

# Fourth quarter 2014

Key financials

27 February 2015

This presentation only includes a summary of the numbers in the Q4 2014 report. In order to understand the financial situation of Noreco, particularly going concern and default considerations, please read the full Q4 2014 report.



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# Income statement

NOK million	Q4 '14	Q3 '14	FY 14	FY 13
<b>Total revenues</b>	<b>145</b>	<b>296</b>	<b>1 143</b>	<b>894</b>
Production expenses	(140)	(177)	(587)	(430)
Exploration expenses	(9)	(629)	(837)	(666)
Payroll	(11)	(23)	(87)	(127)
Other op. expenses	(40)	(21)	(104)	(95)
Other gain/(loss)	26	(2)	25	(15)
<b>EBITDA</b>	<b>(28)</b>	<b>(556)</b>	<b>(448)</b>	<b>(440)</b>
Depreciation	(42)	(115)	(407)	(319)
Write-downs	(1 089)	(1 818)	(2 885)	(1 211)
<b>EBIT</b>	<b>(1 159)</b>	<b>(2 490)</b>	<b>(3 740)</b>	<b>(1 969)</b>
Bond restructuring/ default effects	(510)	(36)	(622)	523
Net other financial items	(17)	(64)	(158)	(508)
<b>EBT</b>	<b>(1 686)</b>	<b>(2 589)</b>	<b>(4 520)</b>	<b>(1 954)</b>
Tax	(60)	1 488	1 609	947
<b>Net result</b>	<b>(1 746)</b>	<b>(1 101)</b>	<b>(2 912)</b>	<b>(1 008)</b>

- **Revenues**  
Production shortfall on Huntington, Nini continues to perform well.
- **Write-downs** of NOK 570 mill after tax, see slide 4 for further details
- **Bond restructuring/default effects** marked by default, leading to non-cash amortisation of NOK 510 mill in Q4
- **Tax** impacted by derecognition of deferred tax assets in DK and the UK of NOK 618 mill

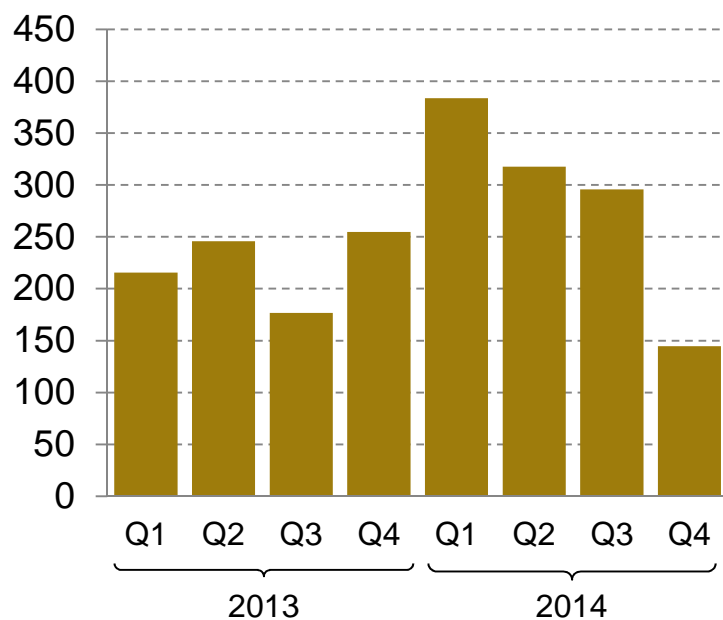
## Write-downs and reversals

Items (NOK mill)	Write-downs and reversals Q4		Write-downs and reversals YTD	
	Before tax	After tax	Before tax	After tax
Goodwill UK	-	-	(134)	(134)
Huntington Forties	(635)	(241)	(1 978)	(752)
Siri Fairway (Nini and Cecilie)	(389)	(292)	(327)	(245)
Goodwill Denmark	(29)	(29)	(29)	(29)
Oselvar	(25)	(5)	(396)	(117)
Enoch	(11)	(3)	(21)	(5)
<b>Total write-downs and reversals</b>	<b>(1 089)</b>	<b>(570)</b>	<b>(2 885)</b>	<b>(1 282)</b>

- The impairment test for Q4 was based on forward curve as of 31 December. Reduced oil price assumptions make up for ~90% of impairment in Q4.
  - A 10 per cent reduction in oil prices compared to oil prices applied in impairment test would have increased write-downs by NOK 130 mill before tax.
  - A 10 per cent increase in oil prices would have reduced write-downs by NOK 210 mill before tax

