

## Noreco Third quarter 2010

# Report for the third quarter 2010 Norwegian Energy Company ASA

## Report for the third quarter 2010

Norwegian Energy Company ASA

The Board and management of Noreco have decided to commence a broad review of its strategic alternatives to enhance shareholder value. The decision reflects a careful consideration of Noreco's current enterprise value as indicated by its stock price relative to its own internal valuation of the asset portfolio. The initiative will examine all possible alternatives, including a sale or merger of the company or sale of assets, in an effort to seek to unlock the potential of Noreco's assets and maximize value to its shareholders.

The company cautions shareholders and other stakeholders that there is no assurance that the strategic review will result in any specific strategic or financial transaction and no timetable has been set for its completion. Noreco will inform the market on material developments as and when appropriate or required.

Noreco has appointed Bank of America Merrill Lynch and SEB Enskilda AS as financial advisors to assist the company through this process.

#### HIGHLIGHTS

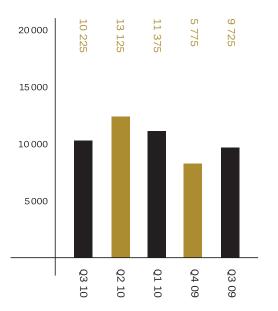
- Gas discovery in Zidane-1 exploration well
- Sale of PL378 with Grosbeak discovery for USD 43 million completed
- Entered agreement to sell Oselvar and Enoch to Marubeni Corporation for USD 43 million
- Huntington development moving towards sanctioning
- Average production in third quarter 2010 was 10,225 boe per day
- Production from Siri area below plan due to facility issues
- Oil price realized at USD 74.4 per boe
- Total revenues of NOK 631 million, EBITDA of NOK 327 million and a net result of NOK 167 million

#### **KEY FIGURES**

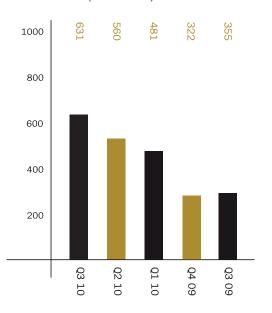
Net realised oil price (USD/boe) EBITDA (NOK million) Net results (NOK million) Total assets (NOK billion)

Q310	Q210	Q110	Q409	Q309	Q209
74.4	75.4	74	68.5	65	60
327	269	170	134	-51	85
167	-6	-21	-87	-134	-101
12.6	12.4	12.2	11.9	11.8	12.2

#### Production (boed)



#### Total revenues (NOK million)



Noreco Interim report Q3 2010

#### **GROUP FINANCIALS**

The Noreco Group had revenues of NOK 432 million in Q3 2010, an increase of 22% compared to third quarter 2009. The increase was driven by higher production and higher oil price achieved. Production in the quarter was 10,225 barrels of oil equivalents per day (boed), up from 9,725 boed for the same period last year. The achieved oil, gas and NGL prices adjusted for the cost and income from the put options expiring in the quarter was USD 74.4 per boe, compared to USD 65.0 per boe in third quarter last year.

Other revenues were NOK 199 million, and are related to gain from the sale of licence PL378. This transaction also generated a positive impact of NOK 50 million in taxes.

Production expenses were NOK 145 million, including NOK 38 million related to the permanent repair solution following the Siri shutdown in 2009/2010. A concept decision on the permanent repair solution is not yet made and no positive effects of insurance coverage related to the permanent repair solution is reflected in the Q3 accounts. We expect to recover most of the cost incurred related to the Siri shutdown, and outstanding insurance recovery as of 30 september 2010 of 340 million included in other current receivables. The amount is reduced with NOK 67 million from the 2<sup>nd</sup> quarter mainly due to the change in USD to NOK exchange rate. Exploration costs amounted to NOK 90 million, mainly driven by seismic acquisitions. The Zidane-1 exploration well was drilled in Q3. This resulted in a gas discovery, and consequently the drilling cost has been capitalized.

