

# **Third quarter 2014**

Slides for reference during conference call  
1 December 2014

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# Key financials

20  
THIRD QUARTER  
2014  
14

# Income statement

NOK million	Q3 '14	Q2 '14	Q1 '14	2013
<b>Total revenues</b>	<b>296</b>	<b>318</b>	<b>384</b>	<b>894</b>
Production expenses	(177)	(132)	(138)	(430)
Exploration expenses	(629)	(173)	(25)	(666)
Payroll	(23)	(22)	(31)	(127)
Other op. expenses	(21)	(19)	(24)	(95)
Other gain/(loss)	(2)	(0)	1	(15)
<b>EBITDA</b>	<b>(556)</b>	<b>(29)</b>	<b>166</b>	<b>(440)</b>
Depreciation	(115)	(108)	(143)	(319)
Write-downs	(1 818)	54	(32)	(1 211)
<b>EBIT</b>	<b>(2 490)</b>	<b>(83)</b>	<b>(8)</b>	<b>(1 969)</b>
Bond Restructuring effects	(36)	(41)	(35)	523
Net other financial items	(64)	(8)	(70)	(508)
<b>EBT</b>	<b>(2 589)</b>	<b>(132)</b>	<b>(113)</b>	<b>(1 954)</b>
Tax	1 488	132	49	947
<b>Net result</b>	<b>(1 101)</b>	<b>(0)</b>	<b>(64)</b>	<b>(1 008)</b>

- **Revenues**  
Production shortfall on Huntington, Nini performing well.
- **Production expenses** include non-cash effect of NOK 40 mill
- **Exploration expenses** include Huntington Fulmar write-off of NOK 600 mill (net NOK 228 mill)
- **Write-downs** of NOK 743 mill after tax, see slide 5 for further details

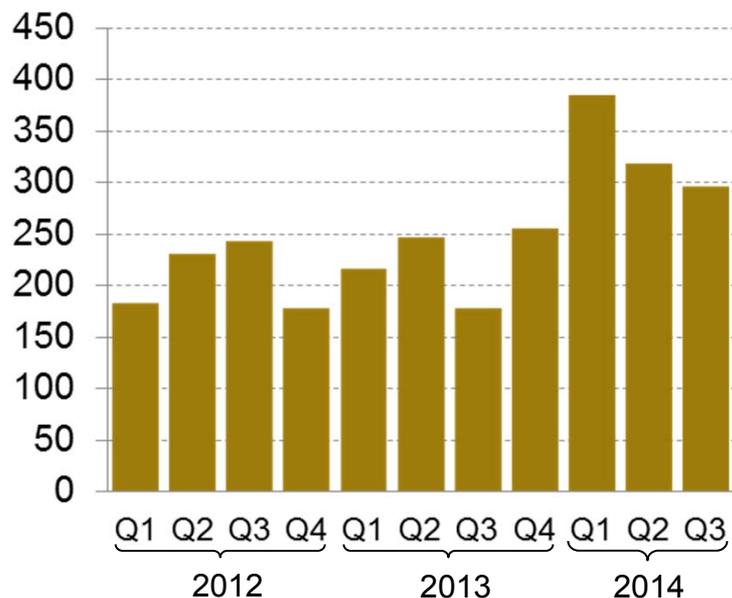
# Write-downs and reversals

Items (NOK mill)	Write-downs and reversals Q3		Write-downs and reversals YTD	
	Before tax	After tax	Before tax	After tax
Goodwill UK	(104)	(104)	(134)	(134)
Huntington Forties	(1 343)	(510)	(1 343)	(510)
<b>Huntington licence</b>	<b>(1 447)</b>	<b>(614)</b>	<b>(1 477)</b>	<b>(645)</b>
Oselvar	(337)	(103)	(371)	(112)
Enoch	-	-	(10)	(2)
Siri Fairway (Nini and Cecilie)	(35)	(26)	62	46
<b>Total write-downs and reversals</b>	<b>(1 818)</b>	<b>(743)</b>	<b>(1 796)</b>	<b>(713)</b>

- The impairment test for Q3 was based on forward curve as of 30 September.
- A 10 per cent reduction in oil prices compared to oil prices applied in impairment test would have increased write-downs by NOK 86 million after tax.
- Huntington impairment based on preliminary profiles, revised profiles in Q4 may result in changes.

