SECOND QUARTER
2014

REPORT FOR THE SECOND QUARTER 2014

NORWEGIAN ENERGY COMPANY ASA

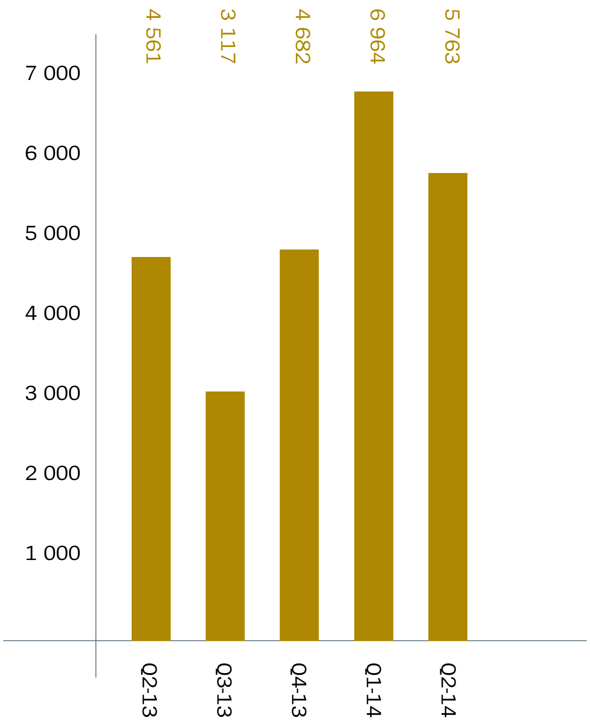
SIGNIFICANTLY HIGHER PRODUCTION LIFTS RESULTS

- Revenues for the second quarter 2014 amounted to NOK 318 million, corresponding to an increase of 29 per cent from the second quarter 2013. EBITDA was negative at NOK 29 million in the second quarter 2014, whereof exploration expenses amounted to NOK 173 million. EBITDA for the first half year was positive at NOK 137 million, compared to a negative EBITDA of NOK 211 million for the same period last year.
- First half year revenues were NOK 702 million, compared to NOK 462 million in the same period last year. Significantly higher production is the main contributing factor for the increase in revenues. Higher oil prices and favourable foreign exchange rates also contribute somewhat.
- Noreco's share of oil and gas production was 5 763 boepd in the second quarter 2014 and 6 360 boepd in the first half year 2014. This represents an increase of 47 per cent compared to the first half year 2013. Realised oil price in the quarter was USD 101.5 per boe (USD 110.8 per barrel of oil). Realised oil price for the first half year 2014 was USD 101.1 per boe (USD 109.3 per barrel of oil).
- The Verdande well was completed in the second quarter. Noreco was the operator, and completed the drilling operation in a safe and cost efficient manner. Only smaller levels of hydrocarbons were encountered.
- The first Gohta appraisal well was completed in July. Presence of oil and gas was confirmed as expected and two production tests were undertaken. The test of the gas zone was positive, whereas the results from the oil zone are non-conclusive. Further evaluation of the discovery is underway and a new appraisal well is expected in 2015.

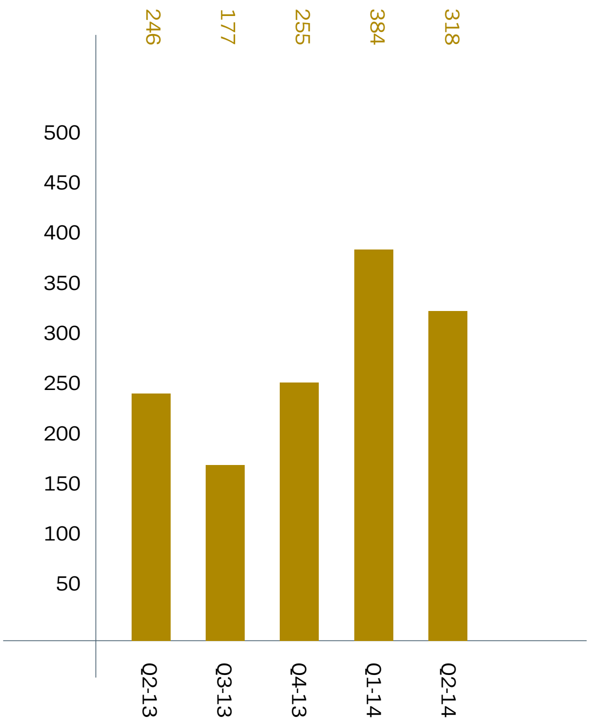
KEY FIGURES

	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13
Net realised oil price *(USD/boe)*	101.5	100.7	97.8	102.0	102.5
EBITDA *(NOK million)*	(29.2)	166.1	55.5	(284.5)	(45.3)
Net results *(NOK million)*	(0.1)	(64.5)	338.6	(569.4)	(504.0)
Cash flow from operations *(NOK million)*	354.2	64.6	1 310.8	79.0	99.6
Total assets *(NOK billion)*	6.5	6.2	6.2	6.9	7.5

Production *(boepd)*



Revenue *(NOK million)*



HEALTH, SAFETY, ENVIRONMENT AND QUALITY (HSEQ)

Noreco has completed an operated exploration well, PL484 Verdande in the Norwegian Sea. The drilling of the well was completed with the drilling rig Bredford Dolphin in June, without occurrence of any serious HSE incidents. No serious HSE incidents have occurred in any of the company's other operations the past six months.

PRODUCING FIELDS

The Noreco Group's average production in the second quarter 2014 was 5 763 boepd. Realised oil price in the second quarter 2014 was USD 101.5 per boe compared to USD 100.7 per boe in the first quarter 2014. Production for the first half year 2014 was 6 360 boepd, and realised oil price was USD 101.1 per boe, compared to 4 303 boepd and USD 103.9 for the same period last year.

The production from the **Huntington** field was significantly lower than expected in April and May 2014, while production rates in June were good. The reasons for reduced production in the period were some technical challenges on the production vessel Voyageur Spirit, in addition to maintenance on the Central Area Transmission System (CATS) Riser Platform. The average Huntington production for the second quarter 2014 was 3 187 boepd net to Noreco, while the production in the first half of 2014 was 3 913 boepd net to Noreco.

The production from **Oselvar** has been fairly stable, and the average production in the second quarter was 550 boepd.

Production at the **Nini** (comprising of Nini and Nini East) field was 1 839 boepd net to Noreco in the second quarter 2014. According to plan, the production was shut in for two weeks in May due to repair work at the host platform Siri.

At the end of the quarter, production was resumed at **Cecilie**.

