FIRST QUARTER 2014

REPORT FOR THE FIRST QUARTER 2014

NORWEGIAN ENERGY COMPANY ASA

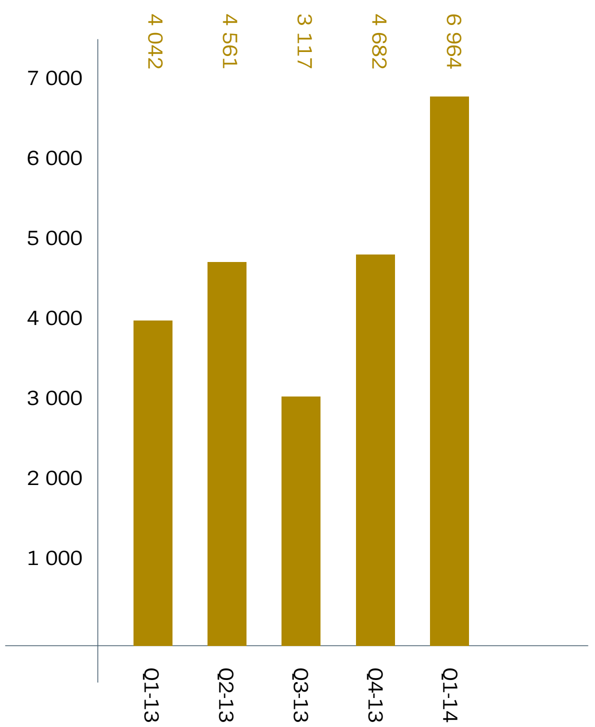
HIGHLIGHTS

- Revenues amounted to NOK 384 million, up 51 percent from the previous quarter. EBITDA was positive at NOK 166 million.
- Average production in the first quarter 2014 was 6 964 boepd. Realised oil price was USD 100.7 per boe (USD 108.1 per barrel of oil).
- The production from the Nini field in Denmark recommenced at the beginning of February with good production rates. Production from Huntington in the UK has been near plateau trough February and March.
- Exciting exploration activities are ongoing at Verdande. The well spudded 8 April. The Gohta appraisal well is expected to spud within the next few days.
- Noreco will through strong applications be positioned for new license awards. APA 2014 in Norway, UK 28th Round and the 7th Round in Denmark.

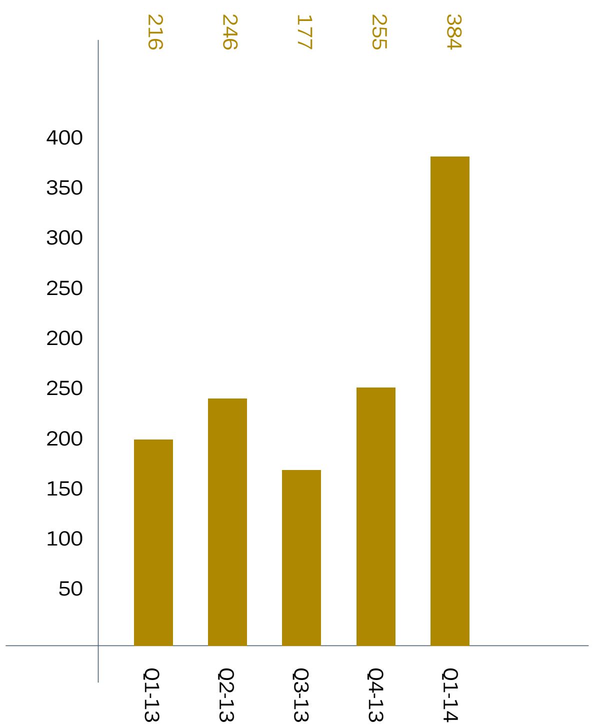
KEY FIGURES

	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13
Net realised oil price *(USD/boe)*	100.7	97.8	102.0	102.5	106.3
EBITDA *(NOK million)*	166.1	55.5	(284.5)	(45.3)	(165.5)
Net results *(NOK million)*	(64.5)	338.6	(569.4)	(504.0)	(272.9)
Cash flow from operations *(NOK million)*	64.6	1 310.8	79.0	99.6	(14.5)
Total assets *(NOK billion)*	6.2	6.2	6.9	7.5	7.9

Production *(boe/d)*



Operating Income *(NOK million)*



HEALTH, SAFETY, ENVIRONMENT AND QUALITY (HSEQ)

Noreco finalised the planning of the operated well Verdande in the first quarter of 2014. The drilling operation started 8 April, and no serious HSEQ incidents have been reported so far.

Noreco's emergency response organisation is in continuous preparedness while the drilling operation is ongoing.

