exchange has been left out of the estimation, as the share price usually has an abnormal volatility in the initial phase, before stabilizing. Fair value of the options is measured at the grant date and is expensed linearly over the contribution time. The cost is booked in the company of the employee.

Social security tax:
Social security tax is booked progressively at the reporting intervals if the share price is higher than the exercise price. There is no social security tax for the Danish subsidiaries.

There has been no accrual for social security tax in 2014 or 2013 as the share price is lower than the exercise price.

Outstanding share options and bonus shares:

Total share options and bonus shares outstanding as at 1 January 2013	8 963 996
Share options granted in 2013	8 297 299
Bonus shares granted in 2013	448 778
Share options forfeited in 2013	(4 675 126)
Bonus shares forfeited in 2013	(229 560)
Outstanding at 31 December 2013	**12 805 387**
Share options granted in 2014	157 221 829
Bonus shares granted in 2014	2 391 002
Adjustment of options/bonus shares due to reverse split 29 September 2014	(153 103 806)
Share options forfeited in 2014	(17 619 926)
Bonus shares forfeited in 2014	(241 930)
Outstanding at 31 December 2014	**1 452 556**

Grants	Exercise price	Outstanding share options and bonus shares at 31.12.2014	Average remaining Contractual term	Weighted average exercise price
Granted bonus shares in 2014	0.00	17 497	1.12	0.00
Granted bonus shares in 2013	0.00	2 999	0.18	0.00
Share options programme 2010	1 700.00	5 046	0.17	1 700.00
Share options programme 2011	1 485.00	8 980	1.26	1 485.00
Share options programme 2012	804.00	19 355	2.19	804.00
Share options programme 2013	411.00	48 921	3.18	411.00
Share options programme 2014	16.00	1 349 758	4.32	16.26
Total		**1 452 556**	**4.17**	**54.75**

Effect of outstanding options in financial statements:

(NOK million)	2014	2013
Payroll expenses	7	13

Summary of assumptions and data for valuation of the options programme:

	2014	2013
Share price at grant date (NOK)	0.16	3.90
Release price (NOK)	54.75	7.07
Volatility	95.0 %	60.0 %
Expected life span options (year)	4	4
Risk free interest options	1.90 %	1.6 %
Risk free interest bonus shares	1.54 %	1.6 %
Fair value at grant date (NOK)	0.11	2.31

27 Guarantees

Overview of issued guarantees on 31 December 2014
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.

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.

On 22 January 2008, Noreco extended a parent company guarantee in favour of A.P. Moller Maersk A/S and Maersk Olie og Gas A/S on behalf of its subsidiary Noreco Oil Denmark A/S for the 9/95 Maja and 9/06 Gita licences.

As a part of the transfer agreement signed 22 July 2011 for the sale of the Siri Field to DONG E&P A/S, Norwegian Energy Company ASA issued a parent company guarantee in favour of Dong guaranteeing as primary obligor (in Danish: som selvskyldnerkautionist) and not only as surety the fulfilment of any of the seller's obligations under the agreement. It is reasonable to believe that there will be no claims made against the guarantee although formally there is no limitation period which means that usual 3 year prescription period as applicable under Danish law will apply.

On 11 July 2011, the Norwegain Energy Company ASA issued a parent company guarantee in connection with establishment of a USD 3 million overdraft facility in Nordea. The debtor is Noreco Oil Denmark A/S

On 31 December 2012, Norwegain 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, Norwegain Energy Company ASA shall pay to the Norwegian Secretary of State on demand an amount equal to all such sums.

On 19 March 2013, the Norwegain Energy Company ASA issued a parent company guarantee in connection with establishment of a NOK 1,240 million exploration loan facility in SpareBank 1 SR-Bank. The debtor is Noreco Norway AS.

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.

28 Interest in jointly controlled assets

Interest in jointly controlled assets are included in the accounts by the gross method (partly consolidation), based on the equity.

The group holds the following licence equities on 31 December 2014:

Licence	Country	Field	Equity
PL006C	Norway		15.0 %
PL018DS	Norway		13.3 %
PL048D	Norway	Enoch (**)	21.8 %
PL274	Norway	Oselvar	15.0 %
PL274CS	Norway		15.0 %
PL484 *	Norway		30.0 %
PL490	Norway		20.0 %
PL492	Norway		20.0 %
PL519	Norway		20.0 %
PL616	Norway		20.0 %
PL620	Norway		25.0 %
PL639	Norway		15.0 %
PL701 (*)	Norway		40.0 %
PL744 S	Norway		20.0 %
PL748	Norway		20.0 %
PL755	Norway		20.0 %
PL761 (*)	Norway		40.0 %
PL762 (*)	Norway		20.0 %
1/90	Denmark	Lulita	28.2 %
16/98	Denmark	Cecilie	61.0 %
4/95	Denmark	Nini	30.0 %
7/86	Denmark		56.4 %
9/95	Denmark		20.1 %
P1114	United Kingdom	Huntington	20.0 %
P1889	United Kingdom		22.5 %
P1934 (*)	United Kingdom		100.0 %
P1989 (*)	United Kingdom		50.0 %
P2032 (*)	United Kingdom		15.0 %

(*) A group company is the operator
(**) The Enoch field located in the licence PL048D is a separate joint venture in which Noreco participates with 4.36 percent equity interest

In connection with the granting of new licences for exploration and production of oil and gas or when a PDO is approved, the participants are obliged to fulfill certain commitments. Such commitments could be to drill a number of wells, conduct seismic surveys or other commitments.

