NORECO

Norwegian Energy Company ASA
First Quarter 2019

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Content

Highlights

• On 29 April 2019 it was announced that the Danish Energy Agency had granted its approval for Noreco's (the "Company" or the Group") acquisition of Shell's Danish upstream assets (the "Transaction").

• On 15 January 2019, Noreco published an information memorandum in accordance with the Oslo Stock Exchange Continuing Obligations for listed companies section 3.5 in relation to the Transaction with Shell.

Establishing Noreco as a considerable independent E&P company

Noreco announced the acquisition of Shell's Danish upstream assets through the acquisition of Shell Olie- og Gasudvinding Danmark B.V. ("SOGU").

Noreco will post completion have a 36.8% non-operated interest in the Danish Underground Consortium ("DUC") with assets that comprise 15 fields in four producing hubs; Halfdan, Tyra, Gorm and Dan. DUC is a joint venture between Total (43.2%), Shell (36.8%) and Nordsøfonden (20.0%). DUC is operated by Total which has extensive offshore experience in the region and worldwide.

On 30 November 2018, it was announced that no party relevant to the Joint Operating Agreement ("JOA") had invoked their option rights to purchase Shell's SOGU interests.

On 29 April 2019, the Danish Energy Agency granted its approval for the Transaction, Noreco is working towards completion of the Transaction around end of May 2019.

Outlook

• Following receipt of the governmental approval from the Danish Energy Agency, Noreco is working towards completion of the Transaction around end of May 2019.

• Noreco will continue work to further enhance its reserves and production base and evaluate strategic opportunities both in *and* above the ground.

Business development

As part of the Transaction with Shell, Noreco will increase its reserves and production base significantly. Included in the Transaction are proven and probable (2P) reserves of 209 million barrels of oil equivalent (mmboe) as per year-end 2017, of which 65% are liquids.

Noreco estimates significant reserves and production growth coming from existing resources (discoveries, EOR, initiatives & new projects). Shell's share of production from DUC in 2018 was 57[1)] thousand barrels of oil equivalents per day (mboepd). Noreco expects to maintain strong production in the years to come and will continue to evaluate strategic opportunities.

Capital Structure

As part of the Transaction, Noreco will issue new ordinary shares through a USD 352 million private placement and USD 40 million through a partially underwritten subsequent offering in addition to raising additional capital through a new seven-year Reserve Based Lending Facility up to USD 900 million with a sub-limit of USD 100 million for letters of credit and by the issuance of a convertible bond of up to USD 160 million. In order to fund part of the initial payment to Shell, Noreco entered into a short-term funding agreement of USD 35 million which upon closing of the Transaction will be rolled into the convertible bond issue at par.

The convertible bond, private placement, and short-term funding loan will be directed towards and subscribed by Noreco's largest shareholders CQS (UK) LLP, Kite Lake Capital Management (UK) LLP and Taconic Capital Advisors UK LLP, and by funds managed or advised by York Capital Management Europe (UK) Advisors LLP. For further information please see www.noreco.com.

Group financials

The Noreco group had **revenues** of NOK 3 million in the first quarter 2019 relating to revenue from Lulita compared to NOK 1 million in the first quarter 2018 and NOK 16 million for the year 2018. A reallocation of the oil production from Lulita in 2017 was made in the last quarter of 2018 increasing the revenue.

1) Source: Danish Energy Agency

Production expenses from continued operations amounted to NOK 1 million in the first quarter of 2019 compared to NOK 0 million in the first quarter of 2018.

Personnel expenses in first quarter was NOK 5 million compared to NOK 4 million in the first quarter in 2018 due to additional headcount. Total cost for the year 2018 is NOK 19 million.

Other operating expenses from continued operations were a cost of NOK 5 million for the first quarter compared to an expense of NOK 5 million for the same quarter in 2018. Total operating costs YE 2018 is NOK 156 million. The operating expenses are mainly related to consulting fees in Q1 2019. In 2018 they mainly related to litigation fees associated with the Transaction, and accrued litigation fees from pursuing the SIRI claim as well as court order legal fees.

EBITDA from continued operations (operating result before depreciation and write-downs) in the first quarter 2019 was a loss of NOK 8 million compared to a loss of NOK 8 million in the same quarter 2018.

Net Financial items from continued operations amounted to an expense of NOK 20 million for the first quarter of 2019, compared to an expense of NOK 34 million in the same quarter of 2018. The effect in the first quarter of 2019 is mainly due to currency translation and interest expense on the bond loan.

