



NORWEGIAN ENERGY COMPANY ASA
THIRD QUARTER
2015

REPORT FOR THE THIRD QUARTER 2015

NORWEGIAN ENERGY COMPANY ASA

SUMMARY

- Norwegian Energy Company concentrated during the quarter on implementing the new strategy. The short term focus is to limit future investment commitments, implement cost saving measures, optimise the value of its assets and reduce debt.
- On 13 August Noreco repaid approx. NOK 243 million at par on NOR10. The principal amount on NOR10 after repayment is NOK 357 million.
- On 30 June Noreco Norway entered into an agreement to sell the Oselvar licences for NOK 201 million. The transactions is subject to government approval. When the Oselvar transaction is completed later this year, net proceeds will be transferred to the NOR06 proceeds account and used to repay the NOR06 bondholders.
- In October 2015 Noreco announced that its subsidiary Noreco Oil (UK) Ltd. had been served a default notice under the Joint Venture Agreement (JOA) in licence P1114 - Huntington. Consequently the partners in the licence are taking title to the hydrocarbons produced with effect from 22 October 2015. Noreco is working with the partners in order to achieve an orderly exit from the licence.
- Cost reduction measures continued in the quarter and in August seven employees in Norway were made redundant. The organisation will continue to be adjusted to reflect the level of activities.
- The company is steadily progressing the Siri platform insurance claims amounting to in excess of USD 400 million excluding interest. The current book value is USD 59 million. A final court hearing has been scheduled for the beginning of Q4 2016.

KEY FIGURES

	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14
Net realised oil price (USD/boe)	47.0	60.4	51.9	68.6	96.9
EBITDA (NOK million)	(56.7)	(17.5)	(153.6)	(28.3)	(556.4)
Net results (NOK million)	(54.5)	(459.1)	1 793.6	(1 745.9)	(1 101.2)
Net result - operating segments* (NOK million)	1 013.0	1 111.6	1 326.0	(1 235.7)	(1 064.4)
Equity (NOK million)	760.4	809.6	1 276.1	(803.2)	762.7
Equity - operating segments* (NOK million)	493.4	586.7	808.5	(803.2)	257.1
Cash flow from operations (NOK million)	(19.7)	31.2	147.0	295.9	15.4
Total assets (NOK billion)	2.9	3.1	3.4	3.6	4.9

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

BUSINESS DEVELOPMENT

Noreco Norway AS had an option to acquire without consideration all of the shares of NEC UK or NEC UK's interest in the Niobe licence. This agreement was the result of Noreco Norway AS having provided financing to NEC UK for 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, if not NEC UK could stand by its commitment. Noreco Norway AS has decided not to exercise either of these options.

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 PL274 CS, 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 license 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.

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.

The company is steadily progressing the Siri platform insurance claims that amount to in excess of USD 400 million excluding interest. A final court hearing has been scheduled for the beginning of Q4 2016.

HEALTH, SAFETY, ENVIRONMENT AND QUALITY (HSEQ)

Noreco did not operate any wells in the third 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 internal activities as stipulated in the HSEQ program for 2015.

PRODUCING FIELDS

Noreco has divested its share of the Oselvar field. Below figures include production from the field during the quarter as Noreco will continue reporting on the asset until the transaction has been concluded.

The Noreco group's average production in the third quarter 2015 was 3 270 boepd. Realised oil price was USD 47.0 per bbl compared to USD 60.7 per bbl in the second quarter 2015.

Noreco's share of production from the Huntington field for the third quarter 2015 was 2 937 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 third quarter. Production was only interrupted by few short-term technical problems.

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 should be established and serve as security for Noreco's share of the estimated future abandonment costs at Huntington. The first deposit should be made when the expected value of the remaining production falls to a value calculated by reference to the estimated abandonment cost of the field. The first required cash deposit is scheduled for December 2015. However, Noreco Oil (UK) Ltd. has been unable to obtain financing for its activities going forward and therefore has been unable to pay amounts due under the Joint Operating Agreement in license P1114 - Huntington (JOA). Consequently Noreco Oil (UK) Ltd is now in default under the JOA and the partners in the license have taken title to the hydrocarbons produced with effect from 22 October 2015. Noreco is working with the partners to reach an amicable solution.

The Oselvar production was shut down in July and first part of August due to a planned upgrade of the Ula flare system and technical problems related to the start-up of the Oselvar subsea facilities. The production from Oselvar was resumed in the middle of August and has since been stable, and the average production in the third quarter was 331 boepd to Noreco.

Production on the **Lulita** was shut down 2nd July 2015 due to injection issues. It is still unknown when the field will resume production.

The Enoch field remained closed during the third 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 towards the end of the fourth quarter 2015.

