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THIRD QUARTER
2014

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REPORT FOR THE THIRD QUARTER 2014

NORWEGIAN ENERGY COMPANY ASA

HIGHLIGHTS FOR THE QUARTER

- Noreco's production in the third quarter 2014 was 5 755 barrels of oil equivalents (boepd) and realised oil price was USD 89.0 per boe, corresponding to USD 96.9 per barrel of oil. This resulted in revenues of NOK 296 million in the third quarter, slightly down from the previous quarter.
- Operating result before depreciation and write-downs (EBITDA) was negative NOK 556 million in the third quarter. Exploration and evaluation expenses amounted to NOK 629 million, primarily due to a write-off of the Huntington Fulmar discovery.
- Noreco's net result after tax for the third quarter was negative at NOK 1 101 million. Total impairments amounted to NOK 971 million after tax, which include NOK 228 million in write-off after tax related to Huntington Fulmar, NOK 614 million in write-downs after tax on Huntington Forties and goodwill and NOK 103 million in write-downs after tax on Oselvar.
- The production profile for 2015 and onwards as well as expected effects from mitigating measures that have been applied for Huntington are preliminary. The operator is expected to provide revisions in the fourth quarter. This may result in further changes to book values.

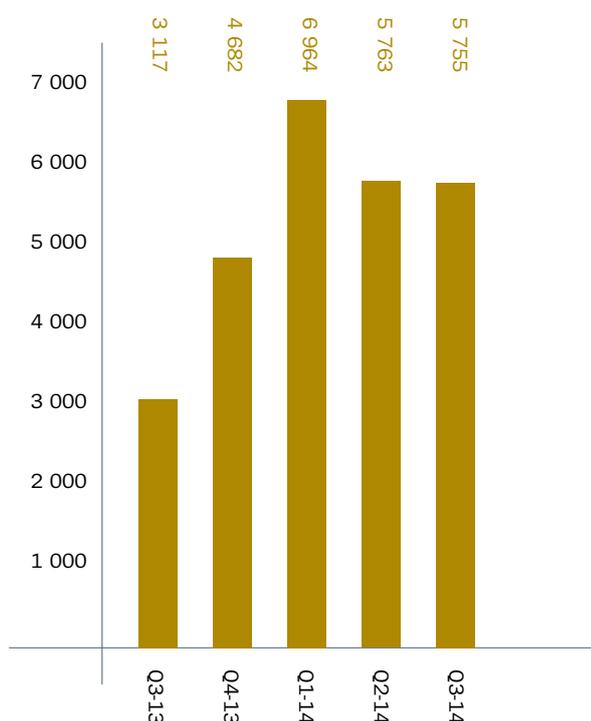
FINANCIAL OUTLOOK AND ONGOING PROCESSES

- Due to the negative developments in the performance of the producing fields mentioned above, it is unlikely that the company will be able to comply with its cash covenants towards the end of 2014 and through 2015.
- This forced Noreco to initiate a full review of available alternatives and what would be required to secure a sustainable financing solution. While a wide range of solutions continue to be evaluated, the company has concluded that a deferral of bond instalments due on 9 December 2014 is required to give the company time to explore all possible alternatives.
- The company is working with bondholders and Nordic Trustee with aim to agree on a waiver. Approval of such waiver will cure any payment default.
- Noreco is continuing a constructive dialogue with bondholders, creditors, shareholders and other relevant parties and will pursue any solution which can create or preserve more values for all stakeholders as a going concern.

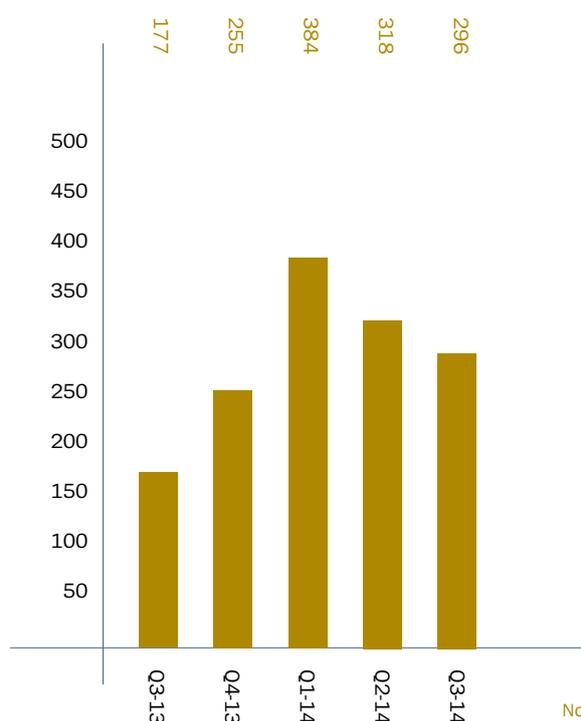
KEY FIGURES

	Q3-14	Q2-14	Q1-14	Q4-13	Q3-13
Net realised oil price (USD/boe)	89.0	101.5	100.7	97.8	102.0
EBITDA (NOK million)	(556.4)	(29.2)	166.1	55.5	(284.5)
Net results (NOK million)	(1 101.2)	(0.1)	(64.5)	338.6	(569.4)
Cash flow from operations (NOK million)	15.4	354.2	64.6	1 310.8	79.0
Total assets (NOK billion)	4.9	6.5	6.2	6.2	6.9

Production (boepd)



Revenue (NOK million)



HEALTH, SAFETY, ENVIRONMENT AND QUALITY (HSEQ)

Noreco did not operate drilling operations in the third quarter 2014. No serious HSE incidents have occurred in any of the company's other operations this quarter. Ongoing HSEQ activities include follow up of upcoming drilling operations where Noreco is licensee.

Noreco moved into new offices in Stavanger in July 2014, and HSEQ has been an important factor in the office move.

PRODUCING FIELDS

The Noreco Group's average production in the third quarter 2014 was 5 755 boepd. Realised oil price was USD 89.0 per boe compared to USD 101.5 per boe in the second quarter 2014.

Noreco's share of production from the **Huntington** field for the third quarter 2014 was 3 160 boepd, lower than expected in July and significantly lower than expected in August, while production rates in September were good. The reasons for reduced production in the period were technical challenges and maintenance work on the production vessel *Voyageur Spirit*, in addition to maintenance on the Central Area Transmission System (CATS).

The CATS system has continued to impose production restrictions on Huntington in the fourth quarter. The field was closed on 18 October, resulting in an average output for that month of only 1 100 boepd, and is expected to remain closed until 5 December. During this period, the operator has performed various maintenance tasks on board. This is expected to contribute to improved regularity in production in 2015.

The production from **Oselvar** has been fairly stable, and the average production in the third quarter was 528 boepd to Noreco.

