FOURTH QUARTER
2013

REPORT FOR THE FOURTH QUARTER 2013

NORWEGIAN ENERGY COMPANY ASA

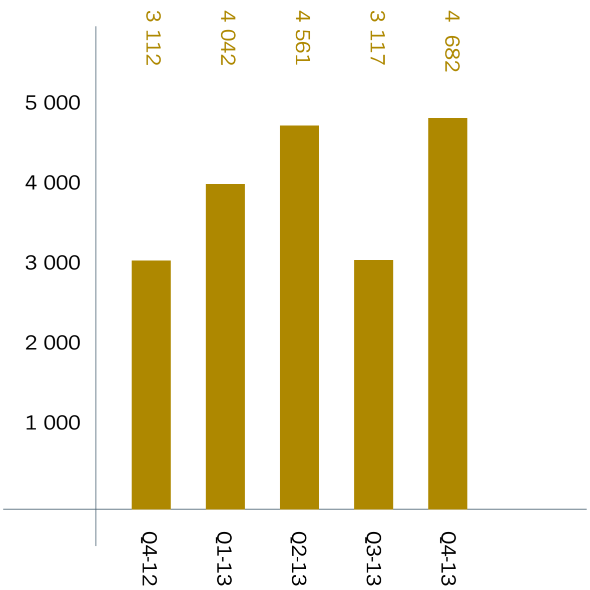
HIGHLIGHTS

- New equity of NOK 530 million and restructuring of all debt has given Noreco a significantly improved financial foundation for continued value creation.
- Increasing production but continued periods of significant operational irregularities in the fourth quarter and so far in 2014. Production levels and cash flow from these fields are key for continued success.
- Average production in the fourth quarter 2013 was 4 682 barrels oe per day. Realised oil price was USD 97.8 per barrel oe (USD 108.4 per barrel of oil). Daily average production for all of 2013 was 4 099 barrels oe per day and realised oil price was USD 101.8 per oe (USD 108.1 per barrel of oil).
- Thorough preparation completed for drilling the operated Verdande well in the first quarter. The first appraisal on the Lundin-operated Gohta discovery is planned to spud in the second quarter of 2014.
- Noreco was offered five licences in the APA 2013, two as operator. The new licences were selected in line with company strategy to concentrate its efforts in mature areas with lower geological risks, and along existing geological producing trends.
- Revenues in the fourth quarter 2013 were NOK 255 million. Profit after tax was NOK 339 million after recognition in the profit and loss accounts as net gain of restructuring of bond debt of NOK 523 million. Revenues for the year 2013 were NOK 894 million and loss after tax was NOK 1 008 million.

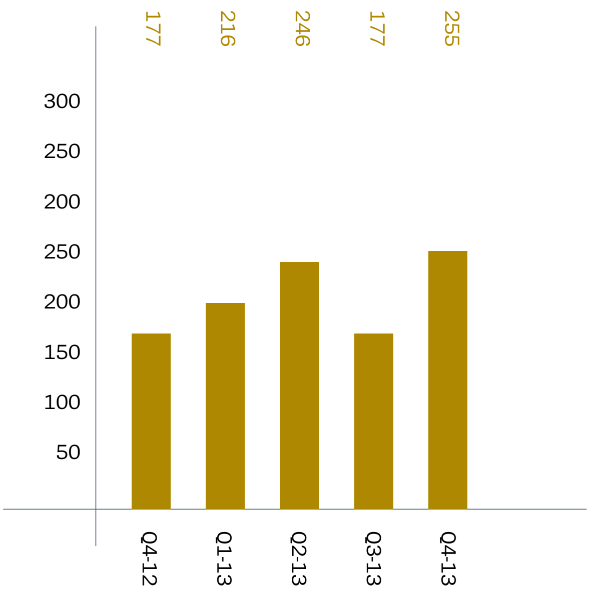
KEY FIGURES

	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12
Net realised oil price *(USD/boe)*	97.8	102.0	102.5	106.3	107.9
EBITDA *(NOK million)*	55.5	(284.5)	(45.3)	(165.5)	(452.4)
Net results *(NOK million)*	338.6	(569.4)	(504.0)	(272.9)	(193.8)
Total assets *(NOK billion)*	6.2	6.9	7.5	7.9	7.9

Production *(boe/d)*



Operating Income *(NOK million)*



HEALTH, SAFETY, ENVIRONMENT AND QUALITY (HSEQ)

Noreco did not operate drilling operations in the fourth quarter of 2013. No serious HSEQ incidents related to Noreco operated activities have been reported in the fourth quarter.

Noreco is conducting emergency preparedness training and preparing emergency plans ahead of the drilling of the Verdande well in PL484, where Noreco is the operator. Drilling is planned for the first half of 2014.

PRODUCING FIELDS

The Noreco Group's average production in the fourth quarter of 2013 was 4 682 barrels of oe per day. Realised oil price per barrel oe was USD 97.8 per barrel oe compared to USD 107.90 per barrel oe in the fourth quarter 2012. For the year 2013, average production was 4 099 barrels of oe per day.

The Huntington field has been on stream since April 2013. Following commisioning of the gas compression and hydrocarbon blanketing facilities, plateau production rates of 32 000 boepd (6 400 boe per day net to Noreco) were achieved in early September. From September until the middle of December the production was restricted due to operational problems in the Central Area Transmission System (CATS) export pipeline. From the middle of December very poor winter weather has occasionally prevented shuttle tankers connecting to the production unit, thereby preventing offloading from the production unit to shuttle tankers. The average Huntington production for the fourth quarter 2013 was 3 637 barrels boe net to Noreco. Good reservoir performance and production leves above the expected plateau have been documented in the period.

The production from Oselvar has been stable since production was re-established on 1 October 2013, and the average production in the fourth quarter was 850 barrels oe per day. It is expected that the Oselvar production will decline towards a normalised 600-700 barrels oe per day level.

Production at the Nini field (comprising of Nini and Nini East) and Cecilie has been shut in since July 2013 due to damages to the host platform Siri. The operator has scheduled repair work for the the third quarter 2014, after which production from the entire area is expected to resume. In the meantime Nini and Cecilie will be able to produce with a temporary solution by loading the produced oil directly to a tanker. This solution is however expected to be less stable than normal production. Nini restarted production early February 2014, and Cecilie is expected to restart in the second quarter 2014, after necessary repair- and maintenance work to one of the compressors at the process facility on the Siri platform has been completed.

The Lulita field production restarted in September 2013 after having been shut down since April 2013. The field is producing at a higher level than expected. Average production in the fourth quarter 2014 was 196 barrels oe per day, but for January 2014 the field achieved a production rate of 368 oe per day net to Noreco.

The Enoch field was closed also during the fourth quarter. The maintenance work at the field has been completed, and we are now awaiting hook-up and inspection of the pipeline. Production start is expected in Q2 2014 at the earliest.

EXPLORATION

Exploration focus in the fourth quarter has been on further maturation of PL492 where the Gohta discovery was made, as well as further maturation of the licence portfolio. In addition, thorough preparation and training related to the PL484 Verdande well that Noreco operates was carried out.