Taxes from continued operations amounted to NOK 0 million for the first quarter compared NOK 0 million for the same quarter in 2018. The year 2018 ended with an income tax of NOK 0 million. The tax rate represents the weighted average in relation to the results from the various subsidiaries with due consideration to the actual tax position of the individual company. Reference is made to note 9 in the interim financial report for further details to the taxes this period.

Net result for the first quarter of 2019 is a loss of NOK 28 million, compared to a loss of NOK 42 million for the same quarter in 2018 and a loss of NOK 143 million for the year of 2018.

Non-current restricted cash amounts to NOK 560 million mainly relating to the balance of an escrow account of DKK 433 million set aside for future abandonment cost for Nini/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.

Other current assets amount to NOK 442 million at the end of the quarter due to the initial prepayment to Shell of USD 40 million for the acquisition of Shell's Danish upstream assets, the prepayment of fees related to the RBL facility of NOK 78 million and transaction cost of NOK 7 related to the Transaction.

Equity amounted to a negative NOK 75 million at the end of the quarter, compared to a negative NOK 50 million at the end of 2018. The acquisition of Shell's Danish upstream assets will partly be funded by issuing new ordinary shares through a USD 352 million private placement and USD 40 million through a partially underwritten subsequent offering.

The Company has secured USD 382 million (equivalent to NOK 3,319 billion) in equity financing through a private placement and a partially underwritten subsequent offering on certain terms and conditions in connection with the Transaction. As a result, the equity is expected to increase significantly for the Group in the second quarter of 2019. The equity in the parent company remains strong with an equity ratio above 55% at 31 March 2019.

Asset retirement obligations amounted to NOK 576 million at the end of the quarter compared to NOK 594 million at the end of 2018. The asset retirement obligation is secured through an Escrow account of NOK 560 million.

Interest-bearing debt related to the bond loan NOR10 had a book value NOK 176 million (principal amount NOK 178 million) at the end of first quarter 2019, compared to a book value of NOK 160 million (principal amount NOK 163 million) at the end of 2018. The change in principal amount from YE 2018 is related to sale of own bonds and payment in kind interest. At the end of the quarter the NOR10 bond was valued at 98,88% of principal amount. In order to fund part of the initial payment to Shell, Noreco entered into a short-term funding agreement of USD 35 million which upon closing of the Transaction will be rolled into the convertible bond issue at par. The loan is presented as other interest-bearing debt.

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 2018. Noreco´s most significant risk factors are related to currency exchange rates.

For as long as the Transaction with Shell is not completed, Noreco remains exposed towards transaction risk, however this is not viewed as significant. All of the Company's financial debt has a fixed interest rate.

Governance and organisation

The number of employees was 10 at the end of the quarter. Noreco is currently expanding its organization as a result of the transaction with Shell.

Condensed Consolidated Statement of Comprehensive Income

All figures in NOK million	Note	Q1 2019	Q1 2018	2018
Revenue	2	3	1	16
Total revenues		**3**	**1**	**16**
Production expenses	3	(1)	(0)	(3)
Personnel expenses	4	(5)	(4)	(19)
Other operating expenses	5	(5)	(5)	(156)
Total operating expenses		**(11)**	**(9)**	**(178)**
Operating result before depreciation and write-downs (EBITDA)		**(8)**	**(8)**	**(162)**
Depreciation	8	(0)	(0)	(1)
Net operating result (EBIT)		**(8)**	**(8)**	**(163)**
Financial income	6	64	17	179
Financial expenses	6	(84)	(50)	(159)
Net financial items		**(20)**	**(34)**	**20**
Result before tax (EBT)		**(28)**	**(42)**	**(143)**
Income tax benefit / (expense)	7	-	(0)	(0)
Net result for the period		**(28)**	**(42)**	**(143)**
Net result for the period		**(28)**	**(42)**	**(143)**
Other comprehensive income (net of tax)				
Items to be reclassified to profit or loss in subsequent periods				
Changes in fair value of bond debt		(2)	(7)	(3)
Currency translation adjustment		5	21	(31)
Total other comprehensive income for the period (net of tax)		**4**	**14**	**(34)**
Total comprehensive income for the period (net of tax)		**(25)**	**(28)**	**(177)**
Earnings per share (NOK 1)				
Basic	15	(4,0)	(5,9)	(19,9)
Diluted	15	(4,0)	(5,9)	(19,9)