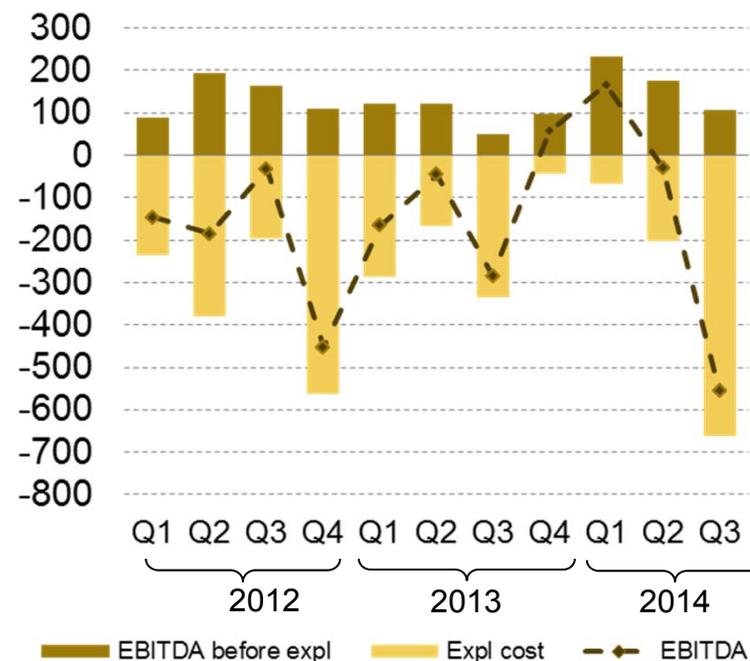
# Revenue & EBITDA (NOK mill)

## Revenues



- Huntington performance better than 2013, though significantly lower than expected
- Huntington closed from 18 October to early December

## EBITDA / Exploration expenses



- Continued positive EBITDA before exploration cost<sup>1</sup>

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

# Balance sheet

NOK million	30.09.14	30.06.14	31.12.13
<b>Assets</b>			
Non-current assets <sup>1</sup>	3 532	4 960	4 797
Current assets <sup>1</sup>	608	1 041	1 005
Cash (non-restricted)	736	507	403
<b>Total assets</b>	<b>4 876</b>	<b>6 508</b>	<b>6 205</b>
<b>Equity and liabilities</b>			
Total equity	763	1 784	1 750
Long-term liabilities <sup>1</sup>	2 798	3 351	3 220
Current liabilities	1 315	1 373	1 235
<b>Total liabilities</b>	<b>4 113</b>	<b>4 724</b>	<b>4 455</b>
<b>Total equity and liabilities</b>	<b>4 876</b>	<b>6 508</b>	<b>6 205</b>
<b>Net interest-bearing debt ex. exploration facility</b>	<b>1 822</b>	<b>2 012</b>	<b>2 077</b>

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

- **Equity ratio 16 %**
  - Reduction due to Q3 impairment
- **Restricted cash**
  - 485 mill Siri Fairway abandonment security (long-term)
  - 32 mill others (22 mill long-term and 10 mill short-term)
- **Total free liquidity of 748 mill (covenant level 100 mill)**
- **Siri insurance claim process delayed**
  - Reclassified to non-current assets

