



**NORWEGIAN ENERGY COMPANY ASA**  
FOURTH QUARTER  
2015

# REPORT FOR THE FOURTH QUARTER 2015

NORWEGIAN ENERGY COMPANY ASA

## HIGHLIGHTS

- Noreco ASA had a profit of NOK 37 million (non-IFRS measure) in the fourth quarter, 2015.
- The company executed a voluntary bond buyback of NOR10 at 85% of principal amount totaling a par value of approx. NOK 200 mill. The remaining outstanding principal of NOR10 post settlement is NOK 156 million.
- The company entered into an agreement with Awillhelmsen Special Opportunities AS and QVT Financial LP to pursue the Siri insurance claims. The transaction greatly enhances the chance of a successful outcome, as well as secures a minimum payment of USD 15 million to Noreco.
- Noreco exited the Huntington license and thereby removed remaining downside risk relating to the oil price.
- Subsequently, Noreco has for the first time since 2005 moved into a net cash position (non-IFRS measure).

## OUTLOOK

The restructuring process of Noreco ASA is now completed and the Company is in a good financial position. The Board believes that Company is well positioned to continue developing values with a basis in its existing assets.

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

The Board and Management's view is that the IFRS accounts do not reflect the correct value of the company and therefore the tables below have been prepared.

### Non-IFRS Result Norwegian Energy Company ASA Q4 2015

#### NOK million

IFRS Result for the period after tax	-27
Reversal of value adjustment of NOR10	31
Value adjustment subsidiaries	34
<b>Non-IFRS Result for the period after tax</b>	<b>37</b>
Non-IFRS Equity 30.09.2015	479
Non-IFRS Result for the period after tax	37
Other items	5
<b>Non-IFRS Equity 31.12.2015</b>	<b>521</b>

### Non-IFRS Balance sheet for Norwegian Energy Company ASA 31.12.2015

#### NOK million

<b>Non-current assets</b>	
Restricted Cash <sup>(4)</sup>	581
Value of subsidiaries <sup>(1),(2),(3)</sup>	588
<b>Total non-current assets</b>	<b>1 169</b>
<b>Current assets</b>	
Bank deposits, cash and cash equivalents <sup>(3)</sup>	274
<b>Total current assets</b>	<b>274</b>
<b>Total assets</b>	<b>1 443</b>
<b>Equity</b>	
Share capital	71
Other equity	451
<b>Total equity</b>	<b>521</b>
<b>Non-current liabilities</b>	
Bond loan <sup>(5)</sup>	156
Guarantee provision	581
<b>Total non-current liabilities</b>	<b>737</b>
<b>Current liabilities</b>	
Bond loan <sup>(6)</sup>	170
Derivatives	1
Trade payables and other current liabilities	13
<b>Total current liabilities</b>	<b>184</b>
<b>Total liabilities</b>	<b>921</b>
<b>Total equity and liabilities</b>	<b>1 443</b>

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

2) In the non-IFRS balance sheet the main value of the subsidiaries is NOK 546 for the Danish companies and 35 for UK.

3) Cash in Noreco ASA and subsidiaries excluding Noreco Norway amounted to NOK 363 million, exceeding the debt on NOR10.

4) Restricted cash is pledged funds in connection with the abandonment liability for Nini and Cecilie in Denmark. In connection with the settlement agreement with the partners in regards of the forfeiture of the fields, the liability is capped at DKK 445 million adjusted for accrued interest. In the balance sheet the liability related to this guaranty is recorded at the same amount as the cash deposit.

5) Bond loan NOR10, long term part presented at par value.

6) Bond loan NOR10, short term part presented at amount actually paid in January 2016.

## BUSINESS DEVELOPMENT

On 30 June Noreco Norway AS ('Noreco Norway') entered into an agreement with the mature oil field specialist CapeOmega AS to sell its 15 per cent participating interests in the Norwegian shelf licences PL274 and PL274 CS, which includes the Oselvar field with associated tax balances for a total consideration of NOK 201 million. The transaction is effective as of 1 January 2015. The transfer of license interests was completed on 25 November 2015 following approvals from the Norwegian Authorities. The net proceeds (after pro & contra settlement adjustment since effective date) will be transferred to the NOR06 proceeds account as defined in the loan agreement, and used to repay the NOR06 bondholders.

On 21 December 2015 Noreco Norway announced that it had entered into a Sale and Purchase Agreement ('SPA') to transfer its 4.36% participating interest in the Enoch licence to CapeOmega AS. The transaction is subject to necessary approvals from the Norwegian authorities.

On 21 December 2015 Norwegian Energy Company ASA ('Noreco') announced that its fully owned subsidiary Noreco Norway had entered into a SPA with Djerv Energi AS ('Djerv') for the sale of its exploration licence interests, organisation and management systems. On 3 February 2016 it was announced that Noreco failed to achieve the necessary approval for the Djerv transaction from the NOR06 bondholders; nevertheless, it is by management regarded as highly likely that an amended transaction will achieve the support from the bondholders and that the transaction will be completed with effective date 1 January 2016.

It was announced on 11 January 2016 that Norecos UK subsidiary, Noreco Oil UK, had been served formal notice by the licence partners, E.ON UK E&P Limited and Premier Oil Plc, that they will exercise their rights to acquire Noreco's participating interest in the Huntington licence for no consideration in accordance with their rights under the JOA, following a notice of default announced in November. According to the JOA the liabilities of the company as at the date of default remains with the company. As the company is unable to raise the financial resources to meet the liabilities, the outcome for the company will be to initiate a liquidation process or enter into an amicable solution with the partners. At the time of reporting none of these two outcomes has yet materialised and the total consolidated statement of financial position of the group therefore contains the liabilities of Noreco Oil (UK) Ltd and a write down of the licence, included in the statement of comprehensive income. Once the outcome of the liabilities, as described, has been resolved an amount in line with the liabilities would be recorded as a gain. This is expected to be realised during 2016.

All the above actions and transactions are in line with the new strategy implemented following the restructuring executed in March 2015. This has led to a situation where Noreco no longer is active within the Oil and Gas business and Noreco therefore has chosen to present these activities as discontinued operations and refrain from commenting on these activities in Q4 2015.

The company is steadily progressing the Siri platform insurance claims that amount to in excess of USD 400 million excluding

interest. The claimed amount may be subject to adjustment following the result of an agreed loss adjustment process whereby the company's and underwriters' appointed loss adjusters are reviewing and agreeing the cost items and invoices covered by the claim and their allocation. A court hearing has been scheduled for september 2016. On 18 December 2015 Noreco announced signing an agreement to enter into partnership with Awilhelmsen Special Opportunities AS and QVT Financial LP to pursue the Siri insurance claims, with the aim to maximise the proceeds from the claims.

## GROUP FINANCIALS

The Noreco group had **revenues from continued operations** of NOK 1 million in the fourth quarter 2015, compared to NOK 5 million in the fourth quarter 2014. The low revenues in 2015 compared with 2014 is due to reduced ownership interest in the Danish oil field Lulita and lower realised oil price. **The revenue in fourth quarter from discontinued operations was NOK 28 million primarily from Huntington.**

**Production expenses from continued operations** in the fourth quarter 2015 amounted to NOK 1 million compared to NOK 2 million for the same period last year.