Production from the **Nini** field (comprising of Nini and Nini East) was 1 722 boepd net to Noreco in the third quarter 2014 and production from the **Cecilie** field was 152 boepd net to Noreco. During the quarter production has been shut in due to planned maintenance in September, technical issues and weather. Production from the Siri Fairway (Nini and Cecilie) has been in accordance with expectations.

For the majority of 2014 the production at Nini and Cecilie has been handled through a temporary solution, which has involved direct loading to a shuttle tanker. Following successful repair of the Siri platform and subsea storage tank, this temporary solution was decommissioned on 25 September 2014. The current solution is awaiting final approval by the Danish Authorities before present restrictions can be lifted.

The **Lulita** field has had relatively stable production since the field was reopened 3 August after a planned maintenance at the host platform Harald. Production for the quarter was 192 boepd net to Noreco.

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

EXPLORATION

Exploration work in the third quarter was primarily directed towards the APA 2014 applications in Norway and the 7th Licensing Round in Denmark.

The APA 2014 applications were submitted in September and awards are expected in January 2015. Noreco submitted several applications with main focus on mature areas and extension of existing licence acreage. Deadline for applications in Denmark was in October with awards expected in the first quarter of 2015. If new licences are awarded, Noreco may at its own discretion accept or decline the new licences.

On PL492 Gohta the work towards integrating the results from the appraisal well that was drilled in the second quarter is well underway. The well confirmed the Gohta discovery and further appraisal is planned for 2015. The Alta discovery at the adjacent licence PL609 has further confirmed the Gotha exploration model's potential and improved the prospects for commerciality.

The exploration department has in the period also focused resources on work in the licences towards drill or drop decisions coming up towards the end of the year and early next year, and towards final clarification of the potential and any future plans for the Huntington Fulmar discovery.

Based on this work, Noreco concluded that Huntington Fulmar does not satisfy the company's investment criteria. The discovery is therefore no longer considered a commercial possibility for Noreco and the book value of the asset was written off.

GROUP FINANCIALS

The Noreco group had **revenues** of NOK 296 million in the third quarter 2014, compared to NOK 177 million in the third quarter 2013. Low revenues in the third quarter last year are due to production issues at a number of the group's producing fields in the period.

Production expenses in the third quarter were NOK 177 million compared to NOK 108 million for the same period last year. The increase is mainly due to the production expenses at the Huntington field, for which production started in the second quarter 2013. 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 629 million for the third quarter, compared to NOK 295 million in the third quarter 2013. Exploration and evaluation expenses in the third quarter include write-off of the Huntington Fulmar

discovery mentioned above of NOK 600 million before tax and NOK 228 million after tax.

Payroll expenses were NOK 23 million in the third quarter compared to NOK 29 million for the third quarter last year. The reduction is mainly due to fewer employees in Noreco in 2014 compared to last year.

EBITDA (operating result before depreciation and write-downs) in the third quarter 2014 was negative by NOK 556 million, compared to a negative EBITDA of NOK 284 million in the third quarter 2013.

Depreciation amounted to NOK 115 million in the quarter, up from NOK 70 million for the third quarter 2013. Depreciation follows the production. Hence, the increase is mainly due to a higher production level in the third quarter 2014 compared to the same period last year.

Third quarter **write-downs** amounted to NOK 1 818 million before tax and NOK 743 million after tax. The amount consists of the following write-downs:

- Goodwill related to the business in the United Kingdom – write-downs of NOK 104 million (same amount before and after tax)
- Huntington Forties – write-downs of NOK 1 343 million (NOK 510 million after tax)
- Oselvar – write-downs of NOK 337 million (NOK 103 million after tax)
- Danish fields related to the Siri platform (Cecilie and Nini) – write-downs of NOK 35 million (NOK 26 million after tax)

Total write-downs for the Huntington licence combined cash generating unit with accompanying goodwill amounted to NOK 614 million after tax this quarter, compared to expected write-downs in the magnitude of NOK 700 million after tax as communicated by the company on 1 and 15 October 2014. The difference is due to new information about Huntington Fulmar, which led to the discovery being written-off this quarter (see exploration expenses above). Had the Fulmar-discovery not been written off this quarter, the total write-down after tax on the Huntington licence and goodwill would have amounted to NOK 703 million.

The impairment test performed on 30 September 2014 was prepared applying the principles required according to IAS 36 and consistent with previous quarters. For the third quarter, the impairment test was significantly affected by reduced expectations to production and oil price compared to the last quarter.

The assets subject to impairment testing are sensitive to changes in assumptions, including oil prices. Assuming an oil price 10 percent lower than what was applied in the impairment test (USD per barrel of 95, 97 and 97 in 2014, 2015 and 2016 respectively), the third quarter write-downs would have increased by NOK 86 million after tax. It is also noted that the production profile for 2015 and onwards as well as expected effects from mitigating measures that have been applied for Huntington in the third quarter impairment test are preliminary, and that revised projections and evaluations of mitigating measures are expected to be provided in the fourth quarter. This may result in further changes.

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

Financial income amounted to NOK 23 million for the third quarter 2014, compared to NOK 4 million for the same period last year. The increase is due to higher currency translation income.

Financial expenses for the third quarter were NOK 123 million compared to NOK 133 million for the same period last year. Total interest expenses on bond loans amounted to NOK 83 million in the third quarter 2014, compared to NOK 107 million for the third quarter 2013. Out of the interest expenses this quarter, NOK 47 million was coupon, while the remaining NOK 36 million was related to non-cash amortisation items from the restructuring of the bond loans that was completed in the fourth quarter 2013.

Taxes amounted to an income tax benefit of NOK 1 488 million for the third quarter. The third quarter tax corresponds to an average tax rate of 57.5 per cent. Taxable income was impacted by different tax regimes and tax rates and also the significant write-downs in the period. The tax rate represents the weighted average in relation to the results from the various subsidiaries. Reference is made to note 9 in the interim financial report for further details to the taxes this period.

Net result for the third quarter amounted to a loss of NOK 1 101 million, compared to a loss of NOK 569 million for the third quarter 2013.

The book value of **licence costs and capitalised exploration expenditures** at the end of the third quarter amounted to NOK 294 million, with deferred tax of NOK 210 million. This primarily consisted of the Gohta discovery in the Barents Sea on the Norwegian Continental Shelf, which in September 2014 had a book value of NOK 254 million. Net of deferred tax, the book value was NOK 56 million.

Trade receivables and other current assets amounted to NOK 220 million at the end of the third quarter. The group also had other receivables classified as non-current assets amounting to NOK 382 million, which is related to the company's receivables on insurance settlement after the events at the Siri platform in 2009. In the third quarter a formal meeting related to the legal proceedings were held, where the proposed timeline indicates court ruling late 2016. Based on this new information, Noreco reassessed the classification of the claim and reclassified it to non-current assets.

At the end of the third quarter Noreco had a total of restricted **cash, cash and cash equivalents** of NOK 1 254 million, of which NOK 518 million was restricted. NOK 485 million included in restricted cash is set aside as security for abandonment obligations related to the company's producing fields Nini and Cecilie in Denmark. **Free cash** at the end of the third quarter amounted to NOK 736 million. See note 13 for further information.

