NORWEGIAN ENERGY COMPANY ASA

FIRST QUARTER
2015

REPORT FOR THE FIRST QUARTER 2015

NORWEGIAN ENERGY COMPANY ASA

HIGHLIGHTS

- A financial restructuring of Noreco was completed in the first quarter 2015. The board's revised restructuring proposal was presented 4 February 2015 and it received close to unanimous support in the bondholders' meetings and a shareholder meeting on 2 and 3 March 2015 respectively. The restructuring was completed on 24 March 2015, through the issuance of new shares and execution of amended bond agreements. Following temporary listing on N-OTC, the new shares were admitted to trading at Oslo Stock Exchange on 13 May 2015.
- Due to the restructuring of the company's bond loans the recorded equity is highly impacted by IFRS accounting effects. As required by IFRS the bond loans have been measured using the executed trades by the end of the quarter, which was 55% and 56% of the principal amount. Changes in the quoted prices of the bonds will impact the measurement of the bond loans and the equity in future financial reports.
- The Board emphasises that strategic initiatives are underway with the aim to ensure full recovery of the principal amounts. If the loans had been recorded at principal amount the equity would have been reduced by NOK 468 million, to NOK 809 million at the end of the period. Reference is made to note 17 of the interim report regarding management reporting. This accounting effect is expected to be reversed towards maturity of the bonds.
- Noreco's production in the first quarter 2015 was 3 236 barrels of oil equivalents (boepd) and realised oil price was USD 49.7 per boe, corresponding to USD 51.9 per barrel of oil. This resulted in revenues of NOK 114 million in the first quarter. Production in the quarter was influenced by no entitlement to production from the Nini and Cecilie fields and low output from the Huntington field due to restrictions in the CATS gas handling system.
- Operating result before depreciation and write-downs (EBITDA) was negative NOK 154 million in the first quarter. Exploration and evaluation expenses amounted to NOK 129 million, primarily due to the Xana well.
- The net result after tax was positive at NOK 1 794 million, and was marked by a gain of NOK 2 176 million related to the financial restructuring, which included derecognition of the previous bond loans, and recognition of new equity and amended and restated bond loans. Total impairments amounted to NOK 47 million before tax, which include NOK 41 million in write-downs on Huntington and NOK 6 million in write-downs on goodwill related to the Danish business.

KEY FIGURES

	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14
Net realised oil price *(USD/boe)*	49.7	65.2	89.0	101.5	100.7
EBITDA *(NOK million)*	(153.6)	(28.3)	(556.4)	(29.2)	166.1
Net results *(NOK million)*	1 793.6	(1 745.9)	(1 101.2)	(0.1)	(64.5)
Net result - operating segments* *(NOK million)*	1 326.0	(1 235.7)	(1 064.4)	40.4	(29.6)
Equity *(NOK million)*	1 276.1	(803.2)	762.7	1 784.2	1 747.1
Equity - operating segments* *(NOK million)*	808.5	(803.2)	257.1	1 238.1	1 164.1
Cash flow from operations *(NOK million)*	147.0	295.9	15.4	354.2	64.6
Total assets *(NOK billion)*	3.4	3.6	4.9	6.5	6.2

* Figures for operating segments excludes impacts of IFRS requirements to value bond loans to fair value

HEALTH, SAFETY, ENVIRONMENT AND QUALITY (HSEQ)

No serious HSE incidents have occurred in the company in the first quarter 2015. Noreco did not operate any drilling operations in the quarter. Ongoing HSEQ activities include follow up of drilling operations where Noreco is licensee.

PRODUCING FIELDS

The Noreco group's average production in the first quarter 2015 was 3 236 boepd. Realised oil price was USD 49.7 per boe compared to USD 100.7 per boe in the first quarter 2014.

Noreco's share of production from the **Huntington** field for the first quarter 2015 was 1 783 boepd. The production was severely affected by CATS restrictions imposed as a consequence of an incident on the CATS Riser Platform in December 2014. Following completed repair of the riser platform, the operator started lifting the Huntington gas export restrictions on 8 April. Huntington was back on full production from 13 April.

The production from **Oselvar** was fairly stable, and the average production in the first quarter was 454 boepd to Noreco.

Production from the **Nini** field (comprising of Nini and Nini East) was 644 boepd net to Noreco in the first quarter 2015 and production from the **Cecilie** field was 255 boepd net to Noreco. Production to Noreco only includes the period in which the company was not in breach of the licence agreements.

During the first quarter, the **Lulita** field had a number of unplanned shut downs mainly due to issues at a platform nearby. Production for the quarter was 101 boepd net to Noreco.

The **Enoch** field remained closed during the first quarter. The maintenance work at the field has been completed. Production start has been somewhat further delayed while waiting for hook-up of the production well, and is now expected in the second half of 2015.

EXPLORATION

Exploration work in the first quarter was primarily directed towards further maturation of a number of key exploration licences and technical work in preparation for the APA 2015 Licensing Round. After the conclusion of detailed technical work, the following licences have been relinquished: UK P2032, UK P2009, Nor PL639 and Nor PL484.

Spudded on 8 December 2014 in licence 9/95 in the northern part of the Danish sector of the North Sea with Maersk Oil as operator, the Xana well was drilled by the jack-up unit Noble Sam Turner to a total measured depth of 5124 metres, and hydrocarbons were discovered. The partnership continues to evaluate commerciality.

Noreco was not awarded any licences in APA 2014.

In the second quarter 2015, the Edison-operated Haribo well on the Norwegian Continental Shelf and the Suncor-operated Niobe well on the United Kingdom Continental Shelf is expected to be spudded.

GROUP FINANCIALS

The Noreco group had revenues of NOK 114 million in the first quarter 2015, compared to NOK 384 million in the first quarter 2014. Low revenues in the first quarter were primarily due to low production at Huntington, lapse of production due to default on Danish licences and lower realised oil prices in the period.

Production expenses in the first quarter 2015 were NOK 139 million compared to NOK 138 million for the same period last year. For further information and specification of the production expenses per field, please refer to note 3 in the interim financial report.

Exploration and evaluation expenses amounted to NOK 129 million for the first quarter 2015, compared to NOK 25 million in the first quarter 2014. Exploration and evaluation expenses in the first quarter 2015 included the Xana well, which amounted to NOK 107 million.