29 Contingencies and commitments

Contingent assets

Zidane contingent payment

As part of the disposal of PL435 (the Zidane discovery), Noreco is entitled to a contingent payment when a PDO for the Zidane 2 discovey is approved by authorities. The payment will be linked to the volumes submitted in the PDO. The contingent payment is not recognised in the accounts on 31 December 2014.

Insurance payments - Loss of production income (LOPI) etc.

The group has several insurance claims related to production shut-ins of the fields Siri, Oselvar and Enoch which are currently being evaluated by the insurance companies. Except for certain parts of the Siri claim which is not considered a contingent asset, these items are not recognised in the accounts.

The company continues to progress an insurance claim which is related to the damages to the Siri platform that were discovered in 2009. The total claim exceeds NOK 2 billion, of which NOK 440 million (USD 59 million) is recognised as a non-current receivable at 21 December 2014. The book value of the receivable relates to costs incurred to prevent further damage, and loss of production income in 2009/2010. 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 awareded.

A final court hearing has been scheduled for the second half of 2016. Since commencement of the legal proceedings, underwriters have produced their statement of defenceand Noreco its reply. Underwriters have at the end of January 2015 submitted its rejoinder which formally marked the end of the exchange of written pleadings. Underwriters have requested the appointment of a technical expert to review and pronounce upon technical evidence. This process is expected to last through most of 2015 and possibly the early part of 2016.

Contingent liabilities

Brage sale and abandonment guarantee

The group sold its participating interest (12.2575 percent) in the Brage Unit to Core Energy AS in 2011, causing a potential statutory liability with respect to Core Energy AS' share of the decommissioning cost related to the Brage installations, wells and other infrastructure which existed at the completion date of that licence sale. The liability materialises if Core Energy AS, as the primary obligor, fails to settle its liability for such decommissioning costs. The Noreco group could claim recourse from Core Energy AS.

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.

Other commitments

At year end 2014 the Noreco group had the following commitments relating to exploration and production wells for the year 2015-2017:

Commitments exploration wells	Number of wells	Amount (NOK million)
Commitments exploration wells, Norwegian Continental Shelf (1)	2	229
Commitments exploration wells, UK Continental Shelf	1	45
Commitments exploration wells, Danish Continental Shelf	1	58
Total commitments exploration wells	4	332
Commitments production wells		
Commitments production wells	-	-
Total commitments production wells	-	-
Total commitments	**4**	**332**

(1) Committed wells on the Norwegian Continental Shelf includes appraisal well on Gohta. This well is considered unlikely to be drilled in 2015, and may be rescheduled for 2016. However, a decision to drill the well in 2016 will have to be decided in the Gohta licence.

At year end Noreco did not have any well commitments for 2017 and beyond.

When purchasing a share of a licence, the purchase price may consist of an obligation to carry certain of seller's costs in respect of seller's retained licence share ('carry agreement'). Such an agreement obliges the purchaser to pay the seller's share of exploration and/or development costs, up to an agreed after-tax limit. Such agreements are an alternative to cash settlement. At year end 2014, the company had entered four such agreements (2013: six such agreements). All these agreements are related to the exploration licences in UK.

30 Operating leases

Annual lease costs related to lease agreements accounted for as operating leases	2014	2013
Office	20	15
Other [1]	91	43

Future minimum lease payments under non-cancellable lease agreements	2014	2013
2014	-	107
2015	111	96
2016	118	86
2017	113	83
2018	114	23
>2018	35	
Total	491	395

(1) 'Other' is mainly relating to operational assets associated with the Huntington licence. The FPSO (floating production unit) Voyager Spirit is contracted to the Huntington field in which Noreco has a share through its subsidiary Noreco Oil UK Ltd. The leasing contract is valid 5 years from 2013 (with options for extension).

31 Related party transactions

The Noreco group did not have any transactions with any related parties during 2014 or 2013. Director's fee paid to shareholders and remuneration to management is descibed in note 9.

32 Supplementary oil and gas information (unaudited)

The group has reported oil, gas and NGL reserves according to the guidelines given in the Stock Exchange circular no. 1/2013. The report is included as a separate section in the annual report, see the section on annual statement of reserves.

33 Status Danish licences

As part of the negotiations on an overall restructuring for Noreco during winter 2015, a committee of bondholders stated that their consent would require that the costs and cash flows related to Noreco's operations in Denmark had to be improved. Noreco was prevented from making payments for its share of production costs at the Nini and Cecilie fields, and it was consequently in breach of the licence agreements. Since then Noreco and representatives from the bondholders have been in dialogue with the operator and partners in the licences in order to achieve an amicable solution. Noreco is currently in a constructive process with the other licence partners. The company's ambition is to conclude an agreement, which will result in an orderly transfer of its ownership of the respective licences.

