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NORECO NORWAY AS
SECOND QUARTER
2016

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REPORT FOR THE SECOND QUARTER 2016

NORECO NORWAY AS

SUMMARY

- With the financial restructuring in place, Noreco Norway has concentrated on implementing the new strategy, which entails an exit from hydrocarbon activities and monetising remaining assets.
- The transaction with Det Norske Oljeselskap ASA (“Detnor”) received Government approval and was completed on 30 June 2016. Management is now working towards ceasing all activities and will apply for the so-called ‘exit refund’.

BUSINESS DEVELOPMENT

On 2 March 2016 Noreco Norway announced that it had entered into an agreement for the sale of its remaining Norwegian petroleum activities. On 16 March it was announced that a bondholder meeting had approved the transaction. The transaction received the necessary government approval and was completed on the 30 June 2016. The organisation in Stavanger was transferred to Detnor on this date and all Noreco Norway's activities in Stavanger will now cease. Noreco Norway will apply for the "exit-refund" in 2017.

OUTLOOK

The realisation of the strategy is well underway and with approval from authorities of the Detnor deal, management focuses on realising remaining assets to settle outstanding Bond debt.

FINANCIALS

Other operating expenses from continued operations mainly consist of consultancy fees.

Net financial items from continued operations amounted to an income of NOK 2 million for the second quarter 2016 and relates to change in fair value of bond debt, partly offset by interest expenses. In the same period last year net financial items was an expense of NOK 128 million due to change in fair value on bond debt. Net financial items for the first half of 2016 amounted to an expense of NOK 6 million, due to interest expenses exceeding the change in fair value on bond debt.

Taxes from continued operations amounted to an income of NOK 3 million for the second quarter 2016, and an income of NOK 6 million for the first half of 2016. The tax is influenced by the Detnor deal and measurement of bonds at fair value.

Profit from discontinued operation in second quarter amounted to a loss of NOK 9 million compared to a loss of NOK 148 million for the same period in 2015. For the first half of 2016 the profit from discontinued operations amounted to NOK 23 million, compared to a loss of NOK 227 million in the same period in 2015. The profit in the first half of 2016 is mainly influenced by the Detnor transaction.

Net result for the second quarter of 2016 amounted to a loss of NOK 6 million, and a profit of NOK 20 million for the first half of 2016, compared to a loss of NOK 242 million in second quarter of 2015 and 51 million for the first half of 2015.

At the end of the second quarter 2016 Noreco Norway had a total of **cash and cash equivalents** of NOK 22 million.

Equity amounted to NOK 21 million at the end of the period. The equity was at year end 2015 NOK 0 million.

The **bond loan's** book value was NOK 362 million (principal amount NOK 486 million) at the end of the quarter compared to book value of NOK 527 million (principal amount of NOK 638 million) at the end of 2015. The book value of the bond loan is based on quoted prices. The company's exploration loan amounted to NOK 107 million at the end of the second quarter 2016, compared to NOK 110 million at the end of the 2015. Total interest-bearing debt at the end of the quarter had a book value of NOK 469 million (principal amount of NOK 593 million).

RISKS AND UNCERTAINTIES

Investment in Noreco Norway involves risks and uncertainties as described in the board of director's report and note 3 to the annual report 2015 of Norwegian Energy Company ASA. The most significant risks Noreco Norway is facing for the next twelve months are related to tax.

GOVERNANCE AND ORGANISATION

On 30 June 2016, as the Detnor deal was approved by the Government, Lars Fosvold stepped down as acting Managing Director, and was replaced by Riulf Frederik Rustad. At the start of 2016 the company had 21 employees, and at the end of the second quarter this number was reduced to 0.

Statement Pursuant to section 5-6 of the securities trading act

Today, the board of directors and CEO reviewed and approved the half-yearly interim financial report for the period 1 January through 30 June 2016.

The half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed by the EU, and the Norwegian additional requirements in the Securities Trading Act.

To the best of our knowledge:

- the half-yearly report has been prepared in accordance with applicable financial reporting standards
- the half-yearly financial statements give a true and fair view of the assets, liabilities, financial position and result as a whole for the period.
- the half-yearly financial board of director's report includes a fair review of
 - o important events that occurred during the accounting period and their impact on the half-yearly financial statements
 - o the principal risks and uncertainties for the remaining six months of the financial year
 - o major related party transactions.