**Other operating expenses from continued operations** were NOK 8 million in the fourth quarter 2015 compared to NOK 28 million. Please refer to note 7 for details.

**EBITDA from continued operations** (operating result before depreciation and write-downs from continuing operations) in the fourth quarter 2015 was negative by NOK 9 million, compared to a negative EBITDA from continued operations of NOK 29 million in the same quarter 2014.

**Net Financial items from continued operations** amounted to a negative amount of NOK 167 million for the fourth quarter 2015, compared to a negative amount of NOK 494 million for the same period last year. The main effect in the fourth quarter 2015 is related to the fair value adjustments of the bonds and interest. Please refer to note 9 and 15 for details.

**Taxes from continued operations** amounted to an income of NOK 34 million for the fourth quarter. The fourth quarter tax income corresponds to an average effective tax rate of 24.3 per cent. Taxable income was impacted by different tax regimes and tax rates and in particular the effects from the increased value on the bond debt. The tax rate represents the weighted average in relation to the results from the various subsidiaries. Reference is made to note 10 in the interim financial report for further details to the taxes this period.

**Loss from discontinued operation** in fourth quarter amounted to NOK 472 million compared to NOK 1 212 million for the same period in 2014. The amounts are heavily influenced by impairment of various assets being classified as discontinued, partly offset by tax effects.

**Net result** for the fourth quarter was negative by NOK 615 million, compared to a negative result of NOK 1 746 million for the fourth quarter 2014.

**Non-current restricted cash** amounts to NOK 620 million. NOK 581 million of this balance is an escrow account of DKK 445 million plus interests set aside for future abandonment cost for Nini and Cecilie. After the settlement agreement with the partners Noreco remains liable for the abandonment obligation, but the liability is in any and all circumstances limited to a maximum amount of DKK 445 million adjusted for accrued interests on the escrow account. The liability corresponding to this escrow account is included in the asset retirement obligation.

**Non-current receivables** amounted to NOK 521 million, which is related to an insurance claim. A court hearing has been scheduled in the beginning of fourth quarter 2016.

At the end of the fourth quarter 2015, Noreco had a total of NOK 452 million in **bank deposits, cash and cash equivalents**. NOK 100 million of this is related to Noreco Norway AS (The part of the group with secured assets of NOR06) and the remaining NOK 352 million is related to Ringfence 1 (The part of the group with secured assets of NOR10). See note 14 for further information.

**Assets classified as held for sale** amounted to NOK 12 million and associated Liabilities held for sale amounted to NOK 107 million at the end of the fourth quarter 2015. The items consisted of assets and associated liabilities related to Norecos participation interest in the Enoch licence and all assets and liabilities to be transferred in the Djervdeal. See note 21 for further information.

**Current restricted cash** amounts to NOK 178 million, which mainly consist of the proceeds from the Oselvar deal.

**Equity** amounted to NOK 144 million at the end of the period, compared to negative amount of NOK 803 million at the end of 2014. The positive impact is due to the financial restructuring of Noreco, which involved partial debt to equity conversion. The recorded book value of the interest-bearing debt (excluding exploration loans) is NOK 832 million. See note 15.2 for further information.

**Asset retirement obligations** amounted to NOK 837 million at the end of the fourth quarter 2015, compared to NOK 612 million at the end of 2014. The increase is due to changes in estimates and currency translation, partly offset by reclassification as liabilities held for sale. See notes 19 and 21 for further information.

**Interest-bearing debt**, excluding exploration loans, had a book value of NOK 832 million (principal amount NOK 994 million) at the end of the fourth quarter 2015, compared to a book value of NOK 3 051 million (same as principal amount) at the end of 2014. The change in book value of debt during 2015 is due to the restructuring of the bond debt approved in March, repayment of NOK 243 million of the principal amount of NOR10 in August 2015 and the subsequent remeasuring of the debt at fair value through profit and loss. At the end of the quarter the bonds were valued at 82.7% (NOR06) and 85.3% (NOR10) of principal amount. The group's exploration loan amounted to NOK 110 million at the end of the fourth quarter. Total interest-bearing debt at the end of the fourth quarter had a book value of NOK 942 million.

## RISKS AND UNCERTAINTIES

Investment in Noreco involves risks and uncertainties as described in the board of director's report and note 3 to the annual report 2014. The most significant risks Noreco is facing for the next twelve months are related to tax, transaction risk, court ruling and currency exchange rates.

## GOVERNANCE AND ORGANISATION

On 13 October 2015 Tommy Sundt stepped down as Group CEO but maintained the position as Managing Director for Norwegian Energy Company ASA. Silje Augustson, who is Chair of the Board in the company, took over the position as Group CEO as of that day. Tommy Sundt also continued as Managing Director in the subsidiary Noreco Norway AS until 31 December 2015. VP Exploration and Operations Lars Fosvold took over as acting Managing Director for Noreco Norway AS 1 January 2016.

At the start of 2015 the group had 47 employees and 4 full time consultants. At the end of the fourth quarter, the number of employees had been reduced to 27 of which two employees have resigned and are in resignation.

Sick leave for the fourth quarter was 6.08 per cent.

# STATEMENT OF COMPREHENSIVE INCOME

## CONSOLIDATED

NOK million	Note	Q4 2015	Re-presented Q4 2014	2015	Re-presented 2014
<b>Continued operations</b>					
Revenue	3	1	5	13	37
Production expenses	4	(1)	(2)	(6)	(9)
Exploration and evaluation expenses	5	0	0	(1)	0
Payroll expenses	6	(1)	0	(18)	(14)
Other operating expenses	7	(8)	(28)	(8)	(48)
Other (losses) / gains	8	1	(4)	7	(5)
Total operating expenses		(10)	(34)	(26)	(75)
<b>Operating result before depreciation and write-downs (EBITDA)</b>		<b>(9)</b>	<b>(29)</b>	<b>(12)</b>	<b>(38)</b>
Depreciation	11	0	(1)	(2)	(6)
Write-downs and reversals of write-downs	11,12	(2)	1	(11)	1
<b>Net operating result (EBIT)</b>		<b>(11)</b>	<b>(29)</b>	<b>(25)</b>	<b>(43)</b>
Financial income	9	45	71	2 431	158
Financial expenses	9	(212)	(565)	(617)	(775)
<b>Net financial items</b>		<b>(167)</b>	<b>(494)</b>	<b>1 814</b>	<b>(617)</b>
<b>Result before tax (EBT)</b>		<b>(178)</b>	<b>(523)</b>	<b>1 789</b>	<b>(660)</b>
Income tax benefit / (expense)	10	34	(11)	2	54
<b>Net result for the period continued operation</b>		<b>(143)</b>	<b>(534)</b>	<b>1 791</b>	<b>(606)</b>
<b>Discontinued operation</b>					
Profit (loss) from discontinued operation (net of income tax)	2	(472)	(1 212)	(1 126)	(2 306)
<b>Net result for the period</b>		<b>(615)</b>	<b>(1 746)</b>	<b>665</b>	<b>(2 912)</b>
<b>Other comprehensive income (net of tax):</b>					
<i>Items to be reclassified to profit or loss in subsequent periods</i>					
Reclassification of currency translation adjustment upon disposal of subsidiary		0	0	0	(28)
Currency translation adjustment		(7)	173	16	278
<i>Total</i>		<i>(7)</i>	<i>173</i>	<i>16</i>	<i>249</i>
<b>Total other comprehensive income for the period (net of tax)</b>		<b>(7)</b>	<b>173</b>	<b>16</b>	<b>249</b>
<b>Total comprehensive income for the period (net of tax)</b>		<b>(621)</b>	<b>(1 573)</b>	<b>681</b>	<b>(2 663)</b>
<b>Earnings per share (NOK 1)</b>					
Basic	20	(87)	(3 214)	160	(5 196)
Diluted	20	(87)	(3 214)	160	(5 196)
<b>Earnings per share continuing operation (NOK 1)</b>					
Basic	20	(20)	(983)	431	(1 081)
Diluted	20	(20)	(983)	431	(1 081)