Condensed Consolidated Statement of Financial Position

All figures in NOK million	Note	31.03.19	31.12.18
Non-current assets			
Deferred tax assets	7	0	–
Property, plant and equipment	8	9	10
Restricted cash	10, 13	560	578
Receivables	9	-	–
Total non-current assets		**570**	**588**
Current assets			
Tax refund	7	-	-
Trade receivables and other current assets	10, 13	442	471
Restricted cash	10, 13	1	1
Bank deposits, cash and cash equivalents	10, 13	25	22
Total current assets		**468**	**494**
Total assets		**1 038**	**1 082**
Equity 1)			
Share capital	15	72	72
Other equity		(147)	(122)
Total equity		**(75)**	**(50)**
Non-current liabilities			
Deferred tax	9	0	0
Asset retirement obligations	14	576	594
Other interest bearing debt	11, 13	0	0
Total non-current liabilities		**577**	**594**
Current liabilities			
Bond loan	11, 13	176	160
Other interest bearing debt	11, 13	317	312
Trade payables and other current liabilities	12	43	66
Total current liabilities		**537**	**537**
Total liabilities		**1 113**	**1 132**
Total equity and liabilities		**1 038**	**1 082**

1) The Company has secured USD 382 million (equivalent to NOK 3,319 billion) in equity financing through a private placement and a partially underwritten subsequent offering on certain terms and conditions in connection with the Transaction. As a result, the equity is expected to increase significantly for the Group in the first half of 2019. The equity in the parent company remains strong with an Equity ratio above 55%.

Condensed Consolidated Statement of Changes in Equity

All figures in NOK million	Note	Share capital	Currency translation fund	Other equity	Total equity
2018					
Equity on 01.01.2018		**72**	**493**	**(424)**	**141**
Net result for the period			–	(42)	(42)
Other comprehensive income for the period (net of tax)					
Change in fair value of bond debt				(7)	(7)
Currency translation adjustments		–	21	–	21
Total comprehensive income for the period (net of tax)		**–**	**21**	**(7)**	**14**
Equity on 31.03.2018		**72**	**514**	**(473)**	**113**
2019					
Equity on 01.01.2019		**72**	**462**	**(584)**	**(50)**
Net result for the period			–	(28)	(28)
Other comprehensive income for the period (net of tax)					
Change in fair value of bond debt			-	(2)	(2)
Currency translation adjustments		–	5	–	5
Other OCI		–	–	0	0
Total other comprehensive income for the period (net of tax)		**–**	**5**	**(2)**	**4**
Equity on 31.03.2019		**72**	**467**	**(614)**	**(75)**

Condensed Consolidated Statement of Cash Flows

All figures in NOK million	Q1 2019	Q1 2018	2018
Net result for the period	(28)	(42)	(143)
Income tax benefit	-	0	(0)
Adjustments to reconcile net result before tax to net cash flows from operating activities:			
Tax Refundable			(0)
Depreciation	0	1	(1)
Share-based payments expenses		-	5
Change in fair value of bonds	(2)	(7)	(3)
Effect of changes in exchange rates	5	21	(31)
Paid abandonment cost			0
Payment in kind interest with no cash effect	8	-	8
Changes in working capital			
Changes in trade receivable	29	11	93
Changes in trade payables	(23)	(8)	41
Changes in other current balance sheet items	7	12	13
Net cash flow from operations	**(3)**	**(12)**	**19**
Cash flows from investing activities			
Purchase of tangible assets			(346)
Net cash flow used in investing activities	**–**	**–**	**(346)**
Cash flows from financing activities			
Issue of share capital			0
Paid transaction cost of covertible bond loan			(43)
Proceeds from short-term loan			312
Proceeds from sale of bonds	6		(4)
Repurchase own bonds		(6)	(6)
Interest paid		(5)	(5)
Net cash flow from (used) in financing activities	**6**	**(12)**	**254**
Net change in cash and cash equivalents	**3**	**(24)**	**(111)**
Cash and cash equivalents at the beginning of the period	22	133	133
Cash and cash equivalents at end of the quarter	**25**	**109**	**22**

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. 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 2018 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 interim financial statements for the first quarter of 2019 were authorised for issue by the board of directors on 21 of May 2019.