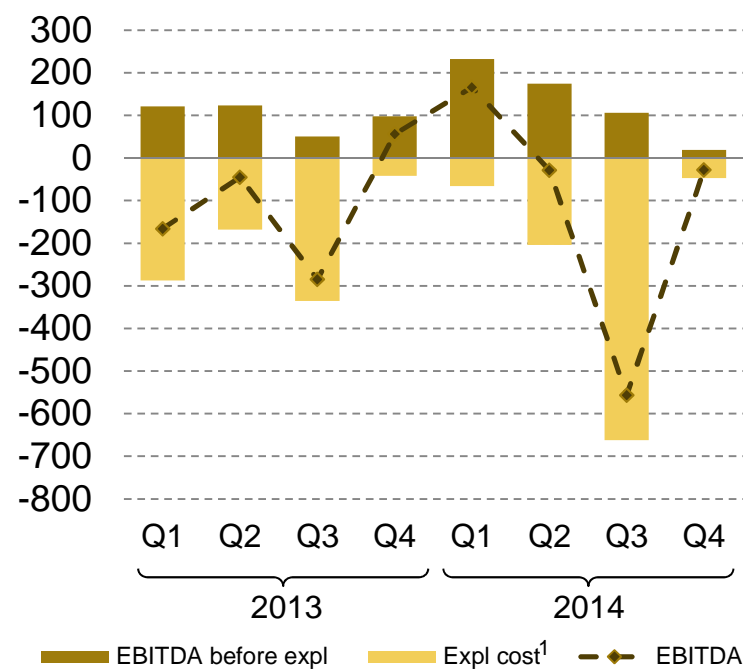
# Revenue & EBITDA (NOK mill)

## Revenues



- Q4 revenues marked by shortfall in Huntington output. Field closed 18 October. Restricted output from mid-December

## EBITDA / Exploration expenses



<sup>1</sup> Exploration cost includes exploration expenses and G&A related to the exploration department

# Balance sheet

NOK million	31.12.14	30.09.14	31.12.13
<b>Assets</b>			
Non-current assets <sup>1</sup>	2 425	3 532	4 797
Current assets <sup>1</sup>	565	608	1 005
Cash (non-restricted)	644	736	403
<b>Total assets</b>	<b>3 634</b>	<b>4 876</b>	<b>6 205</b>
<b>Equity and liabilities</b>			
Total equity	(803)	763	1 750
Long-term liabilities	612	2 798	3 220
Current liabilities	3 825	1 315	1 235
<b>Total liabilities</b>	<b>4 437</b>	<b>4 113</b>	<b>4 455</b>
<b>Total equity and liabilities</b>	<b>3 634</b>	<b>4 876</b>	<b>6 205</b>
<b>Net interest-bearing debt ex. exploration facility</b>	<b>2 407</b>	<b>1 822</b>	<b>2 077</b>

<sup>1</sup> See Section Additional information for balance sheet specifications

- **Equity ratio negative**
  - Reduction due to Q4 asset impairment, deferred tax assets derecognition and bond effects from default
- **Restricted cash**
  - 546 mill Siri Fairway abandonment security (long-term)
  - 64 mill others (31 mill long-term and 33 mill short-term)
- **Total non-restricted cash** of 644 mill
- **Bond loans** in default
  - Reclassified to current liabilities

# Additional information

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### Balance sheet specifications

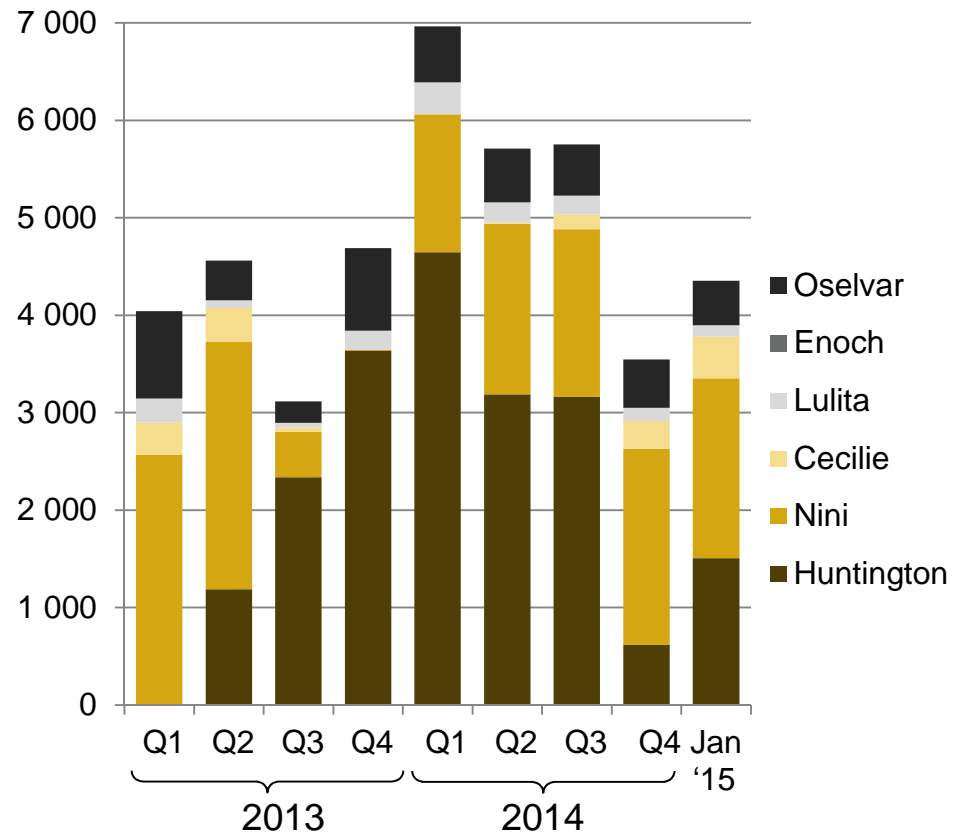
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# Production overview



