NORWEGIAN ENERGY COMPANY ASA

SECOND QUARTER

2015

REPORT FOR THE SECOND QUARTER 2015

NORWEGIAN ENERGY COMPANY ASA

SUMMARY

- With the financial restructuring approved and in place, Norwegian Energy Company has concentrated on implementation of the new strategy. Short term focus is to limit future investment commitments, implement cost saving measures, optimise the value of its assets and reduce debt.

- With agreements in place concerning termination of its participation in the Nini and Cecilie licence sanctioned at the end of the second quarter, the company decided an early partial repayment of debt. A NOK 250 million repayment of debt and interests on the NOR10 bond was completed in the middle of August.

- On 30 June Noreco Norway entered into an agreement to sell the Oselvar licences for NOK 201 million. When the Oselvar transaction is completed later this year, net proceeds will be paid to the NOR06 bondholders.

- Cost reduction measures have been initiated and the organisation is being scaled down to match the activity level. In May seven employees in Denmark were made redundant. In Norway the company is in the process of reducing staff.

- Noreco participated in three exploration wells in the second quarter. Both the Haribo well on the Norwegian shelf and the Niobe well in the UK have been declared dry. In the Xana hydrocarbons were encountered and is currently being evaluated.

- Average daily production in the second quarter 2015 was 4 894 barrels of oil equivalents per day, including Oselvar. Revenues were NOK 193 million.

- Loss before tax for the second quarter 2015 was NOK 395 million after exploration cost of NOK 151 million and non-cash expenses of NOK 277 million related to re-valuation of the bonds.

KEY FIGURES

	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14
Net realised oil price *(USD/boe)*	55.5	49.7	65.2	89.0	101.5
EBITDA *(NOK million)*	(17.5)	(153.6)	(28.3)	(556.4)	(29.2)
Net results *(NOK million)*	(459.1)	1 793.6	(1 745.9)	(1 101.2)	(0.1)
Net result - operating segments* *(NOK million)*	1 111.6	1 326.0	(1 235.7)	(1 064.4)	40.4
Equity *(NOK million)*	809.6	1 276.1	(803.2)	762.7	1 784.2
Equity - operating segments* *(NOK million)*	586.7	808.5	(803.2)	257.1	1 238.1
Cash flow from operations *(NOK million)*	31.2	147.0	295.9	15.4	354.2
Total assets *(NOK billion)*	3.1	3.4	3.6	4.9	6.5

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

HEALTH, SAFETY, ENVIRONMENT AND QUALITY (HSEQ)

Noreco did not operate any wells in the second quarter of 2015. There were not reported any serious incidents from Noreco's partner operated production or exploration activities in the quarter.

HSEQ activities performed in the quarter include follow up of drilling operations where Noreco is a licensee in addition to internal activities.

PRODUCING FIELDS

Noreco has divested its share of the Oselvar field and 18.2 per cent of its share of Lulita. Below figures include production from these fields during the quarter as Noreco will continue reporting on the assets until the transactions have been concluded.

The Noreco group's average production in the second quarter of 2015 was 4 894 boepd. Realised oil price was USD 55.5 per boe compared to USD 49.7 per boe in the first quarter of 2015.

Noreco's share of production from the Huntington field for the second quarter 2015 was 4 200 boepd. While the production levels now clearly reflects the fact that the field has come off plateau, **Huntington** output has been stable at good rates throughout the second quarter after resuming full production in April, having been severely affected by CATS restrictions in the first quarter. Production was only interrupted by few short lived mechanical problems, planned shutdowns and restricted production due to timing of crude offloading.

The CATS onshore summer slowdown had no impact on Huntington production. The Huntington partners have now finalised commercial amendments to the Huntington gas transportation agreement which is expected to deliver an improvement in certainty of gas export volumes from Huntington for the future.

As previously disclosed the partners on Huntington have a decommissioning security agreement (DSA). In accordance with this 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 made when the estimated abandonment obligation exceeds the value of the remaining production. The first required cash deposit is scheduled for December 2015.

As part of the negotiations on an overall restructuring for Noreco during winter 2015, a committee of bondholders stated that their consent would require that the costs and cash flows related to Noreco's operations in Denmark had to be improved. Noreco was prevented from making payments for its share of production costs at the Nini and Cecilie fields, and was consequently in breach of the licence agreements. In accordance with the JOAs, the Nini and Cecilie licences were forfeitured in second quarter and the licences were taken over by the partners, whereas the debt remained with Noreco. Noreco and representatives from the bondholders initiated a dialogue with the operator and the partners in the licences in order to achieve an amicable solution which was reached during second quarter. For the settlement on defaulted cash calls and a cap on the abandonment cost a cash consideration of NOK 60 million and an 18.2 per cent working interest in the Lulita field was agreed. The entire restricted cash account of DKK 445 million plus interest in Noreco set aside for future abandonment cost for Nini and Cecilie will not be transferred, and Noreco remains liable for the abandonment obligation, but the liability is in any and all circumstances limited to a maximum amount of DKK 445 million adjusted for accrued interests on the escrow account.

The production from Oselvar was fairly stable, and the average production in the second quarter was 411 boepd to Noreco.

During the second quarter, the Lulita field had stable production delivering 282 boepd net to Noreco on a 28.2 per cent share.

The Enoch field remained closed during the second quarter. The maintenance work at the field has been completed. Production start has been further delayed due to operational issues on the host platform Brae, and is now expected in the fourth quarter 2015.

EXPLORATION

Exploration work in the second quarter was primarily directed towards further maturation of a number of key exploration licences.

In Denmark the 9/95 Xana discovery continues to be evaluated. The 9/95 licence expires in fourth quarter of 2015 and the next decision milestones are coming up in third quarter of 2015, when the licence partners will have to decide how to proceed.

The Niobe well was spudded on 9 June 2015 in licence P1889 in the Moray Firth in the UK sector of the North Sea. The well was drilled with the jack-up Ensco 100 to a total depth of 1485 metres below mean sea level. The well encountered the expected reservoir formation, but it was dry. The well has been plugged and abandoned.

The Haribo well in licence PL616 in the Norwegian Central Graben area was spudded on 21 June and completed on 28 July. The target section comprised poor quality reservoir properties and no moveable hydrocarbons were encountered. The well has been plugged and abandoned as a dry well.

GROUP FINANCIALS

The Noreco group had **revenues** of NOK 193 million in the second quarter 2015, compared to NOK 318 million in the second quarter 2014. For the first half of 2015 revenues were NOK 308 million, compared to NOK 702 million for the same period last year. Low revenues in 2015 compared with 2014 is due lower realised oil prices and to lower production due to discontinued interest in Nini and Cecilie and restricted production on Huntington during first quarter.