# STATEMENT OF FINANCIAL POSITION

## CONSOLIDATED

NOK million	Note	31.12.15	31.12.14
<b>Non-current assets</b>			
Licence and capitalised exploration expenditures	11	0	325
Goodwill	11	0	23
Deferred tax assets	10	351	633
Property, plant and equipment	12	2	428
Tax refund	10	0	0
Restricted cash	14,17	620	576
Receivables	13	521	440
<b>Total non-current assets</b>		<b>1 494</b>	<b>2 425</b>
<b>Current assets</b>			
Assets held for sale	21	12	0
Tax refund	10	119	315
Derivatives	17	0	28
Trade receivables and other current assets	13,17	21	189
Restricted cash	14,17	178	33
Bank deposits, cash and cash equivalents	14,17	452	644
<b>Total current assets</b>		<b>783</b>	<b>1 209</b>
<b>Total assets</b>		<b>2 277</b>	<b>3 634</b>
<b>Equity</b>			
Share capital	20	71	568
Other equity		73	(1 371)
<b>Total equity</b>		<b>144</b>	<b>(803)</b>
<b>Non-current liabilities</b>			
Deferred tax	10	47	0
Asset retirement obligations	19	837	612
Bond loan	15,17	501	0
<b>Total non-current liabilities</b>		<b>1 385</b>	<b>612</b>
<b>Current liabilities</b>			
Liabilities held for sale	21	107	0
Bond loan	15,17	331	3 051
Other interest bearing debt	15,17	110	284
Derivatives	17	1	3
Tax payable	10	37	28
Trade payables and other current liabilities	16,17	162	458
<b>Total current liabilities</b>		<b>748</b>	<b>3 825</b>
<b>Total liabilities</b>		<b>2 133</b>	<b>4 437</b>
<b>Total equity and liabilities</b>		<b>2 277</b>	<b>3 634</b>

# STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

NOK million	Share capital	Currency translation fund	Other equity	Total equity
<b>2014</b>				
Equity on 01.01.2014	466	200	1 084	1 750
Net result for the period			(2 912)	(2 912)
<b>Other comprehensive income for the period (net of tax)</b>				
Currency translation adjustments	0	278	0	278
Reclassification of currency translation upon disposal of subsidiary		(28)		(28)
<b>Total comprehensive income for the period (net of tax)</b>	<b>0</b>	<b>249</b>	<b>(2 912)</b>	<b>(2 663)</b>
<b>Transactions with owners</b>				
Proceeds from share issued	102	0	3	105
Issue cost	0	0	(4)	(4)
Share-based incentive program	0	0	7	7
<b>Total transactions with owners for the period</b>	<b>102</b>	<b>0</b>	<b>7</b>	<b>109</b>
<b>Equity on 31.12.2014</b>	<b>568</b>	<b>449</b>	<b>(1 820)</b>	<b>(803)</b>
<b>2015</b>				
Equity on 01.01.2015	568	449	(1 820)	(803)
Net result for the period			665	665
<b>Other comprehensive income for the period (net of tax)</b>				
Currency translation adjustments	0	16	0	16
<b>Total comprehensive income for the period (net of tax)</b>	<b>0</b>	<b>16</b>	<b>665</b>	<b>681</b>
<b>Transactions with owners</b>				
Proceeds from share issued	65	0	189	255
Capital reduction	(562)	0	562	0
Share-based incentive program	0	0	11	11
<b>Total transactions with owners for the period</b>	<b>(497)</b>	<b>0</b>	<b>763</b>	<b>266</b>
<b>Equity on 31.12.2015</b>	<b>71</b>	<b>465</b>	<b>(392)</b>	<b>144</b>

# STATEMENT OF CASH FLOWS

## CONSOLIDATED

NOK million	Q4 2015	Q4 2014	2015	2014
Net result for the period	(665)	(1 746)	665	(2 912)
Income tax benefit	(198)	60	0	(1 609)
<b>Adjustments to reconcile net result before tax to net cash flows from operating activities:</b>				
Tax refunded	314	383	314	378
Depreciation	4	42	72	407
Write-downs and reversal of write-downs	296	1 089	431	2 885
Expensed exploration expenditures previously capitalised	243	(3)	505	758
Share-based payments expenses	5	2	11	7
(Gain) / loss on sale of licences	87	0	106	0
Change in fair value of bonds	161	0	379	0
Unrealised loss / (gain) related to financial instruments	(1)	(30)	(28)	(28)
Gain on extinguishment of debt	0	0	(2 176)	0
Paid/received interests and borrowing cost - net	3	8	16	115
Effect of changes in exchange rates	(21)	(60)	(88)	(91)
Amortisation of borrowing costs incl. impact from change in amortisation plan	0	519	0	633
Accretion expense related to asset retirement obligations	4	11	38	34
Reclassification of currency translation adjustment upon disposal of subsidiary	0	0	0	(28)
<b>Changes in working capital</b>				
Changes in trade receivable	39	7	84	20
Changes in trade payables	(5)	12	(14)	3
Changes in other current balance sheet items	(118)	2	51	156
<b>Net cash flow from operations</b>	<b>149</b>	<b>296</b>	<b>367</b>	<b>730</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of assets	173	0	124	0
Purchase of tangible assets	(1)	(4)	5	(12)
Purchase of intangible assets	12	(22)	(185)	(307)
<b>Net cash flow used in investing activities</b>	<b>184</b>	<b>(26)</b>	<b>(56)</b>	<b>(319)</b>
<b>Cash flows from financing activities</b>				
Issue of share capital	0	5	0	105
Paid issue cost	0	0	0	(12)
Proceeds from utilisation of exploration facility	42	0	110	291
Proceeds from utilisation of overdraft facility	0	(7)	0	0
Repayment of bonds	0	0	(243)	(53)
Repayment of exploration facility	(282)	(352)	(284)	(352)
Paid borrowing cost	0	0	(70)	(35)
Interest paid	(3)	(8)	(16)	(115)
<b>Net cash flow from (used) in financing activities</b>	<b>(243)</b>	<b>(362)</b>	<b>(503)</b>	<b>(170)</b>
<b>Net change in cash and cash equivalents</b>	<b>90</b>	<b>(92)</b>	<b>(192)</b>	<b>240</b>
Cash and cash equivalents at the beginning of the period	363	736	644	403
<b>Cash and cash equivalents at end of the quarter</b>	<b>452</b>	<b>644</b>	<b>452</b>	<b>644</b>

# NOTES

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## 1 Accounting principles

### **Basis for preparation**

The interim condensed consolidated financial statements (the interim financial statements) for the fourth quarter 2015 comprise Norwegian Energy Company ASA (Noreco) and its subsidiaries. These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. The interim financial statements do not include all of the information and disclosures required to represent a complete set of financial statements, and these interim financial statements should be read in conjunction with the annual financial statements. The interim financial statements are unaudited.