- **Huntington** closed since mid-October. Restricted production since mid-December
- **Nini** and **Cecilie** producing well, now with permanent Siri solution in place
- **Lulita** relatively stable, although somewhat affected by technical issues at nearby field
- **Oselvar** fairly stable through the quarter
- **Enoch** expected back on stream in Q1

**Noreco production**  
(quarterly average in boepd)





# Production per field

(boepd)

Field	Noreco share	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13
Oselvar	15 %	497	528	550	574	850
Enoch	4.36 %	0	0	0	0	0
Lulita	28.2 %	136	192	172	330	196
Nini	30 %	2 012	1 722	1 839	1 415	0
Cecilie	61 %	286	152	15	0	0
Huntington	20 %	616	3 160	3 187	4 646	3 637
<b>Total</b>		<b>3 548</b>	<b>5 755</b>	<b>5 763</b>	<b>6 964</b>	<b>4 682</b>

# Revenue per field

(NOK million)

Field	Noreco share	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13
Oselvar	15 %	19	25	25	30	40
Enoch	4.36 %	2	0	0	0	0
Lulita	28.2 %	5	9	8	15	10
Nini	30 %	85	95	113	82	0
Cecilie	61 %	10	9	1	0	0
Huntington	20 %	23	158	172	257	206
<b>Total</b>		<b>145</b>	<b>296</b>	<b>318</b>	<b>384</b>	<b>255</b>

Oil production make up for approximately 85 percent of total production at Huntington in 2014, while gas and NGL make up for the remaining 15 percent. At Nini corresponding numbers are 100 percent oil and no gas and NGL.

# Production expenses per field

(NOK million)

Field	Noreco share	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13
Oselvar	15 %	11	7	6	6	14
Enoch	4.36 %	1	0	0	2	15
Lulita	28.2 %	2	1	2	3	4
Nini*	30 %	54	95	55	48	38
Cecilie*	61 %	16	14	7	14	7
Huntington	20 %	55	59	62	66	60
<b>Total</b>		<b>140</b>	<b>177</b>	<b>132</b>	<b>138</b>	<b>139</b>

Production expenses (OPEX) are to a great extent independent of production. In average approximately 90 percent of the production expenses year to date Q4 2014 are independent of production.

\*Nini and Cecilie production expenses in Q3 2014 includes one-off, non-cash expenses of NOK 36 mill and NOK 4 mill, respectively

# Balance sheet specifications

Producing assets (NOK million)

Asset	Gross book value	Asset retirement obligation	Deferred tax (-asset)*	Net book value
Oselvar	0	64	-348	283
Enoch	0	8	-6	-2
Lulita	37	11	6	20
Nini and Cecilie	0	364**	-108	-255
Huntington Forties	390	165	-409	634
<b>Total producing assets</b>	<b>427</b>	<b>612</b>	<b>-865</b>	<b>680</b>

\*Table shows technical deferred tax liabilities/-assets. Deferred tax assets related to the Danish and UK entities have partially or entirely been derecognised in Q4 2014, in total NOK 618 mill.

\*\*Nini and Cecilie abandonment obligation funded by NOK 546 mill (DKK 445 mill) in escrow.

# Balance sheet specifications

Intangible assets (NOK million)

Asset	Gross book value	Deferred tax (-asset)	Net book value
Goodwill Denmark	23	0	23
<b>Total Goodwill</b>	<b>23</b>	<b>0</b>	<b>23</b>
Gohta	254	198	56
Xana	60	15	45
Niobe	6	4	2
Other licences	4	3	1
<b>Total licence and capitalised exploration expenditures</b>	<b>325</b>	<b>220</b>	<b>104</b>

# Siri insurance claim

## Status

- Gross book value at the end of Q4 is NOK 440 mill,  
NOK 385 mill after tax
  - USD amount unchanged at 59 mill
  - Total claim is well above NOK 2 billion  
(~ USD 400 mill plus interests)
- Continues to progress the claim towards final court hearings
- Written pleadings now concluded
- Underwriters requested appointment of a technical expert to review and pronounce upon the technical evidence
- Ruling from the court expected late 2016
- Noreco's view on its legal position in this case has not changed