# Additional information

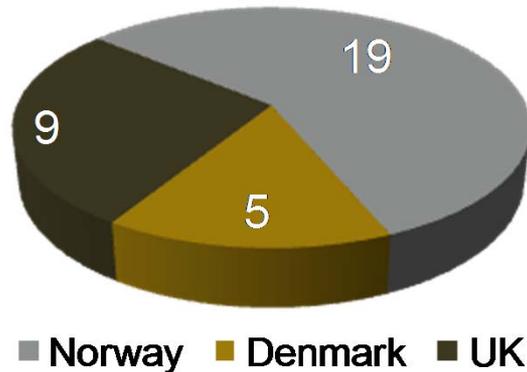
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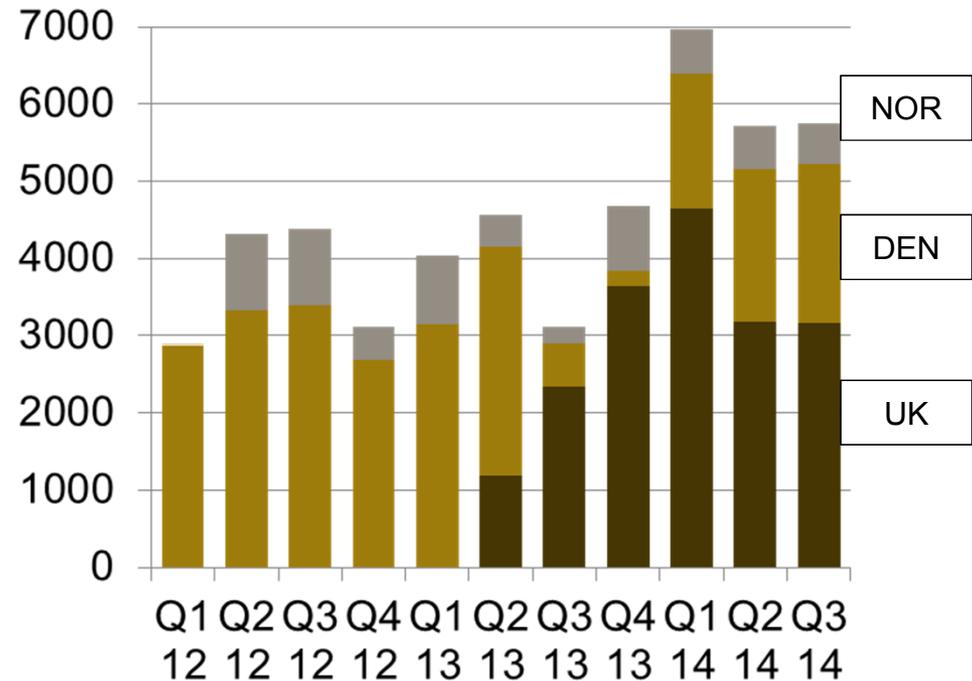
# Noreco at a glance

An exploration driven E&P company in the North Sea

**Exploration**  
(number of licences)



**Production**  
(in boepd)



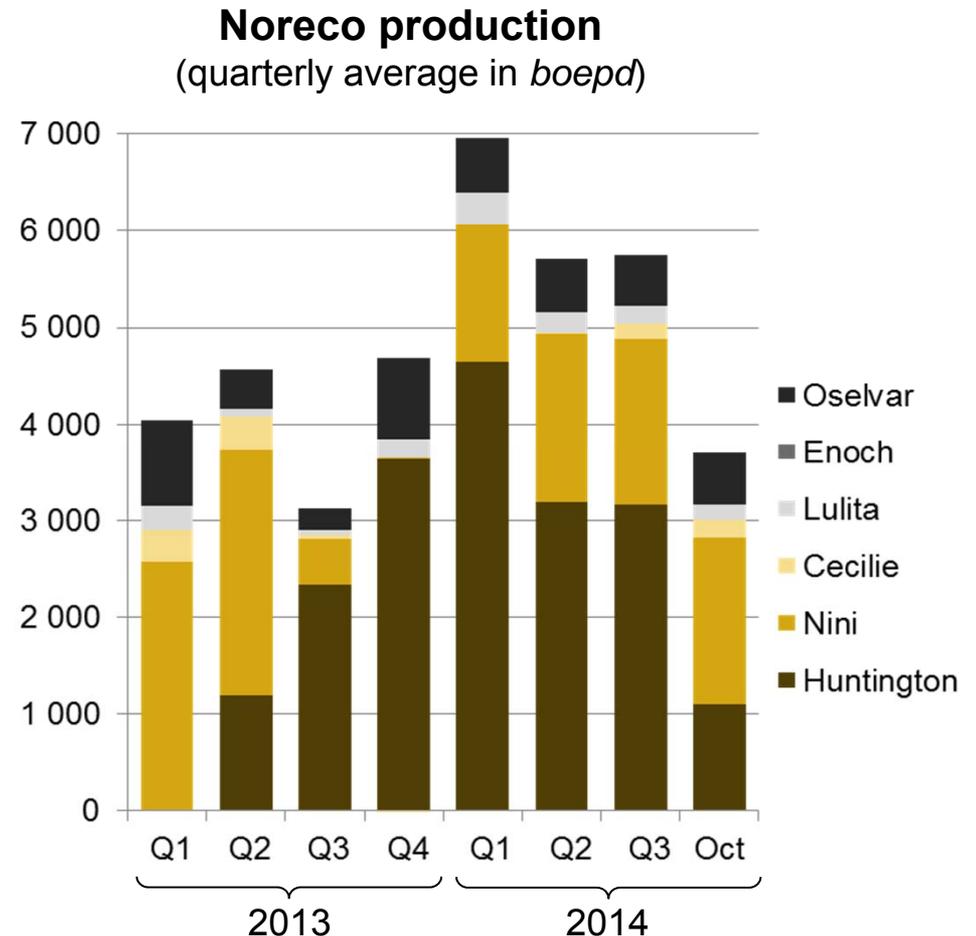
Year	2011	2012	2013	14E
Wells	4	7	4	3

*Exploration wells only*

## Q3 production

# In line with previous quarter

- **Huntington** output in July and August lower than expected. September good. Closed again since 18 October due to CATS restrictions
- **Nini** and **Cecilie** producing well, now with permanent Siri solution in place
- **Lulita** relatively stable once onstream in early August
- **Oselvar** fairly stable through the quarter
- **Enoch** expected back on stream in Q1



