

NORWEGIAN ENERGY COMPANY ASA
FIRST QUARTER
2016

REPORT FOR THE FIRST QUARTER 2016

NORWEGIAN ENERGY COMPANY ASA

HIGHLIGHTS

- In the first quarter Noreco executed a voluntary bond buyback of NOR10 at 85% of principal amount totalling a par value of approx. NOK 200 mill. The outstanding principal amount of NOR10 post settlement is NOK 156 mill.
- Executed on group wide cost cutting plan, resulting in major reduction of G&A.
- Negotiated a transaction for the sale of Noreco Norway's remaining exploration licences resulting in value creation for Noreco ASA's shareholders.

OUTLOOK

After a year of intense work and transactions announced, Noreco is a transformed company. The Company is net debt free with a solid cash position and is in a strong position to pursue the insurance claim and to maximise remaining values in its subsidiaries in all three jurisdictions it operates.

BALANCE SHEET AND EQUITY FOR NORWEGIAN ENERGY COMPANY ASA (NON IFRS- MEASURES)

To present the Management view on the correct value of Norwegian Energy Company ASA below tables have been prepared.

Non-IFRS Result Norwegian Energy Company ASA Q1 2016

NOK million

IFRS Result for the period after tax	(9)
Reversal of value adjustment of NOR10	(1)
Value adjustment subsidiaries	-
Non-IFRS Result for the period after tax	(10)
Non-IFRS Equity 31.12.2015	521
Non-IFRS Result for the period after tax	(10)
Other items	7
Non-IFRS Equity 31.03.2016	518

Non-IFRS Balance sheet for Norwegian Energy Company ASA 31.03.2016

NOK million

Non-current assets	
Restricted Cash	569
Value of subsidiaries	550
Total non-current assets	1 119
Current assets	
Bank deposits, cash and cash equivalents	134
Total current assets	134
Total assets	1 254
Equity	
Share capital	71
Other equity	447
Total equity	518
Non-current liabilities	
Bond loan	156
Guarantee provision	569
Total non-current liabilities	725
Current liabilities	
Trade payables and other current liabilities	10
Total current liabilities	10
Total liabilities	736
Total equity and liabilities	1 254

Impairment of value in subsidiaries is based on the real value to Noreco ASA of each subsidiary. With reference to the description of the situation in Noreco Oil (UK) Ltd the table reflects the debt accounted for at expected realisation value.

Restricted cash 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.

Bond loans are presented at par value.

In the non-IFRS balance sheet the value of the subsidiaries is NOK 515 million for the Danish companies and NOK 35 million for UK.

BUSINESS DEVELOPMENT

On 21 December 2015 Noreco Norway announced that it had entered into a Sale and Purchase Agreement ('SPA') to transfer its 4.36% participating interest in the Enoch licence to CapeOmega AS. Following the approval by the Norwegian authorities during first quarter 2016, the transaction was completed 30 March 2016.

On 11 January 2016 Noreco had received a formal notice from the Huntington licence partners, E.ON UK E&P Limited and Premier Oil Plc, that they would exercise their rights to acquire Noreco's participating interest in the Huntington license, according to the terms of the Joint Operating Agreement and following Noreco Oil UK's default. The total accounting loss for Noreco in the licence amounted to over NOK 580 million. At the time of reporting the licence has not been formally transferred, yet. However, Noreco is in dialogue with the acquiring partners and this process is expected to be finalised during Q2 2016.

On 2 March 2016 Noreco announced that it had entered into an agreement on the sale of its Norwegian petroleum activities with effect from 1 January 2016 to Det norske oljeselskap ASA ("Detnor"). On 16 March it was announced that a bondholder meeting had approved the transaction. The transaction with Detnor has received approval by the Ministry of Oil and Energy but is still awaiting approval from the Ministry of Finance.

As announced at the end of 2015, Noreco has entered into a partnership with Awilhelmsen Special Opportunities AS and QVT Financial LP to pursue the Siri insurance claims, with the aim to maximise the proceeds from the claims. The partnership is steadily progressing the Siri platform insurance claims that amount to in excess of USD 400 million excluding interest. The court hearing has been scheduled to start in September 2016.

Following the transaction with Detnor and the subsequent ceasing of E&P activities, Noreco is adjusting its cost base to reflect the reduced activities. This includes the closing down of the offices in Stavanger and Denmark.

GROUP FINANCIALS

The Noreco group had **revenues from continued operations** of NOK 2 million in the first quarter 2016, compared to NOK 3 million in the first quarter 2015. The reduced revenue in 2016 compared with 2015 is due to reduced ownership interest in the Danish oil field Lulita.

Production expenses from continued operations amounted to NOK 1 million compared to NOK 2 million for the same period last year.

Personnel expenses have increased from NOK 8 mill last year to NOK 9 mill in the first quarter of 2016 mainly due to share based cost.

Other operating expenses from continued operations were NOK 9 million in the quarter compared to an income of NOK 16 million last year due to reversal of cost relating to 2014.

