

Norwegian Energy Company ASA

Restructuring proposal and company update
Stavanger, 4 February 2015

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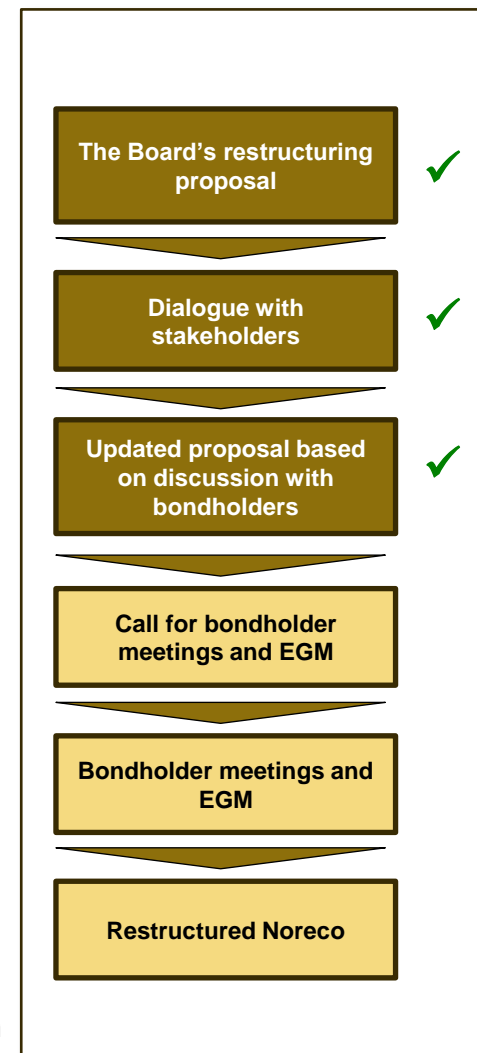
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Introduction

- On 15 October 2014 Noreco released a market update stating uncertainty as to its ability to service bond amortisations due in December while at the same time remaining compliant with its cash covenants
- Reserve impairments, lower than anticipated and more unstable production, as well as substantially lower oil price have contributed to Noreco's liquidity shortfall
- On 15 December 2014 the Board of Directors (the "Board") put forward a restructuring proposal involving full debt-to-equity conversion. However, the proposal received push-back from certain bondholder groups and shareholders
- Following this, the Company has been in constructive dialogue and negotiations with the bond trustee and its financial and legal advisors, as well as representatives for an ad hoc committee of bondholders
- Although there has been significant progress in these discussions, no solution has been finally reached with all stakeholders to date. Based on the status of the discussions, however, and in light of the severity of the Company's financial position, the Board has nevertheless found it necessary to update the market and present a revised restructuring proposal involving a partial debt-to-equity conversion without further delay
- In order to be implemented, the restructuring proposal will need 2/3 approval in both the bondholders' meeting and by the shareholders in an Extraordinary General Meeting (EGM). Pending such meetings, the discussions with bondholders, shareholders and other stakeholders will continue
- The ad hoc bondholder committee has furthermore stated that their consent to any restructuring proposal will require that other creditors in the Noreco's Danish subsidiaries will need to contribute to a solution. This will be subject to parallel discussions



A going concern will best preserve values

The proposal – approval needed to avoid bankruptcy

- The updated proposal herein is based on extensive discussions with bondholders' advisors, the ad hoc bondholder committee and individual bondholders
- The proposal is a compromise, and an effort by the Company and its advisors to take into account the interest of all bondholders on one side and the shareholders on the other side
- NOR06 will keep its claim and aims at full recovery through the assets and tax balances of Noreco Norway AS
 - It is acknowledged that NOR06 is in a special position, mainly due to the value of the tax position, although still uncertain whether NOR06 will be able to achieve full recovery
- NOR10, NOR11 and NOR12 will convert ~MNOK 1,900 of their principal debt. Additionally, they will share a MNOK 600 bond issued by Noreco ASA. Together with the current shareholders, they will maintain exposure to several triggers that may increase their recovery:
 - Insurance claim. Possibility to sell or pursue
 - Production rebound
 - Exploration success from committed wells, e.g. the ongoing Xana well
 - Sale of Danish assets
 - Sale of Huntington
 - Rebound in oil price
 - Potential upside from Noreco Norway AS
 - Other M&A
- The proposal, including the debt conversion of ~MNOK 1,900 for NOR10, NOR11 and NOR12, assumes that a satisfactory position with respect to the Danish subsidiaries and cash outflows is reached

Events and work streams since 15 December 2014

- The Company has been in continuous discussions with the bondholder advisory team and the bondholder ad hoc committee
- M&A alternatives have been pursued and new initiatives have been tested without success
- Full commencement of production at Huntington has been further delayed
- Noreco Oil Denmark A/S has reduced its ownership in licence 9/95 (Xana well) on the Danish continental shelf from 20.1% to 16% as a mitigating action to reduce cash outflow
- One of the Noreco Group's payment obligations has not been honoured due to the bondholders not giving their consent to cover costs in that entity. This relates to the Danish Nini licence where the licence partners have invoked the default provisions in the joint operating agreement
- At the request of the Company the listed shares and bonds were on 21 January 2015 suspended from trading on Oslo Børs
- Due to the lower oil price regime, cash outflows that previously were expected to happen in 2015 are now expected to be put on hold/postponed or cancelled by the relevant Noreco Group company and the licence partners → this will significantly improve the cash situation in 2015 and current estimate for cash year end is MNOK 214
- In order to remain as a going concern, the Company will summon for bondholders' meetings and a shareholder's meeting to get acceptance for the restructuring proposal described herein

