Noreco

Second quarter
2010

Report for the second quarter 2010

Norwegian Energy Company ASA

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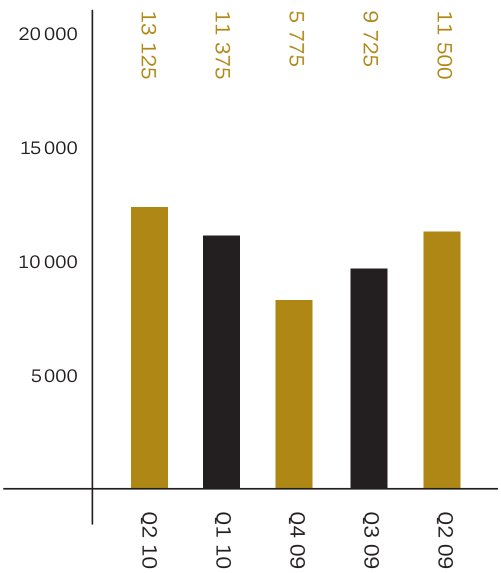
HIGHLIGHTS

- Average production in Q2 2010 was 13,125 boe per day
- Production from Siri area below plan due to technical issues
- Oil price realised at USD 75.4 per boe
- Developments are progressing in line with plan
- Zidane-1 exploration well spudded
- Comprehensive seismic surveys ongoing
- Operating revenues of NOK 560 million, EBITDA of NOK 269 million and a net result of NOK -6 million
- Sale of PL378 with Grosbeak discovery for USD 43 million (July)

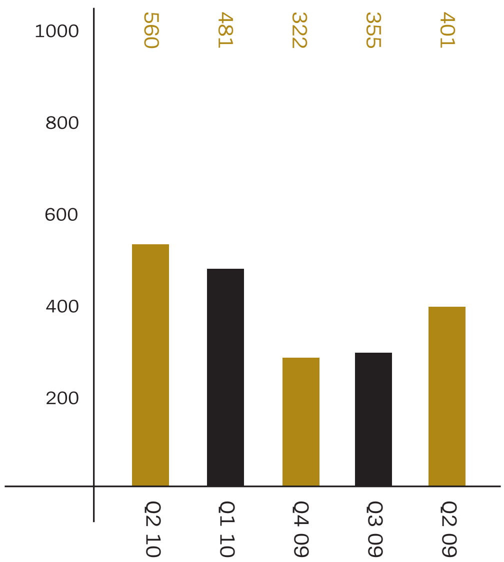
KEY FIGURES

	Q210	Q110	Q409	Q309	Q209	Q109
Net realised oil price *(USD/boe)*	75.4	74	68.5	65	60	55
EBITDA *(NOK million)*	269	170	134	-51	85	116
Net results *(NOK million)*	-6	-21	-87	-134	-101	-46
Total assets *(NOK billion)*	12.4	12.2	11.9	11.8	12.2	11.9

Production *(boed)*



Operating income *(NOK million)*



GROUP FINANCIALS

The Noreco Group had total revenues of NOK 560 million in Q2 2010, an increase of 40% compared to Q2 2009. The increase was driven by higher production and achieved higher oil price. Production in the quarter was 13,125 barrels of oil equivalents per day (boed), up from 11,500 boed for Q2 last year. The achieved oil, gas and NGL prices adjusted for the cost and income from the put options expiring in Q2 2010 was USD 75.4 per boe, compared to USD 60.0 per boe in Q2 2009.

Production expenses were NOK 132 million. Costs related to repairs at the Siri field following the 5-month shutdown in 2009/10 amounted to NOK 54 million in Q2, of which NOK 9 million is recorded as production expenses while NOK 45 million is expected to be covered by insurance and has been capitalised as Other current receivables. In total NOK 407 million is recorded as outstanding insurance recovery as of 30 June 2010. The first part of the insurance claim was filed in Q2 2010.

Exploration costs amounted to NOK 100 million, mainly driven by seismic acquisitions.

EBITDA (earnings before interests, tax, depreciation and amortization) for Q2 2010 was NOK 269 million, compared to NOK 85 million in Q2 2009. Depreciation amounted to NOK 176 million.