Production expenses in the second quarter 2015 amounted to NOK 19 million compared to NOK 132 million for the same period last year. The significant change is due to reversion of provisions for the first quarter 2015 and discontinued interest in Nini and Cecilie. For the first half of 2015, production expenses decreased by NOK 114 million to NOK 157 million, compared to the first half of 2014. 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 151 million for the second quarter 2015, compared to NOK 173 million in the second quarter 2014. Exploration and evaluation expenses in the second quarter 2015 includes cost for the Xana (NOK 35 million), the Niobe (NOK 38 million) and the Haribo (NOK 26 million) exploration wells, which in total amounted to NOK 99 million for the second quarter. Haribo was completed in July and cost incurred in July will be recorded in next quarter. First half year 2015 exploration and evaluation expenses amounted to NOK 281 million compared to NOK 199 million for the first half of 2014.

Payroll expenses were NOK 19 million in the second quarter 2015 compared to NOK 22 million for the second quarter last year. For the first half of 2015, payroll expenses amounted to NOK 42 million compared to NOK 52 million for the same period last year, corresponding to a reduction of NOK 10 million.

Other (losses)/gains were negative by NOK 3 million in the second quarter 2015. This includes change of value on the issued option not expected to be exercised as the Niobe well being dry, and the net impact of the Nini/Cecilie settlement agreement, please refer to note 7 and 20. For the first half of 2015, other (losses)/gains were positive by NOK 13 million, compared to nil in the first half of 2014.

EBITDA (operating result before depreciation and write-downs) in the second quarter 2015 was negative by NOK 17 million, compared to a negative EBITDA of NOK 29 million in the second quarter 2014. EBITDA was negative by NOK 171 million for the first half of 2015, compared to a positive EBITDA of NOK 137 million for the same period last year.

Depreciation amounted to NOK 31 million in the quarter, down from NOK 108 million for the second quarter 2014. For the first half of 2015, depreciations totalled NOK 48 million, compared to NOK 251 million in the first half of 2014. Depreciation follows the production and a lower production level contribute to lower depreciation charges in the second quarter 2015 compared to the second 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.

Second quarter **write-downs** amounted to NOK 17 million before tax. The amount consists mainly of write-down on the Huntington. For the first half of 2015, write-downs and reversals amounted to a cost of NOK 65 million, compared to a net income of NOK 22 million in first half of 2014. The valuation of the Huntington asset is highly sensitive to assumptions, particularly reserves and oil price. After the end of the quarter the oil price and related forward curve has dropped significantly. If the oil price assumptions applied in the impairment test were reduced by 20 per cent, this would require an additional impairment of approximately NOK 190 million before tax (approximately NOK 214 million after 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.

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

Financial income amounted to NOK 42 million for the second quarter 2015, compared to NOK 61 million for the same period last year. The main effect in second quarter 2015 is related to currency translation. For the first half of 2015, financial income were NOK 2 271 million, compared to NOK 74 million for the first half of 2014. The significant increase is due to gain on extinguishment of debt recorded in the first quarter 2015.

Financial expenses for the second quarter were NOK 346 million compared to NOK 109 million for the same period last year. Financial expenses include an effect of NOK 277 million due to re-valuation of bond at fair value. Lower interest expenses on bond loans were incurred in the second quarter 2015 compared to the second quarter 2014 and amounted to NOK 20 million and NOK 88 million, respectively. For the first half of 2015, financial expenses amounted to NOK 448 million, compared to NOK 227 million in the first half of 2014.

Taxes amounted to an expense of NOK 90 million for the second quarter. For the first half year taxes amounted to NOK 206 million. The second quarter tax expense corresponds to an average negative effective tax rate of 24.4 per cent, while for the first half year the effective tax rate was 13.4 per cent. Taxable income was impacted by different tax regimes and tax rates and in particular the effects from the increased value on the bond debt, and the reduced value of Oselvar tax balances. 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 second quarter was negative by NOK 459 million, compared to a zero result for the second quarter 2014. Net result amounted to NOK 1 334 million for the first half of 2015, compared to negative NOK 65 million last year.

The book value of **licence costs and capitalised exploration expenditures** at the end of the second quarter amounted to NOK 254 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 **restricted cash** amounts to NOK 566 million. NOK 530 million of this balance is an escrow account of DKK 445 million plus interests set aside for future abandonment cost for Nini and Cecilie. After the settlement agreement with the partners Noreco remains liable for the abandonment obligation, but the liability is in any and all circumstances limited to a maximum amount of DKK 445 million adjusted for accrued interests on the escrow account. The liability corresponding to this escrow account is included in the asset retirement obligation.

Non-current receivables amounted to NOK 465 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 second quarter 2015, Noreco had a total of NOK 616 million in **bank deposits, cash and cash equivalents.** NOK 81 million of this is related to Noreco Norway AS (The part of the group with secured assets of NOR06) and the remaining NOK 535 million is related to Ringfence 1 (The part of the group with secured assets of NOR10). See note 13 for further information.

Assets classified as held for sale amounted to NOK 272 million and associated Liabilities held for sale amounted to NOK 68 million at the end of the second quarter 2015. The items consisted of assets and associated liabilities related to Norecos participation interest in the Oselvar licence. See note 20 for further information.

Equity amounted to NOK 810 million at the end of the period, compared to a 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 952 million. If the debt had been recorded at principal amount the equity would have been reduced by NOK 223 million, to NOK 587 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.

Further, the equity is highly sensitive to the oil price and other assumptions applied for valuation of the group's assets. Given that the bonds are valued to their principal amount an impairment test with reduced oil price assumptions with e.g 20 per cent would result in a reduction of the book value of the equity with approximately NOK 225 million to approximately NOK 360 million. If all values related to Huntington and Lulita including tax positions where impaired, and only the abandonment liability was included in the balance sheet, the equity would be approximately NOK 240 million.

Asset retirement obligations amounted to NOK 713 million at the end of the second quarter 2015, compared to NOK 612 million at the end of the 2014. The increase is due to changes in estimates, partly offset by reclassification as liabilities held for sale. See notes 18 and 20 for further information.

Interest-bearing debt, excluding exploration loans, had a book value of NOK 952 million (principal amount NOK 1 218 million) at the end of the second quarter 2015, compared to a book value of NOK 3 051 million (same as principal amount) at the end of 2014. The change in book value of debt during first half of 2015 is due to the restructuring of the bond debt approved in March and the subsequent re-valuation of the debt at fair value through profit and loss. At the end of the quarter the bonds were valued at 74 per cent (NOR06) and 82 per cent (NOR10) of principal amount. However the, the board and the company are working towards full recovery of the principal amount. The group's exploration loan amounted to NOK 282 million at the end of the second quarter. Total interest-bearing debt at the end of the second quarter had a book value of NOK 1 234 million. On 13 August NOK 243 million of the principal amount of NOR10 was repaid.

