NORWEGIAN ENERGY COMPANY ASA
ANNUAL REPORT
2016

Norwegian Energy Company ASA
Nedre Vollgate 1
0158 Oslo
Norway

www.noreco.com

2016

CONTENT

DIRECTOR'S REPORT

DIRECTORS' REPORT

NORECO

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

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

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

Following the financial restructuring a new board was elected introducing and implementing a new strategy, entailing an exit from hydrocarbon activities, limiting commitments, and reducing costs and monetising remaining assets in order to repay bond debt and maximise value for shareholders.

This strategy has during 2015 and 2016 been implemented and executed resulting in a fully transformed company by year-end 2016. Major repayments to bondholders have been delivered, assets monetised, cost base as well as other major uncertainties significantly reduced, Noreco today is in a strong financial position with a net cash position.

Consequently, Noreco is in a strong position to pursue the insurance claim together with its strong partners, Awilhelmsen and QVT irrespective of how long it will take.

FINANCIAL POSITION

In August 2009 cracks were discovered in the structure of the Siri installation of which Noreco held 50%. The close down of the production together with the significant cost related to the repair was financially challenging. Since 2009 Noreco has attempted to engage in a constructive dialogue with the insurer to cover the damages in accordance with the established insurance program. The insurers however were unwilling to honour their obligation leading to Noreco filing the claims which ended up in a court case that commenced 12 September 2016 in the Maritime and Commercial High Court in Copenhagen. The ruling was announced 15 December 2016.

The total damages ruled in favor of the claimants (Noreco and its partners; Awilhelmsen Special Opportunities AS and QVT Financial LP) amounted to approximately USD 470 million, including interest. Of the total amount, Noreco is entitled to approximately USD 270 million.

In January 2017, the insurers appealed the ruling to the Danish Supreme Court. The appeal was dismissed as announced on February 17, 2017. In March 2017 the Eastern High Court in Copenhagen announced that it had accepted the appeal from the insurers. This was expected as according to Danish law, the parties have a right to a second hearing in any llawsuit, the Eastern High Court is the last resort. There is no notable change in the content of the appeal from the one made to the Supreme Court.

Noreco is confident in the case and its established strong merits from the court ruling. Noreco is no longer in a distressed situation and together with its strong partners, Awilhelmsen and QVT, Noreco is prepared to defend its position irrespective of how long it will take.

The lack of the insurer honouring their obligation in accordance with normal practice has undoubtedly damaged the company and lead to significant loss of value for shareholders. Noreco is therefore preparing a claim against the insurers.

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

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

Norwegian Energy Company's subsidiary Noreco Norway has following the transaction with Det norske oljeselskap ASA (Detnor) ceased all hydrocarbon activity and management has focused on monetising the tax loss and other remaining assets.

As part of the disposal of PL435 (the Zidane discovery), Noreco through its subsidiary Noreco Norway AS is entitled to a contingent payment when a PDO for the Zidane 2 discovery is approved by the authorities. On 22 March 2017 Noreco announced that the authorities had approved the Dvalin PDO (formerly Zidane). Based on this a success payment of USD 14.32 million is due by end of April 2017.

The contingent payment is not recognised in the accounts on 31 December 2016.

The company expects to seek early tax assessment and the subsequent dissolution of Noreco Norway AS during the spring of 2017 and will be settling NOR06 in accordance with the approved bondholder proposal of 16 March 2016.

The total amount to be paid out is expected to be around NOK 413 million comprising of exit refund and an additional amount from the Zidane Agreement.

In line with the agreement reached with bondholders for restructuring excess cash has been used for the repayment of outstanding bond debt. Noreco has since the restructuring made the following payments:

NOR10:
On 13 August 2015 NOK 250 million was repaid comprising of NOK 243 of the principal and NOK 7 million in interest.

On 6 September 2015 NOK 12 million in interest was settled in cash.

On 28 December 2015 Noreco announced a voluntary buyback at a fixed price of 85% of par value (of up to NOK 200 million) In total NOK 200 million nominal (NOK 170 million) was tendered. The amount was paid 6 January 2016.

On 6 March 2016 NOK 5 million in interest was settled in cash.

On 6 September 2016 NOK 5 million in interest was settled in cash.

Outstanding principal amount at the end of 2016 was NOK 156 million.

NOR06:
On 6 March 2016, following sale of Oselvar, NOK 173 million was paid in cash towards interest and principal.

On 30 September 2016 the company made a cash payment of NOK 18 million following the approved sale of the exploration activities to Det norske oljeselskap.

On 30 November 2016 the company made a cash payment of NOK 8.6 million following receipt of the exploration refund and the subsequent settlement of the exploration facility.

Outstanding principal amount at the end of 2016 was NOK 474 million including PIKed interest.

FINANCIAL RESULTS FOR 2016

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

Total revenues for 2016 amounted to NOK 11 million, down from NOK 13 million the previous year (continued operations). The decrease is partly due to reduced ownership interest in Lulita.

Production expenses were NOK 5 million in 2016, compared to NOK 6 million in 2014. The decrease is due to reduced ownership interest in Lulita.

Personnel expenses were NOK 20 million in 2016 for continued operations, down by NOK 2 million compared to 2015. 2016 was influenced by redundancies payment and an options programme for management. As a comparison the total cost for the Noreco Group in 2015 was 76 million including cost for discontinued operations, notably Noreco Norway.

Other operating expenses amounted to NOK 11 million in 2016, compared to NOK 8 million last year.

Other (losses)/gains was an income of NOK 1 million in 2016, while the corresponding amount for 2015 was negative NOK 7 million.

The **net operating result** for continued operations (EBIT) for 2016 was a loss of NOK 24 million, compared to NOK 25 million in 2015.

Net financial items amounted to NOK 56 million in 2016, compared to an income of NOK 2 003 million previous year. Financial items last year includes the initial gain of NOK 2 176 million, a direct accounting effect of the financial restructuring in March. For accounting purposes, the previous bond loans were derecognised, while the new equity and amended and restated bond loans were recognised at their fair values upon initial recognition.

Interest expenses on bond loans decreased from NOK 91 million in 2015 to NOK 45 million in 2016. The decrease was driven by the reduced principal amount due to repayments of outstanding amount.

Financial expenses include an effect of NOK 14 million due to remeasuring of bond at fair value.

The company's **net result** for the year from continued operations amounted to a loss of NOK 3 million compared to a gain of NOK 1 990 million in 2015.

Taxes amounted to an income of NOK 76 million in 2016. This corresponds to an average tax rate of 37 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 2016 is influenced by reversal of previously expensed costs in UK with no tax effect since deferred tax assets is not recognised in this entity.

Result from discontinued operations amounted to a gain of NOK 304 million compared to a loss of NOK 1 344 million in 2015. The profit in 2016 mainly relate to the reversal of previously expensed costs in relation to the Huntington field.

Net result for the full year 2016 was a profit of NOK 290 million, compared to a profit of NOK 636 million last year.

Net cash flow from operations in 2016 amounted to NOK 143 million. Cash and cash equivalent excluding restricted cash of NOK 595 million was NOK 89 million at year end 2016, down from NOK 452 million at the end of 2015 excluding restricted cash of NOK 609 million. During the year the company has repaid debt of NOK 459 million.

Interest-bearing debt had a book value of NOK 530 million (principal amount NOK 639 million) on 31 December 2016, compared to NOK 832 million (principal amount NOK 994 million) at the end of 2015. The group's exploration loan was repaid during the year. Last year this amounted to NOK 110 million.

THE GOING CONCERN ASSUMPTION

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

FINANCIAL RISK

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

In December 2016 the Maritime and Commercial High Court in Copenhagen ruled in favor of the claimants (Noreco and its partners; Awilhelmsen Special Opportunities AS and QVT Financial LP) in the insurance case against the insurer of the Siri Platform. The amount awarded was approximately USD 470 million, including interest. Of the total amount, Noreco is entitled to approximately USD 270 million. The ruling has been appealed by the counterparties and the claim is in the accounts only recognised with NOK 518 million as a non-current receivable at 31 December 2016. The USD amount recognised at 31 December 2016 is unchanged from 31 December 2015. The company remains confident in a compensation significantly above the amount recognised in the accounts.

HEALTH, ENVIRONMENT AND SAFETY

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

During 2016 Noreco was still involved in exploration and production of oil and gas which could cause emissions to the sea and air. Noreco's operations were in accordance with all regulatory requirements, and there were no breaches of these requirements in 2016.

PERSONNEL RESOURCES AND WORKING ENVIRONMENT

As a consequence of the new strategy, the Group in 2016 continued downsizing the number of employees both in Norway and in Denmark considerably.

At the start of 2016 the company had 27 employees, and at the end of the year this number was reduced to 6.

The company's board of directors consists of two women and three men, all elected by shareholders. There are no longer any employee representatives on the Board. At the end of 2016, 33 per cent of the employees were women compared to 37 per cent in 2015.

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

Sick leave in Noreco has decreased compared to previous years.

The management's compensation is described in note 9 to the annual accounts.

RESEARCH AND DEVELOPMENT

The company has no activity within research and development.

CORPORATE GOVERNANCE

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

Corporate governance in Noreco is based on equal treatment of all shareholders through the activity that the board and General Assembly practice. In total, 12 board meetings were held in 2016.

The activities of the board have been focused on promoting value preserving measures in the company's portfolio, strengthening the company's financial position and further developing the company strategy. Significant work was carried out by the board in 2016 in connection with the implementation and execution of the new strategy.

On 21 January 2016 an Extraordinary General Meeting in Norwegian Energy Company ASA was held. Riulf Rustad was elected as new Chair of the Board. After this, the Company's Board had the following composition: Riulf Rustad (Chair); Silje Augustson (member); and Julien Balkany (member). Further, the meeting approved an option scheme, authorising the Board of Directors to grant options to buy or subscribe up to a total of 200 000 shares in the Company. The option were granted to Silje Augustson and Riulf Rustad, and the strike price was set at NOK 42 per share, indicating a value of the programme of NOK 6.6 million. The general meeting also passed a resolution authorising the Board of Directors to acquire treasury shares up to an aggregate nominal value of NOK 7.094.730. Additionally, the Board of Directors was authorised to increase the share capital with up to NOK 14.189.460. For more information please refer to note 31.

On 11 May 2016 it was announced that in order to accommodate for Silje Augustson carrying on with the management of the group's daily operations, and the CEO role as she was appointed to 12 October 2015, she stepped down from the Board of Directors, effective from conclusion of the annual general meeting of the company held on 26 May 2016.

On May 26 the Annual General Meeting for 2016 was held in Oslo. The meeting approved that the remuneration of the members of the Board for the period from the AGM in 2016 until the AGM in 2017 should be:

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

with the addition that each board member elected by the shareholders could be engaged on a consultancy basis when needed, with a remuneration of NOK 2.000 per hour (ex VAT) with respect to work in addition to board meetings and preparation for such meetings.

The AGM approved the proposal from the nomination committee and elected the following to the board of directors: Riulf Rusted, (Chair), Lars Purlund, Marianne Lie, John Madden and Tone Kristin Omsted

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

OWNERSHIP

There are no restrictions on the transfer of shares in Noreco. The company currently has approximately 3.000 shareholders, and approximately 41% percent of the shares are held by Norwegian residents.

NORWEGIAN ENERGY COMPANY ASA

In 2016, the parent company was a pure holding company, and the operating expenses mainly consisted of shareholder costs, restructuring costs and payroll expenses. For comments on financial risk and market conditions and statement regarding going concern, please see other parts of this annual report. These comments are also valid for the parent company.

ALLOCATIONS

The result for the year for Norwegian Energy Company ASA in 2016 was a profit of NOK 287 million. The board proposes the following allocations:

Allocated to other equity	NOK 287 million
Total appropriation	NOK 287 million

OUTLOOK

After another year of intense work and a number of transactions announced, and referred to in the text above, Noreco is yet again a transformed company. The Company is net debt free with a solid cash position. The share price is up 1 400 % since the lows and 750 % during 2016. A total of NOK 623 million debt is repaid and 1.7 billion value created for shareholders in the share price rise. Another 413 NOK million debt is expected to be repaid during 2017.