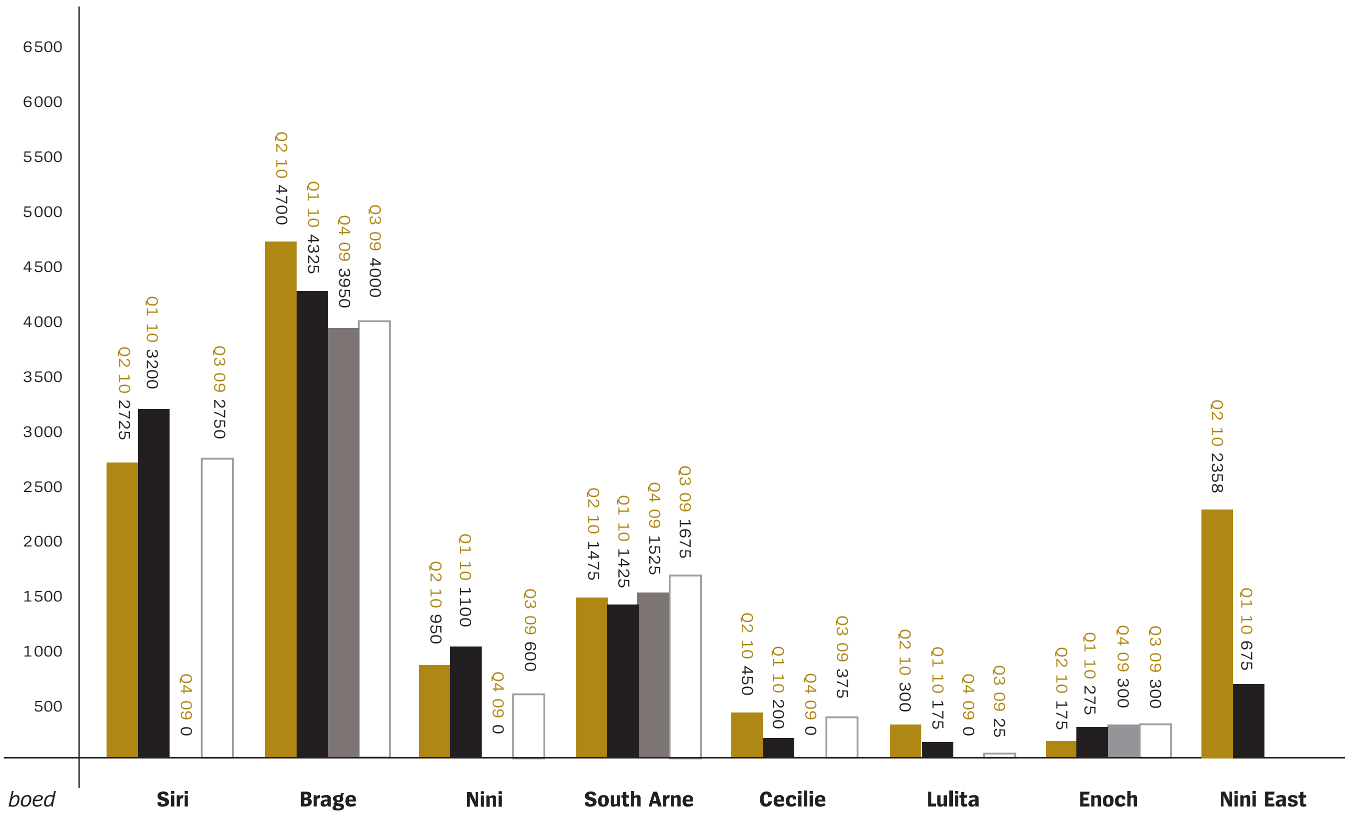
Net financial items amounted to NOK -121 million for the quarter, of which interest cost amounted to NOK 88 million. Tax for Q2 2010 amounted to NOK -21 million. Net result for the period was NOK -6 million, compared to NOK -101 million in Q2 2009.

In June the company repaid a NOK 100 million bond loan (the ALX01), of which NOK 50 million was held internally.

Noreco uses oil put options to protect its cash flow against downside risk in the oil price. The company has secured parts of its expected production volume against oil prices below USD 75 and USD 50 per barrel. Fair value of these put options as of 30 June 2010 was NOK 47 million, recorded as other current receivables in the balance sheet.

GROUP STRUCTURE

Siri Holdings Ltd and Altinex ASA are guarantors for two of the bond loans issued by Noreco (Nor 03 and Nor 04). Siri Holdings Ltd's only purpose is to hold part of Noreco's ownership in the Siri license, and the description herein related to the Siri field is therefore of key importance for Siri Holdings Ltd. Altinex ASA serves as a sub-holding company for all of Noreco's activities, except what is held through Siri Holdings Ltd, and exploration activity on the UKCS and NCS, which are held in Norwegian Energy Company (UK) Ltd and Norwegian Energy Company ASA respectively. Consequently, with the exception that the description of the Noreco group's exploration activity and certain elements related to financial income and expenses (which are relevant only for Norwegian Energy Company ASA), the description of highlights and risk elements apply substantially similarly to Altinex ASA.



PRODUCING FIELDS

The Noreco Group's production for Q2 2010 was on average 13,125 barrels of oil equivalents per day (boed). The graph on page 3 shows the net production to Noreco from each of the eight producing fields in the portfolio.

Production is lower than forecast due to technical issues in the Siri area. These issues are scheduled to be resolved in Q4 2010. However, the impact has led to a reduction in Norecos estimated full year 2010 production to 12,100 boed.

The average gross production from the **Brage field** (Noreco 12.26/13.2%) in Q2 2010 was approximately 36,900 boed. The Brage production was high in the quarter due to high regularity, increased gas sales and continued strong performance from the Bowmore segment. The first onset of water production from the Bowmore segment was observed towards the end of the quarter. Drilling of a new oil producer is ongoing with expected completion in the second half of 2010.