Payroll expenses were NOK 22 million in the first quarter 2015 compared to NOK 31 million for the first quarter last year.

Other operating expenses were positive by NOK 6 million for the first quarter 2015, representing a reduction of NOK 30 million compared to the same period last year. Consultant fees relating to the financial restructuring recorded in 2014 has in the first quarter of 2015 been reclassified, and is included in the bond debt restructuring effects.

Other (losses)/gains were NOK 16 million in the first quarter 2015. The realised gain in the period was related to sale of oil put options with a strike of USD 70 per barrel.

EBITDA (operating result before depreciation and write-downs) in the first quarter 2015 was negative by NOK 154 million, compared to a positive EBITDA of NOK 166 million in the first quarter 2014.

Depreciation amounted to NOK 17 million in the quarter, down from NOK 143 million for the first quarter 2014. Depreciation follows the production and a lower production level contribute to lower depreciation charges in the first quarter 2015 compared to the first quarter 2014. The basis for depreciation has also been significantly reduced since the start of 2014, due to material write-downs in the second half of 2014.

First quarter **write-downs** amounted to NOK 47 million before tax. The amount consists of the following write-downs:

- Huntington Forties – write-downs of NOK 41 million
- Goodwill related to the business in Denmark – write-downs of NOK 6 million

The impairment test performed on 31 March 2015 was prepared applying the principles required according to IAS 36 and consistent with previous quarters. For the first quarter, the impairment test was somewhat affected by reduced expectations to oil price compared to the last quarter.

The Huntington partnership continues its evaluations of reservoir characteristics, production profiles and potential mitigating actions, and future decommissioning costs. The results of this work is uncertain and might impact the company's estimated reserves on Huntington.

See note 10 and 11 in the interim financial report for details related to the impairment test.

Financial income amounted to NOK 2 229 million for the first quarter 2015, compared to NOK 13 million for the same period last year. Financial income this year includes a gain of NOK 2 176 million, an effect of the financial restructuring. For accounting purposes, the bond loans were derecognised, while the new equity and amended and restated bond loans were recognised at their fair values upon initial recognition. The difference between the recorded book value of debt and principal amount, totaling NOK 542 million, is expected to reverse through profit or loss in future periods as the renegotiated debt is repaid according to new contractual terms. See note 14.2 for further information.

Financial expenses for the first quarter were NOK 102 million compared to NOK 118 million for the same period last year. Lower interest expenses on bond loans were incurred in the first quarter 2015 compared to the first quarter 2014 and amounted to NOK 40 million and NOK 82 million, respectively. Currency translate expenses for the first quarter were NOK 43 million compared to NOK 20 million in the first quarter last year.

Taxes amounted to an income tax expense of NOK 116 million for the first quarter. The first quarter tax expense corresponds to an average tax rate of 6.1 per cent. Taxable income was impacted by different tax regimes and tax rates and in particular the effects from the financial restructuring that amounted to NOK 2 176 million before tax, and with only limited tax effects. The tax rate represents the weighted average in relation to the results from the various subsidiaries. Reference is made to note 9 in the interim financial report for further details to the taxes this period.

Net result for the first quarter amounted to NOK 1 794 million, compared to a loss of NOK 64 million for the first quarter 2014.

The book value of **licence costs and capitalised exploration expenditures** at the end of the first quarter amounted to NOK 267 million. This primarily consisted of the Gohta discovery in the Barents Sea on the Norwegian Continental Shelf with a book value of NOK 253 million. Net of deferred tax, the book value for Gohta was NOK 56 million.

Non-current receivables amounted to NOK 479 million, which is related to an insurance claim. A final court hearing has been scheduled for second half of 2016. Since commencement of the legal proceedings, underwriters have produced their statement of defence and Noreco its reply. Underwriters have at the end of January 2015 submitted its rejoinder which formally marked the end of the exchange of written pleadings. Underwriters have requested the appointment of a technical expert to review and pronounce upon the technical evidence. This process is expected to last through most of 2015 and possibly the early part of 2016.

At the end of the first quarter 2015, Noreco had a total of **restricted cash, cash and cash equivalents** of NOK 701 million (excluding assets held for sale), of which NOK 16 million was restricted. Free cash at the end of the first quarter amounted to NOK 685 million. See note 13 for further information.

Equity amounted to NOK 1 276 million at the end of the period, compared to negative amount of NOK 803 million at the end of 2014. The positive impact is due to the financial restructuring of Noreco, which involved partial debt to equity conversion. The recorded book value of the interest-bearing debt (excluding exploration loans) is NOK 676 million. If the debt had been recorded at principal amount the equity would have been reduced by NOK 468 million, to NOK 809 million at the end of the period. This effect is expected to unwind until maturity of the bonds. See note 14.2 for further information.

Asset retirement obligations amounted to NOK 262 million at the end of the first quarter 2015, compared to NOK 612 million at the end of the 2014. The reduction was mainly related to asset retirement obligations associated with the Danish licences, which have been transferred to Liabilities held for sale. See notes 18 and 20 for further information.

Interest-bearing debt, excluding exploration loans, had a book value of NOK 676 million (principal amount NOK 1 218 million) at the end of the first quarter 2015, compared to NOK 3 051 million (principal amount NOK 3 051 million) at the end of the fourth quarter 2014. The reduction in principal amount is due to the financial restructuring, which involved partial debt to equity conversion. The difference between the book value of the amended and restated bond loans and their principal amounts is due to the bond loans being valued using executed trades in the accounts. At the end of the quarter these was approximately 56% of the principal amount. However, the board and the company are working towards full recovery of the principal amount. See note 14 for further information. The group's exploration loan amounted to NOK 282 million at the end of the quarter. Total interest-bearing debt at the end of the quarter had a book value of NOK 958 million.

BUSINESS DEVELOPMENT

On 5 May 2015, Norwegian Energy Company (UK) Ltd ("NEC UK"), a subsidiary of Noreco, issued an option in favour of a third party for a 10 per cent working interest in the Niobe licence as part payment for seismic data previously acquired in another licence operated by NEC UK. This third party may exercise the option upon a discovery, in which case NEC UK will carry the dry well cost. Further, Noreco Norway AS has an option to acquire without consideration all of the shares of NEC UK or NEC UK's interest in the Niobe licence. This option is the result of Noreco Norway AS having provided financing to NEC UK for the mentioned seismic acquisition and a small share of NEC UK's dry well cost on Niobe.