PRODUCING FIELDS

The Noreco Group's average production in the first quarter of 2014 was 6 964 boepd. Realised oil price per boe was USD 100.7 per boe compared to USD 97.8 per boe in the fourth quarter 2013.

The production from the **Huntington** field was lower than expected in January 2014, while production was at stable high rates in February and March. The reasons for reduced production in the period were mainly harsh weather, maintenance on the Central Area Transmission System (CATS) Riser Platform and late arrival of off-loading tanker. The average Huntington production for the first quarter 2014 was 4 646 boe net to Noreco.

The production from **Oselvar** has been fairly stable since production was re-established on 1 October 2013, and the average production in the first quarter was 574 boepd.

After production at the **Nini** (comprising of Nini and Nini East) and **Cecilie** fields has been shut in since July 2013 due to damages to the host platform Siri, production at Nini resumed 1 February 2014. Average production for the quarter was 1 415 boepd net to Noreco.

The production at Nini is handled through a temporary solution, where produced oil is loaded directly to a tanker from the process facility at the Siri platform. This solution has a lower regularity than normal production. 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 operator has scheduled finalisation of the permanent structural repair work in third quarter 2014, after which production from the entire area is expected to resume.

The **Lulita** field has experienced stable production throughout the quarter, with 217 boepd net to Noreco.

The **Enoch** field remained closed during the first quarter. The maintenance work at the field has been completed, and we are now awaiting hook-up of the pipeline. Production start is somewhat delayed, and is now expected mid third quarter 2014.

EXPLORATION

Exploration work in the first quarter has primarily been directed towards further maturation of the license portfolio and continuing the preparations for drilling the PL484 Verdande well. Results from this well are expected towards the end of May at the earliest. The first appraisal well on the PL492 Gohta discovery is expected to spud within the next few days. Results from this well are expected early July.

Norwegian licenses PL414, PL414B, PL453S, PL591, PL591B, PL624, and PL634 were relinquished in the first quarter. In addition, license 9/06 in Denmark has now been relinquished.

GROUP FINANCIALS

The Noreco group had **revenues** of NOK 384 million in the first quarter 2014, an increase of 51 percent compared to the fourth quarter 2013 and an increase of 78 percent compared to the first quarter 2013.

Production expenses in the first quarter were NOK 138 million compared to NOK 139 million for the previous quarter. For the first quarter 2013 the production expenses were NOK 74 million. The increase since then is mainly due to the production expenses at the Huntington field, for which production was started in the second quarter 2013. Production costs at Huntington amounted to NOK 66 million for the first quarter.

Exploration and evaluation expenses amounted to NOK 25 million for the first quarter, compared to NOK 243 million in the first quarter 2013. No drilling operations were ongoing during the first quarter and no significant write offs of exploration assets were recognised.

Payroll expenses were NOK 31 million in the first quarter compared to NOK 37 million for the first quarter last year and NOK 23 million in the previous quarter. The number of employees at the beginning of 2014 is lower than at the start of 2013. The increased expense compared to the previous quarter is explained by the one-off positive item of NOK 7 million related to the discontinuance of the defined pension plan for employees.

Other operating expenses amounted to NOK 24 million for the first quarter 2014, compared to NOK 22 million for the same period last year, and NOK 20 million in the fourth quarter 2013. The increase for the first quarter is caused by a one-off expense of NOK 5 million which incurred when Noreco decided to buy itself out of the existing office lease agreement and enter into an agreement for a smaller office in Stavanger with better economic terms.

EBITDA (earnings before interest, tax, depreciation and amortisation) in the first quarter 2014 was positive by NOK 166 million, compared to a negative EBITDA of NOK 165 million in the first quarter 2013. The change is mainly due to significantly higher revenue and significantly lower exploration and evaluation expenses in the first quarter compared to the same quarter in 2013.

Depreciation amounted to NOK 143 million in the first quarter, up from NOK 61 million for the first quarter 2013. The depreciation follows the production. Hence, the increase is mainly due to production at the Huntington field, which first started production in the second quarter 2013.

Write-downs and reversals were net negative and amounted to NOK 32 million before tax and NOK 9 million after tax for the first quarter 2014. The amount is a combination of the following write-downs and reversal of previously recognised write-downs:

- Goodwill related to business in United Kingdom – write-downs of NOK 28 million (equal amount before and after tax).
- Oselvar – write-downs of NOK 34 million (NOK 9 million after tax).
- Enoch – write-downs of NOK 10 million (NOK 2 million after tax).
- Danish fields related to the Siri platform (Cecilie and Nini) – reversals of NOK 40 million (NOK 30 million after tax).

See note 9 and 10 in the interim financial report for details related to the impairment test.