The **Enoch field** (Noreco 4.4%) had average gross production in Q2 2010 of approximately 3,900 boed. The gas lift of the Enoch well has been restricted in Q2 2010 resulting in lower production. Work is ongoing to restore gas lift in Q3 2010.

Gross production from the **Siri area fields** (Siri 50%, Nini East 30%, Nini 30% and Cecilie 61%) averaged 17,250 boed in the second quarter. Production has been below plan due to limitations in the gas handling capacity at the Siri platform and the shut-in of the SCB-1 production well. During a planned maintenance stop in June, the bundle of a centrifugal compressor on Siri was replaced. Flare gas levels and lift gas availability have since improved. However, it is now clear that a complete revamp of the compressor is necessary to restore full production capacity, and the plan is to perform a final upgrade in late Q4 2010. The production at Siri has also been negatively impacted by a shutdown of the SCB-1 subsea well since late April due to problems with operating the subsea safety valve. The plan is to replace the subsea control module and the jumper between the tree and the module in Q4 2010.

On the **South Arne field** (Noreco 6.56%) the average gross production in Q2 2010 was approximately 22,600 boed, in line with the previous quarter. At the end of Q2 2010 drilling and completion of two new horizontal production wells were ongoing with production start up expected in Q4 2010. For the South Arne Phase III development project, a Field Development Plan (FDP) was submitted to the Danish Authorities for approval before final project sanction by the partnership. The FDP comprises drilling of 11 new producers and injectors as well as installation of two new unmanned wellhead platforms and interfield pipelines controlled from the Central South Arne processing and export platform. Final sanction of the project is expected by year end 2010.

On the **Lulita** field (Noreco 28.2%) the average gross production was stable at approximately 1,040 boed in Q2 2010.

DEVELOPMENTS AND DISCOVERIES

Noreco is a 20% partner in the **Huntington** development in the UK. The field is operated by E.On Ruhrgas UK. In Q2 2010 the partnership entered into a letter of intent with Sevan Marine for leasing the Sevan Voyageur FPSO, with expected signing of a final contract in Q3 2010. Subsequently additional contracts required for the development will be signed and a final field development plan will be submitted to UK authorities.

The **Oselvar** development is progressing on schedule and within budget. During a shutdown at the Ula host platform this summer, all planned work in preparations for tie-in to the Oselvar module (which is currently under construction and will be installed next summer) was completed. Production start-up at Oselvar is expected in the second half of 2011. Noreco owns 15% of Oselvar, which is operated by Dong.

For the **Nemo** discovery in PL148, a concept selection was approved in the license for a subsea tie-back to the Pierce field on the UK continental shelf. Invitation to tender for the development has been sent out with planned sanction of the project in Q4 2010. Based on the selected concept and the project schedule, production start-up is considered to be in 2012. Noreco owns 20% of the license, and Lundin Norway is the operator.

Statoil is operator for the **Gygrid** discovery in PL348, and has put the discovery on fast track for development as a satellite field to Draugen or Njord. Concept selection is expected this year, with production start-up scheduled for 2012/2013.

At the **Gita** discovery in Denmark (Noreco 12%), a seismic re-processing campaign, involving four different surveys and aiming at pre-stack depth migration to improve depth imaging is progressing according to plan. This will reduce depth uncertainty and give a better foundation for placing appraisal wells. Noreco's target is to continue planning appraisal wells and drill at least one appraisal well in 2011.

EXPLORATION

The Zidane 1 well in PL435 was spudded in mid June and is well underway to its Middle Jurassic target. Results are expected during Q3 2010.

Noreco's exploration program for 2010 included a new appraisal well on the PL378 Gnatcatcher prospect, and an appraisal well on the Grosbeak discovery. Following the sale of the PL378 Gnatcatcher prospect, the company's exploration program will be adjusted accordingly.

Noreco is currently involved in three seismic acquisition campaigns – on PL484, PL520, and PL525 – all of which will be completed in Q3 2010. Progress has been very good on all three campaigns.

Noreco is firming up the extensive exploration program for 2011 and beyond. On PL440S on the NCS a drill decision was made for the Allmannberget prospect in the Ekofisk formation. This is a 100+ mmboe oil prospect with a moderate risk. Drilling of this prospect is expected to commence late 2011 or early 2012.

BUSINESS DEVELOPMENT

The active high grading of the exploration portfolio continues to be a key part of Noreco's strategy. Noreco's view is that to run a successful exploration program, it is important to select carefully which wells to drill and which opportunities not to pursue. This high grading is made on the basis of thorough geo-science work and economic evaluations. Noreco has continued these efforts in Q2 2010.

Noreco farmed into the DK 02/05 license as operator with a 47% share. The license is currently evaluating the Rocky prospect. The plan is to drill the Rocky exploration well in 2011. Under the terms of the agreement, Noreco will reimburse Elko USD 959 000 for its share of past license cost. In the event of a discovery, Noreco will cover Elko's share of the costs associated with the discovery well production test.