# Production per field

(boepd)

Field	Noreco share	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13
Oselvar	15 %	528	550	574	850	221
Enoch	4.36 %	0	0	0	0	0
Lulita	28.2 %	192	172	330	196	45
Nini	30 %	1 722	1 839	1 415	0	469
Cecilie	61 %	152	15	0	0	46
Huntington	20 %	3 160	3 187	4 646	3 637	2 336
<b>Total</b>		<b>5 755</b>	<b>5 763</b>	<b>6 964</b>	<b>4 682</b>	<b>3 117</b>

# Revenue per field

(NOK million)

Field	Noreco share	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13
Oselvar	15 %	25	25	30	40	8
Enoch	4.36 %	0	0	0	0	0
Lulita	28.2 %	9	8	15	10	2
Nini	30 %	95	113	82	0	29
Cecilie	61 %	9	1	0	0	3
Huntington	20 %	158	172	257	206	135
<b>Total</b>		<b>296</b>	<b>318</b>	<b>384</b>	<b>255</b>	<b>177</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	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13
Oselvar	15 %	7	6	6	14	7
Enoch	4.36 %	0	0	2	15	-1
Lulita	28.2 %	1	2	3	4	1
Nini*	30 %	95	55	48	38	67
Cecilie*	61 %	14	7	14	7	11
Huntington	20 %	59	62	66	60	23
<b>Total</b>		<b>177</b>	<b>132</b>	<b>138</b>	<b>139</b>	<b>108</b>

Production expenses (OPEX) are to a great extent independent of production. In average approximately 85 percent of the production expenses year to date Q3 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

# Exploration and appraisal Drilling programme

Well	Noreco share	Operator	Pot. vol. <sup>1</sup>	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
DK 9/95 Xana (Gita S)	20.1 %	Maersk	131-235								
P1889 Niobe	22.5 %	Suncor	7 – 157								
PL616 Haribo	20 %	Edison	69-192 <sup>2</sup>								
PL492 Gohta (appr)	20 %	Lundin	111-232								
PL519 Albert	20 %	Lundin	na								