The production at Nini and Cecilie is handled through a temporary solution, where produced oil is loaded directly to a tanker from the process facility at the Siri platform. This solution has a lower regularity than normal production. The operator has scheduled finalisation of the permanent structural repair work in the third quarter 2014, after which production from the entire area is expected to resume. The tank under the Siri platform is also expected to be put back in use.

The **Lulita** field has experienced stable production through the first part of the quarter, but has been shut in since the end of May due to planned summer closing. Lulita came back on stream on 5 August. Production for the quarter was 172 boepd net to Noreco.

The **Enoch** field remained closed during the second quarter. The maintenance work at the field has been completed, and we are now awaiting hook-up of the pipeline. Production start is somewhat delayed, and is now expected late third quarter 2014.

EXPLORATION

Exploration work in the second quarter has primarily been directed towards the APA 2014 application and the drilling of the Verdande well in license PL484. The well was spudded on 8 April and completed on 13 June. The well encountered hydrocarbon bearing sands in both the Middle Jurassic and Lower Cretaceous. The reservoir of the Middle Jurassic was however poorly developed, and only thin sands were encountered in the Lower Cretaceous. The well was not tested, and plugged and abandoned as dry.

The Gohta well in license PL492 was spudded on 23 May, and drilled to a depth of 2 490 meters below sea level. Both oil and gas were encountered in Permian carbonate reservoir rocks. A full suite of wireline logs were acquired and two production tests were performed to further assess reservoir quality and permeability. It was not possible to isolate gas flow from the flow in the oil zone, and the information from this section is therefore not clear. The test in the gas condensate zone was positive with production rates corresponding to 5 284 boepd.

The well results have added significant information about the reservoir continuity and fluid properties of the discovery. Further evaluation of the discovery is underway and a new appraisal well is expected in 2015.

The Noreco operated seismic acquisition over License PL762 was completed by the end of July.

Norwegian licenses PL360 and PL606 were relinquished in the second quarter.

GROUP FINANCIALS

The Noreco group had **revenues** of NOK 318 million in the second quarter 2014, an increase of 29 per cent compared to the second quarter 2013. For the first half of 2014 revenues were NOK 702 million, compared to 462 million for the same period last year, corresponding to an increase of 52 per cent.

Production expenses in the second quarter were NOK 132 million compared to NOK 108 million for the same period last year. For the first half of 2014, production expenses increased by NOK 89 million to NOK 271 million, compared to the first half of 2013. The increase is mainly due to the production expenses at the Huntington field, for which production was started in the second quarter 2013. For specification of the production expenses per field, please refer to note 3 in the interim financial report.

Exploration and evaluation expenses amounted to NOK 173 million for the second quarter, compared to NOK 119 million in the second quarter 2013. The drilling operation on PL484 Verdande was completed in the second quarter 2014. As commented in the Exploration section, the well encountered hydrocarbons, but the well was plugged and abandoned as a dry well and has consequently been written off. The Verdande write-off amounts to NOK 149 million before tax, and NOK 33 million after tax. First half year 2014 exploration and evaluation expenses amounted to NOK 199 million, corresponding to a reduction of 45 per cent compared to the same period last year. The reduction is due to the fact that three exploration wells were written off in the first half of 2013.

Payroll expenses were NOK 22 million in the second quarter compared to NOK 38 million for the second quarter last year. For the first half of 2014, payroll expenses amounted to NOK 52 million compared to NOK 75 million for the same period last year, corresponding to a reduction of NOK 23 million. The reduction is mainly due to fewer employees in Noreco in 2014 compared to last year, and that part of the payroll expenses incurred on the Verdande operation is shared between the license partners.

EBITDA (earnings before interest, tax, depreciation and amortisation) in the second quarter 2014 was negative by NOK 29 million, compared to a negative EBITDA of NOK 45 million in the second quarter 2013. EBITDA was positive by NOK 137 million for the first half of 2014, compared to a negative EBITDA of NOK 211 million for the same period last year. The change is mainly due to significantly higher revenue, considerably lower exploration and evaluation expenses and also lower payroll and other operating expenses in the first half of 2014 compared to the same period in 2013.

Depreciation amounted to NOK 108 million in the quarter, up from NOK 89 million for the second quarter 2013. Depreciation follows the production. Hence, the increase is mainly due to production at the Huntington field, which first started production in the second quarter 2013.

Second quarter **write-downs and reversals** were net positive and amounted to NOK 54 million before tax and NOK 40 million after tax. The amount is a combination of a goodwill write-down of NOK 2 million related to the business in the United Kingdom, as well as reversals of NOK 56 million on the Danish fields related to the Siri platform (Cecilie and Nini).

For the first half of 2014, write-downs and reversals amounted to a net income of NOK 22 million before tax and NOK 31 million after tax.

The impairment test performed on 30 June 2014 was prepared applying the principles required according to IAS 36 and these principles have been consistently applied like in previous periods. The assets subject to impairment testing are sensitive to changes in assumptions. For the second quarter, the impairment test is significantly affected by increased expectations for the oil price in the market compared to the last quarter. Prices applied in the current forecasts exceed the oil price expectation applied on 31 March 2014 by approximately five per cent, which is the main contributing factor for reversal of previously recognised impairment charges this quarter. Had the price expectation been unchanged from the previous analysis, it would have required a write-down of NOK 94 million after tax in the second quarter.

See note 10 and 11 in the interim financial report for details related to the impairment test.

Financial income amounted to NOK 61 million for the second quarter 2014, compared to NOK 16 million for the same period last year. The increase is due to currency translation income, which in the second quarter includes a gain of NOK 28 million from reclassification of currency translation adjustments upon disposal of the subsidiary Noreco Petroleum UK Ltd.

Financial expenses for the first half of 2014 were NOK 227 million, whereas financial expenses for the first half year 2013 were NOK 270 million. Total interest expenses on bond loans amounted to NOK 170 million in the first half of 2014, compared to NOK 197 million for the first half of 2013. Out of the interest expenses this year, NOK 95 million is coupon, while the remaining NOK 75 million is related to non-cash amortisation items from the restructuring of the bond loans that was completed in the fourth quarter 2013.

Taxes amounted to an income tax benefit of NOK 132 million for the second quarter and NOK 180 million for the first half year. The first half year tax corresponds to an average tax rate of 73.6 per cent. Taxable income is impacted by different tax regimes and tax rates. Production in Denmark and the UK contribute to net positive results before tax in both these countries. The Norwegian part of the group has a negative result because of exploration expenses and interest expenses on bonds. The tax rate represents the weighted average in relation to the results from the various subsidiaries.