The company has relinquished one license in Norway in Q2 2010, license PL447 in Norway.

In July Noreco announced an agreement to sell its 20% interest in PL378, including the Grosbeak discovery and the Gnatcatcher prospect, to Talisman Energy Norge AS for a consideration of USD 43 million. The transaction is subject to approval from Norwegian authorities. Noreco expects to report a gain on sale of licenses of approximately USD 40 million, when the transaction is completed.

HEALTH, SAFETY AND ENVIRONMENT

There were no incidents in Noreco operated activities in Q2 2010.

The preparations for the Noreco operated exploration well Svaneøgle in license PL545 are underway. Noreco has strengthened the capacity in the in-house emergency preparedness organization, and has improved the emergency preparedness facilities in the Stavanger office.

Noreco moved into new offices in Stavanger in April 2010, and HSE has been an important factor in the office move. The new offices have improved work environment and the open plan office facilitates collaboration between groups.

HUMAN RESOURCES

Noreco has significantly increased its competence base by recruiting 24 highly qualified people so far this year. Today, Noreco has 99 employees, of which 32% are female. 12 nationalities are represented, including Norwegian, Danish, American, English, Scottish, Finnish, French, Mexican, Turkish, Polish, Pakistani and Irish.

Half year report 2010

KEY EVENTS

Noreco's oil and gas production in the first half of 2010 has been slightly lower than in the same period last year, and lower than the company's estimates at the start of the year. The main reason has been technical problems at the Siri field, where several unrelated events have pulled produced volumes significantly below plan. On the positive side, the Nini East field was started in February and is showing good reservoir performance. In addition, the Brage field has been performing better than expected in the period.

The Group's development projects have seen good progress in the first half of 2010. The Nini East development in Denmark was brought in production in February. The Oselvar development in Norway is on track for first oil in 2H 2011. For the Huntington development, the concept selection has been made and a Letter of Intent has been signed for using the Sevan Voyageur FPSO to produce the field. For Nemo, a concept selection has been approved for a subsea tie-back to the Pierce field on the UK continental shelf.

Noreco's exploration activities so far in 2010 have included the Frusalen well which was dry, and the Zidane-1 well which was started in June and is expected to be completed in Q3 2010. The company was awarded four licenses in the APA 2009 licencing round. Furthermore, the company has applied for exploration acreage in licensing rounds in UK and Greenland, and has acquired new exploration acreage in Denmark and in the Norwegian Barents Sea.

The production from the Group's eight producing fields in the first half of 2010 was 12,275 barrels of oil equivalents per day, slightly down from 12,550 for the same period in 2009. The achieved oil price for the first half of 2010 was USD 74.50 per barrel, leading to an operating income of NOK 1,004 million for the period (NOK 869 million in 1H 2009).

The company continues working to optimise its capital structure and reduce the cost of capital, and has focused on expanding it's reserve-based and exploration loan facilities in the first half of 2010. It is the board's opinion that with Noreco's current capital structure and its portfolio of producing fields, fields under development, discoveries and exploration licenses, the company has sufficient financial flexibility to meet its current liquidity requirements.

RISK AND UNCERTAINTY

Investing in Noreco involves inherent risk and uncertainty, detailed in the annual report for 2009. Risks related to oil price, production interruption, currency and interest rates and debt service remain the main financial risks to the Group. Financial risk management is carried out by a central finance and accounting function and the risk management program seeks to minimize the potential adverse effects on the Group's financial performance.

Derivative financial instruments are used to hedge certain risk exposures. Noreco has inter alia ensured through purchase of put options that a minimum sales price of USD 50 and USD 75 per barrel will be achieved for parts of the expected oil production. A complete overview of Noreco's put options is available on www.noreco.com.

The structural integrity issues at Siri in 2009 illustrate the risk of production interruption. While this was an unusual event, production interruption is a risk for Noreco. This is mitigated by inspection and maintenance programs by the operators of the producing fields. The company also maintains an extensive insurance package that covers physical damage, wells, third party liability, pollution, removal of debris and business interruption.

RELATED PARTIES

Note 11 in the Group's annual report for 2009 provides details of transactions with closely related parties. During the first half of 2010 there have not been any changes or transactions that significantly impact the Group's financial position or the result for the period.

OUTLOOK

The board believes that the market fundamentals for the upstream oil and gas industry have improved since last year. The oil price has recovered to levels where new field developments are once again profitable. There are also signs of increased activity in the asset market. The board is of the opinion that the mid- to long-term prospects for the oil and gas industry remain strong.

Production is lower than forecast due to technical issues in the Siri area. These issues are scheduled to be resolved in Q4 2010. However, the impact has led to a reduction in Noreco's estimated full year 2010 production to 12,100 boed.

An extensive work program is planned for the second half of 2010, focusing on exploration and developments. Noreco will be operating its second well in Norway in 2H 2010, and will continue working to progress the ongoing developments safely towards production start. The company will also dedicate more resources on managing the technical integrity of its producing assets.