EBITDA from continued operations (operating result before depreciation and write-downs) in the first quarter 2016 was negative by NOK 17 million, compared to a positive EBITDA of NOK 7 million in the same quarter 2015.

Net Financial items from continued operations amounted to a cost of NOK 17 million. In first quarter 2015 Net Financial items amounted to an income of NOK 2,164 million due to the financial restructuring.

Taxes from continued operations amounted to an income of NOK 11 million for the first quarter. The tax income corresponds to an average effective tax rate of 33 per cent. Taxable income was impacted by different tax regimes and tax rates. The tax rate represents the weighted average in relation to the results from the various subsidiaries. Reference is made to note 10 in the interim financial report for further details to the taxes this period.

Profit from discontinued operation amounted in first quarter to a loss of NOK 1 million compared to a loss of NOK 392 million for the same period in 2015.

Net result for the first quarter of 2016 is a profit of NOK 21 million, compared to a profit of NOK 1 794 million for the same period 2015.

Non-current restricted cash amounts to NOK 608 million relating to the balance of 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.

Current receivables amounted to NOK 515 million, including NOK 489 million related to the Siri-insurance claim. The final court hearing has been scheduled to start in September 2016.

At the end of the first quarter 2016, Noreco had a total of NOK 214 million in **bank deposits, cash and cash equivalents**.

Equity amounted to NOK 155 million at the end of the period, compared to NOK 144 million at the end of 2015.

Asset retirement obligations amounted to NOK 810 million at the end of the first quarter 2016, compared to NOK 837 million at the end of 2015. The decrease is due to currency translation.

Interest-bearing debt, excluding exploration loans, had a book value of NOK 505 million (principal amount NOK 641 million) at the end of the first quarter 2016, compared to a book value of NOK 832 million (principal amount NOK 994 million) at the end of 2015. At the end of the quarter the bonds were valued at 76.8% (NOR06) and 85.3% (NOR10) of principal amount. The group's exploration loan amounted to NOK 107 million at the end of the quarter. Total interest-bearing debt at the end of the first quarter had a book value of NOK 748 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 2015. The most significant risks Noreco is facing for the next twelve months are related to tax, transaction risk, court ruling and currency exchange rates.

GOVERNANCE AND ORGANISATION

On 13 October 2015 Tommy Sundt stepped down as Group CEO and Silje Augustson assumed the position as Group CEO in her capacity as executive board member. This is not on line with the good Corporate Governance and it is decided that Silje Augustson will resign from the board of directors following the election of her replacement on the annual general meeting.

An extraordinary General Meeting in Norwegian Energy Company ASA was held 21 January 2016. Riulf Rustad was elected as new Chair of the Board, while Silje Augustson continues as executive member of the Board, together with Julien Balkany. The general meeting also approved an option scheme for key personnel, including directors of the Board. It was also approved that The Board of Directors is authorized to acquire treasury shares, and an authorization was also given to increase the Company's share capital by subscription of new shares. Both authorizations can only be used for fulfilment of the Company's option scheme, to strengthen the Company's equity or for funding of business opportunities.

On 11 May the Board announced, In order to accommodate for Silje Augustson carrying on with the management of the group's daily operations, Silje Augustson as general manager and CEO of Norwegian Energy Company ASA, effective from conclusion of the annual general meeting of the company to be held on 26 May 2016.

At the start of 2016 the company had 27 employees. At the end of the quarter, the number of employees had been reduced to 25 including 4 people in resignation and 19 people being part of the Detnor transaction.

Sick leave for the first quarter was 6,7 per cent.

INCOME STATEMENT

All figures in NOK million	Note	Q1 2016	Re-presented Q1 2015	Re-presented 2015
Continued operations				
Revenue	3	2	3	13
Total revenues		2	3	13
Production expenses	4	(1)	(2)	(6)
Exploration and evaluation expenses	5	(0)	-	(1)
Personnel expenses	6	(9)	(8)	(18)
Other operating expenses	7	(9)	15	(8)
Other (losses) / gains	8	1	1	(14)
Total operating expenses		(19)	6	(46)
Operating result before depreciation and write-downs (EBITDA)		(16)	9	(33)
Depreciation	12	(0)	(1)	(2)
Write-downs and reversals of write-downs	11,12	-	-	(11)
Net operating result (EBIT)		(17)	8	(46)
Financial income	9	10	2 224	2 412
Financial expenses	9	(27)	(60)	(378)
Net financial items		(17)	2 164	2 034
Result before tax (EBT)		(34)	2 172	1 988
Income tax benefit / (expense)	10	11	(2)	2
Net result for the period continued operation		(22)	2 170	1 991
Discontinued operation				
Profit (loss) from discontinued operation (net of income tax)	2	43	(377)	(1 329)
Net result for the period		21	1 794	665
Other comprehensive income (net of tax):				
<i>Items to be reclassified to profit or loss in subsequent periods</i>				
Reclassification of currency translation adjustment upon disposal of subsidiary		-	-	-
Currency translation adjustment		(16)	29	16
<i>Total</i>		<i>(16)</i>	<i>29</i>	<i>16</i>
Total other comprehensive income for the period (net of tax)		(16)	29	16
Total comprehensive income for the period (net of tax)		5	1 823	681
Earnings per share (NOK 1)				
Basic	20	3	1 554	94
Diluted	20	3	1 554	94
Earnings per share continuing operation (NOK 1)				
Basic	20	(3)	1 880	283
Diluted	20	(3)	1 862	283