The SIRI ruling was extremely strong and the Board and management are prepared to defend this however long it takes. The interest rate runs at 8%, in the interim. The Company is also preparing to raise an additional claim for damages suffered as a result of non-payment by the insurers.

Overall the Company is seeking to continue to maximise remaining values in its subsidiaries in all three jurisdictions it operates, in particular monetise assets in its UK and DK subsidiaries.

Approved by the board 27. April 2017

Riulf Rustad
Chair of the board

Lars Purlund
Board member

Marianne Lie
Board member

Tone Kristin Omsted
Board member

John P. Madden
Board member

NON-IFRS MEASURES

NORWEGIAN ENERGY COMPANY ASA
(PARENT COMPANY)

2016

NON-IFRS BALANCE SHEET

for Norwegian Energy Company ASA 31.12.2016

NOK million	
Non-current assets	
Restricted Cash	547
Value of subsidiaries	1 586
Total non-current assets	2 133
Current assets	
Restricted cash	4
Bank deposits, cash and cash equivalents	49
Total current assets	52
Total assets	2 186
Equity	
Share capital	71
Other equity	1 406
Total equity	1 477
Non-current liabilities	
Bond loan	156
Guarantee provision	547
Total non-current liabilities	703
Current liabilities	
Trade payables and other current liabilities	6
Total current liabilities	6
Total liabilities	709
Total equity and liabilities	2 186

Value of subsidiaries reflect the result of the Siri insurance case, where value has been accounted for at net value to Noreco excluding interest and tax.

STATUTORY ACCOUNTS

NORWEGIAN ENERGY COMPANY ASA
(PARENT COMPANY)

2016

CONTENT

STATUTORY ACCOUNTS FOR NORWEGIAN ENERGY COMPANY ASA

INCOME STATEMENT

for the year ended 31 December

All figures in NOK million	Note	2016	2015
Revenue		0	-
Total revenues		**0**	**-**
Personnel expenses	10	(13)	(13)
Other operating expenses	13	(4)	6
Total operating expenses		**(17)**	**(7)**
Net operating result (EBIT)		**(17)**	**(7)**
Interests received from group companies		68	79
Gain on extinguishment of debt	4	15	1 634
Interest income		1	7
Other financial income		25	164
Write-down of financial assets	11	-	(498)
Interest expenses to group companies		(9)	(9)
Interest expenses		(12)	(58)
Other financial expenses		(74)	(73)
Net financial items		**14**	**1 246**
Result before tax (EBT)		**(2)**	**1 239**
Net result for the year		**(2)**	**1 239**
Appropriation:			
Allocated to/(from) other equity		(2)	1 239
Covered by other paid-in capital			
Covered by share premium			
Total appropriation		**(2)**	**1 239**

BALANCE SHEET

on 31 December

All figures in NOK million	Note	31.12.16	31.12.15
Non-current assets			
Financial non-current assets			
Investment in subsidiaries	2	(0)	-
Loan to group companies		153	-
Restricted cash	3	547	581
Total non-current assets		**700**	**581**
Current assets			
Receivables			
Receivables from group companies		18	77
Other current receivables		0	1
Total current receivables		**18**	**78**
Financial current assets			
Restricted cash	3	4	0
Bank deposits, cash and cash equivalents		49	274
Total financial current assets		**52**	**274**
Total current assets		**71**	**352**
Total assets		**771**	**933**
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	7,8	71	71
Total paid-in capital		**71**	**71**
Retained earnings			
Other equity	8	454	450
Total retained earnings		**454**	**450**
Total equity		**525**	**521**
Liabilities			
Provisions			
Deferred tax	12	-	-
Total provisions		**-**	**-**
Other non-current liabilities			
Bond loan	4	156	156
Total other non-current liabilities		**156**	**156**
Current liabilities			
Bond loan	4	0	170
Trade payables		(4)	1
Debt to group companies		84	71
Other current liabilities	5	10	13
Total current liabilities		**89**	**255**
Total liabilities		**246**	**411**
Total equity and liabilities		**771**	**933**

CASH FLOW STATEMENT

for the year ended 31 December

All figures in NOK million	Note	2016	2015
Net result for the period		(2)	1 239
Adjustments to reconcile net result before tax to net cash flows from operating activities:			
Depreciation and writedowns		0	-
Write-downs	11	-	498
Unrealised loss / (gain) related to financial instruments		(1)	(2)
Gain on extinguishment of debt	4	(15)	(1 634)
Interests received		1	7
Effect of changes in exchange rates		(31)	(44)
Changes in working capital			
Changes in trade receivable		59	-
Changes in trade payables		(4)	(6)
Changes in other current balance sheet items		31	26
Net cash flow from operations		**37**	**83**
Cash flows from financing activities			
Repayment of bonds	4	-	(243)
Change in loans from group companies		13	46
Change in loans to group companies		(94)	(141)
Repurchase own bonds		(170)	-
Interest paid		(10)	(18)
Paid borrowing cost		-	(70)
Net cash flow from (used) in financing activities		**(262)**	**(426)**
Net change in cash and cash equivalents		**(225)**	**(343)**
Cash and cash equivalents at the beginning of the period		274	617
Cash and cash equivalents at end of the year		**49**	**274**

1 Accounting principles

Norwegian Energy Company ASA is a public limited company registered in Norway, with headquarters in Oslo (Nedre Vollgate 1, 0158 Oslo) The annual accounts for Norwegian Energy Company ASA ("Noreco" or "the company") have been prepared in compliance with the Norwegian Accounting Act ("accounting act") and accounting principles generally accepted in Norway ("NGAAP") as of 31 December 2016.

Following the restructuring in March 2015, the company's objective has been changed into monetizing the company's assets with the aim to repay outstanding debt. Any surplus cash will be paid out to shareholders or invested in relevant activities.

The Company is listed on the Oslo Stock Exchange.

The financial statements for 2016 were approved by the Board of Directors on 27 April 2017.

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

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

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

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

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

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

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

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

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

Deferred tax is reflected at nominal value.

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

2 Investments in subsidiaries

Investments in subsidiaries are booked according to the cost method.

(NOK million)					
Subsidiaries	Location	Ownership/ voting right	Equity 31 December 2016	Net Income 2016	Book value
Altinex AS	Oslo	100 %	(360)	(29)	-
Norwegian Energy Company UK Ltd	Great Britain	100 %	(5)	(3)	-
Book value 31.12.16					**-**

The investment in Altinex AS has decreased by NOK 100 million following an impairment test as at 31 December 2015. The impairment is justified by the overall value of the subsidiaries in Altinex AS. The subsidiaries have gone through significant changes in 2015, mainly from divestment of assets.

3 Restricted bank deposits

(NOK million)	2016	2015
Restricted cash pledged as security for abandonment obligation in Denmark, DKK 445 million plus interest	547	581
Other restricted cash and bank deposits	4	0
Total restricted bank deposits	**551**	**581**

4 Borrowings

4.1 Summary of borrowings

In October 2014, Noreco initiated a comprehensive financial restructuring due to a material decrease in the company's debt servicing ability. The 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.

Based on feedback from the financial stakeholders on the Board's first restructuring proposal, a revised restructuring proposal entailed that Noreco would be converting bond debt to equity with NOK 600 million of bond debt remaining on amended terms for Noreco ASA.

The financial restructuring was completed on 24 March 2015. The bond has a final maturity date in March 2018. The loan holds a fixed interest rate of 6.5 % with semi annual payments only if available cash on the proceeds account (and subject always to the company having a lawful level of equity), otherwise payment-in-kind (PIK).

In late 2015 it was announced that Noreco offered to buy-back NOR10 bonds at 85% of par value. In late December 2015 it was confirmed that a buy back of a principal amount of approximately NOK 200 million of NOR10 bonds at the fixed price of 85% of par value was to take place.

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

(NOK million)

Non-current debt	2016	2015
NOR10 bond loan, amended and restated	156	156
Total	**156**	**156**
Current debt	**2016**	**2015**
Amended and restated NOR10	(0)	170
Total	**(0)**	**170**
Total borrowings	**156**	**327**

4.2 Covenants

Covenants relating to interest bearing debt outstanding on 31 December 2016 and 31 December 2015
All the outstanding bonds at 31 December 2016 were subject to the same covenants. The covenants were in line with what is considered customary in the Norwegian high yield bond market.

4.3 Payment structure

The 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 oustanding 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 with bond debt remaining an 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 sweeps' if cash should become available. See note 23 in the consolidated financial statement for additional information.

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

Payment structure loans after refinancing (NOK million):

Year	NOR10 Bond loans
2017	-
2018	156
Total	**156**

Year	NOR10 Bond loans
Interest rate	6.50 %
2017	10
2018	2
Total	**12**

4.4 Assets pledged as security for interest bearing debt

Specification of assets pledged as security as at 31 December:

(NOK million)	2016	2015
Collateralised debt (book value)		
Bond loans	156	357
Total collateralised debt (book value)	**156**	**357**
Capitalised value in the consolidated accounts of assets pledged as securities		
Shares in subsidiaries	(0)	0
Total capitalised value	**-0**	**0**

The Bond loan NOR10 is secured with pledge in a licence owned by Noreco Oil Denmark AS and Noreco Petroleum Denmark AS (both companies are subsidiaries of Altinex AS). Further the bond is secured with pledge in the earnings accounts relating to Noreco Oil Denmark AS, Noreco Petroleum Denmark AS and Noreco Oil (UK) Ltd. (all companies are subsidiaries of Altinex AS) in addtion to guarantees, intra group loans held by the three above mentioned companies and the shares in Noreco Oil Denmark AS, Noreco Oil (UK) Ltd and Noreco Petroleum Denmark AS. Book value of the shares in Noreco Oil Denmark AS is currently booked at USD 0 million, Noreco Oil (UK) Ltd is currently booked at USD 0 million, and in Noreco Petroleum Denmark AS is currently booked at USD 0 million. The securities in the amended and restated NOR10 is at the same terms as the old bond.

5 Current liabilities

(NOK million)	2016	2015
Derivates	-	1
Accrued interest	3	3
Salary accruals	0	0
Other current liabilities	6	9
Total other current liabilities	**10**	**13**

6 Guarantees

Overview of issued guarantees on 31 December 2016
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. It is still in existence but only now relevant insofar as participation in Lulita is concerned.

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

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

7 Shareholders’ equity

Changes in equity	Share capital	Share premium	Other paid-in equity	Other equity	Total
Equity 31 December 2015	71			450	521
Options cost	-			6	6
Loss for the year				(2)	(2)
Equity 31 December 2016	**71**	**-**	**-**	**454**	**525**

8 Share capital and shareholder information

	2016	2015
Ordinary shares	7 094 730	7 094 730
Total shares	**7 094 730**	**7 094 730**
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 2015	56 757 843	568
Share capital reduction 3 March 2015	-	(562)
Share issue 23 March 2015	652 715 195	65
Reverse split (amalgamation) on 13 May 2015, 1:100	(702 378 308)	-
Share capital on 31 December 2015	**7 094 730**	**71**

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

Changes in 2016
There were no changes to share capital during 2016

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 was carried out on 13 May 2015. By completion of the reverse split, the company's share capital was 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 January 2016 granted a mandate by the General Meeting to increase the share capital by a total amont of up to NOK 7.1 million by one or more share issues in relation to employee incentive schemes existing at any time for employees in the group as well as strengthening of the company`s balance sheet and in relations to business opportunities. The mandate expires on 21. January 2018. The mandate has not been utilised as of 31. December 2016.

In March 2017 the Board of Directors was granted a new mandate by the General Assembley, for more information please refer to Note 31 on subsequent events.