Interest-bearing debt, excluding exploration loans, had a book value of NOK 2 551 million (principal amount NOK 3 056 million) at the end of the third quarter 2014, compared

to NOK 2 481 million (principal amount NOK 3 102 million) at the end of fourth quarter 2013. The change in principal amount is due to repayment of NOK 53 million for the bond loans NOR06, NOR10 and NOR11. In addition, interest due on the convertible bond NOR12 has been added to the principal amount as it was paid in kind, in accordance with the bond agreement. The group's exploration loan amounted to NOK 627 million at the end of the quarter, compared to NOK 333 million at the end of the fourth quarter 2013. Total interest-bearing debt at the end of the quarter had a book value of NOK 3 185 million, of which NOK 871 million is classified as a current liability. Please refer to note 14 in the interim financial report for further details related to covenants compliance and classification of debt.

ORGANISATION

At the start of 2014 the company had 54 employees, and at the end of the quarter this number was reduced to 53, of which three employees in resignation period. The group also had five full time consultants.

Sick leave for the third quarter was 3.85 per cent. Noreco is focused on maintaining core competence in the company and develop, maintain and improve the organisation.

Tommy Sundt was appointed CFO and he joined Noreco in September 2014. Until recently, Mr. Sundt was CFO in the oil company Rocksource ASA. On 24 November 2014, Sundt was appointed CEO following the departure of the former CEO, Svein Arild Killingland, while Odd Arne Slettebø was appointed CFO in Noreco.

OUTLOOK

Noreco's main priority in the short term is to achieve a sustainable financial solution, while safeguarding the value of the company's assets. Noreco has taken considerable measures to ensure that only activities necessary to preserve and create value are being conducted. Maintaining a dedicated and motivated team and honouring the company's commitments, are considered value preserving and hence being in the common interest of all parties.

More stable production at Huntington will be important for the financial outlook for Noreco. Ongoing maintenance work is expected to improve regularity in 2015, and the Huntington operator is currently working on several mitigating actions to further improve future output from the field. In the short term, gas injection is about to be tested. With a successful test, this could pave the way for higher oil production during future CATS restriction periods. Long-term mitigation will most likely involve intervention in one or more water injection wells, which could possibly be implemented mid-to-late 2015.

Noreco's committed drilling program comprises three approved wells. In Denmark the Xana well is expected to spud in December 2014. The approved wells at the Niobe and Haribo prospects on the UK and Norwegian Continental shelf respectively are scheduled to be drilled in the middle of 2015. A further appraisal well at Gohta is also likely in 2015. Each of these wells will contribute to further clarify the potential value and marketability of Noreco's assets.

Noreco was awarded three new licences in the UK 28th Licensing Round, for which a decision to accept or decline the licenses will be made in the first quarter 2015. Noreco has also applied for new acreage in the licence rounds in Norway and Denmark. If successful this would further enhance the potential value of Noreco's licence portfolio in attractive areas.

STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED

NOK million	Note	Unaudited Q3 2014	Unaudited Q3 2013	Unaudited YTD Q3 2014	Unaudited YTD Q3 2013	Audited 2013
Revenue	2	296	177	998	639	894
Production expenses	3	(177)	(108)	(448)	(291)	(430)
Exploration and evaluation expenses	4,10	(629)	(295)	(828)	(657)	(666)
Payroll expenses	5	(23)	(29)	(76)	(104)	(127)
Other operating expenses	6	(21)	(25)	(65)	(75)	(95)
Other (losses) / gains	7	(2)	(3)	(2)	(8)	(15)
Total operating expenses		(852)	(462)	(1 418)	(1 134)	(1 333)
Operating result before depreciation and write-downs (EBITDA)		(556)	(284)	(419)	(495)	(440)
Depreciation	11	(115)	(70)	(365)	(220)	(319)
Write-downs and reversals of write-downs	10,11	(1 818)	(555)	(1 796)	(1 212)	(1 211)
Net operating result (EBIT)		(2 490)	(910)	(2 581)	(1 928)	(1 969)
Financial income	8	23	4	97	34	570
Financial expenses	8	(123)	(133)	(350)	(403)	(556)
Net financial items		(100)	(129)	(253)	(369)	15
Result before tax (EBT)		(2 589)	(1 039)	(2 834)	(2 296)	(1 954)
Income tax benefit / (expense)	9	1 488	470	1 668	950	947
Net result for the period		(1 101)	(569)	(1 166)	(1 346)	(1 008)
Other comprehensive income (net of tax):						
<i>Items not to be reclassified to profit or loss in subsequent periods</i>						
Remeasurement of defined benefit pension plans		-	-	-	-	0
Total		-	-	-	-	0
<i>Items to be reclassified to profit or loss in subsequent periods</i>						
Cash flow hedge		-	2	-	5	7
Discontinued cash flow hedge		-	-	-	-	4
Reclassification of currency translation adjustment upon disposal of subsidiary		-	-	(28)	-	-
Currency translation adjustment		79	(12)	105	222	264
Total		79	(10)	76	227	274
Total other comprehensive income for the period (net of tax)		79	(10)	76	227	275
Total comprehensive income for the period (net of tax)		(1 023)	(579)	(1 090)	(1 119)	(733)
Earnings per share (NOK 1)						
Basic	19	(19.46)	(159.89)	(20.88)	(378.28)	(149.30)
Diluted	19	(19.46)	(159.89)	(20.88)	(378.28)	(149.30)

STATEMENT OF FINANCIAL POSITION

CONSOLIDATED

NOK million	Note	Unaudited 30.09.14	Audited 31.12.13
Non-current assets			
Licence and capitalised exploration expenditures	10	294	743
Goodwill	10	46	174
Deferred tax assets	9	739	293
Property, plant and equipment	11	1 259	3 087
Tax refund	9	305	-
Restricted cash	13,16	508	500
Receivables	12	382	-
Total non-current assets		3 532	4 797
Current assets			
Tax refund	9	378	378
Derivatives	16	0	1
Trade receivables and other current assets	12,16	220	551
Restricted cash	13,16	10	74
Bank deposits, cash and cash equivalents	13,16	736	403
Total current assets		1 344	1 408
Total assets		4 876	6 205
Equity			
Share capital	19	566	466
Other equity		197	1 284
Total equity		763	1 750
Non-current liabilities			
Deferred tax	9	49	953
Asset retirement obligations	18	435	327
Bond loan	14,16	2 026	1 939
Other interest bearing debt	14,16	287	0
Total non-current liabilities		2 798	3 220
Current liabilities			
Bond loan	14,16	524	541
Other interest bearing debt	14,16	347	333
Derivatives	16	5	4
Tax payable	9	24	13
Trade payables and other current liabilities	15,16	415	343
Total current liabilities		1 315	1 235
Total liabilities		4 113	4 455
Total equity and liabilities		4 876	6 205