Overview of proposed restructuring solution



New debt structure

- The proposal assumes that NOR06 has a strong position in Noreco Norway AS (tax refund and assets) and consequently will take advantage of that entity and its assets through moving the bond from the parent to Noreco Norway AS, while NOR10, NOR11 and NOR12 will take control over the rest of the Noreco Group through a new corporate bond (NOR13) of MNOK 600 and 92% of the equity

Debt to equity conversion

- Current bondholders in NOR10, NOR11 and NOR12 to convert MNOK 1,863 of their principal debt and unpaid interest into ~653 million shares, corresponding to a 92% ownership in Noreco ASA

Existing shareholders

- The residual 8% will remain with the current shareholders (~57 million shares)

Other

- The proposal assumes that a satisfactory position with respect to the Danish subsidiaries and cash outflows is reached

Summary of terms – NOR06 and new bond

Owner	Bond	Main terms
NOR06	MNOK 623 ¹ maintained with debtor in Noreco Norway AS	Amended NOR06 bond, transferred to Noreco Norway AS <ul style="list-style-type: none"> • 3 years • 6.5% coupon payable in cash if available cash on the Proceeds Account • Same security package as in NOR06 today plus Proceeds Account • Non-recourse to the rest of the group, ring-fenced structure • As part of the implementation of the restructuring solution, the parent shall transfer MNOK 73 to Noreco Norway AS as equity • NOR06 will have a Purchase Option to acquire all the shares (100%) and intra-group loans to Noreco Norway AS for NOK 1 at any time (subject to release of Noreco ASA's parent company guarantee for Norwegian operations). However, Noreco ASA shall always have a right to repurchase the Purchase Option at any time (all or nothing) at an amount of MNOK 30 or cancel the Purchase Option by exercising the Call Option for the entire bond (in each case also in response to the Purchase Option being exercised) • One director in the Noreco Norway AS board shall be independent to the Noreco ASA board • General undertakings in line with current agreement, ring-fenced structure
NOR10	MNOK 420 in new senior secured bond	New “NOR13” bond <ul style="list-style-type: none"> • MNOK 600 senior secured • 3 years • 6.5% coupon payable in cash if available cash on the Proceeds Account • Ring-fenced structure • Amortisation: 100% at maturity, cash sweep from the Proceeds Account • Same security package as in NOR10 today plus Proceeds Account and certain accounts • General undertakings in line with current agreements • Other covenants as may be agreed between the Issuer and Nordic Trustee to restrict further indebtedness, investments and other ring-fencing
NOR11	MNOK 120 in new senior secured bond	
NOR12	MNOK 60 in new senior secured bond	

The proposal assumes improvement of the security position of certain bonds. In the event of a later bankruptcy there is a risk for reversal underdue to Norwegian Bankruptcy law, as a bankruptcy estate may disregard any security for older debt established within the last 3 months prior to bankruptcy being petitioned. Beyond the 3 month risk described, a security may, on certain conditions, be set aside by the estate if deemed unfair. As the proposal is intended to represent a long-term overall solution to the financial distress situation, the risk for such reversal is considered limited

1) Principal amount including accrued, but unpaid interest and default interest until 5 March 2015 (assumed settlement date)

Illustrative simplified group structure

- New group structure involving ring-fence around NOR06's pledged assets
- Noreco ASA will issue the bond in favour of NOR10, NOR11 and NOR12
- Noreco Norway AS will issue the NOR06 bond
- No recourse between the ring-fenced groups