STATUTORY ACCOUNTS

NORWEGIAN ENERGY COMPANY ASA (PARENT COMPANY)

2014

CONTENT

STATUTORY ACCOUNTS FOR NORWEGIAN ENERGY COMPANY ASA

	Income statement
	Balance sheet
	Cash flow statement
Note 1	Accounting principles
Note 2	Investment in subsidiaries
Note 3	Restricted bank deposits
Note 4	Borrowings
Note 5	Current liabilities
Note 6	Derivatives
Note 7	Guarantees
Note 8	Shareholders' equity
Note 9	Share capital and shareholder information
Note 10	Share-based compensation
Note 11	Payroll expenses, number of employees, remunerations, etc
Note 12	Taxes
Note 13	Other operating expenses and audit fees
Note 14	Related-party transactions

INCOME STATEMENT

for the year ended 31 December

All figures in NOK million	Note	2014	2013
Revenue	14	-	-
Total revenues		**-**	**-**
Personnel expenses	10,11,14	(14)	(20)
Other operating expenses	13	(42)	(13)
Total operating expenses		**(55)**	**(33)**
Net operating result		**(55)**	**(33)**
Income from subsidiaries	2	-	2
Interest received from group companies		104	72
Interest income		16	23
Other financial income		89	1
Write-down of financial assets	2	(2 659)	(445)
Interest expenses to group companies		(19)	(14)
Interest expenses		(820)	(432)
Other financial expenses		(42)	(19)
Net financial items		**(3 299)**	**(811)**
Result before tax		**(3 355)**	**(844)**
Income tax benefit/(expense)	12	25	-
Net result for the year		**(3 330)**	**(844)**
Appropriation:			
Allocated to/(from) other equity	8	(1 551)	(527)
Covered by other paid-in capital	8	(771)	(318)
Covered by share premium	8	(1 007)	-
Total appropriation		**(3 330)**	**(844)**

BALANCE SHEET

on 31 December

All figures in NOK million	Note	2014	2013
ASSETS			
Non-current assets			
Financial non-current assets			
Investments in subsidiaries	2	100	3 039
Loan to group companies	7,14	282	867
Restricted cash	3	546	500
Total financial non-current assets		**927**	**4 406**
Total non-current assets		**927**	**4 406**
Current assets			
Receivables			
Receivables from group companies	14	671	-
Other current receivables		6	2
Total receivables		**677**	**2**
Financial current assets			
Restricted cash	3	0	70
Bank deposits, cash and cash equivalents		617	329
Total financial current assets		**618**	**399**
Total current assets		**1 295**	**401**
Total assets		**2 223**	**4 807**

BALANCE SHEET

as on 31 December

All figures in NOK million	Note	2014	2013
EQUITY AND LIABILITIES			
Equity			
Paid in equity			
Share capital	8,9	568	466
Share premium	8	-	1 007
Other paid-in capital	8	-	764
Total paid in equity		**568**	**2 237**
Retained earnings			
Other equity	8	(1 551)	-
Total retained earnings		**(1 551)**	**-**
Total equity		**(984)**	**2 237**
Liabilities			
Provisions			
Deferred tax	12	-	24
Total provisions		**-**	**24**
Other non-current liabilities			
Bond loans	4	-	1 939
Total other non-current liabilities		**-**	**1 939**
Current liabilities			
Bond loans	4	3 051	541
Trade payables		7	42
Public duties payable		0	0
Debt to group companies	14	24	7
Other current liabilities	5	124	17
Total current liabilities		**3 206**	**608**
Total liabilities		**3 206**	**2 571**
Total equity and liabilities		**2 223**	**4 807**

Stavanger 30 April 2015

Silje Augustson
Chair of the board

Riulf Rustad
Board member

Julien Balkany
Board member

Lotte Kiørboe
Employee elected board representative

Tommy Sundt
CEO

CASH FLOW STATEMENT

for the year ended 31 December

All figures in NOK million	Note	2014	2013
Net result for the year		(3 361)	(844)
Income tax benefit/(expense)		(25)	-
Adjustments to reconcile result before tax to net cash flow from operating activities			
Tax paid		-	(11)
Tax refunded	12	1	1 351
Depreciation and writedowns	2	2 658	444
Loss related to discontinued cash flow hedge		-	4
Unrealised loss / (gain) related to financial instruments		4	5
Loss on repurchase of bonds		-	3
Amortisation of borrowing expenses		621	62
Paid/received interests - net		72	366
Received interests		16	28
Change in working capital			
Changes in accounts receivable		-	10
Changes in trade payables		5	(9)
Changes in other current balance sheet items		129	(84)
Net cash flow from operations		**120**	**1 325**
Cash flows from investing activities			
Purchase of shares in subsidiaries		-	(0)
Establishment of security account for abandonment obligation in Denmark	3	-	(570)
Net cash flow used in investing activities		**-**	**(570)**

All figures in NOK million	Note	2014	2013
Cash flows from financing activities			
Issue of share capital	8	105	439
Paid issue cost		(12)	(4)
Proceeds from issue of bonds	4	-	300
Repayment of bonds		(53)	-
Repayment of exploration facility	4	-	(573)
Change in loans from group companies		17	(151)
Changes in loans to group companies		234	(318)
Repurchase own bonds		-	(50)
Interest paid		(88)	(394)
Paid borrowing cost		(35)	(40)
Net cash flow from (used in) financing activities		**168**	**(791)**
Net change in cash and cash equivalents		**288**	**(36)**
Cash and cash equivalents at start of the year		329	364
Cash and cash equivalents at end of the year		**617**	**329**

1 Accounting principles

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 2014.