Noreco's preliminary analysis of the PL492 Gohta discovery shows that this is a potentially considerable commercial discovery. There is however substantial uncertainty which needs to be addressed through appraisal drilling. The operator estimates the resource potential to 111-232 mmboe. The plan for 2014 is to drill at least one appraisal well and reprocess 3D seismic, as well as conduct reservoir studies to reduce the uncertainty.

Licences P1650 Crazy Horse and P1658 Scotney in the UK plus PL563 Grindhval and the Southern part of PL360 along with PL360B in Norway were relinquished in the fourth quarter. The latter two contained the Lupin prospect which was drilled in the first quarter 2013, and was dry.

BUSINESS DEVELOPMENT

Noreco has entered into an agreement with Total E&P UK to transfer the operatorship and sell a 35 percent equity in licence P2032 Valleys on the UK Continental shelf. After this transaction Noreco will hold a 15 percent interest in the licence. According to the agreement Total will carry Noreco's share of seismic costs.

If the licence partnership decides to drill an exploration well on the licence, Total will cover all drilling costs for Noreco. The agreement is effective from 1 December 2013. The transaction is contingent upon government approval. The existing carry agreement with the partner Trap Oil is still in force, leaving Noreco with a 6.25 per cent paying equity interest in the licence.

On the Norwegian Continental Shelf the sales agreement between Noreco and Explora Petroleum AS regarding transfer of 10% equity on PL484 Verdande was completed on 15 January 2014.

REFINANCING AND SHAREHOLDER RELATIONS

In the fourth quarter 2013 and January 2014, Noreco raised NOK 530 million in new equity through a private placement and a subsequent offering for the company's shareholders with less than 1 million shares. Simultaneously, the company's bond debt was restructured and the Reserve based lending facility (RBL) was paid off in full. With the exception of the subsequent offering of NOK 100 million, the effects of this refinancing is reflected in the company's income statement and balance sheet by year end 2013. The restructuring of the bonds resulted in a gain of NOK 523 million recorded in the financial accounts.

After the subsequent issue in January and the share issue to employees in February, the total number of issued shares in the listed parent company Norwegian Energy Company ASA is 5 658 485 084, with a face value of NOK 0.10.

On 4 February 2014 Noreco held an extraordinary general meeting and the following persons were elected as the company's shareholder elected members of the board of directors: Morten Garman (chairman), Hilde Drønen, Marika Svärdström, Erik Henriksen and David Gair. Employee elected representatives and deputy members were not up for election.

The Board would like to thank former chairman Ståle Kyllingstad and board member Eimund Nygaard for their work for the company.

GROUP FINANCIALS

The Noreco group had revenues of NOK 255 million in the fourth quarter 2013, an increase of 44.1 percent compared to the fourth quarter 2012. All producing fields incurred operational issues in the quarter (see above).

Production expenses in the fourth quarter were NOK 139 million, compared to NOK 63 million for the same quarter last year. The increase is primarily due to the commencement of the Huntington field and increased costs in the Siri area. Costs related to the FPSO lease on the Huntington field are included from September onwards. Significant production costs in Denmark are fixed costs. Extra costs have also incurred in relation to inspection and securing of the Siri-platform, which gives a higher allocation of costs to other fields tied up to Siri (Siri fairway). This caused the production costs to be at a high level in Denmark in the fourth quarter, even though there was no production from the Siri fairway fields in the same period. In addition, the company incurred NOK 15 million in costs related to maintenance- and commissioning work at the Enoch field.

Exploration and evaluation expenses amounted to NOK 9 million for the fourth quarter, compared to NOK 508 million in the fourth quarter 2012. No drilling operations were ongoing in this quarter in 2013. Further, no previously capitalised costs were written off in the quarter. In the fourth quarter 2012, there was high drilling activity and significant write offs of drilling costs which previously had been capitalised.

Payroll expenses were NOK 23 million in the fourth quarter, down from NOK 40 million in the fourth quarter last year, and NOK 29 million the previous quarter. The reduction from the previous quarter is mainly due to the discontinuance of the defined pension plan for employees in the Norwegian entities which triggered the reversal of the pension obligation previously recognised.

Other operating expenses amounted to NOK 20 million for the fourth quarter, compared to NOK 33 million for the same period last year, and NOK 25 million in the third quarter 2013. The reduction is mainly related to less use of external consultants.

EBITDA (earnings before interest, tax, depreciation and amortisation) in the fourth quarter 2013 was positive by NOK 56 million, compared to a negative EBITDA of NOK 452 million in the fourth quarter 2012. The reduction is mainly due to significantly lower exploration cost in the fourth quarter compared to the same quarter in 2012.

Depreciation amounted to NOK 99 million in the fourth quarter, up from NOK 56 million for the fourth quarter 2012. The depreciation follows the production. The increase is mainly due to production at the Huntington field, which did not produce in the fourth quarter 2012.

Write-downs are net positive and amounted to NOK 2 million before tax and negative NOK 11 million after tax for the fourth quarter 2013. The amount is a combination of the following write-downs and reversal of previously recorded write-downs:

Goodwill related to business in United Kingdom – write-downs of NOK 44 million (equal amount before and after tax). Oselvar – write-downs of NOK 12 million (NOK 3 million after tax). Enoch – reversed by NOK 12 million (NOK 3 million after tax). Danish fields tied to the Siri platform (Cecilie and Nini) – reversed by NOK 45 million (NOK 34 million after tax). See note 9 and 10 in the interim financial report for details related to the impairment test.

Net financial items was positive with NOK 383 million for the fourth quarter, compared to a negative amount of NOK 134 million for the fourth quarter 2012. A gain of NOK 523 million relating to the refinancing of the bonds has been included in net financial items for the current quarter. The refinancing was accounted for as an extinguishment of debt in accordance with IFRS as the terms of the new bond agreements were considerably changed compared to the old bond agreements. The new loans are recognised in the balance sheet at market value at the time of the agreements. As a consequence a gain on settlement of the old debt was recognised. The gain is net of transaction costs related to the refinancing of the old bonds amounting to NOK 47 million. See further information in notes 7 and 13.2.

Taxes amounted to an expense of NOK 3 million for the fourth quarter. This corresponds to an average tax rate of 1 percent. The net income is significantly impacted by the refinancing, where new bond loans are recognised at fair value at the time of issue. Due to not recognised deferred tax asset in Norwegian Energy Company ASA, this transaction has a marginal influence on the income tax for the quarter. Noreco operates in three countries and hence several tax regimes. The tax rate represents the weighted average in relation to the results from the various subsidiaries.

Net result for the fourth quarter was NOK 339 million, compared to a loss of NOK 194 million for the fourth quarter 2012.

The book value of licence costs and **capitalised exploration expenditures** at the end of the fourth quarter amounted to NOK 743 million, with deferred tax of NOK 456 million. This consists primarily of the non-developed discoveries Huntington Fulmar in the UK and the Gohta discovery in the Barents Sea.