Net result for the second quarter was NOK 0 million, compared to a loss of NOK 504 million for the second quarter 2013. Net result amounted to a loss of NOK 65 million for the first half of 2014, compared to NOK 777 million last year.

The book value of **license costs and capitalised exploration expenditures** at the end of the second quarter amounted to NOK 820 million, with deferred tax of NOK 508 million. This primarily consists of the non-developed discoveries Huntington Fulmar in the UK and the Gohta discovery in the Barents Sea on the Norwegian Continental Shelf.

Noreco and its partners in the Huntington license P1114 have agreed to continue with a joint project to assess the feasibility for a development of the Fulmar reservoir. The book value of Fulmar is NOK 582 million and NOK 243 million net of deferred tax.

The Gohta discovery has a book value at 30 June 2014 of NOK 204 million. Net of deferred tax, the book value is NOK 45 million.

Trade receivables and other current assets amount to NOK 653 million at the end of the second quarter. Included in this amount is NOK 363 million related to the company's receivables from the insurance settlement after the events at the Siri platform in 2009. The claim is now thoroughly documented and supported by extensive technical and legal evaluations. Noreco filed the writ with the Danish courts on 14 February 2014, and since then, the court has received reply to the writ from the underwriters, which did not contain any new information. The next step related to the legal proceedings will be a formal meeting between the parties during third quarter 2014, where a plan toward court hearings will be agreed.

At the end of the second quarter Noreco had a total of **restricted cash, cash and cash equivalents** of NOK 1 042 million, of which NOK 534 million is restricted. NOK 502 million included in the restricted cash is set aside as security for abandonment obligations related to the company's producing fields Nini and Cecilie in Denmark. **Free cash** at the end of the second quarter amounted to NOK 507 million. The company also has NOK 214 million available through credit facilities, making total available liquidity NOK 722 million. For the purpose of aligning the borrowing limit on the exploration loan facility to planned activity levels for the coming two years and also to reduce financing fees, Noreco has made a request to the financial institutions for reducing the borrowing limit from NOK 1 240 million to NOK 850 million for the exploration loan. See note 13 for further information.

Interest-bearing debt, excluding exploration loans, had a book value of NOK 2 510 million (principal amount NOK 3 056 million) at the end of the second quarter 2014, compared to NOK 2 481 million (principal amount NOK 3 102 million) at the end of fourth quarter 2013. The change in principal amount is due to repayment of NOK 53 million for the bond loans NOR06, NOR10 and NOR11. In addition, interest due on the convertible bond NOR12 has been added to the principal amount as it was paid in kind, in accordance with the bond agreement. The group's exploration loan amounted to NOK 335 million at the end of the quarter, compared to NOK 333 million at the end of the fourth quarter 2013. Total interest-bearing debt at the end of the quarter had a book value of NOK 2 854 million, of which NOK 862 million is classified as a current liability.

BUSINESS DEVELOPMENT

Noreco Norway AS and North Energy ASA have agreed to swap assets in two licenses on the Norwegian Continental Shelf. According to the agreement, Noreco will increase its ownership in the Haribo license PL616 in the North Sea and reduce ownership in the Verdande license PL484 in the Norwegian Sea.

Noreco's interest in license PL616, which includes the Haribo prospect, will increase from 20 per cent to 30 per cent. An exploration well has recently been agreed, and is likely to be drilled medio 2015. The reserves potential for this prospect is estimated at 69-192 million barrels of oil equivalents.

As part of the agreement, Noreco will also transfer ownership of 15 per cent of PL484 to North Energy ASA. Noreco's share in the license, where the Verdande prospect was recently drilled, will be 15 per cent after this transaction.

The agreement will be executed with effect from 1 July 2014. The transfer of assets is conditional upon authority approval.

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 2013. The most significant risks Noreco is facing for the next six months are related to oil prices, exploration success, production interruption, currency exchange rates and the ability to service debt.

ORGANISATION

At the start of 2014 the company had 54 employees, and at the end of the quarter this number has been reduced to 53. Three employees in their resignation period are not included in these numbers. In addition, there are seven full time consultants.

Sick leave for the second quarter was 0.85 per cent. Noreco is focused on maintaining core competence in the company and develop, maintain and improve the organisation.

At the end of May, CFO Ørjan Gjerde handed in his resignation. Noreco appointed Tommy Sundt as Mr. Gjerde's successor, and he will join Noreco in September 2014. Until recently, Mr. Sundt was CFO in the oil company Rocksource ASA.

OUTLOOK

Noreco is an exploration driven oil and gas company with substantial cash flow from production. Based on exploration activity in Norway and cash flow from production Noreco finances its operations mainly through the exploration loan arrangement in Norway and other loans which are partly secured by pledge in producing oil and gas fields. Sale of assets in fields and discoveries also work as source of capital from time to time. Good and stable production is therefore an important premise for a predictable cash flow. The company has thus allocated significant resources to manage the portfolio of relevant licences. Beyond this, the revenues of the company are also impacted by developments in the oil price and exchange rates between US dollars and Norwegian kroner.

Production rates from Noreco's two most important fields, Huntington on the UK Continental Shelf and Nini in Denmark, have fluctuated in part considerably year to date. Production at both fields is now likely to stabilise, although oil production from Huntington will continue to depend on access to the CATS transportation system for export of gas. Permanent repairs of the Siri Platform that serves the production from Nini are now completed, and re-establishment of regular production is expected in September or October this year. The maintenance work that has caused restrictions on production at Huntington will be finalised in August. The Enoch field is expected to resume production towards the end of the third quarter or early fourth quarter this year.

Noreco's drilling program presently comprises three approved wells. In Denmark the Xana well is expected to start in the first quarter. The approved wells at the Niobe and Haribo prospects on the UK and Norwegian Continental shelf respectively will be drilled, and a futher appraisal well at Gohta is probable as well. Each of these wells will contribute to clarify the potential in the relevant licenses, and could, if positive results, bring along positive adjustments in the company's resources. Work on maturing the Huntington Fulmar formation towards potential development is currently ongoing, and a decision of development is expected in the first quarter 2015. If the partners decide to develop the field, Noreco's recoverable reserves will increase substantially.

Award of new licenses will in the long run supply Noreco with new, valuable areas. The company will submit applications for the upcoming license rounds in Norway and Denmark later this year. Additionally, an application has been submitted in the UK. Awards are expected towards the end of 2014 and in 2015.

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 2014.

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
  - important events that occurred during the accounting period and their impact on the half-yearly financial statements
  - the principal risks and uncertainties for the remaining six months of the financial year
  - major related party transactions.