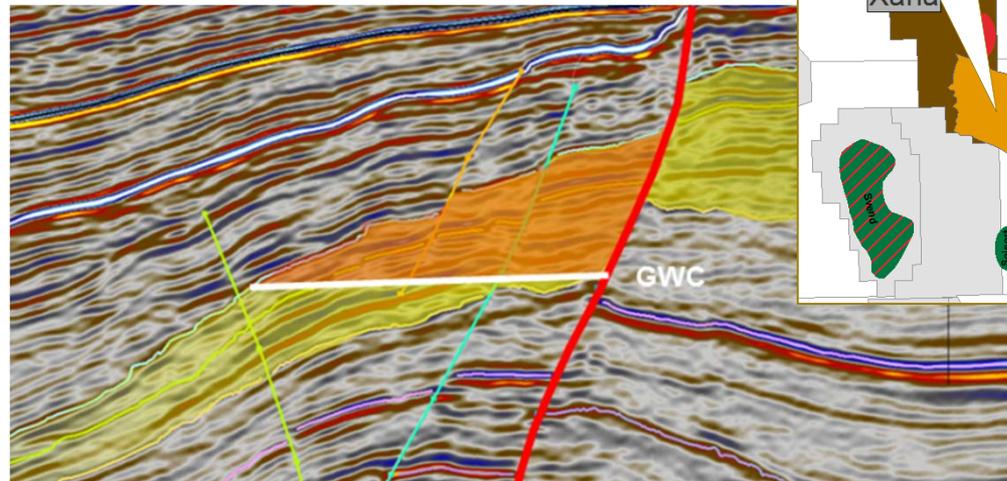
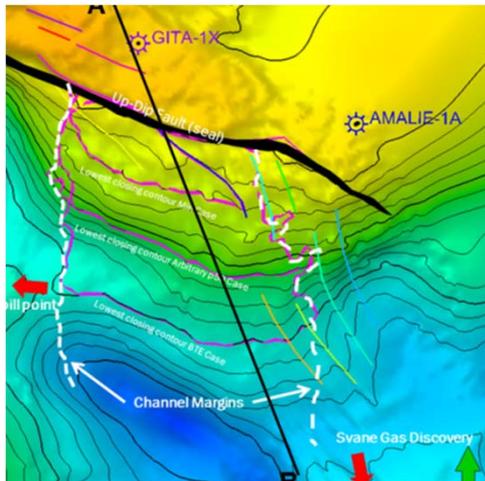
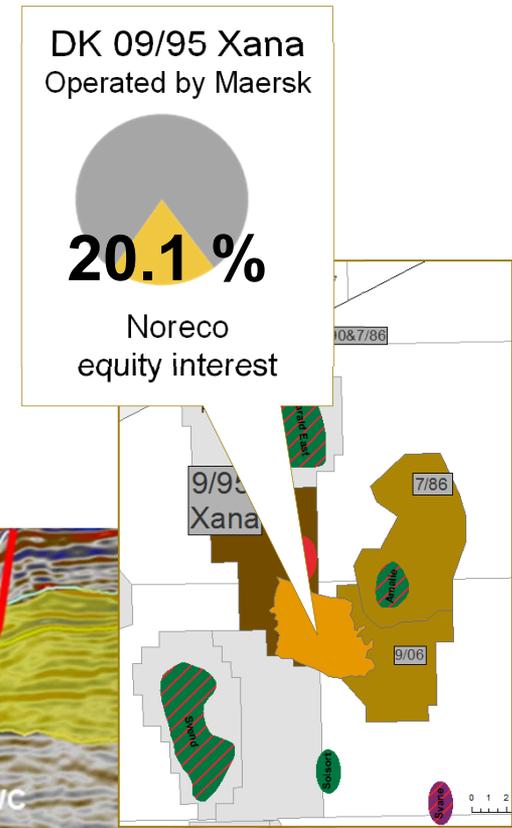
- Committed well
- Potential well

<sup>1</sup> In mmboe <sup>2</sup> On licence

# Exploration programme

## DK 09/95 – Xana

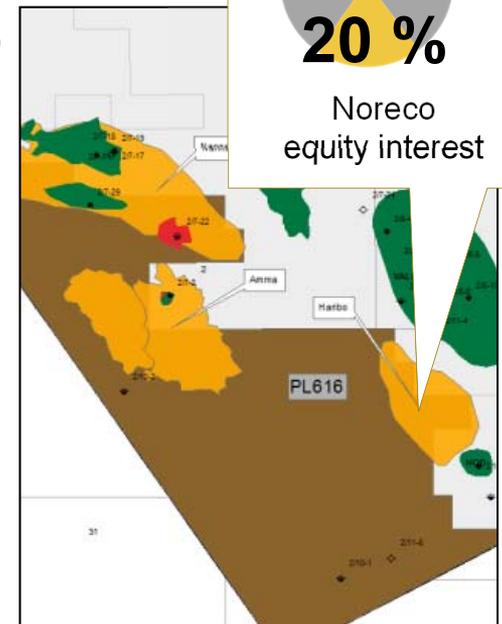
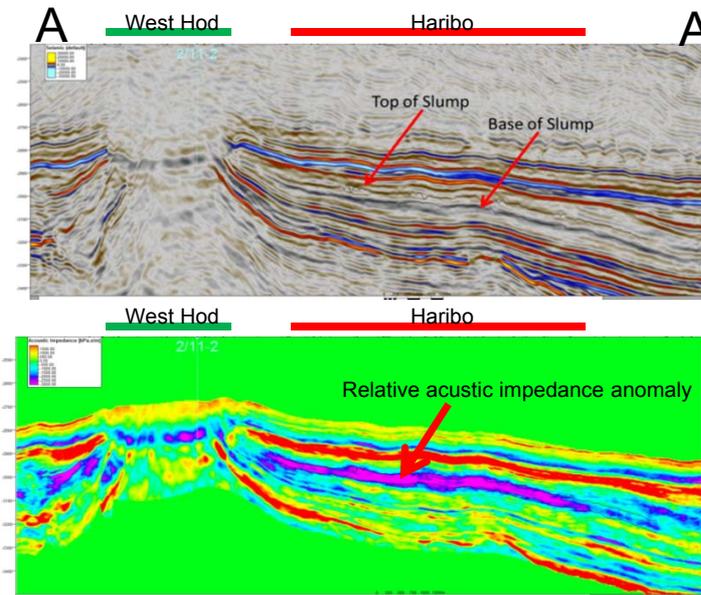
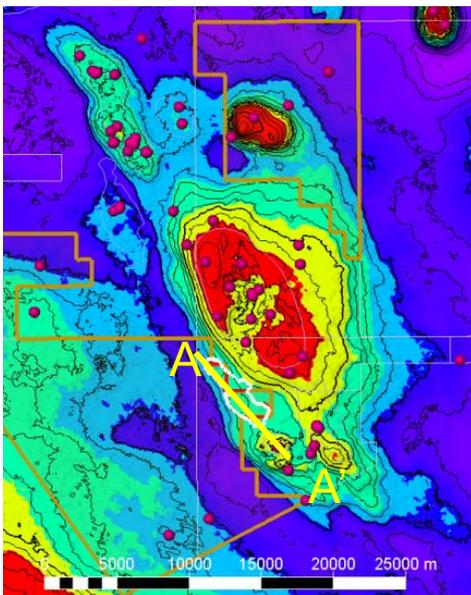
- Upper Jurassic target in close vicinity (up-dip) to the Svane gas discovery and south of Gita discovery
- CoS: 27% – Primary risk element: Trap
- 131– 235 mmboe gross (gas), 35 mmboe net P50
- Expected spud early Dec 2014 with drilling rig Noble Sam Turner