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. As the Niobe well was dry the option is not expected to be exercised. 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. Noreco Norway entered into this arrangement as it was committed to acquire the UK seismic itself, if not NEC UK could stand by its commitment. Noreco Norway AS has decided not to exercise the option to acquire the Niobe well, but the option to acquire the NEC UK shares remains open.

On 30 June Noreco Norway entered into an agreement with the mature field specialist oil company CapeOmega to sell its 15 per cent participating interests in the Norwegian shelf licences PL274 and PL 274CS, which includes the Oselvar field with associated tax balances for a total consideration of NOK 201 million. The transaction is effective as of 1 January 2015. The transfer of licence interests requires approvals from the Norwegian authorities. The parties have agreed that the transaction must be completed by the end of 2015. When the transaction is completed, the net proceeds (after pro & contra settlement adjustment since effective date) will be transferred to the NOR06 proceeds account as defined in the loan agreement, and used to pay the NOR06 bondholders.

RISKS AND UNCERTAINTIES

Investment in Noreco involves risks and uncertainties as described in the board of director's report and note 3 to the annual report 2014. The most significant risks Noreco is facing for the next six months are related to oil prices, production interruption, and currency exchange rates.

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 proposed 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 4 full time consultants. Six months later, the number of employees had been reduced to 34. All full-time consultants have been terminated. In Denmark, the work force has been reduced from eleven to four.

Noreco is focused on maintaining core competence in the company and ensuring that the organisation is tailored to handle the operations as a qualified licence operator. Cost reductions and alignment to expected future activity level are continuing.

The company recently resolved to further reduce capacity in Norway. In the short term, Noreco Norway will be reducing staff to 21 positions, which constitutes 18.5 full-time equivalents for Noreco Norway as some of the employees are providing services to the parent company of the group. Additional redundancies are expected with further reduction in activity level.

Sick leave for the second quarter was 3.4 per cent.

OUTLOOK

Implementation of the new strategy, which was approved in connection with the financial restructuring earlier this year, is well underway. The key focus for Noreco in the short term will be to limit future investment commitments, implement cost saving measures and optimise 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. In line with this strategy Noreco has decided to not file any applications for the APA 2015 licencing round in Norway.

Statement Pursuant to section 5-6 of the securities trading act

Today, the Board of Directors and CEO reviewed and approved the half-yearly interim financial report for the period 1 January through 30 June 2015.

The half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed by the EU, and the Norwegian additional requirements in the Securities Trading Act.

To the best of our knowledge:

- the half-yearly report has been prepared in accordance with applicable financial reporting standards.
- the half-yearly financial statements give a true and fair view of the assets, liabilities, financial position and result as a whole for the period.
- the half-yearly financial Board of Director's report includes a fair review of:
  - o important events that occurred during the accounting period and their impact on the half-yearly financial statements
  - o the principal risks and uncertainties for the remaining six months of the financial year
  - o major related party transactions.

Stavanger, 26 August 2015

The Board of Directors and Chief Executive Officer Norwegian Energy Company ASA

Silje Augustson
Chair

Riulf Rustad *Board member*	*Julien Balkany* *Board member*	*Tommy Sundt* *CEO*

STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED

NOK million	Note	Q2 2015	Q2 2014	YTD Q2 2015	YTD Q2 2014	2014
Revenue	**2**	**193**	**318**	**308**	**702**	**1 143**
Production expenses	3	(19)	(132)	(157)	(271)	(587)
Exploration and evaluation expenses	4	(151)	(173)	(281)	(199)	(837)
Payroll expenses	5	(19)	(22)	(42)	(52)	(87)
Other operating expenses	6	(18)	(19)	(12)	(44)	(104)
Other (losses) / gains	7	(3)	0	13	0	25
Total operating expenses		**(211)**	**(347)**	**(479)**	**(565)**	**(1 591)**
Operating result before depreciation and write-downs (EBITDA)		**(17)**	**(29)**	**(171)**	**137**	**(448)**
Depreciation	11	(31)	(108)	(48)	(251)	(407)
Write-downs and reversals of write-downs	10,11	(17)	54	(65)	22	(2 885)
Net operating result (EBIT)		**(66)**	**(83)**	**(284)**	**(91)**	**(3 740)**
Financial income	8	42	61	2 271	74	172
Financial expenses	8	(346)	(109)	(448)	(227)	(953)
Net financial items		**(304)**	**(49)**	**1 824**	**(154)**	**(780)**
Result before tax (EBT)		**(369)**	**(132)**	**1 540**	**(245)**	**(4 520)**
Income tax benefit / (expense)	9	(90)	132	(206)	180	1 609
Net result for the period		**(459)**	**0**	**1 334**	**(65)**	**(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)		(28)	(28)
Currency translation adjustment		(8)	63	21	26	278
Total		*(8)*	*35*	*21*	*(2)*	*249*
Total other comprehensive income for the period (net of tax)		**(8)**	**35**	**21**	**(2)**	**249**
Total comprehensive income for the period (net of tax)		**(467)**	**35**	**1 356**	**(67)**	**(2 663)**
Earnings per share (NOK 1)						
Basic	19	(65)	(0.2)	321	(115)	(5 196)
Diluted	19	(65)	(0.2)	320	(115)	(5 196)

STATEMENT OF FINANCIAL POSITION

CONSOLIDATED

NOK million	Note	30.06.2015	31.12.2014
Non-current assets			
Licence and capitalised exploration expenditures	10	254	325
Goodwill	10	5	23
Deferred tax assets	9	158	633
Property, plant and equipment	11	304	428
Tax refund	9	61	
Restricted cash	13,16	566	576
Receivables	12	465	440
Total non-current assets		**1 812**	**2 425**
Current assets			
Assets held for sale	20	272	
Tax refund	9	315	315
Derivatives	16	0	28
Trade receivables and other current assets	12,16	104	189
Restricted cash	13,16	2	33
Bank deposits, cash and cash equivalents	13,16	616	644
Total current assets		**1 308**	**1 209**
Total assets		**3 121**	**3 634**
Equity			
Share capital	19	71	568
Other equity		739	(1 371)
Total equity		**810**	**(803)**
Non-current liabilities			
Deferred tax	9	61	
Asset retirement obligations	18	713	612
Bond loan	14,16	617	
Total non-current liabilities		**1 391**	**612**
Current liabilities			
Liabilities held for sale	20	68	
Bond loan	14,16	335	3 051
Other interest bearing debt	14,16	282	284
Derivatives	16	2	3
Tax payable	9	10	28
Trade payables and other current liabilities	15,16	223	458
Total current liabilities		**920**	**3 825**
Total liabilities		**2 311**	**4 437**
Total equity and liabilities		**3 121**	**3 634**