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. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply for 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 costprice. Dividend/group contribution from subsidiaries are reflected as financial income 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 cashflows 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.

Derivatives
Noreco enters into interest rate swap agreements to secure a fixed interest rate on the company's loans with floating interest rate when considered necessary. The accounting rules for cash flow hedging are applied for these instruments. The derivatives are carried at fair value at the time of initial recognition, and recognised at fair value on each following reporting dates. The change in fair value is recognised in the equity as long as the hedge is effective. Ineffectiveness is recognised as other financial items in the income statement.

When a hedging instrument expires, or is sold, or no longer meets the criteria for hedge accounting, any gain or loss accumulated in equity at that time remains within equity and is recognised when the forecast transaction is ultimately recognised in the income statement. If a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other operating expenses'.

As of 31 December 2014 the major part of the company's debt have fixed interests rates. See note 4 for details.

Recognised unrealised loss is classified as current liabilities, unrealised gain is classified as current receivables.

Bonds and other debt to financial institutions
Borrowings are recognised at fair value when the loan is granted with deduction for transaction expenses. For the following periods, the loans are carried at amortised cost by applying the effective interest method. The difference between received facility amount (less transaction expenses) and the final settlement amount is expensed in the income statement during the lifetime of the loan as part of the effective interest cost.

Compound financial instruments issued by the company comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Gains or losses arising from repurchases of the company's bond debt are recognized as financial income or financial expense. The gain or loss is calculated as the difference between the fair value paid at the time of the repurchase and the amortised cost.

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

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

Taxes
The tax charge in the income statement includes both payable taxes for the period, refundable tax and changes in deferred tax asset/liability. Deferred tax asset/liability 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. The disclosure of deferred tax asset on net tax reducing differences which have not been eliminated, and carryforward losses, is based on estimated future earnings. Deferred tax liability and tax assets which may be shown in the balance sheet are presented net.

Tax reduction on group contributions provided 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 asset/liability 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 Investment in subsidiaries

Investments in subsidiaries are booked according to the cost method.

(NOK million)

Subsidiaries	Location	Ownership/ voting right	Equity 31 December 2014	Net income 2014	Book value
Altinex AS	Stavanger	100 %	100	(1 092)	100
Norwegian Energy Company UK Ltd	Great Britain	100 %	(52)	(311)	-
Book value 31 December 2014					**100**

The investment in Altinex AS has been written down by NOK 2 317 million in 2014 (NOK 444 million in 2013). The write-down was related to impairment of assets controlled by Altinex AS. These underlying impairments related to reduced reserves for producing fields, lower oil prices, increased estimates for future abandonment costs, write-offs of deferred tax assets as a result from lower projected taxable income, write-offs of exploration wells and changes in currency rates. The write-downs can be fully or partly reversed should the recoverable amount of the business owned by Altinex AS be strengthened.

The investment in Norwegian Energy Company UK Ltd was written down by NOK 285 million in 2014 (no write-downs in 2013). The write-down was mainly related to derecognition of a deferred tax asset in the subsidiary, for which expectations to future taxable income was significantly reduced in 2014.

3 Restricted bank deposits

(NOK million)	2014	2013
Restricted cash pledged as security for abandonment obligation in Denmark	546	500
Restricted cash which can only be used for collateral for abandonment obligation or repayments to bondholders	-	70
Total restricted bank deposits	**546**	**570**

4 Borrowings

4.1 Summary of borrowings

(NOK million)

Non-current debt	**2014**	**2013**
Bond loan NOR06	-	402
Bond loan NOR10 1st Lien	-	829
Bond Loan NOR11 2nd Lien	-	502
Bond Loan NOR12 Convertible	-	206
Total	**-**	**1 939**

Current debt	**2014**	**2013**
Bond loan NOR06	588	80
Bond loan NOR10 1st Lien	1 372	461
Bond Loan NOR11 2nd Lien	722	-
Bond Loan NOR12 Convertible	369	-
Total (1)	**3 051**	**541**
Total borrowings	**3 051**	**2 481**

(1) At 31 December 2014 all outstanding bond loans were defaulted on and the creditors had the right to call the entire principal amounts and accured interests for payment. As a resultat, the outstanding bonds were reclassified to current liabilities and the remaining difference between principal amounts and book values of NOK 510 million was recognised as financial expense in 2014. See note 24.2 to the group annual report for additional information about a successful debt restructuring of the outstanding bonds after the balance sheet date.

4.2 Covenants

Covenants relating to interest bearing debt outstanding on 31 December 2013 and 31 December 2014
All of the outstanding bonds at 31 December 2013 and 31 December 2014 were subject to the same covenants. The covenants were in line with what was considered customary in the Norwegian high yield bond market. A general liquidity requirement in the amount of NOK 100 million at Noreco group level applied as well as incurrence based covenants on significant asset disposals and new financial indebtedness, which were only permitted if the Noreco group gearing ratio (net interest-bearing debt to EBITDAX, with the X only relating to exploration activity on the Norwegian continental shelf) were less than 3.5 x.