GOVERNANCE AND ORGANISATION

On 20 May 2015 the annual general meeting resolved to approve that each board member elected by the shareholders enter into a consultancy agreement with a remuneration of NOK 2 000 per hour with respect of work in addition to board meetings. In addition the three board members elected by shareholders will be entitled to extra compensation for sale of certain assets in the range of NOK 500 000 to NOK 1 000 000. It is also approved that director Riulf Rustad will receive 1 per cent of net insurance proceeds received by the Noreco's bondholders and/or shareholders.

At the start of 2015 the company had 47 employees, and at the end of the first quarter this number was reduced to 42, not including five employees in resignation period.

Sick leave for the first quarter was 2.24 per cent.

Noreco is focused on maintaining core competence in the company and ensuring that the organisation is tailored to handle the planned operations and activities.

OUTLOOK

With a completed financial restructuring in place, Noreco is no longer in distress. The company is in a strong position to maximise the value of its portfolio of exploration licenses, discoveries and producing fields. In light of the current challenging market conditions and the significant future debt servicing requirements, the key focus for Noreco in the short term will be to limit future investment commitments, implement cost saving measures and optimize its assets through either continued operations or through divestment efforts. Surplus cash will be used to strengthen the company's balance sheet through repayment of debt.

STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED

NOK million	Note	Q1 2015	Q1 2014	2014
Revenue	**2**	**114**	**384**	**1 143**
Production expenses	3	(139)	(138)	(587)
Exploration and evaluation expenses	4	(129)	(25)	(837)
Payroll expenses	5	(22)	(31)	(87)
Other operating expenses	6	6	(24)	(104)
Other (losses) / gains	7	16	1	25
Total operating expenses		**(268)**	**(218)**	**(1 591)**
Operating result before depreciation and write-downs (EBITDA)		**(154)**	**166**	**(448)**
Depreciation	11	(17)	(143)	(407)
Write-downs and reversals of write-downs	10,11	(47)	(32)	(2 885)
Net operating result (EBIT)		**(218)**	**(8)**	**(3 740)**
Financial income	8	2 229	13	172
Financial expenses	8	(102)	(118)	(953)
Net financial items		**2 128**	**(105)**	**(780)**
Result before tax (EBT)		**1 909**	**(113)**	**(4 520)**
Income tax benefit / (expense)	9	(116)	49	1 609
Net result for the period		**1 794**	**(64)**	**(2 912)**
Other comprehensive income (net of tax):				
Items not to be reclassified to profit or loss in subsequent periods				
Total				
Items to be reclassified to profit or loss in subsequent periods				
Reclassification of currency translation adjustment upon disposal of subsidiary				(28)
Currency translation adjustment		29	(37)	278
Total		*29*	*(37)*	*249*
Total other comprehensive income for the period (net of tax)		**29**	**(37)**	**249**
Total comprehensive income for the period (net of tax)		**1 823**	**(102)**	**(2 663)**
Earnings per share (NOK 1)				
Basic	19	1 554	(119)	(5 196)
Diluted	19	1 539	(119)	(5 196)

STATEMENT OF FINANCIAL POSITION

CONSOLIDATED

NOK million	Note	31.03.15	31.12.14
Non-current assets			
Licence and capitalised exploration expenditures	10	267	325
Goodwill	10	7	23
Deferred tax assets	9	506	633
Property, plant and equipment	11	380	428
Tax refund	9	23	
Restricted cash	13,16	14	576
Receivables	12	479	440
Total non-current assets		**1 675**	**2 425**
Current assets			
Assets held for sale	20	590	
Tax refund	9	315	315
Derivatives	16		28
Trade receivables and other current assets	12,16	130	189
Restricted cash	13,16	2	33
Bank deposits, cash and cash equivalents	13,16	685	644
Total current assets		**1 721**	**1 209**
Total assets		**3 396**	**3 634**
Equity			
Share capital	19	71	568
Other equity		1 205	(1 371)
Total equity		**1 276**	**(803)**
Non-current liabilities			
Asset retirement obligations	18	262	612
Bond loan	14,16	676	
Total non-current liabilities		**938**	**612**
Current liabilities			
Liabilities held for sale	20	666	
Bond loan	14,16		3 051
Other interest bearing debt	14,16	282	284
Derivatives	16	3	3
Tax payable	9	30	28
Trade payables and other current liabilities	15,16	202	458
Total current liabilities		**1 183**	**3 825**
Total liabilities		**2 120**	**4 437**
Total equity and liabilities		**3 396**	**3 634**

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

NOK million	Share capital	Currency translation fund	Hedging reserve	Other equity	Total equity
2014					
Equity on 01.01.2014	**466**	**200**		**1 084**	**1 750**
Net result for the period				(64)	(64)
Other comprehensive income for the period (net of tax)					
Currency translation adjustments		(37)			(37)
Total comprehensive income for the period (net of tax)		**(37)**		**(64)**	**(102)**
Transactions with owners					
Proceeds from share issued	100				100
Issue cost				(3)	(3)
Share-based incentive program				2	2
Total transactions with owners for the period	**100**			**(1)**	**99**
Equity on 31.03.2014	**566**	**163**		**1 018**	**1 747**
2015					
Equity on 01.01.2015	**568**	**449**		**(1 820)**	**(803)**
Net result for the period				1 794	1 794
Comprehensive income for the period (net of tax)					
Currency translation adjustments		29			29
Total comprehensive income for the period (net of tax)		**29**		**1 794**	**1 823**
Transactions with owners					
Proceeds from share issued	65			189	255
Capital reduction	(562)			562	
Share-based incentive program				2	2
Total transactions with owners for the period	**(497)**			**753**	**256**
Equity on 31.03.2015	**71**	**478**		**727**	**1 276**