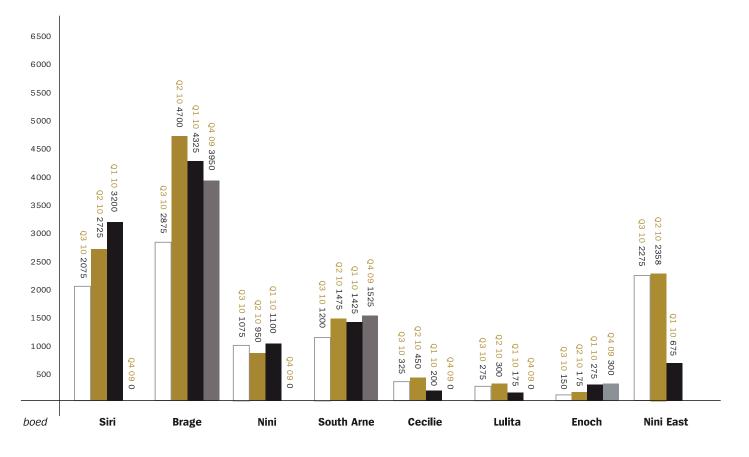
EBITDA (earnings before interests, tax, depreciation and amortization) for Q3 2010 was NOK 327 million, compared to NOK -51 million in Q3 2009. Depreciation amounted to NOK 147 million. Write down of goodwill of NOK 36.5 million are related to licenses held by Altinex Oil Norway.

Net financial items amounted to NOK 126 million for the quarter, of which interest cost amounted to NOK 88 million. Tax for Q3 2010 amounted to NOK -150 million, impacted partly by the tax effect of the PL378 transaction. Net result for the period was NOK 167 million, compared to NOK -134 million in Q3 2009.

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, USD 60 and USD 50 per barrel. Fair value of these put options as of 30 September 2010 was NOK 16 million, recorded as other current receivables in the balance sheet.

#### **GROUP STUCTURE**

Siri Holdings Ltd and Altinex ASA are guarantors for two of the bond loans issued by Noreco (Nor O3 and Nor O4). 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



Noreco Interim report 03 2010 Ltd, and exploration activities 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 Q3 2010 was on average 10,225 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 shut-in of the SCB-1 well and continued operational constraints at the Siri field, and also reduced operating efficiency at the Brage field.

The average gross production from the **Brage field** (Noreco 12.26/13.2%) in third quarter was approximately 22,800 boed. Brage has been running at reduced operating efficiency in the quarter, mainly due to problems with gas compression. The gas compressor was repaired during a shut down from 22 September to 3 October, after which production from high gas production wells has been restored. Increased water production from the Bowmore segment was observed towards the end of the second quarter, and has continued to increase as expected in the third quarter. A new Fensfjord oil producer is expected to be completed in the fourth quarter.

The **Enoch field** (Noreco 4.4%) had average gross production in third quarter of approximately 3,575 boed. Noreco has sold its interest in Enoch to Marubeni Corporation with effective date 1.1.2010, subject to approval by Norwegian authorities.

Gross production from the **Siri area fields** (Siri 50%, Nini East 30%, Nini 30% and Cecilie 61%) averaged 15,850 boed in the third 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 low pressure bundle of a centrifugal compressor on Siri was replaced. Flare gas levels and lift gas availability have since improved. However, a complete revamp of the compressor is necessary to restore full production capacity, and the plan is to perform this upgrade in January 2011. The production at Siri has also been reduced since late April as the SCB-1 subsea well has been shut-in awaiting repair of the valve and restore full functionality prior to restart of production from the well.

On the **South Arne field** (Noreco 6.56%) the average gross production in third quarter was approximately 18,150 boed. The lower production in the quarter is attributed to reduced water injection during the drilling campaign as well as reduced well maintenance activity, with the drilling rig preventing coil tubing clean-out and well configuration operations at the South Arne platform. At the end of the third quarter two new horizontal production wells was completed, while the acid stimulation of the wells are in progress. Production start up of the two wells are expected in November. For the South Arne Phase III development project, the Field Development Plan (FDP) was approved by the Danish authorities in September. The FDP comprises drilling and completion 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 during the fourth quarter.

On the **Lulita** field (Noreco 28.2%) the average gross production was stable except for planned maintenance and upgrade operations on the host platform Harald. The average gross production was 975 boed in third quarter with shut-in periods mostly counterbalanced by flush production and periods with higher than expected production.

#### **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 the third quarter E.ON Ruhrgas and Sevan Marine ASA finalized the commercial negotiations for the lease of the FPSO Sevan Voyageur for operation on the Huntington field. Additional contracts required for the development will be signed and a final field development plan will be submitted to UK authorities after the project is sanctioned by the license partners (expected in the fourth quarter).

Noreco owns 15% of the Dong operated **Oselvar** field. The field is currently being developed, with first oil expected in 4Q 2011. Noreco has sold its interest in Oselvar to Marubeni Corporation with effective date 1.1.2010, subject to approval by Norwegian authorities.