Going concern

The board of directors confirms that the interim financial statements have been prepared under the presumption of going concern, and that this is the basis for the preparation of these interim financial statements. The financial solidity and the company's cash position are considered satisfactory in regards of the planned activity level for the next twelve months.

As part of the Transaction, Noreco will raise additional capital through a new seven-year Reserve Based Lending Facility up to USD 900 million with a sub-limit of USD 100 million for letters of credit, by the issuance of a convertible bond of up to USD 160 million, issuing new ordinary shares through a USD 352 million private placement and USD 40 million through a partially underwritten subsequent offering. In order to fund part of the initial payment to Shell, Noreco entered into a short-term funding agreement of USD 35 million which upon closing of the Transaction will be rolled into the convertible bond issue at par.

Reference to summary of significant accounting policies

With effect from 1 January 2018, the Group has implemented IFRS 9 Financial Instruments and IFRS 15 Revenues from contracts with customers. Please refer to the annual financial statements for 2018 for further description. These standards are implemented at 1 January 2018. As explained in the annual financial statements for 2018, these standards had no net effect on equity at 1 January 2018. The only notable effect is that according to IFRS 9, the change in fair value of the bond loan that relates to the company's own credit risk shall be recognised in other comprehensive income instead of previously through profit or loss.

Apart from this, these interim financial statements are prepared using the same accounting principles as the annual financial statements for 2018. For the full summary of significant accounting policies, reference is made to the annual financial statements for 2018.

Borrowings

Borrowings are intitially recognised at fair value, net of transaction costs incurred. The subsequent measurement depends on which category they have been classified into. The categories applicable for company are either financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortised cost using the effective interest method. The company has designated the amended and restated bond loan at fair value through profit or loss but has from the 1 January 2018 presented the fair value of the bond through OCI according to the IFRS 9. The change in fair value due to own credit risk of bond for 2018 and Q1 2019 has comparatively been presented through OCI in this Q1 201i9 report .

IFRS 9 Financial instruments

IFRS 9, effective from 1 January 2018, replaced IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a new model for classification and measurement of financial assets and financial liabilities, a reformed approach to hedge accounting, and a more forwardlooking impairment model. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling.

IFRS 9 was endorsed by the EU in late 2016. IFRS 9 requires that for a financial liability designated as at fair value through profit or loss the effects of changes in the liability's credit risk shall be included in other comprehensive income instead of through profit and loss. This is relevant for the bond loan where the change in fair value due to own credit risk is recognized through OCI according to IFRS 9 (previously recognized through profit and loss according to IAS 39). This will not have any effect on total equity, see note 9 for further details.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except that the group has taken advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. The group use practical expedients when measuring expected credit losses, taking into consideration the customer base, historical experience, outlook and detailed evaluation of some individual balances. The effect of classification of financial instruments and the expected credit loss principle have minor impact on the financial statements of the group and the group does not have any material effect on equity in relation to the standard at implementation 1 January 2018.

IFRS 15 Revenue from contracts with customers

IFRS 15 is a joint revenue recognition standard issued from IASB and FASB and is effective from 1 January 2018. The standard presents a single, principles-based five-step model for determination and recognition of revenue to be applied to all contracts with customers. The standard replaced previous IFRS requirements in IAS 11 Construction Contracts and IAS 18 Revenue, as well as supplemental IFRIC guidance. The Group has applied the modified retrospective approach only to contracts that are not completed at 1 January 2018. Under this method, comparative figures are not restated and the cumulative effect of initially applying the standard (if any) would be recognized at the date of adoption. Under IFRS 15, revenue will be recognised when the customer obtains control of the hydrocarbons, which will ordinarily be at the point of delivery when title passes. The changes in over/under lift balances currently included in revenues under the Group's entitlement method do not meet the IFRS 15 definition of revenue from contracts with customers, but will still be included as a form of revenue. The Group has not had any major impact on earnings at adoption of IFRS 15 in 2018.