STATEMENT OF CASH FLOWS

CONSOLIDATED

NOK million	YTD Q1 2015	YTD Q1 2014
Net result for the period	1 794	(64)
Income tax benefit	116	(49)
Adjustments to reconcile net result before tax to net cash flows from operating activities:		
Depreciation	17	143
Write-downs and reversal of write-downs	47	32
Expensed exploration expenditures previously capitalised	120	1
Share-based payments expenses	2	2
Unrealised loss / (gain) related to financial instruments	28	
Gain on extinguishment of debt	(2 176)	
Paid/received interests and borrowing cost - net	(19)	7
Interests received	23	
Effect of changes in exchange rates	(6)	11
Amortisation of borrowing costs incl. impact from change in amortisation plan		36
Accretion expense related to asset retirement obligations	14	7
Assets and liabilities held for sale	76	
Changes in working capital		
Changes in trade receivable	50	89
Changes in trade payables	28	4
Changes in other current balance sheet items	33	(154)
Net cash flow from operations	**147**	**65**
Cash flows from investing activities		
Proceeds from sale of intangible assets	11	
Purchase of tangible assets	(2)	(5)
Purchase of intangible assets	(67)	(12)
Net cash flow used in investing activities	**(58)**	**(17)**
Cash flows from financing activities		
Issue of share capital		100
Paid issue cost		(12)
Repayment of exploration facility	(2)	
Paid borrowing cost	(42)	(35)
Interest paid	(5)	(7)
Net cash flow from (used) in financing activities	**(48)**	**46**
Net change in cash and cash equivalents	**40**	**94**
Cash and cash equivalents at the beginning of the period	644	403
Cash and cash equivalents at end of the quarter	**685**	**497**

NOTES

1 Accounting principles

Basis for preparation
The interim condensed consolidated financial statements (the interim financial statements) for the first quarter 2015 comprise Norwegian Energy Company ASA (Noreco) and its subsidiaries. These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. The interim financial statements do not include all of the information and disclosures required to represent a complete set of financial statements, and these interim financial statements should be read in conjunction with the annual financial statements. The interim financial statements are unaudited.

The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding. Certain amounts in comparable periods have also been revised to conform to current period presentation.

Going concern
The board of directors confirms that the 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. While the financial solidity at the beginning of the quarter was considered critical, mitigating measures have been implemented in the first quarter 2015, which included a bond debt restructuring completed in March 2015. The financial solidity and the company's cash position are now considered satisfactory in regards of the planned activity level for the next twelve months.

Reference to summary of significant accounting policies
These interim financial statements are prepared using the same accounting principles as the annual financial statements for 2014. Due to the financial restructuring the internal reporting to the chief operating decision maker was changed, and correspondingly the operating segments presented in Note 17 have been updated accordingly. For the full summary of significant accounting policies, reference is made to the annual financial statements for 2014.

Borrowings
Borrowings are intitially recognised at fair value, net of transaction costs incurred. The subsequent measurement depends on which category they have been classified into. The categories applicable for Noreco are either financial liabilities through profit or loss or financial liabilities measured at amortised cost using the effective interest method. The first category applies to Noreco's non-current bond loans as of 31 March 2015, and is due to several embedded derivatives in the bonds.

New standards interpretations and amendments adopted by Noreco on 1 Januar 2015
Noreco has not adopted any new standards or changes as of 1 Januar 2015.

2 Revenue

(NOK million)	Q1 2015	Q1 2014
Sale of oil	106	350
Sale of gas and NGL	8	34
Total revenue	**114**	**384**

3 Production expenses

(NOK million)	Q1 2015	Q1 2014
Huntington	(66)	(66)
Nini	(46)	(48)
Cecilie	(19)	(14)
Lulita	(2)	(3)
Oselvar	(6)	(6)
Enoch	(1)	(2)
Total production expenses	**(139)**	**(138)**

4 Exploration and evaluation expenses

(NOK million)	Q1 2015	Q1 2014
Acquisition of seismic data, analysis and general G&G costs	(13)	(14)
Exploration wells capitalised in previous years		(2)
Exploration wells expensed this period (see note 10)	(109)	1
Other exploration and evaluation costs	(6)	(10)
Total exploration and evaluation costs	**(129)**	**(25)**

5 Payroll expenses

(NOK million)	Q1 2015	Q1 2014
Salaries	(21)	(29)
Social security tax	(2)	(4)
Pensions costs	(1)	
Costs relating to share-based payments	(2)	(2)
Other personnel expenses		(1)
Personnel expenses charged to operated licences	3	5
Total personnel expenses	**(22)**	**(31)**
Average number of employees	48	53

6 Other operating expenses

(NOK million)	Q1 2015	Q1 2014
Lease expenses [1]	(2)	(8)
IT expenses	(6)	(5)
Travel expenses	(1)	(1)
Office cost	(1)	(1)
Consultant fees [2]	15	(9)
Other operating expenses	(1)	(1)
Other operating expenses charged to own operated licences	2	2
Total other operating expenses	**6**	**(24)**

(1) Lease expenses Q1 2014 included NOK 5 million in a non-recurring cost related to scale down of premises in Stavanger.
(2) Consultant fees Q1 2015 include fees relating to the restructuring efforts recorded in 2014, which have been reclassified and included in the calculation of the bond debt restructuring impact.

7 Other (losses) / gains

(NOK million)	Q1 2015	Q1 2014
Change in value, put options [1]	15	(1)
Change in value, other derivatives	1	1
Gain /(loss) on sale of assets		1
Total other (losses) / gains	**16**	**1**

(1) On 31 December 2014 the company had oil put options for a total volume of 300 000 bbl lapsing in the period from the start of Q1 2015 to the end of Q2 2015 and with a strike of USD 70 per barrel. At 31 December 2014 these contracts had a total value of NOK 28 million. On 27 January 2015 the company sold the put options with proceeds of NOK 45 million. The Company currently holds no hedging instruments related to the oil price.