# Exploration programme

## PL616 – Haribo

- Slumped chalk prospect on the flank of Valhall/Hod inside structural megaclosure
- CoS: 42 % – Primary risk element: Trap
- 69 – 192 mmboe gross on block, 24 mmboe net P50 to Noreco
- On schedule to be drilled in Q2-Q3 2015 – rig negotiations being finalized



PL616 Haribo  
Operated by Edison

**20 %**  
Noreco  
equity interest

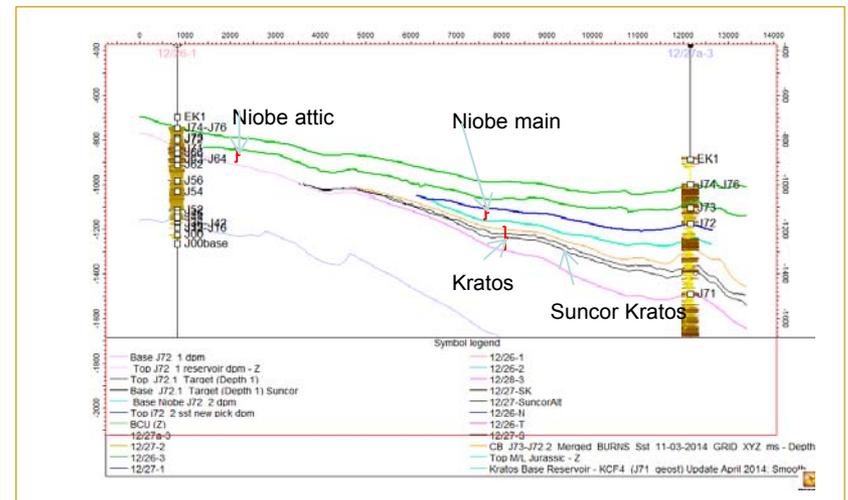
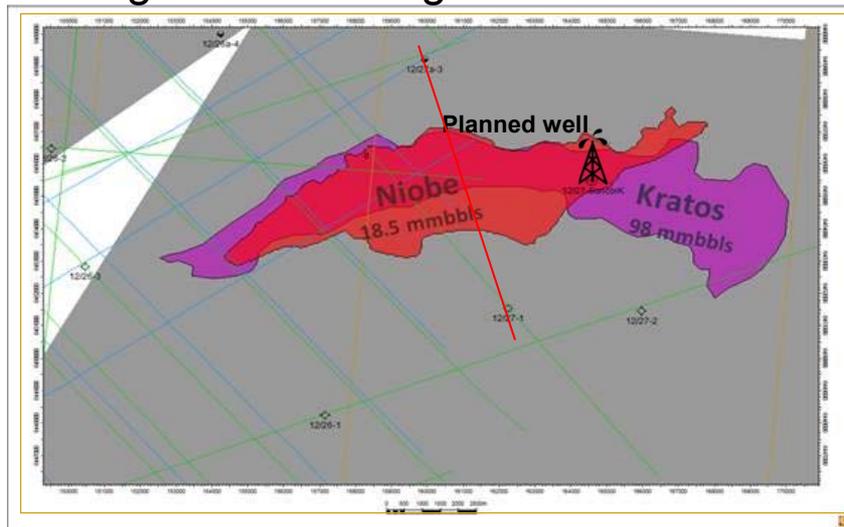
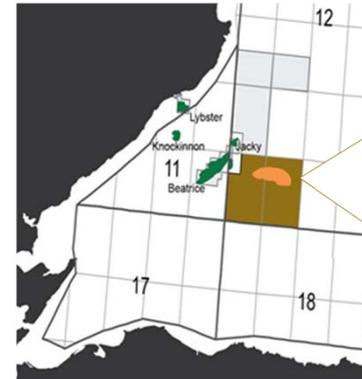
# Exploration programme