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

Unaudited NOK million	Share capital	Currency translation fund	Hedging reserve	Other equity	Total equity
2013					
Equity on 01.01.2013	1 097	(64)	(11)	1 005	2 028
Net result for the period		-		(1 346)	(1 346)
Other comprehensive income for the period (net of tax)					
Currency translation adjustments	-	222	-	-	222
Cash flow hedge	-	-	5	-	5
Total comprehensive income for the period (net of tax)	-	222	5	(1 346)	(1 119)
Transactions with owners					
Proceeds from share issued	7	-	-	2	9
Share-based incentive program	-	-	-	11	11
Total transactions with owners for the period	7	-	-	13	20
Equity on 30.09.2013	1 104	158	(5)	(328)	929
2014					
Equity on 01.01.2014	466	200	-	1 084	1 750
Net result for the period		-		(1 166)	(1 166)
Comprehensive income for the period (net of tax)					
Reclassification of currency translation adjustment upon disposal of subsidiary	-	(28)	-	-	(28)
Currency translation adjustments	-	105	-	-	105
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

STATEMENT OF CASH FLOWS

CONSOLIDATED

NOK million	Unaudited Q3 2014	Unaudited Q3 2013	Unaudited YTD Q3 2014	Unaudited YTD Q3 2013
Net result for the period	(1 101)	(569)	(1 166)	(1 346)
Income tax benefit	(1 488)	(470)	(1 668)	(950)
<i>Adjustments to reconcile net result before tax to net cash flows from operating activities:</i>				
Tax paid	0	(1)	(5)	(21)
Depreciation	115	70	365	220
Write-downs and reversal of write-downs	1 818	555	1 796	1 212
Expensed exploration expenditures previously capitalised	612	263	761	569
Share-based payments expenses	2	3	6	11
Unrealised loss / (gain) related to financial instruments	1	4	2	3
Paid/received interests and borrowing cost - net	8	143	107	303
Effect of changes in exchange rates	4	(69)	(31)	(31)
Loss on repurchase of bonds	-	-	-	3
Amortisation of borrowing costs	37	19	114	46
Accretion expense related to asset retirement obligations	9	6	23	17
Other items with no cash impact	-	1	-	1
Reclassification of currency translation adjustment upon disposal of subsidiary	-	-	(28)	-
<i>Changes in working capital</i>				
Changes in trade receivable	27	17	13	80
Changes in trade payables	(19)	10	(8)	(8)
Changes in other current balance sheet items	(10)	96	154	56
Net cash flow from operations	15	79	434	164
Cash flows from investing activities				
Purchase of tangible assets	(1)	(3)	(8)	(48)
Purchase of intangible assets	(66)	(108)	(285)	(405)
Net cash flow used in investing activities	(67)	(111)	(293)	(453)
Cash flows from financing activities				
Issue of share capital	0	-	100	9
Paid issue cost	(1)	-	(12)	-
Proceeds from issuance of bonds	-	-	-	300
Proceeds from utilisation of exploration facility	291	100	291	304
Proceeds from utilisation of overdraft facility	(2)	-	7	-
Repayment of bonds	-	-	(53)	-
Repayment of exploration facility	-	-	-	(9)
Repayment of reserve based facility	-	(3)	-	(169)
Repurchase own bonds	-	-	-	(48)
Paid borrowing cost	-	(21)	(35)	(42)
Interest paid	(8)	(104)	(107)	(303)
Net cash flow from (used) in financing activities	280	(28)	192	43
Net change in cash and cash equivalents	229	(60)	333	(246)
Cash and cash equivalents at the beginning of the period	507	418	403	604
Cash and cash equivalents at end of the quarter	736	358	736	358

NOTES

1 Accounting principles

Basis for preparation

The interim consolidated financial statements (the interim financial statements) for the third quarter 2014 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.

Noreco's interim financial statements for the third quarter were authorised for issue by the Board of directors on 27 November 2014.

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 on 30 September 2014 is considered challenging, and there is significant uncertainty to the company's ability to continue as a going concern if an overall solution for the company is not approved by the stakeholders. The company is however in the process of reviewing any available alternatives and, as set out below, remains in close and constructive dialogue with its creditors with the aim of securing a sustainable solution.

The company has suffered a significant revenue shortfall so far this year, mainly due to weaker production at Huntington, as a consequence to technical challenges at the production vessel and unplanned shut downs in the gas export system Central Area Transmission System (CATS) as well as export restriction imposed by CATS. In the short term and towards the due date for interests and instalments on bond loans amounting to a total of NOK 645 million on 9 December 2014, it appears unlikely that Noreco will be able to comply with the liquidity covenant of minimum available liquidity of NOK 100 million at the end of 2014.

Preliminary production profiles for 2015 and onwards provided by the respective operators have resulted in significant downward revisions of reserves at the Huntington and Oselvar fields. This has led to recognition of significant write-downs of book values in the third quarter of NOK 614 million after tax on the Huntington licence including accompanying goodwill and NOK 103 million after tax on Oselvar. The revised production forecasts indicate that the group's liquidity and financial position are expected to further deteriorate in 2015 and onwards, if the current capital structure remains unchanged.

The company has initiated a comprehensive process of assessing realistic alternatives the company in terms of securing a sustainable financial solution, including strategic solutions, sale of assets and

capital restructuring, or a combination thereof, which will maximise the company's ability to meet its obligations and preserve values both in the short and long term.

An assessment of consequences of what the challenging financial situation may lead to for the company and its stakeholders has been carried out. The Board of director's assessment is that it is in the interest of all parties that Noreco continue operations, and furthermore that a justifiable basis for a solution to materialise exists. A possible insolvency scenario in the event that other alternatives prove unsuccessful is expected to trigger a number of conditions that must be assumed to impair both secured and unsecured creditors recoverability.

In light of the current financial position and outlook as described above, the company has concluded that a deferral of bond instalments due on 9 December 2014 will need to be obtained. Such deferral will allow the company necessary time to diligently pursue any solutions which can create or preserve more values for all stakeholders.

Nordic Trustee, the trustee for the company's bond loans, and SR-Bank, the lenders' representative in the company's exploration loan facility, continue to be kept closely informed of the situation. The company is currently in constructive discussions with Nordic Trustee and the bondholders' advisors concerning a request for a deferral of the December installment. Summons for a bondholder meeting is expected to be dispatched shortly. Approval of such deferral will cure any payment default. The company is also in constructive discussions with SR-Bank as the exploration loan facility's representative concerning a request for waiver of the requirement to submit by 1 December a 12 months funded business plan.

Although the dialogue with creditors remains constructive, there is still risk in regards to the chance of success.

Reference to summary of significant accounting policies

These interim financial statements are prepared using the same accounting principles as the annual financial statements for 2013, except for the changes and additions as described below. For the full summary of significant accounting policies, reference is made to the annual financial statements for 2013.