The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding. The statement of comprehensive income has been re-presented for discontinued operations as of Q4 2015.

### **Going concern**

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

### **Reference to summary of significant accounting policies**

These interim financial statements are prepared using the same accounting principles as the annual financial statements for 2014. Due to the financial restructuring the internal reporting to the chief operating decision maker was in the first quarter changed, and correspondingly the operating segments presented in Note 18 have been updated accordingly. For the full summary of significant accounting policies, reference is made to the annual financial statements for 2014.

### **Borrowings**

Borrowings are initially recognised at fair value. The subsequent measurement depends on which category they have been classified into. The categories applicable for Noreco are either financial liabilities through profit or loss or financial liabilities measured at amortised cost using the effective interest method. The first category applies to Noreco's bond loans as of 31 December 2015.

### **Discontinued operation**

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

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

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

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

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

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

## 2 Discontinued operations

In October 2014, Noreco initiated a comprehensive financial restructuring due to a material decrease in the company's debt servicing ability. Noreco initiated during the winter a financial restructuring process and a restructuring proposal was presented in February 2015. The restructuring proposal entailed that Noreco would be converting NOK 1 979 million of bond debt to equity with NOK 1 218 million of bond debt remaining on amended terms, including amended maturities, with possible payment-in-kind interest and no fixed amortizations except final maturity in three years, but with "cash sweep" if cash should become available. The restructuring proposal was approved in March 2015, and Noreco has since focused on implementing the new strategy.

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

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

(NOK million)	Q4 2015	Q4 2014	YTD Q4 2015	YTD Q4 2014
Revenue	28	139	431	1 106
Production expenses	(6)	(137)	(233)	(578)
Exploration and evaluation expenses <sup>(1)</sup>	(254)	(9)	(593)	(836)
Payroll expenses <sup>(2)</sup>	(16)	(12)	(58)	(74)
Other operating expenses	(9)	(11)	(34)	(57)
Other (losses) / gains <sup>(3)</sup>	(75)	30	(70)	30
<b>Total operating expenses</b>	<b>(360)</b>	<b>(139)</b>	<b>(988)</b>	<b>(1 515)</b>
<b>Operating result before depreciation and write-downs (EBITDA)</b>	<b>(332)</b>	<b>1</b>	<b>(526)</b>	<b>(410)</b>
Depreciation	(4)	(41)	(70)	(401)
Write-downs and reversals of write-downs	(294)	(1 090)	(420)	(2 887)
<b>Net operating result (EBIT)</b>	<b>(630)</b>	<b>(1 130)</b>	<b>(1 046)</b>	<b>(3 697)</b>
Financial income	2	5	11	15
Financial expenses	(8)	(38)	(89)	(177)
<b>Net financial items</b>	<b>(5)</b>	<b>(33)</b>	<b>(77)</b>	<b>(163)</b>
<b>Result before tax (EBT)</b>	<b>(635)</b>	<b>(1 163)</b>	<b>(1 123)</b>	<b>(3 860)</b>
Income tax benefit / (expense)	163	(49)	(3)	1 555
<b>Net result for the period</b>	<b>(472)</b>	<b>(1 212)</b>	<b>(1 126)</b>	<b>(2 306)</b>
Earnings per share discontinued operation (NOK 1)				
Basic	(66)	(2 231)	(271)	(4 115)
Diluted	(66)	(2 231)	(271)	(4 115)

- 1) The Djerv deal has the consequence that Noreco Norway will no longer have any exploration assets. The book value of the company's exploration assets was NOK 253 prior to the Djerv deal. The expensed book value has been treated as a exploration cost in the quarter.
- 2) Included in the payroll expenses is the remaining expense on the employee option programme for the personnel employed in Noreco Norway AS, NOK 5 million. The option programme for personnel employed in Noreco Norway was canceled during fourth quarter 2015.
- 3) Included in Gain/Loss for Q4 2015 is the net gain on the Oselvar deal and the provisions made as a consequence of the Djerv-deal and the Enoch deal. The Djerv deal results in establishment of a provision for the consideration of NOK 74 million. The Enoch deal results in establishment of an additional provision for the consideration of NOK 4 million.

### Cash flow from (used) in discontinued operation

(NOK million)	Q4 2015	Q4 2014	YTD Q4 2015	YTD Q4 2014
Net cash from operating activities	635	947	867	269
Net cash from investing activities	11	(26)	(56)	(319)
Net cash from financing activities	0	0	0	0
<b>Net cash flow for the period</b>	<b>646</b>	<b>921</b>	<b>811</b>	<b>(50)</b>

## 3 Revenue

(NOK million)	Note	Q4 2015	Q4 2014	YTD Q4 2015	YTD Q4 2014
<b>Continued operations</b>					
Sale of oil		1	4	10	27
Sale of gas and NGL		0	1	3	10
<b>Total revenue continued operations</b>		<b>1</b>	<b>5</b>	<b>13</b>	<b>37</b>
<b>Total revenue discontinued operations</b>	<b>2</b>	<b>28</b>	<b>139</b>	<b>431</b>	<b>1 106</b>
<b>Total revenue</b>		<b>28</b>	<b>145</b>	<b>444</b>	<b>1 143</b>

## 4 Production expenses

(NOK million)	Note	Q4 2015	Q4 2014	YTD Q4 2015	YTD Q4 2014
<b>Continued operations</b>					
Lulita		(1)	(2)	(6)	(9)
<b>Total production expenses continued operations</b>		<b>(1)</b>	<b>(2)</b>	<b>(6)</b>	<b>(9)</b>
<b>Total production expenses discontinued operations</b>	<b>2</b>	<b>(6)</b>	<b>(137)</b>	<b>(233)</b>	<b>(578)</b>
<b>Total production expenses</b>		<b>(7)</b>	<b>(140)</b>	<b>(238)</b>	<b>(587)</b>

## 5 Exploration and evaluation expenses

(NOK million)	Note	Q4 2015	Q4 2014	YTD Q4 2015	YTD Q4 2014
<b>Continued operations</b>					
Other exploration and evaluation costs		0	0	0	0
<b>Total exploration and evaluation costs continued operations</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total exploration and evaluation costs discontinued operations</b>	<b>2</b>	<b>(254)</b>	<b>(9)</b>	<b>(593)</b>	<b>(836)</b>
<b>Total exploration and evaluation costs</b>		<b>(254)</b>	<b>(9)</b>	<b>(593)</b>	<b>(837)</b>

## 6 Payroll expenses

(NOK million)	Note	Q4 2015	Q4 2014	YTD Q4 2015	YTD Q4 2014
<b>Continued operations</b>					
Salaries		(1)	1	(14)	(11)
Social security tax		0	0	0	0
Pensions costs		0	0	(1)	0
Costs relating to share-based payments		0	(1)	(3)	(2)
Other personnel expenses		0	0	0	0
Personnel expenses charged to operated licences		0	0	0	0
<b>Total personnel expenses continued operations</b>		<b>(1)</b>	<b>0</b>	<b>(18)</b>	<b>(14)</b>
<b>Total personnel expenses discontinued operations</b>	<b>2</b>	<b>(16)</b>	<b>(12)</b>	<b>(58)</b>	<b>(74)</b>
<b>Total personnel expenses</b>		<b>(17)</b>	<b>(11)</b>	<b>(76)</b>	<b>(87)</b>
Average number of employees, continued operations		5	4	4	4
Average number of employees, discontinued operations		22	47	31	48
Average number of employees		27	51	35	52

The staff in the discontinued operation consist of the E&P organisation in Denmark (discontinued in Q2 2015) and the organisation in Noreco Norway. The organisation in Norway is part of the agreement made with Djerv Energi AS, ref. note 2.