8 Financial income and expenses

Financial income

(NOK million)	Q1 2015	Q1 2014
Interest income	4	4
Extinguishment of debt and restructuring impacts [1]	2 176	
Currency translation income	49	9
Total financial income	**2 229**	**13**

(1) See note 14.2

Financial expenses

(NOK million)	Q1 2015	Q1 2014
Interest expense from bond loans	(40)	(82)
Interest expense from exploration loan	(4)	(7)
Interest expenses current liabilities		
Accretion expense related to asset retirement obligations	(14)	(7)
Currency translation expense	(43)	(20)
Other financial expenses		(1)
Total financial expenses	**(102)**	**(118)**
Net financial items	**2 128**	**(105)**

9 Tax

Income tax (NOK million)	Q1 2015	Q1 2014
Income (loss) before tax	1 909	(113)
Income tax benefit	(116)	49
Equivalent to a tax rate of	6.1 %	43.0 %

The tax rate for the first quarter 2015 was 6.1 per cent compared to 43.0 per cent for the same period 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 may be found in the annual report for 2014 in note 2.19.

The first quarter 2015 net result before tax in Norwegian entities was significantly impacted by effects from restructuring of bond debt, which resulted in a gain on extinguishment of debt of NOK 2 176 million. Only limited tax effects from these transactions were recognised, as the parent company does not recognise its deferred tax asset.

Expected taxable income in the UK entities was further reduced in the first quarter 2015 as a consequence of somewhat lower oil prices at the end of the quarter, which led to a write-off of NOK 43 million in deferred tax assets related to Noreco Oil UK Ltd. Further, as a consequence to a reduction in the special tax rate related to exploration and production activities in the UK from 32 percent to 20 percent, the book value of deferred tax assets were somewhat reduced.

The deferred tax assets in the UK are sensitive to changes in the oil price and other key assumptions, such as foreign exchange rates, production expectations and expected levels of production costs. If the oil price recovers, production increases or cost cutting measures are implemented in the licences, utilisation of loss carry forwards would increase and the write-offs can be partially or fully reversed.

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

Tax loss carry forward 31.03.15	Offshore		Onshore	
(NOK million)	Recognised	Un-recognised	Recognised	Un-recognised
Norway (offshore 51 % / onshore 27 %)				
Norwegian Energy Company ASA			206	553
Altinex AS				12
Noreco Norway AS	506		465	
Denmark (offshore 39 % / onshore 25 %)				
Noreco Denmark A/S				
Noreco Oil Denmark A/S		4 374		
Noreco Petroleum Denmark A/S		870		
UK (offshore 20 % / onshore 30 %)				
Norwegian Energy Company (UK) Ltd.		529		589
Noreco Oil (UK) Ltd.	482	356	482	599
Total tax loss carry forward	**988**	**6 129**	**1 153**	**1 752**

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

Tax loss carry forwards in the Danish offshore tax regime of NOK 5 246 million has been calculated according to Chapter 3 and Chapter 3A in the Danish Hydrocarbon Taxation Act (kulbrinteskatteloven). Approximately NOK 628 million is time limited and will lapse by 2015-2016. Current forecasts also indicate that the remaining tax loss carry forwards will not be utilised.

Tax refund (NOK million)	31.03.15	31.12.14
Tax refund related to Norwegian exploration activity in 2015	23	-
Tax refund related to Norwegian exploration activity in 2014	315	315
Total tax refund	**338**	**315**

Tax payable (NOK million)	31.03.15	31.12.14
Tax payable in Norway		
Tax payable other countries	30	28
Total tax payable	**30**	**28**

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

10 Intangible non-current assets

(NOK million)	Licence and capitalised exploration expenditures	Goodwill	Total
Acquisition costs 01.01.15	325	1 228	1 553
Additions	67		67
Expensed exploration expenditures previously capitalised	(120)		(120)
Disposals	(11)		(11)
Reclassified to assets held for sale (see note 20)		**(214)**	**(214)**
Currency translation adjustment	6	96	102
Acquisition costs 31.03.15	**267**	**1 110**	**1 377**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.15		(1 206)	(1 206)
Write-downs (1)		(6)	(6)
Reclassified to assets held for sale (see note 20)		202	202
Currency translation adjustment		(94)	(94)
Accumulated depreciation and write-downs 31.03.15		**(1 104)**	**(1 104)**
Book value 31.03.15	**267**	**7**	**273**

Impairment test Q1 2015

(1) An overview of total write-downs this year may be found in note 11.

For detailed description of applied methodology for the impairment test, reference is made to note 12 included in the annual financial statements for 2014.

Main assumptions applied for the impairment test on 31 March 2015:

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 2015
Oil price	Forward curve for oil price for the period 2015-2017 (2015: 57,87 USD/bbl, 2016:63,85 USD/bbl, 2017:67,82 USD/bbl). From 2018 the oil price is adjusted for inflation.
Currency rates	Average forward-rate for the period 2015-2018. From 2019 the average rate for 2018 is used.

Result from impairment test of goodwill on 31 March 2015

An impairment test of goodwill has been performed in the first quarter 2015. The remaining goodwill in the group is related to the Danish business, which has been written down by NOK 6 million in the first quarter 2015. The write-down has been performed as a consequence of somewhat lower oil prices in the first quarter 2015 compared to the previous quarter, which has reduced the recoverable amount of the asset supporting the goodwill.

Book value of goodwill associated with the Danish business is near the recoverable amount, and changes in the assumptions may require future write-downs.

Result from impairment test of Licence and capitalised exploration expenditures on 31 March 2015

An impairment test of all intangible assets has been performed this quarter. Drilling of the Xana well was completed in May 2015. Hydrocarbons were encountered in several Upper Jurassic sandstone layers. Further evaluation will be carried out. The capitalised exploration expenditures related to the Xana well has been written off in the first quarter 2015.

Based on considerations of progress, new information from evaluation work and other commerciality analysis regarding Noreco's suspended wells, there is no information which requires other capitalised exploration costs to be written off. At the end of the first quarter 2015, licence and capitalised exploration expenditures mainly consists of the Gohta discovery.

11 Property, plant and equipment

(NOK million)	Production facilities	Machinery and equipment	Total
Acquisition costs 01.01.15	6 668	5	6 673
Additions	2		2
Revaluation abandonment assets			
Reclassified to assets held for sale (see note 20)	(2 530)		(2 530)
Currency translation adjustment	448		448
Acquisition costs 31.03.15	**4 588**	**5**	**4 594**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.15	(6 241)	(5)	(6 245)
Depreciation	(17)		(17)
Write-downs	(41)		(41)
Reversal of write-downs			
Reclassified to assets held for sale (see note 20)	2 502		2 502
Currency translation adjustment	(412)		(412)
Accumulated depreciation and write-downs 31.03.15	**(4 209)**	**(5)**	**(4 214)**
Book value 31.03.15	**380**		**380**

Impairment test Q1 2015
For detailed description of applied methodology for the impairment test, reference is made to note 13 included in the annual financial statements for 2014.