Noreco and its partners in the Huntington licence P1114 are currently assessing alternative solutions for the Fulmar reservoir. This work is expected to continue through the coming quarters. The book value of Fulmar is NOK 576 million and NOK 240 million net of deferred tax. Huntington Fulmar is included in a combined cash generating unit for the Huntington licence when performing the impairment test. Any negative changes of assumptions will firstly impact the goodwill values before other book values are affected. If the assessment of commercial potential is changed, it could result in a write-down of exploration expenditure recognised in the balance sheet.

The Gohta discovery is, as mentioned, under evaluation. The discovery's book value on 31 December amounts to NOK 134 million. Net of deferred tax, the book value is NOK 29 million.

Trade receivables and other current assets amount to NOK 551 million at the end of the quarter. This includes the company's receivables from the insurance settlement after the events at the Siri platform in 2009 (see note 11 in the interim financial report). Updated technical documentation which supports Noreco's claim was presented to the insurers November 2013. Noreco has withdrawn the standstill agreement with the insurance companies and has started negotiations regarding a settlement. Negotiations are still ongoing, but have so far not led to a satisfactory solution for the case. As such Noreco filed the writ to the Danish courts on 14 February 2014. Negotiations continue in parallel with the legal process.

At the end of fourth quarter Noreco had a total of restricted cash, – **cash and cash equivalents** of NOK 978 million, of which NOK 570 million are restricted and set aside as security for abandonment obligations related to the company's producing fields in the Siri area. Free cash at the end of the quarter amounted to NOK 403 million. See note 12 for further information.

Interest-bearing debt, excluding exploration loans, had a book value of NOK 2 480 million (principal amount NOK 3 102 million) at the end of fourth quarter 2013, compared to NOK 3 311 million (principal amount NOK 3 401 million) one year earlier. The group's exploration loan amounted to NOK 333 million at the end of the quarter, compared to NOK 573 million at the end of the fourth quarter 2012. Total interest-bearing debt had a book value at NOK 2 813 million, of which NOK 874 million is classified as current liabilities.

ORGANISATION

At the beginning of 2013 Noreco had 69 employees. The number of employees has been reduced to 56 employees, of whom 2 employees are in their resignation period. The number of full time consultants has in the same period been reduced from 10 to 7. Sick leave for the fourth quarter was 2.3 percent, and 1.5 percent for the full year.

OUTLOOK

After two successful share issues, restructuring of all outstanding bond debt and down payment of the Reserve based lending facility, Noreco has established a significantly improved financial foundation for continued value creation related to exploration and production licences in the North Sea and the rest of the Norwegian Continental Shelf. The company's liquidity position going forward will however be heavily dependent on production from Huntington and the other fields developing as predicted, and that oil price and the exchange rate between USD and NOK stay at levels near the present.

With the Huntington field on-stream, Noreco's production capacity has more than doubled. A plateau production level at Huntington of above 6 400 boe per day net to Noreco has through 2013 been confirmed, although daily production has continued to fluctuate in 2014, mainly due to weather conditions. Experience has shown that field uptime can be impacted by events outside the company's control, for instance by bad weather and restrictions in the British gas pipe line system (CATS).

In Denmark, the operator is planning to repair the Siri platform in the third quarter 2014. A temporary solution is in place for the Nini and Cecilie fields. These are however also exposed to weather conditions. Unstable production regularity is therefore expected until the final repairs at the Siri platform are in place. Nini restarted production early February. Cecilie is not expected to be back on stream until the second quarter 2014, as a consequence of necessary repair and maintenance work on one of the compressors at the processing facility on the Siri platform. The Enoch field is also expected to come back on stream during the second quarter.

The Oselvar and Lulita fields restarted in October 2013. They have both produced well in the period after the start up.

Noreco's drilling programme comprises three confirmed wells. Drilling at the Verdande licences has been somewhat delayed due to rig availability, but is expected to be spudded in the first quarter 2014. The appraisal well currently being planned at Gohta in the second quarter is very important to determine the potential of this discovery. The Xana well in Denmark is expected to start in October 2014.

Noreco works to optimise the licence portfolio in order for the future drilling programme to reflect the company's desired equity level and risk-reward balance, alongside running the company within an acceptable financial framework. The good awards in the APA 2013 contribute towards the targeted development of Noreco's licence portfolio.

STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED

NOK million	Note	Unaudited Q4 2013	Unaudited Revised(1) Q4 2012	Unaudited YTD 2013	Unaudited Revised(1) YTD 2012
Revenue	**2**	**255**	**177**	**894**	**832**
Production expenses		(139)	(63)	(430)	(244)
Exploration and evaluation expenses	3,9	(9)	(508)	(666)	(1 188)
Payroll expenses	4	(23)	(40)	(127)	(134)
Other operating expenses	5	(20)	(33)	(95)	(114)
Other (losses)/ gains	6	(7)	14	(15)	32
Total operating expenses		**(199)**	**(629)**	**(1 333)**	**(1 649)**
Operating results before depreciation and amortisation (EBITDA)		**56**	**(452)**	**(440)**	**(817)**
Depreciation	10	(99)	(56)	(319)	(269)
Write-downs and reversals of write-downs	9,10	2	(153)	(1 211)	(421)
Net operating result (EBIT)		**(41)**	**(662)**	**(1 969)**	**(1 508)**
Financial income	7,13	536	12	570	76
Financial expenses	7	(153)	(146)	(556)	(562)
Net financial items		**383**	**(134)**	**15**	**(486)**
Result before tax (EBT)		**342**	**(796)**	**(1 954)**	**(1 994)**
Income tax benefit / (expense)	8	(3)	602	947	1 401
Net result for the period		**339**	**(194)**	**(1 008)**	**(593)**
Other comprehensive income (net of tax):					
Items not to be reclassified to profit or loss in subsequent periods					
Remeasurement of defined benefit pension plans		0	0	0	3
Total		0	0	0	3
Items to be reclassified to profit or loss in subsequent periods					
Cash flow hedge		1	(2)	7	(11)
Discontinued cash flow hedge		4	0	4	0
Currency translation adjustment		37	(56)	264	(201)
Total		42	(58)	274	(212)
Total other comprehensive income for the period (net of tax)		**42**	**(58)**	**274**	**(209)**
Total comprehensive income for the period (net of tax)		**381**	**(252)**	**(733)**	**(802)**
Earnings per share (NOK 1)					
Basic		0.21	(0.61)	(1.49)	(2.26)
Diluted		0.18	(0.61)	(1.49)	(2.26)