## 7 Other operating expenses

(NOK million)	Note	Q4 2015	Q4 2014	YTD Q4 2015	YTD Q4 2014
<b>Continued operations</b>					
Premises		0	0	(1)	(1)
IT expenses		0	0	(3)	(1)
Travel expenses		0	0	(1)	(1)
Office cost		(1)	0	(1)	(1)
Consultant fees <sup>(4)</sup>		(7)	(27)	0	(41)
Other operating expenses		0	(1)	(3)	(3)
<b>Total other operating expenses continued operations</b>		<b>(8)</b>	<b>(28)</b>	<b>(8)</b>	<b>(48)</b>
<b>Total other operating expenses discontinued operations</b>	<b>2</b>	<b>(9)</b>	<b>(11)</b>	<b>(34)</b>	<b>(57)</b>
<b>Total other operating expenses</b>		<b>(17)</b>	<b>(40)</b>	<b>(43)</b>	<b>(104)</b>

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

## 8 Other (losses) / gains

(NOK million)	Note	Q4 2015	Q4 2014	YTD Q4 2015	YTD Q4 2014
<b>Continued operations</b>					
Change in value, other derivatives		1	(4)	2	(5)
Gain /(loss) on sale of assets		0	0	4	0
<b>Total other (losses)/gains continued operations</b>		<b>1</b>	<b>(4)</b>	<b>7</b>	<b>(5)</b>
<b>Total other (losses)/gains discontinued operations</b>	<b>2</b>	<b>(75)</b>	<b>30</b>	<b>(70)</b>	<b>30</b>
<b>Total other (losses) / gains</b>		<b>(75)</b>	<b>26</b>	<b>(63)</b>	<b>25</b>

## 9 Financial income and expenses

(NOK million)	Note	Q4 2015	Q4 2014	YTD Q4 2015	YTD Q4 2014
<b>Financial income</b>					
<b>Continued operations</b>					
Interest income		8	7	16	23
Gain on extinguishment of debt <sup>(1)</sup>		0	0	2 176	0
Change in fair value of bond debt <sup>(1)</sup>		0	0	58	0
Currency translation income		36	64	166	134
Other financial income		1	8	14	95
<b>Total financial income continued operations</b>		<b>45</b>	<b>78</b>	<b>2 431</b>	<b>252</b>
<b>Total financial income discontinued operations</b>	<b>2</b>	<b>2</b>	<b>5</b>	<b>11</b>	<b>15</b>
<b>Total financial income</b>		<b>47</b>	<b>83</b>	<b>2 442</b>	<b>267</b>

1) See note 15

(NOK million)	Note	Q4 2015	Q4 2014	YTD Q4 2015	YTD Q4 2014
<b>Financial expenses</b>					
<b>Continued operations</b>					
Interest expense from bond loans		(12)	(566)	(91)	(820)
Interest expenses current liabilities		(22)	(0)	(22)	(1)
Accretion expense related to asset retirement obligations		(0)	(0)	(1)	(1)
Currency translation expense		0	(5)	(65)	(48)
Change in fair value of bond debt <sup>(1)</sup>		(161)	0	(437)	0
Other financial expenses		(17)	0	0	0
<b>Total financial expenses continued operations</b>		<b>(212)</b>	<b>(572)</b>	<b>(617)</b>	<b>(870)</b>
<b>Total financial expenses discontinued operations</b>	<b>2</b>	<b>(8)</b>	<b>(38)</b>	<b>(89)</b>	<b>(177)</b>
<b>Total financial expenses</b>		<b>(219)</b>	<b>(610)</b>	<b>(705)</b>	<b>(1 047)</b>
<b>Net financial items continued operation</b>		<b>(167)</b>	<b>(494)</b>	<b>1 814</b>	<b>(617)</b>
<b>Net financial items discontinued operation</b>	<b>2</b>	<b>(5)</b>	<b>(33)</b>	<b>(77)</b>	<b>(163)</b>
<b>Net financial items</b>		<b>(172)</b>	<b>(527)</b>	<b>1 737</b>	<b>(780)</b>

1) See note 15

# 10 Tax

## Income tax

(NOK million)	Q4 2015	Q4 2014	YTD Q4 2015	YTD Q4 2014
Income (loss) before tax	(813)	(1 686)	665	(4 520)
Income tax benefit / (expense)	198	(60)	0	1 609
Equivalent to a tax rate of	24.3 %	(3.5 %)	0.1 %	35.6 %

The effective tax rate for the fourth quarter 2015 was 24.3 per cent compared to 3.5 per cent for the same period last year. Noreco operates in three countries and six different tax regimes with separate tax rates. As such, the weighted average tax rate varies from quarter to quarter based on variations of the tax basis. More information regarding the relevant tax rates may be found in the annual report for 2014 in note 2.19.

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 31.12.15 (NOK million)	Offshore		Onshore	
	Recognised	Un-recognised	Recognised	Un-recognised
<i>Norway (offshore 53% / onshore 25%)</i>				
Norwegian Energy Company ASA	0	0	0	676
Altinex AS	0	0	0	3
Noreco Norway AS	489	0	473	0
<i>Denmark (offshore 39% / onshore 25%)</i>				
Noreco Denmark A/S	0	0	3	0
Noreco Oil Denmark A/S	53	5 306	0	0
Noreco Petroleum Denmark A/S	14	907	0	0
<i>UK (offshore 20% / onshore 30%)</i>				
Norwegian Energy Company (UK) Ltd.	0	679	0	679
Noreco Oil (UK) Ltd.	0	935	0	753
<b>Total tax loss carry forward</b>	<b>556</b>	<b>7 827</b>	<b>476</b>	<b>2 111</b>

The onshore tax loss carry forwards in Noreco Norway AS is subject to the Norwegian Petroleum Taxation Act §3c. The tax balances included in the Oselvar transaction has been netted against Gain/Loss.

Tax loss carry forwards in the Danish offshore tax regime of NOK 6 213 million has been calculated according to Chapter 3A in the Danish Hydrocarbon Taxation Act (kulbrinteskatteloven). Approximately NOK 330 million is time limited and will lapse by 2016. Current forecasts also indicate that the remaining tax loss carry forwards will not be utilised.