STATEMENT OF FINANCIAL POSITION

CONSOLIDATED

NOK million	Note	31.03.16	31.12.15
Non-current assets			
Deferred tax assets	10	358	351
Property, plant and equipment	12	2	2
Tax refund	10	11	-
Restricted cash	14,17	608	620
Receivables	13	-	521
Total non-current assets		979	1 494
Current assets			
Assets held for sale	21	6	12
Tax refund	10	119	119
Trade receivables and other current assets	13,17	515	21
Restricted cash	14,17	1	178
Bank deposits, cash and cash equivalents	14,17	214	452
Total current assets		856	783
Total assets		1 834	2 277
Equity			
Share capital	20	71	71
Other equity		85	73
Total equity		155	144
Non-current liabilities			
Deferred tax	10	41	47
Asset retirement obligations	19	810	837
Bond loan	15,17	505	501
Total non-current liabilities		1 356	1 385
Current liabilities			
Liabilities held for sale	21	35	107
Bond loan	15,17	-	331
Other interest bearing debt	15,17	107	110
Derivatives	17	0	1
Tax payable	10	35	37
Trade payables and other current liabilities	16,17	146	162
Total current liabilities		323	748
Total liabilities		1 679	2 133
Total equity and liabilities		1 834	2 277

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

NOK million	Share capital	Currency translation fund	Other equity	Total equity
2015				
Equity on 01.01.2015	568	449	(1 820)	(803)
Net result for the period		-	1 794	1 794
Other comprehensive income for the period (net of tax)				
Currency translation adjustments	-	29	-	29
Total comprehensive income for the period (net of tax)	-	29	1 794	1 823
Transactions with owners				
Proceeds from share issued	65	-	189	255
Issue cost	-	-	-	-
Capital reduction	(562)	-	562	-
Share-based incentive program	-	-	2	2
Total transactions with owners for the period	(497)	-	753	256
Equity on 31.03.2015	71	478	727	1 276
2016				
Equity on 01.01.2016	71	465	(392)	144
Net result for the period		-	21	21
Other comprehensive income for the period (net of tax)				
Currency translation adjustments	-	(16)	-	(16)
Total other comprehensive income for the period (net of tax)	-	(16)	21	5
Transactions with owners				
Proceeds from share issued	-	-	-	-
Share-based incentive program	-	-	7	7
Total transactions with owners for the period	-	-	7	7
Equity on 31.03.2016	71	449	(364)	155

STATEMENT OF CASH FLOWS

CONSOLIDATED

NOK million	Q1 2016	Q1 2015
Net result for the period	21	1 794
Income tax benefit	(21)	116
<i>Adjustments to reconcile net result before tax to net cash flows from operating activities:</i>		
Depreciation	0	17
Write-downs and reversal of write-downs	-	47
Expensed exploration expenditures previously capitalised	0	120
Share-based payments expenses	7	2
(Gain) / loss on sale of licences	(44)	-
Change in fair value of bonds	(3)	-
Unrealised loss / (gain) related to financial instruments	(1)	28
Gain on extinguishment of debt	-	(2 176)
Paid/received interests and borrowing cost - net	-	(19)
Interests received	-	23
Effect of changes in exchange rates	(3)	(6)
Accretion expense related to asset retirement obligations	0	14
Assets and liabilities held for sale	-	76
<i>Changes in working capital</i>		
Changes in trade receivable	(0)	50
Changes in trade payables	0	28
Changes in other current balance sheet items	172	33
Net cash flow from operations	129	147
Cash flows from investing activities		
Proceeds from sale of assets	-	11
Purchase of tangible assets	-	(2)
Purchase of intangible assets	(0)	(67)
Net cash flow used in investing activities	(20)	(58)
Cash flows from financing activities		
Repayment of bonds	(323)	-
Repayment of exploration facility	(3)	(2)
Paid borrowing cost	-	(42)
Interest paid	(21)	(5)
Net cash flow from (used) in financing activities	(347)	(48)
Net change in cash and cash equivalents	(238)	40
Cash and cash equivalents at the beginning of the period	452	644
Cash and cash equivalents at end of the quarter	214	685

NOTES

1 Accounting principles

Norwegian Energy Company ASA (“Noreco”, “the Company” or “the Group”) is a public limited company registered in Norway, with headquarters in Oslo (Nedre Vollgate 1, 0158 Oslo). The Company has subsidiaries in Norway, Denmark and the United Kingdom.

Following the restructuring in March 2015, the company’s objective has been changed into monetizing the company’s assets with the aim to repay outstanding debt. Any surplus cash will be paid out to shareholders or invested in relevant activities. The Company is listed on the Oslo Stock Exchange.