Overview of shareholders at 18 April 2017:

Name	Shareholding	Ownership share	Voting share
Goldman Sachs Intern SECURITY CLIENT SEGR	1 318 399	18.58 %	18.58 %
The Bank of New York c/o BNYMSANV RE BNYM	1 010 535	14.24 %	14.24 %
State Street Bank an S/A SSB CLIENT OMNI	264 086	3.72 %	3.72 %
Goldman, Sachs & Co. GOLDMAN SACHS & CO -	209 202	2.95 %	2.95 %
Euroclear Bank S.A./ 25% CLIENTS	168 066	2.37 %	2.37 %
Morgan Stanley & Co. MS & CO INTL PLC MSI	166 978	2.35 %	2.35 %
OUSDAL AS	157 975	2.23 %	2.23 %
ALTO HOLDING AS	138 500	1.95 %	1.95 %
HANASAND EINAR MIKAL	135 000	1.90 %	1.90 %
HANASAND LIV INGER	104 000	1.47 %	1.47 %
LEIKVOLLBAKKEN AS	100 777	1.42 %	1.42 %
NORDNET BANK AB	92 061	1.30 %	1.30 %
PERSHING LLC MAIN CUSTODY ACCOUNT	84 044	1.18 %	1.18 %
ANKO INVEST AS	79 000	1.11 %	1.11 %
HVALSUND MILJØLANDBR	72 139	1.02 %	1.02 %
TOPDANMARK LIVSFORSI BNY MELLON SA/NV	69 501	0.98 %	0.98 %
Banque Lombard Odier S/A GENERAL DOSSIER	63 469	0.89 %	0.89 %
VESLIK	62 283	0.88 %	0.88 %
MORGAN STANLEY AND C BNY MELLON SA/NV	62 237	0.88 %	0.88 %
CLEARSTREAM BANKING	60 447	0.85 %	0.85 %
Total	**4 418 699**	**62.3 %**	**62.3 %**
Other owners (ownership <0.85%)	**2 676 031**	**37.7 %**	**37.7 %**
Total number of shares at 18. April 2017	**7 094 730**	**100 %**	**100 %**

9 Share-based compensation

The Group established an option program in January 2008. The purpose of the program was to establish a long-term incentive program for employees. During 2015 the options program was discontiuned in Noreco Norway for the Norwegian employees due to the possible deal with Djerv. All remaining options for the employees in Norway were cancelled and the remaining cost booked in Q4 2015. The options issued to Danish employees remain open active until future expiry dates.

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

Outstanding share options and bonus shares

Total share options and bonus shares outstanding as at 1 January 2015	1 452 556
Adjustment of options/bonus shares due to reverse split 15 May 2015	(1 438 030)
Share options and bonus shares forfeited by employees due to the discontinuation of the options program	(13 508)
Outstanding at 31 December 2015	**1 018**
Share options granted in 2016	200 000
Share options and bonus shares forfeited by employees	(366)
Outstanding at 31 December 2016	**200 652**

Grants	Exercise price	Outstanding share options and bonus shares at 31.12.2016	Average remaining Contractual term	Weighted average exercise price
Share options programme 2013	41 100	25	1.15	41 100
Share options programme 2014	1 600	627	2.32	1 600
Share options programme 2016	42	200 000	1.18	42
Total		**200 652**	**1.18**	**52**

10 Payroll expenses, number of employees, remunerations, etc

(NOK million)	2016	2015
Salaries (directors' fees)	(5)	(2)
Social security tax	(1)	(0)
Salaries from group companies	(0)	(11)
Costs relating to share based payments	(7)	-
Other personnel expenses	(0)	-
Total personnel expenses	**(13)**	**(13)**
Average number of man-years	**0**	**0**

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

11 Writedown of financial assets

(NOK million)	2016	2015
Writedown investments in subsidiaries	-	(112)
Writedown loans to subsidiaries	-	(386)
Total writedown of financial assets	**-**	**(498)**

Following impairment tests as at 31.12.2015 the investment in Altinex AS and Noreco Norway AS has been written off. In addition the loans issued to group companies are written off. The reason is the financial state of the subsidiaries as a result of the developments in the group, ref. note 4. No new writedowns in 2016.

12 Tax

Income tax:

(NOK million)	2016	2015
Tax refundable	0	677
Changes in deferred tax liability	(25)	-
Changes in deferred tax asset	-	-
Changes in deferred tax asset - not recognised	14	-
Changes regarding previous years	-	-
Effect of change in tax rate	11	-
Income tax expense (benefit)	**0**	**677**

Reconciliation of nominal to actual tax rate:

(NOK million)	2016	2015
Result before tax	(2)	1 239
Corporation income tax of income (loss) before tax - 25%	(1)	335
Additional income tax of income (loss) before tax - 51%	-	-
Sum calculated tax expense	(1)	335
Permanent differences	8	(342)
Changes in deferred tax asset - not recognised	0	(7)
Reduction in loss carry forward - debt forgiveness	(8)	-
Changes in tax rate	0	14
Income tax benefit	**(0)**	**(0)**

Deferred tax liability and deferred tax assets:

(NOK million)	2016	2015
Net operating loss deductible	649	676
Fixed assets	-	-
Current assets	425	426
Liabilities	-	(30)
Tax base deferred tax liability / deferred tax asset	1 074	1 072
Net deferred tax liability / (deferred tax asset) (24%/25%)	(258)	(268)
Unrecognised deferred tax asset	258	268
Deferred tax liability / (deferred tax asset) recognised	-	-
Recognised deferred tax asset	-	-
Recognised deferred tax liability	-	-

13 Other operating expenses and audit fees

(NOK million)	2016	2015
Lease expenses	(1)	(0)
IT expenses	(1)	(0)
Travel expenses	(2)	(0)
General and administrative costs	(0)	(0)
Consultant fees	(1)	7
Other operating expenses	(1)	(3)
Loss on discontinued hedge	1	2
Total other operating expenses	**(4)**	**6**

Expensed audit fee

(NOK million)	2016	2015
Statutory audit (incl. technical assistance with financial statements)	(1)	(1)
Total audit fees	**(1)**	**(1)**

VAT is not included in the audit fee

14 Related party transactions

Transactions with group companies

(NOK million)	2016	2015
a) Sales of services	-	-
b) Purchases of services	6	11
c) Sale of assets	-	-

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

Services are charged between group companies at estimated cost.
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.

Noreco ASA is renting offices from Riulf Rustad at a cost of 48.000 pr month. The agreement is assumed to be at arm's length.

Noreco ASA did not have any other transactions with any other related parties during 2016. Directors' fee paid to shareholders and remuneration to management is described in Note 9.

CONSOLIDATED STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED
for the year ended 31 December

All figures in NOK million	Note	2016	Re-presented 2015*
Continued operation			
Revenue	**5,6**	**11**	**13**
Production expenses	**7**	**(5)**	**(6)**
Exploration and evaluation expenses	8	-	(1)
Payroll expenses	9,21	(20)	(18)
Other operating expenses	10	(11)	(8)
Other (losses)/ gains	11	1	7
Total operating expenses		**(35)**	**(26)**
Operating results before depreciation and write-downs		**(23)**	**(12)**
Depreciation		**(1)**	**(2)**
Write-downs and reversal of write-downs	12,13	-	(11)
Net operating result		**(24)**	**(25)**
Financial income	14	82	2 431
Financial expenses	14	(138)	(428)
Net financial items		**(56)**	**2 003**
Result before tax		**(80)**	**1 978**
Income tax benefit	15	65	2
Net result for the year continued operation		**(15)**	**1 980**
Discontinued operation			
Profit (loss) from discontinued operation (net of income tax)	5	304	(1 344)
Net result for the period		**290**	**636**
Currency translation adjustment		(3)	16
Total		**(3)**	**16**
Total other comprehensive result for the year (net of tax)		**(3)**	**16**
Total comprehensive result for the year (net of tax)		**287**	**652**
Earnings per share (NOK 1)			
Basic	16	41	90
Diluted	16	40	90
Earnings per share continuing operation (NOK 1)			
Basic		(2)	279
Diluted	-	(2)	279

*) Re-presented for change in discontinued operations

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

STATEMENT OF FINANCIAL POSITION

CONSOLIDATED
as of 31 December

All figures in NOK million	Note	31.12.2016	Re-presented* 31.12.2015
Non-current assets			
Licence and capitalised exploration expenditures	11,26	(0)	(0)
Goodwill	12	(0)	(0)
Deferred tax assets	15	9	351
Property, plant and equipment	13,26	12	2
Restricted cash	18,19	591	620
Receivables	17	510	521
Total non-current assets		**1 122**	**1 494**
Current assets			
Assets held for sale		0	12
Tax refund	15	397	119
Trade receivables and other current assets	17,19	8	21
Restricted cash	18,19	4	178
Bank deposits, cash and cash equivalents	18,19	89	452
Total current assets		**498**	**770**
Total assets		**1 620**	**2 277**
Equity			
Share capital	20	71	71
Other equity	20,25	366	73
Total equity		**437**	**144**
Non-current liabilities			
Deferred tax	15	23	47
Asset retirement obligations	22	563	837
Bond loan	19,23,26	153	501
Total non-current liabilities		**739**	**1 385**
Current liabilities			
Liabilities held for sale		0	107
Bond loan	19,23,26	377	331
Other interest bearing debt	19,23,26	(0)	110
Derivatives	18,19	-	1
Tax payable	15	0	37
Trade payables and other current liabilities	19,24	67	162
Total current liabilities		**444**	**748**
Total liabilities		**1 183**	**2 133**
Total equity and liabilities		**1 620**	**2 277**

*) Re-presented for change in discontinued operations
Note 1 to 31 are an integral part of these consolidated financial statements

Oslo, 27. April 2017

Riulf Rustad
Chair of the board

Marianne Lie
Board member

John P. Madden
Board member

Silje Augustson
Group CEO

Tone Kristin Omsted
Board member

Lars Purlund
Board member

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

All figures in NOK million	Note	Share capital	Currency translation fund	Other equity	Total equity
Equity at 01.01.2015		**568**	**449**	**(1 820)**	**(803)**
Net result for 2015				665	665
Comprehensive income/(loss) for the period (net of tax)					
Currency translation adjustments		-	16	-	16
Reclassification of currency translation adjustment upon disposal of subsidiary			-		-
Total comprehensive income(loss) for 2015		**-**	**16**	**752**	**768**
Transactions with owners					
Proceeds from share issued	20	65	-	189	255
Issue cost		-	-	-	-
Share-based incentive program	25	-	-	11	11
Total transactions with owners for the period		**(497)**	**-**	**763**	**266**
Equity at 31.12.2015		**71**	**465**	**(305)**	**231**
Equity at 01.01.2016		**71**	**465**	**(392)**	**144**
Net result for 2016				290	290
Comprehensive income/(loss) for the period (net of tax)					
Currency translation adjustments		-	(3)	-	(3)
Total comprehensive income(loss) for 2016		**-**	**(3)**	**290**	**286**
Transactions with owners					
Proceeds from share issued	20	0	-	0	0
Capital reduction	20	-	-	-	-
Share-based incentive program	25	-	-	7	7
Total transactions with owners for the period		**0**	**-**	**7**	**7**
Equity at 31.12.2016		**71**	**462**	**(96)**	**437**

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

STATEMENT OF CASH FLOWS

CONSOLIDATED
for the year ended 31 December

All figures in NOK million	Note	2016	2015
Net result for the period		281	665
Income tax benefit	15	(76)	
Adjustments to reconcile net result before tax to net cash flows from operating activities:			
Tax refunded	15	119	315
Depreciation	13	1	72
Write-downs and reversal of write-downs	5,12,13	(245)	431
Expensed exploration expenditures previously capitalised	12	6	505
Share-based payments expenses	25	7	11
(Gain) / loss on sale of licences	11	(66)	106
Change in fair value of bonds	19	34	379
Unrealised loss / (gain) related to financial instruments		(1)	26
Gain on extinguishment of debt	14,23	-	(2 176)
Interests received		3	12
Effect of changes in exchange rates (net foreign exchange loss)	14	9	(88)
Accreation expense related to asset retirement obligations	22	0	38
Changes in working capital			
Changes in trade receivable		0	84
Changes in trade payables		(1)	(14)
Changes in other current balance sheet items		71	20
Net cash flow from operations		**143**	**386**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	184
Purchase of tangible assets	13	6	5
Purchase of intangible assets	12	(6)	(245)
Net cash outflow from divestment of assets		(31)	-
Net cash flow used in investment activities		**(30)**	**(56)**
Cash flows from financing activities			
Proceeds from utilisation of exploration facility	23	-	110
Repayment of bonds	23	(179)	(243)
Repayment of exploration facility	23	(110)	(284)
Repurchase own bonds	23	(170)	-
Paid borrowing costs	14	-	(70)
Interest paid		(31)	(35)
Net cash flow from (used) in financing activities		**(475)**	**(522)**
Net change in cash and cash equivalents		**(363)**	**(192)**
Cash and cash equivalents at the beginning of the year	18	452	644
Cash and cash equivalents at end of the year	**18**	**89**	**452**

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

8

16

32

NOTES

NOTES

1 General information

Norwegian Energy Company ASA ("Noreco", "the Company" or "the Group") is a public limited company registered in Norway, with headquarters in Oslo (Nedre Vollgate 1, 0158 Oslo). The Company has subsidiaries in Norway, Denmark and the United Kingdom. Following the restructuring in March 2015, the company's objective has been changed into monetizing the company's assets with the aim to repay outstanding debt. Any surplus cash will be paid out to shareholders or invested in relevant activities. The Company is listed on the Oslo Stock Exchange.