1) See note 1 for description of the revision of the 2012 figures

STATEMENT OF FINANCIAL POSITION

CONSOLIDATED

NOK million	Note	Unaudited 31.12.13	Unaudited Revised[1] 31.12.12	Unaudited Revised[1] 01.01.12
Non-current assets				
Licence and capitalised exploration expenditures	9	743	819	1 250
Goodwill	9	174	497	656
Deferred tax assets	8	293	105	610
Property, plant and equipment	10	3 087	3 991	4 297
Restriced cash	12,15	500	0	0
Total non-current assets		**4 797**	**5 411**	**6 813**
Current assets				
Tax refund	8	378	1 339	506
Derivatives	15	1	7	27
Trade receivables and other current assets	11,15	551	564	834
Restriced cash	12,15	74	20	17
Bank deposits, cash and cash equivalents	12,15	403	584	671
Total current assets		**1 408**	**2 515**	**2 055**
Total assets		**6 205**	**7 926**	**8 868**
Equity				
Share capital	18	466	1 097	756
Other equity		1 284	931	1 671
Total equity		**1 750**	**2 028**	**2 427**
Non-current liabilities				
Deferred tax	8	953	1 245	1 991
Pension liabilities		0	7	16
Asset retirement obligations	17	327	323	298
Bond loan	13	1 939	0	2 318
Other interest bearing debt	13,15	0	243	293
Total non-current liabilities		**3 220**	**1 818**	**4 916**
Current liabilities				
Bond loan	13,15	541	2 779	643
Other interest bearing debt	13,15	333	862	421
Derivatives	13,15	4	11	0
Tax payable	8	13	51	180
Trade payables and other current liabilities	14,15	343	376	281
Total current liabilities		**1 235**	**4 080**	**1 526**
Total liabilities		**4 455**	**5 898**	**6 441**
Total equity and liabilities		**6 205**	**7 926**	**8 868**

1) See note 1 for description of the revision of the 2012 figures.

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

Unaudited NOK million	Share capital	Currency translation fund	Hedging reserve	Other equity	Total equity
2012					
Equity at 01.01.2012 as reported in annual report 2012	**756**	**138**	**0**	**1 534**	**2 428**
Retrospective adoption of IAS19R adjustment				(1)	(1)
Equity at 01.01.2012	**756**	**138**	**0**	**1 533**	**2 427**
Net result for the period				(593)	(593)
Other comprehensive income for the period (net of tax)					
Currency translation adjustments		(201)			(201)
Remeasurement of defined benefit pension plans				3	3
Cash flow hedge			(11)		(11)
Total comprehensive income for the period (net of tax)	**0**	**(201)**	**(11)**	**(590)**	**(802)**
Transactions with owners					
Proceeds from share issued	341			66	407
Issue cost				(18)	(18)
Share-based incentive program				14	14
Total transactions with owners for the period	**341**	**0**	**0**	**62**	**403**
Equity at 31.12.2012	**1 097**	**(64)**	**(11)**	**1 005**	**2 028**
2013					
Equity at 01.01.2013	**1 097**	**(64)**	**(11)**	**1 005**	**2 028**
Net result for the period		0		(1 008)	(1 008)
Comprehensive income for the period (net of tax)					
Remeasurement of defined benefit pension plans	-	-	-	0	0
Currency translation adjustments	-	264	-	-	264
Cash flow hedge	-	-	7	-	7
Discontinued cash flow hedge	-	-	4	-	4
Total comprehensive income for the period (net of tax)	**0**	**264**	**11**	**(1 007)**	**(733)**
Transactions with owners					
Proceeds from share issued	437	-	-	2	439
Issue cost	-	-	-	(13)	(13)
Capital reduction	(1 068)	-	-	1 068	0
Equity component of convertible bond	-	-	-	16	16
Share-based incentive program	-	-	-	13	13
Total transactions with owners for the period	**(631)**	**0**	**0**	**1 086**	**455**
Equity at 31.12.2013	**466**	**200**	**0**	**1 084**	**1 750**

STATEMENT OF CASH FLOWS

CONSOLIDATED

NOK million	Unaudited YTD 2013	Unaudited YTD 2012
Net result for the period	(1 008)	(593)
Income tax benefit	(947)	(1 401)
Adjustments to reconcile net result before tax to net cash flows from operating activities:		
Tax paid	(64)	(166)
Tax refunded	1 351	516
Depreciation	319	269
Write-downs and reversal of write-downs	1 211	421
Expensed exploration expenditures previously capitalised	556	995
Share-based payments expenses	13	14
(Gain) / loss on sale of licences	0	(54)
Impact from termination of defined benefit pension plan	(7)	0
Loss related to discontinued cash flow hedge	4	0
Unrealised loss / (gain) related to financial instruments	5	20
Paid/received interests and borrowing cost - net	431	384
Gain on extinguishment of debt	(569)	0
Interests received	28	24
Effect of changes in exchange rates	13	7
Loss on repurchase of bonds	3	0
Amortisation of borrowing costs	82	48
Accreation expense related to asset retirement obligations	25	27
Changes in working capital		
Changes in trade receivable	33	39
Changes in trade payables	20	3
Changes in other current balance sheet items	(24)	352
Net cash flow from operations	**1 476**	**905**
Cash flows from investing activities		
Purchase of tangible assets	(49)	(486)
Purchase of intangible assets	(412)	(649)
Establishment of security account for abandonment obligation in Denmark	(570)	0
Net cash flow used in investing activities	**(1 031)**	**(1 136)**
Cash flows from financing activities		
Issue of share capital	439	407
Paid issue cost	(4)	(18)
Proceeds from issuance of bonds	300	500
Proceeds from utilisation of exploration facility	345	597
Proceeds from utilisation of reserve based facility/other	0	456
Repayment of bonds	0	(649)
Repayment of exploration facility	(573)	(454)
Repayment of reserve based facility	(581)	(228)
Repurchase own bonds	(50)	0
Paid borrowing cost	(61)	(62)
Interest paid	(440)	(407)
Net cash flow from (used) in financing activities	**(626)**	**143**
Net change in cash and cash equivalents	**(181)**	**(87)**
Cash and cash equivalents at the beginning of the year	584	671
Cash and cash equivalents at end of the quarter	**403**	**584**

NOTES

1 Accounting principles

Basis for preparation
The interim condensed consolidated financial statements for the fourth quarter and the full year of 2013 comprise Norwegian Energy Company ASA (NORECO) and its subsidiaries. These consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and The Norwegian Securities Trading Act § 5 – 6.

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

Going concern
The Board of Directors confirms that the consolidated interim financial statements have been prepared under the presumption of going concern, and that this is the basis for the preparation of these interim financial statements. The financial solidity and the company's cash position at 31 December 2013 was considered satisfactory in regards of the planned activity level in 2014. However, the company is highly dependent on production from Huntington and the other fields during 2014 to be able to meet the future obligations.

Reference to summary of significant accounting policies
This interim financial statement is prepared using the same accounting principles as the annual financial statement for 2012, except for the changes and additions as described below. For the full summary of significant accounting policies, we refer to the annual financial statement for 2012.

Revision of comparable numbers for 2012
Description and explanation of the revisions that were made to the 2012 figures are to be found in the interim financial report for the fourth quarter 2012. Effects of new standards which also are incorporated in figures for 2012 are described below. Certain other amounts in the comparable period have also been revised to conform to current period presentation.

Additions to the accounting policies
As a consequence of the refinancing the accounting policies for compound financial instruments has been updated:

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

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or 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, such an exchange or modification is treated as the derecognition 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 in such a process is treated as 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.