Noreco will be marketing assets and execute sales if the offered price is deemed to create value for Noreco's shareholders. As an illustration, in July the company agreed to sell its share in PL378 where the Grosbeak discovery was made in 2009. Acquisitions and mergers will be proactively considered provided that they support the strategy of the Group and create long term value for shareholders. The Noreco team is determined to continue to strive towards the vision of creating a leading independent oil and gas company in North West Europe.

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future.

Stavanger, 4 August 2010
The Board of Directors and Chief Executive Officer
Norwegian Energy Company ASA

Income statement

Statement of comprehensive income (Unaudited)

(NOK 1 000)	Note	Q2 2010	Q2 2009	YTD 2010	YTD 2009	2009
Revenues	1	560 143	400 648	1 003 999	869 472	1 431 203
Other revenues	1	0	0	37 470	0	115 313
Total revenues	1	560 143	400 648	1 041 469	869 472	1 546 516
Production expenses	2	132 187	116 614	252 809	230 757	451 981
Exploration and evaluation expenses	3	99 632	139 234	222 592	310 824	525 054
Payroll expenses		31 205	36 117	70 464	73 019	125 687
Other operating expenses		27 944	23 566	56 918	53 777	103 572
Loss on sale of licenses		0	0	0	0	55 594
Total operating expenses		290 968	315 531	602 783	668 377	1 261 888
Operating results before depreciation and amortization (EBITDA)		**269 175**	**85 117**	**438 686**	**201 095**	**284 628**
Depreciation	6	175 529	155 894	310 332	323 065	514 026
Write-downs	5	0	125 700	0	125 700	125 700
Net operating result (EBIT)		**93 646**	**-196 477**	**128 355**	**-247 670**	**-355 098**
Net financial items	4	-120 720	-107 421	-242 198	-213 984	-580 774
Ordinary result before tax (EBT)		**-27 074**	**-303 898**	**-113 843**	**-461 654**	**-935 872**
Income tax expenses		-21 059	-203 336	-86 650	-314 616	-567 883
Net result for the period		**-6 015**	**-100 562**	**-27 193**	**-147 038**	**-367 989**

Net result for the period	-6 015	-100 562	-27 193	-147 038	-367 989
Other comprehensive income:					
Value adjusted financial instruments	12 553	-169 819	-9 464	-254 340	-285 913
Currency translation difference	58 400	-45 411	73 884	-66 998	-55 505
Total comprehensive net result for the period	64 938	-315 792	37 227	-468 376	-709 407
Earnings per share					
Basic	-0,02	-0,67	-0,11	-1,00	-2,17
Diluted	-0,02	-0,67	-0,11	-1,00	-2,17

Balance sheet

Statement of financial position
(Unaudited)

(NOK 1 000)	Note	30-06-10	31-12-09	30-06-09
Non-current assets				
License and capitalised exploration expenses	5	3 931 016	3 849 233	4 463 860
Deferred tax assets		464 208	429 521	279 126
Goodwill	5	1 540 798	1 540 798	1 540 798
Production facilities	6	4 346 884	4 099 058	3 719 526
Machinery and equipment	6	218	650	1 981
Tax refund		257 044	0	420 365
Total non-current assets		**10 540 169**	**9 919 260**	**10 425 656**
Current assets				
Accounts receivable		100 444	133 619	174 154
Tax refund		659 996	631 261	542 644
Other current receivables	7	686 752	504 247	420 555
Bank deposits, cash and cash equivalents		441 300	659 812	648 377
Total current assets		**1 888 492**	**1 928 939**	**1 785 730**
Total assets		**12 428 661**	**11 848 199**	**12 211 386**
Equity				
Share capital		753 418	751 545	487 534
Other equity		3 024 051	2 970 678	2 301 784
Total equity		**3 777 469**	**3 722 223**	**2 789 318**
Provisions and other non-current liabilities				
Deferred tax		2 518 295	2 495 232	2 637 193
Provisions for other liabilities and charges		859 244	739 202	823 829
Convertible bond loan	8	201 245	196 539	191 833
Bond loan	8	1 967 864	2 261 391	2 046 713
Other interest bearing debt	8	1 156 911	1 026 595	1 745 025
Total provisions and other non-current liabilities		**6 703 559**	**6 718 959**	**7 444 593**
Current liabilities				
Other interest bearing debt	8	1 337 713	906 957	973 803
Trade payables		25 714	35 943	85 255
Current tax payable		287 382	208 543	431 674
Public duties payable		33 982	34 285	17 380
Other current liabilities	9	262 841	221 288	469 362
Total current liabilities		**1 947 632**	**1 407 016**	**1 977 474**
Total liabilities		**8 651 191**	**8 125 975**	**9 422 067**
Total equity and liabilities		**12 428 661**	**11 848 199**	**12 211 386**

Statement of cash flow

(Unaudited)