IFRS 16 Leases

IFRS 16 was issued by IASB in January 2016, and is effective from 1 January 2019, covers the recognition of leases and related disclosure in the financial statements, and will replace IAS 17 Leases. In the financial statement of lessees, the new standard requires recognition of all contracts that qualify under its definition of a lease as right- of-use assets and lease liabilities in the statement of financial position, while lease payments are to be reflected as interest expense and reduction of lease liabilities. The right-of-use assets are to be depreciated in accordance with IAS 16 Property, Plant and Equipment over the shorter of each contract's term and the assets' useful life. The standard consequently implies a significant change in lessees' accounting for leases currently defined as operating leases under IAS 17, both with regard to impact on the statement of financial position and the statement of income. IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. While this definition is not dissimilar to that of IAS 17, it would have required further evaluation of each contract to determine whether all leases included or contracts currently not defined as leases, would qualify as leases under the new standard. The standard introduces new requirements both as regards establishing the term of a lease and the related discounted cash flows that determine the amount of a lease liability to be recognized. The standard requires adoption either on a full retrospective basis, or retrospectively with the cumulative effect of initially recognizing the standard as an adjustment to retained earnings at the date of initial application, and if so with a number of practical expedients in transitioning existing leases at the time of initial application. The standard was endorsed in November 2017 by the EU. The Noreco Group currently leases some office equipment and premises, currently classified as operating leases. Due to the immaterial size of the current lease and the duration of the contracts, IFRS 16 will not have a material impact on the Consolidated statement of financial position or statement of income for 2019.

Other amendments to standards

Other standards and amendments to standards, issued but not yet effective, are either not expected to impact Noreco Consolidated financial statements materially, or are not expected to be relevant to the Consolidated financial statements upon adoption.

2 Revenue

NOK million	Q1 2019	Q1 2018
Sale of oil	3	1
Sale of gas and NGL	1	0
Total Revenue	**3**	**1**

3 Production Expenses

NOK million	Note	Q1 2019	Q1 2018
Lulita		(1)	(0)
Total production expenses continued operations		**(1)**	**(0)**

4 Personell Expenses

NOK million	Note	Q1 2019	Q1 2018
Salaries		(4)	(3)
Social security tax		(0)	(0)
Pension costs		(0)	(0)
Other personnel expenses		(1)	(0)
Total personnel expenses		**(5)**	**(4)**
Average number of employees		**10**	**8**

5 Other Operating Expenses

NOK million	Note	Q1 2019	Q1 2018
Premises		(0)	(0)
IT expenses		(2)	(1)
Travel expenses		(0)	(0)
Office cost		(0)	(0)
Consultant fees		(1)	(4)
Other operating expenses		(0)	(0)
Total other operating expenses		(5)	(5)

6 Financial Income and Expenses

Financial Income NOK million	Note	Q1 2019	Q1 2018
Interest income		1	1
Foreign exchange gains		63	15
Total financial income continued operations		**64**	**16**

Financial Expenses NOK million	Note	Q1 2019	Q1 2018
Interest expense from bond loans		(13)	(3)
Interest expenses current liabilities		(0)	(0)
Accretion expense related to asset retirement obligations		(0)	(0)
Foreign exchange losses		(69)	(46)
Other financial expenses		(1)	(1)
Total financial expenses		**(84)**	**(50)**
Net financial items		**(20)**	**(34)**

7 Tax

Income Tax NOK million	Q1 2019	Q1 2018
Income (loss) before tax total operations	(28)	(43)
Income tax benefit / (expense) total operations	-	(0)
Equivalent to a tax rate of	0,0 %	0,0 %

The effective tax rate for the quarter is approximately 0 percent. Noreco operates in 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 31.03.19	Offshore		Onshore	
NOK million	Recognised	Un-Recognised	Recognised	Un-Recognised
Norway (offshore 55% / onshore 23%)				
Norwegian Energy Company ASA	–	–	–	518
Altinex AS	–	–	–	–
Denmark (offshore 52% / onshore 25%)				
Noreco Denmark A/S	–	–	–	–
Noreco Oil Denmark A/S (Chapter 2, 25%)	–	572	–	–
Noreco Oil Denmark A/S (Chapter 3a, 52%)	–	5 507	–	–
Noreco Petroleum Denmark A/S (Chapter 2, 25%)	–	10	–	–
Noreco Petroleum Denmark A/S (Chapter 3a, 52%)	–	857	–	–
UK (offshore 30% / onshore 10%)				
Norwegian Energy Company (UK) Ltd.		462	–	462
Noreco Oil (UK) Ltd.	–	820	–	636
Total tax loss carry forward	**–**	**8 228**	**–**	**1 616**

Tax loss carry forwards in the Danish offshore tax regime of NOK 6 364 million and NOK 582 million has been calculated according to Chapter 3A and Chapter 2 respectively in the Danish Hydrocarbon Taxation Act (kulbrinteskatteloven). Deferred tax assets is recognized for tax loss carry forwards and negative temporary differences to the extent that the realization of the related tax benefit throuh future taxable profits is probable.