New standards, interpretations and amendments adopted by Noreco on 1 January 2014

Noreco has adopted the following new standards and changes as of 1 January 2014:

IFRS 10 - Consolidated Financial Statements

IFRS 11 - Joint Arrangements

IFRS 12 - Disclosure of Interests in Other Entities

Change of IAS 27 - Separate Financial Statements

Change of IAS 28 - Investments in Associates and Joint Ventures

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

2 Revenue

(NOK million)	Q3 2014	Q3 2013	YTD Q3 2014	YTD Q3 2013
Sale of oil	274	165	920	611
Sale of gas and NGL	22	12	78	28
Total revenue	296	177	998	639

3 Production expenses

(NOK million)	Q3 2014	Q3 2013	YTD Q3 2014	YTD Q3 2013
Huntington	(59)	(23)	(187)	(69)
Nini ⁽¹⁾	(95)	(67)	(198)	(161)
Cecilie ⁽¹⁾	(14)	(11)	(35)	(33)
Lulita	(1)	(1)	(7)	(6)
Oselvar	(7)	(7)	(19)	(20)
Enoch	(0)	1	(2)	(1)
Total production expenses	(177)	(108)	(448)	(291)

(1) Included in production expenses in Q3 2014 is a non-cash, non recurring expense of NOK 40 million, whereof NOK 36 million relates to Nini and NOK 4 million relates to Cecilie. The expense is related to a receivable that arose due to payments done on behalf of a licence partner in previous years. Due to recent development in the case the receivable has been written off in the third quarter. The company continues to pursue the claim.

4 Exploration and evaluation expenses

(NOK million)	Q3 2014	Q3 2013	YTD Q3 2014	YTD Q3 2013
Acquisition of seismic data, analysis and general G&G costs	(16)	(27)	(48)	(78)
Exploration wells capitalised in previous years ⁽¹⁾	(600)	(274)	(602)	(309)
Dry exploration wells this period	(12)	11	(159)	(261)
Other exploration and evaluation costs	(1)	(6)	(19)	(10)
Total exploration and evaluation costs	(629)	(295)	(828)	(657)

(1) The Q3 2014 exploration wells capitalised in previous years is related to the Huntington Fulmar discovery and amounts to NOK 600 million before tax and NOK 228 million after tax. See note 10 and note 20 for further information about the write-off.

5 Payroll expenses

(NOK million)	Q3 2014	Q3 2013	YTD Q3 2014	YTD Q3 2013
Salaries	(24)	(22)	(77)	(79)
Social security tax	(3)	(3)	(9)	(11)
Pensions costs	(0)	(3)	(2)	(7)
Costs relating to share-based payments	(2)	(3)	(6)	(11)
Other personell expenses	(1)	(1)	(2)	(3)
Personnell expenses charged to operated licences	6	2	19	7
Total personell expenses	(23)	(29)	(76)	(104)
Average number of employees	52	59	52	64

6 Other operating expenses

(NOK million)	Q3 2014	Q3 2013	YTD Q3 2014	YTD Q3 2013
Lease expenses ⁽¹⁾	(7)	(3)	(19)	(8)
IT expenses	(5)	(6)	(15)	(21)
Travel expenses	(1)	(1)	(3)	(4)
Office cost	(1)	(1)	(4)	(4)
Consultant fees	(9)	(15)	(29)	(38)
Other operating expenses	(1)	(1)	(3)	(2)
Other operating expenses charged to own operated licences	2	1	8	3
Total other operating expenses	(21)	(25)	(65)	(75)

(1) Lease expenses YTD Q3 2014 include NOK 7 million in a non-recurring cost related to scale down of premises in Stavanger.

7 Other (losses) / gains

(NOK million)	Q3 2014	Q3 2013	YTD Q3 2014	YTD Q3 2013
Change in value, put options	0	(3)	(1)	(8)
Change in value, other derivatives	(2)	-	(1)	-
Gain /(loss) on sale of assets	(1)	-	0	(0)
Total other (losses) / gains	(2)	(3)	(2)	(8)

(Loss) / gain per divestment	Accounting date	Q3 2014	Q3 2013	YTD Q3 2014	YTD Q3 2013
PL484 Verdande (farm-out)	15.01.14			0	-
Total				0	-

8 Financial income and expenses

Financial income	Q3 2014	Q3 2013	YTD Q3 2014	YTD Q3 2013
(NOK million)				
Interest income	4	6	17	19
Currency translation income ⁽¹⁾	19	(2)	80	15
Other financial income	(1)	0	(0)	1
Total financial income	23	4	97	34

(1) Currency translation income YTD Q3 2014 includes reclassification of currency translation adjustments upon disposal of the subsidiary Noreco Petroleum UK Ltd. of NOK 28 million from the currency translation fund included in equity.

Financial expenses	Q3 2014	Q3 2013	YTD Q3 2014	YTD Q3 2013
(NOK million)				
Interest expense from bond loans ⁽¹⁾	(83)	(107)	(254)	(305)
Interest expense from reserve based loan	-	(8)	-	(25)
Interest expense from exploration loan	(5)	(9)	(18)	(22)
Interest expenses current liabilities	(1)	(0)	(3)	(2)
Accretion expense related to asset retirement obligations	(9)	(6)	(23)	(17)
Loss on repurchase of bonds	-	-	-	(3)
Currency translation expense	(24)	(1)	(50)	(23)
Other financial expenses	(1)	(2)	(2)	(6)
Total financial expenses	(123)	(133)	(350)	(403)
Net financial items	(100)	(129)	(253)	(369)

(1) Out of the total interest expenses on the bond loans for the third quarter 2014, coupon amounts to NOK 47 million. The remaining amount of NOK 36 million is related to non-cash amortisation from the restructuring of the bond loans that was completed in the fourth quarter 2013. Year to date Q3 2014, coupon and amortisation amounts to NOK 142 million and NOK 112 million, respectively.

Interest expenses from bond loans YTD Q3 2014 includes an adjustment on amortisation of NOK 5 million, which is due to a change in the repayment schedule after the repayment of NOK 53 million on the bond loans NOR06, NOR10 and NOR11 that was completed in the second quarter.

9 Tax

Income tax (NOK million)	Q3 2014	Q3 2013	YTD Q3 2014	YTD Q3 2013
Income (loss) before tax	(2 589)	(1 039)	(2 834)	(2 296)
Income tax benefit	1 488	470	1 668	950
Equivalent to a tax rate of	57.5 %	45.2 %	58.9 %	41.4 %

The tax rate for the third quarter 2014 was 57.5 per cent compared to 45.2 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. The net result before tax in the UK is significantly impacted by Huntington impairment charges, while production contributes to a net positive result before tax in the Danish business in the third quarter 2014. The Norwegian part of the group has a negative result mainly because of impairment at Oselvar as well as interest expenses on bonds. The tax rate represents the weighted average in relation to the results from the various subsidiaries. More information regarding the relevant tax rates are to be found in the annual report for 2013 in note 2.19.