Basis for preparation

The interim condensed consolidated financial statements (the interim financial statements) for the first quarter 2016 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. The statement of comprehensive income has been re-presented for discontinued operations as of Q1 2016.

The interim financial statements for the first quarter of 2016 were authorised for issue by the board of directors on 25 May 2016.

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 2015. 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 18 have been updated accordingly. For the full summary of significant accounting policies, reference is made to the annual financial statements for 2015.

Borrowings

Borrowings are initially recognised at fair value. 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 31 March 2016.

Discontinued operation

A discontinued operation is a component of the Group’s business, the operation and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a major line of business or geographical are of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic are of operations

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. Comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

Since the new strategy for Noreco has been implemented by Noreco effectively ceasing to be an E&P company, by selling, relinquishing, termination or forfeiture all its E&P activities, including its E&P staff, the E&P operation is classified as a discontinued operation.

New standards interpretations and amendments adopted by Noreco on 1 January 2016

There have been no changes to significant accounting policies in the first quarter of 2016 compared to the annual financial statements for 2015.

2 Discontinued operations

In October 2014, Noreco initiated a comprehensive financial restructuring due to a material decrease in the company's debt servicing ability. Noreco initiated during the winter a financial restructuring process and a restructuring proposal was presented in February 2015. The 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 amortizations except final maturity in three years, but with "cash sweep" if cash should become available. The restructuring proposal was approved in March 2015, and Noreco has since focused on implementing the new strategy.

The new strategy entails re-payment of bonds whenever the cash flow allows it, and secure a return of investment to the shareholders. During 2015 the company has implemented the plan by ceasing to be an E&P company. Today the company only has a 10% interest in a Danish oil field (Lulita) to maintain hydrocarbon tax position in order to protect the main asset in Denmark. During 2015 Noreco has sold, relinquished, terminated or forfeited all its E&P activities, including its E&P staff. According to IFRS 5 the company is required to present its E&P business as discontinued to ensure that the accounts reflect its current operation.

When the sales that are currently presented as Held for Sale (Sale of the Norwegian E&P business including operatorships, staff contracts and other contracts related to the operation to Detnor) are completed then Noreco has 6 employees (4 in Denmark in resignation and 2 in Norway), the 10% share in the oil field Lulita, an insurance claim related to damages suffered related to the Siri platform, the tax balances and the bond loans NOR06 and NOR10.

(NOK million)	Q1 2016	Q1 2015
Revenue	(0)	111
Production expenses	(0)	(137)
Exploration and evaluation expenses ⁽¹⁾	(5)	(129)
Payroll expenses	(8)	(14)
Other operating expenses	(6)	(9)
Other (losses) / gains ⁽²⁾	44	15
Total operating expenses	25	(274)
Operating result before depreciation and write-downs (EBITDA)	25	(163)
Depreciation	-	(16)
Write-downs and reversals of write-downs	-	(47)
Net operating result (EBIT)	25	(226)
Financial income	(2)	5
Financial expenses	10	(42)
Net financial items	8	(37)
Result before tax (EBT)	33	(263)
Income tax benefit / (expense)	10	(114)
Net result for the period	43	(377)
Earnings per share discontinued operation (NOK 1)		
Basic	6	(326)
Diluted	6	(326)

1) The Detnor deal has the consequence that Noreco Norway no longer has any exploration assets.

2) The Detnor deal results in establishment of a provision for the consideration of approximately NOK 45 million.

Cash flow from (used) in discontinued operation

(NOK million)	Q1 2016	Q1 2015
Net cash from operating activities	21	100
Net cash from investing activities	(20)	(2)
Net cash from financing activities	-	-
Net cash flow for the period	2	98

3 Revenue

(NOK million)	Note	Q1 2016	Q1 2015
Continued operations			
Sale of oil		2	2
Sale of gas and NGL		1	1
Total revenue continued operations		2	3
Total revenue discontinued operations	2	(0)	111
Total revenue		2	114

4 Production expenses

(NOK million)	Note	Q1 2016	Q1 2015
Continued operations			
Lulita		(1)	(2)
Total production expenses continued operations		(1)	(2)
Total production expenses discontinued operations	2	(0)	(137)
Total production expenses		(1)	(139)

5 Exploration and evaluation expenses

(NOK million)	Note	YTD Q1 2016	YTD Q1 2015
Continued operations			
Total exploration and evaluation costs continued operations		-	-
Total exploration and evaluation costs discontinued operations	2	(5)	(129)
Total exploration and evaluation costs		(5)	(129)

6 Payroll expenses

(NOK million)	Note	Q1 2016	Q1 2015
Continued operations			
Salaries		(2)	(7)
Social security tax		(0)	(0)
Pensions costs		(0)	(0)
Costs relating to share-based payments		(7)	(1)
Other personnel expenses		(0)	(0)
Personnel expenses charged to operated licences		-	(0)
Total personnel expenses continued operations		(9)	(8)
Total personnel expenses discontinued operations	2	(8)	(14)
Total personnel expenses		(17)	(22)
Average number of employees, continued operations		6	4
Average number of employees, discontinued operations		20	44
Average number of employees		26	48

Share based payments relate to the option program decided at the EGM in January 2016 for the benefit of the executive management. The organisation in Stavanger is part of the agreement made with Detnor AS, ref. note 2.