Net financial items represented a net expense of NOK 105 million for the first quarter 2014, compared to an expense of NOK 121 million for the first quarter 2013. Total interest expenses amounted to NOK 90 million, of which NOK 35 million were non-cash amortisation items related to the bond refinancing and other borrowing costs.

Taxes amounted to an income tax benefit of NOK 49 million for the first quarter. This corresponds to an average tax rate of 43.0 percent. Taxable income is impacted by different tax regimes and tax rates. Production in Denmark and the UK contribute to net positive results before tax in both these countries, while the Norwegian part of the group has a negative result because of interest expenses on bonds. The tax rate represents the weighted average in relation to the results from the various subsidiaries.

Net result for the first quarter was loss of NOK 64 million, compared to a loss of NOK 273 million for the first quarter 2013.

The book value of **license costs and capitalised exploration expenditures** at the end of the first quarter amounted to NOK 745 million, with deferred tax of NOK 457 million. This primarily consists 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 license P1114 have in the first quarter agreed to continue with a joint project to assess the feasibility for a development of the Fulmar reservoir. The book value of Fulmar is NOK 567 million and NOK 236 million net of deferred tax. Huntington Fulmar is included in a combined cash generating unit for the Huntington license 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 expenditures recognised in the balance sheet.

The Gohta discovery has a book value at 31 March 2014 of NOK 133 million. Net of deferred tax, the book value is NOK 29 million.

Trade receivables and other current assets amount to NOK 629 million at the end of the quarter. Included in this amount is NOK 353 million related to the company's receivables from the insurance settlement after the events at the Siri platform in 2009. The claim is now thoroughly documented. Noreco filed the with to the Danish courts on 14 February 2014, but parallel continuous dialogue with the insurance companies is still ongoing to assess the possibilities for a settlement.

At the end of first quarter Noreco had a total of **restricted cash, cash and cash equivalents** of NOK 1 086 million, of which NOK 589 million are restricted. NOK 492 million included in the restricted cash is set aside as security for abandonment obligations related to the company's producing fields Nini and Cecilie in Denmark. **Free cash** at the end of the first quarter amounted to NOK 497 million. The company also have NOK 51 million available through credit facilities. See note 12 for further information.

Interest-bearing debt, excluding exploration loans, had a book value of NOK 2 519 million (principal amount NOK 3 102 million) at the end of first quarter 2014, compared to NOK 2 481 million (principal amount NOK 3 102 million) last quarter. The group's exploration loan amounted to NOK 334 million at the end of the quarter, compared to NOK 333 million at the end of the fourth quarter 2013. Total interest-bearing debt at the end of the quarter had a book value of NOK 2 853 million, of which NOK 898 million is classified as a current liability.

ORGANISATION

At the beginning of 2014 the company had 54 employees, and at the end of the quarter this number has been reduced to 52. Four employees in their resignation period are not included in these numbers. During the first quarter of 2014 the addition of a new employee to strengthen the Finance team was secured, he joined our team in the second quarter. In addition, there are approximately eight full time consultants.

Sick leave for the first quarter was 3.05 percent. Noreco is focused on maintaining core competence in the company and develop, maintain and improve the organization.

In April 2014, board member David Gair notified that he wished to resign for personal reasons. TNoreco's ordinary general assembly in April elected Trygve Pedersen as a new member of the board.

OUTLOOK

Noreco is an exploration driven oil and gas company that finances its operations mainly through the exploration loan arrangement in Norway and other loans which are partly secured by pledge in producing oil and gas fields. Sale of assets in fields and discoveries does also work as source of capital from time to time. Good and stable production is therefore an important premise for a predictable cash flow. The company has thus allocated significant resources to manage the portfolio of relevant licenses. Beyond this, the revenues of the company are also impacted by developments in the oil price and exchange rates between US dollars and Norwegian kroner.

Production rates from Noreco's two most important fields, Huntington on the UK shelf and Nini in Denmark, have fluctuated in part considerably year to date. Huntington now has an outlook for more stable production, but there are still challenges. The Nini-field will still apply a temporary production solution with a lower regularity than normal, until the Siri platform permanent repairs are finalised in the third quarter. The smaller Cecilie and Enoch fields are expected to resume production towards the end of the second quarter and mid third quarter respectively.

Noreco's drilling program for 2014 presently comprises three approved wells. The drilling on the Verdande license is approaching finalisation these days. The first appraisal well on the Gohta license is expected to spud within the next few days, and in Denmark the Xana well is expected to start in the first quarter. Each of these wells will contribute to clarify the potential in the relevant licences, and could, if positive results bring along positive adjustments in the company's resources. If the ongoing assessments of the Huntington Fulmar formation result in a decision of development, Noreco's recoverable reserves will increase substantially.