The recognition of the deferred tax assets is based on the expectation that sufficient taxable income will be available through future taxable income in the UK. Planned restructuring of Noreco's business in the UK is included in such assessment in accordance with IAS 12.36.(d).

As a consequence of the lower future production expectations at Huntington, a portion of the deferred tax asset related to the UK entities have been expensed, amounting to NOK 14 million. Following this, the deferred tax asset will be sensitive to changes in the production expectations at Huntington.

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

Tax loss carry forward 30.09.14 (NOK million)	Offshore		Onshore	
	Recognised	Un-recognised	Recognised	Un-recognised
<i>Norway (offshore 51% / onshore 27%)</i>				
Norwegian Energy Company ASA	-	-	509	128
Altinex AS	-	-	-	17
Noreco Norway AS	435	-	389	-
<i>Denmark (offshore 39% / onshore 25%)</i>				
Noreco Denmark A/S	-	-	-	-
Noreco Oil Denmark A/S	-	4 048	-	-
Noreco Petroleum Denmark A/S	-	831	-	-
<i>UK (offshore 32% / onshore 30%)</i>				
Norwegian Energy Company (UK) Ltd.	459	22	459	22
Noreco Oil (UK) Ltd.	654	-	836	-
Total tax loss carry forward	1 548	4 901	2 193	167

The 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 4 879 million has been calculated according to Chapter 3 and Chapter 3A in the Danish Hydrocarbon Taxation Act (kulbrinteskatteloven). Approximately NOK 792 million is time limited and will lapse by 2014-2016. Current forecasts also indicate that the remaining tax loss carry forwards will not be utilised.

Tax refund (NOK million)	30.09.14	31.12.13
Non-current assets		
Tax refund related to Norwegian exploration activity in 2014	305	-
Current assets		
Tax refund related to Norwegian exploration activity in 2013	378	378
Total tax refund	683	378

Tax payable (NOK million)	30.09.14	31.12.13
Tax payable in Norway	-	-
Tax payable other countries	24	13
Total tax payable	24	13

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

10 Intangible non-current assets

(NOK million)	Licence and capitalised exploration expenditures	Goodwill	Total
Acquisition costs 01.01.14	743	1 025	1 768
Additions	285	-	285
Expensed exploration expenditures previously capitalised	(761)	-	(761)
Currency translation adjustment	27	56	82
Acquisition costs 30.09.14	294	1 081	1 375
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.14		(852)	(852)
Write-downs ⁽¹⁾		(134)	(134)
Currency translation adjustment		(49)	(49)
Accumulated depreciation and write-downs 30.09.14		(1 035)	(1 035)
Book value 30.09.14	294	46	340

Impairment test Q3 2014

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

For detailed description of applied methodology for the impairment test, reference is made to note 11 included in the annual financial statements for 2013.

Main assumptions applied for the impairment test on 30 September 2014:

Discount rate (after tax)	10.0 per cent
Inflation	2.0 per cent
Cash flow	After tax
Reserves/resources	Internal estimated reserves and resources on 30 September 2014
Oil price	Forward curve for oil price for the period 2014-2016. From 2017 the oil price is adjusted for inflation.
Currency rates	Average forward-rate for the period 2014-2017. From 2018 the average rate for 2017 is used.

Result from impairment test of goodwill on 30 September 2014

Goodwill associated with the business in the United Kingdom is written down by NOK 134 million in 2014, of which NOK 104 million in the third quarter. The value of Huntington no longer supports any goodwill and the remaining balance of goodwill associated with the UK business has been written down. Following the third quarter write-down of goodwill associated with the business in the United Kingdom, the remaining recognised goodwill is in its entirety related to the business in Denmark.

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

Result from impairment test of licence and capitalised exploration expenditures on 30 September 2014

An impairment test of all intangible assets has been performed this quarter. Results from the recent work in the Huntington licence on the project to assess the feasibility for a development of the Fulmar reservoir were presented by the operator after the balance sheet date. The preliminary results that were presented indicate that the discovery is so marginal that it does not satisfy Noreco's decision criteria for additional investments, taking into account the risks involved with such a development and is therefore no longer considered a commercial possibility for Noreco. The book value of the Fulmar discovery has consequently been written off. The write-off in the third quarter amounts to NOK 600 million before tax and NOK 228 million after tax.

Based on considerations of progress, new information from evaluation work and other commerciality analysis regarding Noreco's suspended wells, there is no information that requires other capitalised exploration costs to be written off. Following the Huntington Fulmar write-off, licence and capitalised exploration expenditures mainly consists of the Gohta discovery.

11 Property, plant and equipment

(NOK million)	Production facilities	Machinery and equipment	Total
Acquisition costs 01.01.14	5 514	4	5 518
Additions	8	0	8
Revaluation abandonment assets	62	-	62
Currency translation adjustment	268	0	268
Acquisition costs 30.09.14	5 851	4	5 855
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.14	(2 427)	(4)	(2 431)
Depreciation	(365)	-	(365)
Write-downs	(1 758)	-	(1 758)
Reversal of write-downs	96	-	96
Currency translation adjustment	(138)	(0)	(138)
Accumulated depreciation and write-downs 30.09.14	(4 592)	(4)	(4 596)
Book value 30.09.14	1 259	0	1 259

Impairment test Q3 2014

For detailed description of applied methodology for the impairment test, reference is made to note 12 included in the annual financial statements for 2013.

Main assumptions applied for the impairment test on 30 September 2014:

Discount rate (after tax)	10.0 per cent
Inflation	2.0 per cent
Cash flow	After tax
Prognosis period	Estimated lifetime of the oil/gas field
Reserves/resources	Internal estimated reserves on 30 September 2014
Oil price	Forward curve for oil price for the period 2014-2016. From 2017 the oil price is adjusted for inflation.
Currency rates	Average forward-rate for the period 2014-2017. From 2018 the average rate for 2017 is used.

Result from impairment test on 30 September 2014

A significant write-down amounting to (all amounts on a net book value basis) NOK 614 million for the Huntington licence combined cash generating unit has been performed, whereof NOK 104 million is related to goodwill and NOK 510 million to Huntington Forties. The impairment charge on net book value for Forties is significantly lower than the the gross amounts due to release of deferred tax related to the asset. Impairment is mainly due to lower production projections at Huntington Forties. The recent drop in oil price has also contributed to the lower value at Huntington, but the effect of the oil price change is somewhat reduced by the strengthened foreign currency rates between USD and NOK.

For the Norwegian field Oselvar, updated geological and reservoir evaluations that indicate lower in-place volumes, more complex reservoir, less connectivity and poorer reservoir quality has led to a reduction of reserves and a shorter economic lifetime than previously assumed. As a consequence, the Oselvar field has been written down by NOK 103 million on net book value. The significant tax balances associated with the Oselvar field contributes to lower a effect on net book values compared to the gross write-downs.