EXPLORATION

Exploration work in the third 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 fourth quarter of 2015, when the licence partners will have to decide how to proceed.

The Haribo well in licence PL616 in the Norwegian Central Graben area was spudded on 21 June, completed on 28 July and concluded in the third quarter. 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 108 million in the third quarter 2015, compared to NOK 296 million in the third quarter 2014. Low revenues in 2015 compared with 2014 is due to lower realised oil prices and lower production due to discontinued interest in Nini and Cecilie.

Production expenses in the third quarter 2015 amounted to NOK 74 million compared to NOK 177 million for the same period last year. The significant change is due to discontinued interest in Nini and Cecilie. 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 59 million for the third quarter 2015, compared to NOK 629 million in the third quarter 2014. Exploration and evaluation expenses in the third quarter 2015 includes cost for the Haribo exploration well, which was concluded in July.

Payroll expenses were NOK 18 million in the third quarter 2015 compared to NOK 23 million for the third quarter last year.

Other (losses)/gains were negative by NOK 1 million in the third quarter 2015. Please see note 7 and 20 for details.

EBITDA (operating result before depreciation and write-downs) in the third quarter 2015 was negative by NOK 57 million, compared to a negative EBITDA of NOK 556 million in the third quarter 2014.

Depreciation amounted to NOK 20 million in the quarter, down from NOK 115 million for the third quarter 2014. Depreciation follows the production and a lower production level results in a lower depreciation. 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.

Third quarter **write-downs** amounted to NOK 70 million before tax. The amount consists mainly of write-down on the Huntington asset.

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

Financial income amounted to NOK 112 million for the third quarter 2015, compared to NOK 23 million for the same period last year. The main effect in the third quarter 2015 is related to currency translation and fair value adjustments of the bonds.

Financial expenses for the third quarter were NOK 27 million compared to NOK 123 million for the same period last year. Lower interest expenses on bond loans were incurred in the third quarter 2015 compared to the third quarter 2014 and amounted to NOK 18 million and NOK 79 million, respectively.

Taxes amounted to an income of NOK 8 million for the third quarter. The third quarter tax expense corresponds to an average effective tax rate of 12.6 per cent. Taxable income was impacted by different tax regimes and tax rates and in particular the effects from the change in 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. See note 9 in the interim financial report for further details to the taxes this period.

Net result for the third quarter was negative by NOK 54 million, compared to a negative result of NOK 1 101 million for the third quarter 2014.

The book value of **licence costs and capitalised exploration expenditures** at the end of the third quarter amounted to NOK 255 million. This consisted of the Gohta discovery in the Barents Sea on the Norwegian Continental Shelf with a book value of NOK 255 million. Net of deferred tax, the book value for Gohta was NOK 56 million.

Non-current **restricted cash** amounts to NOK 613 million. NOK 574 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 503 million, which is related to an insurance claim. A final court hearing has been scheduled for second half of 2016.

At the end of the third quarter 2015, Noreco had a total of NOK 363 million in **bank deposits, cash and cash equivalents**. NOK 60 million of this is related to Noreco Norway AS (The part of the group with secured assets of NOR06) and the remaining NOK 303 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 255 million and associated **Liabilities held for sale** amounted to NOK 71 million at the end of the third 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 760 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 671 million. If the debt had been recorded at principal amount the equity would have been reduced by NOK 267 million, to NOK 493 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 775 million at the end of the third quarter 2015, compared to NOK 612 million at the end of 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 671 million (principal amount NOK 994 million) at the end of the third 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 9 months of 2015 is due to the restructuring of the bond debt approved in March, repayment of NOK 243 million of the principal amount of NOR10 in August 2015 and the subsequent remeasuring of the debt at fair value through profit and loss. At the end of the quarter the bonds were valued at 67% (NOR06) and 68.25% (NOR10) of principal amount. The group's exploration loan amounted to NOK 350 million at the end of the third quarter. Total interest-bearing debt at the end of the third quarter had a book value of NOK 1 021 million.

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 deal risk, oil prices, tax, and currency exchange rates.

GOVERNANCE AND ORGANISATION

On 13 October 2015 Tommy Sundt stepped down as CEO for Norwegian Energy Company ASA. Silje Augustson, who is Chair of the board in the company became Group CEO as of that day. Tommy Sundt will continue as Managing Director of the Norwegian activities until December 2015.

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 regard to 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 was 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 4 full time consultants. Nine months later, the number of employees had been reduced to 26.

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. Sick leave for the third quarter was 4,53 per cent.

STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED

NOK million	Note	Q3 2015	Q3 2014	YTD Q3 2015	YTD Q3 2014	2014
Revenue	2	108	296	416	998	1 143
Production expenses	3	(74)	(177)	(231)	(448)	(587)
Exploration and evaluation expenses	4	(59)	(629)	(340)	(828)	(837)
Payroll expenses	5	(18)	(23)	(59)	(76)	(87)
Other operating expenses	6	(13)	(21)	(26)	(65)	(104)
Other (losses) / gains	7	(1)	(2)	12	(2)	25
Total operating expenses		(165)	(852)	(644)	(1 418)	(1 591)
Operating result before depreciation and write-downs (EBITDA)		(57)	(556)	(228)	(419)	(448)
Depreciation	11	(20)	(115)	(68)	(365)	(407)
Write-downs and reversals of write-downs	10,11	(70)	(1 818)	(135)	(1 796)	(2 885)
Net operating result (EBIT)		(147)	(2 490)	(431)	(2 581)	(3 740)
Financial income	8	112	23	2 383	97	172
Financial expenses	8	(27)	(123)	(475)	(350)	(953)
Net financial items		85	(100)	1 909	(253)	(780)
Result before tax (EBT)		(62)	(2 589)	1 478	(2 834)	(4 520)
Income tax benefit / (expense)	9	8	1 488	(198)	1 668	1 609
Net result for the period		(54)	(1 101)	1 280	(1 166)	(2 912)
Other comprehensive income (net of tax):						
<i>Items not to be reclassified to profit or loss in subsequent periods</i>						
<i>Total</i>						
<i>Items to be reclassified to profit or loss in subsequent periods</i>						
Reclassification of currency translation adjustment upon disposal of subsidiary					(28)	(28)
Currency translation adjustment		1	79	22	105	278
<i>Total</i>		<i>1</i>	<i>79</i>	<i>22</i>	<i>76</i>	<i>249</i>
Total other comprehensive income for the period (net of tax)		1	79	22	76	249
Total comprehensive income for the period (net of tax)		(53)	(1 023)	1 302	(1 090)	(2 663)
Earnings per share (NOK 1)						
Basic	19	(8)	(2 027.1)	308	(2 081)	(5 196)
Diluted	19	(8)	(2 027.1)	307	(2 081)	(5 196)

STATEMENT OF FINANCIAL POSITION

CONSOLIDATED

NOK million	Note	30.09.2015	31.12.2014
Non-current assets			
Licence and capitalised exploration expenditures	10	255	325
Goodwill	10		23
Deferred tax assets	9	134	633
Property, plant and equipment	11	241	428
Tax refund	9	117	
Restricted cash	13,16	613	576
Receivables	12	503	440
Total non-current assets		1 863	2 425
Current assets			
Assets held for sale	20	255	
Tax refund	9	315	315
Derivatives	16		28
Trade receivables and other current assets	12,16	82	189
Restricted cash	13,16	2	33
Bank deposits, cash and cash equivalents	13,16	363	644
Total current assets		1 016	1 209
Total assets		2 879	3 634
Equity			
Share capital	19	71	568
Other equity		689	(1 371)
Total equity		760	(803)
Non-current liabilities			
Deferred tax	9	68	
Asset retirement obligations	18	775	612
Bond loan	14,16	490	
Other interest bearing debt	14,16	68	
Total non-current liabilities		1 401	612
Current liabilities			
Liabilities held for sale	20	71	
Bond loan	14,16	181	3 051
Other interest bearing debt	14,16	282	284
Derivatives	16	1	3
Tax payable	9	11	28
Trade payables and other current liabilities	15,16	172	458
Total current liabilities		718	3 825
Total liabilities		2 119	4 437
Total equity and liabilities		2 879	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			(1 166)	(1 166)
Other comprehensive income for the period (net of tax)				
Currency translation adjustments		105		105
Reclassification of currency translation upon disposal of subsidiary		(28)		(28)
Total comprehensive income for the period (net of tax)		76	(1 166)	(1 090)
Transactions with owners				
Proceeds from share issued	100			100
Issue cost			(4)	(4)
Share-based incentive program			6	6
Total transactions with owners for the period	100		2	102
Equity on 30.09.2014	566	276	(79)	763
2015				
Equity on 01.01.2015	568	449	(1 820)	(803)
Net result for the period			1 280	1 280
Comprehensive income for the period (net of tax)				
Currency translation adjustments		22		22
Total comprehensive income for the period (net of tax)		22	1 280	1 302
Transactions with owners				
Proceeds from share issued	65		189	255
Issue cost				
Capital reduction	(562)		562	
Share-based incentive program			7	7
Total transactions with owners for the period	(497)		758	261
Equity on 30.09.2015	71	471	218	760