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

NOK million	Share capital	Currency translation fund	Other equity	Total equity
2014				
Equity on 01.01.2014	**466**	**200**	**1 084**	**1 750**
Net result for the period			(65)	(65)
Other comprehensive income for the period (net of tax)				
Currency translation adjustments		26		26
Reclassification of currency translation upon disposal of subsidiary		(28)		(28)
Total comprehensive income for the period (net of tax)		**(2)**	**(65)**	**(67)**
Transactions with owners				
Proceeds from share issued	100		(0)	100
Issue cost			(3)	(3)
Share-based incentive program			4	4
Total transactions with owners for the period	**100**		**1**	**101**
Equity on 30.06.2014	**566**	**198**	**1 021**	**1 784**
2015				
Equity on 01.01.2015	**568**	**449**	**(1 820)**	**(803)**
Net result for the period			1 334	1 334
Comprehensive income for the period (net of tax)				
Currency translation adjustments		21		21
Total comprehensive income for the period (net of tax)		**21**	**1 334**	**1 356**
Transactions with owners				
Proceeds from share issued	65		189	255
Capital reduction	(562)		562	
Share-based incentive program			3	3
Total transactions with owners for the period	**(497)**		**754**	**257**
Equity on 30.06.2015	**71**	**470**	**268**	**810**

STATEMENT OF CASH FLOWS

CONSOLIDATED

NOK million	Q2 2015	Q2 2014	YTD Q2 2015	YTD Q2 2014
Net result for the period	(459)		1 334	(65)
Income tax benefit	90	(132)	206	(180)
Adjustments to reconcile net result before tax to net cash flows from operating activities:				
Tax paid		(5)		(5)
Depreciation	31	108	48	251
Write-downs and reversal of write-downs	17	(54)	65	(22)
Expensed exploration expenditures previously capitalised	88	148	209	149
Share-based payments expenses	1	2	3	4
(Gain) / loss on sale of licences	30		30	
Change in fair value of bonds	277		277	
Unrealised loss / (gain) related to financial instruments	(54)		(27)	
Gain on extinguishment of debt	0		(2 176)	
Paid/received interests and borrowing cost - net	27	91	9	98
Effect of changes in exchange rates	(9)	(47)	(15)	(35)
Amortisation of borrowing costs incl. impact from change in amortisation plan		41		77
Accretion expense related to asset retirement obligations	14	7	28	15
Reclassification of currency translation adjustment upon disposal of subsidiary		(28)		(28)
Changes in working capital				
Changes in trade receivable	(11)	(103)	39	(14)
Changes in trade payables	(32)	7	(4)	11
Changes in other current balance sheet items	22	318	154	164
Net cash flow from operations	**31**	**354**	**178**	**419**
Cash flows from investing activities				
Proceeds from sale of intangible assets			11	
Purchase of tangible assets	7	(2)	5	(7)
Purchase of intangible assets	(76)	(207)	(143)	(219)
Net cash flow used in investing activities	(68)	(209)	(127)	(226)
Cash flows from financing activities				
Issue of share capital				100
Paid issue cost				(12)
Proceeds from utilisation of overdraft facility		9		9
Repayment of bonds		(53)		(53)
Repayment of exploration facility			(2)	
Paid borrowing cost	(28)		(70)	(35)
Interest paid	(4)	(91)	(9)	(98)
Net cash flow from (used) in financing activities	**(32)**	**(135)**	**(80)**	**(88)**
Net change in cash and cash equivalents	**(69)**	**10**	**(29)**	**104**
Cash and cash equivalents at the beginning of the period	685	497	644	403
Cash and cash equivalents at end of the quarter	**616**	**507**	**616**	**507**

1 Accounting principles

Basis for preparation
The interim condensed consolidated financial statements (the interim financial statements) for the second 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 and The Norwegian Securities Trading Act §5-6. 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. 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 in the first quarter 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 bond loans as of 30 June 2015.

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

2 Revenue

(NOK million)	Q2 2015	Q2 2014	YTD Q2 2015	YTD Q2 2014
Sale of oil	158	297	264	647
Sale of gas and NGL	26	21	34	55
Other revenue	10		10	
Total revenue	**193**	**318**	**308**	**702**

In May 2015 Noreco received an insurance settlement, totalling NOK 10 million, on Enoch related to Loss of Production Income (LOPI) for the year 2010. The settlement has been classified as production income for Enoch.

3 Production expenses

(NOK million)	Q2 2015	Q2 2014	YTD Q2 2015	YTD Q2 2014
Huntington [3]	(66)	(62)	(132)	(128)
Nini [1]	30	(55)	(15)	(102)
Cecilie [1]	7	(7)	(12)	(21)
Lulita	(2)	(2)	(4)	(6)
Oselvar	(6)	(6)	(11)	(12)
Enoch [2]	18	(0)	17	(2)
Total production expenses	**(19)**	**(132)**	**(157)**	**(271)**

1) Noreco's interests in Nini and Cecilie ceased in Q1, and executed in Q2, due to forfeiture. The costs accrued for in Q1 have accordingly been adjusted to the terms of the situation.
2) In May 2015 Noreco received an insurance settlement, totalling NOK 18.5 million, on Enoch as cost compensation for repairs for the year 2010. The settlement has been classified as a reduction of production expenses for Enoch.
3) The partners on Huntington established a Field Security Agreement (FSA) when the FPSO was contracted. The FSA implies that the partners have to deposit funds on a secured escrow account if the estimated disocunted cashflow is negative.

4 Exploration and evaluation expenses

(NOK million)	Q2 2015	Q2 2014	YTD Q2 2015	YTD Q2 2014
Acquisition of seismic data, analysis and general G&G costs [1]	(50)	(18)	(63)	(32)
Exploration wells capitalised in previous years	(4)		(4)	(2)
Dry exploration wells this period (see note 10)	(95)	(148)	(204)	(148)
Other exploration and evaluation costs	(3)	(7)	(10)	(18)
Total exploration and evaluation costs	**(151)**	**(173)**	**(281)**	**(199)**

1) Included in Q2 2015 is the acquisition of the Homer seismic which was a comitment entered into prior to 2015.

5 Payroll expenses

(NOK million)	Q2 2015	Q2 2014	YTD Q2 2015	YTD Q2 2014
Salaries	(18)	(24)	(38)	(53)
Social security tax	(1)	(3)	(4)	(6)
Pensions costs	(1)	(1)	(2)	(1)
Costs relating to share-based payments	(1)	(2)	(2)	(4)
Other personnel expenses	(1)	(1)	(1)	(1)
Personnel expenses charged to operated licences	2	9	5	14
Total personnel expenses	**(19)**	**(22)**	**(42)**	**(52)**
Average number of employees	41	52	43	53

In Q2 2015, as part of the reduced activity on Danish sector and as part of an overall cost reduction plan, Noreco terminated the employment of seven of its eleven employees in Denmark. The costs related hereto, NOK 3 million, is accrued in second quarter 2015. Average number of employees include all employees in resignation period.