The **Nemo** discovery in PL148 is progressing towards a potential sanctioning of the project in the fourth quarter. The concept is a subsea tie-back to the Pierce field (Shell) in the UKCS. Tenders for the subsea and pipeline scope have been received and are being evaluated. Based on the selected concept and the current project schedule, production start is planned for 2012. Noreco owns 20% of the license, and Lundin Norway is the operator.

Statoil is operator for the **Gygrid** discovery in PL348, and is pursuing a development option comprising of a subsea tieback to the Statoil operated Njord field. New seismic processing is also underway to map the further exploration potential in the license. Plan for Development and Operations (PDO) will be submitted to Norwegian authorities in 2011, and production startup is scheduled for 2012/2013. Noreco owns 17.5% of the license.

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 underway. 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 exploration activity in the third quarter focused on the Zidane 1 well in PL435, in addition to the APA 2010 application and the completion of four seismic surveys. The Zidane 1 well spudded in June and discovered dry gas in the Middle Jurassic Fangst Group target. The well found a 150 m gas column and preliminary base case resource estimates are 460 BCF. The well was tested and a stable rate of approximately 37 mmscf/day was obtained. Preliminary analyses of this test and other well data suggest good reservoir properties. The PL435 license partners are now planning to drill the Zidane 2 prospect in 2011, and this prospect, which is in the same play as the Zidane 1 discovery, was significantly de-risked by the Zidane 1 result.

Noreco's remaining exploration program for 2010 includes the ongoing PL392 Dalsnuten and PL400 Barchan wells and the Noreco-operated PL545 Svaneøgle well which is expected to spud early December. The PL392 Dalsnuten well is the result of a recent farm-in. Four seismic acquisition campaigns – on PL484, PL520, PL525, and PL562 – were all completed on time and within budget. Data processing is underway on all four surveys.

Noreco is firming up an extensive exploration program for 2011 and beyond through maturation of the existing portfolio as well as business development activity. In addition to the PL392 Dalsnuten farm-in Noreco also recently farmed into PL434 where the Ronaldo prospect is expected to be drilled early next year.

#### **BUSINESS DEVELOPMENT**

In addition to access to opportunies through licensing rounds, Noreco is actively pursuing business development activities to help build the exploration drilling program and manage the overall risk profile of the exploration portfolio. In the third quarter Noreco farmed into PL392 containing the Dalsnuten prospect and PL434 containing the Ronaldo prospect. Both prospects represent near-term exposure to significant resource potential.

Noreco's strategy is to monetize discoveries either through development and production, or through asset divestments where the value of the discoveries can be realized earlier and reinvested in new exploration. In July Noreco sold PL378 containing the Grosbeak discovery to Talisman Energy Norge AS for a consideration of USD 43 million. The transaction was approved by Norwegian authorities and completed in the third quarter.

In September Noreco entered an agreement to sell its shares in PL274/PL274CS containing the Oselvar development and PL048D with the Enoch field to Marubeni Corporation for a total consideration of USD 43 million. Effective date for the transaction will be 01.01.2010 and Noreco expects to receive approximately USD 33 million net in the pro et contra settlement in addition to the sales price. The transaction is subject to approval by Norwegian authorities.

#### HEALTH, SAFETY AND ENVIRONMENT

There were no incidents in Noreco operated activities in third quarter 2010.

As part of the preparations for the Noreco operated exploration well Svaneøgle in license PL545 and application for consent to drill, Noreco's emergency preparedness organization was audited by the Petroleum Safety Authorities. As a result Noreco received positive feedback regarding competence and robustness in its emergency preparedness organization. The HSE preparations for this Noreco operated well are finalized and consents from the authorities have been received. The company is now maintaining the follow up and emergency preparedness systems while waiting for the drilling unit to be made available.

#### **HUMAN RESOURCES**

Noreco has significantly increased its competence base by recruiting 29 highly qualified people so far this year. Today Noreco has 99 employees and 26 consultants. New employees with a signed contract will be joining in the fourth quarter and the expected headcount at the end of the year is 101. Professionals are hired according to business needs. The size of the workforce reflects the necessary capacity to deliver value creation from existing assets and to carry through the planned exploration activities ahead.