## UK P1889 – Niobe

- Jurassic stratigraphic pinch-out trap, up-dip of proven oil discovery, located in Inner Moray Firth in proven play east of Beatrice Field
- Cos: 30 % – Primary risk element: Trap
- 7 – 157 mmbœ gross, 9 mmbœ net P50
- On schedule to be drilled in Q2-Q3 2015 - rig negotiations being finalized

P1889 Niobe  
Operated by Suncor

**22.5 %**  
Noreco  
equity interest



# Balance sheet specifications

Producing assets (NOK million)

Asset	Gross book value	Asset retirement obligation	Deferred tax (-asset)	Net book value
Oselvar	0	34	-323	290
Enoch	8	5	3	1
Lulita	34	11	5	17
Nini and Cecilie	294	235	0	58
Huntington Forties	923	150	37	736
<b>Total producing assets</b>	<b>1 259</b>	<b>435</b>	<b>-278</b>	<b>1 103</b>

# Balance sheet specifications

Intangible assets (NOK million)

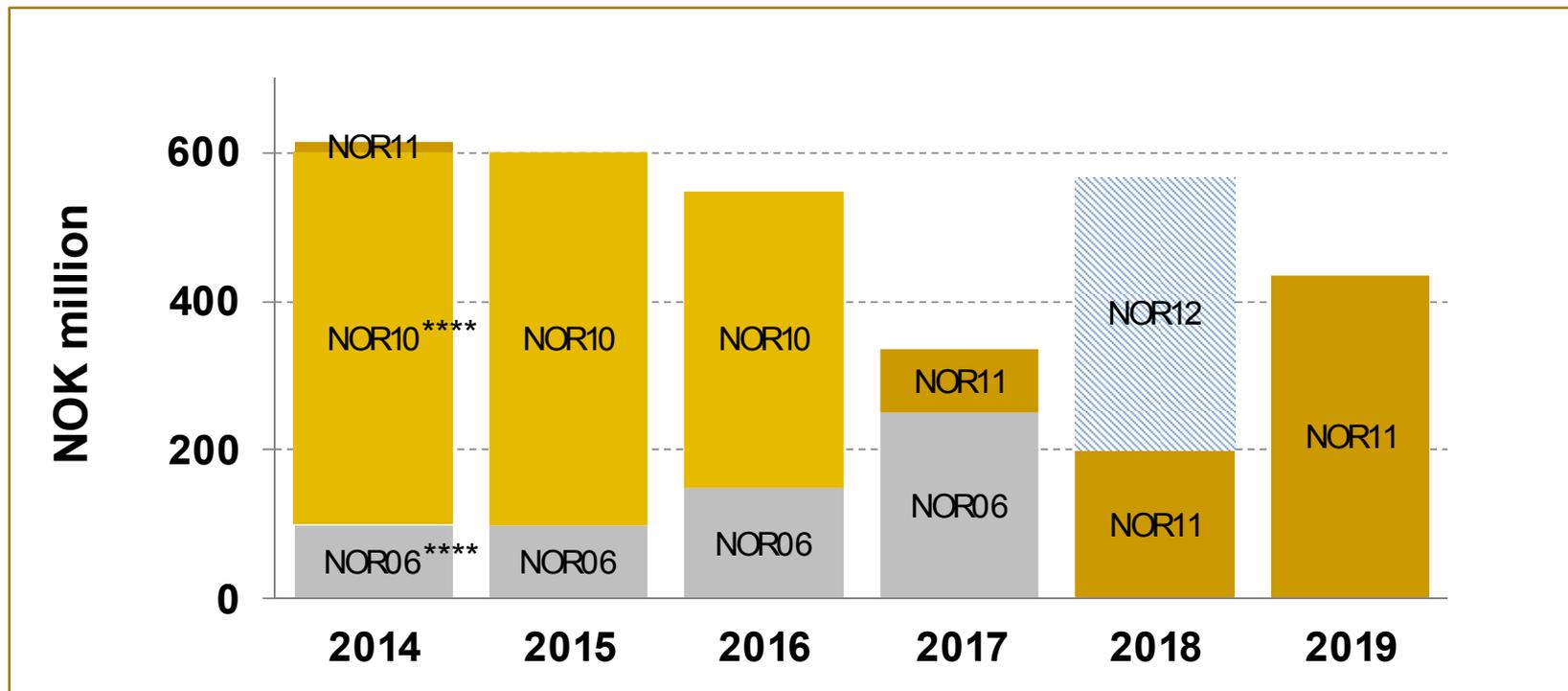
Asset	Gross book value	Deferred tax (-asset)	Net book value
Goodwill Denmark	46	0	46
<b>Total Goodwill</b>	<b>46</b>	<b>0</b>	<b>46</b>
Gohta	254	198	56
Xana	35	9	26
Other licences	5	3	2
<b>Total licence and capitalised exploration expenditures</b>	<b>294</b>	<b>210</b>	<b>84</b>