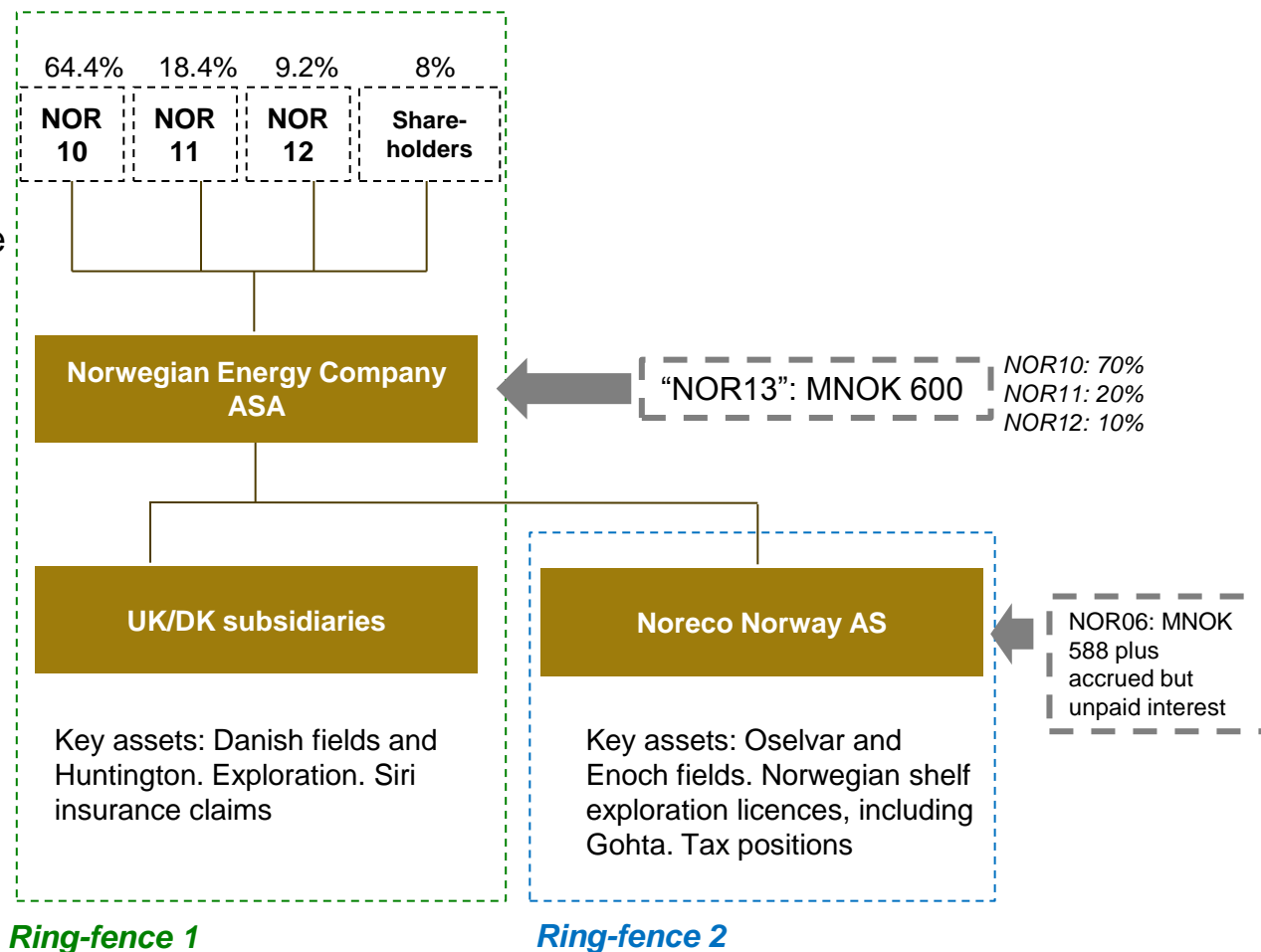


Illustration of recovery

- The allocation is in accordance with allocation principles provided by the bondholders' advisors
- NOR06's principal amount is maintained in Noreco Norway AS (debtor change)
- 19-36% estimated recovery for NOR10, NOR11 and NOR12
- Noreco Norway AS funded by MNOK 73 by Noreco ASA as part of restructuring and Noreco ASA keeps the right to continue funding Noreco Norway AS to maintain equity upside
- MNOK 600 in a new senior secured bond debt divided between NOR10, NOR11 and NOR12
 - Remaining claim to be converted into equity in Noreco ASA based on same proportion as in the new bond
- Current shareholders to keep 8% of equity. All equity will carry equal rights
- Market value of equity post restructuring is based on MNOK 150 for illustration purposes

Overview of debt to equity conversion						
Debt			MNOK	1,223		
- New senior secured bond ("NOR13")			"			600
- NOR06 bond loan			"			623
Assumed equity value			"	150		
- whereof to shareholders			"			12
- whereof to bondholders			"			138

Overview of bonds						
			NOR06	NOR10	NOR11	NOR12
Amount outstanding ¹	MNOK	3,222	623	1,449	766	384
New bond						
New senior secured bond ("NOR13")	MNOK	600		420	120	60
Allocation in percentage	%			70%	20%	10%
NOR06 - Noreco Norway AS	MNOK	623	623			
Total bonds outstanding	"	1,223	623	420	120	60
Recovery through new bond			100%	29%	16%	16%
Net remaining claim	"	1,999	0	1,029	646	324

Equity allocation and recovery						
			NOR06	NOR10	NOR11	NOR12
Existing number of shares	Mill.	57				
New shares	"	653				
Share price	NOK	0.21				
Split of new shares	Mill.	653		457	131	65
Equity ownership to bondholders	%	92%	0%	64.4%	18.4%	9.2%

Value of new senior secured bond ("NOR13")	MNOK	600	0	420	120	60
Value of NOR06	"	623	623			
Equity value	"	138	0	97	28	14
Total potential recovery	"	1,361	623	517	148	74
% recovery	%	42%	100%	36%	19%	19%

1) Principal amount including accrued, but unpaid interest and default interest until 5 March 2015 (assumed settlement date)

Summary of terms Noreco ASA bond

("NOR13")

Issuer:	Norwegian Energy Company ASA
Guarantors:	Noreco Oil Denmark A/S, Noreco Petroleum Denmark A/S and Noreco Oil (UK) Ltd
Loan amount:	MNOK 600
Currency:	NOK
Tenor:	3 Years
Coupon:	6.5% p.a. semi annually, payable in cash if available cash on the Proceeds Account, (and subject always to the company having a lawful level of equity) otherwise PIK
Amortisation:	Amortisation: 100% at maturity. If there is more than MNOK 50 on the Proceeds Account at Coupon payment dates, such amount shall be used to sweep the bond at par value
Proceeds Account:	All net proceeds from sale of secured assets and the insurance claims, as well as free cash of the Ring-fence 1 group from operating activities exceeding MNOK 100 shall be transferred to an earnings/proceeds account ("Proceeds Account.") Initial cash of the Ring-fence 1 group shall not be part of the cash flow that is used to calculate the amount to be transferred to the Proceeds Account
Call Options:	Anytime at par value with accrued interest (including PIK)
Status:	Senior secured with security package in line with current NOR10 security package plus the Proceeds Account. Other material cash accounts of the Ring-fence 1 group shall also be pledged (but not blocked) to the extent legally possible
Covenants:	<ul style="list-style-type: none"> • General undertakings in line with current agreements • Ring-fenced structure • The claim recoverable under the bond in a default and enforcement shall not exceed the value of secured the assets • Other covenants as may be agreed between the Issuer and Nordic Trustee to restrict further indebtedness, investments and other ring-fencing
Event of default:	Standard event of default provisions included cross default, however Noreco Norway AS shall not be included in the cross default
Change of control:	No
Listing:	Yes
Documentation:	Norwegian law

Summary of terms Noreco Norway AS bond (1/2)