6 Other operating expenses

(NOK million)	Q2 2015	Q2 2014	YTD Q2 2015	YTD Q2 2014
Premises [(1)]	(1)	(4)	(3)	(12)
IT expenses	(4)	(5)	(10)	(10)
Travel expenses	(1)	(1)	(1)	(3)
Office cost	(1)	(1)	(2)	(2)
Consultant fees [(2)]	(10)	(11)	4	(20)
Other operating expenses	(2)	(1)	(3)	(2)
Other operating expenses charged to own operated licences	1	4	3	5
Total other operating expenses	**(18)**	**(19)**	**(12)**	**(44)**

1) Premises YTD Q2 2014 included NOK 5 million in a non-recurring cost related to scale down of premises in Stavanger.
2) Consultant fees YTD Q2 2015 include fees relating to the restructuring efforts which have been reclassified and included in the gain calculation of the bond debt restructuring.

7 Other (losses) / gains

(NOK million)	Q2 2015	Q2 2014	YTD Q2 2015	YTD Q2 2014
Change in value, put options [(1)]		(1)	15	(1)
Change in value, other derivatives [(2)]	26		27	1
Gain /(loss) on sale of assets [(3)]	(29)		(29)	1
Total other (losses) / gains	**(3)**		**13**	

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.
2) Effect due to issued option not expected to be excersized due to the Niobe well beeing dry.
3) The effect is due to the Nini-Cecilie settlement agreement described in note 20.

8 Financial income and expenses

Financial income

(NOK million)	Q2 2015	Q2 2014	YTD Q2 2015	YTD Q2 2014
Interest income	3	8	8	12
Gain on extinguishment of debt [(1)]			2 176	
Currency translation income	39	52	88	61
Other financial income				
Total financial income	**42**	**61**	**2271**	**74**

1) See note 14.2

Financial expenses

(NOK million)	Q2 2015	Q2 2014	YTD Q2 2015	YTD Q2 2014
Interest expense from bond loans	(20)	(88)	(61)	(170)
Interest expense from exploration loan	(5)	(6)	(9)	(13)
Interest expenses current liabilities		(2)		(2)
Accretion expense related to asset retirement obligations	(14)	(7)	(28)	(15)
Currency translation expense	(30)	(6)	(73)	(26)
Other financial expenses [(1)]	(277)		(277)	(1)
Total financial expenses	**(346)**	**(109)**	**(448)**	**(227)**
Net financial items	**(304)**	**(49)**	**1 824**	**(154)**

1) The subesequent negative remeasurement of bonds is included in Other financial expenses.

9 Tax

Income tax (NOK million)	Q2 2015	Q2 2014	YTD Q2 2015	YTD Q2 2014
Income (loss) before tax	(369)	(132)	1 540	(245)
Income tax benefit / (expense)	(90)	132	(206)	180
Equivalent to a tax rate of	(24.4 %)	99.9 %	13.4 %	73.6 %

The effective tax rate for the second quarter 2015 was 24.4 per cent negative compared to 99.9 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.

In the second quarter of 2015 the net result before tax in Noreco ASA was significantly impacted by increased value on bond debt, measured at market price at the end of the quarter. There is zero recognised tax effect related to loss in Noreco ASA due to significant un-recognised tax loss carry forward. The tax expense in the second quarter is mainly related to reduced value of Oselvar tax balances, which had a NOK 91 million effect.

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 30.06.2015	Offshore		Onshore	
(NOK million)	Recognised	Un-recognised	Recognised	Un-recognised
Norway (offshore 51% / onshore 27%)				
Norwegian Energy Company ASA			48	707
Altinex AS				13
Noreco Norway AS	516		481	
Denmark (offshore 39% / onshore 25%)				
Noreco Denmark A/S				
Noreco Oil Denmark A/S		4 367		
Noreco Petroleum Denmark A/S		863		
UK (offshore 20% / onshore 30%)				
Norwegian Energy Company (UK) Ltd.		669		669
Noreco Oil (UK) Ltd.	381	329	381	569
Total tax loss carry forward	**897**	**6 228**	**910**	**1 958**

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

Noreco Norway includes current year's tax effects related to Oselvar, which will be eliminated if transaction is approved by government and completed, due to effective date beeing the 1 January 2015.

Tax loss carry forwards in the Danish offshore tax regime of NOK 5 230 million has been calculated according to Chapter 3A in the Danish Hydrocarbon Taxation Act (kulbrinteskatteloven). Approximately NOK 635 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)	30.06.2015	31.12.2014
Tax refund related to Norwegian exploration activity in 2015	61	
Tax refund related to Norwegian exploration activity in 2014	315	315
Total tax refund	**375**	**315**

Tax payable (NOK million)	30.06.2015	31.12.2014
Tax payable in Norway	0	0
Tax payable other countries	10	28
Total tax payable	**10**	**28**

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

As disclosed in the report for the first quarter 2015 the Company have received inquiries from the Danish tax authorities regarding tax treatment of certain divestments executed in 2011. The Company is of the opinion that all transactions have been treated correctly in the submitted tax returns. However, should the Danish tax authorities conclude differently that could impact the timing of deduction of certain balances leading to a tax claim up to USD 10.5 million plus interests.

10 Intangible non-current assets

(NOK million)	Licence and capitalised exploration expenditures	Goodwill	Total
Acquisition costs 01.01.2015	325	1 157	1 482
Additions	143		143
Expensed exploration expenditures previously capitalised	(209)		(209)
Disposals	(11)	(209)	(220)
Currency translation adjustment	6	62	69
Acquisition costs 30.06.2015	**254**	**1 010**	**1 264**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.2015		(1 134)	(1 134)
Write-downs (1)		(7)	(7)
Disposals		198	198
Currency translation adjustment		(61)	(61)
Accumulated depreciation and write-downs 30.06.2015		(1 005)	(1 005)
Book value 30.06.2015	**254**	**5**	**259**

Impairment test Q2 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 30 June 2015:

Discount rate (after tax)	10.0 percent
Inflation	2.0 percent
Cash flow	After tax
Reserves/resources	Internal estimated reserves and resources on 30 June 2015
Oil price	Forward curve for oil price for the period 2015-2017 (2015:64.49 USD/bbl, 2016:67.66 USD/bbl, 2017: 69.85 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 30 June 2015

An impairment test of goodwill has been performed in the second quarter 2015. The remaining goodwill in the group is related to the Danish business, which has been written down by NOK 1 million in the second quarter 2015. The write-down has been performed as a consequence of produced volumes during the second quarter 2015, hence reduced reserves. Accordingly the recoverable amount of the asset supporting the goodwill has been reduced.