## Tax refund

(NOK million)	31.12.15	31.12.14
Tax refund related to Norwegian exploration activity in 2015	119	0
Tax refund related to Norwegian exploration activity in 2014	0	315
<b>Total tax refund</b>	<b>119</b>	<b>315</b>

## Tax receivables

(NOK million)	31.12.15	31.12.14
Tax receivables in Norway	0	0
Tax receivables in other countries	0	0
<b>Total tax receivables</b>	<b>0</b>	<b>0</b>

## Tax payable

(NOK million)	31.12.15	31.12.14
Tax payable in Norway	0	0
Tax payable other countries	37	28
<b>Total tax payable</b>	<b>37</b>	<b>28</b>

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

As disclosed in the report for the first quarter 2015 the Company have received inquiries from the Danish tax authorities regarding tax treatment of certain divestments executed in 2011. In January 2016 the company received a ruling resulting in an increased tax payment for 2011 of NOK 37 million which has been accounted for. However, the Company is of the opinion that all transactions have been treated correctly in the submitted tax returns and the ruling therefore will be challenged.

# 11 Intangible non-current assets

(NOK million)	Licence and capitalised exploration expenditures	Goodwill	Total
Acquisition costs 01.01.15	325	1 157	1 482
Additions	185	0	185
Expensed exploration expenditures previously capitalised	(505)	0	(505)
Disposals	(11)	(209)	(220)
Reclassified to assets held for sale (see note 21)	0	(38)	(38)
Currency translation adjustment	6	185	191
<b>Acquisition costs 31.12.15</b>	<b>0</b>	<b>1 095</b>	<b>1 095</b>
<b>Accumulated depreciation and write-downs</b>			
Accumulated depreciation and write-downs 01.01.15	0	(1 134)	(1 134)
Write-downs		(13)	(13)
Disposals		198	198
Reclassified to assets held for sale (see note 21)		38	38
Currency translation adjustment		(183)	(183)
<b>Accumulated depreciation and write-downs 31.12.15</b>		<b>(1 095)</b>	<b>(1 095)</b>
<b>Book value 31.12.15</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Impairment test Q4 2015

For detailed description of applied methodology for the impairment test, reference is made to note 12 included in the annual financial statements for 2014.

## Result from impairment test on 31 December 2015

The remaining goodwill was fully impaired in previous quarter.

## Result from impairment test of licence and capitalised exploration expenditures on 31 December 2015

The Djerv deal has the consequence that Noreco Norway AS no longer has any exploration licenses. The book value of its licenses was consequently impaired fully since asset classified as held for sale shall be recorded at the lower of carrying amount and fair value less cost to sell. The expensed book value is presented in the income statement as an exploration expense, ref. Note 2.

## 12 Property, plant and equipment

(NOK million)	Production facilities	Machinery and equipment	Total
Acquisition costs 01.01.15	6 668	5	6 673
Additions	(6)	1	(5)
Revaluation abandonment assets	43	0	43
Disposals	(3 480)	0	(3 505)
Reclassified to assets held for sale (see note 21)	(78)	(1)	(79)
Currency translation adjustment	642	1	643
<b>Acquisition costs 31.12.15</b>	<b>(3 790)</b>	<b>6</b>	<b>3 770</b>
<b>Accumulated depreciation and write-downs</b>			
Accumulated depreciation and write-downs 01.01.15	(6 241)	(5)	(6 245)
Depreciation	(71)	0	(71)
Disposals	3 454	0	3 479
Write-downs	(418)	(1)	(419)
Reclassified to assets held for sale (see note 21)	78	1	79
Currency translation adjustment	(590)	(1)	(591)
<b>Accumulated depreciation and write-downs 31.12.15</b>	<b>(3 788)</b>	<b>(6)</b>	<b>(3 768)</b>
<b>Book value 31.12.15</b>	<b>2</b>	<b>0</b>	<b>2</b>

### Impairment test Q4 2015

For detailed description of applied methodology for the impairment test, reference is made to note 13 included in the annual financial statements for 2014.

#### Main assumptions applied for the impairment test on 31 December 2015:

Discount rate (after tax)	10.0 percent
Inflation	2.0 percent
Cash flow	After tax
Prognosis period	Estimated lifetime of the oil/gas field or expected ownership term if shorter
Reserves/resources	Internal estimated reserves and resources on 31 December 2015
Oil price	Forward curve for oil price for the period 2016-2017 From 2018 the oil price is adjusted for inflation
Currency rates	Average forward-rate for the period 2016-2018. From 2019 the average rate for 2018 is used

#### Result from impairment test on 31 December 2015

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

The value of the Lulita Field was written down by NOK 2 million before tax.

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

(NOK million)	31.12.2015	31.12.2014
<b>Non-current assets</b>		
Other receivables <sup>(1)</sup>	521	440
<b>Total non-current receivables</b>	<b>521</b>	<b>440</b>
<b>Current assets</b>		
Trade receivables	2	86
Receivables from operators relating to joint venture licences	5	48
Underlift of oil/NGL	0	23
Prepayments	1	12
Other receivables	13	20
<b>Total trade receivables and other current receivables</b>	<b>21</b>	<b>189</b>

1) The company continues to progress an insurance claim which is related to damage to the Siri platform that was discovered in 2009. The total claim exceeds NOK 3 billion, of which NOK 521 million (the USD amount is unchanged since 31 December 2014) is recognised as a non-current receivable at 31 December 2015. The book value of the receivable relates to costs incurred to prevent further damage, and loss of production income in 2009/2010. Based on technical documentation containing third party evaluations and the insurance agreements, the company remains firm that the claim is covered and at a minimum the booked amounts will be awarded.

The court hearing has been scheduled for September 2016.

# 14 Restricted cash, bank deposits, cash and cash equivalents

## Restricted cash, bank deposits, cash and cash equivalents

(NOK million)	31.12.2015	31.12.2014		
<b>Non-current assets</b>				
Restricted cash pledged as security for abandonment obligation in Denmark, DKK 445 million plus interest (see note 19)	581	546		
Other restricted cash and bank deposits	39	31		
<b>Total non-current restricted cash</b>	<b>620</b>	<b>576</b>		
<b>Current assets</b>				
Other restricted cash and bank deposits (Bond holder pledge account, Withholding tax etc.)	178	33		
<b>Total current restricted cash</b>	<b>178</b>	<b>33</b>		
Unrestricted cash, bank deposits, cash equivalents and quoted shares	452	644		
<b>Total bank deposits</b>	<b>1 250</b>	<b>1 254</b>		
<b>Overdraft facilities</b>				
(NOK million)	Facility amount	Used	Unused	Available
NOK (Exploration loan facility in Noreco Norway AS) <sup>(1)</sup>	400	110	0	0
<b>Total</b>	<b>400</b>	<b>110</b>	<b>0</b>	<b>0</b>
Unrestricted cash and cash equivalents				452
<b>Accessible liquidity at 31.12.15</b>				<b>452</b>

1) The basis for utilisation of the exploration loan facility is 70 percent of exploration losses which are entitled to 78 percent tax refund from the Norwegian tax authorities. The cross default clause is limited to borrowings within Noreco Norway.

The exploration loan facility amount has after year end been reduced to the actual drawn down amount.