Main terms to be similar to current NOR06 bond agreement

Issuer:	Noreco Norway AS (change of debtor from Norwegian Energy Company ASA ("Noreco ASA"))
Loan amount:	MNOK 588 plus accrued but unpaid interest
Tenor:	3 years
Coupon:	6.5% p.a. semi annually. Cash payments if available cash on the Proceeds Account (and subject always to the company having a lawful level of equity), otherwise PIK
Amortisation:	Amortisation: 100% at maturity. If there is more than MNOK 50 on the Proceeds Account on Coupon payment dates, such amount shall be used to sweep the bond at par value
Call Option:	Anytime at par value (included accrued but unpaid interests and accumulated PIK interests)
Status:	<ul style="list-style-type: none"> • Senior secured with same security package as current NOR06 bond agreement, included but not limited to shares in Noreco Norway AS, intra-group loans provided from other group companies to Noreco Norway AS plus the Proceeds Account • Non-recourse to other group companies and group assets
Proceeds Account:	All net proceeds from sale of secured assets, as well as free cash of the Ring-fence 2 group from operating activities exceeding MNOK 50 shall be transferred to the Proceeds Account, however this threshold may be higher if needed to meet requirements under exploration facilities. Initial cash of the Ring-fence 2 group shall not be part of the cash flow that is used to calculate the amount to be transferred to the Proceeds Account
Covenants:	<ul style="list-style-type: none"> • General undertakings in line with current agreement • Ring-fenced structure • One director in the Noreco Norway AS board shall be independent to the Noreco ASA board

Summary of terms Noreco Norway AS bond (2/2)

Main terms to be similar to current NOR06 bond agreement

Event of default:	Standard event of default provisions, however no cross default to other group companies
Initial funding:	As part of the implementation of the restructuring solution, Noreco ASA shall transfer MNOK 73 to Noreco Norway AS as equity. Additionally; the net amount owed to Noreco ASA shall be converted to equity
Equity call option:	<p>NOR06 will have an option ("Purchase Option") to acquire all the shares (100%) and intra-group loans to Noreco Norway AS for NOK 1 at any time (subject to release of Noreco ASA's parent company guarantee for Norwegian operations).</p> <p>However, Noreco ASA shall always have a right to repurchase the Purchase Option at any time (all or nothing) at an amount of MNOK 30 or cancel the Purchase Option by exercising the Call Option for the entire bond (in each case also in response to the Purchase Option being exercised). Acquisition of the shares constitutes a change of control and is dependent on authority approval.</p>
Change of control:	No
Listing:	Yes
Documentation:	Norwegian law

Bankruptcy will be value destructive (1/2)

- In the Company's opinion a bankruptcy of the Company or any of its subsidiaries will have significant negative effects for all the Company's creditors
 - A debt negotiation process of Noreco ASA may be an alternative to seek earlier dividend distribution, however, government approval in addition to either unanimity among creditors or a structured solution with the legal minimal requirement of 25 % dividend may prove challenging
- In the event of a bankruptcy recovery from the uncollateralised cash in Noreco ASA for the various bonds is estimated to be in the range of 10-14%, however this will take a long time to recover as no dividend distribution can be expected until all claims have been finally settled with regard to legal basis and justified amount
 - For NOR11 and NOR12, the dividend pay-out from the Noreco ASA estate (mainly consisting of uncollateralised cash in Noreco ASA) will be the only realistic source of recovery
 - NOR06 is assumed to have a full claim of dividend against ASA even if NOR06 were to take ownership of shares in Noreco Norway, capitalise to secure operations and through their ownership be able to sell all operational activities and receive tax refund from the Norwegian authorities
 - Ordinary claims in Noreco ASA related to parent company guarantees issued by Noreco ASA as security for its subsidiaries' obligations are estimated to be in the range of MNOK 400-800, whereof MNOK 100-200 is related to Denmark, MNOK 50-300 is related to UK, and MNOK 250-300 is related to Norway
- A bankruptcy in Noreco ASA will lead to bankruptcy in Denmark. The estates may pursue a process to increase the value of the insurance claim and timing and recovery for bondholders from Danish estates would remain highly uncertain
- Under the Danish Subsoil Act, a hydrocarbon licence is not available to the recourse of creditors, and therefore cannot be included in or sold by a bankruptcy estate
- A sale of the shares of Noreco Oil (UK) Ltd (owning a participating interest in the Huntington licence) from the bankruptcy estate could provide some recovery to NOR10. Sales price will however be adversely affected if sold now, given the current history of problems at Huntington, the oil price and the seller's distressed situation

Bankruptcy will be value destructive (2/2)