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 expenditure on 30 June 2015

An impairment test of all intangible assets has been performed this quarter. Drilling of the Xana exploration well was completed in May 2015. Hydrocarbons were encountered in several upper jurassic sandstone layers. Whereas the presence of gas condensate and light oil in the well is encouraging and further evaluation will be carried out, the capitalised exploration expenditures related to the well was written off in the first and second quarter 2015. Drilling of the Niobe exploration well was completed in June 2015 without encountering hydrocarbons, the capitalised exploration expenditures related to the well was written off in the second quarter 2015. During July, drilling of the Haribo exploration well was completed, without encountering hydrocarbons. The capitalised exploration expenditures related to the Haribo exploration well incurred prior to 30 June has been written off in the second quarter 2015. The well was completed in July and cost incurred in July will be recorded in the third quarter.

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 second 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 01.01.2015	6 668	5	6 673
Additions	(5)		(5)
Revaluation abandonment assets	(12)		(12)
Disposals	(3 484)		(3 484)
Reclassified to assets held for sale (see note 20)	(1 125)		(1 125)
Currency translation adjustment	290		290
Acquisition costs 30.06.2015	**2 332**	**5**	**2 337**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.2015	(6 241)	(5)	(6 245)
Depreciation	(29)		(29)
Disposals	3 440		3 440
Write-downs	(58)		(58)
Reversal of write-downs			
Reclassified to assets held for sale (see note 20)	1 125		1 125
Currency translation adjustment	(266)		(266)
Accumulated depreciation and write-downs 30.06.2015	**(2 028)**	**(5)**	**(2 033)**
Book value 30.06.2015	**304**	**0**	**304**

Impairment test Q2 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 30 June 2015:

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 30 June 2015
Oil price	Forward curve for oil price for the period 2015-2017 (2015:64.49 USD/bbl, 2016:67.66 USD/bbl, 2017: 69.85 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 on 30 June 2015
During second quarter the recoverable amount for the Huntington field in the UK was reduced due to lower production forecast, which was somewhat offset by higher oil price at the end of the period. This resulted in a write-down of NOK 17 million before tax. The adjusted production profile is based on a new production profile by the operator, which is not yet approved by the partnership. 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 still 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 30 June 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 changes in valuation. A 10 per cent drop in oilprices would result in approximately a NOK 100 million further impariment on gross book value on Huntington.

Oselvar has been classified as held for sale, and Enoch has book values of zero, at the end of the second quarter.

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

(NOK million)	30.06.2015	31.12.2014
Non-current assets		
Other receivables [1]	465	440
Total non-current receivables	**465**	**440**
Current assets		
Trade receivables	47	86
Receivables from operators relating to joint venture licences	12	48
Underlift of oil/NGL	27	23
Prepayments	2	12
Other receivables	16	20
Total trade receivables and other current receivables	**104**	**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 465 million (the USD amount is unchanged since 31 December 2014) is recognised as a non-current receivable at 30 June 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)	30.06.2015	31.12.2014
Non-current assets		
Restricted cash pledged as security for abandonment obligation in Denmark, DKK 445 million pluss interest (see note 20)	530	546
Other restricted cash and bank deposits	36	31
Total non-current restricted cash	566	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	616	644
Total bank deposits	**1 184**	**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	54
Total		**500**	**282**	**218**	**54**
Unrestricted cash and cash equivalents					616
Accessible liquidity at 30.06.2015					**670**

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 agreement have been agreed and executed. The amendments include a reduction in the borrowing limit from NOK 850 million to NOK 500 million. In addition, the cross default clause will now be limited to borrowings within Noreco Norway, and the previously issued parent company guarantee issued by Norwegian Energy Company ASA has been cancelled.

14 Borrowings

14.1 Principal amounts and book values

Non-current debt	30.06.2015		31.12.2014	
(NOK million)	Principal amount	Book value	Principal amount	Book value
NOR06 bond loan, amended and restated	435	323		
NOR10 bond loan, amended and restated	357	294		
Total non-current bonds	**792**	**617**		

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
Amended and restated NOR06	182	135		
Amended and restated NOR10	243	200		
Total current bonds	**425**	**335**	**3 051**	**3 051**
Exploration loan	282	282	284	284
Total current other interest bearing debt	**282**	**282**	**284**	**284**
Total borrowings	1 500	1 234	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 NOR12 were 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) are required to pledge parts of- or all of their unrestricted cash in favour 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 were substantial modifications of the terms in the new bond loans. Thus, the refinancing in first quarter was accounted for as an extinguishment and the old bond loans were derecognised, including any remaining capitalised costs (none at 31 December 2014). Transaction costs incurred in the process of renegotiating the bond loans were reflected in the gain/loss calculation. The new bond loans have been recognised at fair value at initial recognition and the company opted to use the fair value option for subsequent measurement.

(NOK million)	YTD Q2 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 at initial recognition
Borrowings were initially recognised at fair value, net of transaction costs incurred.
The following fair values were observed and were applied for the amended and restated bond loans at initial recognition:

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

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.

14.3 Subsequent measurement and events in second quarter

During second quarter Noreco decided to do a repayment on parts of the NOR 10 bond loan. The Board approved the downpayment on 30 June, and the repayment was announced on Oslo Stock Exchange 2 July. The repayment was executed 13 August. NOK 243 million was repayment of the principal amount, and correspondingly the remaining principal amount outstanding under the NOR10 bond issue will be approximately NOK 357 million. The book value of the amount of repayment has been classified as a current liability.

In addition during second quarter an agreement between Noreco and CapeOmega was written, regarding the sale of Norecos 15 per cent interest in Oselvar (PL274 and PL274 CS), for a total consideration of NOK 201 million. The transaction was approved by the Board and signed 30 June, and announced on the stock exchange 1 July. The sale still requires approval from the Norwegian authorities in order to be complete. Due to the terms in the bond agreement, when the transaction is completed, the net proceeds (after pro & contra settlement adjustment since effective date) will be transferred to proceeds account and used to repay the NOR06 bondholders. The transaction is expected to be completed during third quarter, and correspondingly a repayment of approximately NOK 180 million is expected to take place on the NOR06 bond. The remaining principal amount outstanding under the NOR06 bond issue, after repayment, will be approximately NOK 435 million. The amount of expected repayment has been classified as a current liability.

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

Amended and restated NOR06	74 %
Amended and restated NOR10	82 %

It is assumed that the change in fair value in the second quarter in it’s entirety is attributable to change in own credit risk.