# 15 Borrowings

## 15.1 Principal amounts and book values

(NOK million)	31.12.2015		31.12.2014	
	Principal amount	Book value	Principal amount	Book value
<b>Non-current debt</b>				
NOR06 bond loan, amended and restated	477	367	0	0
NOR10 bond loan, amended and restated	156	134	0	0
<b>Total non-current bonds</b>	<b>634</b>	<b>501</b>	<b>0</b>	<b>0</b>
Exploration loan	0	0	0	0
<b>Total non-current other interest bearing debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Current debt</b>				
Bond loan NOR06	0	0	588	588
Bond loan NOR10	0	0	1 372	1 372
Bond Loan NOR11	0	0	722	722
Bond Loan NOR12 Convertible	0	0	369	369
Amended and restated NOR06	160	160	0	0
Amended and restated NOR10	200	170	0	0
<b>Total current bonds</b>	<b>361</b>	<b>331</b>	<b>3 051</b>	<b>3 051</b>
Exploration loan	110	110	284	284
<b>Total current other interest bearing debt</b>	<b>110</b>	<b>110</b>	<b>284</b>	<b>284</b>
<b>Total borrowings</b>	<b>1 104</b>	<b>942</b>	<b>3 335</b>	<b>3 335</b>

## 15.2 Subsequent measurement and events in fourth quarter

In second quarter an agreement between Noreco and CapeOmega was reached regarding the sale of Norecos 15% interest in Oselvar (PL274 and PL274 CS) for a total consideration of NOK 201 million. The sale received the necessary approval from the Norwegian authorities in Q4, and a repayment on NOR06 will take place in Q1 2016. The amount of repayment has been classified as a current liability. The remainder has been valued at fair value.

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

The subsequent measurement depends on which category the borrowings have been classified into. The categories applicable for Noreco are either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost using the effective interest method. Noreco has designated the amended and restated bond loans at fair value through profit or loss. The following fair values were applied for the amended and restated bond loans at the end of fourth quarter:

Amended and restated NOR06	82.7 %
Amended and restated NOR10	85.3 %

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

## 16 Trade payables and other current liabilities

(NOK million)	31.12.15	31.12.14
Trade payable	3	17
Liabilities to operators relating to joint venture licences	101	224
Overlift of oil/NGL	0	4
Accrued interest	17	114
Salary accruals	0	11
Public duties payable	1	8
Other current liabilities	39	79
<b>Total other current liabilities</b>	<b>162</b>	<b>458</b>

## 17 Financial instruments

### 17.1 Fair value hierarchy

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

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

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

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

On 31.12.2015

(NOK million)	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Quoted shares	3	0	0	3
<b>Total assets</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>3</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements and trading derivatives	0	1	0	1
- Bond loans	304	0	527	832
<b>Total liabilities</b>	<b>304</b>	<b>1</b>	<b>527</b>	<b>833</b>

On 31.12.2014

(NOK million)	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Trading derivatives	0	28	0	28
- Underlift of oil	0	23	0	23
<b>Total assets</b>	<b>0</b>	<b>51</b>	<b>0</b>	<b>51</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements and trading derivatives	0	3	0	3
- Overlift of oil	0	4	0	4
<b>Total liabilities</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>8</b>

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

The fair value of commodity derivatives and over/underlift of hydrocarbons are based on the spot oil price at closing date. The fair value of interest rate swap agreements is based on market's expectation for future interests. The fair value of foreign exchange derivatives are based on the spot foreign exchange rate at the closing date, as well as the market's expectation for future interests. Fair value of bond loans are based on executed trades at applicable market places and if appropriate, supplemented by other market based information such as broker quotes and subsequent trades adjusted for any significant time differences.

## 17.2 Financial instruments by category

On 31.12.2015

(NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
<b>Assets</b>			
Trade receivables and other current assets	20	0	21
Restricted cash	798	0	798
Bank deposits, cash, cash equivalents and quoted shares	450	3	452
<b>Total</b>	<b>1 268</b>	<b>3</b>	<b>1 271</b>

(NOK million)	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
<b>Liabilities</b>			
Bonds	0	832	832
Other interest bearing debt	110	0	110
Derivatives	0	1	1
Trade payables and other current liabilities	162	0	162
<b>Total</b>	<b>272</b>	<b>833</b>	<b>1 104</b>

On 31.12.2014

(NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
<b>Assets</b>			
Derivatives	0	28	28
Trade receivables and other current assets	154	23	177
Restricted cash	609	0	609
Bank deposits, cash and cash equivalents	644	0	644
<b>Total</b>	<b>1 408</b>	<b>51</b>	<b>1 459</b>

(NOK million)	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
<b>Liabilities</b>			
Bonds	3 051	0	3 051
Other interest bearing debt	284	0	284
Derivatives	0	3	3
Trade payables and other current liabilities	442	4	447
<b>Total</b>	<b>3 777</b>	<b>8</b>	<b>3 785</b>

## 17.3 Financial instruments - Fair values

Set out below is a comparison of the carrying amounts and fair value of financial instruments as on 31 December 2015:

(NOK million)	Carrying amount	Fair value
<b>Financial assets:</b>		
Trade receivables and other current assets	21	21
Restricted cash	798	798
Bank deposits, cash, cash equivalents and quoted shares	452	452
<b>Total</b>	<b>1 271</b>	<b>1 271</b>
<b>Financial liabilities:</b>		
Bond loans	832	832
Other interest bearing debt	110	110
Derivatives	1	1
Trade payables and other current liabilities	162	162
<b>Total</b>	<b>1 104</b>	<b>1 104</b>

## 18 Segment reporting

The group has in fourth quarter 2015 ceased its oil and gas activities and is focusing on implementing the new strategy which is considered as one operating segment.

Following the financial restructuring, completed in March 2015, the group in first quarter reassessed its segment reporting. As a result from the clear separation between Noreco Norway AS (Ringfence 2) and the rest of the group (Ring fence 1) in the amended and restated bond loan agreements (see note 14), the operating segments of Noreco was from Q1 divided into two, Noreco Norway Group (Ringfence 2) and the rest of the group - "Other - Ringfence 1".

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

Financial information for the operating segments should reflect management reporting. For management reporting the bond loans are valued and presented to the principal amount and change in fair value and amortisation of unrealised gain is excluded in the income statement. Furthermore, as it is clear from management perspective that the subsidiary Noreco Oil (UK) Ltd is unable to raise financing for its liabilities and that the group is also unable to support the company, the liability of NOK 283 mill has been derecognised to reflect the real value of the company to the group.

31.12.2015 (YTD)

(NOK million)	Group	GAAP adjustments	IFRS Group
<b>Condensed income statement</b>			
Revenue	13	0	13
Total operating expenses	(26)	0	(26)
Depreciations	(2)	0	(2)
Write-downs and reversals	(11)	0	(11)
Net operating result	(25)	0	(25)
Net financial items	1 681	133	1 814
Result before tax	1 656	133	1 789
Income tax benefit / (expense)	30	(28)	2
Net result for the period discontinued operations after tax	(809)	(317)	(1 126)
Net result for the period	877	(212)	665
<b>Condensed statement of financial positions</b>			
Licence and capitalised exploration expenses	0	0	0
Goodwill	0	0	0
Property, plant and equipment	2	0	2
Other	2 302	(28)	2 275
Total assets	2 304	(28)	2 277
Equity	360	(216)	144
Asset retirement obligations	586	251	837
Bond loans	964	(133)	832
Other liabilities	395	70	465
Total liabilities	1 945	188	2 133
<b>Capital expenditures</b>			
Capital expenditures production facilities	(5)	0	(5)
Capital expenditures asset under construction	0	0	0
Capital expenditures exploration and evaluations	185	0	185
Total capital expenditures	180	0	180