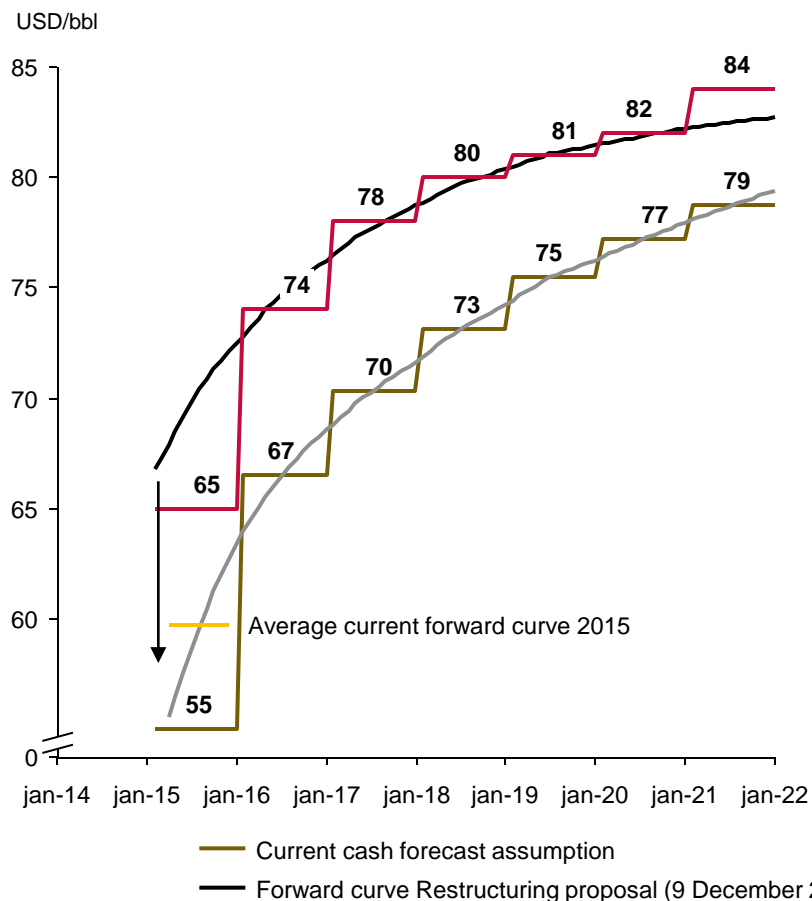
- Upon a bankruptcy in Denmark, the licences may be taken over by the licence partners according to the default rules in the joint operating agreements. Further, the Danish Energy Agency may revoke the licences in their entirety for all licence holders according to the licences and the Subsoil Act in the event of bankruptcy. However, in the event that the pledgees seek to sell the licence shares of the Danish Noreco-subsidaries due to default, the Danish Energy Agency will not revoke the licence before 120 days have passed, to enable the pledgees to transfer the licence shares to the co-licensees or third parties. This will create large claims against the Danish Noreco-subsidaries
 - Any defaulted payment obligations regarding the 9/95 licence (Xana well) can be claimed by Maersk (the licence partners) under the parent company guarantees issued to Maersk (the 9/95 licensees)
 - The Danish Energy Agency may call on the parent company guarantees for obligations towards the Danish Energy Agency, for instance if the licence is revoked, and the Danish Energy Agency demands payment from all licence holders for non-fulfilment of work obligations or abandonment obligations under the licences
- There are several unknowns in a bankruptcy of an E&P business relating to authorities in three jurisdictions (Norway, Denmark and UK), such as the scope of the parent company guarantees issued to these states and certain licence partners, potential claims under the joint agreements, licence agreements etc.
- A bankruptcy in one part of the group is likely to lead to a domino effect with bankruptcy as possible outcome for other companies in the Noreco Group, for example due to risk of accelerated cash calls and inability to meet all creditors' claims
- No previous bankruptcies in E&P businesses in Norway or Denmark, hence there is some uncertainty as to how relevant laws and regulations will be applied
- The Company has large tax losses carried forward and tax balances which it is uncertain how will be treated in a bankruptcy

Key changes to assumptions since updated proposal 15 December 2014

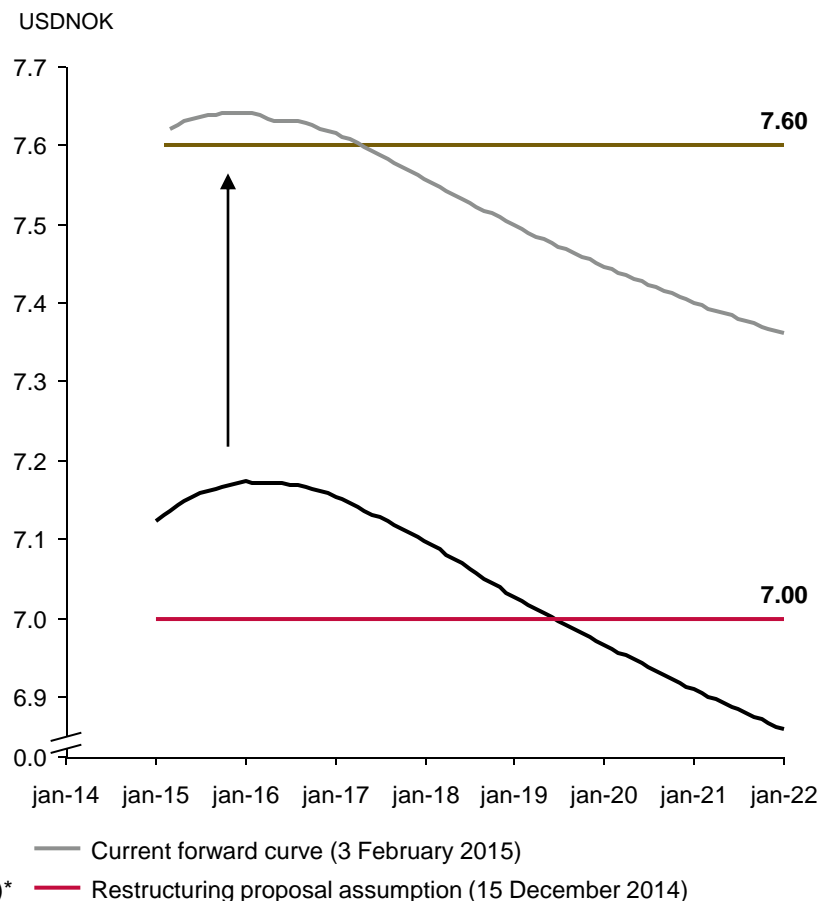
- The spot price for oil has dropped ~USD 5 per barrel, with oil forward contracts also down
 - Noreco's forecast assumption for 2015 reduced from 65 to 55 USD/bbl
- Compared to the NOK, the USD has appreciated with ~NOK 0.21/USD to NOKUSD 7.63, whereas the DKK has depreciated with ~NOK 0.08/DKK to NOKDKK 1.16 and the GBP has depreciated ~NOK 0.10/GBP to NOKGBP 11.49
 - Noreco's forecast assumption increased from 7.00 to 7.60 for USDNOK, 1.15 to 1.17 for DKKNOK, and 11.00 to 11.50 for GBPNOK
- Production outlook remains more or less the same, but there is uncertainty with regards to Huntington, where normal production will not resume until the end of February at the earliest
- Due to non-payment default on the Nini licence Noreco's share of oil is taken by the other partners
- The oil price drop is on an isolated basis resulting in reduced cash balance year end 2015
 - However, the lower oil price regime will also impact the decisions to pursue developments or investments in the projects that Noreco and its licence partners are exposed to
 - This means that a significant portion of the 2015 capex/cash outflow will be put on hold/postponed or cancelled. Altogether, this is expected to result in an improved cash position year end 2015 compared to 15 December 2014 presentation