STATEMENT OF CASH FLOWS

CONSOLIDATED

NOK million	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Net result for the period	(54)	(1 101)	1 280	(1 166)
Income tax benefit	(8)	(1 488)	198	(1 668)
<i>Adjustments to reconcile net result before tax to net cash flows from operating activities:</i>				
Tax paid				(5)
Depreciation	20	115	68	365
Write-downs and reversal of write-downs	70	1 818	135	1 796
Expensed exploration expenditures previously capitalised	53	612	262	761
Share-based payments expenses	4	2	7	6
(Gain) / loss on sale of licences	(10)		19	
Change in fair value of bonds	(58)		218	
Unrealised loss / (gain) related to financial instruments		1	(27)	2
Gain on extinguishment of debt			(2 176)	
Paid/received interests and borrowing cost - net	5	8	13	107
Effect of changes in exchange rates	(52)	4	(67)	(31)
Amortisation of borrowing costs incl. impact from change in amortisation plan		37		114
Accretion expense related to asset retirement obligations	6	9	34	23
Reclassification of currency translation adjustment upon disposal of subsidiary				(28)
<i>Changes in working capital</i>				
Changes in trade receivable	6	27	45	13
Changes in trade payables	(5)	(19)	(9)	(8)
Changes in other current balance sheet items	4	(10)	159	154
Net cash flow from operations	(20)	15	159	434
Cash flows from investing activities				
Proceeds from sale of intangible assets			11	
Purchase of tangible assets	1	(1)	6	(8)
Purchase of intangible assets	(54)	(66)	(197)	(285)
Net cash flow used in investing activities	(53)	(67)	(180)	(293)
Cash flows from financing activities				
Issue of share capital				100
Paid issue cost		(1)		(12)
Proceeds from utilisation of exploration facility	68	291	68	291
Proceeds from utilisation of overdraft facility		(2)		7
Repayment of bonds	(243)		(243)	(53)
Repayment of exploration facility			(2)	
Paid borrowing cost			(70)	(35)
Interest paid	(5)	(8)	(13)	(107)
Net cash flow from (used) in financing activities	(180)	280	(260)	192
Net change in cash and cash equivalents	(253)	229	(281)	333
Cash and cash equivalents at the beginning of the period	616	507	644	403
Cash and cash equivalents at end of the quarter	363	736	363	736

NOTES

1 Accounting principles

Basis for preparation

The interim condensed consolidated financial statements (the interim financial statements) for the third 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. The financial solidity and the company's cash position are 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 initially 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 September 2015.

New standards interpretations and amendments adopted by Noreco on 1 January 2015

Noreco has not adopted any new standards or amendments as of 1 January 2015.

2 Revenue

(NOK million)	Q3 2015	Q3 2014	YTD Q3 2015	YTD Q3 2014
Sale of oil	93	274	357	920
Sale of gas and NGL	15	22	49	78
Other revenue			10	
Total revenue	108	296	416	998

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)	Q3 2015	Q3 2014	YTD Q3 2015	YTD Q3 2014
Huntington	(68)	(59)	(200)	(187)
Nini ⁽¹⁾		(95)	(15)	(198)
Cecilie ⁽¹⁾		(14)	(12)	(35)
Lulita	(1)	(1)	(5)	(7)
Oselvar	(5)	(7)	(16)	(19)
Enoch ⁽²⁾			17	(2)
Total production expenses	(74)	(177)	(231)	(448)

- 1) Noreco's interests in Nini and Cecilie ceased in Q1, and executed in Q2, due to forfeiture.
- 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.

4 Exploration and evaluation expenses

(NOK million)	Q3 2015	Q3 2014	YTD Q3 2015	YTD Q3 2014
Acquisition of seismic data, analysis and general G&G costs ⁽¹⁾	(6)	(16)	(69)	(48)
Exploration wells capitalised in previous years ⁽³⁾		(600)	(4)	(602)
Dry exploration wells this period (see note 10) ⁽²⁾	(53)	(12)	(257)	(159)
Other exploration and evaluation costs		(1)	(10)	(19)
Total exploration and evaluation costs	(59)	(629)	(340)	(828)

- 1) Included in YTD Q3 2015 is the acquisition of the Homer seismic which was a commitment entered into prior to 2015.
- 2) Cost in third quarter 2015 relates to the Haribo well, that was completed in July.
- 3) The Q3 2014 exploration wells capitalised in previous years is related to the Huntington Fulmar discovery and amounts to NOK 600 million.

5 Payroll expenses

(NOK million)	Q3 2015	Q3 2014	YTD Q3 2015	YTD Q3 2014
Salaries	(14)	(24)	(52)	(77)
Social security tax	(2)	(3)	(6)	(9)
Pensions costs	(1)		(2)	(2)
Costs relating to share-based payments ⁽¹⁾	(4)	(2)	(6)	(6)
Other personnel expenses		(1)	(1)	(2)
Personnel expenses charged to operated licences	3	6	8	19
Total personnel expenses	(18)	(23)	(59)	(76)
Average number of employees	40	52	44	52

In Q3 2015 Noreco terminated the employment of seven of its employees in Norway. The cost related hereto, 2 MNOK is accrued in third quarter. Average number of employees include all employees in resignation period.