Noreco has a stable workforce with less than 1% turnover in the last three years. 32% of the employees are female, and 12 nationalities are represented in the workforce (Norwegian, Danish, American, English, Scottish, Finnish, French, Mexican, Turkish, Pakistani, Irish and Polish).

> Noreco Interim report 03 2010

## Income statement

Statement of comprehensive income

All figures in NOK 1000	Note	Q3 - 10	Q3 - 09	YTD 2010	YTD 2009	2009
Revenue	1	431 529	355 085	1 435 528	1 224 557	1 431 203
Other revenue	1	199 082	0	236 552	0	115 313
Total revenues	1	630 611	355 085	1 672 081	1 224 557	1 546 516
Production expenses	2	144 575	120 282	397 384	351 039	451 981
Exploration and evaluation expenses	3	90 004	179 578	312 596	490 402	525 054
Payroll expenses		42 074	22 129	112 538	95 148	125 687
Other operating expenses		27 265	28 049	84 183	81 826	103 572
Loss on sale of licenses		0	55 594	0	55 594	55 594
Total operating expenses		303 918	405 632	906 701	1 074 009	1 261 888
Operating results before depreciation and amortization (EBITDA)		326 693	-50 547	765 380	150 548	284 628
Depreciation	6	147 314	119 965	457 646	443 030	514 026
Write-downs	5	36 500	0	36 500	125 700	125 700
Net operating result (EBIT)		142 879	-170 512	271 234	-418 182	-355 098
Net financial items	4	-125 500	-155 872	-367 698	-369 856	-580 774
Ordinary result before tax (EBT)		17 379	-326 384	-96 464	-788 038	-935 872
Income tax expenses		-149 714	-192 250	-236 364	-506 866	-567 883
Net result for the period		167 093	-134 134	139 900	-281 172	-367 989
Net result for the period		167 093	-134 134	139 900	-281 172	-367 989
Other comprehensive income:						
Value adjusted financial instruments		-14 067	13 922	-23 531	-240 418	-285 913
Currency translation difference		-69 806	-896	4 078	-67 894	-55 505
Total comprehensive net result for the period		83 220	-121 108	120 447	-589 484	-709 407
Earnings per share						
Basic		0,69	-0,85	0,58	-1,87	-2,17
Diluted		0,67	-0,85	0,57	-1,87	-2,17

## **Balance sheet**

Statement of financial position

All figures in NOK 1000	Note	30-09-10	31-12-09	30-09-09
Non-current assets				
License and capitalised exploration expenses	5	3 959 631	3 849 233	4 327 577
Deferred tax assets		504 362	429 521	308 476
Goodwill	5	1 504 298	1 540 798	1 540 798
Production facilities	6	4 170 190	4 099 708	3 652 313
Tax refund		450 593	0	571 963
Total non-current assets		10 589 075	9 919 260	10 401 127
Current assets				
Accounts receivable		158 492	133 619	115 884
Tax refund		638 041	631 261	542 644
Other current receivables	7	562 640	504 247	306 474
Bank deposits, cash and cash equivalents		672 779	659 812	436 065
Total current assets		2 031 952	1 928 939	1 401 067
Total assets		12 621 027	11 848 199	11 802 194
Equity				
Share capital		753 418	751 545	487 534
Other equity		3 110 985	2 970 678	2 136 403
Total equity		3 864 403	3 722 223	2 623 937
Provisions and other non-current liabilities				
Deferred tax		2 531 181	2 495 232	2 567 103
Provisions for other liabilities and charges		806 944	739 202	774 920
Convertible bond loan	8	203 598	196 539	194 186
Bond loan	8	1 970 235	2 261 391	1 511 157
Other interest bearing debt	8	1 411 773	1 026 595	1 651 408
Total provisions and other non-current liabilities		6 923 731	6 718 959	6 698 774
Current liabilities				
Other interest bearing debt	8	1 125 512	906 957	1 700 029
Trade payables		35 260	35 943	12 843
Current tax payable		277 980	208 543	420 007
Public duties payable		45 275	34 285	30 794
Other current liabilities	9	348 866	221 288	315 809
Total current liabilities		1 832 893	1 407 016	2 479 482
Total liabilities		8 756 624	8 125 975	9 178 256
Total equity and liabilities		12 621 027	11 848 199	11 802 194