Oslo, 31 August 2016

The Board of Directors and Chief Executive Officer Noreco Norway AS

Silje Augustson
Chair

Riulf Frederik Rustad
Board Member/CEO

Roar Flom
Board Member

STATEMENT OF COMPREHENSIVE INCOME

NOK million	Note	Q2 2016	Q2 2015	YTD Q2 2016	YTD Q2 2015	2015
Continued operations						
Other operating expenses	3	(1)	(0)	(3)	(0)	(7)
Total operating expenses		(1)	(0)	(3)	(0)	(7)
Operating result before depreciation and write-downs (EBITDA)		(1)	(0)	(3)	(0)	(7)
Net operating result (EBIT)		(1)	(0)	(3)	(0)	(7)
Financial income	4	10	2	12	280	337
Financial expenses	4	(8)	(130)	(18)	(142)	(262)
Net financial items		2	(128)	(6)	139	75
Result before tax (EBT)		1	(128)	(9)	139	68
Income tax benefit / (expense)	5	3	35	6	37	(18)
Net result for the period continued operation		4	(93)	(3)	176	50
Discontinued operation						
Profit (loss) from discontinued operation (net of income tax)	2	(9)	(148)	23	(227)	(287)
Net result for the period		(6)	(242)	20	(51)	(237)
Total comprehensive income for the period (net of tax)		(6)	(242)	20	(51)	(237)

STATEMENT OF FINANCIAL POSITION

NOK million	Note	30.06.16	31.12.15
Non-current assets			
Deferred tax assets	5	353	350
Property, plant and equipment	7	0	(0)
Tax refund	5	5	(0)
Restricted cash	9,12	2	2
Total non-current assets		360	352
Current assets			
Assets held for sale		0	12
Tax refund	5	119	119
Trade receivables and other current assets	8,12	5	3
Restricted cash	9,12	2	177
Bank deposits, cash and cash equivalents	9,12	22	100
Total current assets		148	412
Total assets		509	764
Equity			
Share capital	13	1 234	1 234
Other equity		(1 214)	(1 234)
Total equity		21	0
Non-current liabilities			
Asset retirement obligations	13	0	0
Bond loan	10,12	362	367
Total non-current liabilities		362	367
Current liabilities			
Liabilities held for sale		-	107
Bond loan	10,12	-	160
Other interest bearing debt	10,12	107	110
Trade payables and other current liabilities	11,12	19	19
Total current liabilities		126	397
Total liabilities		488	763
Total equity and liabilities		509	764

STATEMENT OF CHANGES IN EQUITY

NOK million	Share capital	Other equity	Total
2015			
Equity on 01.01.2015	1 131	(1 006)	125
Net result for the period		(51)	(51)
Equity controlled affiliate		41	41
Total comprehensive income for the period (net of tax)		(10)	(10)
Transactions with owners			
Proceeds from share issued	103		
Share-based incentive program		2	
Total transactions with owners for the period	103	2	105
Equity on 30.06.2015	1 234	(1 014)	220
2016			
Equity on 01.01.2016	1 234	(1 234)	-
Net result for the period		20	20
Total comprehensive income for the period (net of tax)		20	20
Total transactions with owners for the period		-	-
Equity on 30.06.2016	1 234	(1 214)	20