Main assumptions applied for the impairment test on 31 March 2015:

Discount rate (after tax)	10.0 per cent
Discount rate (after tax)	10.0 percent
Inflation	2.0 percent
Cash flow	After tax
Prognosis period	Estimated lifetime of the oil/gas field
Reserves/resources	Internal estimated reserves and resources on 31 March 2015
Oil price	Forward curve for oil price for the period 2015-2017. From 2018 the oil price is adjusted for inflation.
Currency rates	Average forward-rate for the period 2015-2018. From 2019 the average rate for 2018 is used.

Result from impairment test on 31 March 2015
The recoverable amount for the Huntington field in the UK was in the first quarter reduced as a result from somewhat lower oil prices at the end of the first quarter 2015 compared to the previous quarter. This resulted in a write-down of NOK 41 million before tax. The Huntington partnership continues its evaluations of reservoir characteristics, production profiles and potential mitigating actions, and future decommissioning costs. The results of this work are uncertain and might impact the company's estimated reserves on Huntington.

The value in use has been used as recoverable amount for all assets tested for impairment as of 31 March 2015.

Sensitivity
The book value of Huntington is equal to the recoverable amount by the end of the quarter, and changes in the assumptions may require future write-downs. Oselvar and Enoch have book values of zero at the end of the first quarter, while certain Danish assets have been reclassified to assets held for sale (see note 20). The write-downs may be fully or partially reversed if new information results in increased recoverable amounts.

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

(NOK million)	31.03.2015	31.12.2014
Non-current assets		
Other receivables [1]	479	440
Total non-current receivables	**479**	**440**
Current assets		
Trade receivables	36	86
Receivables from operators relating to joint venture licences	66	48
Underlift of oil/NGL	13	23
Prepayments	3	12
Other receivables	12	20
Total trade receivables and other current receivables	**130**	**189**

(1) The company continues to progress an insurance claim which is related to damage to the Siri platform that was discovered in 2009. The total claim exceeds NOK 3 billion, of which NOK 479 million (the USD amount is unchanged since 31 December 2014) is recognised as a non-current receivable at 31 March 2015. The book value of the receivable relates to costs incurred to prevent further damage, and loss of production income in 2009/2010. Based on technical documentation containing third party evaluations and the insurance agreements, the company remains firm that the claim is covered and at a minimum the booked amounts will be awarded.

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

13 Restricted cash, bank deposits, cash and cash equivalents

Restricted cash, bank deposits, cash and cash equivalents

(NOK million)	31.03.2015	31.12.2014
Non-current assets		
Restricted cash pledged as security for abandonment obligation in Denmark, abandonment obligation in Denmark, DKK 449 million including interest (see note 20)		546
Other restricted cash and bank deposits	14	31
Total non-current restricted cash	14	576
Current assets		
Other restricted cash and bank deposits (Withholding tax etc.)	2	33
Total current restricted cash	2	33
Unrestricted cash, bank deposits and cash equivalents	685	644
Total bank deposits	**701**	**1 254**

Overdraft facilities

(NOK million)	Facility amount in currency	NOK	Used	Unused	Available
NOK (Exploration loan facility in Noreco Norway AS) [1]	500	500	282	218	21
Total		**500**	**282**	**218**	**21**
Unrestricted cash and cash equivalents					685
Accessible liquidity at 31.03.15					**706**

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

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

14 Borrowings

14.1 Principal amounts and book values

Non-current debt	31.03.2015		31.12.2014	
(NOK million)	Principal amount	Book value	Principal amount	Book value
NOR06 bond loan, amended and restated	618	340		
NOR10 bond loan, amended and restated	600	336		
Total non-current bonds	**1 218**	**676**		

Current debt				
(NOK million)	Principal amount	Book value	Principal amount	Book value
Bond loan NOR06			588	588
Bond loan NOR10			1 372	1 372
Bond Loan NOR11			722	722
Bond Loan NOR12 Convertible			369	369
Total current bonds			**3 051**	**3 051**
Exploration loan	282	282	284	284
Total current other interest bearing debt	**282**	**282**	**284**	**284**
Total borrowings	**1 500**	**958**	**3 335**	**3 335**

14.2 Financial restructuring

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

Based on feedback from the financial stakeholders on the board's first restructuring proposal presented on 15 December 2014, which entailed a full bond debt to equity conversion, the board resolved to finalise and present a revised restructuring proposal on 4 February 2015. The revised restructuring proposal entailed that Noreco would be converting NOK 1 979 million of bond debt to equity with NOK 1 218 million of bond debt remaining on amended terms, including amended maturities, with possible payment-in-kind interest and no fixed amortisations except final maturity in three years, but with "cash sweep" if cash should become available. The bond loan NOR06 would change borrower to Noreco Norway AS without any recourse to the parent company or other parts of the group. In addition, Nordic Trustee, on behalf of the bondholders of NOR06 was given an option to purchase all outstanding shares of, and any intercompany claims on, Noreco Norway AS for NOK 1. If the purchase option is exercised, the Noreco group may cancel the option for a consideration of NOK 30 million, or by exercising the call option on the bond loan. The three other bond loans NOR10, NOR11 and NOR 12 were to be converted into an amended and restated NOK 600 million senior secured bond loan of Noreco. As part of the renegotiated NOR10 bond loan agreement, Noreco ASA and its subsidiaries except for Noreco Norway would be required to pledge parts of- or all of their unrestricted cash in favor of NOR10. Following the proposed conversion the holders of the converted bonds would own 92 per cent of the outstanding shares in the company, and would in this way dilute the existing share capital to 8 per cent of the total.