7 Other operating expenses

(NOK million)	Note	Q1 2016	Q1 2015
Continued operations			
Premises		(0)	-
IT expenses		(0)	(1)
Travel expenses		(0)	(0)
Office cost		(0)	(0)
Consultant fees ⁽¹⁾		(8)	17
Other operating expenses		(0)	(1)
Other operating expenses charged to own operated licences		-	0
Total other operating expenses continued operations		(9)	15
Total other operating expenses discontinued operations	2	(6)	(9)
Total other operating expenses		(15)	6

1) Consultant fees in Q1 2015 include fees relating to the restructuring efforts recorded in 2014, which have been reclassified and included in the calculation of bond debt restructuring impact.

8 Other (losses) / gains

(NOK million)	Note	YTD Q1 2016	YTD Q1 2015
Continued operations			
Change in value, other derivatives		1	1
Total other (losses)/gains continued operations		1	1
Total other (losses)/gains discontinued operations	2	44	15
Total other (losses) / gains		44	16

9 Financial income and expenses

Financial income			
(NOK million)	Note	Q1 2016	Q1 2015
Continued operations			
Interest income		-	4
Gain on extinguishment of debt ⁽¹⁾		-	2 176
Change in fair value of bond debt ⁽¹⁾		3	-
Currency translation income		7	44
Other financial income		0	0
Total financial income continued operations		10	2 224
Total financial income discontinued operations	2	(2)	5
Total financial income		8	2 229

1) See note 15

Financial expenses			
(NOK million)	Note	Q1 2016	Q1 2015
Continued operations			
Interest expense from bond loans		(13)	(40)
Interest expenses current liabilities		(0)	(0)
Accretion expense related to asset retirement obligations		(0)	(0)
Currency translation expense		(1)	(42)
Other financial expenses		(13)	23
Total financial expenses continued operations		(27)	(60)
Total financial expenses discontinued operations	2	10	(42)
Total financial expenses		(17)	(102)
Net financial items continued operation		(17)	2 164
Net financial items discontinued operation	2	8	(37)
Net financial items		(8)	2 128

1) See note 15

10 Tax

Income tax (total)

(NOK million)	Q1 2016	Q1 2015
Income (loss) before tax	0	1 909
Income tax benefit / (expense)	21	(116)
Equivalent to a tax rate of	-	6.1 %

The effective tax rate (total) for the quarter is immeasurable due to the income(loss) before tax being close to zero, compared to 6.1 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.

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

Tax loss carry forward 31.03.16 (NOK million)	Offshore		Onshore	
	Recognised	Un-recognised	Recognised	Un-recognised
<i>Norway (offshore 53% / onshore 25%)</i>				
Norwegian Energy Company ASA	-	-	-	676
Altinex AS	-	-	-	3
Noreco Norway AS	502	-	491	-
<i>Denmark (offshore 39% / onshore 25%)</i>				
Noreco Denmark A/S	-	-	-	-
Noreco Oil Denmark A/S	79	5 179	-	-
Noreco Petroleum Denmark A/S	14	889	-	-
<i>UK (offshore 20% / onshore 30%)</i>				
Norwegian Energy Company (UK) Ltd.	-	679	-	679
Noreco Oil (UK) Ltd.	-	871	-	701
Total tax loss carry forward	595	7 618	491	2 059

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

Tax loss carry forwards in the Danish offshore tax regime of NOK 6 068 million has been calculated according to Chapter 3A in the Danish Hydrocarbon Taxation Act (kulbrinteskatteloven). Approximately NOK 323 million is time limited and will lapse by 2016. Current forecasts also indicate that the remaining tax loss carry forwards will not be utilised.

Tax refund		
(NOK million)	31.03.16	31.12.15
Non-current assets		
Non-current tax refund related to Norwegian exploration activity 2016	11	
Current assets		
Tax refund related to Norwegian exploration activity in 2015	119	119
Tax refund related to Norwegian exploration activity in 2014	-	
Total tax refund	130	-
Tax receivables		
(NOK million)	31.03.16	31.12.15
Tax receivables in Norway	-	-
Tax receivables in other countries	-	-
Total tax receivables	-	-
Tax payable		
(NOK million)	31.03.16	31.12.15
Tax payable in Norway	-	-
Tax payable other countries	35	37
Total tax payable	35	37

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.

In January 2016 the company received a ruling resulting in an increased tax payment for 2011 of NOK 37 million which has been accounted for. However, the Company is of the opinion that all transactions have been treated correctly in the submitted tax returns and the ruling therefore has been challenged.