Award of new licenses will in the long run supply Noreco with new, valuable areas. The company is preparing parallel applications for the upcoming licence rounds in Norway and Denmark. Additionally, an application has been submitted in the UK. Awards are expected towards the end of 2014 and in 2015.

Exploration and production of oil and gas resources is a competency intensive business. Talented employees and an organisation with good and cost-effective systems make a difference. The company therefore emphasises retaining and attracting employees with the right competence.

STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED

NOK million	Note	Unaudited Q1 2014	Unaudited Q1 2013	Audited 2013
Revenue	**2**	**384**	**216**	**894**
Production expenses		(138)	(74)	(430)
Exploration and evaluation expenses	3,9	(25)	(243)	(666)
Payroll expenses	4	(31)	(37)	(127)
Other operating expenses	5	(24)	(22)	(95)
Other (losses) / gains	6	1	(5)	(15)
Total operating expenses		**(218)**	**(381)**	**(1 333)**
Operating results before depreciation and amortisation (EBITDA)		**166**	**(165)**	**(440)**
Depreciation	10	(143)	(61)	(319)
Write-downs and reversals of write-downs	9,10	(32)	(160)	(1 211)
Net operating result (EBIT)		**(8)**	**(387)**	**(1 969)**
Financial income	7	13	14	570
Financial expenses	7	(118)	(135)	(556)
Net financial items		**(105)**	**(121)**	**15**
Result before tax (EBT)		**(113)**	**(507)**	**(1 954)**
Income tax benefit / (expense)	8	49	234	947
Net result for the period		**(64)**	**(273)**	**(1 008)**
Other comprehensive income (net of tax):				
Items not to be reclassified to profit or loss in subsequent periods				
Remeasurement of defined benefit pension plans		-	-	0
Total		-	-	0
Items to be reclassified to profit or loss in subsequent periods				
Cash flow hedge		-	1	7
Discontinued cash flow hedge		-	-	4
Currency translation adjustment		(37)	139	264
Total		(37)	140	274
Total other comprehensive income for the period (net of tax)		**(37)**	**140**	**275**
Total comprehensive income for the period (net of tax)		**(102)**	**(133)**	**(733)**
Earnings per share (NOK 1)				
Basic		(0.01)	(0.77)	(1.49)
Diluted		(0.01)	(0.77)	(1.49)

STATEMENT OF FINANCIAL POSITION

CONSOLIDATED

NOK million	Note	Unaudited 31.03.14	Audited 31.12.13
Non-current assets			
License and capitalised exploration expenditures	9	745	743
Goodwill	9	143	174
Deferred tax assets	8	322	293
Property, plant and equipment	10	2 904	3 087
Tax refund	8	43	-
Restricted cash	12,15	513	500
Total non-current assets		**4 669**	**4 797**
Current assets			
Tax refund	8	378	378
Derivatives	15	1	1
Trade receivables and other current assets	11,15	629	551
Restricted cash	12,15	76	74
Bank deposits, cash and cash equivalents	12,15	497	403
Total current assets		**1 581**	**1 408**
Total assets		**6 250**	**6 205**
Equity			
Share capital	18	566	466
Other equity		1 181	1 284
Total equity		**1 747**	**1 750**
Non-current liabilities			
Deferred tax	8	957	953
Asset retirement obligations	17	330	327
Bond loan	13	1 955	1 939
Total non-current liabilities		**3 242**	**3 220**
Current liabilities			
Bond loan	13,15	564	541
Other interest bearing debt	13,15	334	333
Derivatives	15	4	4
Tax payable	8	15	13
Trade payables and other current liabilities	14,15	344	343
Total current liabilities		**1 261**	**1 235**
Total liabilities		**4 502**	**4 455**
Total equity and liabilities		**6 250**	**6 205**

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

Unaudited NOK million	Share capital	Currency translation fund	Hedging reserve	Other equity	Total equity
2013					
Equity at 01.01.2013	**1 097**	**(64)**	**(11)**	**1 005**	**2 028**
Net result for the period		-		(273)	(273)
Other comprehensive income for the period (net of tax)					
Currency translation adjustments	-	139	-	-	139
Cash flow hedge	-	-	1	-	1
Total comprehensive income for the period (net of tax)	**0**	**139**	**1**	**(273)**	**(133)**
Transactions with owners					
Proceeds from share issued	7	-	-	2	9
Share-based incentive program	-	-	-	2	2
Total transactions with owners for the period	**7**	**0**	**0**	**4**	**11**
Equity at 31.03.2013	**1 104**	**76**	**(9)**	**736**	**1 906**
2014					
Equity at 01.01.2014	**466**	**200**	**-**	**1 084**	**1 750**
Net result for the period				(64)	(64)
Comprehensive income for the period (net of tax)					
Currency translation adjustments		(37)			(37)
Total comprehensive income for the period (net of tax)	**0**	**(37)**	**-**	**(64)**	**(102)**
Transactions with owners					
Proceeds from share issued	100			(0)	100
Issue cost	-	-	-	(3)	(3)
Share-based incentive program				2	2
Total transactions with owners for the period	**100**	**0**	**0**	**(1)**	**99**
Equity at 31.03.2014	**566**	**163**	**0**	**1 018**	**1 747**