The recoverable amount for the cash-generating unit consisting of the Danish fields connected to the Siri platform (Nini and Cecilie) was reduced in the third quarter mainly due to changes in the oil price, resulting in a write-down of NOK 26 million on a net book value basis.

Sensitivity

Book value of Huntington, Oselvar, Enoch and Siri Fairway are near or equal to the recoverable amount by the end of the quarter, and changes in the assumptions may require future write-downs. The write-downs can be fully or partially reversed if new information results in increased recoverable amounts.

Assuming an oil price 10 per cent lower than what was applied in the impairment test (USD per barrel of 95, 97 and 97 in 2014, 2015 and 2016 respectively), the third quarter write-downs would have increased by NOK 86 million after tax.

It is also noted that the production profile for 2015 and onwards as well as expected effects from mitigating measures that have been applied for Huntington in the third quarter impairment test are preliminary, and that revised projections and evaluations of mitigating measures are expected to be provided in the fourth quarter. This may result in further changes.

Overview of write-downs Q3 2014

(NOK million)	Write-downs and reversals	Income tax benefit (expense)	Net write-down after tax
Goodwill United Kingdom	(104)	-	(104)
Huntington Forties	(1 343)	832	(510)
Huntington licence write-downs Q3 2014	(1 447)	832	(614)
Siri Fairway (Cecilie and Nini)	(35)	9	(26)
Oselvar	(337)	234	(103)
Total write-downs Q3 2014	(1 818)	1 075	(743)

Overview of write-downs YTD Q3 2014

(NOK million)	Write-downs and reversals	Income tax benefit (expense)	Net write-down after tax
Goodwill United Kingdom	(134)	-	(134)
Huntington Forties	(1 343)	832	(510)
Huntington licence write-downs YTD Q3 2014	(1 477)	832	(645)
Siri Fairway (Cecilie and Nini)	62	(15)	46
Oselvar	(371)	259	(112)
Enoch	(10)	8	(2)
Total write-downs YTD Q3 2014	(1 796)	1 084	(713)

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

(NOK million)	30.09.2014	31.12.2013
Non-current assets		
Other receivables ⁽¹⁾	382	-
Total non-current receivables	382	-
Current assets		
Tax receivables	0	15
Trade receivables	93	106
Receivables from operators relating to joint venture licences	24	43
Underlift of oil/NGL	67	17
Prepayments	8	2
Other receivables	27	368
Total trade receivables and other current receivables	220	551

(1) The company continues to progress an insurance claim which is related to the damages to the Siri platform that were discovered in 2009. This has taken more time than anticipated due to the technical complexity of the claim. The total claim exceeds NOK 2 billion, of which NOK 382 million is recognised as a non-current receivable at 30 September 2014. This amount relates to costs incurred to prevent further damage, and loss of production income in 2009/2010. Based on technical documentation containing third party evaluations and the insurance agreements, the Company remains firm that the claim is covered and at a minimum the booked amounts will be settled.

In the third quarter a formal meeting related to the legal proceedings was held, where the proposed timeline indicates court ruling late 2016. Based on this new information, Noreco has reassessed the classification of the claim and reclassified it to non-current assets. The difference between the present value and the nominal value of the claim is considered negligible, due to interest accruing on the insurance claim that offset the effects from discounting the claim to its present value.

13 Restricted cash, bank deposits, cash and cash equivalents

Restricted cash, bank deposits, cash and cash equivalents		
(NOK million)	30.09.2014	31.12.2013
Non-current assets		
Restricted cash pledged as security for abandonment obligation in Denmark (DKK 445 million)	485	500
Other restricted cash and bank deposits	22	-
Current assets		
Restricted cash for repayments to bondholders	-	70
Other restricted cash and bank deposits (Withholding tax etc.)	10	4
Total restricted cash	518	574
Unrestricted cash, bank deposits and cash equivalents	736	403
Total bank deposits	1 254	978

Minimum cash covenant

There is a requirement of minimum NOK 100 million in accessible liquidity at Noreco group level in accordance with the covenants for the bond loans. See further information in the annual report 2013 note 23.4.

Overdraft facilities

(NOK million)	Facility amount in currency	NOK	Used	Unused	Available
NOK (Exploration loan facility in Noreco Norway AS) ⁽¹⁾	850	850	636	214	0
USD (Overdraft facility in Noreco Oil Denmark A/S)	3	19	7	12	12
Total		869	643	227	12
Unrestricted cash and cash equivalents					736
Accessible liquidity at 30.09.14					748

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

In accordance with the exploration loan agreement, a prerequisite for drawing on the facility is that the Company should have a liquidity prognosis showing that the Company expects to be compliant with all covenants for the next twelve months.

14 Borrowings

Non-current debt (NOK million)	30.09.2014		31.12.2013	
	Principal amount	Book value	Principal amount	Book value
Bond loan NOR06	500	423	500	402
Bond loan NOR10 1st Lien	899	855	899	829
Bond Loan NOR11 2nd Lien	722	516	736	502
Bond Loan NOR12 Convertible	374	232	367	206
Total non-current bonds	2 496	2 026	2 502	1 939
Exploration loan	291	287	-	-
Total non-current other interest bearing debt	291	287	-	-
Current debt				
(NOK million)	Principal amount	Book value	Principal amount	Book value
Bond loan NOR06	88	74	100	80
Bond loan NOR10	473	450	500	461
Total current bonds	561	524	600	541
Exploration loan	345	340	345	333
Overdraft facility	7	7	-	-
Total current other interest bearing debt	352	347	345	333
Total borrowings	3 699	3 185	3 447	2 813

On 30 September 2014, the company was compliant with the covenants as stipulated in the loan agreements. At the end of the third quarter, the company had information on potential challenges for the company's ability to be compliant with the covenants according to the loan agreements towards maturity of interests and instalments on bond loans of NOK 645 million on 9 December 2014 and beyond, but the information was encumbered with significant uncertainty and was considered not sufficiently certain to conclude that the company would not be able to service its debt according to the loan agreements. On this basis the bond loans and exploration loan maturing 12 months or after, has been classified as non-current debt.

15 Trade payables and other current liabilities

(NOK million)	30.09.14	31.12.13
Trade payable	6	58
Liabilities to operators relating to joint venture licences	245	190
Overlift of oil/NGL	9	16
Accrued interest	53	11
Employee bonus/salary accruals	23	33
Public duties payable	6	8
Other current liabilities	74	27
Total other current liabilities	415	343

The operator of the Huntington field has during the third quarter reached a final agreement with Teekay, the owner of the FPSO, regarding some costs related to the startup phase of the field, which Teekay were claiming. The dispute was mainly related to charter fees and certain operational costs for the period since commencement of production in April 2013 until August 2013. The outcome of the dispute is in line with the operator and Noreco's previous assessment, where the final settlement with Teekay resulted in no additional costs for Noreco.