STATEMENT OF CASH FLOWS

NOK million	Q2 2016	Q2 2015	YTD Q2 2016	YTD Q2 2015
Net result for the period	(6)	(250)	20	(59)
Income tax benefit	4	31	(9)	75
<i>Adjustments to reconcile net result before tax to net cash flows from operating activities:</i>				
Expensed exploration expenditures previously capitalised	6	64	7	66
Share-based payments expenses	-	-	-	2
Change in fair value of bond	(10)	118	(12)	118
Gain on extinguishment of debt	-	-	-	(278)
Paid/received interests and borrowing cost - net	-	4	-	9
Effect of changes in exchange rates	1	-	1	(1)
Accretion expense related to asset retirement obligations	-	2	-	3
Changes in working capital				
Changes in trade receivable	(1)	(1)	2	(4)
Changes in trade payables	(5)	-	(5)	4
Changes in other current balance sheet items	4	95	139	143
Net cash flow from operations	(8)	38	144	53
Cash flows from investing activities				
Purchase/sale of intangible assets	-	(49)	-	(50)
Net cash flow from divestment of assets	(24)	1	(44)	1
Net cash flow used in investing activities	(24)	(48)	(44)	(49)
Cash flows from financing activities				
Issue of share capital	-	-	-	73
Repayment of bonds	-	-	(153)	-
Repayment of exploration facility	-	-	(3)	(2)
Interest paid	-	(4)	(22)	(9)
Net cash flow from (used) in financing activities	-	(4)	(178)	63
Net change in cash and cash equivalents	(31)	(15)	(78)	64
Cash and cash equivalents at the beginning of the period	54	96	100	17
Cash and cash equivalents at end of the quarter	22	81	22	81

NOTES

1 Accounting principles

Noreco Norway AS is a public limited company registered in Norway, with headquarters in Nedre Vollgate 1, 0158 Oslo. Following the restructuring in March 2015, the company's objective has been changed into monetizing the company's assets with the aim to repay outstanding debt. Any surplus cash will be paid out to shareholders or invested in relevant activities. The company is a 100% ultimately owned subsidiary of Norwegian Energy Company ASA.

The interim financial statements for the second quarter of 2016 were authorised for issue by the board of directors on 31 August 2016.

Basis for preparation

The interim condensed financial statements (the interim financial statements) for the second quarter 2016 comprise Noreco Norway AS (Noreco). 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.

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 intentions for the company is to claim exit refund during 2017. The financial solidity and the company's cash position are 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 2015. For the full summary of significant accounting policies, reference is made to the annual financial statements for 2015.

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 loan as of 30 June 2016.

Discontinued operation

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

- Represents a major line of business or geographical are 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 2016

There have been no changes to significant accounting policies in the second quarter of 2016 compared to the annual financial statements for 2015.

2 Discontinued operations

In October 2014, Norwegian Energy Company ASA 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. According to the plan Noreco Norway should take over the NOR06 bond loan at a principal of NOK 618 million. The restructuring proposal was approved in March 2015, and Noreco has since focused on implementing a new strategy as a consequence.

The new strategy is to repay the NOR06 bond loan within the end of 2017 in part payments as agreed with the bondholders, as well as securing a return of investment to the shareholders. During 2015 the company implemented the plan by ceasing to be an E&P company, specifically by selling its share in the oil producing licenses Oselvar and Enoch to CapeOmega (The Oselvar sale was completed in Q4 2015; the Enoch sale was completed in Q1 2016) and the entire E&P operation in Norway (license shares, operatorships, staff contracts and other contracts related to the operation) to Det norske oljeselskap ASA (Detnor). The latter agreement was announced on the 2nd of March. The deal included a sale of its remaining exploration licences, employees and a cash balance of approximately NOK 45 million, to be adjusted for working capital. The effective date of the transaction is 1 January 2016. The proposed transaction will constitute a ceasing of all of Noreco Norway's petroleum activities, and Noreco will claim "Exit-refund" in 2017. The transaction entered into with Detnor received the necessary approvals from the Ministry of Petroleum and Energy and the Ministry of Finance at the end of second quarter, and the deal was consequently completed at the end of second quarter 2016. The Detnor deal resulted in Q1 in a provision for the expected payment of consideration. Due to the lengthy process the expected payment of consideration was updated and resulted in a reversal of parts of the provision from Q1.