11 Intangible non-current assets

(NOK million)	Licence and capitalised exploration expenditures	Goodwill	Total
Acquisition costs 01.01.16	-	1 095	1 095
Additions	-	-	-
Expensed exploration expenditures previously capitalised	-	-	-
Disposals	-	(1 087)	(1 087)
Reclassified from assets held for sale (see note 21)	-	38	38
Currency translation adjustment	-	(39)	(39)
Acquisition costs 31.03.16	-	7	7
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.16		(1 095)	(1 095)
Write-downs		-	-
Disposals		1 087	1 087
Reclassified from assets held for sale (see note 21)		(38)	(38)
Currency translation adjustment		39	39
Accumulated depreciation and write-downs 31.03.16		(7)	(7)
Book value 31.03.16	-	-	-

Impairment test Q1 2016

For detailed description of applied methodology for the impairment test, reference is made to note 12 included in the annual financial statements for 2015.

Main assumptions applied for the impairment test on 31 March 2016:

Discount rate (after tax)	10.0 percent
Inflation	2.0 percent
Cash flow	After tax
Reserves/resources	Internal estimated reserves and resources on 31 March 2016
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 31 March 2016

The remaining goodwill was fully impaired in previous quarter.

Result from impairment test of licence and capitalised exploration expenditures on 31 March 2016

The Detnor deal has the consequence that Noreco no longer has any exploration licenses. The book value of the licenses was impaired fully in Q4 2015 due to the Djerv deal and presented in the comprehensive income as an exploration expense in discontinued operations in Q4 2015, ref. Note 2.

12 Property, plant and equipment

(NOK million)	Production facilities	Machinery and equipment	Total
Acquisition costs 01.01.16	3 790	6	3 796
Additions	-	-	-
Capitalised interest	-	-	-
Transferred from Asset under construction to Production facilities	-	-	-
Revaluation abandonment assets	-	-	-
Disposals	(3 799)	-	(3 799)
Reclassified from assets held for sale (see note 21)	78	-	78
Currency translation adjustment	(131)	-	(132)
Acquisition costs 31.03.16	(62)	6	(56)
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.16	(3 788)	(6)	(3 794)
Depreciation	(0)	-	-
Disposals	3 799	-	3 799
Write-downs	-	-	-
Reversal of write-downs	-	-	-
Reclassified from assets held for sale (see note 21)	(78)	-	(78)
Currency translation adjustment	131	-	131
Accumulated depreciation and write-downs 31.03.16	64	(6)	58
Book value 31.03.16	2	6	2

Impairment test Q1 2016

No impairment test was performed in Q1 2016 due to all material PP&E being impaired in full during 2015, and no triggers or reversal triggers have been present in Q1 2016.

Main assumptions applied for the impairment test on 31 March 2016:

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 31 March 2016
Oil price	Forward curve for oil price for the period 2015-2017 From 2018 the oil price is adjusted for inflation
Currency rates	Average forward-rate for the period 2015-2018. From 2019 the average rate for 2018 is used

Result from impairment test on 31 March 2016

During fourth quarter the recoverable amount for the Huntington field in the UK was written down in full due to default on payment of cash calls which subsequently resulted in forfeiture of the license, whereas the liabilities according to the JOA remains with the company resulting in a negative net value of NOK 281 mill. Due to the company being unable to raise financing for the liabilities it is the view of Management that Noreco Oil (UK) Ltd either will initiate liquidation proceedings or enter into a solution with its partners. Either of these actions will result in the liability being reversed, hence an gain equal to this amount is expected in 2016.

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

(NOK million)	31.03.2016	31.12.2015
Non-current assets		
Other receivables ⁽¹⁾	-	521
Total non-current receivables	-	521
Current assets		
Tax receivables	-	-
Trade receivables	2	2
Receivables from operators relating to joint venture licences	7	5
Underlift of oil/NGL	1	0
Prepayments	3	1
Other receivables ⁽¹⁾	502	13
Total trade receivables and other current receivables	515	21

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 489 million (the USD amount is unchanged since 31 December 2015) is recognised as a current receivable at 31 March 2016. 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 court hearing has been scheduled to start in September 2016.

14 Restricted cash, bank deposits, cash and cash equivalents

Restricted cash, bank deposits, cash and cash equivalents

(NOK million)	31.03.2016	31.12.2015
Non-current assets		
Restricted cash pledged as security for abandonment obligation in Denmark, DKK 445 million plus interest (see note 19)	608	620
Total non-current restricted cash	608	620
Current assets		
Other restricted cash and bank deposits (Bond holder pledge account, Withholding tax etc.)	1	178
Total current restricted cash	1	178
Unrestricted cash, bank deposits, cash equivalents and quoted shares	214	452
Total bank deposits	824	1 250

Restricted cash

Not included in above is a deposit to the benefit of Noreco made by Awilhelmensen Special Opportunities AS and QVT Finacial LP in relation an agreed secured minimum payment of USD 15 mill on the Siri-claim.

Overdraft facilities

(NOK million)	Facility amount	Used	Unused	Available
NOK (Exploration loan facility in Noreco Norway AS) ⁽¹⁾	107	107	-	-
Total	107	107	-	-
Unrestricted cash and cash equivalents				214
Accessible liquidity at 31.03.16				214

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. The cross default clause is limited to borrowings within Noreco Norway.