Stavanger, 13 August 2014

The Board of Directors and Chief Executive Officer Norwegian Energy Company ASA

Morten Garman
Chairman

Marika Svärdström *Board Member*	*Erik Henriksen* *Board Member*	*Hilde Drønen* *Board Member*	*Trygve Pedersen* *Board Member*

Hilde Alexandersen *Board Member*	*Bård Arve Lærum* *Board Member*

Svein Arild Killingland
CEO

STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED

NOK million	Note	Unaudited Q2 2014	Unaudited Q2 2013	Unaudited YTD Q2 2014	Unaudited YTD Q2 2013	Audited 2013
Revenue	**2**	**318**	**246**	**702**	**462**	**894**
Production expenses	3	(132)	(108)	(271)	(182)	(430)
Exploration and evaluation expenses	4,10	(173)	(119)	(199)	(362)	(666)
Payroll expenses	5	(22)	(38)	(52)	(75)	(127)
Other operating expenses	6	(19)	(28)	(44)	(49)	(95)
Other (losses) / gains	7	(0)	1	0	(4)	(15)
Total operating expenses		**(347)**	**(291)**	**(565)**	**(673)**	**(1 333)**
Operating result before depreciation and amortisation (EBITDA)		**(29)**	**(45)**	**137**	**(211)**	**(440)**
Depreciation	11	(108)	(89)	(251)	(150)	(319)
Write-downs and reversals of write-downs	10,11	54	(497)	22	(657)	(1 211)
Net operating result (EBIT)		**(83)**	**(631)**	**(91)**	**(1 018)**	**(1 969)**
Financial income	8	61	16	74	30	570
Financial expenses	8	(109)	(135)	(227)	(270)	(556)
Net financial items		**(49)**	**(119)**	**(154)**	**(239)**	**15**
Result before tax (EBT)		**(132)**	**(750)**	**(245)**	**(1 257)**	**(1 954)**
Income tax benefit / (expense)	9	132	246	180	480	947
Net result for the period		**(0)**	**(504)**	**(65)**	**(777)**	**(1 008)**
Other comprehensive income (net of tax):						
Items not to be reclassified to profit or loss in subsequent periods						
Remeasurement of defined benefit pension plans		-	-	-	-	0
Total		-	-	-	-	*0*
Items to be reclassified to profit or loss in subsequent periods						
Cash flow hedge		-	2	-	3	7
Discontinued cash flow hedge		-	-	-	-	4
Reclassification of currency translation adjustment upon disposal of subsidiary		(28)	-	(28)	-	-
Currency translation adjustment		63	95	26	234	264
Total		*35*	*97*	*(2)*	*237*	*274*
Total other comprehensive income for the period (net of tax)		**35**	**97**	**(2)**	**237**	**275**
Total comprehensive income for the period (net of tax)		**35**	**(407)**	**(67)**	**(540)**	**(733)**
Earnings per share (NOK 1)						
Basic		(0.00)	(1.42)	(0.01)	(2.18)	(1.49)
Diluted		(0.00)	(1.42)	(0.01)	(2.18)	(1.49)

STATEMENT OF FINANCIAL POSITION

CONSOLIDATED

NOK million	Note	Unaudited 30.06.14	Audited 31.12.13
Non-current assets			
License and capitalised exploration expenditures	10	820	743
Goodwill	10	145	174
Deferred tax assets	9	278	293
Property, plant and equipment	11	2 964	3 087
Tax refund	9	229	-
Restricted cash	13,16	525	500
Total non-current assets		**4 960**	**4 797**
Current assets			
Tax refund	9	378	378
Derivatives	16	0	1
Trade receivables and other current assets	12,16	653	551
Restricted cash	13,16	10	74
Bank deposits, cash and cash equivalents	13,16	507	403
Total current assets		**1 548**	**1 408**
Total assets		**6 508**	**6 205**
Equity			
Share capital	19	566	466
Other equity		1 218	1 284
Total equity		**1 784**	**1 750**
Non-current liabilities			
Deferred tax	9	974	953
Asset retirement obligations	18	385	327
Bond loan	14	1 992	1 939
Total non-current liabilities		**3 351**	**3 220**
Current liabilities			
Bond loan	14,16	518	541
Other interest bearing debt	14,16	344	333
Derivatives	16	3	4
Tax payable	9	11	13
Trade payables and other current liabilities	15,16	497	343
Total current liabilities		**1 373**	**1 235**
Total liabilities		**4 724**	**4 455**
Total equity and liabilities		**6 508**	**6 205**

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

Unaudited NOK million	Share capital	Currency translation fund	Hedging reserve	Other equity	Total equity
2013					
Equity on 01.01.2013	**1 097**	**(64)**	**(11)**	**1 005**	**2 028**
Net result for the period				(777)	(777)
Other comprehensive income for the period (net of tax)					
Currency translation adjustments		234		0	234
Cash flow hedge			3		3
Total comprehensive income for the period (net of tax)	**-**	**234**	**3**	**(777)**	**(540)**
Transactions with owners					
Proceeds from share issued	7			2	9
Share-based incentive program				8	8
Total transactions with owners for the period	**7**	**-**	**-**	**9**	**16**
Equity on 30.06.2013	**1 104**	**171**	**(8)**	**238**	**1 504**
2014					
Equity on 01.01.2014	**466**	**200**		**1 084**	**1 750**
Net result for the period				(65)	(65)
Comprehensive income for the period (net of tax)					
Reclassification of currency translation adjustment upon disposal of subsidiary		(28)			(28)
Currency translation adjustments		26			26
Total comprehensive income for the period (net of tax)	**-**	**(2)**	**-**	**(65)**	**(67)**
Transactions with owners					
Proceeds from share issued	100			(0)	100
Issue cost				(3)	(3)
Share-based incentive program				4	4
Total transactions with owners for the period	**100**	**-**	**-**	**1**	**101**
Equity on 30.06.2014	**566**	**198**	**-**	**1 021**	**1 784**