(NOK million)	Q2 2016	Q2 2015	YTD Q2 2016	YTD Q2 2015
Revenue	0	25	0	41
Production expenses	(0)	13	-	6
Exploration and evaluation expenses ⁽¹⁾	(11)	(117)	(17)	(136)
Payroll expenses	(8)	(8)	(16)	(18)
Other operating expenses	(3)	(8)	(7)	(15)
Other (losses) / gains	21	25	64	25
Total operating expenses	(1)	(95)	24	(138)
Operating result before depreciation and write-downs (EBITDA)	(1)	(70)	24	(98)
Depreciation	-	-	-	-
Write-downs and reversals of write-downs	-	-	-	-
Net operating result (EBIT)	(1)	(70)	24	(98)
Financial income	0	2	-	3
Financial expenses	(1)	(14)	(4)	(20)
Net financial items	(1)	(12)	(4)	(17)
Result before tax (EBT)	(2)	(83)	20	(115)
Income tax benefit / (expense)	(7)	(65)	3	(112)
Net result for the period	(9)	(148)	23	(227)
Average number of employees, discontinued operations	21	30	21	32

1) The Detnor deal has the consequence that Noreco Norway no longer has any exploration assets.

3 Other operating expenses

(NOK million)	Q2 2016	Q2 2015	YTD Q2 2016	YTD Q2 2015
Consultant fees	(1)	(0)	(3)	(0)
Total other operating expenses continued operation	(1)	(0)	(3)	(0)
Total other operating expenses discontinued operation	(3)	(8)	(7)	(15)
Total other operating expenses	(4)	(8)	(10)	(15)

4 Financial income and expenses

Financial income

(NOK million)	Q2 2016	Q2 2015	YTD Q2 2016	YTD Q2 2015
Interest income	-	1	0	2
Interest income from other group companies	-	-	0	1
Change in fair value of bond debt	10	-	12	278
Other financial income	-	1	0	1
Total financial income continued operation	10	2	12	282
Total financial income discontinued operation	0	2	0	2
Total financial income	10	3	12	283

Financial expenses

(NOK million)	Q2 2016	Q2 2015	YTD Q2 2016	YTD Q2 2015
Interest expense from bond loans	(8)	(10)	(18)	(13)
Interest expense to other group companies	-	(1)	-	(12)
Other financial expenses	-	(119)	-	(119)
Total financial expenses continued operation	(8)	(130)	(18)	(142)
Total financial expenses discontinued operation	(1)	(14)	(4)	(20)
Total financial expenses	(9)	(144)	(22)	(161)
Net financial items continued operation	2	(128)	(6)	140
Net financial items discontinued operation	(1)	(12)	(3)	(19)
Net financial items	0	(141)	(10)	121

5 Tax

Income tax

(NOK million)	Q2 2016	Q2 2015
Income (loss) before tax	(1)	(219)
Income tax benefit (expense)	(8)	(31)
Equivalent to a tax rate of	(281.6 %)	(14.0 %)

The tax rate for the second quarter of 2016 was impacted by changes in value on bond debt, measured at market price and the Detnor transaction that was completed in second quarter 2016.

Noreco Norway has a marginal tax rate of 78 percent, of which 25 percent relates the ordinary tax rate in Norway and 53 percent relates to the special tax rate related to exploration and production activities in Norway. The deferred tax asset in the balance sheet is calculated using the enacted tax rates for 2016 (25%/53%) adjusted for the deferred tax.

Tax loss carry forward 30.06.16 (NOK million)	Offshore		Onshore	
	Recognised	Un-recognised	Recognised	Un-recognised
Noreco Norway AS	514	-	498	-
Total tax loss carry forward	514	-	498	-

The onshore tax loss carry forwards in Noreco Norway AS is subject to the Norwegian Petroleum Taxation Act §3c. The deferred tax in the balance sheet is calculated using the enacted tax rates for 2016 (25 per cent/ 53 per cent) and adjusting for deferred tax.

Tax refund

(NOK million)	30.06.16	31.12.15
Tax refund related to Norwegian exploration activity in 2016	5	-
Tax refund related to Norwegian exploration activity in 2015	119	119
Total tax refund	121	119

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

6 Intangible non-current assets

(NOK million)	Licence and capitalised exploration expenditures
Acquisition costs 01.01.16	-
Additions	5
Expensed exploration expenditures previously capitalised	(5)
Acquisition costs 30.06.16	(0)
Accumulated depreciation and write-downs	
Accumulated depreciation and write-downs 01.01.16	-
Accumulated depreciation and write-downs 30.06.16	-
Book value 30.06.16	(0)

Result from impairment test of Licence and capitalised exploration expenditures on 30 June 2016

The Detnor deal has the consequence that Noreco Norway AS no longer has any exploration licenses. The book value of the licenses was impaired fully in Q4 2015 due to the Djerv deal (which was not completed) and presented in the comprehensive income as an exploration expense in discontinued operations in Q4 2015.