- 1) Costs relates to an option programme issued previous years. The costs are without cash effect.

6 Other operating expenses

(NOK million)	Q3 2015	Q3 2014	YTD Q3 2015	YTD Q3 2014
Premises ⁽¹⁾	(1)	(7)	(5)	(19)
IT expenses	(4)	(5)	(14)	(15)
Travel expenses		(1)	(2)	(3)
Office cost		(1)	(2)	(4)
Consultant fees ⁽²⁾	(8)	(9)	(4)	(29)
Other operating expenses		(1)	(3)	(3)
Other operating expenses charged to own operated licences	2	2	4	8
Total other operating expenses	(13)	(21)	(26)	(65)

- 1) Premises YTD Q3 2014 included NOK 5 million in a non-recurring cost related to scale down of premises in Stavanger.
 2) Consultant fees YTD Q3 2015 include reversal of fees from 2014 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)	Q3 2015	Q3 2014	YTD Q3 2015	YTD Q3 2014
Change in value, put options ⁽¹⁾			15	(1)
Change in value, other derivatives ⁽²⁾		(2)	27	(1)
Gain /(loss) on sale of assets ⁽³⁾	(1)	(1)	(31)	
Total other (losses) / gains	(1)	(2)	12	(2)

- 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 in YTD Q3 includes the fair value adjustment of issued options related to the Niobe well, which was not exercised.
 3) The effect is due to the Nini-Cecilie settlement agreement.

8 Financial income and expenses

Financial income (NOK million)	Q3 2015	Q3 2014	YTD Q3 2015	YTD Q3 2014
Interest income	1	4	9	17
Gain on extinguishment of debt			2 176	
Change in fair value of bond debt ⁽¹⁾	58		58	
Currency translation income	51	19	138	80
Other financial income	2	(1)	2	
Total financial income	112	23	2 383	97

- 1) See note 14.2

Financial expenses (NOK million)	Q3 2015	Q3 2014	YTD Q3 2015	YTD Q3 2014
Interest expense from bond loans	(18)	(83)	(79)	(254)
Interest expense from exploration loan	(5)	(5)	(13)	(18)
Interest expenses current liabilities		(1)		(3)
Accretion expense related to asset retirement obligations	(6)	(9)	(34)	(23)
Currency translation expense	2	(24)	(71)	(50)
Change in fair value of bond debt ⁽¹⁾			(277)	
Other financial expenses		(1)		(2)
Total financial expenses	(27)	(123)	(475)	(350)
Net financial items	85	(100)	1 909	(253)

- 1) See note 14.2

9 Tax

Income tax (NOK million)	Q3 2015	Q3 2014	YTD Q3 2015	YTD Q3 2014
Income (loss) before tax	(62)	(2 589)	1 478	(2 834)
Income tax benefit / (expense)	8	1 488	(198)	1 668
Equivalent to a tax rate of	12.6 %	57.5 %	13.4 %	58.9 %

The effective tax rate for the third quarter 2015 was 12.6 per cent compared to 57.5 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 third quarter of 2015 the tax expense in Noreco was significantly impacted by impairment of the tax asset related to Huntington, which was written down to zero (NOK 44 MNOK).

Deferred tax asset and deferred tax liability are presented net for each jurisdiction and tax regime, where 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 30.09.2015 (NOK million)	Offshore		Onshore	
	Recognised	Un-recognised	Recognised	Un-recognised
<i>Norway (offshore 51% / onshore 27%)</i>				
Norwegian Energy Company ASA			9	684
Altinex AS				13
Noreco Norway AS (incl. Oselvar transaction in brackets)	557 (488)		528 (452)	
<i>Denmark (offshore 39% / onshore 25%)</i>				
Noreco Denmark A/S				
Noreco Oil Denmark A/S		4 367		
Noreco Petroleum Denmark A/S		863		
<i>UK (offshore 20% / onshore 30%)</i>				
Norwegian Energy Company (UK) Ltd.		718		718
Noreco Oil (UK) Ltd.		735		994
Total tax loss carry forward	557	6 683	537	2 409

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 tax balances and profit, which will be eliminated if the transaction is approved by the Government and completed, due to effective date being the 1 January 2015. If the Oselvar transaction had been completed in Q3 the value of the tax loss carry forward would have been reduced from NOK 427 mill to NOK 371 mill.