STATEMENT OF CASH FLOWS

CONSOLIDATED

NOK million	Unaudited Q2 2014	Unaudited Q2 2013	Unaudited YTD Q2 2014	Unaudited YTD Q2 2013
Net result for the period	(0)	(504)	(65)	(777)
Income tax benefit	(132)	(246)	(180)	(480)
Adjustments to reconcile net result before tax to net cash flows from operating activities:				
Tax paid	(5)	(20)	(5)	(20)
Tax refunded	-	-	-	-
Depreciation	108	89	251	150
Write-downs and reversal of write-downs	(54)	497	(22)	657
Expensed exploration expenditures previously capitalised	148	88	149	307
Share-based payments expenses	2	6	4	8
(Gain) / loss on sale of licenses	-	-	-	-
Unrealised loss / (gain) related to financial instruments	0	(3)	0	(1)
Paid/received interests and borrowing cost - net	91	117	98	198
Effect of changes in exchange rates	(47)	37	(35)	37
Loss on repurchase of bonds	-	0	-	1
Amortisation of borrowing costs	41	14	77	27
Accreation expense related to asset retirement obligations	7	6	15	11
Reclassification of currency translation adjustment upon disposal of subsidiary	(28)	-	(28)	-
Changes in working capital				
Changes in trade receivable	(103)	19	(14)	62
Changes in trade payables	7	1	11	(19)
Changes in other current balance sheet items	318	(1)	164	(77)
Net cash flow from operations	**354**	**100**	**419**	**85**
Cash flows from investing activities				
Purchase of tangible assets	(2)	(6)	(7)	(45)
Purchase of intangible assets	(207)	(92)	(219)	(298)
Net cash flow used in investing activities	**(209)**	**(98)**	**(226)**	**(342)**
Cash flows from financing activities				
Issue of share capital	-	(0)	100	9
Paid issue cost	-	-	(12)	-
Proceeds from issuance of bonds	-	-	-	300
Proceeds from utilisation of exploration facility	-	205	-	205
Proceeds from utilisation of overdraft facility	9	-	9	-
Repayment of bonds	(53)	-	(53)	-
Repayment of exploration facility	-	(9)	-	(9)
Repayment of reserve based facility	-	(119)	-	(166)
Repurchase own bonds	-	-	-	(48)
Paid borrowing cost	-	(5)	(35)	(21)
Interest paid	(91)	(117)	(98)	(198)
Net cash flow from (used) in financing activities	**(135)**	**(44)**	**(88)**	**71**
Net change in cash and cash equivalents	**10**	**(43)**	**104**	**(186)**
Cash and cash equivalents at the beginning of the period	497	461	403	604
Cash and cash equivalents at end of the quarter	**507**	**418**	**507**	**418**

NOTES

1 Accounting principles

Basis for preparation
The interim condensed consolidated financial statements for the second quarter 2014 comprise Norwegian Energy Company ASA (NORECO) and its subsidiaries. These consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and The Norwegian Securities Trading Act § 5 – 6.

The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding. Certain amounts in comparable periods have also been revised to conform to current period presentation.

Going concern
The Board of Directors confirms that the consolidated 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 on 30 June 2014 was considered satisfactory in regards to the planned activity level in the next 12 months. However, the company is highly dependent on production from Huntington and the other fields during 2014 to be able to meet the future obligations.

The company's own cash forecast indicate that liquidity will be sufficient in the next 12 months, but there is a risk that headroom for the covenant can be tight after the bond maturity in December 2014, if production conditions are not in line with expectations. The covenant implies that the Group shall at all times have a minimum of NOK 100 million in accessible liquidity. The forecasts are based on a number of assumptions pertaining to future operating conditions, market conditions and the timing of certain events. If the trend through the rest of 2014 differs negatively from the forecasted development, it may be necessary for the company to implement extraordinary measures to ensure fulfilment of the loan terms and ensure sufficient liquidity to meet current obligations and debt maturities. Several such extraordinary and doable measures have already been identified and can be implemented if necessary.

Reference to summary of significant accounting policies
This interim financial statement is prepared using the same accounting principles as the annual financial statement for 2013, except for the changes and additions as described below. For the full summary of significant accounting policies, we refer to the annual financial statement for 2013.

New standards, interpretations and amendments adopted by Noreco on 1 January 2014
Noreco has adopted the following new standards and changes as of 1 January 2014:

IFRS 10 - Consolidated Financial Statements
IFRS 11 - Joint Arrangements
IFRS 12 - Disclosure of Interests in Other Entities
Change of IAS 27 - Separate Financial Statements
Change of IAS 28 - Investments in Associates and Joint Ventures

None of these changes will result in changed accounting of any items in Noreco consolidated accounts. For more comments regarding the assessment of the new standards we refer to note 2.1.1.b) in the annual financial statements for 2013.

2 Revenue

(NOK million)	Q2 2014	Q2 2013	YTD Q2 2014	YTD Q2 2013
Sale of oil	297	241	647	446
Sale of gas and NGL	21	5	55	16
Total revenue	**318**	**246**	**702**	**462**

3 Production expenses

(NOK million)	Q2 2014	Q2 2013	YTD Q2 2014	YTD Q2 2013
Huntington	(62)	(40)	(128)	(47)
Nini	(55)	(48)	(102)	(94)
Cecilie	(7)	(9)	(21)	(22)
Lulita	(2)	(2)	(6)	(5)
Oselvar	(6)	(8)	(12)	(14)
Enoch	(0)	(1)	(2)	(2)
Total production expenses	**(132)**	**(108)**	**(271)**	**(182)**

4 Exploration and evaluation expenses

(NOK million)	Q2 2014	Q2 2013	YTD Q2 2014	YTD Q2 2013
Acquisition of seismic data, analysis and general G&G costs	(18)	(29)	(32)	(51)
Exploration wells capitalised in previous years	-	(0)	(2)	(35)
Dry exploration wells this period	(148)	(87)	(148)	(272)
Other exploration and evaluation costs	(7)	(2)	(18)	(4)
Total exploration and evaluation costs	**(173)**	**(119)**	**(199)**	**(362)**

5 Payroll expenses

(NOK million)	Q2 2014	Q2 2013	YTD Q2 2014	YTD Q2 2013
Salaries	(24)	(27)	(53)	(57)
Social security tax	(3)	(3)	(6)	(8)
Pensions costs	(1)	(2)	(1)	(4)
Costs relating to share-based payments	(2)	(6)	(4)	(8)
Other personell expenses	(1)	(1)	(1)	(2)
Personnell expenses charged to operated licenses	9	2	14	5
Total personell expenses	**(22)**	**(38)**	**(52)**	**(75)**
Average number of employees	52	64	53	65

6 Other operating expenses

(NOK million)	Q2 2014	Q2 2013	YTD Q2 2014	YTD Q2 2013
Lease expenses (1)	(4)	(3)	(12)	(6)
IT expenses	(5)	(8)	(10)	(15)
Travel expenses	(1)	(2)	(3)	(3)
Office cost	(1)	(2)	(2)	(3)
Consultant fees	(11)	(13)	(20)	(23)
Other operating expenses	(1)	(0)	(2)	(1)
Other operating expenses charged to own operated licenses	4	1	5	2
Total other operating expenses	**(19)**	**(28)**	**(44)**	**(49)**

(1) Lease expenses YTD Q2 2014 include NOK 5 million in a non-recurring cost related to scale down of premises in Stavanger.