(NOK 1 000)	YTD 2010	YTD 2009
Ordinary result before tax	-113 843	-461 654
Tax paid	-140 886	-253 154
Depreciation	310 119	323 065
Write-downs	78 810	125 700
Effect of changes in exchange rates/other effects equity	70 314	-415 708
Financial instruments at fair value	13 602	386 657
Amortisation of borrowing expenses	19 241	30 614
Calculated interest on abandonment provision	39 799	35 076
Other items with no cash impact	2 000	2 000
Changes in trade receivable	33 175	45 334
Changes in trade payables	-10 229	-52 803
Changes in other current balance sheet items	33 542	349 499
Net cash flow from operations	**335 644**	**114 626**
Cash flows from investing activities		
Purchase of tangible assets	-336 258	-469 530
Purchase of intangible assets	-127 283	-203 760
Net cash flow from investing activities	**-463 542**	**-673 290**
Cash flows from financing activities		
Issue of share capital	11 322	211 050
Proceeds from issuance of long term debt	165 755	396 068
Repayment of short term debt	-79 292	-52 374
Interest paid	-193 213	-203 263
Net cash flow from (used in) financing activities	**-95 428**	**351 481**
Net change in cash and cash equivalents	**-223 326**	**-207 183**
Cash and cash equivalents at start of the year	**659 812**	**867 349**
Effects of changes in exchange rates on cash and cash equivalents	4 814	-11 789
Cash and cash equivalents at end of the quarter	**441 300**	**648 377**

Statement of changes in equity

(Unaudited)

(NOK 1 000)	**30-06-10**	**31-12-09**	**30-06-09**
Equity at the beginning of period	3 722 223	2 996 486	2 996 486
Capital increase	11 322	1 427 268	211 050
Share-based incentive program	6 697	7 855	3 681
Value adjusted financial instruments	-9 464	-285 913	-254 340
Translation differences foreign exchange	73 884	-55 485	-66 998
Net results for the period	-27 193	-367 989	-100 562
Equity at the end of period	3 777 469	3 722 223	2 789 318

Notes

to the quarterly consolidated financial statements

ACCOUNTING PRINCIPLES

Basis for preparation
The consolidated interim financial statements for the second quarter of 2010 comprises Norwegian Energy Company ASA (NORECO) and its subsidiaries.
These consolidated interim financial statements have been prepared in accordance with IAS 34 and The Norwegian Securities Trading Act § 5 – 6.

The interim financial statements do not include all information required for annual financial statements and should for this reason be read in conjunction with Norecos's 2009 annual report. The accounting principles applied are prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union and interpretations by the International Accounting Standard Board (IASB).

Share capital/equity
The Group's share capital as per 30.06.2010 was NOK 753.4 million, unchanged from 31.03.2010.

Exploration and development costs for oil and gas assets
Exploration costs are accounted for in accordance with the successful effort method. This means that all exploration costs including pre-operating costs (seismic acquisitions, seismic studies, internal man hours, etc.) are expensed as incurred. Exceptions are costs related to acquisition of licenses and drilling of exploration wells. These costs are temporarily capitalised pending an evaluation of the economics of the exploration drilling findings. If hydrocarbons are discovered, the costs remain capitalised. If no hydrocarbons are found or if the discoveries are not commercially profitable, the drilling costs are expensed. All costs of developing oil and gas fields are capitalised.

Depreciation and amortisation
Depreciation of production equipment is calculated in accordance with the unit of production method. The excess value allocated to producing fields arising from recent acquisitions will be amortised in accordance with the unit of production method.

Taxes
Income tax expenses for the period are calculated based on the tax rate applicable to the expected total annual earnings. The ordinary income tax is 25% in Denmark and 28 % in Norway and United Kingdom. In addition, there is an extra petroleum tax of 50% related to exploration and production on the Norwegian Continental Shelf. In Denmark there is a petroleum tax of 70%, but at current oil price levels the Danish subsidiary will not be in a position where they have to pay the extra petroleum tax.

The deferred tax liabilities and tax assets are based on the difference between book value and tax value of assets and liabilities.

Goodwill – Deferred tax liabilities
The acquisitions of Altinex ASA and Talisman Oil Denmark AS has been treated in accordance with IFRS 3 – Business Combinations. The acquisition prices are allocated to assets and liabilities at the estimated fair values at the acquisition dates. The tax base of the acquired assets and liabilities is not affected by the acquisitions.
As all acquisitions are treated as Business Combinations, the difference between new fair values and book values prior to the acquisitions result in a change in the deferred tax liability. The change in deferred tax liability in turn affects Goodwill. Goodwill is, according to IFRS, not amortised, but will be subject to impairment testing.

Subsequent events
Noreco announced on 19 July 2010 that the company has entered into an agreement to sell its 20% interest in PL378 to Talisman Energy Norge AS for a consideration of USD 43 million. Noreco expects to report a gain on sale of licenses of approximately USD 40 million when the transaction is approved by Norwegian authorities.

1 Revenue

(NOK 1 000)	Q2 - 10	Q2 - 09	YTD 2010	YTD 2009
Sale of oil	546 744	366 746	983 966	711 436
Sale of gas and NGL	19 249	8 064	30 240	37 613
Revenue from oil price hedging	93	31 606	896	136 150
Cost from oil price hedging 1)	-5 944	-5 767	-11 103	-15 726
Other revenue 2)	0	0	37 470	0
Total revenue	560 143	400 648	1 041 469	869 472

1) Part of the group's oil sales are hedged against price reductions with the use of options. Costs relating to hedging are recognised as reduction in revenue, gains are recognised as revenue.