The consolidated financial statements for 2016 was approved by the Board of Directors on 27. April 2017.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of Norwegian Energy Company ASA (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 obligated in accordance with the Norwegian Accounting Act and associated N-GAAP standards.

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

In accordance with the Norwegian Accounting Act, section 3-3a, the Board of Directors confirms that the consolidated financial statements have been prepared under the assumption of going concern and that this is the basis for the preparation of the financial statements. The financial solidity and the Company's cash position at 31 December 2016 was considered satisfactory in regards of the planned activity level in 2017.

The Board of Directors is of the opinion that the consolidated financial statements give a true and fair view of the Company's assets, debt, financial position and financial results. The Board of Directors are not aware of any factors that materially affect the assessment of the Company's position as of 31 December 2016, besides what is disclosed in the Director's report and the financial statements.

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

2.1.1 Changes in accounting policies and disclosures

Standards issued but not yet effective, which the Group has not early adopted

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

IFRS 9 Financial instruments
IFRS 9, effective from 1 January 2018, will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a new model for classification and measurement of financial assets and financial liabilities, a reformed approach to hedge accounting, and a more forward-looking impairment model. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. The standard permits early adoption, and was issued July 2014. IFRS 9 was endorsed by the EU in late 2016, but the Group has not yet finalised the full analysis of the impact on the Group's consolidated financial statements of the standard. The effect on the consolidated financial statements is not expected to be significant.

IFRS 15 Revenue from contracts with customers
IFRS 15 is a joint revenue recognition standard issued from IASB and FASB and is effective from 1 January 2018, with earlier adoption allowed. The standard presents a single, principles-based five-step model for determination and recognition of revenue to be applied to all contracts with customers. The standard replaces existing IFRS requirements in IAS 11 Construction Contracts and IAS 18 Revenue, as well as supplemental IFRIC guidance. The standard is not yet endorsed by the EU. The Group has not yet finalised the full analysis of the impact on the Group's consolidated financial statements of the standard, but the effect on the consolidated financial statements is not expected to be significant.

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

Other amendments to standards
The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, effective from a future date to be determined by the IASB, establish requirements for the accounting for sales or contributions of assets between an investor and its associate or joint venture.

Whether or not the assets are housed in a subsidiary, a full gain or loss will be recognised in the statement of income when the transaction involves assets that constitute a business, whereas a partial gain or loss will be recognised when the transaction involves assets that do not constitute a business. The amendments are to be applied prospectively.

The disclosure initiative amendments to IAS 7 Statement of Cash Flows, effective from 1 January 2017, establish certain additional requirements for disclosure of changes in financing liabilities.

Other standards and amendments to standards, issued but not yet effective, are either not expected to impact Norecos Consolidated financial statements materially, or are not expected to be relevant to the Consolidated financial statements upon adoption.

2.2 Consolidation

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

As of 31 December 2016, all consolidated subsidiaries are 100 percent controlled by the parent company, Norwegian Energy Company ASA or other group companies. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company does not differ from the proportion of ordinary shares held. The parent company does not have any shareholdings in the preference shares of subsidiary undertakings included in the group. All subsidiary undertakings are included in the consolidation. The group had the following subsidiaries on 31 December 2016:

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 AS	Norway	Intermediate holding company	100 %	100 %
Norwegian Energy Company UK Ltd	Great Britain	Dormant	100 %	100 %
Noreco Norway AS	Norway	Monetizing the company's assets with the aim of repaying outstanding debt		100 %
Noreco Denmark A/S	Denmark	Intermediate holding company		100 %
Noreco Oil Denmark A/S	Denmark	Production activity in Denmark		100 %
Noreco Petroleum Denmark A/S	Denmark	Production activity in Denmark		100 %
Noreco Oil (UK) Ltd	Great Britain	Dormant		100 %

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances, income and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

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

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

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

2.3 Segment reporting

The group's segments were established on the basis of the most appropriate distribution of resource and result measurement. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer (CEO). During 2015 Noreco ceased its oil and gas activities and has focused on implementing the new strategy, and consequently the whole Group is considered as a single operating segment.

2.4 Foreign currency translation

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

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

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

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

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

II) income and expenses for each income statement are translated at the average quarterly exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions)

III) All currency translation adjustments are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation adjustments arising are recognised in other comprehensive income.

2.5 Property, plant and equipment

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

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

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

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

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

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 available for sale

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

2.6 Intangible assets

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

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

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

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

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

2.7 Impairment of non-financial assets

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

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

Developed fields producing from the same offshore installation are treated as one joint cash generating unit. The size of a cash-generating unit can not be larger than an operational segment.

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

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

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

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

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

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

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. Comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

2.9 Financial assets

2.9.1 Classification

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

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

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

2.9.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

2.10 Impairment of financial assets

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

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

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

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

2.11 Derivative financial instruments and hedging activities

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

The Group has no derivatives designated as hedging as of 31 December 2016.

2.12 Trade receivables

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

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

2.13 Cash and cash equivalents

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

2.14 Over/under lifting of hydrocarbons

Over lifting of hydrocarbons is presented as current liabilities, under lifting of hydrocarbons is presented as current receivables. The value of over lifting or under lifting is measured at the estimated sales value, less estimated sales costs. Over lifting and under lifting of hydrocarbons are presented at gross value. Over/under lift positions at the balance sheet date, are expected to be settled within 12 months from the balance sheet date.

For the accounts, the items are treated as financial instruments at fair value through profit or loss. The item is considered to be a financial instrument as the over/under lift position will be settled in cash at the end of the fields' life time or when the licence is sold or returned.

2.15 Share capital and share premium

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

2.16 Trade payables

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

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

2.17 Borrowings

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

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

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

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

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

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.19 Current and deferred income tax

The tax expense for the period comprises current tax, tax impact from refund of exploration expenses and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Companies engaged in petroleum production and pipeline transportation on the Norwegian continental shelf are subject to a special petroleum tax on profits derived from these activities. The special petroleum tax is currently levied at 53 per cent. The special tax is applied to relevant income in addition to the standard 25 per cent income tax, resulting in a 78 per cent marginal tax rate on income subject to petroleum tax. As of 31 December 2016, the deferred tax and deferred tax an asset relating to onshore activity in Norway is calculated with a tax rate of 24 per cent as a consequence of the change in tax rates, and for petroleum production and pipeline transportation an additional tax rate of 54 per cent is applied.

The basis for computing the special petroleum tax is the same as for income subject to ordinary income tax, except that onshore losses are not deductible against the special petroleum tax, and a tax-free allowance, or uplift, is granted at 5.5 per cent per year. Losses carry forward are calculated with a fixed interest rate per year. For 2016, this interest rate is 0.8 per cent.

Interest expenses on interest-bearing debts are distributed between onshore and offshore activities. The tax allowance for the offshore debt interests are calculated as interest expense multiplied by 50 per cent of the ratio between the tax value of the offshore asset and average interest-bearing debt. The remaining net financial expenses are allocated to onshore. Net finance costs onshore can be transferred to the continental shelf (25 per cent from 1 January 2016), ref. the Norwegian Petroleum Taxation Act §3d. If interest expense is to related parties and net interest expense exceeds NOK 5 million, they cannot be deducted for the amount that exceeds 30 per cent of ordinary income, adjusted for interest and tax depreciation. This rule applies from 2014, but the companies covered by the Norwegian Petroleum Taxation Act § 3 d are as of today exempt. The interest limitation rule will have limited impact on the Group.If a business liable for special tax is discontinued, and a loss has not been covered, the Company may claim payment from the Norwegian government of the tax value of its uncovered losses, ref. the Norwegian Petroleum Taxation Act §3c. The Group has started the process of claiming such a refund related to its Norwegian activity. 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 Denmark the maximum marginal tax rate for oil and gas companies is 64 per cent, whereof 25 per cent is related to ordinary company tax. At the current oil price level, the Danish subsidiaries will not be in a position where they have to pay the extra petroleum tax. The current tax rate for the Danish companies is 25 per cent.

2.20 Pensions

The Group only has defined contribution plans as of 31 December 2016.

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

2.21 Share-based payments

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

Fair value:

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

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

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

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

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

2.22 Provisions

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

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

2.22.1 Asset retirement obligations

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

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.

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

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

2.24 Revenue recognition

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

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

2.25 Production cost

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

2.26 Interest income

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

2.27 Leases

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

2.28 Consolidated statement of cash flow

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

2.29 Subsequent events

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

3 Financial risk management

3.1 Financial risk factors

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

MARKET RISK

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

a) Foreign currency risk

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

NOK million	USD	GBP	DKK
Revenue	(1)	0	0
Total operating expenses	0	5	1
Net income for the year	1	5	1
Equity	51	0	0

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

b) Price risk
As of 2015 a new strategy for Noreco has been implemented, whereby the Group is effectively has ceased to be an E&P company, by selling, relinquishing, termination or forfeiture off its E&P activities, including all of its E&P staff. The E&P operation is classified as a discontinued operation. Noreco has as of 31 December outstanding bond debt, which is listed at Oslo Stock exchange, and which is recorded at fair value. A deviation from recorded fair value would directly affect the company's recorded equity, and correspondingly the group is exposed to the development on the bond debt. An increase of 10% on the market value in comparison to par value on each of the bonds as of 31/12 would influence the Net result negative for the period by approximately NOK 100 million.

c) Interest rate risk
The Group has no loans with floating interest rate. Loans with fixed interest rate expose the Group to risk (premium/discount) associated with changes in the market interest rate. At year-end, the group has a total of NOK 630 million (2015: NOK 1 104 million) in interest-bearing debt (nominal value), of which NOK 377 million (2014: NOK 441 million) is classified as current. All the Group's debt are loans with a fixed interest rate. For further information about the Group's interest-bearing debt, see Note 23.

All bank deposits (NOK 684 million) are at floating interest rates. See note 18 Restricted cash, bank deposits, cash and cash equivalents for further information about bank deposits.

The Group considers the risk exposure to changes in market interest to be at an acceptable level.

LIQUIDITY RISK
Management of liquidity risk implies maintaining a sufficient buffer of cash and cash equivalents. The group's cash forecasts indicate that liquidity will be sufficient in the next 12 months. The group has substantial unrestricted cash reserves, see note 18. The NOR06 bond loan will be serviced by Noreco Norway AS, which for liquidity purposes is ring-fenced. Reference is made to bondholder resolution from March 2016. Noreco has furthermore implemented a new strategy which effectively implies that it has ceased to be an E&P company, and is consequently claiming tax refund in Noreco Norway. The remaining Noreco group will service the NOR10 bond loan.

Completion of the financial restructuring in early 2015 implies that Noreco until final maturity of the bond loans in 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, all or the majority of the proceeds or increased cash-flow may be dedicated to down payment of the bond debt.