STATEMENT OF CASH FLOWS

CONSOLIDATED

NOK million	Unaudited YTD Q1 2014	Unaudited YTD Q1 2013
Net result for the period	(64)	(273)
Income tax benefit	(49)	(234)
Adjustments to reconcile net result before tax to net cash flows from operating activities:		
Depreciation	143	61
Write-downs and reversal of write-downs	32	160
Expensed exploration expenditures previously capitalised	1	219
Share-based payments expenses	2	2
Unrealised loss / (gain) related to financial instruments	0	3
Paid/received interests and borrowing cost - net	7	121
Effect of changes in exchange rates	11	(0)
Loss on repurchase of bonds	-	1
Amortisation of borrowing costs	36	13
Accreation expense related to asset retirement obligations	7	5
Changes in working capital		
Changes in trade receivable	89	44
Changes in trade payables	4	(20)
Changes in other current balance sheet items	(154)	(115)
Net cash flow from operations	**65**	**(14)**
Cash flows from investing activities		
Purchase of tangible assets	(5)	(39)
Purchase of intangible assets	(12)	(205)
Net cash flow used in investing activities	**(17)**	**(244)**
Cash flows from financing activities		
Issue of share capital	100	9
Paid issue cost	(12)	-
Proceeds from issuance of bonds	-	300
Repayment of reserve based facility	-	(48)
Repurchase own bonds	-	(48)
Paid borrowing cost	(35)	(16)
Interest paid	(7)	(82)
Net cash flow from (used) in financing activities	**46**	**116**
Net change in cash and cash equivalents	**94**	**(143)**
Cash and cash equivalents at the beginning of the year	403	604
Cash and cash equivalents at end of the quarter	**497**	**461**

NOTES

1 Accounting principles

Basis for preparation
The interim condensed consolidated financial statements for the first quarter 2014 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 March 2014 was considered satisfactory in regards of the planned activity level for the next 12 months. However, the company is highly dependent on production from Huntington and the
other fields during 2014 to be able to meet the future obligations.

The company's own cash forecast indicate that liquidity will be sufficient in the next 12 months, but there is a risk that headroom for the covenant can be tight after the bond maturity in December 2014 if production conditions are not in line with expectations. The covenant implies that the Group shall at all times have a minimum of NOK 100 million in free cash. The forecasts are based on a number of assumptions pertaining to future operating conditions, market conditions and the timing of certain events. If the trend through 2014 differs negatively from the forecasted development, it may be necessary for the company to implement extraordinary measures to ensure fulfilment of the loan terms and ensure sufficient liquidity to meet current obligations and debt maturities. Several such extraordinary and doable measures have already been identified and can be implemented if necessary.

Reference to summary of significant accounting policies
This interim financial statement is prepared using the same accounting principles as the annual financial statement for 2013, 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 2013.

New standards, interpretations and amendments adopted by Noreco at 1 January 2014
Noreco has adopted the following new standards and changes as of 1 January 2014:

IFRS 10 - Consolidated Financial Statements
IFRS 11 - Joint Arrangements
IFRS 12 - Disclosure of Interests in Other Entities
Change of IAS 27 - Separate Financial Statements
Change of IAS 28 - Investments in Associates and Joint Ventures

None of these changes will result in changed accounting of any items in Noreco consolidated accounts. For more comments regarding the assessment of the new standards we refer to note 2.1.1.b) in the annual financial statements for 2013.