Forecasting assumptions have changed rapidly

Brent forward curve



USDNOK forward curve

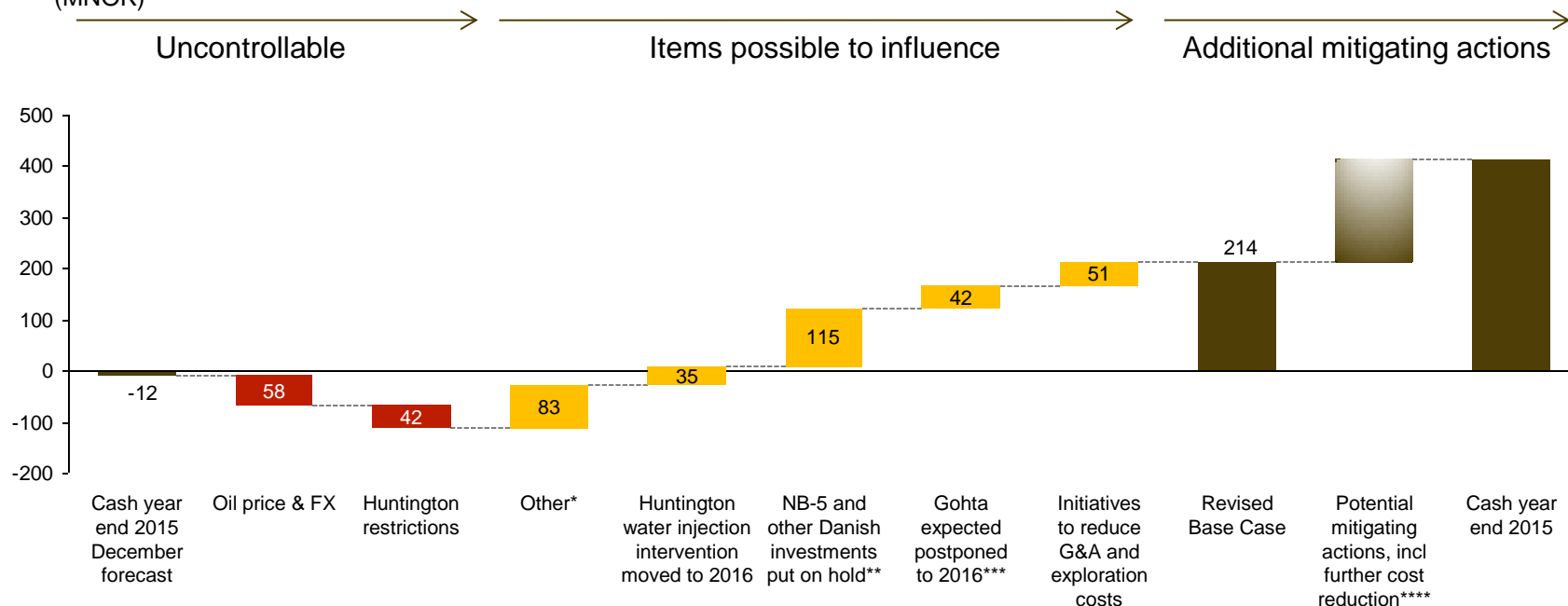


*) The restructuring proposal dated 15 December 2014 was based on market outlook and forward curves as of 9 December 2014
Source: Bloomberg as of 3 February 2015

Changes in forecasted cash balance since 15 December proposal

Change in cash balance year end 2015

(MNOK)



- Significant efforts made by the Company to reduce costs and investments going forward to increase short term robustness
- Additional mitigating actions have been identified and are being pursued

*) Other includes among other Xana farm-down, reduced OPEX and change in working capital







**) Cecilie and Nini partnerships have not concluded on investments in 2015. Licence decisions postponed due to low oil price environment

***) Gohta licence is now viewed most likely to be postponed until 2016

****) Additional mitigating actions associated with risk both with regard to likelihood and cash effect. Examples next page

Mitigating actions to reduce cash outflow 2015

- Cash resources and cash flow in 2015 is under control despite the current low oil price
- Mitigating actions which could significantly reduce negative cash flow have been identified on top of general cost reduction measures across the portfolio

Action All amounts MNOK		Illustrative CF effect 2015	Feasibility
Disposal /farm down Gohta*	Sale proceeds in 2015. In addition reduced exploration cost of ~MNOK 20 in 2015 and ~MNOK 130 in 2016 with total cash effect of ~MNOK 40	[•]	
Disposal /farm down Niobe	For illustration purpose cash effect of drilling cost assumed	50	
Disposal /farm down Haribo	For illustration purpose cash effect of drilling cost assumed	25	
Disposal other NO licences		10	
Temporary shut-down Cecilie	Partnership is evaluating	10	
Enoch insurance claim	Claim for repairs and loss of production income. Total claim ~MNOK 40	Up to 40	