7 Other (losses) / gains

(NOK million)	Q2 2014	Q2 2013	YTD Q2 2014	YTD Q2 2013
Change in value, put options	(1)	1	(1)	(4)
Change in value, other derivatives	0	-	1	-
Gain /(loss) on sale of assets	-	(0)	1	(0)
Total other (losses) / gains	**(0)**	**1**	**0**	**(4)**

(Loss) / gain per divestment	Accounting date	Q2 2014	Q2 2013	YTD Q2 2014	YTD Q2 2013
PL484 Verdande (farm-out)	15.01.2014	-	-	1	-
Total		**-**	**-**	**1**	**-**

8 Financial income and expenses

Financial income

(NOK million)	Q2 2014	Q2 2013	YTD Q2 2014	YTD Q2 2013
Interest income	8	11	12	13
Currency translation income (1)	52	4	61	16
Other financial income	0	0	0	1
Total financial income	**61**	**16**	**74**	**30**

(1) Currency translation income in Q2 2014 includes reclassification of currency translation adjustments upon disposal of the subsidiary Noreco Petroleum UK Ltd. of NOK 28 million from the currency translation fund included in equity.

Financial expenses

(NOK million)	Q2 2014	Q2 2013	YTD Q2 2014	YTD Q2 2013
Interest expense from bond loans (1)	(88)	(101)	(170)	(197)
Interest expense from reserve based loan	-	(9)	-	(18)
Interest expense from exploration loan	(7)	(6)	(13)	(13)
Interest expenses current liabilities	(1)	(1)	(2)	(2)
Accreation expense related to asset retirement obligations	(7)	(6)	(15)	(11)
Loss on repurchase of bonds	-	-	-	(3)
Currency translation expense	(6)	(8)	(26)	(22)
Other financial expenses	(0)	(4)	(1)	(4)
Total financial expenses	**(109)**	**(135)**	**(227)**	**(270)**
Net financial items	**(49)**	**(119)**	**(154)**	**(239)**

(1) Out of the total interest expenses on the bond loans for the second quarter 2014, coupon amounts to NOK 47 million. The remaining amount of NOK 41 million is related to non-cash amortisation from the restructuring of the bond loans that was completed in the fouth quarter 2013. For the first half year, coupon and amortisation amounts to NOK 95 million and NOK 75 million, respectively.

Interest expenses from bond loans in the second quarter 2014 includes an adjustment on amortisation of NOK 5 million, which is due to a change in the repayment scehdule after the repayment of NOK 53 million on the bond loans NOR06, NOR10 and NOR11 that was performed in the quarter.

9 Tax

Income tax (NOK million)	Q2 2014	Q2 2013	YTD Q2 2014	YTD Q2 2013
Income (loss) before tax	(132)	(750)	(245)	(1 257)
Income tax benefit	132	246	180	480
Equivalent to a tax rate of	99.9 %	32.8 %	73.6 %	38.2 %

The tax rate for the second quarter 2014 was 99.9 per cent compared to 32.8 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. Production in Denmark and the UK contribute to net positive results before tax in these countries for the second quarter 2014. The Norwegian part of the group has a negative result because of exploration expenses and interest expenses on bonds. The tax rate represents the weighted average in relation to the results from the various subsidiaries. More information regarding the relevant tax rates are to be found in the annual report for 2013 in note 2.19.

The recognition of the deferred tax assets is based on the expectation that sufficient taxable income will be available through future taxable income in the UK. Planned restructuring of Noreco's business in the UK is included in such assessment in accordance with IAS 12.36.(d).

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 30.06.14	Offshore		Onshore	
(NOK million)	Recognised	Un-recognised	Recognised	Un-recognised
Norway	401	-	890	57
Denmark	-	5 041	-	-
UK	1 664	-	-	-
Total tax loss carry forward	**2 065**	**5 041**	**890**	**57**

Tax loss carry forwards in the Danish offshore tax regime of NOK 5 041 million has been calculated according to Chapter 3 and Chapter 3A in the Danish Hydrocarbon Act (kulbrinteskatteloven). Approximately NOK 818 million are time limited and will lapse by 2014-2016. Current forecasts also indicate that the remaining tax loss carry forwards will not be utilised.

Tax refund (NOK million)	30.06.14	31.12.13
Non-current assets		
Tax refund related to Norwegian exploration activity in 2014	229	-
Current assets		
Tax refund related to Norwegian exploration activity in 2013	378	378
Total tax refund	**607**	**378**

Tax payable (NOK million)	30.06.14	31.12.13
Tax payable in Norway	-	-
Tax payable other countries	11	13
Total tax payable	**11**	**13**

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.

10 Intangible non-current assets

(NOK million)	License and capitalised exploration expenditures	Goodwill	Total
Acquisition costs 01.01.14	743	1 025	1 768
Additions	219	-	219
Expensed exploration expenditures previously capitalised	(149)	-	(149)
Currency translation adjustment	7	10	18
Acquisition costs 30.06.14	**820**	**1 036**	**1 856**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.14	-	(852)	(852)
Write-downs	-	(30)	(30)
Currency translation adjustment	-	(9)	(9)
Accumulated depreciation and write-downs 30.06.14	**-**	**(891)**	**(891)**
Book value 30.06.14	**820**	**145**	**965**

Impairment test Q2 2014
For detailed desciption of applied methodology for the impairment test, see note 11 to the annual financial statements for 2013.

Main assumptions applied for the impairment test on 30 June 2014:

Discount rate (after tax)	10.0 per cent
Inflation	2.0 per cent
Cash flow	After tax
Reserves/resources	Internal estimated reserves and resources on 30 June 2014
Oil price	Forward curve for oil price for the period 2014-2016. From 2017 the oil price is adjusted for inflation.
Currency rates	Average forward-rate for the period 2014-2017. From 2018 the average rate for 2017 is used.
Valutakurs	Gjennomsnittlig forward-rate for perioden 2014-2017. Fra 2018 er forventet gjennomsnittlige kurs for 2017 benyttet.

Result from impairment test of goodwill on 30 June 2014
Goodwill associated with the business in the United Kingdom is written down by NOK 30 million during the first half year 2014, of which NOK 2 million in the second quarter. The write downs are due to updated expectations to the Huntington production and asset retirement obligation.

Book value of goodwill associated with the Danish and British businesses are near or equal the recoverable amounts, and change in the assumptions may require future write-downs.