Though an agreement with Shell to aquire 36.8% of DUC on the DCS has been signed, the deal has not yet been completed and the tax loss carry forward therefore has not yet been recognised in the balance sheet.

Current forecast indicate that the tax loss carry forward in Noreco Oil (UK) Ltd will not be utilised until enhanced reserves and production base have been established and an approval by the UK autorities to utilise the tax loss carry forward by new activities.

Deferred tax assets is recognized for tax loss carry forwards and negative temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable.

8 Property, Plant and Equipment

NOK million	Production facilities	Machinery and equipment	Total
Acquisition costs 01.01.19	29	7	36
Additions	–	0	0
Disposals	–	-	-
Currency translation adjustment	(0)	(0)	(0)
Acquisition costs 31.03.19	**28**	**7**	**35**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.19	(20)	(6)	(26)
Depreciation	(0)	(0)	(0)
Currency translation adjustment	0	0	0
Accumulated depreciation and write-downs 31.03.19	**(20)**	**(6)**	**(26)**
Book value 31.03.19	**8**	**1**	**9**

9 Non-Current Receivables, Trade Receivables and Other Current Assets

NOK million	31.03.19	31.12.18
Non-current assets		
Other receivables	-	(0)
Total non-current receivables	**-**	**(0)**
Current assets		
Tax receivables	0	0
Trade receivables	0	3
Receivables from operators relating to joint venture licences	0	0
Underlift of oil/NGL	11	10
Prepayments *	431	406
Other receivables	0	52
Total trade receivables and other current receivables	**442**	**471**

*) Initial payment to Shell of USD 40 million (NOK 344 million) for the contemplated aquisition of Shell Olie- og Gasudvinding Danmark B.V., and transaction cost of NOK 85 million.

10 Restricted Cash, Bank Deposits, Cash and Cash Equivalents

NOK million	31.03.19	31.12.18
Non-current assets		
Restricted cash pledged as security for abandonment obligation in Denmark [1)]	560	578
Other restricted cash and bank deposits	(0)	(0)
Total non-current restricted cash	**560**	**578**
Current assets		
Other restricted cash and bank deposits (Bond holder pledge account, Withholding tax etc.)	1	1
Total current restricted cash	**1**	**1**
Unrestricted cash, bank deposits, cash equivalents	25	22
Total bank deposits	**586**	**600**

1) Any currency exposure in the subsidiary connected with the ARO of DKK 436 mill, has been hedged in the group accounts by a pledged bank account containing the same amount in DKK in the parent company. Any currency gains and losses from this has however been recognized as financial income/expense in line with IFRS 9 due to different functional currency in the parent and subsidiary.

11 Borrowings

13.1 Principal Amounts and Book Values

Current Debt NOK million	31.03.19 Principal amount	31.03.19 Book value	31.12.18 Principal amount	31.12.18 Book value
Deposit loan [1]	317	317	312	312
NOR10 [2]	178	176	163	160
Total current bonds	**496**	**494**	**475**	**471**
Total borrowings	**496**	**494**	**475**	**471**

1) In order to fund part of the initial payment to Shell, Noreco entered into a short-term funding agreement of USD 35 million in 2018 which upon closing of the Transaction will be rolled into the convertible bond issue at par.
2) The change in principal amount from YE 2018 is sale of own bonds and payment in kind interest.

13.2 Subsequent Measurement and Events in First Quarter

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 2019:

NOR10	**98,9 %**

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 and in line with IFRS 9 booked through the OCI.

12 Trade Payables and Other Current Liabilities

NOK million	31.03.19	31.12.18
Trade payable	16	26
Liabilities to operators relating to joint venture licences	(0)	(0)
Overlift of oil/NGL	(0)	(0)
Accrued interest	2	5
Salary accruals	21	21
Public duties payable	(1)	(0)
Other current liabilities	5	14
Total other current liabilities	**43**	**66**

13 Financial Instruments

13.1 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 31.03.2019

NOK million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Underlift of oil		(1)		(1)
Total assets	**0**	**(1)**	**–**	**(1)**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements and trading derivatives		–		–
- Bond loans			176	176
Total liabilities	**–**	**(0)**	**176**	**176**

On 31.12.2018

NOK million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Quoted shares		–		–
- Underlift of oil		10		10
Total assets	**0**	**10**	**2**	**10**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements and trading derivatives		–		–
- Bond loans			160	160
Total liabilities	**–**	**–**	**160**	**160**

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.