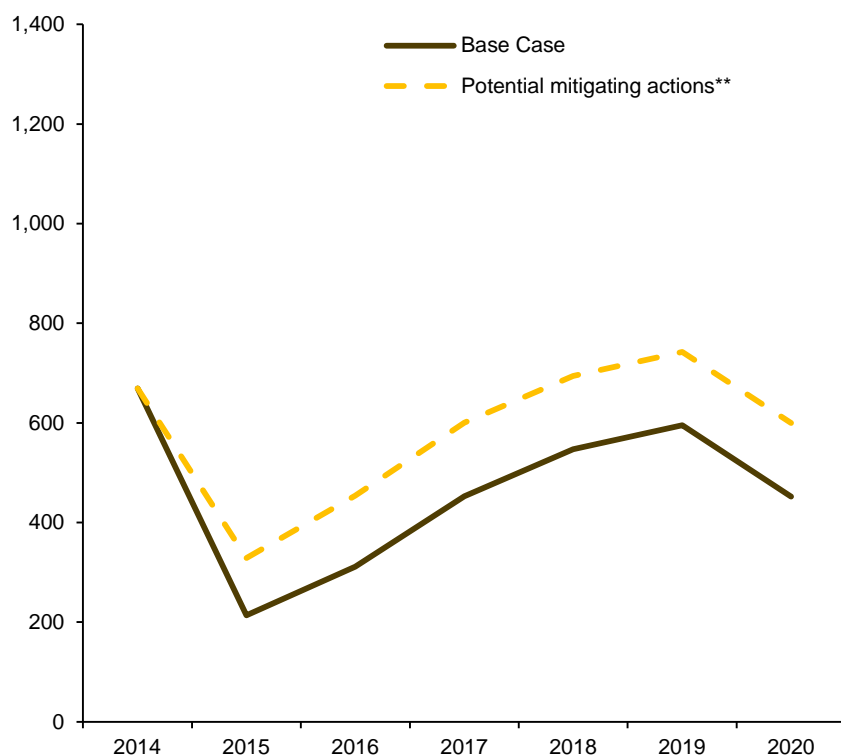
* Proceeds from sale of Gohta is associated with high uncertainty and largely dependent on oil price going forward. For commercial reasons an estimated sales price is not included

Forecasted cash balance*

- excluding amortisations and interest

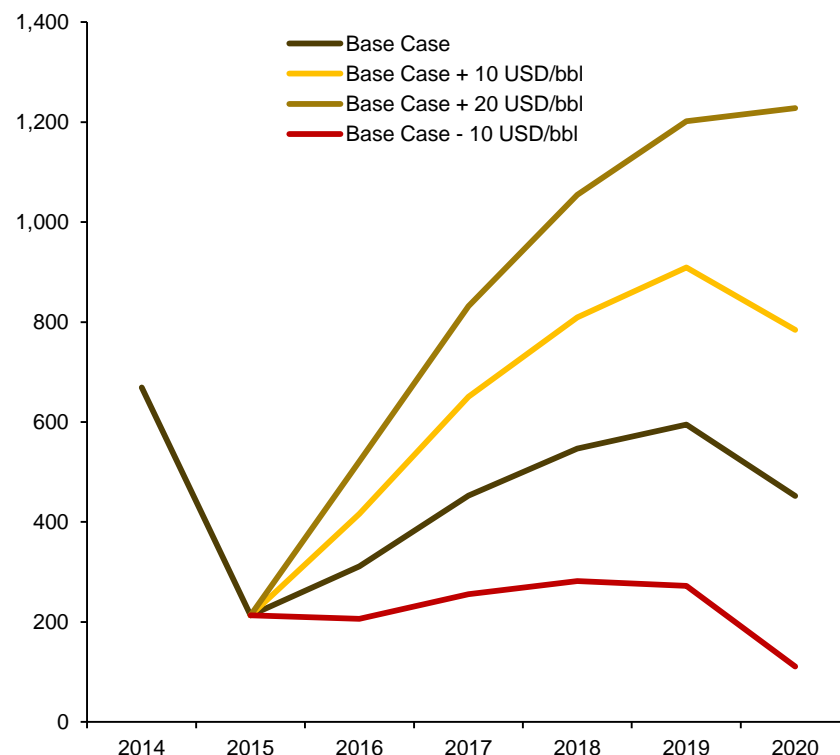
Sensitivities to mitigating actions

(MNOK)



Oil price sensitivities (delta from 2016)

(MNOK)



* Cash balances Base Case are excluding extraordinary payments such as proceeds from insurance claims, contingent payment Zidane, or sale of assets