2) Other revenues is related to expected insurance coverage for the loss of oil production from the Siri area fields.

2 Production expenses

(NOK 1 000)	Q2 - 10	Q2 - 09	YTD 2010	YTD 2009
Direct production expenses	97 943	88 375	192 653	175 232
Duties, tariffs, royalties	25 134	18 582	43 723	37 497
Other expenses	9 110	9 657	16 432	18 028
Total production expenses	132 187	116 614	252 809	230 757

3 Exploration and evaluation costs

(NOK 1 000)	Q2 - 10	Q2 - 09	YTD 2010	YTD 2009
Acquisition of seismic data, analysis and general G&G costs	97 494	125 593	117 216	290 294
Exploration wells capitalised in previous years	2	0	7 519	0
Dry exploration wells this period	-6 524	0	71 291	0
Other exploration and evaluation costs	8 660	13 641	26 566	20 530
Total exploration and evaluation costs	99 632	139 234	222 592	310 824

Specification of cash flow concerning exploration and evaluation activities

(NOK 1 000)	Q2 - 10	Q2 - 09	YTD 2010	YTD 2009
Exploration and evaluation costs capitalised as intangible assets this period	40 817	145 440	55 997	203 760
Exploration and evaluation costs directly expensed this period	99 630	139 234	215 072	310 824
Amount invested in exploration and evaluation activities this period	140 446	284 674	271 069	514 585

4 Financial income and expenses

(NOK 1 000)

Financial income	Q2 - 10	Q2 - 09	YTD 2010	YTD 2009
Interest income	2 525	2 348	4 973	5 603
Other financial income	9 969	24 821	19 441	75 054
Total financial income	12 494	27 169	24 414	80 658

Financial expenses	Q2 - 10	Q2 - 09	YTD 2010	YTD 2009
Interest expense from bond loans	67 679	67 795	134 919	135 846
Interest expense from convertible loan	3 277	3 277	6 555	6 555
Interest expense from other non-current liabilities	12 827	12 563	24 350	25 935
Interest expense from exploration loan	8 943	5 061	15 813	12 248
Capitalised interest expenses	-4 575	0	-7 619	0
Amortisation from loan costs	9 669	16 167	19 241	30 614
Imputed interest from abandonment provisions	20 333	17 167	39 799	35 076
Interest expenses current liabilities	518	345	1 779	1 176
Other financial expenses	14 543	12 215	31 774	47 192
Total financial expenses	133 214	134 590	266 612	294 642
Net financial items	-120 720	-107 421	-242 198	-213 984

5 Intangible fixed assets

(NOK 1 000)	Capitalised exploration and evaluation expenses	Goodwill	Total
Acquisition cost 01.01.10	3 974 933	1 540 798	5 515 731
Additions	127 283	0	127 283
Dry wells	-78 810	0	-78 810
Currency translations	33 310	0	33 310
Acquisition cost 30.06.10	**4 056 716**	**1 540 798**	**5 597 514**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.10	125 700	0	125 700
Depreciations	0	0	0
Write-downs	0	0	0
Accumulated depreciation and write-downs 30.06.10	**125 700**	**0**	**125 700**
Book value 30.06.10	**3 931 016**	**1 540 798**	**5 471 814**

6 Tangible non-current assets

(NOK 1 000)	Asset under construction	Production facilities	Machinery and equipment	Total
Acquisition cost 01.01.10	1 232 223	4 330 263	8 200	5 570 686
Additions	150 662	185 596	0	336 258
Transferred	-861 180	861 180	0	0
Currency translations	10 138	315 855	65	326 058
Acquisition cost 30.06.10	**531 843**	**5 692 894**	**8 265**	**6 233 002**
Accumulated depreciation and write-downs				
Accumulated depreciation and write-downs 01.01.10	0	1 463 434	7 550	1 470 984
Depreciation	0	309 884	447	310 332
Currency translations	0	104 535	49	104 584
Accumulated depreciation and write-downs 30.06.10	**0**	**1 877 853**	**8 046**	**1 885 900**
Book value at 30.06.10	**531 843**	**3 815 041**	**218**	**4 347 102**

7 Other current receivables

(NOK 1 000)	30-06-10	30-06-09
Receivables from operators relating to joint venture licenses	63 836	175 849
Underlift of oil/NGL	116 512	29 527
Financial instruments	44 625	160 013
Other receivables 1)	461 779	55 166
Total other current receivables	**686 752**	**420 555**

1) NOK 407 million - estimated compensation from the shut down of the Siri area fields.