15 Trade payables and other current liabilities

(NOK million)	30.06.2015	31.12.2014
Trade payable	13	17
Liabilities to operators relating to joint venture licences	125	224
Overlift of oil/NGL	5	4
Accrued interest	28	114
Salary accruals	4	11
Public duties payable	6	8
Other current liabilities	43	79
Total other current liabilities	**223**	**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 30.06.2015

(NOK million)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Underlift of oil		27		27
Total assets		**27**		**27**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements and trading derivatives		2		2
- Overlift of oil		5		5
- Bond loans			952	952
Total liabilities		**6**	**952**	**959**

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 30.06.2015

(NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Trade receivables and other current assets	75	27	102
Restricted cash	568		568
Bank deposits, cash and cash equivalents	616		616
Total	**1 259**	**27**	**1 286**

(NOK million)	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bonds		952	952
Other interest bearing debt	282		282
Derivatives		2	2
Trade payables and other current liabilities	215	5	219
Total	**497**	**959**	**1 456**

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 30 June 2015:

(NOK million)	Carrying amount	Fair value
Financial assets:		
Trade receivables and other current assets	102	102
Restricted cash	568	568
Bank deposits, cash and cash equivalents	616	616
Total	**1 286**	**1 286**
Financial liabilities:		
Bond loans	952	952
Other interest bearing debt	282	282
Derivatives	2	2
Trade payables and other current liabilities	219	219
Total	**1 456**	**1 456**

17 Segment reporting

The group's activities are entirely related to exploration and development 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 in first quarter reassessed its segment reporting. As a result from the clear separation between Noreco Norway AS (Ringfence 2) and the rest of the group (Ringfence 1) in the amended and restated bond loan agreements (see note 14), the operating segments of Noreco was from Q1 divided into two, Noreco Norway Group (Ringfence 2) and the rest of the group - "Other - Ringfence 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 30.06.2015 (YTD)

(NOK million)	Norway	Denmark	UK	Inter company	Group	GAAP adjustments	IFRS Group
Revenue	**41**	**34**	**233**		**308**		**308**
Total operating expenses	(83)	(216)	(179)		(479)		(479)
Depreciations		(2)	(46)		(48)		(48)
Write-downs and reversals		(7)	(58)		(65)		(65)
Net operating result	(43)	(191)	(50)		(284)		(284)
Net financial items	1 567	(2)	(8)		1 558	266	1 824
Result before tax	1 525	(192)	(58)		1 274	266	1 540
Income tax benefit / (expense)	(31)	(52)	(79)		(162)	(43)	(206)
Net result for the period	1 493	(245)	(137)		1 112	223	1 334
Net result for the period	1 588	(130)	(133)		1 326	468	1 794
Condensed statement of financial positions							
Licence and capitalised exploration expenses	254				254		254
Goodwill	(0)	5	(0)		5		5
Property, plant and equipment	0	13	291		304		304
Other	2 002	1 289	141	(832)	2 601	(43)	2 557
Total assets	2 256	1 307	432	(832)	3 164	(43)	3 121
Equity	727	572	(713)		587	223	810
Asset retirement obligations	9	534	170		713		713
Bond loans	1 219				1 219	(266)	952
Other liabilities	302	201	975	(832)	646		646
Total liabilities	1 529	736	1 145	(832)	2 577	(266)	2 311
Capital expenditures							
Capital expenditures production facilities		1	(6)		(5)		(5)
Capital expenditures exploration and evaluations	23	88	32		143		143
Total capital expenditures	23	88	26		137		137

Operational segment information 30.06.2015 (YTD)

(NOK million)	Other Ring fence 1	Noreco Norway Ring fence 2	Inter company	Group	GAAP adjustments	IFRS Group
Condensed income statement						
Revenue	267	41		308		308
Total operating expenses	(340)	(138)		(479)		(479)
Depreciations	(48)			(48)		(48)
Write-downs and reversals	(65)			(65)		(65)
Net operating result	(186)	(98)		(284)		(284)
Net financial items	1 605	(48)		1 558	266	1 824
Result before tax	1 419	(145)		1 274	266	1 540
Income tax benefit / (expense)	(131)	(31)		(162)	(43)	(206)
Net result for the period	1 288	(177)		1 112	223	1 334
Condensed statement of financial positions						
Licence and capitalised exploration expenses		254		254		254
Goodwill	5			5		5
Property, plant and equipment	304			304		304
Other	1 591	922	88	2 601	(43)	2 557
Total assets	1 900	1 176	88	3 164	(43)	3 121
Equity	484	103	0	587	223	810
Asset retirement obligations	704	9		713		713
Bond loans	600	619		1 219	(266)	952
Other liabilities	112	446	88	646		646
Total liabilities	1 416	1 073	88	2 577	(266)	2 311
Capital expenditures						
Capital expenditures production facilities	(5)			(5)		(5)
Capital expenditures asset under construction						
Capital expenditures exploration and evaluations	119	23		143		143
Total capital expenditures	114	23		137		137

Operational segment information 30.06.2014 (YTD)

(NOK million)	Other Ring fence 1	Noreco Norway Ring fence 2	Inter company	Group	GAAP adjustments	IFRS Group
Condensed income statement						
Revenue	648	55		702		702
Total operating expenses	(303)	(262)		(565)		(565)
Depreciations	(240)	(10)		(251)		(251)
Write-downs and reversals	60	(38)		22		22
Net operating result	164	(255)		(91)		(91)
Net financial items	(42)	(36)		(78)	(75)	(154)
Result before tax	122	(291)		(170)	(75)	(245)
Income tax benefit / (expense)	(31)	211		180		180
Net result for the period	91	(80)		11	(75)	(65)
Condensed statement of financial positions						
Licence and capitalised exploration expenses	615	205		820		820
Goodwill	145			145		145
Property, plant and equipment	2 660	304		2 964		2 964
Other	2 220	1 109	(749)	2 580		2 580
Total assets	5 639	1 619	(749)	6 508		6 508
Equity	951	287	0	1 238	546	1 784
Asset retirement obligations	370	15		385		385
Bond loans	3 056			3 056	(546)	2 510
Other liabilities	1 262	1 317	(749)	1 829		1 829
Total liabilities	4 688	1 332	(749)	5 270	(546)	4 724
Capital expenditures						
Capital expenditures production facilities	7			7		7
Capital expenditures asset under construction						
Capital expenditures exploration and evaluations	14	206		219		219
Total capital expenditures	20	206		226		226

18 Asset retirement obligations

(NOK million)	30.06.2015	31.12.2014
Balance on 1.1.	612	327
Provisions and change of estimates made during the year	116	166
Accretion expense	28	34
Reclassified to liabilities held for sale (see note 20)	(67)	
Reversed provision from disposal of assets	(8)	
Currency translation	32	85
Total provision made for asset retirement obligations	**713**	**612**

In accordance with the decomissioning security agreement (DSA) 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 made when the estimated abandonment obligation exceeds the value of the remaining production. The first deposit is to be made when the estimated abandonment obligation exceeds the value of the remaining production. The first required cash deposit is scheduled for December 2015.