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 30.09.2014	Level 1	Level 2	Level 3	Total
(NOK million)				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives		0		0
- Underlift of oil		67		67
Total assets	-	68	-	68
Liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements and trading derivatives		5		5
- Overlift of oil		9		9
Total liabilities	-	14	-	14

On 31.12.2013	Level 1	Level 2	Level 3	Total
(NOK million)				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives		1		1
- Underlift of oil		17		17
Total assets	-	19	-	19
Liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements and trading derivatives		4		4
- Overlift of oil		16		16
Total liabilities	-	20	-	20

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

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

16.2 Financial instruments by category

On 30.09.2014 (NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Derivatives		0	0
Trade receivables and other current assets	145	67	212
Restricted cash	518		518
Bank deposits, cash and cash equivalents	736		736
Total	1 398	68	1 466

(NOK million)	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bonds	2 551		2 551
Other interest bearing debt	634		634
Derivatives		5	5
Trade payables and other current liabilities	383	9	392
Total	3 568	14	3 581

On 31.12.2013 (NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Derivatives		1	1
Trade receivables and other current assets	527	17	544
Restricted cash	574		574
Bank deposits, cash and cash equivalents	403		403
Total	1 505	19	1 523

(NOK million)	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bonds	2 481		2 481
Other interest bearing debt	333		333
Derivatives		4	4
Trade payables and other current liabilities	294	16	310
Total	3 107	20	3 127

16.3 Financial instruments - Fair values

Set out below is a comparison of the carrying amounts and fair value of financial instruments as on 30 September 2014:

(NOK million)	Carrying amount	Fair value
Financial assets:		
Derivatives	0	0
Trade receivables and other current assets	212	212
Restricted cash	518	518
Bank deposits, cash and cash equivalents	736	736
Total	1 466	1 466
Financial liabilities:		
Bonds	2 551	2 301
Other interest bearing debt	634	634
Derivatives	5	5
Trade payables and other current liabilities	392	392
Total	3 581	3 331

17 Segment reporting

The Group's activities are entirely related to exploration and development of oil, gas and NLG. The Group's activities are considered to have a homogeneous risk and rate of return before tax and are therefore considered as one operating segment.

Noreco has activities in Norway, Denmark and UK.

Transactions between the companies in the group are carried out at ordinary conditions which would have been equivalent for independent parties. Assets and liabilities are reflecting balance sheet items for the Group entities in the respective countries.

Excess value is allocated to the units that are expected to gain advantages by the acquisition. Loans, receivables and payables between the companies are included in segment assets and liabilities. These are eliminated in the consolidated balance sheet.

Geographical information 30.09.2014 (YTD)

(NOK million)	Norway	Denmark	UK	Inter company	Group
Condensed income statement					
Revenue	80	331	587	-	998
Total operating expenses	(348)	(253)	(816)	-	(1 418)
Depreciations	(16)	(62)	(287)	-	(365)
Writedowns and reversals	(381)	62	(1 477)	-	(1 796)
Net operating result	(665)	78	(1 994)	-	(2 581)
Net financial items	(262)	23	(14)	-	(253)
Result before tax	(927)	100	(2 007)	-	(2 834)
Income tax benefit / (expense)	522	(25)	1 171	-	1 668
Net result for the period	(405)	75	(836)	-	(1 166)
Condensed statement of financial positions					
Licence and capitalised exploration expenses	255	35	4	-	294
Goodwill	(0)	46	(0)	-	46
Property, plant and equipment	8	327	923	-	1 259
Other	2 478	1 204	368	(773)	3 277
Total assets	2 741	1 612	1 295	(773)	4 876
Total liabilities	3 373	569	943	(773)	4 113
Capital expenditures					
Capital expenditures production facilities	0	7	0	-	8
Capital expenditures exploration and evaluations	268	16	2	-	285
Total capital expenditures	268	23	2	-	293

18 Asset retirement obligations

(NOK million)	30.09.14	31.12.13
Balance on 1.1.	327	323
Provisions and change of estimate made during the year ⁽¹⁾	62	(45)
Accretion expense	23	25
Currency translation	23	24
Total provision made for asset retirement obligations	435	327

(1) Due to revised estimates on future abandonment costs at Huntington, the recognised asset retirement obligation has been increased with NOK 39 million in 2014. The asset retirement obligation associated with the Oselvar field has been increased by NOK 23 million in the third quarter due to reduced economic lifetime and thereby less time until the estimated time for abandonment.

In accordance with the agreement with the partners and normal practice in the industry, a restricted cash account will be established and serve as security for Noreco's share of the estimated future abandonment costs at Huntington. In the coming years, Noreco will gradually deposit amounts to increase the cash balance on the account. The first deposit is to be performed when the estimated abandonment obligation exceeds the value of the remaining production.

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

19 Shares and share capital

(NOK million)	No. of shares	Share Capital
31 December 2013	4 656 094 082	466
<i>Change in share capital in 2014</i>		
Share issue (repair) on 21 January 2014	1 000 000 000	100
Share issue employees on 14 February 2014	2 391 002	0
Share issue for reverse split on 17 September 2014	16	0
Reverse split 17 September 2014	(5 601 900 249)	-
30 September 2014	56 584 851	566

Earnings per share for comparable periods have been revised due to the reverse split that was completed in Q3 2014.

20 Subsequent events

Issue of shares through partial conversion of bond

On 22 October 2014, Noreco issued 172 992 new shares in favour of bondholders of the convertible bond NOR12 that exercised the option of converting their bonds to equity in accordance with the bond agreement. Following registration of the share capital increase, the total number of shares issued in Noreco is 56 757 843.

Huntington Fulmar write-off

On 27 November 2014 the Board resolved that the Huntington Fulmar discovery should be written off. New information on results from the recent work in the Huntington licence on the project to assess the feasibility for a development of the Fulmar reservoir were presented by the operator after the balance sheet date. The preliminary results that were presented indicate that the discovery is so marginal that it does not satisfy Noreco's decision criteria for additional investments, taking into account the risks involved with such a development and is therefore no longer considered a commercial possibility for Noreco. The book value of the Fulmar discovery has consequently been written off. For further description of the company's accounting principles for the treatment of information relevant to the commerciality assessment after the end of the reporting period, reference is made to note 2.29 to the annual financial statements for 2013.

INFORMATION ABOUT NORECO

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Financial calendar 2014

28 November Publication of Q3 2014 report

Annual reports

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

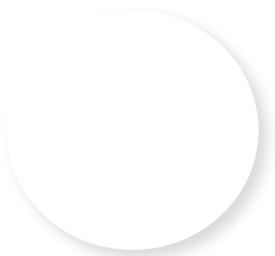
Quarterly publications

Quarterly reports and supplementary information for investors and analysts are available on www.noreco.com.

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

News releases

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



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