7 Property, plant and equipment

(NOK million)	Production facilities	Machinery and equipment	Total
Acquisition costs 01.01.16	77	1	78
Additions	-	-	-
Revaluation abandonment assets	-	-	-
Disposals	(126)	-	(126)
Reclassified to assets held for sale	78	1	79
Acquisition costs 30.06.16	30	2	32
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.16	(77)	(1)	(77)
Depreciation	-	-	-
Disposals	126	-	126
Write-downs	-	-	-
Reclassified to assets held for sale	(78)	(1)	(79)
Accumulated depreciation and write-downs 30.06.16	(30)	(2)	(31)
Book value 30.06.16	-	0	0

Impairment test Q2 2016

No impairment test was performed in Q2 2016 due to all PP&E being impaired in full during 2015, and no reversal triggers being present in Q2 2016.

8 Trade receivables and other current assets

Trade receivables and other current assets

(NOK million)	30.06.2016	31.12.2015
Trade receivables	0	2
Receivables from operators relating to joint venture licences	1	1
Underlift of oil/NGL	0	0
Prepayments	1	-
Other receivables	3	0
Total trade receivables and other current receivables	5	3

9 Restricted cash, bank deposits, cash and cash equivalents

Restricted cash, bank deposits, cash and cash equivalents

(NOK million)	30.06.2016	31.12.2015
Non-current assets		
Other restricted cash and bank deposits	2	2
Current assets		
Other restricted cash and bank deposits (Pledged account for bondholders, withholding tax etc.)	2	177
Total restricted cash	4	180
Unrestricted cash, bank deposits and cash equivalents	22	100
Total bank deposits	26	280

Overdraft facilities

(NOK million)	Facility amount in currency	NOK	Used	Unused	Available
Exploration loan facility ⁽¹⁾	107	107	107	-	-
Total		107	107	-	-

Unrestricted cash and cash equivalents 22

Accessible liquidity at 30.06.16 22

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.

During 2015 and 2016 certain amendments to the exploration loan agreement was agreed and executed. The amendments initially included a reduction in the borrowing limit from NOK 850 million to NOK 500 million. In addition, the cross default clause was limited to borrowings within Noreco Norway, and the previously issued parent company guarantee issued by Norwegian Energy Company ASA was cancelled. By initiative of the company the facility was further reduced to NOK 400 million in Q3 2015 due to reduced expected exploration spend. In Q1 2016 the exploration loan facility amount was reduced to the actual drawn amount.

10 Borrowings

10.1 Principal amounts and book values

Non-current debt (NOK million)	30.06.16		31.12.2015	
	Principal amount	Book value	Principal amount	Book value
NOR06 bond loan, amended and restated	486	362	477	367
Total non-current bonds	486	362	477	367
Exploration loan	-	-	-	-
Total non-current other interest bearing debt	-	-	-	-

Current debt (NOK million)	30.06.16		31.12.2015	
	Principal amount	Book value	Principal amount	Book value
NOR06 bond loan, amended and restated	-	-	160	160
Total current bonds	-	-	160	160
Exploration loan	107	107	110	110
Total current other interest bearing debt	107	107	110	110
Total borrowings	593	469	748	637

Borrowings are recognised initially at fair value. As of the end of Q2 2016 a fair value of 74,75% has been applied for the amended and restated bond loan.

10.2 Financial restructuring

A financial restructuring of the Noreco group was completed in the first quarter 2015. For more information see Quarterly report for first quarter 2015 for Noreco Group. For Noreco Norway, the restructuring had the following implications:

- Bond loan NOR06 changed borrower from Norwegian Energy Company ASA to Noreco Norway AS without any recourse to the parent company or other parts of the group. Noreco opted to measure the bond subsequently using the fair value option.
- Noreco Norway AS received an increased share capital of NOK 103.5 million, whereof NOK 73 million in cash and NOK 30.5 million by conversion of intercompany debt to equity.
- Nordic Trustee, on behalf of the bondholders of NOR06, was given an option to purchase all outstanding shares of and any intercompany claims on Noreco Norway AS for NOK 1. If the purchase option is exercised, the Noreco group may cancel the option for a consideration of NOK 30 million, or by exercising the call option on the bond loan.