The group was in compliance with the covenants on 31 December 2013. On 31 December 2014, all outstanding bond loans were in default as described above. The creditors therefore had the right to call the entire principal amounts and accrued interests for payment. All outstanding bond and exploration loans were reclassified to current liabilities as of 31 December 2014.

Effective from 23 March 2015, the bonds outstanding on 31 December 2014 were refinanced, where NOR06 was replaced by an amended and restated NOR06 loan, while the NOR10, NOR11 and NOR12 issues were partly converted to equity and partly replaced with an amended and restated bond loan. See note 24.3 in the group annual report for additional information.

4.3 Payment structure

As described above, all outstanding bond loans were defaulted on as of 31 December 2014. The creditors therefore had the right to call the entire principal amounts and accrued interests for payment. All outstanding bond loans were reclassified to current liabilities as of 31 December 2014. The approved restructuring in March 2015 entailed that Noreco would be converting parts of the bond debt to equity and witt bond debt remaining on amended terms. The amended bonds have provisions for possible payment-in-kind interest and no fixed amortisations except for final maturity in 2018, but with 'cash sweep' if cash should become available. See notes 24.3 and 24.5 in the group annual report for additional information.

Average interest - external financing

(NOK million)	2014	2013
Interest cost	(820)	(432)
Average interest bearing debt	2 766	2 916
Average interest for all interest bearing debt	**29.65 %**	**14.82 %**

The interest costs include all arrangement fees and other borrowing cost that are included in the calculation of the effective interest. For 2014, the interest costs include NOK 622 million of non-cash amortisation, of which NOK 510 million were expensed as a result of the bond loans being reclassified to current liabilities.

The coupon interest rates for the bond loans are fixed over the term of the bond.

4.4 Assets pledged as security for interest bearing debt

Specification of assets pledged as securities as of 31 December:

(NOK million)	2014	2013
Collateralised debt (book value)		
Bond loans	2 682	2 275
Total collateralised debt	2 682	2 275
Capitalised value in the consolidated accounts of assets pledged as securities		
Shares in subsidiaries	100	2 695
Total capitalised value	100	2 695

Overview of pledged assets
The Bond loan NOR10 1st lien was secured with pledge in licences owned by Noreco Oil Denmark A/S (the company held the title to a number of assets in Denmark, including the producing Nini, Nini East, Lulita and Cecilie assets), licences owned by Noreco Petroleum Denmark A/S (the company was a holder of licences in Denmark, such as the Cecilie and Lulita fields and the Amalie discovery) and licences in Noreco Oil (UK) Ltd (the Huntington field on UK sector) and also the project agreements relating to these licences. Further the bond was secured with pledge in the earnings accounts relating to Noreco Oil Denmark AS, Noreco Petroleum Denmark AS and Noreco Oil (UK) Ltd, Noreco Oil (UK) Ltd's goodwill and uncalled capital and the company's property, assets, rights and revenues (present and future). In addition to guarantees, intra group loans held by the three above mentioned companies and the shares in Noreco Oil Denmark A/S, Noreco Oil (UK) Ltd and Noreco Petroleum Denmark A/S. Book value of the

shares in Noreco Oil Denmark A/S is USD 0 million, Noreco Oil (UK) Ltd USD 0 million, and in Noreco Petroleum Denmark A/S USD 0 million. The securities in the amended and restated NOR10 will substantially be at the same terms as the old bond.

The bond loan NOR06 was secured with pledge in licences owned by Noreco Norway AS (the company held all of the group's Norwegian licences, including the Oselvar and Enoch producing assets), project proceeds relating to the Oselvar licence, insurance proceeds directly deriving from any damage to equipment and/or property in respect of the Oselvar licence and Norwegian law on-demand guarantees issued by Noreco Norway AS. Further intra group loans made by Noreco Norway AS, the Noreco Norway earnings account was pledged as security for the loan in addtion to the shares in Noreco Norway AS. The loan had in addition second lien security in the same assets with substantially the same terms as the Bond loan NOR10. The amended and restated NOR06 was issued by Noreco Norway AS (change of debtor from Norwegian Energy Company ASA). The security in the amended and restated NOR06 will substantially be at the same terms as the old bond. The second lien security in NOR10 assets have been cancelled.

The bond loan NOR11 was also secured with second lien security in the same assets with substantially the same terms as the Bond loan NOR10. In March 2015, NOR11 was partly converted to equity and partly replaced with the amended and restated NOR10 bond loan.

5 Current liabilities

(NOK million)	**2014**	**2013**
Derivatives (ref. note 6)	3	4
Accrued interest	113	10
Outstanding salaries/bonuses	0	1
Other current liabilities	8	2
Total other current liabilities	**124**	**17**

6 Derivatives

As of 31 December 2014 the company holds the following interest rate swap agreements:

(NOK million)

Derivative held for trading	Notional principal	Receive	Pay	Maturity	Fair value 31 December 2014
Interest rate swap	325 NOK	3M NIBOR	2.58 %	27.04.16	(3)
Total book value					**(3)**

As of 31 December 2013 the company held the following interest rate swap agreements:

(NOK million)

Derivative held for trading	Notional principal	Receive	Pay	Maturity	Fair value 31 December 2013
Interest rate swap	325 NOK	3M NIBOR	2.58 %	27.04.16	(4)
Total book value					**(4)**

The fair value of interest rate swap agreements is based on market’s expectation for future interests.