Result from impairment test of License and capitalised exploration expenditures on 30 June 2014
An impairment test of all intangible assets has been performed this quarter. Based on considerations of progress, new information from evaluation work and other commerciality analysis regarding Noreco's suspended wells, there is no information that requires other capitalised exploration costs to be written off than the costs relating to the dry well PL 484 Verdande, that was completed and concluded in the period ending at the reporting date for the second quarter 2014.

Huntington Fulmar is included in a combined cash generating unit for the Huntington license when performing the impairment test, and negative changes of assumptions would firstly impact the goodwill values before other book values will be affected. If the assessment of commercial potential would be changed, it can result in write-down of capitalised exploration expenses.

11 Property, plant and equipment

(NOK million)	Production facilities	Machinery and equipment	Total
Acquisition costs 01.01.14	5 514	4	5 518
Additions	7	-	7
Currency translation adjustment	50	0	50
Acquisition costs 30.06.14	**5 610**	**4**	**5 614**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.14	(2 427)	(4)	(2 431)
Depreciation	(251)	-	(251)
Write-downs	(44)	-	(44)
Reversal of write-downs	96	-	96
Currency translation adjustment	(21)	(0)	(21)
Accumulated depreciation and write-downs 30.06.14	**(2 647)**	**(4)**	**(2 651)**
Book value 30.06.14	**2 964**	**0**	**2 964**

Impairment test Q2 2014
For detailed desciption of applied methodology for the impairment test, see note 12 to the annual financial statements for 2013.

Main assumptions applied for the impairment test on 30 June 2014:

Discount rate (after tax)	10.0 per cent
Inflation	2.0 per cent
Cash flow	After tax
Prognosis period	Estimated lifetime of the oil/gas field
Reserves/resources	Internal estimated reserves on 30 June 2014
Oil price	Forward curve for oil price for the period 2014-2016. From 2017 the oil price is adjusted for inflation.
Currency rates	Average forward-rate for the period 2014-2017. From 2018 the average rate for 2017 is used.

Result from impairment test on 30 June 2014
For the Norwegian fields Oselvar and Enoch, certain changes of assumptions have reduced the recoverable amount, resulting in a write-down of Oselvar amounting to NOK 34 million (NOK 9 million post tax) and a write-down of Enoch amounting to NOK 10 million (NOK 2 million post tax) during the first quarter of 2014 and no change in the second quarter 2014.

The recoverable amount for the cash-generating unit consisting of the Danish fields connected to the Siri platform (Nini and Cecilie) was by the end of the first half year increased due to updated expectations for the production in 2014, increased oil prices, along with increased foreign exchange rates between US Dollars and Norwegian Kroner. For the first half year this resulted in reversal of NOK 96 million (NOK 72 million post tax) of previously recognised write-downs for the cash-generating unit Siri fairway. Out of the total reversed write downs, NOK 56 million (NOK 42 million post tax) relates to the second quarter 2014.

Book value of Oselvar, Enoch and Siri fairway are near or equal to the recoverable amount by the end of the second quarter, and changes in the assumptions may require future write-downs. The write-downs can be fully or partially reversed if new information results in increased recoverable amounts.

12 Trade receivables and other current assets

(NOK million)	30.06.2014	31.12.2013
Tax receivables	1	15
Trade receivables	121	106
Receivables from operators relating to joint venture licenses	23	43
Underlift of oil/NGL	115	17
Prepayments	0	2
Other receivables (1)	393	368
Total trade receivables and other current receivables	**653**	**551**

(1) The company continues to progress an insurance claim which is related to the damages to the Siri platform that were discovered in 2009. This has taken more time than anticipated due to the technical complexity of the claim. The total claim exceeds NOK 2 billion, of which NOK 363 million is recognised as a current receivable at 30 June 2014. This amount 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 settled during the next twelve months. Thus the receivable is classified as a current receivable. The USD amount is unchanged from 31 December 2013. Noreco filed the writ to the Danish courts on 14 February 2014, and since then, the court has received reply to the writ from the underwriters, which did not contain any new information. The next step related to the legal proceedings will be a formal meeting between the parties during third quarter 2014, where a plan toward court hearings will be agreed.

13 Restricted cash, bank deposits, cash and cash equivalents

Restricted cash, bank deposits, cash and cash equivalents		
(NOK million)	30.06.2014	31.12.2013
Non-current assets		
Restricted cash pledged as security for abandonment obligation in Denmark (DKK 445 million)	502	500
Other restricted cash and bank deposits	23	-
Current assets		
Restricted cash for repayments to bondholders	-	70
Other restricted cash and bank deposits (Withholding tax etc.)	10	4
Total restricted cash	**534**	**574**
Unrestricted cash, bank deposits and cash equivalents	507	403
Total bank deposits	**1 042**	**978**

Minimum cash covenant
There is a requirement of minimum NOK 100 million in accessible liquidity at Noreco group level in accordance with the covenants for the bond loans. See further information in the annual report 2013 note 23.5.

Overdraft facilities					
(NOK million)	Facility amount in currency	NOK	Used	Unused	Available
NOK (Exploration loan facility in Noreco Norway AS) (1)	850	850	345	505	205
USD (Overdraft facility in Noreco Oil Denmark A/S)	3	18	9	9	9
Total		**868**	**354**	**515**	**214**
Unrestricted cash and cash equivalents					507
Accessible liquidity at 30.06.14					**722**

(1) The basis for utilisation of the exploration loan facility is 70 per cent of exploration losses which are entitled to 78 per cent tax refund from the Norwegian tax authorities.

For the purpose of aligning the borrowing limit on the exploration loan facility to planned activity levels for the coming two years and also to reduce financing fees, Noreco has made a request to the financial institutions for reducing the borrowing limit from NOK 1 240 million to NOK 850 million for the exploration loan.

14 Borrowings

Non-current debt	30.06.2014		31.12.2013	
(NOK million)	Principal amount	Book value	Principal amount	Book value
Bond loan NOR06	500	415	500	402
Bond loan NOR10 1st Lien	899	846	899	829
Bond Loan NOR11 2nd Lien	722	508	736	502
Bond Loan NOR12 Convertible	374	223	367	206
Total non-current bonds	**2 496**	**1 992**	**2 502**	**1 939**

Current debt				
(NOK million)	Principal amount	Book value	Principal amount	Book value
Bond loan NOR06	88	73	100	80
Bond loan NOR10	473	445	500	461
Total current bonds	**561**	**518**	**600**	**541**
Exploration loan	345	335	345	333
Overdraft facility	9	9	-	-
Total current other interest bearing debt	**354**	**344**	**345**	**333**
Total borrowings	**3 410**	**2 854**	**3 447**	**2 813**

15 Trade payables and other current liabilities

(NOK million)	30.06.14	31.12.13
Trade payable	25	58
Liabilities to operators relating to joint venture licenses	384	190
Overlift of oil/NGL	7	16
Accrued interest	10	11
Employee bonus/salary accruals	15	33
Public duties payable	7	8
Other current liabilities	49	27
Total other current liabilities	**497**	**343**

The operator of the Huntington field has still not reached a final agreement with Teekay, the owner of the FPSO, regarding some costs related to the startup phase of the field, which Teekay are claiming. The dispute is mainly related to charter fees and certain operational costs for the period since commencement of production in April 2013 until August 2013. Both Noreco and the operator have not recognised a provision for these un-concluded costs which amount to maximum NOK 43 million (net Noreco share). We are of the opinion that these costs should not be paid in accordance with the current agreements.