** Potential mitigating actions do not include sale of Gohta, see slide 18, or further cost reductions than in Base Case

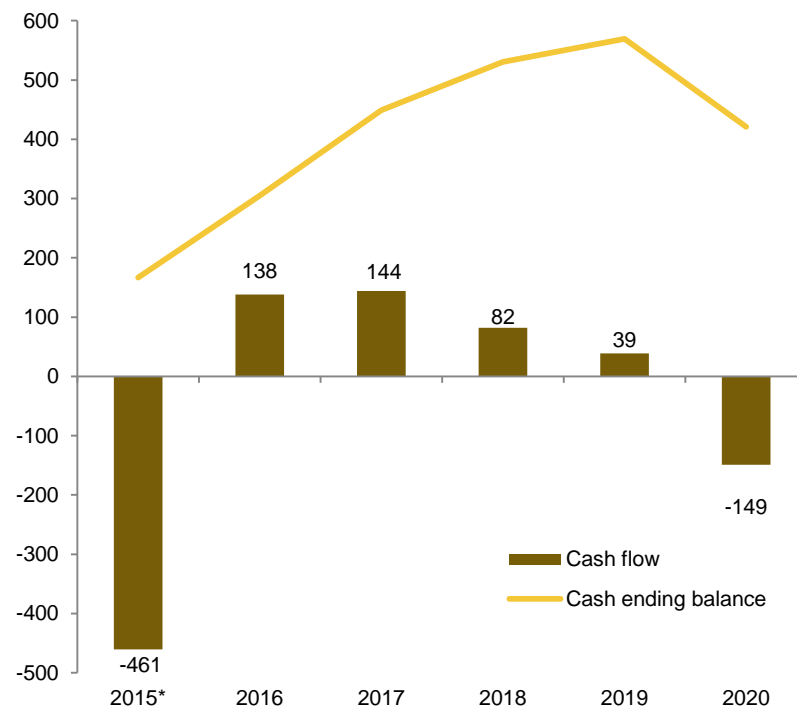
Overview of Ring-fence 1

Norwegian Energy Company ASA

- The fall in oil price and under-performance by Huntington and DK assets have significantly reduced the value of the assets in Ring-fence 1 during the last six months
- The assets' ability to generate cash flow is highly sensitive to oil price
- Starting cash balance of MNOK 628 year end 2014 in Ring-fence 1
- Negative cash flow from Ring-fence 1 assets of ~MNOK 461 expected in 2015, which is unfunded on a subsidiary level
 - Off-setting future Huntington abandonment costs
 - Committed exploration UK and Denmark
 - Cash distribution to Noreco Norway as part of the restructuring of NOR06
 - Negative working capital
- Further value of Ring-fence 1's assets is related to upside potential and insurance
 - Increase in oil price and value of producing assets in the future
 - Insurance claim in Denmark
 - Exploration success on the ongoing Xana well

Cash flow Ring-fence 1

(MNOK)



*) Cash flow 2015 includes MNOK 73 transferred to Noreco Norway

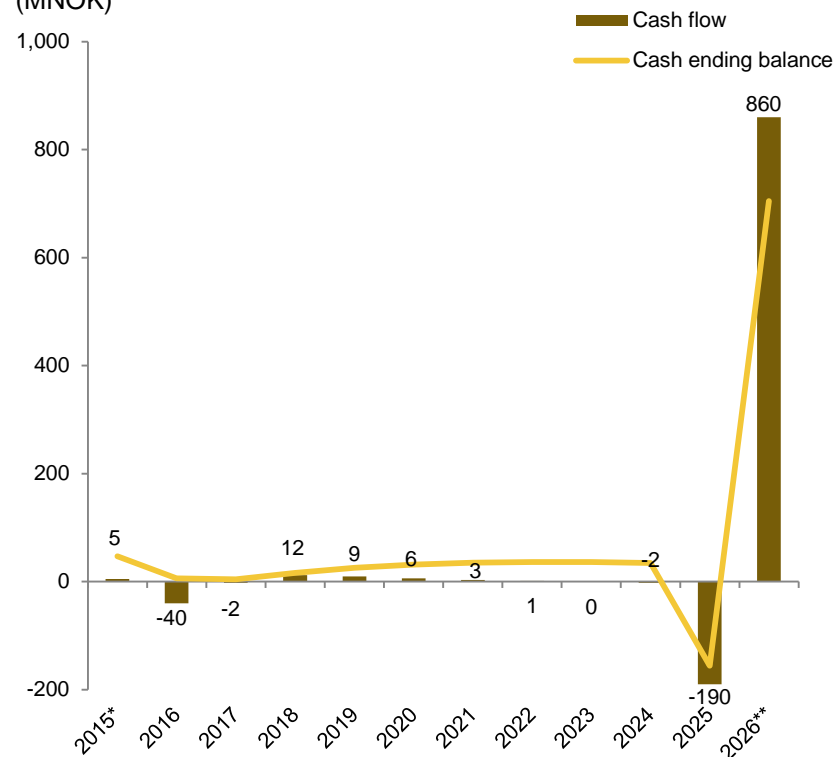
Overview of Ring-fence 2

Noreco Norway AS

- Underlying values in Ring-fence 2 are predominantly in tax balances and potential value of Gohta
- Ceasing the petroleum activities in Noreco Norway is expected to release a substantial amount of cash from tax losses, however;
 - Pay-out will be contingent on selling/terminating all assets with petroleum activity, including the majority of Noreco's staff and the producing fields
 - The pay-out from Norwegian tax authorities is most likely in December in the year subsequent to the year of cessation
 - Exact amount available for pay-out will not be known before tax authorities' approval
- If NOR06 enforces its pledge over Noreco Norway AS, bondholders most likely need to fund:
 - Outstanding exploration loan facility of MNOK 284 (falling due December 2015), in the event that the bank consortium does not continue the existing facility due to the agreement being in default
 - ~MNOK 250 of negative cash flow in 2015 if no new exploration loan facility is available, of which ~MNOK 200 is refunded in December 2016

Cash flow Ring-fence 2

(MNOK)



*) Cash position year end 2014 estimated to MNOK 42

*) Cash flow 2015 includes MNOK 73 transferred from Noreco ASA

**) Exit tax refund assuming petroleum activities have ceased in 2025

Note: Exploration activity included for two years

Strategy going forward

- Following the restructuring and given the current oil price environment, the Company will be focused on cost reductions and mitigating actions to improve cash liquidity and maximise value of existing assets. The Company will work to:
 - Keep commitments at a minimum and avoid any unnecessary spending
 - Evaluate different exploration strategies, including potential downscaling of activities
 - Pursue accretive divestments and dispose of non-strategic assets
 - Farm down of exploration costs
 - Continue to work with partners to reduce operating costs
 - Optimise value of Danish portfolio through solvent restructuring efforts currently ongoing
 - Maintain strong cash management focus to repay debt
 - Maximise recovery from insurance claim
 - Utilise tax positions where applicable
 - Pursue M&A activities
- New shareholders and the Board will review its opportunities and implement the strategies and measures considered to best preserve and create values
- With this focused strategy, the Board and management of Noreco firmly believe that this restructuring proposal and maintaining a going concern is the best available strategy for the stakeholders to maximise recovery/value
- The company will do its utmost to achieve a satisfactory position with respect to the Danish subsidiaries and cash outflows