Operational segment information 31.12.2015 (YTD)

(NOK million)	Other Noreco Norway Ringfence 1 Ringfence 2	Inter company	Group	GAAP adjustments	IFRS Group
<b>Condensed income statement</b>					
Revenue	13	0	0	13	13
Total operating expenses	(26)	0	0	(26)	(26)
Depreciations	(2)	0	0	(2)	(2)
Write-downs and reversals	(11)	0	0	(11)	(11)
Net operating result	(25)	0	0	(25)	(25)
Net financial items	1 716	(35)	0	1 681	1 814
Result before tax	1 691	(35)	0	1 656	1 789
Income tax benefit / (expense)	23	7	0	30	2
Net result for the period discontinued operations after tax	(517)	(292)	0	(809)	1 126
Net result for the period	1 197	(320)	0	877	665
<b>Condensed statement of financial positions</b>					
Licence and capitalised exploration expenses	0	0	0	0	0
Goodwill	0	0	0	0	0
Property, plant and equipment	2	0	0	2	2
Other	1 511	791	0	2 302	2 275
Total assets	1 513	791	0	2 306	2 277
Equity	332	28	0	360	144
Asset retirement obligations	586	0	0	586	837
Bond loans	327	638	0	964	832
Other liabilities	269	126	0	395	465
Total liabilities	1 181	763	0	1 945	2 133
<b>Capital expenditures</b>					
Capital expenditures production facilities	(6)	1	0	(5)	(5)
Capital expenditures asset under construction	0	0	0	0	0
Capital expenditures exploration and evaluations	114	71	0	185	185
Total capital expenditures	108	71	0	180	180

**Operational segment information 31.12.2014 (YTD)**

(NOK million)	Other Noreco Norway Ringfence 1 Ringfence 2	Inter company	Group	GAAP adjustments	IFRS Group
<b>Condensed income statement</b>					
Revenue	37	0	0	37	37
Total operating expenses	(75)	0	0	(75)	(75)
Depreciations	(6)	0	0	(6)	(6)
Write-downs and reversals	1	0	0	1	1
Net operating result	(43)	0	0	(43)	(43)
Net financial items	(581)	(36)	0	(617)	(617)
Result before tax	(624)	(36)	0	(660)	(660)
Income tax benefit / (expense)	44	10	0	54	54
Net result for the period discontinued operations after tax	(2 088)	(218)	0	(2 306)	(2 306)
Net result for the period	(2 667)	(244)	0	(2 912)	(2 912)
<b>Condensed statement of financial positions</b>					
Licence and capitalised exploration expenses	66	259	0	325	325
Goodwill	23	0	0	23	23
Property, plant and equipment	428	0	0	428	428
Other	1 942	917	0	2 859	2 859
Total assets	2 458	1 176	0	3 634	3 634
Equity	(928)	125	0	(803)	(803)
Asset retirement obligations	540	73	0	612	612
Bond loans	3 051	0	0	3 051	3 051
Other liabilities	(205)	978	0	773	773
Total liabilities	3 386	1 051	0	4 437	4 437
<b>Capital expenditures</b>					
Capital expenditures production facilities	12	0	0	12	12
Capital expenditures asset under construction	0	0	0	0	0
Capital expenditures exploration and evaluations	40	267	0	307	307
Total capital expenditures	52	267	0	319	319

# 19 Asset retirement obligations

(NOK million)	31.12.15	31.12.14
Balance on 1.1.	612	327
Provisions and change of estimates made during the year	157	166
Accretion expense	38	34
Reclassified to liabilities held for sale (see note 21)	(12)	0
Reversed provision from disposal of assets	(77)	0
Currency translation	118	85
<b>Total provision made for asset retirement obligations</b>	<b>837</b>	<b>612</b>

In second quarter, as part of the overall restructuring, an agreement was reached that entails that the partners will take over Noreco's share of the Nini and Cecilie licences (for more information see second quarter report). The restricted cash account of DKK 445 million plus interest, set aside for future abandonment costs for Nini and Cecilie will not be transferred. The Danish part of Noreco remains liable for the abandonment obligation, but the liability is in any and all circumstances limited to a maximum amount which equals the restricted cash account of DKK 445 million plus interest. Total provision made for asset retirement obligations reflects this. The balance as per 31.12.2015 is NOK 581 million for Nini/Cecilie, NOK 251 million for Huntington and NOK 5 million for Lulita.

## 20 Shares and share capital

(NOK million)	No. of shares	Share Capital
31 December 2014	56 757 843	568
<i>Change in share capital in 2015</i>		
Share capital reduction on 3 March 2015	0	(562)
Share issue on 23 March 2015	652 715 195	65
Reverse split 13 May 2015	(702 378 308)	0
Number of shares and share capital 31 December 2015	7 094 730	71

Earnings per share for comparable periods have been revised due to reverse splits that have been carried out.

A reverse split of the company's shares in the ratio 100:1 was carried out on 13 May 2015. By completion of the reverse split, the company's share capital was NOK 70 947 303.8 divided on 7 094 730 ordinary shares, each with a nominal value NOK 10.

## 21 Sale of assets and assets and liabilities held for sale

Noreco Norway has entered into an agreement with CapeOmega for CapeOmega to take over Noreco Norway's share in the oil production field Enoch. The conclusion of the agreement is pending government approval.

Noreco Norway has entered into an agreement with Djerv Energi AS for Djerv Energi AS to take over Noreco Norway's E&P business including its operatorships, its employment contracts, other contracts related to the operation whereby Noreco Norway will have only its tax balances, loans and cash balances left. The conclusion of the agreement is pending government and bondholder approval.

Both transactions imply that the assets and liabilities in the deals have accordingly been reclassified as held for sale and impaired since asset classified as held for sale shall be recorded at the lower of carrying amount and fair value less cost to sell.

### Specification of assets held for sale:

(NOK million)	31.12.15
Trade receivables and other current assets	12
<b>Total assets held for sale</b>	<b>12</b>

### Specification of liabilities held for sale:

(NOK million)	31.12.15
Asset retirement obligations	(12)
Net book value assets	0
Trade payables and other current liabilities	(96)
<b>Total liabilities held for sale</b>	<b>(107)</b>

## 22 Subsequent events

On 3 February 2016 it was announced that Noreco failed to achieve the necessary approval for the Djerv transaction from the NOR06 bondholders; nevertheless, management regards it as highly likely that a slightly amended transaction will achieve the necessary support from the bondholders and that the transaction will be completed within the first half of 2016.

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

## INFORMATION ABOUT NORECO

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### Financial calendar 2016

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

### Board of Directors Noreco

Riulf Rustad Chair  
Silje Augustson  
Julien Balkany

### Noreco management

Silje Augustson Group CEO

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### Annual reports

Annual reports for Noreco are available on [www.noreco.com](http://www.noreco.com)

### Quarterly publications

Quarterly reports and supplementary information for investors and analysts are available on [www.noreco.com](http://www.noreco.com). The publications can be ordered by sending an e-mail to [investorrelations@noreco.com](mailto:investorrelations@noreco.com).

### News releases

In order to receive news releases from Noreco, please register on [www.noreco.com](http://www.noreco.com) or send an email to [investorrelations@noreco.com](mailto:investorrelations@noreco.com).



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