2 Revenue

(NOK million)	Q1 2014	Q1 2013
Sale of oil	350	205
Sale of gas and NGL	34	11
Total revenue	384	216

3 Exploration and evaluation expenses

(NOK million)	Q1 2014	Q1 2013
Acquisition of seismic data, analysis and general G&G costs	(14)	(22)
Exploration wells capitalised in previous years	(2)	(35)
Dry exploration wells this period	1	(184)
Other exploration and evaluation costs	(10)	(2)
Total exploration and evaluation costs	(25)	(243)

4 Payroll expenses

Personell expenses consists of the following:

(NOK million)	Q1 2014	Q1 2013
Salaries	(29)	(31)
Social security tax	(4)	(5)
Pensions costs	(0)	(2)
Costs relating to share-based payments	(2)	(2)
Other personell expenses	(1)	(1)
Personnell expenses charged to operated licenses	5	3
Total personell expenses	(31)	(37)

5 Other operating expenses

Specification of other operating expenses

(NOK million)	Q1 2014	Q1 2013
Lease expenses	(8)	(3)
IT expenses	(5)	(7)
Travel expenses	(1)	(1)
Office cost	(1)	(1)
Consultant fees	(9)	(10)
Other operating expenses	(1)	(1)
Other operating expenses charged to own operated licenses	2	1
Total other operating expenses	(24)	(22)

The line item for Lease expenses includes NOK 5 million in a non-recurring cost related to scale down of premises in Stavanger.

6 Other (losses) / gains

(NOK million)	Q1 2014	Q1 2013
Change in value, put options	(1)	(5)
Change in value, other derivatives	1	-
Gain /(loss) on sale of assets	1	-
Total other (losses) / gains	1	(5)

(Loss) / gain per divestment	Accounting date	Q1 2014	Q1 2013
PL484 Verdande (farm-out)	15.01.14	1	-
Total		1	-

7 Financial income and expenses

(NOK million) Financial income	Q1 2014	Q1 2013
Interest income	4	2
Other financial income	9	13
Total financial income	13	14

Financial expenses	Q1 2014	Q1 2013
Interest expense from bond loans	(82)	(97)
Interest expense from reserve based loan	-	(9)
Interest expense from exploration loan	(7)	(6)
Interest expenses current liabilities	(0)	(0)
Accreation expense related to asset retirement obligations	(7)	(5)
Loss on repurchase of bonds	-	(3)
Other financial expenses	(21)	(15)
Total financial expenses	(118)	(135)
Net financial items	(105)	(121)

8 Tax

(NOK million)	Q1 2014	Q1 2013
Income (loss) before tax	(113)	(507)
Income tax	49	234
Equivalent to a tax rate of	43.0 %	46.2 %

The tax rate for the first quarter 2014 was 43.0 percent compared with 46.2 percent for the same quarter last year. Noreco operates in three countries and six different tax regimes with separate tax rates. As such, the weighted average tax rate varies from quarter to quarter based on variations of the tax basis. More information regarding the relevant tax rates are to be found in the annual report for 2013 in note 2.19. For the first quarter 2014 the income tax in UK are below 62% percent due to write-downs of goodwill with no tax impacts.

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)	31.03.14	31.12.13
Non-current assets		
Tax refund related to Norwegian exploration activity in 2014	43	
Current assets		
Tax refund related to Norwegian exploration activity in 2013	378	378
Total tax refund	**421**	**378**

Tax payable (NOK million)	31.03.14	31.12.13
Tax payable in Norway	-	-
Tax payable other countries	15	13
Total tax payable	**15**	**13**

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-current assets

(NOK million)	License and capitalised exploration expenditures	Goodwill	Total
Acquisition costs 01.01.14	743	1 025	1 768
Additions	12	-	12
Expensed exploration expenditures previously capitalised	(1)	-	(1)
Currency translation adjustment	(9)	(15)	(24)
Acquisition costs 31.03.14	**745**	**1 011**	**1 755**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.14	-	(852)	(852)
Write-downs	-	(28)	(28)
Currency translation adjustment	-	12	12
Accumulated depreciation and write-downs 31.03.14	**-**	**(868)**	**(868)**
Book value 31.03.14	**745**	**143**	**888**

Impairment test Q1 2014
For detailed desciption of applied methodology for the impairment test, see note 11 to the annual financial statements for 2013.

Main assumptions applied for the impairment test on 31 March 2014:

Discount rate (after tax)	10.0 percent
Inflation	2.0 percent
Cash flow	After tax
Reserves/resources	Internal estimated reserves and resources on 31 March 2014
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 March 2014
Goodwill associated with the business in United Kingdom is written down by NOK 28 million in the first quarter. The write down is due to updated expectation to the Huntington production.

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 March 2014

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 any material items of the capitalised exploration expenditures to be written off during the first quarter 2014.