CREDIT RISK
The groups most significant credit risk arises principally from recognised receivables and insurance arrangements related to the group's operation. The credit risk arising from the production of oil, gas and NGL is considered limited, as sales during 2016 are to major oil companies with considerable financial resources. The Group has effectively ceased to be an oil & gas company and will only have limited exposure going forward. 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 licenses. The credit risk relating to the refund is considered low.

3.2 Capital risk management

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

The group monitors the debt with the basis of cash flows, equity ratio and the gearing ratio.

See further information regarding borrowings and covenants in Note 23.

3.3 Fair value estimation

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

Level 1: Quoted prices (unadjusted) 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 19 for fair value hierarchy and further information.

4 Critical accounting estimates and judgements

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

4.1 Critical accounting estimates and assumptions

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

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

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

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

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

4.2 Critical judgements in applying the entity's accounting policies

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

5 Discontinued operations

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

The new strategy entails re-payment of bonds whenever the cash flow allows it, and secure a return of investment to the shareholders. In 2016 an agreement was entered into by Norecos fully owned subsidiary Noreco Norway AS and Det norske oljeselskap ASA (Detnor) for the sale of the oil related assets in Noreco Norway. The comparable figures for 2015 has been re-presented accordingly to reflect the comparable amounts of the assets held for sale . The transaction with Detnor received the necessary approvals from the Ministry of Petroleum and Energy and the Ministry of Finance in 2016, and the deal was consequently completed in 2016. The effective date for tax purposes of the transaction is 1 January 2016. The completion of the transaction constitute a ceasing of all of Noreco Norway's petroleum activities, and Noreco has initiated the process of claiming "Exit-refund" in 2017. At the end of the year the company only has a 10% interest in a Danish oil field (Lulita) to maintain hydrocarbon tax position in order to protect the main asset in Denmark. According to IFRS 5 the company is required to present its E&P business as discontinued to ensure that the accounts reflect its current operation.

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

Following the Detnor-transaction, Noreco has a 10% share in the oil field Lulita, an insurance claim related to damages suffered related to the Siri platform, the tax balances and the bond loans NOR06 and NOR10.

Consolidated statement of income for discontiued operation

(NOK million)	2016	2015
Revenue	**(0)**	**431**
Production expenses	60	(233)
Exploration and evaluation expenses (1)	(16)	(593)
Payroll expenses	(14)	(58)
Other operating expenses	(24)	(34)
Other (losses) / gains (2)	65	(70)
Total operating expenses	**70**	**(988)**
Operating result before depreciation and write-downs (EBITDA)	**70**	**(556)**
Depreciation	-	(70)
Write-downs and reversals of write-downs	244	(420)
Net operating result (EBIT)	**314**	**(1 046)**
Financial income	11	11
Financial expenses	(31)	(307)
Net financial items	**(20)**	**(295)**
Result before tax (EBT)	**294**	**(1 341)**
Income tax benefit / (expense)	10	(4)
Net result for the period	**304**	**(1 345)**
Earnings per share discontinued operation (NOK 1)		
Basic	43	(190)
Diluted	42	(190)

1) The Detnor deal has the consequence that Noreco Norway no longer has any exploration assets.
2) Included in Gain/Loss for 2015 is the net gain on the Oselvar deal and the provisions made as a consequence of the Djerv-deal and the Enoch deal. The Djerv deal results in establishment of a provision for the consideration of NOK 74 million. The Enoch deal results in establishment of an additional provision for the consideration of NOK 4 million. The Djerv-deal was turned down by the NOR06 bondholders and subsequently a new deal with Detnor was agreed, resulting in a reversal of parts of the Djerv provision in 2016.

(NOK million)	2016	2015
Net cash from operating activities	(382)	(1 593)
Net cash from investing activities	12	2 578
Net cash from financing activities	(107)	(0)
Net cash flow for the period	**(477)**	**985**

6 Revenue

(NOK million)	2016	2015
Continued operation		
Sale of oil	9	10
Sale of gas and NGL	2	3
Total revenue continued operation	11	13
Total revenue discontinued operation	(0)	431
Total revenue	**11**	**444**

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

Revenue per customer, continued operation	2016	2015
DONG E&P	100.0 %	100.0 %
Total	**100.0 %**	**100.0 %**

7 Production expenses

(NOK million)	2016	2015
Continued operation		
Lulita	(5)	(5)
Total production expenses continued operation	**(5)**	**(5)**
Total production expenses discontinued operation	**60**	**(233)**
Total production expenses	**55**	**(238)**

8 Exploration and evaluation expenses

(NOK million)	2016	2015
Continued operation		
Acquisition of seismic data, analysis and general G&G costs	-	-
Exploration wells capitalised in previous years	-	-
Dry exploration wells this period	-	-
Other exploration and evaluation costs	-	-
Total exploration and evaluation costs continued operation	**-**	**-**
Total exploration and evaluation costs discontinued operation	**(16)**	**(593)**
Total exploration and evaluation costs	**(16)**	**(593)**

9 Payroll expenses and remuneration

Personnel expenses consists of the following:

(NOK million)	2016	2015
Continued operation		
Salaries	(11)	(14)
Social security tax	(1)	(0)
Pensions costs (note 22)	(1)	(1)
Costs relating to share-based payments (note 27)	(7)	(3)
Other personnel expenses	(0)	(0)
Personnel expenses charged to operated licenses	0	(0)
Total personell expenses continued operation	**(20)**	**(18)**
Total personell expenses discontinued operation	**(14)**	**(58)**
Total personell expenses	**(34)**	**(76)**

	2016	2015
Average number of employees, continued operations	6	4
Average number of employees, discontinued operation	20	31
Average number of employees	26	35

The staff in the discontinued operation consist of the E&P organisation in Denmark (discontinued during 2015), and the organisation in Noreco Norway (discontinued during 2016). Administration in Denmark was however continued through 2015 and 2016.

Share based payments relate to the option program decided at the EGM in January 2016 for the benefit of the executive management.

The organisation in Stavanger was part of the agreement made with Detnor AS and is no longer part of Noreco, ref. note 5.

Compensation to key management for 2016

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

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

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

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

1) Total compensation includes for the Chairman and each Director payment for services rendered as consultants in accordance with consultancy agreement with a remuneration of NOK 2.000 per hour and success fee for sale of certain assets in the range of NOK 500 000 to NOK 1 000 000. Total compensation for Riulf Rustad also includes 1 per cent of net insurance proceeds received by the Noreco's bondholders and/or shareholders in relation to the Siri insurance claim.
2) The number of shares owned by board members is allocated between private shareholding and shareholding through companies controlled by board members. Number of shares owned as of 31 December 2016
3) Total number of options according to the Company's incentive arrangement
4) Figures show the net increase in share holding in 2016

Directors' fees

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

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

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

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

Board of Directors' Statement on Remuneration to the 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's salary and other benefits, is for the coming fiscal year and will be presented to the shareholders for their advisory vote at the Annual General Meeting 24 May 2017. The total compensation package for the CEO shall be competitive, reflect the responsibilities and effort required, reward success and not the opposite, and also ensure alignment of interest with shareholders.

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

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

Variable elements of remuneration may be used or other special supplementary payment may be awarded than those mentioned above if this is considered appropriate. At an extraordinary General meeting held at 21 january 2016, the General assembley authorized the Board of Directors to grant options to buy or subscribe up to a total of 200.000 shares in the Company, 100.000 of which were granted to the CEO.

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

Compensation to key management for 2015

(NOK 1 000)	Remuneration	Bonus earned 2014, paid 2015	(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									
Silje Christine Augustson (9)									
Group CEO	397	-	-	-	-	397	-	-	-
Tommy Sundt (7)									
CEO	6 897	-	-	73	642	7 612	-	-	-
Svein Arild Killingland									
CEO	4 213	-	-	-	120	4 333	-	-	-
Odd Arne Slettebø (8)			-						
CFO	1 519	-	-	65	189	1 773	-	-	-
Lars Fosvold									
VP, Exploration	2 166	-	300	76	379	2 920	226	-	-
Øyvind Sørbø									
VP, Commercial	1 951	-	200	75	326	2 552	135	-	-
Total compensation 2015	**17 143**	**0**	**500**	**289**	**1 656**	**19 587**	**361**	**0**	**0**
Total compensation 2014	11 256	3 195	500	372	3 431	18 755			

1) The accrued retention bonus for 2014 was settled in January 2015
2) Other remuneration include compensation for lapse of pension agreement exceeding 12G, telephone, broadband and other minor remunerations
3) All figures stated regarding salary and other compensation based on full year 2015, 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 2015
5) The employee options program in Noreco Norway was discontinued in Q4 2015. All options in Noreco Norway were subsequently cancelled
6) Figures show net increase in share holding in 2015
7) Tommy Sundt stepped down as CEO 13 October 2015 and was replaced by Silje Christine Augustson
8) Odd Arne Slettebø stepped down as CFO 31 October 2015
9) Compensation only includes salary as CEO, and not compensation as a board memeber

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

(NOK 1 000)	Director's fees	(1) Total compensation	(2) Number of shares	(3) Number of options and bonus shares	(4) Shares purchased in 2016	Period served on the board	
Current Board of directors							
Silje Christine Augustson (5)	497	2 915				27/10/14	-
Chair of the Board		-	-	-	-		
Riulf Rustad	304	2 890	30 205	-	30 205	27/03/15	-
Board member							
Julien Balkany	304	1 036	-	-	-	27/03/15	-
Board member					-		
Andreas Alnæs Greve-Isdahl	222	222	-	-	-	27/10/14	-
Alternate Board member							
Previous Board of Directors							
Erik Henriksen	17	17		-		03/10/14	12/1/15
Chair of the Board							
John-Kaare Aune	84	84		-		19/01/15	27/3/15
Board member							
Ariane Foisy	84	84		-		19/01/15	27/3/15
Board member							
Bård Arve Lærum	38	38	-		-	01/01/14	30/3/15
Board member							
staff representative							
		-					
Lotte Kjørboe	73	73	27		-	21/11/14	26/6/15
Board member							
staff representative							
Total compensation 2015	**1 624**	**7 360**	**30 232**	**0**	**30 205**		
Total compensation 2014 (7)	2 101	2 101	25 944 682	67 586	2 193 240		

1) Total compensation includes for the Chairman and each Director payment for services rendered as consultants in accordance with consultancy agreement with a remuneration of NOK 2.000 per hour and success fee for sale of certain assets in the range of NOK 500 000 to NOK 1 000 000. Total compensation for Riulf Rustad also includes 1 per cent of net insurance proceeds received by the Noreco's bondholders and/or shareholders in relation to the Siri insurance claim.
2) The number of shares owned by board members is allocated between private shareholding and shareholding through companies controlled by board members. Number of shares owned as of 31 December 201
3) The number of options includes bonus shares according to the Company's incentive arrangement
4) Figures show the net increase in share holding in 2015
5) Silje Christine Augustson was elected to the board 27 October 2014, and was elected as Chair of the Board 13 January 2015 and reelected as Chair of the Board 27 March 2015
6) Andreas Greve-Isdahl was elected to the board on the 27 October 2014 and was elected as alternate board member 27 March 2015
19) Ingrid Marika Svärdström was a board member from 4 February 2014 to 27 October 2014
7) Numbers have not been adjusted by the reverse stock splitt

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

The Chair of the Board receives an annual remuneration of NOK 500 000 and the other shareholder elected members of the board receive an annual remuneration of NOK 400 000. The remuneration is paid quarterly. The Board members have entered into consultancy agreements to provide services to the Company on an hourly basis at a cost of NOK 2 000 per hour. In addition the three board members elected by shareholders are compensated for a sale of certain assets in the range of NOK 500 000 to NOK 1 000 000. Also Riulf Rustad will receive 1 per cent of net insurance proceeds received by the Noreco's bondholders and/or shareholders in connection with the Siri-claim.

Employee elected board representatives receive an annual remuneration of NOK 150 000, and deputy director of the board receive NOK 5 000 per meeting. The remuneration is paid quarterly.