15 Borrowings

15.1 Principal amounts and book values

Non-current debt (NOK million)	31.03.2016		31.12.2015	
	Principal amount	Book value	Principal amount	Book value
NOR06 bond loan, amended and restated	485	372	477	367
NOR10 bond loan, amended and restated	156	133	156	134
Total non-current bonds	641	505	634	501
Exploration loan	-	-	-	-
Total non-current other interest bearing debt	-	-	-	-
Current debt				
(NOK million)	Principal amount	Book value	Principal amount	Book value
Amended and restated NOR06	-	-	160	160
Amended and restated NOR10	-	-	200	170
Total current bonds	-	-	361	331
Exploration loan	107	107	110	110
Total current other interest bearing debt	107	107	110	110
Total borrowings	748	612	1 104	942

15.2 Subsequent measurement and events in first quarter 2016

In second quarter 2015 an agreement between Noreco and CapeOmega was reached regarding the sale of Norecos 15% interest in Oselvar (PL274 and PL274 CS) for a total consideration of NOK 201 million. The sale received the necessary approval from the Norwegian authorities in Q4, and a repayment on NOR06 of approximately NOK 153 million was re-paid Q1 2016.

In Q4 2015 it was announced that Noreco Energy Company ASA offered to buy-back NOR10 bonds at 85% of par value. In late December it was confirmed that a buy back of a principal amount of approximately NOK 200 million of NOR10 bonds at the fixed price of 85% of par value was to take place. The buy-back took place in the first quarter 2016.

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 first quarter:

Amended and restated NOR06	76.8 %
Amended and restated NOR10	85.3 %

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

16 Trade payables and other current liabilities

(NOK million)	31.03.16	31.12.15
Trade payable	4	3
Liabilities to operators relating to joint venture licences	96	101
Overlift of oil/NGL	(0)	(0)
Accrued interest	5	17
Salary accruals	0	0
Public duties payable	1	1
Other current liabilities	41	39
Total other current liabilities	146	162

17 Financial instruments

17.1 Fair value hierarchy

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data.

On 31.03.2016

(NOK million)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Quoted shares	3			3
- Underlift of oil		1		1
Total assets	3	1	-	3
Liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements and trading derivatives		-		-
- Overlift of oil		-		-
- Bond loans			505	505
Total liabilities	-	-	505	505

On 31.12.2015

(NOK million)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Quoted shares	3	-		3
- Underlift of oil		-		0
Total assets	3	-	-	3
Liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements and trading derivatives		1		1
- Bond loans		-	831	831
Total liabilities	-	1	831	832

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.

A reclassification of bond loans to level three has taken place in Q1 2016 due to low volumes of trades, and valuation techniques have been applied.

17.2 Financial instruments by category

On 31.03.2016

(NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Derivatives		-	-
Trade receivables and other current assets	28	1	28
Restricted cash	609		609
Bank deposits, cash, cash equivalents and quoted shares	212	3	214
Total	849	3	852

(NOK million)	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bonds		505	505
Other interest bearing debt	107		107
Derivatives		0	0
Trade payables and other current liabilities	146	-	146
Total	252	505	758

On 31.12.2015

(NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Derivatives		-	-
Trade receivables and other current assets	20	0	21
Restricted cash	798		798
Bank deposits, cash and cash equivalents	450	3	453
Total	1 268	3	1 271

(NOK million)	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bonds		832	832
Other interest bearing debt	110		110
Derivatives		1	1
Trade payables and other current liabilities	162	-	162
Total	272	833	1 104

17.3 Financial instruments - Fair values

Set out below is a comparison of the carrying amounts and fair value of financial instruments as on 31 March 2016:

(NOK million)	Carrying amount	Fair value
Financial assets:		
Trade receivables and other current assets	28	28
Restricted cash	609	609
Bank deposits, cash, cash equivalents and quoted shares	214	214
Total	852	852
Financial liabilities:		
Bond loans	505	505
Other interest bearing debt	107	107
Derivatives	0	0
Trade payables and other current liabilities	146	146
Total	758	758

18 Segment reporting

The group has in 2015 ceased its oil and gas activities and is focused on realising the new strategy and is considered as one operating segment.

Following the financial restructuring, completed in 2015, the group 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, the operating segments of Noreco was from Q1 2015 divided into two, Noreco Norway Group (Ringfence 2) and the rest of the group - "Other - Ringfence 1".

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

Financial information for the operating segments should reflect management reporting. For management reporting the bond loans are valued and presented at principal amount and change in fair value and amortisation of unrealised gain is excluded in the income statement. Furthermore, as it is clear from management perspective that the subsidiary Noreco Oil (UK) Ltd is unable to raise financing for its liabilities and that the group is also unable to support the company, the liability of NOK 302 mill has been "reversed" to reflect the real value of the company to the group.