8 Interest bearing debt

(NOK 1 000)

Non-current interest bearing debt	Nominal value	Book value at 30-06-10
Bond loan Noreco ASA	1 250 000	1 229 191
Bond loan Noreco ASA	750 000	738 673
Convertible bond loan Noreco ASA	218 500	201 245
Exploration loan Noreco ASA	165 755	165 755
Reserve-based loan Altinex Oil Denmark A/S	1 017 995	991 156
Total long-term interest bearing debt	**3 402 250**	**3 326 020**

Current interest bearing debt	Nominal value	Book value at 30-06-10
Exploration loan Noreco ASA	535 245	529 864
Bond loan Altinex Oil Norway AS	300 000	299 049
Reserve-based loan Altinex Oil Denmark A/S	508 800	508 800
Total short-term interest bearing debt	**1 344 044**	**1 337 713**

9 Other current liabilities

(NOK 1 000)	30-06-10	30-06-09
Liabilities to operators relating to joint venture licenses	166 567	248 136
Overlift of oil	3 456	4 090
Accrued interest	50 279	127 827
Other current liabilities	42 539	89 309
Total other current liabilities	**262 841**	**469 362**

10 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 homogenous risk and rate of return before tax and are therefore considered as one operating segment.

In each of the geographical segments, Norway, Denmark and the UK, the Group has established subsidiaries.

Transactions between the geographical segments are carried out at ordinary conditions, which would have been equivalent for independent parties.

Segment assets and liabilities are reflecting balance sheet items for the Group entities in the respective countries.

Excess value allocated to the units is expected to gain advantages by the acquisition. Investments in subsidiaries, loans, receivables and payables between the companies are included in segment assets and liabilities. These are eliminated in the consolidated balance sheet.

Geographically distribution as of 30 June 2010

(NOK 1 000)	Norway	Denmark	UK	Other/ elimination	Group
Total revenue	389 480	651 989	0		1 041 469
Net operating result	-60 129	201 225	-12 740		128 355
Net financial items					-242 198
Ordinary result before tax					-113 843
Income tax expenses					-86 650
Net result for the period					-27 193
Assets	4 542 458	5 735 411	3 159 327	-1 008 536	12 428 661
Liabilities	4 743 862	3 113 977	1 801 887	-1 008 536	8 651 191
Capital expenditures production facilities	64 085	121 512			185 596
Capital expenditures asset under construction	130 138	610	19 914		150 662
Capital expenditures exploration and evaluations	125 711	1 572			127 283
Depreciations	80 983	229 348			310 332

Geographically distribution as of 30 June 2010

(NOK 1 000)	Norway	Denmark	UK	Other/ elimination	Group
Total revenue	278 172	591 300			869 472
Operating result	-389 674	146 171	-4 167		-247 670
Net financial items					-213 984
Profit before tax					-461 654
Tax					-314 616
Profit after tax					-147 038
Assets	4 952 305	5 934 796	3 143 455	-1 819 170	12 211 386
Liabilities	6 027 672	3 525 924	1 687 642	-1 819 170	9 422 067
Capital expenditures	199 771	454 280	19 239	0	673 290
Depreciations and write-downs	197 720	251 045		0	448 765

STATEMENT PURSUANT TO SECTION 5-6 OF THE SECURITIES TRADING ACT

We hereby confirm that the half-yearly financial statements for the Group for the period 1 January through 30 June 2010 to the best of our knowledge have been prepared in accordance with IAS 34 Interim Financial Reporting, and give a true and fair view of the assets, liabilities, financial position and result for the period.

To the best of our knowledge, the half-yearly report gives a true and fair:

- overview of important events that occurred during the accounting period and their impact on the half-yearly financial statements
- description of the principal risks and uncertainties facing the Group over the next accounting period
- description of major transactions with related parties.

Stavanger, 4 August 2010
The Board of Directors and Chief Executive Officer
Norwegian Energy Company ASA

Lars Takla
Chairman

Rebekka Herlofsen	*Therese Log Bergjord*	*John Hogan*	*Aasulv Tvetereid*	*Søren Poulsen*
Board Member	*Board Member*	*Board Member*	*Board Member*	*Board Member*

Scott Kerr
CEO

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Aasulv Tveitereid
Rebekka Herlofsen
John Hogan
Therese Log Bergjord
Søren Poulsen
Malin Flor Helgesen, deputy employee representative

Noreco Group management

Scott Kerr	CEO
Rune Martinsen	COO
Jan Nagell	CFO
Einar Gjelsvik	Vice President Stategy & Investor Relations
Thor Arne Olsen	Vice president, Commercial
Lars Fosvold	Vice president, Exploration
Stig Frøysland	Vice president, HSE/HR
Birte Borrevik	Vice president, Projects & Drilling
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Financial calendar 2010

29 April 2010	Presentation of Q1 2010 report, Oslo
06 May 2010	Annual General Meeting, Stavanger
05 August 2010	Presentation of Q2 2010 report, Oslo
28 September 2010	Presentation of Q3 2010 report, Oslo

Other sources of information

Annual reports
Annual reports for the Noreco Group are available on noreco.com.

Quarterly publications

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

News releases

To receive releases from Noreco, order a free subscription by sending an e-mail to tks@noreco.com or register on www.noreco.com

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