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

Board of Directors' Statement on Remuneration to the 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. When the sales that are currently presented as Held for Sale (Sale of the Norwegian oil field Enoch to CapeOmega and sale of the Norwegian E&P business including operatorships, staff contracts and other contracts related to the operation to Djerv Energi AS) are completed, then Noreco will only have Group-CEO and no other executive officers.

The guidelines, set out below for the Group-CEO's salary and other benefits, is for the coming fiscal year and will be presented to the shareholders for their advisory vote at the Annual General Meeting [26 May 2016]. The total compensation package for the Group- CEO shall be competitive, reflect the responsibilities and effort required, reward success and not the opposite, and also ensure alignment of interest with shareholders.

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

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

Variable elements of remuneration may be used or other special supplementary payment may be awarded than those mentioned above if this is considered appropriater. At an extraordinary General meeting held at 21 january 2016, the General assembley authorized the Board of Directors to grant options to buy or subscribe up to a total of 200.000 shares in the Company, 100.000 of which were granted to the Group-CEO.

Remuneration to the Group-CEO will be evaluated regularly by the Remuneration and Corporate Governance Committee and the Board of Directors to ensure that salaries and other benefits are kept, at all times, within the above guidelines and principles.

10 Other operating expenses

Specification of other operating expenses

(NOK million)	2016	2015
Continued operation		
Lease expenses	(1)	(1)
IT expenses	(1)	(3)
Travel expenses	(2)	(1)
Office cost	(0)	(1)
Consultant fees	(3)	(0)
Other operating expenses	(4)	(1)
Total other operating expenses continued operation	**(11)**	**(6)**
Total other operating expenses discontinued operation	**(24)**	**(36)**
Total other operating expenses	**(35)**	**(43)**

1) Consultant fees in YTD 2015 include fees relating to the restructuring efforts recorded in 2014, which have been reclassified and included in the calculation of bond debt restructuring impact. 2016 is impacted by reversal of cost relating to the Siri-insurance case being covered by the partner SR Recovery.

(NOK million)	2016	2015
Continued operation		
Auditor's fees	(2)	(1)
Other assurance service	-	(0)
Other non-audit assistance	(0)	(0)
Total audit fees continued operation	**(3)**	**(2)**
Total audit fees discontinued operation	-	-
Total audit fees	**(3)**	**(2)**

11 Other (losses) / gains

(NOK million)	2016	2015
Continued operation		
Change in value, other derivatives	1	2
Gain /(loss) on sale of assets	0	(16)
Total other (losses)/gains continued operations	**1**	**(14)**
Total other (losses)/gains discontinued operations	65	(49)
Total other (losses) / gains	**66**	**(63)**

12 Intangible fixed assets

Intangible fixed assets at 31 December 2016

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

No impairment test was performed in 2016 due to all intangible non-current assets being impaired in full during 2015, and no triggers or reversal triggers have been present in 2016.

Intangible fixed assets at 31 December 2015

(NOK million)	Licence and capitalised exploration expenditures	Goodwill	Total
Acquisition costs at 1 January 2015	325	1 157	1 482
Additions	185	-	185
Expensed exploration expenditures previously capitalised	(505)	-	(505)
Disposal	(11)	(209)	(220)
Reclassified to assets held for sale	-	(38)	(38)
Currency translation adjustment	6	185	191
Acquisition costs at 31 December 2015	**-**	**1 095**	**1 095**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 1 January 2015		(1 134)	(1 134)
Write-downs		(13)	(13)
Disposal		198	198
Reclassified to assets held for sale		38	38
Currency translation adjustment		(183)	(183)
Accumulated depreciation and write-downs 31 December 2015	**-**	**(1 095)**	**(1 095)**
Book value 31 December 2015	**-**	**(0)**	**(0)**

The remaining goodwill was fully impaired during 2015

Overview of write-downs

(NOK million)	2016	2015
Goodwill Denmark	-	(13)
Total write-downs	**-**	**(13)**

13 Property, plant and equipment

Property, plant and equipment at 31 December 2016

(NOK million)	Production facilities	Office equipment and fixtures	Total
Acquisition costs at 1 January 2016	3 790	6	3 796
Additions	-	(6)	(6)
Revaluation abandonment assets	10	-	10
Disposal	(3 809)	6	(3 804)
Reclassified to assets held for sale	78	0	78
Currency translation adjustment	(131)	(0)	(131)
Acquisition costs at 31 December 2016	**(62)**	**6**	**(57)**
Accumulated depreciation			
Accumulated depreciation and write downs 1 January 2016	(3 788)	(6)	(3 793)
Depreciation	(1)	(0)	(1)
Write-downs / reversal of write-downs	-	1	1
Disposal	3 809	-	3 809
Reclassified to assets held for sale	(78)	(0)	(78)
Currency translation adjustment	131	0	131
Accumulated depreciation and write downs 31 December 2016	**74**	**(6)**	**69**
Book value 31 December 2016	**12**	**0**	**12**
Economic life	N/A	3-5 years	
Depreciation plan	UoP	Straight line	

Property, plant and equipment at 31 December 2015

(NOK million)	Production facilities	Office equipment and fixtures	Total
Acquisition costs at 1 January 2015	6 668	5	6 673
Additions	(6)	1	(5)
Revaluation abandonment assets	43	-	43
Disposal	(3 480)	(0)	(3 480)
Reclassified to assets held for sale	(78)	(1)	(79)
Currency translation adjustment	642	1	643
Acquisition costs at 31 December 2015	**3 790**	**6**	**3 796**
Accumulated depreciation			
Accumulated depreciation and write downs 1 January 2015	(6 241)	(5)	(6 245)
Depreciation	(71)	-	(71)
Write-downs / reversal of write-downs	(418)	(1)	(419)
Disposal	3 453	-	3 453
Reclassified to assets held for sale	78	1	79
Currency translation adjustment	(590)	(1)	(591)
Accumulated depreciation and write downs 31 December 2015	**(3 788)**	**(6)**	**(3 793)**
Book value 31 December 2015	**2**	**0**	**2**
Economic life	N/A	3-5 years	
Depreciation plan	UoP	Straight line	

14 Financial income and expenses

(NOK million)	2016	2015
Financial income		
Continued operation		
Interest income	3	16
Gain on extinguishment of debt	-	2 176
Change in fair value of bond debt	0	75
Foreign exchange gains	79	161
Other financial income	0	3
Total financial income continued operation	**82**	**2 431**
Total financial income discontinued operation	**11**	**11**
Total financial income	**123**	**2 422**

Financial expenses	**2016**	**2015**
Continued operation		
Interest expense from bond loans	(45)	(91)
Interest expenses current liabilities	(0)	(22)
Accretion expense related to asset retirement obligations (ref note 23)	(0)	(1)
Foreign exchange losses	(80)	(77)
Change in fair value of bond debt	(14)	-
Other financial expenses	1	(208)
Total financial expenses continued operation	**(138)**	**(399)**
Total financial expenses discontinued operation	**(31)**	**(307)**
Total financial expenses	**(169)**	**(705)**
Net financial items continued operation	**(56)**	**2 032**
Net financial items discontinued operation	**(20)**	**(295)**
Net financial items	**(76)**	**1 737**
Paid borrowing cost		
Incurred borrowing cost [1]	-	(70)
Paid borrowing cost for the period	-	(70)

1) Consulting fees relating to the financial restructuring in 2015

15 Tax

Income tax

(NOK million)	2016	2015
Income (loss) before tax	206	665
Income tax benefit / (expense)	76	(0)
Equivalent to a tax rate of	**(36.8%)**	**0.1 %**

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

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

Included in tax refund is an amount related to Noreco Norway which consist of a net amount of approximately NOK 372 million, which consist of an Exit refund of approximately NOK 377 million, NOK 19 million in other refunds and a deferred tax liability of approximately NOK 24 million related to the fair value measurement of the NOR06 bond. The refunds to be repaid to Noreco Norway in 2017 totals approximately NOK 397 million, of which the NOR06 bondholders are expected to receive approximatley NOK 377 million in Exit refund.

Tax loss carry forward 31.12.16

(NOK million)	Offshore		Onshore	
	Recognised	Un-recognised	Recognised	Un-recognised
Norway (2016 rates, offshore 53% / onshore 25%)				
Norwegian Energy Company ASA	-	-	-	649
Altinex AS	-	-	-	-
Noreco Norway AS	497	-	502	18
Denmark (offshore 39% / onshore 25%)				
Noreco Oil Denmark A/S	307	4 720	-	-
Noreco Petroleum Denmark A/S	14	763	-	-
UK (offshore 20% / onshore 30%)				
Norwegian Energy Company (UK) Ltd.		679	-	679
Noreco Oil (UK) Ltd.	-	820	-	639
Total tax loss carry forward	**818**	**6 982**	**502**	**1 985**

The onshore tax loss carry forwards in Noreco Norway AS is subject to the Norwegian Petroleum Taxation Act §3c.

Tax loss carry forwards in the Danish offshore tax regime of NOK 5 483 million has been calculated according to Chapter 3A in the Danish Hydrocarbon Taxation Act (kulbrinteskatteloven). Current forecasts also indicate that the remaining tax loss carry forwards will not be utilised.

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

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

Tax refund

(NOK million)	2016	2015
Non-current assets		
Non-current tax refund related to Norwegian exploration activity	(0)	(0)
Current assets		
Exit refund 2016	389	-
Tax refund related to Norwegian exploration activity in 2015	8	119
Total tax refund	**397**	**119**

Tax payable

(NOK million)	2016	2015
Tax payable other countries	0	37
Total tax payable	**0**	**37**

Reconciliation of nominal to actual tax rate

(NOK million)	2016	%	2015	%
Income (loss) before tax	**206**		**665**	
Calculated tax expense on profit before tax	(51)	25 %	(180)	27 %
Adjustment of calculated tax expense in foreign subsidiaries in relation to difference in tax rate	-	0 %	14	-2 %
Petroleum tax expense	-	0 %	222	-33 %
Tax effect of:				
Change in recognised deferred tax assets compared to previous years	403	-187 %	(874)	131 %
Effect of change in tax rate	(11)	5 %	14	-2 %
Permanent differences	(267)	130 %	139	-21 %
Currency translation adjustments		0 %		0 %
Other items	1	0 %		0 %
Income tax benefit	**76**	**-128 %**	**0**	**0 %**

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.

Deferred tax liability and deferred tax asset

(NOK million)	2016	2015
Net operating loss deductible	(18)	(3 065)
Fixed assets	(0)	(24)
Current assets	-	(99)
Liabilities	(12)	293
Other		
Basis of deferred tax liability/deferred tax asset	**(30)**	**(2 895)**
Net deferred tax liability/deferred tax asset	**548**	**859**
Unrecognised deferred tax asset	562	560
Deferred tax liability/deferred tax asset recognised	**(14)**	**300**
Recognised deferred tax asset	9	347
Recognised deferred tax liability	(23)	(47)
Recognised deferred tax asset domestic	(0)	347
Recognised deferred tax asset foreign	9	-
Recognised deferred tax liability domestic	(23)	-
Recognised deferred tax liability foreign	(0)	(47)
Net deferred tax liability/deferred tax asset	**(14)**	**300**

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.

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

16 Earnings per share

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

(NOK million)	2016	2015
Net result attributable to ordinary shareholders	**290**	**665**
Shares issued 1 January	7 094 730	56 757 843
Shares issued during the year	-	652 715 195
Reverse splitt	-	(702 378 308)
Shares issued at 31 Desember	**7 094 730**	**7 094 730**
Weighted average number of shares [(1)]	7 094 730	5 642 260
Earnings per share (NOK 1) [(1)]		
Earnings per share	40.8	117.9
Diluted earnings per share [(2)]	39.7	117.8

1) Weighted average number of shares and earnings per share for comparable periods have been revised due to the reverse split that was completed in 2015.
2) Diluted number of shares includes 200.000 shares related to the options scheme for members of the Board and senior executives, and outstanding share options from previous years of 652.

The Company had in 2014 an option program which included all employees in the Group. The option programme for personnel employed in Noreco Norway was canceled during the end of 2015 due to the Detnor transaction.