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

Extinguishment of debt and calculation of gain
As described above, there are substantial modifications of the terms in the new bond loans. Thus, the refinancing have been accounted for as an extinguishment and the old bond loans have been derecognised, including any remaining capitalised costs (none at 31 December 2014). Transaction costs incurred in the process of renegotiating the bond loans have been reflected in the gain/loss calculation. The new bond loans have been recognised at fair value at initial recognition. "Fair value" in this respect reflects quoted prices on the Oslo Stock Exchange.

(NOK million)	Q1 2015
Book value old bond loans at the time of extinguishment	3 196
Fair value amended and restated bond loans and new equity at the time of initial recognition	(930)
Transaction costs	(90)
Gain on extinguishment of debt	**2 176**

Measurement for initial recognition
Borrowings are recognised initially at fair value, net of transaction costs incurred.

The following fair values were observed and have been applied for the amended and restated bond loans at initial recognition:

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

The fair values are based on executed transactions in the period after execution of the amended and restated bond loan agreements on 24 March 2015. Reference is made to note 16 for the fair value hierarchy.

Subsequent measurement
The subsequent measurement depends on which category the borrowings have been classified into. The categories applicable for Noreco are either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost using the effective interest method. Noreco has designated the amended and restated bond loans at fair value through profit or loss. The previous bond loans were measured at amortised cost using the effective interest method. See also note 1 for a general description of the accounting policies.

15 Trade payables and other current liabilities

(NOK million)	31.03.15	31.12.14
Trade payable	45	17
Liabilities to operators relating to joint venture licences	90	224
Overlift of oil/NGL	4	4
Accrued interest	8	114
Salary accruals	12	11
Public duties payable	6	8
Other current liabilities	37	79
Total other current liabilities	**202**	**458**

16 Financial instruments

16.1 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.

On 31.03.2015 (NOK million)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Underlift of oil		13		13
Total assets		**13**		**13**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements and trading derivatives		3		3
- Overlift of oil		4		4
- Bond loans			676	676
Total liabilities		**7**	**676**	**683**

On 31.12.2014 (NOK million)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives		28		28
- Underlift of oil		23		23
Total assets		**51**		**51**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements and trading derivatives		3		3
- Overlift of oil		4		4
Total liabilities		**8**		**8**

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. The fair value of foreign exchange derivatives are based on the spot foreign exchange rate at the closing date, as well as the market's expectation for future interests. Fair value of bond loans are based on executed trades at applicable market places and if appropriate, supplemented by other market based information such as broker quotes and subesquent trades adjusted for any significant time differences.

16.2 Financial instruments by category

On 31.03.2015

(NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Trade receivables and other current assets	114	13	127
Restricted cash	16		16
Bank deposits, cash and cash equivalents	685		685
Total	**814**	**13**	**828**

(NOK million)	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bonds			
Other interest bearing debt	282		282
Derivatives		3	3
Trade payables and other current liabilities	186	4	191
Bond loans		676	676
Total	**468**	**683**	**1 152**

On 31.12.2014

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

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

16.3 Financial instruments - Fair values

Set out below is a comparison of the carrying amounts and fair value of financial instruments as on 31 March 2015:

(NOK million)	Carrying amount	Fair value
Financial assets:		
Trade receivables and other current assets	127	127
Restricted cash	16	16
Bank deposits, cash and cash equivalents	685	685
Total	**828**	**828**
Financial liabilities:		
Bond loans	676	676
Other interest bearing debt	282	282
Derivatives	3	3
Trade payables and other current liabilities	191	191
Total	**1 151**	**1 151**

17 Segment reporting

The group's activities are entirely related to exploration and production of oil, gas and NGL. Previously, the group's activities were considered to have a homogeneous risk and rate of return before tax and were therefore considered as one operating segment. Following the financial restructuring completed in March 2015, the group has reassessed its segment reporting. As a result from a clear separation between Noreco Norway AS (Ring fence 2) and the rest of the group (Ring fence 1) in the amended and restated bond loan agreements (see note 14), the operating segments of Noreco will now be Noreco Norway (Ring fence 2) and the rest of the group - "Other - Ring fence 1".

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 the respective countries. Loans, receivables and payables between the companies are included in segment assets and liabilities. These are eliminated in the consolidated balance sheet.

As financial information for the operating segments should reflect management reporting, the bond loans are valued and presented to the principal amount and change in fair value and amortisation of unrealised gain is excluded in the income statement.

Geographical information 31.03.2015 (YTD)

(NOK million)	Norway	Denmark	UK	Inter company	Group	GAAP adjustments	IFRS Group
Condensed income statement							
Revenue	15	35	64		114		114
Total operating expenses	(30)	(180)	(58)		(268)		(268)
Depreciations		(1)	(16)		(17)		(17)
rite-downs and reversals		(6)	(41)		(47)		(47)
Net operating result	(14)	(152)	(52)		(218)		(218)
Net financial items	1 571	27	(14)		1 585	543	2 128
Result before tax	1 557	(125)	(65)		1 367	543	1 909
Income tax benefit / (expense)	31	(5)	(67)		(41)	(75)	(116)
Net result for the period	1 588	(130)	(133)		1 326	468	1 794
Condensed statement of financial positions							
Licence and capitalised exploration expenses	258		9		267		267
Goodwill		7			7		7
Property, plant and equipment		14	366		380		380
Other	2 470	1 133	165	(950)	2 818	(75)	2 743
Total assets	2 728	1 153	540	(950)	3 471	(75)	3 396
Equity	1 009	418	(618)		809	468	1 276
Asset retirement obligations	74	5	183		262		262
Bond loans	1 219				1 219	(543)	676
Other liabilities	427	731	975	(950)	1 183		1 183
Total liabilities	1 719	736	1 158	(950)	2 663	(543)	2 120
Capital expenditures							
Capital expenditures production facilities		2			2		2
Capital expenditures exploration and evaluations	2	63	3		67		67
Total capital expenditures	1	65	3		69		69

Operational segment information 31.03.2015 (YTD)