New standards, interpretations and amendments adopted by Noreco at 1 January 2013
Noreco has adopted the following changes as of 1 January 2013:
IAS 19 - Employee benefits - amended June 2011 concerning defined benefits plans
IAS 1 - Presentation of Financial statements - change regarding presentation of items in other comprehensive income
IAS 1 - Presentation of Financial statements - clarification of the requirement for comparative information
IFRS 13 - for Fair value measurement

Noreco has chosen not to early adopt IFRS 10, 11, 12 and the changes in IAS 27 and 28. These standards and changes will be adopted from 1 January 2014.

For more comments regarding the new standards that will be adopted in the coming years, we refer to note 2.1.1 in the annual financial statements for 2012.

IAS 19 - Employee benefits - Pension
Effective 1 January 2013, Noreco has utilised IAS 19 Benefits to employees (June 2011) ("IAS 19R") and altered the basis for calculation of pension liabilities and pension costs. The company has previously applied the "corridor" method for accounting of unamortised estimate deviations. The corridor method is no longer allowed and, in accordance with IAS 19R, all estimate deviations are to be recognised under other comprehensive income (OCI). The corridor at 1 January 2012, which amounted to NOK 5.3 million, has been reset to zero. Pension liabilities increased correspondingly at 1 January 2012, whereas the equity was reduced by NOK 1.2 million (after tax).

Return on pension plan assets was previously calculated on the basis of a long-term expected return on the pension plan assets. Due to the application of IAS 19R, the net interest cost of the period is now calculated by applying the discount rate applicable to the liability at the start of the period on the net liability. Thus, the net interest cost comprises interest on the liability and return on the pension plan assets, both calculated with the discount rate. Changes in net pension liabilities due to premium payments and pension benefits are taken into consideration. The difference between actual return on the pension plan assets and the recognised return is recognised against the OCI on an ongoing basis. The pension cost in 2012, recognised in accordance with the prior principles, amounted to NOK 14.8 million.

As a consequence of the altered principle for handling of unamortised estimate deviations and calculation of net interest cost, the recognised pension cost increased to NOK 15.0 million, whereas an estimate deviation in the amount of NOK 2.9 million was charged to other comprehensive income. The pension liability at 31 December 2012 decreased to NOK 7.1 million. IAS 19 R has been applied retrospectively, and the corresponding figures have changed. As the net pension liability for Noreco is considered immaterial compared to the rest of the balance sheet, a new actuary report is only adopted once a year for the fourth quarter, to the extent that there are no special triggers that will change the calculation significantly. As such the entire remeasurement of defined benefit pension plans for the full year is recognised in the fourth quarter, and the adoption impact for 2012 is also included in the statement of comprehensive income in the fourth quarter 2012.

The adoption impact and retrospective adoption have the following impacts on the comprehensive income for 2012, and the openings and closing statement of financial positions for 2012:

Consolidated statement of comprehensive income(NOK million)	YTDQ4 2012	2012
Payroll expenses	(0)	(0)
Remeasurement of defined benefit pension plans	3	3

Consolidated statement of financial positions	01.01.12	31.12.12
Deferred tax asset	4	(6)
Other equity	(1)	2
Pension obligation	5	(8)

In the fourth quarter 2013 Noreco changed the pension arrangement for the employees from defined benefit plan, to a defined contribution plan. Hence, the pension obligation is removed from the statement of financial positions at 31 December 2013.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The statement for other comprehensive income for 2013 is changed due to this amendment.

IFRS 13 Fair Value Measurement

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. Noreco applies fair value measurement for some assets and liabilities. Additional disclosures regarding these items are included in note 15 to these interim financial statements.

2 Revenue

(NOK million)	Q4 2013	Q4 2012	YTD Q4 2013	YTD Q4 2012
Sale of oil	218	170	828	799
Sale of gas and NGL	37	7	65	33
Total revenue	255	177	894	832

3 Exploration and evaluation expenses

(NOK million)	Q4 2013	Q4 2012	YTD Q4 2013	YTD Q4 2012
Acquisition of seismic data, analysis and general G&G costs	(17)	(15)	(95)	(113)
Exploration wells capitalised in previous years	16	(281)	(244)	(416)
Dry exploration wells this period	(3)	(198)	(311)	(579)
Other exploration and evaluation costs	(5)	(13)	(15)	(80)
Total exploration and evaluation costs	(9)	(508)	(666)	(1 188)

4 Payroll expenses

Personell expenses consists of the following:

(NOK million)	Q4 2013	Q4 2012	YTD Q4 2013	YTD Q4 2012
Salaries	(28)	(31)	(107)	(120)
Social security tax	(4)	(4)	(15)	(16)
Pensions costs	3	(4)	(4)	(15)
Costs relating to share-based payments	(2)	(3)	(13)	(11)
Other personell expenses	(1)	(1)	(3)	(3)
Personnell expenses charged to operated licenses	7	3	15	30
Total personell expenses	(23)	(40)	(127)	(134)

5 Other operating expenses

Specification of other operating expenses

(NOK million)	Q4 2013	Q4 2012	YTD Q4 2013	YTD Q4 2012
Lease expenses	(3)	(3)	(11)	(13)
IT expenses	(6)	(6)	(27)	(27)
Travel expenses	(1)	(2)	(5)	(6)
Office cost	(1)	(1)	(5)	(6)
Consultant fees	(11)	(21)	(49)	(73)
Other operating expenses	(0)	(1)	(2)	(3)
Other operating expenses charged to own operated licenses	2	1	5	13
Total other operating expenses	(20)	(33)	(95)	(114)

6 Other (losses) / gains

(NOK million)	Q4 2013	Q4 2012	YTD Q4 2013	YTD Q4 2012
Change in value, put options	(3)	(9)	(11)	(23)
Loss on discontinued cash flow hedge	(4)	-	(4)	-
Gain /(loss) on sale of assets	-	23	(0)	54
Total other (losses) / gains	(7)	14	(15)	32

(Loss) / gain per divestment	Accounting date	Q4 2013	Q4 2012	YTD Q4 2013	YTD Q4 2012
Rau	22.05.12	-	-	-	32
Romeo (farm-out)	31.12.12	-	23	-	23
Total		-	23	-	54

7 Financial income and expenses

(NOK million) Financial income	Q4 2013	Q4 2012	YTD Q4 2013	YTD Q4 2012
Interest income	5	11	24	24
Gain on extinguishment of debt (see note 13.2)	523	-	523	-
Other financial income	8	1	24	52
Total financial income	536	12	570	76

Financial expenses	Q4 2013	Q4 2012	YTD Q4 2013	YTD Q4 2012
Interest expense from bond loans	(102)	(95)	(407)	(365)
Interest expense from reserve based loan	(8)	(11)	(33)	(39)
Interest expense from exploration loan	(10)	(12)	(32)	(42)
Interest expenses current liabilities	(2)	(8)	(3)	(8)
Capitalised interest expenses	-	-	-	11
Accreation expense related to asset retirement obligations	(8)	(7)	(25)	(27)
Loss on repurchase of bonds	-	-	(3)	-
Other financial expenses	(24)	(13)	(53)	(93)
Total financial expenses	(153)	(146)	(556)	(562)
Net financial items	383	(134)	15	(486)

8 Tax

(NOK million)	Q4 2013	Q4 2012	YTD Q4 2013	YTD Q4 2012
Income (loss) before tax	342	(796)	(1 954)	(1 994)
Income tax	(3)	602	947	1 401
Equivalent to a tax rate of	1,0 %	75,6 %	48,4 %	70,3 %

The tax rate for Q4 2013 was 1.0 percent compared with 75.6 percent for the same quarter last year. The income statement for the period is significantly impacted by the refinancing of the bonds which has been recognised to fair value at the time of the issue. As Norwegian Energy Company ASA had significant balances of unrecognised deferred tax asset, this item in the income statement have only a minor impact on the income tax for the quarter.