10.3 Subsequent measurement and events in second quarter

Due to the Oselvar deal which was announced in Q2 2015 and completed in late Q4 2015, Noreco Norway was obliged to make down-payment on the NOR06 bond. The down payment took place on 6 March 2016. A total of approximately NOK 153 million of principal amount was re-paid.

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 loan at the end of second quarter 2016.

Amended and restated NOR06

74.75 %

11 Trade payables and other current liabilities

(NOK million)	30.06.16	31.12.15
Trade payable	1	0
Liabilities to operators relating to joint venture licences	0	2
Accrued interest	10	13
Public duties payable	2	(0)
Other current liabilities	6	3
Total other current liabilities	19	19

12 Financial instruments

12.1 Fair value hierarchy

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

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

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

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

On 30.06.2016

(NOK million)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Total assets	-	-	-	-
Liabilities				
Financial liabilities at fair value through profit or loss				
- Bond loans			362	362
Total liabilities	-	-	362	362

On 31.12.2015

(NOK million)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Total assets	-	-	-	-
Liabilities				
Financial liabilities at fair value through profit or loss				
- Bond loans			527	527
Total liabilities	-	-	527	527

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.

12.2 Financial instruments by category

On 30.06.2016

(NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Trade receivables and other current assets	5	-	5
Restricted cash	4	-	4
Bank deposits, cash and cash equivalents	22	-	22
Total	31	-	31

(NOK million)	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bond loans	-	362	362
Other interest bearing debt	107	-	107
Trade payables and other current liabilities	19	-	14
Total	126	362	483

On 31.12.2015

(NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Trade receivables and other current assets	3	0	3
Restricted cash	180	-	180
Bank deposits, cash and cash equivalents	100	-	100
Total	283	0	283

(NOK million)	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bonds	-	527	527
Other interest bearing debt	110	-	110
Trade payables and other current liabilities	19	-	19
Total	129	527	656

12.3 Financial instruments - Fair values

Set out below is a comparison of the carrying amounts and fair value of financial instruments as on 30 June 2016:

(NOK million)	Carrying amount	Fair value
Financial assets:		
Trade receivables and other current assets	5	5
Restricted cash	4	4
Bank deposits, cash and cash equivalents	22	22
Total	31	31
Financial liabilities:		
Bonds	362	362
Other interest bearing debt	107	107
Trade payables and other current liabilities	19	19
Total	488	488

13 Asset retirement obligations

(NOK million)	30.06.16	31.12.15
Balance on 1.1.	-	73
Provisions and change of estimates made during the year	-	(125)
Accretion expense	-	(5)
Reclassified to liabilities held for sale in Q1 2016	12	(12)
Reversed provision from disposal of assets Q1 2016	(12)	(69)
Total provision made for asset retirement obligations	(0)	-

Provisions made for asset retirement obligations includes the future expected costs (estimated based on current day costs inflated) for close-down and removal of oil equipment and production facilities used in hydrocarbon activities. The estimated future provision is discounted using a risk-free rate adjusted for credit risk of 9 percent. Inflation is assumed to be 2 percent.

14 Shares and share capital

(NOK million)	No. of shares	Share Capital
31 December 2015	141 001	1 234
<i>Change in share capital in 2016</i>		
30 June 2016	141 001	1 234

IIINFORMATION ABOUT NORECO NORWAY AS

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Silje Augustson Chair
Riulf Frederik Rustad
Roar Flom

Noreco Norway AS management

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Financial calendar 2016

26 February	Q4 2016 Report
26 May	Q1 2016 Report
31 August	Q2 2016 Report
23 November	Q3 2016 Report

Annual reports

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

Quarterly publications

Quarterly reports are available on www.noreco.com.
The publications can be ordered by sending an e-mail to investorrelations@noreco.com.

News releases

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



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