7 Guarantees

Overview of issued guarantees on 31 December 2014
The parent company of the group Norwegian Energy Company ASA 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.

On 6 December 2007, Norwegian Energy Company ASA 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.

On 22 January 2008, Noreco extended a parent company guarantee in favour of A.P. Moller Maersk A/S and Maersk Olie og Gas A/S on behalf of its subsidiary Noreco Oil Denmark A/S for the 9/95 Maja and 9/06 Gita licences.

As a part of the transfer agreement signed 22 July 2011 for the sale of the Siri Field to DONG E&P A/S Norwegian Energy Company ASA issued a parent company guarantee in favour of Dong guaranteeing as primary obligor (in Danish: som selvskyldnerkautionist) and not only as surety the fulfilment of any of the seller’s obligations under the agreement. It is reasonable to believe that there will be no claims made against the guarantee although formally there is no limitation period which means that usual 3 year prescription period as applicable under Danish law will apply.

On 11 July 2011 the Norwegian Energy Company ASA issued a parent company guarantee in connection with establishment of a USD 3 million overdraft facility in Nordea. The debtor is Noreco Oil Denmark A/S

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, Noreco shall pay to the Norwegian Secretary of State on demand an amount equal to all such sums.

On 19 March 2013 the Norwegian Energy Company ASA issued a parent company guarantee in connection with establishment of a NOK 1 240 million exploration loan facility in SpareBank 1 SR-Bank. The debtor is Noreco Norway AS.

See also note 16 for information regarding guarantees issued in 2015.

8 Shareholders' equity

Changes in equity	Share capital	Share premium	Other paid-in equity	Other equity	Total
Equity 31 December 2013	**466**	**1 007**	**763**	**-**	**2 237**
Proceeds from share issued	102	3	-		105
Share issue cost	-	(4)	-		(4)
Options cost		-	7		7
Appropriation of loss for the year		(1 007)	(771)	(1 551)	(3 330)
Equity 31 December 2014	**568**	**-**	**-**	**(1 551)**	**(984)**

9 Share capital and shareholder information

	2014	2013
Ordinary shares	56 757 843	4 656 094 082
Total shares	**56 757 843**	**4 656 094 082**
Par value (NOK 1)	10.00	0.10

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 2013	353 831 111	1 097
Share issue employees on 14 January 2013	1 814 206	6
Share issue employees on 18 March 2013	448 778	1
Share issue on 4 December 2013	4 299 999 987	430
Capital reduction on 31 December 2013	-	(1 068)
Share capital on 31 December 2013	4 656 094 082	466

(NOK million)	No. Of shares	Share Capital
Share capital on 1 January 2014	4 656 094 082	466
Share issue (repair) on 21 January 2014	1 000 000 000	100
Share issue employees on 14 February 2014	2 391 002	0
Share issue for reverse split on 17 September 2014	16	0
Reverse split 17 September 2014	(5 601 900 249)	-
Share issue through partial conversion of bond on 22 October 2014	172 992	2
Share capital on 31 December 2014	56 757 843	568

Changes in 2014

On 21 January 2014 Noreco issued 1 000 000 000 new shares in connection with the repair share issue related to the refinancing in the fourth quarter 2013.
On 14 February 2014 Noreco issued 2 391 002 new shares as part of its employee incentive scheme.
On 17 September 2014 Noreco issued 16 new shares and carried out a reverse split
On 22 October 2014 Noreco issued 172 992 new shares in favour of bondholder of the convertible bond NOR12 that exersised the option of converting their bonds to equity in accordance with the bond agreement.

Changes in 2015

On 3 March 2015 Noreco carried out a share capital reduction by a reduction in the nominal value of the ordinary shares from NOK 10 to NOK 0.10. The amount of the reduction was applied to cover losses which could not be covered otherwise. On the 23 March, Noreco issued 652 715 195 new shares, which were settled by conversion of bond debt. In addition, a reverse split of the company's shares in the ratio 100:1 is expected to be carried out shortly. By completion of the reverse split, the company's share capital will be NOK 70 947 303.8 divided on 7 094 730 ordinary shares, each with a nominal value NOK 10.

Existing mandates

The board of directors was in 2014 granted a mandate by the general meeting to increase the share capital by a total amont of up to NOK 16 million by one or more share issues in relation to employee incentive schemes existing at any time for employees in the group. The mandate expires on 1 June 2016. The mandate has not been utilised.

The above-mentioned mandates replace all previously granted mandates relating to the issuing of shares.