In second quarter, as part of the overall restructuring, an agreement was reached that entails that the partners will take over Noreco's share of the Nini and Cecilie licences (see note 20). The restricted cash account of DKK 445 million plus interest, set aside for future abandonment costs for Nini and Cecilie will not be transferred. The Danish part of Noreco remains liable for the abandonment obligation, but the liability is in any and all circumstances limited to a maximum amount which equals the restricted cash account of DKK 445 million plus interest. Total provision made for asset retirement obligations reflects this.

Provisions made for asset retirement obligations includes the future expected costs (estimated based on current day costs inflated) for close-down and removal of equipment and production facilities used in hydrocarbon activities. The estimated future provision is discounted using a risk-free rate adjusted for credit risk, to calculate the net present value of the obligation. 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
Reverse split 13 May 2015	(702 378 308)	
Number of shares 30 June 2015	7 094 730	71
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 Sale of assets and assets and liabilities held for sale

As part of the negotiations on an overall restructuring for Noreco during winter 2015, a committee of bondholders stated that their consent would require that the costs and cash flows related to Noreco's operations in Denmark had to be improved. Noreco was prevented from making payments for its share of production costs at the Nini and Cecilie fields, and was consequently in breach of the licence agreements. In accordance with the JOA's the licences were forfeitured in second quarter and the licences were taken over by the partners, whereas the debt remained with Noreco. Noreco and representatives from the bondholders initiated a dialogue with the operator and the partners in the licences in order to achieve an amicable solution which was reached during second quarter. The agreement was approved by the Board 30 June, signed and announced on the stock exchange 2 July 2015. The deal has accordingly been accounted for as a sale in the second quarter. A total expense of NOK 29 million has been recorded in connection with the deal. For the settlement on defaulted cash calls and a cap on the abandonment cost a cash consideration of NOK 60 million and an 18 per cent working interest in the Lulita field was agreed. The entire restricted cash account of DKK 445 million plus interest in Noreco set aside for future abandonment cost for Nini and Cecilie will not be transferred, and Noreco remains liable for the abandonment obligation, but the liability is in any and all circumstances limited to a maximum amount of DKK 445 million (equal to the amount which was deposited and pledged pursuant to the Nini/Cecilie Abandonment Escrow Agreement) plus any interest which have accrued or may accrue in the future on the amount deposited and pledged pursuant to the Nini/Cecilie Abandonment Escrow Agreement. Final approval of the transaction by the Danish authorities was received in August 2015.

As part of the overall restructuring, Noreco also initiated strategic initiatives involving selling the 15 percent participation interest on the PL274 and PL274 CA licences. During second quarter an agreement was entered into between Noreco Norway and CapeOmega. The transaction includes the participating interest in the licences PL274 and PL274 CS, which includes the Oselvar field with associated tax balance rights in addition to all abandonment obligations, for a total consideration of NOK 201 million. The agreement was approved by the Board on 30 June, signed and announced on the stock exchange on 1 July. Following an evaluation and approval by the Government, which is expected to take place in third quarter, it is expected that the transaction will be completed later in 2015. The assets and liabilities have accordingly been reclassified as held for sale, and impaired since asset classified as held for sale shall be recorded at the lower of carrying amount and fair value less cost to sell. Prior to the reclassification, deferred tax asset associated with the licences are recorded at nominal amount, which exceed the agreed consideration between Noreco and CapeOmega. A total impairment of approximately NOK 91 million is needed in order for the disposal group to be accounted for at the lowest of carrying amount and fair value less cost to sell. The impairment is charged in its entirety towards the deferred tax asset associated in the participating interest in the licences, and income tax has been adjusted accordingly.

Specification of assets held for sale:

(NOK million)	30.06.2015
Deferred tax assets	269
Trade receivables and other current assets	3
Total assets held for sale	**272**

Specification of liabilities held for sale:

(NOK million)	30.06.2015
Asset retirement obligations	(67)
Trade payables and other current liabilities	(1)
Total liabilities held for sale	**(68)**

21 Subsequent events

During July, drilling of the Haribo exploration well (PL616 Haribo) was completed, without encountering hydrocarbons. The capitalised exploration expenditures related to the Haribo exploration well has been written off in the second quarter 2015.

APPENDIX: NORWEGIAN ENERGY COMPANY ASA

BALANCE SHEET FOR THE PARENT COMPANY AS OF 30 JUNE 2015 - NON-GAAP MEASURES

NOK million	30.06.2015
Non-current assets	
Restricted Cash (1)	530
Investment in subsidiaries (3)	318
Loan to subsidiaries (3)	339
Total non-current assets	**1 186**
Current assets	
Trade receivables and other current assets	71
Bank deposits, cash and cash equivalents	445
Total current assets	**517**
Total assets	**1 703**
Equity (3)	
Share capital	71
Other equity	459
Total equity	**530**
Non-current liabilities	
Bond loan (2)	357
Guarantee provision (1)	530
Loan from Group Companies	20
Total non-current liabilities	**907**
Current liabilities	
Bond loan (2)	243
Derivatives	2
Trade payables and other current liabilities	21
Total current liabilities	**267**
Total liabilities	**1 174**
Total equity and liabilities	**1 703**

1) Restricted cash in Norwegian Energy Company ASA is pledged funds in connection with the abandonment liability for Nini and Cecilie in Denmark. In connection with the settlement agreement with the partners in regards of the forfeiture of the fields, the liability is capped at DKK 445 million adjusted for accrued interest. In the balance sheet the liability related to this guaranty is recorded at the same amount as the cash deposit.
2) Bond loan measured at par value.
3) The book value of investments in subsidiaries and loans to group companies is substantiated as 30 June 2015 with the values of the assets in Denmark and UK. Same assumptions as in the group accounts are applied. The values of the underlying assets are highly sensitive to the oil price and other assumptions applied for valuation of the group's assets including the insurance claim in Denmark. An impairment test with reduced oil price assumptions with e.g. 20 per cent would result in a reduction of the book value of the equity with approximately NOK 225 million to approximately NOK 305 million. If all values related to Huntington and Lulita including tax positions where impaired, and only the abandonment liability was included in the net asset values, the equity would be approximately NOK 180 million.

INFORMATION ABOUT NORECO

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Riulf Rustad	
Julien Balkany	
Andreas Greve-Isdahl	Alternate board member

Noreco management

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Financial calendar 2015

20 May	Annual General Meeting (Stavanger)
31 May	Q1 2015 Presentation
27 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.

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