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)	30.09.2015	31.12.2014
Tax refund related to Norwegian exploration activity in 2015 (incl. Oselvar transaction in brackets)	117 (105)	
Tax refund related to Norwegian exploration activity in 2014	315	315
Total tax refund	432	315

Tax payable (NOK million)	30.09.2015	31.12.2014
Tax payable in Norway		
Tax payable other countries	11	28
Total tax payable	11	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. If the Oselvar transaction had been completed in Q3 the tax refund would have been reduced from NOK 117 mill to NOK 105 mill.

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	197		197
Expensed exploration expenditures previously capitalised	(262)		(262)
Disposals	(11)	(209)	(220)
Currency translation adjustment	6	142	148
Acquisition costs 30.09.2015	255	1 090	1 345
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.2015		(1 134)	(1 134)
Write-downs		(13)	(13)
Disposals		198	198
Currency translation adjustment		(141)	(141)
Accumulated depreciation and write-downs 30.09.2015		(1 090)	(1 090)
Book value 30.09.2015	255		255

Impairment test Q3 2015

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 September 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 September 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 of goodwill on 30 September 2015

An impairment test of goodwill has been performed in the third quarter 2015. The remaining goodwill in the group as of Q2 was related to the Danish business (NOK 6 mill). Due to reduced oil price the goodwill was written down entirely in Q3, hence, there are no remaining goodwill in the accounts.

Result from impairment test of licence and capitalised exploration expenditure on 30 September 2015

No need for impairment test in Q3 2015. At the end of the third quarter 2015, licence and capitalised exploration expenditures 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	(6)		(6)
Revaluation abandonment assets	(12)		(12)
Disposals	(3 484)		(3 484)
Reclassified to assets held for sale (see note 20)	(1 179)		(1 179)
Currency translation adjustment	529	1	530
Acquisition costs 30.09.2015	2 516	6	2 522
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.2015	(6 241)	(5)	(6 245)
Depreciation	(68)		(68)
Disposals	3 459		3 459
Write-downs	(122)		(122)
Reversal of write-downs			
Reclassified to assets held for sale (see note 20)	1 178		1 178
Currency translation adjustment	(482)	(1)	(483)
Accumulated depreciation and write-downs 30.09.2015	(2 275)	(5)	(2 281)
Book value 30.09.2015	241		241

Impairment test Q3 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 September 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 or expected ownership term if shorter
Reserves/resources	Internal estimated reserves and resources on 30 September 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 30 September 2015

During third quarter the recoverable amount for the Huntington field in the UK was reduced. This resulted in a write-down of NOK 55 million before tax.

The value in use has been used as recoverable amount for all assets tested for impairment as of 30 September 2015.

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

(NOK million)	30.09.2015	31.12.2014
Non-current assets		
Other receivables ⁽¹⁾	503	440
Total non-current receivables	503	440
Current assets		
Trade receivables	41	86
Receivables from operators relating to joint venture licences	16	48
Underlift of oil/NGL	12	23
Prepayments	1	12
Other receivables	12	20
Total trade receivables and other current receivables	82	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 503 million (the USD amount is unchanged since 31 December 2014) is recognised as a non-current receivable at 30 September 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.

13 Restricted cash, bank deposits, cash and cash equivalents

Restricted cash, bank deposits, cash and cash equivalents

(NOK million)	30.09.2015	31.12.2014
Non-current assets		
Restricted cash pledged as security for abandonment obligation in Denmark, DKK 445 million plus interest (see note 18)	574	546
Other restricted cash and bank deposits	39	31
Total non-current restricted cash	613	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	363	644
Total bank deposits	978	1 254

Overdraft facilities

(NOK million)	Facility amount in currency	NOK	Used	Unused	Available
NOK (Exploration loan facility in Noreco Norway AS) ⁽¹⁾	400	400	350	50	37
Total		400	350	50	37
Unrestricted cash and cash equivalents					363
Accessible liquidity at 30.09.2015					400

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. By initiative of the company the facility was further reduced to NOK 400 million in Q3 due to reduced expected exploration spend.

14 Borrowings

14.1 Principal amounts and book values

Non-current debt (NOK million)	30.09.2015		31.12.2014	
	Principal amount	Book value	Principal amount	Book value
NOR06 bond loan, amended and restated	457	246		
NOR10 bond loan, amended and restated	357	244		
Total non-current bonds	814	490		
Exploration loan	68	68		
Total non-current other interest bearing debt	68	68		

Current debt (NOK million)	30.09.2015		31.12.2014	
	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	181	181		
Amended and restated NOR10				
Total current bonds	181	181	3 051	3 051
Exploration loan	282	282	284	284
Total current other interest bearing debt	282	282	284	284
Total borrowings	1 345	1 021	3 335	3 335

14.2 Subsequent measurement and events in third quarter

During second quarter Noreco decided to do a repayment on parts of the NOR10 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 was approximately NOK 357 million.