The recognition of the deferred tax assets is based on the expectation that sufficient taxable income will be available through future taxable income in the UK. Planned restructuring of Noreco's business in the UK is included in such assessment in accordance with IAS 12.36.(d).

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

Tax refund			
(NOK million)	31.12.13	31.12.12	01.01.12
Tax refund related to Norwegian exploration activity	378	618	506
Tax refund related to discontinuing of petroleum activity in Norwegian Energy Company ASA	-	721	-
Total tax refund	378	1 339	506

Tax payable			
(NOK million)	31.12.13	31.12.12	01.01.12
Tax payable in Norway	-	-	-
Tax payable other countries	13	51	180
Total tax payable	13	51	180

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.

9 Intangible non-curent assets

(NOK million)	Licence and capitalised exploration expenditures	Goodwill	Total
Acquisition costs 31.12.2012	944	947	1 892
Presentation adjustment	(126)	-	(126)
Acquisition costs 01.01.13	819	947	1 766
Additions	412	-	412
Expensed exploration expenditures previously capitalised	(556)	-	(556)
Currency translation adjustment	68	78	146
Acquisition costs 31.12.13	**743**	**1 025**	**1 768**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 31.12.2012	126	451	576
Presentation adjustment	(126)	-	(126)
Accumulated depreciation and write-downs 01.01.13	-	451	451
Write-downs		350	350
Currency translation adjustment		51	51
Accumulated depreciation and write-downs 31.12.13	**-**	**852**	**852**
Book value 31.12.13	**743**	**174**	**917**

Impairment test Q4 2013
For detailed desciption of applied methodology for the impairment test, see note 12 to the annual financial statements for 2012.

Main assumptions applied for the impairment test on 31 December 2013:

Discount rate (after tax)	10.0 percent
Inflation	2.0 percent
Cash flow	After tax
Reserves/resources	Internal estimated reserves and resources on 31 December 2013
Oil price	Forward curve for oil price for the period 2014-2016. From 2017 the oil price is adjusted for inflation.
Currency rates	Average forward-rate for the period 2014-2017. From 2018 the average rate for 2017 is used.

Result from impairment test of goodwill at 31 December 2013

Goodwill associated with the business in United Kingdom is written down by NOK 44 million in the fourth quarter. The write down is due to updated expectation to the Huntington production and operating expenditures for the next years.

Book value of goodwill associated with the Danish and British businesses are near or equal the recoverable amounts, and change in the assumptions may require future write-downs.

Result from impairment test of Licence and capitalised exploration expenditures at 31 December 2013
A quarterly impairment test of all intangible assets has been performed. Based on consideration of progress, new information from evaluation work and other commerciality analyses regarding Noreco's suspended wells, there is no information which demand other capitalised exploration cost to be written off then the cost that relates to the dry wells that were completed and concluded in the period ending at the reporting date for the fourth quarter 2013, or related to licenses that is approved for relinquishment.

Huntington Fulmar is included in a combined cash generating unit for the Huntington license when performing the impairment test, and negative changes of assumptions would firstly impact the goodwill values before other book values will be affected. If the assessment of commercial potential would be changed, it can result in write-down of capitalised exploration expenses.

10 Property, plant and equipment

(NOK million)	Asset under construction	Production facilities	Machinery and equipment	Total
Acquisition costs 31.12.2012	2 257	2 633	4	4 893
Presentation adjustment	-	251	-	251
Acquisition costs 01.01.13	2 257	2 884	4	5 144
Additions	36	14	-	49
Capitalised interest	-	-	-	-
Transferred from Asset under construction to Production facilities	(2 448)	2 448	-	-
Revaluation abandonment assets	46	(91)	-	(45)
Currency translation adjustment	109	260	0	369
Acquisition costs 31.12.13	**-**	**5 514**	**4**	**5 518**
Accumulated depreciation and write-downs				
Accumulated depreciation and write-downs 31.12.2012	-	899	4	902
Presentation adjustment	-	251	-	251
Accumulated depreciation and write-downs 01.01.13	-	1 150	4	1 153
Depreciation	-	319	-	319
Disposals	-	-	-	-
Write-downs	-	917	-	917
Reversal of write-downs	-	(57)	-	(57)
Currency translation adjustment	-	98	0	99
Accumulated depreciation and write-downs 31.12.13	**-**	**2 427**	**4**	**2 431**
Book value 31.12.13	**-**	**3 087**	**0**	**3 087**

Impairment test Q4 2013
For detailed desciption of applied methodology for the impairment test, see note 13 to the annual financial statements for 2012.

Main assumptions applied for the impairment test on 31 December 2013:

Discount rate (after tax)	10.0 percent
Inflation	2.0 percent
Cash flow	After tax
Reserves/resources	Internal estimated resources on 31 December 2013
Oil price	Forward curve for oil price for the period 2014-2016. From 2017 the oil price is adjusted for inflation.
Currency rates	Average forward-rate for the period 2014-2017. From 2018 the average rate for 2017 is used.

Result from impairment test at 31 December 2013
For the Norwegian field Oselvar, some minor change of assumtions has reduced the recoverable amount. This has for the fourth quarter 2013 resulted in a write-down of NOK 12 million (NOK 3 million post tax).

For the Norwegian field Enoch there is reversed previously recognised write-downs of NOK 12 million (NOK 3 million post tax). The reversal is related to the fact that expenditures that in previously impairment test was included in the future cash flows now are paid, and it is expected that the field will start producing again during the first half of 2014.

The recoverable amount for the cash-generating unit consisting of the Danish fields connected to the Siri platform (Nini, Nini East and Cecilie) was by the end of the fourth quarter somewhat increased as the expenditures for 2013 now is paid, and it is expected that all the fields in the area will start production shortly. For the fourth quarter this resulted in reversal of NOK 45 million (NOK 34 million post tax) for the cash-generating unit Siri fairway.

Book value of Oselvar, Enoch and Siri fairway are equal to the recoverable amount by the end of the fourth quarter, and change in the assumptions may require future write-downs. The write-downs can be fully or partially reversed if new information results in increased recoverable amounts.