16 Financial instruments

16.1 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 30.06.2014

(NOK million)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives		0		0
- Underlift of oil		115		115
Total assets	-	**115**	-	**115**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements		3		3
- Overlift of oil		7		7
Total liabilities	-	**10**	-	**10**

On 31.12.2013

(NOK million)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives		1		1
- Underlift of oil		17		17
Total assets	-	**19**	-	**19**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Interest rate swap agreements		4		4
- Overlift of oil		16		16
Total liabilities	-	**20**	-	**20**

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.

16.2 Financial instruments by category

On 30.06.2014

(NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Derivatives		0	0
Trade receivables and other current assets	537	115	652
Restricted cash	534		534
Bank deposits, cash and cash equivalents	507		507
Total	**1 579**	**115**	**1 694**

(NOK million)	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bonds	2 510		2 510
Other interest bearing debt	344		344
Derivatives		3	3
Trade payables and other current liabilities	475	7	482
Total	**3 329**	**10**	**3 340**

On 31.12.2013

(NOK million)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Derivatives		1	1
Trade receivables and other current assets	527	17	544
Restricted cash	574		574
Bank deposits, cash and cash equivalents	403		403
Total	**1 505**	**19**	**1 523**

(NOK million)	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities			
Bonds	2 481		2 481
Other interest bearing debt	333		333
Derivatives		4	4
Trade payables and other current liabilities	294	16	310
Total	**3 107**	**20**	**3 127**

16.3 Financial instruments - Fair values

Set out below is a comparison of the carrying amounts and fair value of financial instruments as on 30 June 2014:

(NOK million)	Carrying amount	Fair value
Financial assets:		
Derivatives	0	0
Trade receivables and other current assets	652	652
Restricted cash	534	534
Bank deposits, cash and cash equivalents	507	507
Total	**1 694**	**1 694**
Financial liabilities:		
Bonds	2 510	2 511
Other interest bearing debt	344	344
Derivatives	3	3
Trade payables and other current liabilities	482	482
Total	**3 340**	**3 341**

17 Segment reporting

The Group's activities are entirely related to exploration and development of oil, gas and NLG. The Group's activities are considered to have a homogeneous risk and rate of return before tax and are therefore considered as one operating segment.
Noreco has activities in Norway, Denmark and UK.
Transactions between the companies in the group are carried out at ordinary conditions which would have been equivalent for independent parties.
Assets and liabilities are reflecting balance sheet items for the Group entities in the respective countries.
Excess value is allocated to the units that are expected to gain advantages by the acquisition. Loans, receivables and payables between the companies are included in segment assets and liabilities. These are eliminated in the consolidated balance sheet.

Geographical information 30.06.2014 (YTD)

(NOK million)	Norway	Denmark	UK	Inter company	Group
Condensed income statement					
Revenue	55	218	429	-	702
Total operating expenses	(278)	(138)	(150)	-	(565)
Depreciations	(11)	(37)	(202)	-	(251)
Writedowns and reversals	(44)	96	(30)	-	22
Net operating result	(278)	139	47		(91)
Net financial items	(162)	7	2		(154)
Result before tax	(440)	146	49	-	(245)
Income tax benefit / (expense)	244	(36)	(27)	-	180
Net result for the period	(196)	110	21	-	(65)
Condensed statement of financial positions					
License and capitalised exploration expenses	205	31	583		820
Goodwill	(0)	44	101		145
Property, plant and equipment	327	368	2 268		2 964
Other	2 152	1 107	112	(791)	2 580
Total assets	2 685	1 550	3 064	(791)	6 508
Total liabilities	3 108	658	1 749	(791)	4 724
Capital expenditures					
Capital expenditures production facilities	(0)	5	2	-	7
Capital expenditures exploration and evaluations	206	14	(0)	-	219
Total capital expenditures	206	19	2	-	226

18 Asset retirement obligations

(NOK million)	30.06.14	31.12.13
Balance on 1.1.	327	323
Provisions and change of estimate made during the year (1)	39	(45)
Accreation expense	15	25
Currency translation	4	24
Total provision made for asset retirement obligations	**385**	**327**

(1) Due to revised estimates on future abandonment costs at Huntington, the recognised asset retirement obligation has been increased with NOK 39 million in Q2 2014.

In accordance with the agreement with the partners and normal practice in the industry, a restricted cash account will be established and serve as security for Noreco's share of the estimated future abandonment costs at Huntington. In the coming years, Noreco will gradually deposit amounts to increase the cash balance on the account. The first deposit is to be performed when the estimated abandonment obligation exceeds the value of the remaining production.

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 per cent, which represents the Group's expected average alternative borrowing interest, to calculate the net present value of the obligation. Inflation is assumed to be 2 per cent.

19 Shares and share capital

(NOK million)	No. of shares	Share Capital
31 December 2013	4 656 094 082	466
Change in share capital in 2014		
Share issue (repair) on 21 January 2014	1 000 000 000	100
Share issue employees on 14 February 2014	2 391 002	0
30 June 2014	5 658 485 084	566

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Hilde Drønen
Marika Svärdström
Erik Henriksen
Trygve Pedersen
Hilde Alexandersen
Bård Arve Lærum

Noreco management

Svein Arild Killingland	CEO
Ørjan Gjerde	CFO (until 31 August 2014)
Tommy Sundt	CFO (from 1 September 2014)
Øyvind Sørbø	VP commercial
Lars Fosvold	VP exploration

Investor Relations

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Financial calendar 2014

14 August	Presentation of Q2 2014 report, Oslo
18 November	Presentation of Q3 2014 report, Oslo

Annual reports

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

Quarterly publications

Quarterly reports and supplementary information for investors and analysts are available on www.noreco.com. The publications can be ordered by sending an e-mail to av@noreco.com

News releases

In order to receive news releases from Noreco, please register on www.noreco.com or send an email to av@noreco.com.

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