# Siri insurance claim

## Status

- Gross book value at the end of Q3 is NOK 382 mill, NOK 334 mill after tax
  - USD amount unchanged at 59 mill
  - Total claim is well above NOK 2 billion (~ USD 400 mill plus interests)
- Writ filed for Danish court on 14 February 2014
- Writ response received from underwriters. No surprises
- Formal meeting held in Q3 2014, where a plan towards court hearings were set.
- Ruling from the court is now expected in 2016. Reclassified to non-current assets in Q3 2014
- Noreco's view on its legal position in this case has not changed

# Noreco bond structure



Bond	Outstanding ***)	Due **)	Main Terms
NOR06	NOK 587.7 mill	9 Dec 2017	6.5 % fixed, pledge in Oselvar asset
NOR10	NOK 1 372.1 mill	9 Dec 2016	6.0 %, pledge in Huntington and Danish assets
NOR11	NOK 722.3 mill	9 Jun 2019	6.75 % fixed , 2nd Lien pledge in Huntington and Danish assets
NOR12	NOK 366.8 mill *)	9 Dec 2018	Convertible at NOK 30.0 per share, 4.0% fixed PIK, unsecured

\*) Principal amount, excluding PIK interests. Total amount if no interests are paid in cash will be NOK 447 mill

\*\*\*) All instalments are due on 9 Dec each year except for final maturity related to NOR11

\*\*\*\*) Repayment of NOK 53 million to NOR06, NOR10 and NOR11 in total completed in June 2014

\*\*\*\*\*) Discussion on request for deferral of Dec 2014 payments in progress

# Shareholders

## Top 20 shareholders as of 30 November 2014

Shareholder	Shares	% of total
SABARO INVESTMENT LT	17 047 675	30,04 %
IKM INDUSTRI-INVEST	8 579 586	15,12 %
OM Holding AS	1 596 159	2,81 %
NORDNET BANK AB	879 309	1,55 %
DANSKE BANK A/S 3887 OPERATIONS SEC.	645 224	1,14 %
AWILCO INVEST AS C/P AWILHELMSSEN MANA	499 999	0,88 %
NORDNET PENSJONSFORS	476 052	0,84 %
Nordea Bank Danmark S/A NORDEA (DK) CCA	474 586	0,84 %
ANKO INVEST AS	436 830	0,77 %
SAKURA CAFETERIA AS	417 391	0,74 %
MP PENSJON PK	407 105	0,72 %
LYSE ENERGI AS	277 016	0,49 %
ANDERSEN LARS SIGVART GRAN	250 000	0,44 %
UBS AG A/C OMNIBUS-DISCLOSE	244 905	0,43 %
AVANZA BANK AB MEGLERKONTO	241 818	0,43 %
ALBERT ØLNES AS SIMILINGENIØR	234 000	0,41 %
HANDELSHUSET STENSET	200 000	0,35 %
ALTO HOLDING AS	200 000	0,35 %
HELLESTØ ARNE FREDRIK	190 900	0,34 %
Merrill Lynch Intern C/O MLI GEF SUSQUEHA	183 843	0,32 %
<b>Total number owned by top 20</b>	<b>33 482 398</b>	<b>58,99 %</b>
<b>Total numbers of shares</b>	<b>56 757 843</b>	