(NOK million)	Other Ring fence 1	Noreco Norway Ring fence 2	Inter company	Group	GAAP adjustments	IFRS Group
Condensed income statement						
Revenue	99	15		114		114
Total operating expenses	(225)	(43)		(268)		(268)
Depreciations	(17)			(17)		(17)
Write-downs and reversals	(47)			(47)		(47)
Net operating result	(191)	(27)		(218)		(218)
Net financial items	1 602	(17)		1 585	543	2 128
Result before tax	1 411	(45)		1 367	543	1 909
Income tax benefit / (expense)	(72)	31		(41)	(75)	(116)
Net result for the period	1 339	(13)		1 326	468	1 794
Condensed statement of financial positions						
Licence and capitalised exploration expenses	9	258		267		267
Goodwill	7			7		7
Property, plant and equipment	380			380		380
Other	1 823	1 004	(9)	2 818	(75)	2 743
Total assets	2 143	1 262	(9)	3 471	(75)	3 396
Equity	796	216		809	468	1 794
Asset retirement obligations	188	74		262		262
Bond loans	600	619		1 219	(543)	676
Other liabilities	838	353	(9)	1 183		1 183
Total liabilities	1 347	1 046	(9)	2 663	(543)	2 120
Capital expenditures						
Capital expenditures production facilities	2			2		2
Capital expenditures exploration and evaluations	66	2		67		67
Total capital expenditures	68	1		69		69

Operational segment information 31.03.2014 (YTD)

(NOK million)	Other Ring fence 1	Noreco Norway Ring fence 2	Inter company	Group	GAAP adjustments	IFRS Group
Condensed income statement						
Revenue	354	30		384		384
Total operating expenses	(155)	(63)		(218)		(218)
Depreciations	(137)	(5)		(143)		(143)
Write-downs and reversals	6	(38)		(32)		(32)
Net operating result	67	(76)		(8)		(8)
Net financial items	(51)	(19)		(70)	(35)	(105)
Result before tax	16	(94)		(78)	(35)	(113)
Income tax benefit / (expense)	(19)	67		49		49
Net result for the period	(3)	(27)		(30)	(35)	(64)
Condensed statement of financial positions						
Licence and capitalised	591	154		745		745
Goodwill	143			143		143
Property, plant and equipment	2 595	309		2 904		2 904
Other	2 155	860	(557)	2 458		2 458
Total assets	5 485	1 322	(557)	6 250		6 250
Equity	826	338		1 164	583	1 747
Asset retirement obligations	314	15		330		330
Bond loans	3 102			3 102	(583)	2 519
Other liabilities	1 242	969	(557)	1 654		1 654
Total liabilities	4 659	984	(557)	5 086	(583)	4 503
Capital expenditures						
Capital expenditures production facilities	5			5		5
Capital expenditures asset under construction						
Capital expenditures exploration and evaluations	7	5		12		12
Total capital expenditures	12	5		17		17

18 Asset retirement obligations

(NOK million)	31.03.15	31.12.14
Balance on 1.1.	612	327
Provisions and change of estimates made during the year		166
Accretion expense	14	34
Reclassified to liabilities held for sale (see note 20)	(413)	
Currency translation	48	85
Total provision made for asset retirement obligations	**262**	**612**

In accordance with the agreement with the partners and normal practice in the industry, a restricted cash account will be established and serve as security for Noreco's share of the estimated future abandonment costs at Huntington. The first deposit is to be performed when the estimated abandonment obligation exceeds the value of the remaining production. As a result from reduced reserves and lower oil price assumptions, the value of the remaining production was significantly reduced in 2014, which in turn implied that the first required cash deposit scheduled for December 2015 is expected to increase correspondingly.

Provisions made for asset retirement obligations include the future expected costs (esimtated based on current day costs inflated) for close-down and removal of oil equipment and production facilities used in hydrocarbon activities. The estimated future provision is discounted using a risk-free rate adjusted for credit risk of 9 percent, which is unchanged from previous quarters. Inflation is assumed to be 2 percent.

19 Shares and share capital

(NOK million)	No. of shares	Share Capital
31 December 2014	56 757 843	568
Change in share capital in 2015		
Share capital reduction on 3 March 2015		(562)
Share issue on 23 March 2015	652 715 195	65
31 March 2015	709 473 038	71
Reverse split 13 May 2015	(702 378 308)	
Number of shares and share capital after reverse split	7 094 730	71

Earnings per share for comparable periods have been revised due to reverse splits that have been carried out.

A reverse split of the company's shares in the ratio 100:1 was carried out on 13 May 2015. By completion of the reverse split, the company's share capital was NOK 70 947 303.8 divided on 7 094 730 ordinary shares, each with a nominal value NOK 10.

20 Assets and liabilities held for sale

The company is involved in several processes which may lead to asset sales, including licences in Denmark. As previously described Noreco is in a constructive process which likely will result in an orderly transfer of its ownership of certain licences in 2015.

21 Subsequent events

In May 2015, Danish tax authorities suggested a reassessment of the Noreco Oil Denmark A/S's taxable income for 2011. If final, such increased tax could in worst case entail an additional payment of USD 10.5 million plus interest, but increasing corporate loss carry forwards correspondingly. The company is of the opinion that the reassessment is incorrect and no final decision has yet been made by the authorities. Thus, no provisions has been made towards this claim.

INFORMATION ABOUT NORECO

Head office Noreco

Mailing address	P.O. Box 550 sentrum, 4003 Stavanger, Norway
Visiting address	Badehusgata 37, Stavanger, Norway
Telephone	+47 992 83 900
Internet	www.noreco.com
Organisation number	NO 987 989 297 mva

Board of Directors Noreco

Silje Augustson	Chair
Riulf Rustad	
Julien Balkany	
Andreas Greve-Isdahl	(alternate board member)
Lotte Kiørboe	

Noreco management

Tommy Sundt	CEO
Odd Arne Slettebø	CFO
Øyvind Sørbø	VP commercial
Lars Fosvold	VP exploration and operation

Investor Relations

Tommy Sundt, CEO
tel. +47 908 55 000
tommy.sundt@noreco.com
investorrelations@noreco.com

Odd Arne Slettebø, CFO
tel. +47 992 83 898
odd.arne.slettebo@noreco.com
investorrelations@noreco.com

Financial calendar 2015

20 May	Annual General Meeting (Stavanger)
31 May	Q1 2015 Presentation
20 August	Q2 2015 Presentation
12 November	Q3 2015 Presentation

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 investorrelations@noreco.com.

News releases

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

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

www.noreco.com