11 Trade receivables and other current assets

(NOK million)	31.12.2013	31.12.2012
Tax receivables	15	-
Trade receivables	106	139
Receivables from operators relating to joint venture licenses	43	40
Underlift of oil/NGL	17	38
Prepayments	12	0
Other receivables 1)	358	346
Total trade receivables and other current receivables	**551**	**564**

1) The company continues to progress an insurance claim which is related to the damages to the Siri platform that were discovered in 2009. This has taken more time than anticipated due to the technical complexity of the claim. The total claim exceeds NOK 2 billion, of which NOK 359 million is recognised as a current receivable at 31 December 2013. This amount relates to costs incurred to prevent further damage, and loss of production income in 2009/2010. Based on technical documentation containing third party evaluations and the insurance agreements, the Company remains firm that the booked claim is covered and will be settled during the next twelve months. Thus the receivable is classified as a current receivable. The USD amount is unchanged from 31 December 2012. Noreco has withdrawn the standstill agreement with the insurance companies and has invited to negotiations regarding a settlement. Negotiations are still ongoing, but have so far not led to a satisfactory solution for the case. As such Noreco filed the writ to the Danish courts on 14 February 2014. Negotiations continue in parallel with the legal process. The board and management are of the opinion that the claim has a value that exceeds the book value per 31.12.2013.

12 Restricted cash, bank deposits, cash and cash equivalents

Specification of cash and cash equivalents

(NOK million)	31.12.2013	31.12.2012
Non-current assets		
Restricted cash pledged as security for abandonment obligation in Denmark	500	0
Current assets		
Restricted cash which only can be used as collateral for abandonment obligation or repayments to bondholders	70	
Other restricted cash and bank deposits	4	20
Free cash, bank deposits and cash equivalents	403	584
Restricted cash, cash and cash equivalents in the balance sheet	**978**	**604**

Restricted cash
Norwegian Energy Company ASA maintains a Debt Service Reserve Account which will be used as security for covering the abandonment obligation in Denmark related to the Cecilie and Nini field (DKK 500 million). In February 2014 an agreement was reached with Dong & RWE where Noreco agreed to transfer DKK 445 million to an escrow account that is pledged in favor of DONG and RWE.

Overdraft facilities

(NOK million)	Facility amount in currency	NOK	Used	Unused	Available[1]
NOK (Exploration loan facility in Noreco Norway AS)	1 240	1 240	345	895	0
USD (Overdraft facility in Noreco Oil Denmark A/S)	3	18	-	18	18
Total		**1 258**	**345**	**914**	**18**
Unrestricted cash and cash equivalents					403
Accessible liquidity at 31.12.2013					**422**

1) The basis for utilisation of the exploration loan facility is 70 percent of exploration losses which are entitle for 78 percent tax refund from the Norwegian tax authorities. At 31 December 2013 the available amount was fully utilised based on incurred exploration costs which will covered by refund for 2013.

13 Borrowings

13.1 Overview of borrowings

(NOK million)	31.12.2013		31.12.2012	
Non-current debt	Principal amount	Book value	Principal amount	Book value
Bond loan NOR06	500	402		
Bond loan NOR10	899	829		
Bond Loan NOR11	736	502		
Bond Loan NOR12 Convertible	367	206		
Total non-current bonds	**2 502**	**1 939**	**-**	**-**
Reserve-based loan	-	-	262	243
Total non-current other interest bearing debt	**-**	**-**	**262**	**243**
Current debt	Principal amount	Book value	Principal amount	Book value
Bond loan NOR04 [1]	-	-	1 250	1 222
Bond loan NOR05	-	-	700	682
Bond loan NOR06 [1]	100	80	275	267
Bond loan NOR07 [1]	-	-	325	315
Bond loan NOR08	-	-	300	293
Bond loan NOR10	500	461		
Total current bonds	**600**	**541**	**2 850**	**2 779**
Exploration loan	345	333	573	573
Reserve-based loan	-	-	289	289
Total current other interest bearing debt	**345**	**333**	**862**	**862**
Total borrowings	**3 447**	**2 813**	**3 974**	**3 884**

1) In the statement of financial positions at 31 December 2012 the long term portion of the bond loans NOR04, NOR06 and NOR07 was classified as current liabilites as IAS 1.75 demands such classification if a borrower is in breach with the loan agreement on the balance sheet date and has not prior to the balance sheet date obtained waiver with 12 months duration from the balance sheet date.

13.2 The refinancing in Q4 2013

Extinguishment of debt and calculation of gain
Due to substantial modification of terms the refinancing has been accounted for as extinguishment of debt. The old bonds were derecognised in the fourth quarter 2013 and the new bond structure was recognised as new borrowings. The convertible bond includes both a liability component and an equity component. The value of the liability component has been determined using a comparable loan with no conversion features. The equity component is the residual between the fair value of the bond, and the calculated value of the liability component. The difference between the book value of the old bonds at the date of derecognition (9 December 2013), and the fair value of the new loans has been recorded in the income statement as a gain extinguishment within the financial items.

Transaction costs incurred in the process is treated as costs of the settlement of the old debt and is included in the gain calculation. Total transactions costs relating to the financing amount to NOK 47 million.

Specification of gain on extinguishment of debt

NOK million	2013
Book value of old bonds on the time of derecognition:	3 058
Fair value of new bonds at time of issue	2 488
Difference	569
Transaction costs	(47)
Net gain on extinguishment	523

The equity component of the convertible bonds has been calcluted to NOK 16 million and has been accounted for as an increase to equity.

The following fair values were observed and are applied for the new bonds at first time recognition:	
NOR 06 - Oselvar 1. lien bond	80 %
NOR 10 - Huntington and Danish assets 1. lien	92 %
NOR 11 - Huntington and Danish assets 2. lien	68 %
NOR 12 - Unsecured convertible bond	60 %

The fair values are based on executed transactions and buy and sell orders in the period after the issue of the bonds at 9 December 2013. The valuation is considered to be a Level 2 valuation as the market is not very deep.

14 Trade payables and other current liabilities

(NOK million)	31.12.13	31.12.12
Trade payable	58	29
Liabilities to operators relating to joint venture licenses	190	186
Overlift of oil/NGL	16	45
Accrued interest	11	52
Employee bonus/salary accruals	33	33
Public duties payable	8	8
Other current liabilities	27	24
Total other current liabilities	**343**	**376**

The operator of the Huntington field has still not reached a final agreement with Teekay, the owner of the FPSO, regarding some costs related to the startup phase of the field, which Teekay are claiming. The dispute is mainly related to charter fees and certain operational costs for the period since commencement of production in April 2013 until August 2013. Both Noreco and the operator have not recognised a provision for these un-concluded costs which amounts to maximum NOK 46 million (net Noreco share). The operator is of the opinion that these costs in accordance with the current agreements should not be paid.

15 Financial instruments

15.1 Fair value hierarchy

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

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.