Overview of shareholders at 23 April 2015:

Name	Shareholding	Ownership share	Voting share
EUROCLEAR BANK S.A./N.V.	226 471 806	31,92 %	31,92 %
MP PENSJON PK	33 861 248	4,77 %	4,77 %
STATE STREET BANK & TRUST COMPANY	31 072 503	4,38 %	4,38 %
SPARINV: HIGH YI VAL BONDS UDB	29 456 451	4,15 %	4,15 %
JPMORGAN CLEARING CORP.	27 029 926	3,81 %	3,81 %
CITIBANK, N.A.	19 529 333	2,75 %	2,75 %
CLEARSTREAM BANKING S.A.	18 417 029	2,60 %	2,60 %
WENAASGRUPPEN AS	17 739 657	2,50 %	2,50 %
DANSKE BANK A/S	15 961 294	2,25 %	2,25 %
SABARO INVESTMENT LT	15 547 675	2,19 %	2,19 %
J.P. MORGAN BANK LUXEMBOURG SA	10 094 492	1,42 %	1,42 %
TRONDHEIM KOMMUNALE PENSJONSKASSE	9 927 313	1,40 %	1,40 %
EU ACTIVE ENERGY TECHNOLOGY INVEST	9 236 253	1,30 %	1,30 %
ARCTIC FUNDS PLC	8 157 408	1,15 %	1,15 %
IKM INDUSTRI-INVEST AS	7 748 040	1,09 %	1,09 %
STØLE SVEIN	7 002 695	0,99 %	0,99 %
SPAREBANK 1 SR-BANK ASA	6 489 073	0,91 %	0,91 %
NORTURA KONSERNPENSJONSKASSE	4 785 227	0,67 %	0,67 %
RBC INVESTOR SERVICE	4 760 128	0,67 %	0,67 %
DIRECTMARKETING INVEST AS	4 724 442	0,67 %	0,67 %
Total	**508 011 993**	**71,6 %**	**71,6 %**
Other owners (ownership <0,67%)	**201 461 045**	**28,4 %**	**28,4 %**
Total number of shares at 23 April 2015	**709 473 038**	**100 %**	**100 %**

10 Share-based compensation

The group has an option programme established in January 2008. The principles in this programme were approved by the extraordinary general meeting in January 2008. The purpose of the programme is to establish a long-term incentive programme for employees.

Share options are granted annually by the board. The options will be fully acquired after three years and expire after five years. The options will according to plan be settled when the shares are issued.

In addition, the group has an agreement where employees have an option to purchase shares equivalent to up to 50 percent of their bonus at the payment date. Employees who retain these shares for two years, and are still employed in Noreco by the expiration of the two-year period, will be granted an option to receive additional shares at a one-to-one basis.

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 grant date, exercise price, expected exercise date, volatility and risk free rate.

Historic volatility in the Noreco shares has been used to estimate volatility. The share price for the first 12 months after listing on the stock exchange has been left out of the estimation, as the share price usually has an abnormal volatility in the initial phase, before stabilizing. Fair value of the options is measured at the grant date and is expensed linearly over the contribution time. The cost is booked in the company of the employee.

Outstanding share options and bonus shares

Total share options and bonus shares outstanding on 1 January 2013	8 963 996
Share options granted in 2013	8 297 299
Bonus shares granted in 2013	448 778
Share options forfeited in 2013	(4 675 126)
Bonus shares forfeited in 2013	(229 560)
Outstanding on 31 December 2013	**12 805 387**
Share options granted in 2014	157 221 829
Bonus shares granted in 2014	2 391 002
Adjustment of options/bonus shares due to reverse split 29 September 2014	(153 103 806)
Share options forfeited in 2014	(17 619 926)
Bonus shares forfeited in 2014	(241 930)
Outstanding on 31 December 2014	**1 452 556**

By the end of 2014 and 2013 no employees with share options were employed in Norwegian Energy Company ASA.

Grants	Exercise price	Outstanding share options and bonus shares at 31 December 2014	Average remaining Contractual term	Weighted average exercise price
Granted bonus shares in 2014	0.99	17 497	-	0.99
Granted bonus shares in 2013	0.99	2 999	-	0.99
Share options programme 2010	1 700.00	5 046	0.17	1 700.00
Share options programme 2011	1 485.00	8 980	1.26	1 485.00
Share options programme 2012	804.00	19 355	2.19	804.00
Share options programme 2013	411.00	48 921	3.18	411.00
Share options programme 2014	16.00	1 349 758	4.32	16.26
Total		**1 452 556**	**4.17**	**54.75**

As there are no employees in the company and all employees in the plan are employeed in subsidiaries of the company, options costs related to the employees in the plan are allocated to the company where they are employeed. As a consequence, there are no share based payment expenses in the income statement for 2013 and 2014. In the annual report for Norwegian Energy Company ASA, the cost is debited investments in shares and credited other paid-in equity. The total equity effect of the share options programme was NOK 7.4 million for 2014 against NOK 13.1 million in 2013.

Social security tax:
Social security tax is booked progressively at the reporting intervals if the share price is higher than the exercise price. The social security tax is recorded together with the expense in the company where the employees are employeed.

Summary of assumptions and data for valuation of the options programme:

	2014	2013
Share price at grant date (NOK)	0.16	3.90
Volatility	95.0 %	60.0 %
Expected life span options (year)	4	4
Risk free interest	1.90 %	1.55 %
Fair value at grant date (NOK)	0.11	2.31

11 Payroll expenses, number of employees, remunerations, etc

(NOK million)	2014	2013
Salaries (director's fees)	(2)	(1)
Social security tax	(0)	(0)
Salaries from other group companies	(11)	(19)
Other personell expenses	-	(0)
Total	**(14)**	**(20)**
Average number of man-years	0	0

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

12 Tax

Income tax:

(NOK million)	**2014**	**2013**
Tax refundable	-	-
Changes in deferred tax liability	24	-
Changes in deferred tax asset	-	-
Changes in deferred tax asset - not recognised	-	-
Changes regarding previous years	1	-
Effect of change in tax rate	-	-
Income tax expense (benefit)	**25**	**-**