In addition during second quarter an agreement between Noreco and CapeOmega was written, regarding the sale of Norecos 15% 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 fourth quarter, and correspondingly a repayment of approximately NOK 180 million is expected to take place on the NOR06 bond. 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 third quarter:

Amended and restated NOR06	67.0 %
Amended and restated NOR10	68.3 %

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

15 Trade payables and other current liabilities

(NOK million)	30.09.2015	31.12.2014
Trade payable	8	17
Liabilities to operators relating to joint venture licences	117	224
Overlift of oil/NGL	4	4
Accrued interest	6	114
Salary accruals	5	11
Public duties payable	5	8
Other current liabilities	27	79
Total other current liabilities	172	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 30.09.2015

(NOK million)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Underlift of oil		12		12
Total assets		12		12
Liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements and trading derivatives		1		1
- Overlift of oil		4		4
- Bond loans	671			671
Total liabilities	671	6		676

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 subsequent trades adjusted for any significant time differences.

16.2 Financial instruments by category

On 30.09.2015

(NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Derivatives			
Trade receivables and other current assets	69	12	81
Restricted cash	615		615
Bank deposits, cash and cash equivalents	363		363
Total	1 047	12	1 059

(NOK million)	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bonds		671	671
Other interest bearing debt	350		350
Derivatives		1	1
Trade payables and other current liabilities	163	4	167
Total	513	676	1 189

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 of 30 September 2015:

(NOK million)	Carrying amount	Fair value
Financial assets:		
Trade receivables and other current assets	81	81
Restricted cash	615	615
Bank deposits, cash and cash equivalents	363	363
Total	1 059	1 059
Financial liabilities:		
Bond loans	671	671
Other interest bearing debt	350	350
Derivatives	1	1
Trade payables and other current liabilities	167	167
Total	1 189	1 189

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 Q1 reassessed its segment reporting. As a result from the clear separation between Noreco Norway AS (Ringfence 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 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 30.09.2015 (YTD)

(NOK million)	Norway	Denmark	UK	Inter company	Group	GAAP adjustments	IFRS Group
Condensed income statement							
Revenue	49	34	333	-	416		416
Total operating expenses	(170)	(222)	(251)	-	(644)		(644)
Depreciations	-	(2)	(66)	-	(68)		(68)
Write-downs and reversals	(0)	(22)	(113)	-	(135)		(135)
Net operating result	(122)	(212)	(97)	-	(431)		(431)
Net financial items	1 613	(15)	(13)	-	1 585	324	1 909
Result before tax	1 492	(227)	(110)	-	1 154	324	1 478
Income tax benefit / (expense)	29	(44)	(126)	-	(141)	(57)	(198)
Net result for the period	1 520	(271)	(237)	-	1 013	267	1 280
Condensed statement of financial positions							
Licence and capitalised exploration expenses	255	(0)	-		255		255
Property, plant and equipment	0	4	237		241		241
Other	1 796	1 292	128	(775)	2 440	(57)	2 383
Total assets	2 051	1 296	365	(775)	2 936	(57)	2 879
Equity	731	560	(798)	-	493	267	760
Asset retirement obligations	9	578	188		775		775
Bond loans	994	-	-		994	(324)	671
Other liabilities	316	157	975	(775)	673		673
Total liabilities	1 319	736	1 163	(775)	2 443	(324)	2 119
Capital expenditures							
Capital expenditures production facilities	-	1	(7)	-	(6)		(6)
Capital expenditures exploration and evaluations	77	86	34	-	197		197
Total capital expenditures	77 87		27	-	191		191

Operational segment information 30.09.2015 (YTD)

(NOK million)	Other Ringfence 1	Noreco Norway Ringfence 2	Inter company	Group	GAAP adjustments	IFRS Group
Condensed income statement						
Revenue		367	49			416
Total operating expenses		(476)	(167)			(644)
Depreciations		(68)				(68)
Write-downs and reversals		(135)				(135)
Net operating result		(312)	(119)			(431)
Net financial items		1 645	(60)		324	1 909
Result before tax		1 333	(179)		324	1 478
Income tax benefit / (expense)		(170)	29		(57)	(198)
Net result for the period		1 163	(150)		267	1 280

Condensed statement of financial positions

Licence and capitalised exploration expenses		255	255	255
Property, plant and equipment	241		241	241
Other	1 498	942	2 440	(57) 2 383
Total assets	1 739	1 197	2 936	(57) 2 879
Equity	411	82	493	267 760
Asset retirement obligations	767	9	775	775
Bond loans	357	638	994	(324) 671
Other liabilities	205	468	673	673
Total liabilities	1 328	1 114	2 443	(324) 2 119
Capital expenditures				
Capital expenditures production facilities	(6)		(6)	(6)
Capital expenditures exploration and evaluations	119	77	197	197
Total capital expenditures	113	77	191	191