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

(NOK million)	2016	2015
Non-current assets		
Other receivables [(1)]	510	521
Total non-current assets	**510**	**521**
Current assets		
Trade receivables *	6	2
Receivables from operators relating to joint venture licences *	0	5
Underlift of oil/NGL *	1	0
Prepayments	0	1
Other receivables *	0	13
Total trade receivables and other current receivables	**8**	**21**

*) See note 19 for fair value disclosures

On December 15 2016 the court ruling on the Siri Insurance Claims was announced. The Maritime and Commercial High Court in Copenhagen ruled in favour of the claimants (Noreco and its partners; Awilhelmsen Special Opportunities AS and QVT Financial LP) an amount to approximately USD 470 million, including interest. Of the total amount, Noreco is entitled to approximately USD 270 million. Norecos share, excluding interest, amounts to USD 207 million equal to NOK 1.8 billion less tax, As of 31 of December 2016 only 510 MNOK is presented in the Balance sheet. On 12 January 2017 it was announced that the Supreme Court in Copenhagen received an appeal from the counterparty in relation to the SIRI Insurance Claims court case, the appeal was dismissed by the Supreme Court on 17 February 2017. On 27 February 2017, following the dismissal of the first appeal, it was announced that the Eastern High Court in Copenhagen received an appeal from the counterparty in relation to the SIRI Insurance Claims court case. The Eastern High Court accepted to handle the appeal on 14 March 2017.

Noreco is no longer in a distressed situation and together with its strong partners, Awilhelmsen and QVT are prepared to defend its position irrespective of how long it will take.

It is the view of management that the ruling was so strong that the accounts should reflect this position, however due to IFRS regulation this is not possible.

The Group's trade receivables mainly consisted 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 2016 and 2015.

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

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

Ageing analysis of trade receivables and other short term receivables on 31 December 2015

			Past due				
(NOK million)	Total	Not past due	> 30 days	30-60 days	61-90 days	91-120 days	> 120 days
Trade receivables	2	2	0	-	-		
Receivables from operators relating to joint venture licences	5	5	-	-	-	-	-
Underlift of oil/NGL	0	0	-	-	-	-	-
Prepayments	1	1	-	-	-	-	-
Other receivables	13	13	-	-	-	-	-
Total	**21**	**21**	**0**	-	-	-	-

18 Restricted cash, bank deposits, cash and cash equivalents

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

(NOK million)	2016	2015
Non-current assets		
Restricted cash pledged as security for abandonment obligation in Denmark, DKK 445 million plus interest (1)	547	581
Other restricted cash and bank deposits	43	39
Total non-current restricted cash	**591**	**620**
Current assets		
Restricted cash for repayments to bondholders		173
Other restricted cash and bank deposits	4	5
Total current restricted cash	**4**	**178**
Unrestricted cash, bank deposits, cash equivalents	89	452
Total bank deposits	**684**	**1 250**

Restricted cash
Not included in above is a deposit to the benefit of Noreco made by Awilhelmensen Special Opertunities AS and QVT Finacial LP in relation an agreed secured minimum payment of USD 15 mill on the Siri-claim.

1) Any currency exposure in the subsidiary connected with the ARO of DKK 445 mill, has been hedged in the group accounts by a pledged bank account for the containing the same amount in DKK in the parent company. Any currency gains or losses from this has been recognized as other comprehensive income.

Overdraft facilities

As at 31 December 2016

(NOK million)	Facility amount in currency	NOK	Used	Unused	Available
NOK (Exploration loan facility in Noreco Norway AS)	-	-	(0)	-	
Total		**-**	**(0)**	**-**	**-**
Unrestricted cash, bank deposits, cash equivalents and quoted shares					89
Accessible liquidity at 31 December 2016					**89**

As at 31 December 2015

(NOK million)	Facility amount in currency	NOK	Used	Unused	Available
NOK (Exploration loan facility in Noreco Norway AS)	400	400	110		-
Total		**400**	**110**	**-**	**-**
Unrestricted cash and cash equivalents					452
Accessible liquidity at 31 December 2015					**452**

1) The basis for utilisation of the exploration loan facility is 70 percent of exploration losses which are entitled to 78 percent tax refund from the Norwegian tax authorities.

The exploration loan facility amount has after year end been reduced to the actual drawn down amount.

19 Financial instruments

19.1 Fair value hierarchy

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

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

On 31 December 2016

(NOK million)	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements of assets				
Financial assets at fair value through profit or loss				
- Underlift of oil (ref. note 17)		1		1
Total	**-**	**1**	**0**	**1**
Liabilities				
Recurring fair value measurements of liabilities				
Financial liabilities at fair value through profit or loss				
- Bond loans			530	530
Total	**-**	**(0)**	**530**	**530**
On 31 December 2015				
Assets				
Recurring fair value measurements of assets				
Financial assets at fair value through profit or loss				
- Quoted shares	3			3
Total	**3**	**0**	**-**	**3**
Liabilities				
Recurring fair value measurements of liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements (ref. note 19)		1		1
- Bond loans	304		527	832
Total	**304**	**1**	**527**	**833**

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.

Due to low volumes being traded Noreco has used valuation techniques in order to estimate the fair value on the NOR10 and NOR06 bond loan. The fair value of the NOR06 is based on the estimated repayment when Noreco receives the EXIT refund from the Norwegian tax authorities of expectedly NOK 377 million.

19.2 Financial instruments by category

As at 31 December 2016

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

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

As at 31 December 2015

(NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Trade receivables and other current assets	20	0	21
Restricted cash	798		798
Bank deposits, cash and cash equivalents	450	3	452
Total	**1 268**	**3**	**1 271**

(NOK million)	Other financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bond loan		832	832
Other interest bearing debt	110		110
Derivatives		1	1
Trade payables and other current liabilities	162	(0)	162
Total	**272**	**833**	**1 104**

19.3 Financial instruments - Fair values

Set out below is a comparison of the carrying amounts and fair value of financial instruments as on 31 December 2016:

As at 31 December 2016

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

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

As at 31 December 2015

(NOK million)		Carrying amount	Fair value
Financial assets:			
Trade receivables and other current assets *	17	21	21
Restricted cash *	18	798	798
Bank deposits, cash and cash equivalents *	18	452	452
Total		**1 271**	**1 271**
Financial liabilities:			
Bonds (current and non current)	23.1	832	832
Other interest bearing debt	23.1	110	110
Derivatives		1	1
Trade payables and other current liabilities *	24	162	162
Total		**1 104**	**1 104**

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

20 Share capital

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

Changes in number of shares and share capital:

(NOK million)	No. of shares	Share Capital
Share capital on 1 January 2015	56 757 843	568
Share capital reduction 3 March 2015	-	(562)
Share issue 23 March 2015	652 715 195	65
Reverse split (amalgamation) on 13 May 2015, 1:100	(702 378 308)	-
Share capital on 31 December 2015	**7 094 730**	**71**

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

Changes in 2016
There were no changes to share capital during 2016.

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 was carried out on 13 May 2015. By completion of the reverse split, the company's share capital was 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 January 2016 granted a mandate by the General Meeting to increase the share capital by a total amount of up to NOK 7.1 million by one or more share issues in relation to employee incentive schemes existing at any time for employees in the group as well as strengthening of the company`s balance sheet and in relations to business opportunities. The mandate expires on 21. January 2018. The mandate has not been utilised as of 31. December 2016.

In March 2017 the Board of Directors was granted a new mandate by the General Assembley, for more information please refer to Note 31 on subsequent events.

Overview of shareholders at 18 April 2017:

Name	Shareholding	Ownership share	Voting share
Goldman Sachs Intern SECURITY CLIENT SEGR	1 318 399	18.58 %	18.58 %
The Bank of New York c/o BNYMSANV RE BNYM	1 010 535	14.24 %	14.24 %
State Street Bank an S/A SSB CLIENT OMNI	264 086	3.72 %	3.72 %
Goldman, Sachs & Co. GOLDMAN SACHS & CO -	209 202	2.95 %	2.95 %
Euroclear Bank S.A./ 25% CLIENTS	168 066	2.37 %	2.37 %
Morgan Stanley & Co. MS & CO INTL PLC MSI	166 978	2.35 %	2.35 %
OUSDAL AS	157 975	2.23 %	2.23 %
ALTO HOLDING AS	138 500	1.95 %	1.95 %
HANASAND EINAR MIKAL	135 000	1.90 %	1.90 %
HANASAND LIV INGER	104 000	1.47 %	1.47 %
LEIKVOLLBAKKEN AS	100 777	1.42 %	1.42 %
NORDNET BANK AB	92 061	1.30 %	1.30 %
PERSHING LLC MAIN CUSTODY ACCOUNT	84 044	1.18 %	1.18 %
ANKO INVEST AS	79 000	1.11 %	1.11 %
HVALSUND MILJØLANDBR	72 139	1.02 %	1.02 %
TOPDANMARK LIVSFORSI BNY MELLON SA/NV	69 501	0.98 %	0.98 %
Banque Lombard Odier S/A GENERAL DOSSIER	63 469	0.89 %	0.89 %
Total	**4 418 699**	**62.3 %**	**62.3 %**
Other owners (ownership <0.85%)	2 676 031	37.7 %	37.7 %
Total number of shares at 18. April 2017	7 094 730	100 %	100 %

21 Post-employment benefits

Defined contribution plan

The Group only has defined contribution plans for its employees. Pension costs related to the company's defined contribution plan amounts to NOK 1 million for 2016. For 2015 the corresponding costs were NOK 1 million.

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

22 Asset retirement obligations

Specification of asset retirement obligations

(NOK million)	2016	2015
Balance on 1 January	837	612
Provisions made during the year	(35)	80
Accreation expense - present value calculation	0	38
Reclassified to liabilities held for sale (see note 21)	12	(12)
Reversed provision from disposal of assets	(256)	(77)
Currency translation	5	118
Provision made for asset retirement obligations on 31 December	**563**	**837**

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

Any currency exposure in the subsidiary connected with the ARO of DKK 445 mill, has been hedged in the group accounts by a pledged bank account containing the same amount in DKK in the parent company. Any currency gains or losses from this has been recognized as other comprehensive income.

In 2016 Noreco received a new estimate on the abandonment of the Lulita field. Noreco is investigating the amount and has made its own preliminary assessment resulting in an increased provision of NOK 10 million.

During the year Noreco reached an agreement of transfer with the operator, Premier Oil on the Huntington field following which Noreco has reversed the obligation for any abandonment on the field.
Hence, the balance as per 31.12.2016 is NOK 547 million for Nini/Cecilie and NOK 15 million for Lulita.

Expected maturity

	2016	2015
1-5 years	16	256
6-10 years	547	581
Provision made for asset retirement obligations on 31 December	**563**	**837**

23 Borrowings

23.1 Summary of borrowings

(NOK million)	Note	2016 Principal amount	2016 Book value	2015 Principal amount	2015 Book value
Non-current debt					
NOR06 bond loan, amended and restated	23.3			477	367
NOR10 bond loan, amended and restated	23.3	156	153	156	134
Total non-current bonds		**156**	**153**	**634**	**501**

	Note	Principal amount	Book value	Principal amount	Book value
Current debt					
Amended and restated NOR06 [1]		474	377	160	160
Amended and restated NOR10 [2]				200	170
Total current bonds		**474**	**377**	**361**	**331**
Exploration loan	23.3			110	110
Total current other interest bearing debt		-	-	110	110
Total borrowings		**630**	**530**	**1 104**	**942**

1) Principal amount equal to book value due to repayment at par.
2) An buy-offer was made at 85% of par, approximately NOK 200 million accepted the buy-back deal.