Due to low volumes being traded Noreco has used valuation techniques in order to estimate the fair value on the NOR10.

13.2 Financial Instruments by Category

On 31.03.2019 NOK million	Financial assets at amortised cost	Assets at fair value through profit or loss	Total
Assets			
Trade receivables and other current assets	442		442
Restricted cash	561		561
Bank deposits, cash, cash equivalents and quoted shares	25	0	25
Total	**1 029**	**0**	**1 029**

NOK million	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bonds		176	176
Other interest bearing debt [1)]	317		317
Trade payables and other current liabilities	43	(0)	43
Total	**360**	**176**	**537**

1) In order to fund part of the initial payment to Shell, Noreco entered into a short-term funding agreement of USD 35 million which upon closing of the Transaction will be rolled into the convertible bond issue at par.

On 31.12.2018 NOK million	Financial assets at amortised cost	Assets at fair value through profit or loss	Total
Assets			
Trade receivables and other current assets	461	10	471
Restricted cash	578		578
Bank deposits, cash and cash equivalents	22		22
Total	**1 061**	**10**	**1 072**

NOK million	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bonds		160	160
Other interest bearing debt	312	–	312
Trade payables and other current liabilities	66	(0)	66
Total	**377**	**160**	**537**

13.3 Financial Instruments — Fair Values

Set out below is a comparison of the carrying amounts and fair value of financial instruments as on 31 March 2019:

NOK million	Carrying Amount	Fair Value
Financial assets		
Trade receivables and other current assets	442	442
Restricted cash	561	561
Bank deposits, cash, cash equivalents and quoted shares	25	25
Total	**1 029**	**1 029**
Financial liabilities		
Bond loans	176	176
Other interest bearing debt [1)]	317	317
Trade payables and other current liabilities	43	43
Total	**537**	**537**

1) In order to fund part of the initial payment to Shell, Noreco entered into a short-term funding agreement of USD 35 million which upon closing of the Transatction will be rolled into the convertible issue at par.

14 Asset Retirement Obligations

NOK million	31.03.19	31.12.18
Balance on 01.01.	594	593
Provisions and change of estimates made during the year	(1)	(5)
Abandonment cost paid	(0)	(0)
Currency translation	(17)	6
Total provision made for asset retirement obligations	**576**	**594**

As part of the overall restructuring in 2015, an agreement was reached that entails that the partners will take over Noreco's share of the Nini/Cecilie licences. The restricted cash account of DKK 436 million, set aside for future abandonment costs for Nini/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. Total provision made for asset retirement obligations reflects this.

The balance as per 31.03.2019 is NOK 560 million for Nini/Cecilie and NOK 16 million for Lulita.

15 Shares and Share Capital

NOK million	No. of Shares	Share Capital
31 December 2018	7 194 730	72
Change in share capital in 2019		
Number of shares and share capital 31 March 2019	7 194 730	72

16 Subsequent Events

On 25 April 2019, it was announced that Olav Haugland had been appointed as Chief Financial Officer of Noreco.

On 29 April 2019, it was announced that Noreco had received governmental approval from the Danish Energy Agency for the Transaction with Shell. Noreco will work towards completion of the Transaction around end of May 2019, for further information see press release from the Company.

Information About Noreco

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Headquarter	Nedre Vollgate 1, 0158 Oslo, Norway
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Internet	www.noreco.com
Organisation number	NO 987 989 297 MVA

Financial Calendar 2019

22 February	Q4 2018 Report
30 April	Annual Report 2018
22 May	Annual General Meeting
22 May	Q1 2019 Report
21 August	Q2 2019 Report
20 November	Q3 2019 Report

Board of Directors Noreco

Riulf Rustad	Chair
Lars Purlund	
Marianne Lie	
John Madden	
Tone Kristin Omsted	

Noreco Management

Frederik Rustad	Managing Director
Olav Haugland	Chief Financial Officer

Investor Relations	
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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 e-mailing ir@noreco.com.

News Releases

In order to receive news releases from Noreco, please register on www.noreco.com or e-mail ir@noreco.com.

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