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 01.01.14	-	5 514	4	5 518
Additions	-	5	-	5
Currency translation adjustment	-	(69)	(0)	(69)
Acquisition costs 31.03.14	**-**	**5 450**	**4**	**5 454**
Accumulated depreciation and write-downs				
Accumulated depreciation and write-downs 01.01.14	-	(2 427)	(4)	(2 431)
Depreciation	-	(143)	-	(143)
Write-downs	-	(44)	-	(44)
Reversal of write-downs	-	40	-	40
Currency translation adjustment	-	28	0	28
Accumulated depreciation and write-downs 31.03.14	**-**	**(2 546)**	**(4)**	**(2 549)**
Book value 31.03.14	**-**	**2 904**	**0**	**2 904**

Impairment test Q1 2014
For detailed desciption of applied methodology for the impairment test, see note 12 to the annual financial statements for 2013.

Main assumptions applied for the impairment test on 31 March 2014:

Discount rate (after tax)	10.0 percent
Inflation	2.0 percent
Cash flow	After tax
Prognosis period	Estimated life time of the oil/gas field
Reserves/resources	Internal estimated reserves at 31 March 2014
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 March 2014

For the Norwegian fields Oselvar and Enoch some changes of assumptions has reduced the recoverable amount. For the first quarter 2014 this resulted in a write-down of Oselvar which amounted to NOK 34 million (NOK 9 million post tax) and a write-down of Enoch which amounted to NOK 10 million (NOK 2 million post tax)

The recoverable amount for the cash-generating unit consisting of the Danish fields connected to the Siri platform (Nini and Cecilie) was by the end of the first quarter increased due to updated expectations for the production in 2014 and decreased expectation for production expenses. For the first quarter this resulted in reversal of NOK 40 million (NOK 30 million post tax) of previously recognised write-downs 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 first 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)	31.03.2014	31.12.2013
Tax receivables	15	15
Trade receivables	17	106
Receivables from operators relating to joint venture licenses	24	43
Underlift of oil/NGL	104	17
Prepayments	4	2
Other receivables (1)	464	368
Total trade receivables and other current receivables	**629**	**551**

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 353 million is recognised as a current receivable at 31 March 2014. 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 2013. Noreco has withdrawn the standstill agreement with the insurance companies and has invited to negotiations regarding a settlement. Noreco filed the writ to the Danish courts on 14 February 2014, but parallel continuous dialogue with the insurance companies is still ongoing to assess the possibilities for a settlement.

12 Restricted cash, bank deposits, cash and cash equivalents

(NOK million)	31.03.2014	31.12.2013
Non-current assets		
Restricted cash pledged as security for abandonment obligation in Denmark	492	500
Other restricted cash and bank deposits	20	-
Current assets		
Restricted cash for repayments to bondholders	71	70
Other restricted cash and bank deposits (Withholding tax etc.)	5	4
Total restricted cash	589	574
Unrestricted cash, bank deposits and cash equivalents	497	403
Total bank deposits	**1 086**	**978**

Restricted cash
As announced 28 February 2014, Noreco will repay NOK 61 million in June 2014 to the bondholders of NOR06, NOR10 and NOR11 if the bondholders accept the offer. The share of this restricted cash of NOK 71 million set a side for this purpose that is not repaid will be made unrestricted for Noreco and transferred to an unrestricted account.

Minimum cash covenant
There is a general liquidity requirement of minimum NOK 100 million at Noreco group level in accordance with the covenants for the bond loans. See further information in the annual report 2013 note 23.5.

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	33
USD (Overdraft facility in Noreco Oil Denmark A/S)	3	18	-	18	18
Total		**1 258**	**345**	**913**	**51**
Unrestricted cash and cash equivalents					497
Accessible liquidity at 31.03.14					**548**

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.

13 Borrowings

(NOK million)	31.03.2014		31.12.2013	
Non-current debt	Principal amount	Book value	Principal amount	Book value
Bond loan NOR06	500	409	**500**	**402**
Bond loan NOR10 1st Lien	899	838	**899**	**829**
Bond Loan NOR11 2nd Lien	720	494	**736**	**502**
Bond Loan NOR12 Convertible	367	214	**367**	**206**
Total non-current bonds	**2 485**	**1 955**	**2 502**	**1 939**
Exploration loan	-	-	-	-
Total non-current other interest bearing debt	**-**	**-**	**-**	**-**
Current debt	Principal amount	Book value	Principal amount	Book value
Bond loan NOR06	100	82	100	80
Bond loan NOR10	500	466	500	461
Bond Loan NOR11	17	17	-	-
Total current bonds	**617**	**564**	**600**	**541**
Exploration loan	345	334	345	333
Total current other interest bearing debt	**345**	**334**	**345**	**333**
Total borrowings	**3 447**	**2 853**	**3 447**	**2 813**

14 Trade payables and other current liabilities

(NOK million)	31.03.14	31.12.13
Trade payable	18	58
Liabilities to operators relating to joint venture licenses	209	190
Overlift of oil/NGL	7	16
Accrued interest	54	11
Employee bonus/salary accruals	16	33
Public duties payable	6	8
Other current liabilities	35	27
Total other current liabilities	**344**	**343**