23.2 The Refinancing and subsequent measurement

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

(NOK million)	YTD 2015

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

Amended and restated NOR06	55 %
Amended and restated NOR10	56 %

Subsequent measurement
The subsequent measurement depends on which category the borrowings have been classified into. The categories applicable for Noreco are either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost using the effective interest method. Noreco has designated the amended and restated bond loans at fair value through profit or loss. The following fair values were applied for the amended and restated bond loans at the end of fourth quarter 2016.:

Amended and restated NOR06	79.5 %
Amended and restated NOR10	97.5 %

23.3 Details on borrowing

Details on borrowings outstanding on 31 December 2016

NOR06
The issuer is Noreco Norway AS (change of debtor from Norwegian Energy Company ASA). The bond was entered into in March 2015 with a face value of NOK 618 million (principal amount including accrued, but unpaid interest and default interest until 5 March 2015 (assumed settlement date)) and a final maturity date in March 2018 (3 years after the original issue). The bond holds a fixed interest rate of 6.5 % with semi annually payments only if available cash on the proceeds accounts (and subject always to the company having a lawful level of equity), otherwise payment-in-kind (PIK).

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

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

NOR10
The bond was entered into in March 2015, with a face value of NOK 600 million with a final maturity date in March 2018. The loan holds a fixed interest rate of 6.5 % with semi annually payments only if available cash on the proceeds account (and subject always to the company having a lawful level of equity), otherwise payment-in-kind (PIK).

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

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

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

Details on borrowings outstanding on 31 December 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.

Exploration loan Noreco Norway AS
Noreco Norway AS has an exploration loan. The basis for utilisation of the exploration loan facility is 70 percent of exploration losses which are entitled to 78 percent tax refund from the Norwegian tax authorities. The loan has a cross default clause, which is limited to borrowings within Noreco Norway. As of 31 December 2015 the amount outstanding was NOK 110 million. The loan holds interest rate of NIBOR 3 months plus 2.5% margin with quarterly interest payments. A full repayment of the loan is due in December the year after drawdown.

Change of control of Noreco and delisting leads to mandatory repayment. Cross default clauses exist.

23.4 Covenants

Covenants relating to interest bearing debt after the refinancing in 2015
As stated earlier, the restructuring which included that Noreco converted NOK 1 979 million of bond debt to equity with NOK 1 218 million of bond debt remaining on amended terms, took place in march 2015. 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.

All the outstanding bonds at 31 December 2015 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, including 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.

23.5 Payment structure

Payment structure loans after refinancing (NOK million):

Year	NOR06	NOR10	Total 2016
2017	474	0	474
2018	0	156	156
Total	**474**	**156**	**630**

Interest payments after refinancing (NOK million):

Year	NOR06	NOR10	Total 2016
Interest rate	6.50 %	6.50 %	
2017	15	10	25
2018	0	2	2
Total	**15**	**12**	**27**

As described in note 23.2 and 23.3, 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.

23.6 Assets pledged as security for interest bearing debt

(NOK million)	2016	2015
Collateralised debt (net book value)		
Bond loans (current and non current part, ref. note 23.1)	530	832
Exploration loan (ref. note 23.1)		110
Total collateralised debt	**530**	**942**
Capitalised value in the consolidated accounts of assets pledged as securities		
Property, plant and equipment	12	2
Receivable	510	521
Tax receivable	9	470
Cash at bank	93	630
Total capitalised value	**624**	**1 623**

Specification of assets pledged as securities per bond/loan:

(NOK million)	2016	2015
Bond loan NOR10		
Property, plant and equipment	12	2
Receivable	510	521
Cash at bank	85	352
Total	**607**	**875**
Bond loan NOR06		
Tax receivable	377	351
Cash at bank	8	278
Total	**385**	**629**
Exploration loan		
Tax receivable		119
Total	-	**119**

24 Trade payables and other payables

(NOK million)	2016	2015
Trade payable *	7	3
Liabilities to operators relating to joint venture licences *	24	101
Accrued interest *	14	17
Employee bonus/salary accruals	0	0
Public duties payable *	0	1
Other current liabilities *	22	39
Total trade payable and other payables	**67**	**162**

*) See note 19 for fair value disclosures

Trade and other payables held in currency

(NOK million)	2016	2015
NOK	17	31
DKK	4	47
USD	37	8
GBP	8	76
EUR		-
Total	**67**	**162**

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

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

Ageing analysis of trade payables and other current liabilities on 31 December 2015

			Due				
(NOK million)	Total	Not past due	> 30 days	30-60 days	61-90 days	91-120 days	> 120 days
Trade payable	3	1	2	0	-	-	-
Liabilities to operators relating to joint venture licences	101	26	-	75	-	-	-
Overlift of oil	0	0	-	-	-	-	-
Accrued interest	17	17	-	-	-	-	-
Employee bonus/salary accruals	0	0	-	-	-	-	-
Public duties payable	1	1	0	0		-	-
Other current liabilities	39	38	1	-	-	-	-
Total	**162**	**82**	**4**	**76**	**-**	**-**	**-**

25 Share-based compensation

The Group established an option program in January 2008. The purpose of the program was to establish a long-term incentive program for employees. During 2015 the options program was discontinued in Noreco Norway. All remaining options for the employees in Norway were cancelled and the remaining cost booked in Q4 2015. The options issued to Danish employees remain open active until future expiry dates.

Total share options and bonus shares outstanding as at 1 January 2015	1 452 556
Adjustment of options/bonus shares due to reverse split 15 May 2015	-1 438 030
Share options and bonus shares forfeited by employees due to the discontinuation of the options program	-13 508
Outstanding at 31 December 2015	1 018
Share options granted in 2016	200 000
Share options and bonus shares forfeited by employees due to the discontinuation of the options program	-366
Outstanding at 31 December 2016	**200 652**

Grants	Exercise price	Outstanding share options and bonus shares at 31.12.2016	Average remaining Contractual term	Weighted average exercise price
Share options programme 2013	41 100	25	1.18	41 100
Share options programme 2014	1 600	627	2.32	1 600
Share options programme 2016	42	200 000	1.18	42
Total		**200 652**	**1.18**	**52**

26 Guarantees

Overview of issued guarantees on 31 December 2016

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. It is still in existence but only now relevant insofar as participation in Lulita is concerned

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

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

27 Interest in jointly owned assets

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

The Group holds the following licence equities on 31 December:

2016

Licence	Field	Country	Ownership share
1/90	Lulita	Denmark	10.0 %

28 Contingencies and commitments

Contingent assets

Zidane contingent payment

As part of the disposal of PL435 (the Zidane discovery), Noreco through its subsidiary Noreco Norway AS is entitled to a contingent payment when a PDO for the Zidane 2 discovey is approved by authorities. 15 February 2017 Noreco announced that a success payment of USD 14.32 million is expected upon approval by the authorities of the Dvalin PDO. The license partners all acceded the PDO by January 3rd 2017. Final approval by the authorities was announced on March 23, 2017.

Based on the data and volumes Noreco has been presented and expert second opinions, the number due to Noreco is USD 14.32 million. This means that NOR06 bondholders would receive approximately NOK 36 million according to the amended bondholder agreement of March 16, 2016.

The contingent payment is not recognised in the accounts on 31 December 2016 but will be taken into account by Q1-2017.

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

In December 2016 the court ruling on the Siri Insurance Claims was announced. The Maritime and Commercial High Court in Copenhagen ruled in favour of the claimants (Noreco and its partners; Awilhelmsen Special Opportunities AS and QVT Financial LP) an amount to approximately USD 470 million, including interest. Of the total amount, Noreco is entitled to approximately USD 270 million. In January 2017 it was announced that the counter parties had appealed the ruling and in March 2017 Eastern High Court informed that it had accepted to handle the appeal by the insurance companies.

The book value of the receivable relates to costs incurred to prevent further damage, and loss of production income in 2009/2010. Based on the above ruling the company remains firm that the claim is covered at an amount significant exceeding the amount recognized in the accounts.

Contingent liabilities

Sale of producing assets and abandonment guarantees

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

Nini/Cecilie abandonment guarantee

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

Huntington abandonment guarantee

Following a notice of default in Noreco Oil UK, the other partners exercised their rights to acquire Noreco's participating interest in the Huntington license for no consideration. According to the JOA the liabilities of the company as at the date of default remains with the company. In December 2016 Noreco's fully owned subsidiary Noreco Oil UK Limited entered into an agreement to transfer its 20% participating interest in the Huntington license with all rights and obligations to Premier Oil E&P UK Limited. As the pending final approval from authorities is considered a formality, the transaction has been accounted for in the accounts. Abandonment obligations before the transaction amounted to NOK 244 million.

An ongoing challenge of Noreco Oil Denmark A/S's taxable income for 2011, was announced in 2015, related to the sale of the Syd Arne field. Noreco initially challenged the reassesment and received updated ruling where Danish authorities are claiming payment of USD 5.7 million plus interest. The amount has been accounted for but Noreco has challanged the ruling.

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

29 Related party transactions

The Noreco Group is renting offices from Riulf Rustad at a cost of 48.000 pr month. The agreement is assumed to be at arm's length.

The Group did not have any other transactions with any other related parties during 2016. Director's fee paid to shareholders and remuneration to management is described in Note 9.

30 Supplementary oil and gas information (unaudited)

In 2014 the Group reported oil, gas and NGL reserves according to the guidelines given in the Stock Exchange circular no. 1/2013. The report was included as a separate separate section in the annual report in 2014. As reported previously Noreco has deposed of the vast majority of its Oil and Gas business. Consequently Noreco effectively no longer is an E&P company and will as such no longer have any reserves. However due to protecting the main assets the group has maintained a 10% share in the Dansih field Lulita.

The reserves for Lulita, are shown below using the figures from the audited 2014 Reserves Report adjusted for the production in 2015 and 2016.

Total reserves as of 31.12.2016

1P	Liquids (mill bbl)	Gas (bscf)	mill boe	Interest %	Net mill boe
Lulita	0.18	1.23	0.39	10.00	0.04
Total					**0.04**

2P	Liquids (mill bbl)	Gas (bscf)	mill boe	Interest %	Net mill boe
Lulita	0.43	1.93	0.77	10.00	0.08
Total					**0.08**

31 Subsequent events

Since the beginning of the year the following notable events should be mentioned.

The Insurers appealed the ruling to the Danish Supreme Court. However, this was dismissed. The Insurers subsequently appealed to the Eastern High court, which accepted the appeal, as expected, as according to Danish law you have the right to have a case tried in front of two courts. The complete written appeal is due by 1 June, 2017.

The Dvalin plan for development was approved by the Norwegian authorities, resulting in a success payment due to Noreco from OMV of USD 14.32 million by end April 2017.

AUDITOR'S REPORT

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To the General Meeting of Norwegian Energy Company ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The financial statements of the group, which comprise the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

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

Insurance claim – Existence and Valuation of the Receivable and relevant disclosure
Reference Note Disclosure: 17

The key audit matter	*How the matter was addressed in our audit*
The Company has an insurance claim related to damage of Siri platform that was discovered in 2009. The total claim exceeds NOK 2 billion (Noreco's share) of which NOK 510 million is recognised in the Statement of Financial Position. The claim has been pending court ruling. The amount represents a large part of the total assets in consolidated financial statements as of 31 December 2016. The court hearing was initialed during the year with the ruling given on 15 December 2016. Given the significance of the receivable amount as well as the uncertainty around the outcome of the claim, we regard this as a key audit matter. Based on the ruling, the company has won the insurance case, but the counterparty appealed the verdict. As such, Management has not recognised any additional recievable in Statement of Financial Position compared to 2015 and have also classified the existing receivable as long term asset.	Our audit procedures include, among others: • Obtaining a copy of the court ruling in order to confirm the outcome of the court ruling. • Assessing the classification of the asset (long term vs short term) and challenging management on any potential recognition of additional receivable following the favourable ruling, citing conditions of virtual certainty stipulated by the applicable accounting standards. • Obtaining legal assessment from the Company's external legal counsel on the merits of the case which support management's position. • Assessing the appropriateness of the relevant disclosure note in the financial statements ensuring these adhere to the applicable accounting standards.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 27 April 2017
KPMG AS

Mads Hermansen
State Authorised Public Accountant

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 2016.

To the best of our knowledge, we confirm that:

- the Norwegian Energy Company ASA consolidated annual financial statements for 2016 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.

27 April 2017

Riulf Rustad
Chair of the board

Silje Augustson
Group CEO

Lars Purlund
Board member

Marianne Lie
Board member

Tone Kristin Omsted
Board member

John P. Madden
Board member

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