Operational segment information 30.09.2014 (YTD)

(NOK million)	Other Ringfence 1	Noreco Norway Ringfence 2	Inter company	Group	GAAP adjustments	IFRS Group
Condensed income statement						
Revenue	918	80		998		998
Total operating expenses	(1 096)	(322)		(1 418)		(1 418)
Depreciations	(351)	(15)		(365)		(365)
Write-downs and reversals	(1 444)	(352)		(1 796)		(1 796)
Net operating result	(1 973)	(608)		(2 581)		(2 581)
Net financial items	(82)	(59)		(141)	(112)	(253)
Result before tax	(2 055)	(667)		(2 722)	(112)	(2 834)
Income tax benefit / (expense)	1 228	440		1 668		1 668
Net result for the period	(827)	(227)		(1 054)	(112)	(1 166)
Condensed statement of financial positions						
Licence and capitalised exploration expenses	39	255		294		294
Goodwill	46			46		46
Property, plant and equipment	1 251	8		1 259		1 259
Other	2 664	1 226	(613)	3 277		3 277
Total assets	3 999	1 489	(613)	4 876		4 876
Equity	116	141		257	506	763
Asset retirement obligations	396	39		435		435
Bond loans	3 056			3 056	(506)	2 551
Other liabilities	431	1 310	(613)	1 127		1 127
Total liabilities	3 883	1 348	(613)	4 618	(506)	4 113
Capital expenditures						
Capital expenditures production facilities	8			8		8
Capital expenditures asset under construction						
Capital expenditures exploration and evaluations	18	268		285		285
Total capital expenditures	25	268		293		293

18 Asset retirement obligations

(NOK million)	30.09.2015	31.12.2014
Balance on 1.1.	612	327
Provisions and change of estimates made during the year	116	166
Accretion expense	34	34
Reclassified to liabilities held for sale (see note 20)	(68)	
Reversed provision from disposal of assets	(8)	
Currency translation	90	85
Total provision made for asset retirement obligations	775	612

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
<i>Change in share capital in 2015</i>		
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 and share capital 30 September 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 overall restructuring, Noreco initiated strategic initiatives involving selling the 15 percent participation interest on the PL274 and PL274 CS licences. A sales agreement has been made 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 fourth quarter, it is expected that the transaction will be completed within 2015. The assets and liabilities were accordingly reclassified as held for sale in second quarter, 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 were recorded at nominal amount, which exceed the agreed consideration between Noreco and CapeOmega.

Specification of assets held for sale:

(NOK million)	30.09.2015
Deferred tax assets	250
Trade receivables and other current assets	5
Total assets held for sale	255

Specification of liabilities held for sale:

(NOK million)	30.09.2015
Asset retirement obligations	(68)
Trade payables and other current liabilities	(2)
Total liabilities held for sale	(71)

21 Subsequent events

On 13 October 2015 Tommy Sundt stepped down as CEO for Norwegian Energy Company ASA. Silje Augustson, who is Chair of the board in the company became Group CEO as of that day. Tommy Sundt will continue as Managing Director of the Norwegian activities until December 2015.

APPENDIX: NORWEGIAN ENERGY COMPANY ASA

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

NOK million	30.09.2015
Non-current assets	
Restricted Cash ⁽¹⁾	574
Loan to subsidiaries ⁽³⁾	597
Total non-current assets	1 171
Current assets	
Trade receivables and other current assets	76
Bank deposits, cash and cash equivalents	180
Total current assets	256
Total assets	1 427
Equity ⁽³⁾	
Share capital	71
Other equity	408
Total equity	479
Non-current liabilities	
Bond loan ⁽²⁾	357
Guarantee provision ⁽¹⁾	574
Loan from Group Companies	4
Total non-current liabilities	935
Current liabilities	
Derivatives	1
Trade payables and other current liabilities	11
Total current liabilities	12
Total liabilities	947
Total equity and liabilities	1 427

- 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 guarantee 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 of 30 September 2015 with the values of the assets in Denmark and UK. The same assumptions as in the group accounts are applied.

INFORMATION ABOUT NORECO

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Organisation number NO 987 989 297 MVA

Board of Directors Noreco

Riulf Rustad Acting chair
Silje Augustson
Julien Balkany

Noreco management

Silje Augustson Group CEO
Erik Borg Finance Director
Øyvind Sørnbø VP commercial
Lars Fosvold VP exploration and operations

Investor Relations

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Financial calendar 2015

20 May	Annual General Meeting (Oslo)
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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