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 43 million (net Noreco share). Both parties are of the opinion that these costs should not be paid in accordance with the current agreements:

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 31.03.2014

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		104		104
Total assets	-	**105**	-	**105**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements		4		4
- Overlift of oil		7		7
Total liabilities	-	**11**	-	**11**

At 31.12.2013

(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		4		4
- Overlift of oil		16		16
Total liabilities	-	**20**	-	**20**

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

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

15.2 Financial instruments by category

At 31.03.2014

(NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Derivatives		1	1
Trade receivables and other current assets	505	104	610
Restricted cash, bank deposits, cash and cash equivalents	1 086	-	1 086
Total	1 591	105	1 696

(NOK million)	Other financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bonds	2 519		2 519
Other interest bearing debt	334		334
Derivatives	-	4	4
Trade payables and other current liabilities	321	7	328
Total	3 174	11	3 185

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	527	17	544
Bank deposits, cash and cash equivalents	978	-	978
Total	1 505	19	1 523

(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

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 March 2014:

(NOK million)	Carrying amount	Fair value
Financial assets:		
Derivatives	1	1
Trade receivables and other current assets	610	610
Restricted cash, bank deposits, cash and cash equivalents	1 086	1 086
Total	**1 696**	**1 696**
Financial liabilities:		
Bonds	2 519	2 557
Other interest bearing debt	334	334
Derivatives	4	4
Trade payables and other current liabilities	328	328
Total	**3 185**	**3 223**

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 31.03.2014 (YTD)

(NOK million)	Norway	Denmark	UK	Inter company	Group
Condensed income statement					
Revenue	30	97	257	-	384
Total operating expenses	(70)	(71)	(77)	-	(218)
Depreciations	(6)	(16)	(121)	-	(143)
Writedowns and reversals	(44)	40	(28)	-	(32)
Net operating result	(90)	50	31		(8)
Net financial items	(94)	2	(12)		(105)
Result before tax	(184)	52	19	-	(113)
Income tax benefit	99	(13)	(37)	-	49
Net result for the period	(86)	39	(18)	-	(64)
Condensed statement of financial positions					
License and capitalised exploration expenses	154	24	567		745
Goodwill	(0)	42	101		143
Property, plant and equipment	332	322	2 250		2 904
Other	1 892	1 288	553	(1 276)	2 458
Total assets	2 378	1 676	3 472	(1 276)	6 250
Total liabilities	3 069	879	1 831	(1 276)	4 503
Capital expenditures					
Capital expenditures production facilities	(0)	3	2	-	5
Capital expenditures asset under construction	-	-	-	-	-
Capital expenditures exploration and evaluations	5	7	0	-	12
Total capital expenditures	5	10	2	-	17

17 Asset retirement obligations

Specification of asset retirement obligations

(NOK million)	31.03.14	31.12.13
Balance at 1.1.2013	327	323
Provisions and change of estimate made during the year	-	(45)
Accreation expense	7	25
Currency translation	(5)	24
Total provision made for asset retirement obligations	**330**	**327**

Provisions made for asset retirement obligations includes the future expected costs (estimated based on current day costs inflated) for close-down and removal of oil equipment and production facilities used in hydrocarbon activities. The estimated future provision is discounted using a risk-free rate adjusted for credit risk of 9 percent, which represent the Group's expected average alternative borrowing interest, to calculate the net present value of the obligation. Inflation is assumed to be 2 percent.

18 Shares and share capital

Changes in number of shares and share capital

(NOK million)	No. of shares	Share Capital
31 December 2013	4 656 094 082	466
Change in share capital in 2014		
Share issue (repair) on 21 January 2014	1 000 000 000	100
Share issue employees on 14 February 2014	2 391 002	0
31 March 2014	5 658 485 084	566

19 Subsequent events

On 23 April 2014 Noreco reported that the production at the Huntington field in the UK was interrupted from 12 April. Several couplings that are part of the inert gas system on the floating production and storage unit required replacement. This work was completed and production resumed on 25 April. Due to an unplanned shutdown of the CATS riser platform, Huntington and a number of other fields producing through the system were shut-in from 26 April. The production was restarted at 10 May. This information changes the short-term projected cash flows from the Huntington field, and the goodwill impairment test is adjusted for this.

INFORMATION ABOUT NORECO

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Hilde Alexandersen
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Financial calendar 2014

20 May	Presentation of Q1 2014 report, Oslo
14 August	Presentation of Q2 2014 report, Oslo
18 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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