At 31.12.2013

Recurring fair value measurements

(NOK million)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives		1		1
- Underlift of oil		17		17
Total assets	-	**19**	-	**19**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements (1)		4		4
- Overlift of oil		16		16
Total liabilities	-	**20**	-	**20**

1) In Q4 2013 the hedging relationship for the interest rate swap agreement was broken, when the related bond agreement was refinanced and the terms for interest payments were changed from being a floating interest (NIBOR + margin), to fixed interest. Hence, the derivative contract is reclassified from “Derivatives used for hedging” to “Financial instruments at fair value through profit or loss”

At 31.12.2012

(NOK million)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives		7		7
- Underlift of oil		38		38
Total assets	-	**45**	-	**45**
Liabilities				
Derivatives used for hedging				
- Interest rate swap agreements		11		11
Financial liabilities at fair value through profit or loss				
- Overlift of oil		45		45
Total liabilities	-	**56**	-	**56**

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

The fair value of the instruments in level 2 is collected from external finance institutions, or calculated based on the oil price in the spot market.

15.2 Financial instruments by category

At 31.12.2013

(NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Derivatives		1	1
Trade receivables and other current assets	507	17	525
Restricted cash, bank deposits, cash and cash equivalents	978		978
Total	1 485	19	1 503

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

At 31.12.2012

(NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Derivatives		7	7
Trade receivables and other current assets	526	38	564
Bank deposits, cash and cash equivalents	604		604
Total	1 130	45	1 175

(NOK million)	Derivatives used for hedging	Other financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities				
Bonds		2 779		2 779
Other interest bearing debt		1 105		1 105
Derivatives	11			11
Trade payables and other current liabilities		331	45	376
Total	11	4 215	45	4 271

15.3 Financial instruments - Fair values

Set out below is a comparison of the carrying amounts and fair value of financial instruments as at 31 December 2013:

(NOK million)	Carrying amount	Fair value
Financial assets:		
Derivatives	1	1
Trade receivables and other current assets	525	525
Restricted cash, bank deposits, cash and cash equivalents	978	978
Total	**1 503**	**1 503**
Financial liabilities:		
Bonds	2 481	2 481
Other interest bearing debt	333	333
Derivatives	4	4
Trade payables and other current liabilities	310	310
Total	**3 127**	**3 127**

16 Segment reporting

The Group's activities are entirely related to exploration and development of oil, gas and NLG. The Group's activities are considered to have a homogenious risk and rate of return before tax and are therefore considered as one operating segment.

Noreco has activities in Norway, Denmark and UK.

Transactions between the companies in the group are carried out at ordinary conditions which would have been equivalent for independent parties.

Assets and liabilities are reflecting balance sheet items for the Group entities in respectively countries.

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

Geographical information 31.12.2013 (YTD)					
(NOK million)	Norway	Denmark	UK	Inter company	Group
Condensed income statement					
Revenue	106	384	404	-	894
Total operating expenses	(490)	(536)	(308)	-	(1 333)
Depreciations	(30)	(102)	(187)	-	(319)
Writedowns	(393)	(600)	(218)	-	(1 211)
Net operating result	(807)	(854)	(308)	-	(1 969)
Net financial items	80	(8)	(57)	-	15
Result before tax	(728)	(862)	(365)	-	(1 954)
Income tax benefit	592	186	169	-	947
Net result for the period	(135)	(676)	(196)	-	(1 008)
Condensed statement of financial positions					
License and capitalised exploration expenses	148	18	577		743
Goodwill	(0)	43	131		174
Property, plant and equipment	382	299	2 405		3 087
Other	1 696	1 324	529	(1 347)	2 201
Total assets	2 226	1 685	3 642	(1 347)	6 205
Total liabilities	2 930	914	1 958	(1 347)	4 455
Capital expenditures					
Capital expenditures production facilities	1	14	(0)	-	14
Capital expenditures asset under construction	-	-	36	-	36
Capital expenditures exploration and evaluations	293	16	103	-	412
Total capital expenditures	293	29	139	-	461

17 Asset retirement obligations

pecification of asset retirement obligations

(NOK million)	31.12.13	31.12.12
Balance at 1.1.2013	323	298
Provisions and change of estimate made during the year	(45)	17
Accreation expense - present value calculation	25	27
Currency translation	24	(18)
Total provision made for asset retirement obligations	**327**	**323**

Provisions made for asset retirement obligations includes the future expected costs for close-down and removal of oil equipment and production facilities used in hydrocarbon activities. The estimated future provision is discounted using a discount rate of 9%, which represent the Group's expected average alternative borrowing interest, to calculate the net present value of the obligation. Inflation is assumed to be 2.0%.

18 Shares and share capital

Changes in number of shares and share capital

(NOK million)	No. of shares	Share Capital
31 December 2012	353 831 111	1 097
Change in share capital in 2013		
Share issue employees on 14 January 2013	1 814 206	6
Share issue employees on 18 March 2013	448 778	1
Share issue on 4 December 2013	4 299 999 987	430
Capital reduction on 31 December 2013		(1 068)
31 December 2013	4 656 094 082	466

19 Subsequent events

On 21 January 2014 the repair share issue related to the refinancing in the fourth quarter 2013 was paid out to the Company. The share issue was oversubscribed and new share capital amounts to NOK 100 million. 1 000 000 000 new shares were issued, and the total shares issued for the Company after this was 5 656 094 082.

On 4 February 2014 the operator of the Nini licence in Denmark informed Noreco that the work related to the new production well NB5 will be postponed, and will not be drilled in the first half of 2014 as planned. It is expected that the well will be drilled in 2015. This information changes the projected cash flows related to the Nini field, and the impairment test is adjusted for this. The reversal of previously recognised write-downs were decreased by NOK 18 million related to this new information.

On 14 February 2014 Noreco issued 2 391 002 new shares at a price of NOK 0.14403 per share as part of its employee incentive scheme. Following registration of the share capital increase the total number of shares issued in Noreco are 5 658 485 084, each with a nominal value of NOK 0.10.

INFORMATION ABOUT NORECO

Head office Noreco

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Organisation number	NO 987 989 297 mva

Board of Directors Noreco

Morten Garman, chairman
Hilde Drønen
Marika Svärdström
Erik Henriksen
David Gair
Hilde Alexandersen
Bård Arve Lærum

Noreco management

Svein Arild Killingland	CEO
Ørjan Gjerde	CFO
Øyvind Sørbø	VP commercial
Lars Fosvold	VP exploration

Investor Relations

Ørjan Gjerde, CFO
tel. +47 900 35 738, og@noreco.com

Financial calendar 2014

25 April	Annual general meeting, Stavanger
15 May	Presentation of Q1 2014 report, Oslo
21 August	Presentation of Q2 2014 report, Oslo
13 November	Presentation of Q3 2014 report, Oslo

Annual reports

Annual reports for Noreco are available on www.noreco.com

Quarterly publications

Quarterly reports and supplementary information for investors and analysts are available on www.noreco.com. The publications can be ordered by sending an e-mail to av@noreco.com

News releases

In order to receive news releases from Noreco, please register on www.noreco.com or send an email to av@noreco.com.

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