Operational segment information 31.03.2016 (YTD)

(NOK million)	Other Ringfence 1	Noreco Norway Ringfence 2	Inter company	Group	GAAP adjustments	IFRS Group
Condensed income statement						
Revenue	2	-		2		2
Total operating expenses	8	(2)		6		6
Depreciations	(0)	-		(0)		(0)
Net operating result	10	(2)	-	8	-	8
Net financial items	(37)	(10)		(47)	3	(44)
Result before tax	(27)	(12)	-	(39)	3	(36)
Income tax benefit / (expense)	19	3		22	(1)	21
Net result for the period discontinued operations after tax	10	33		43		43
Net result for the period	2	24	-	26	2	29
Condensed statement of financial positions						
Property, plant and equipment	2	-		2	-	2
Other	1 282	579		1 860	(28)	1 832
Total assets	1 284	579	-	1 862	(28)	1 834
Equity	408	(59)	-	349	(194)	155
Asset retirement obligations	574	-		574	236	810
Bond loans	156	485		641	(136)	505
Other liabilities	145	153		298	66	364
Total liabilities	876	637	-	1 513	166	1 679
Capital expenditures						
Capital expenditures exploration and evaluations	-	0		0	-	0
Total capital expenditures	-	0	-	0	-	0

Operational segment information 31.03.2015 (YTD)

(NOK million)	Other Ringfence 1	Noreco Norway Ringfence 2	Inter company	Group	GAAP adjustments	IFRS Group
Condensed income statement						
Revenue	3	-		3		3
Total operating expenses	5			5		5
Depreciations	(1)	-		(1)		(1)
Net operating result	7	-	-	7	-	7
Net financial items	1 634	(12)		1 622	542	2 164
Result before tax	1 641	(12)	-	1 630	542	2 172
Income tax benefit / (expense)	70	3		73	(75)	(2)
Net result for the period discontinued operations after tax	(388)	(4)		(392)		(392)
Net result for the period	1 323	(12)	-	1 311	467	1 777
Condensed statement of financial positions						
Licence and capitalised exploration expenses	9	258		267		267
Goodwill	7	-		7		7
Property, plant and equipment	380	-		380		380
Other	1 814	1 004		2 818	(75)	2 743
Total assets	2 209	1 262	-	3 471	(75)	3 396
Equity	592	217		809	467	1 276
Asset retirement obligations	188	74		262		262
Bond loans	600	618		1 218	(542)	676
Other liabilities	830	353		1 183		1 183
Total liabilities	1 617	1 045	-	2 662	(542)	2 120
Capital expenditures						
Capital expenditures production facilities	2	-		2		2
Capital expenditures exploration and evaluations	65	2		67		67
Total capital expenditures	67	2	-	69	-	69

19 Asset retirement obligations

(NOK million)	31.03.16	31.12.15
Balance on 1.1.	837	612
Provisions and change of estimates made during the year	(0)	157
Accretion expense	0	38
Reclassified to liabilities held for sale (see note 21)	12	(12)
Reversed provision from disposal of assets	(12)	(77)
Currency translation	(27)	118
Total provision made for asset retirement obligations	810	837

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. 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. The balance as per 31.03.2016 is NOK 569 million for Nini/Cecilie, NOK 236 million for Huntington and NOK 5 million for Lulita.

20 Shares and share capital

(NOK million)	No. of shares	Share Capital
31 December 2015	7 094 730	71
Change in share capital in 2016		
Number of shares and share capital 31 March 2016	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.

21 Sale of assets and liabilities held for sale

Noreco Norway has entered into an agreement with Dernor to take over Noreco Norway's E&P business including its operatorships, its employment contracts, other contracts related to the operation whereby Noreco Norway will have only its tax balances, loans and cash balances left. On 23 May Noreco received the government approval for the deal.

The transaction imply that the assets and liabilities in the deals 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.

Specification of assets held for sale:

(NOK million)	31.03.16
Trade receivables and other current assets	6
Total assets held for sale	6

Specification of liabilities held for sale:

(NOK million)	31.03.16
Trade payables and other current liabilities	(35)
Total liabilities held for sale	(35)

22 Subsequent events

On 11 May the Board announced, In order to accommodate for Silje Augustson carrying on with the management of the group's daily operations, Silje Augustson as general manager and CEO of Norwegian Energy Company ASA, effective from conclusion of the annual general meeting of the company to be held on 26 May 2016.

On 23 May Noreco received the approval from the Ministry of Oil and Energy on the Detnor deal, but is still awaiting approval from the Ministry of Finance.

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Financial calendar 2016

26 February Q4 2015 report
26 May Annual General Meeting
26 May Q1 2016 Report
25 August Q2 2016 Report
23 November Q3 2016 Report

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Riulf Rustad Chair
Silje Augustson
Julien Balkany

Noreco management

Silje Augustson Group CEO

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Annual reports

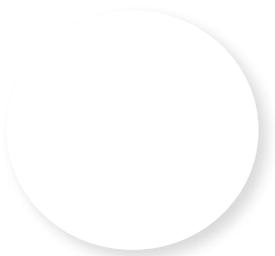
Annual reports for Noreco are available on www.noreco.com

Quarterly publications

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The publications can be ordered by sending an e-mail to investorrelations@noreco.com.

News releases

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