Reconciliation of nominal to actual tax rate:

(NOK million)	**2014**	**2013**
Result before tax	(3 355)	(844)
Corporation income tax of income (loss) before tax - 27 %	(906)	(236)
Additional income tax of income (loss) before tax - 51 %	-	-
Sum calculated tax expense	(906)	(236)
Permanent differences	694	121
Changes in deferred tax asset - not previously recognised	189	118
Other items	(1)	(3)
Income tax benefit	**(25)**	**(0)**

Deferred tax liability and deferred tax assets:

(NOK million)	**2014**	**2013**
Net operating loss deductible	640	530
Fixed assets	-	-
Current assets	56	4
Liabilities	3	(622)
Tax base deferred tax liability / deferred tax asset	699	(88)
Net deferred tax liability / (deferred tax asset) (27 %)	(189)	24
Unrecognised deferred tax asset	189	
Deferred tax liability / (deferred tax asset) recognised	-	24
Recognised deferred tax asset	-	-
Recognised deferred tax liability	-	24

13 Other operating expenses and audit fees

(NOK million)	2014	2013
Lease expenses	-	-
IT expenses	-	0
Travel expenses	(0)	(0)
General and administrative costs	(0)	(0)
Consultant fees	(34)	(7)
Other operating expenses	(3)	(2)
Other operating expenses charged to own operated licences	-	-
Loss on discontinued hedge	(5)	(4)
Loss on sale of assets	-	-
Total other operating expenses	**(42)**	**(13)**

Expensed audit fee

(NOK million)	2014	2013
Statutory audit (incl. technical assistance with financial statements)	(2)	(2)
Other assurance services	(0)	(0)
Other assistance	1	(2)
Total audit fees	**(2)**	**(4)**

VAT is not included in the audit fee.

14 Related party transactions

Transactions with group companies

(NOK million)	2014	2013
a) Sales of services	-	-
b) Purchases of services	11	19
c) Sale of assets	-	-

Interest income and interest expenses to group companies are presented seperately 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.

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

Remuneration to executives
Remuneration to executives is disclosed in note 9 to the group annual report.

AUDITOR'S REPORT

AUDITOR'S REPORT

KPMG AS
Verksgata 1A
P.O. Box 57
N-4064 Stavanger

Telephone +47 04063
Fax +47 51 57 12 29
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the Annual Shareholders' Meeting of Norwegian Energy Company ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Norwegian Energy Company ASA, which comprise the financial statements of the parent company Norwegian Energy Company ASA and the consolidated financial statements of Norwegian Energy Company ASA and its subsidiaries. The parent company's financial statements comprise the balance sheet as at 31 December 2014, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements comprise the statement of financial position as at 31 December 2014, and the statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the parent company financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and for the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the separate financial statements

In our opinion, the parent company's financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Norwegian Energy Company ASA as at 31 December 2014, and of 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.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Norwegian Energy Company ASA and its subsidiaries as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

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 coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Accounting 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 the 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, 30 April 2015
KPMG AS

Mads Hermansen
State Authorized Public Accountant


Sealink

STATEMENT OF COMPLIANCE

STATEMENT OF COMPLIANCE

Board and management confirmation

Today, the board of directors and the chief executive officer reviewed and approved the board of directors' report and the Norwegian Energy Company ASA consolidated and separate annual financial statements as of 31 December 2014.

To the best of our knowledge, we confirm that:

- the Norwegian Energy Company ASA consolidated annual financial statements for 2014 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.

30 April 2015

Silje Augustson
Chair of the board

Riulf Rustad
Board member

Julien Balkany
Board member

Lotte Kiørboe
Employee elected board representative

Tommy Sundt
CEO

GLOSSARY

GLOSSARY

APA	Awards in Predefined Areas, system for awarding production licences in mature areas of the Norwegian Continental Shelf
Appraisal well	A well drilled to determine the physical extent and reserves
Bbl	Barrel, volume unit corresponding to 159 liters
Boe	Barrel of Oil Equivalents, used as a standard unit measure for oil and natural gas
Boepd	Barrels of oil per day
Code	Norwegian Code of Practice for Corporate Governance
DCS	Danish Continental Shelf
Exploration well	A well in an unproven area or prospect, may also be known as a wildcat well
HSE	Health, Safety and Environment
IFRS	International Financial Reporting Standards
Licence	Permit granted to an oil company from the government of a country to explore for and produce oil and gas
Mmboe	Million barrels of oil equivalent
NCS	Norwegian Continental Shelf
NOK	Norwegian kroner
Noreco	Norwegian Energy Company ASA
Operator	The oil company responsible for carrying out the daily operations of a production licence on behalf of the other licensees
Oslo Børs	Oslo Stock Exchange
PDO	Plan for Development and Operation, Norwegian term for the formal plan for developing and operating a field
PL	Production Licence
R&D	Research & development
Spudding	Initiation of drilling operations
Unrisked	Potential volumes before applying a risk factor
Upstream	Segment of the oil industry that cover the exploration, development, production and transport of oil and gas prior to refining
USD	US Dollar
Working interest	The percentage interest ownership a company has in a licence