7

## Statement of cash flow

All figures in NOK 1000	YTD 2010	YTD 2009
Ordinary result before tax	-96 464	-788 035
Tax paid	-182 886	-282 154
Depreciation	457 646	443 029
Write-downs	115 155	125 700
(Gain)/Loss on sale of licenses	-199 082	55 594
Effect of changes in exchange rates/other effects equity	-18 150	-469 165
Financial instruments at fair value	35 553	416 113
Amortisation of borrowing expenses	29 723	49 709
Calculated interest on abandonment provision	59 981	51 465
Other items with no cash impact	3 000	3 000
Changes in trade receivable	-24 873	103 604
Changes in trade payables	-683	-125 215
Changes in other current balance sheet items	321 935	442 679
Net cash flow from operations	500 855	26 324
Cash flows from investing activities Proceeds from sale of intangible fixed assets	265 545	27 272
Proceeds from sale of intangible fixed assets	265 545	27 272
Purchase of tangible assets	-509 996	-705 644
Purchase of intangible assets	-251 448	-189 255
Net cash flow from investing activities	-495 899	-867 627
Cash flows from financing activities		
Issue of share capital	11 322	211 040
Proceeds from issuance of long term debt	353 834	616 615
Repayment of short term debt	-79 292	-52 374
Interest paid	-278 213	-341 983
Net cash flow from (used in) financing activities	7 651	433 298
Net change in cash and cash equivalents	12 607	-408 005
Cash and cash equivalents at start of the year	659 812	867 349
Effects of changes in exchange rates on cash and cash equivalents	360	-23 280
Cash and cash equivalents at end of the quarter	672 779	436 065

## Statement of changes in equity

All figures in NOK 1000	30-09-10	31-12-09	30-09-09
Equity at the beginning of period	3 722 223	2 996 486	2 996 486
Capital increase	11 322	1 427 268	211 040
Share-based incentive program	10 411	7 855	5 894
Value adjusted financial instruments	-23 531	-285 913	-240 418
Translation differences foreign exchange	4 078	-55 485	-67 894
Net results for the period	139 900	-367 989	-281 172
Equity at the end of period	3 864 403	3 722 223	2 623 937

### **Notes** to the quarterly consolidated financial statements

#### ACCOUNTING PRINCIPLES

#### **Basis for preparation**

The consolidated interim financial statements for the third 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

The Groups share capital as per 30.09.2010 is NOK 753,4 million unchanged from 30.06.2010.

#### 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 preoperating 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 capitalized pending an evaluation of the economics of the exploration drilling findings. If hydrocarbons are discovered, the costs remain capitalized. 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 capitalized.

#### **Depreciation and amortization**

Depreciation of production equipment is calculated in accordance with the unit of production method. The excess value allocated to producing fields arising from acquisitions will be amortized 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 booked values prior to the acquisitions result in a change in the deferred tax liability. The change in

tions 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 amortized, but will be subject to impairment testing.

#### Subsequent events

Noreco announced on 29 September 2010 that the company has entered into an agreement to sell its shares in the Norwegian oil fields Oselvar and Enoch to Marubeni Corporation for a consideration (after tax) of USD 43 million. Noreco expects to report a net gain on this transaction in Q4 2010 of approximately USD 5 million when the deal is completed. The transaction is subject to approval by Norwegian authorities.

> Noreco Interim report 03 2010

### $1 \, {}_{\text{Revenue}}$

(NOK 1 000)	Q3 - 10	Q3 - 09	YTD 2010	YTD 2009
Sale of oil	426 838	336 865	1 410 804	1 048 301
Sale of gas and NGL	11 666	12 315	41 906	49 928
Revenue from oil price hedging	0	12 329	896	148 479
Cost from oil price hedging 1)	-6 975	-6 424	-18 078	-22 150
Other revenue	199 082	0	236 552	0
Total revenue	630 611	355 085	1 672 081	1 224 557

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 Production expenses

(NOK 1 000)	Q3 - 10	Q3 - 09	YTD 2010	YTD 2009
Direct production expenses	116 529	97 564	309 182	272 797
Duties, tariffs, royalties	19 767	14 983	63 490	52 480
Other expenses	8 279	7 735	24 711	25 763
Total production expenses	144 575	120 282	397 384	351 039

### ${\bf 3}$ Exploration and evaluation costs

(NOK 1 000)	Q3 - 10	Q3 - 09	YTD 2010	YTD 2009
Acquisition of seismic data, analysis and general G&G costs	61 205	148 392	178 420	438 687
Exploration wells capitalised in previous years	0	6 537	7 519	6 537
Dry exploration wells this period	-155	0	71 136	0
Other exploration and evaluation costs	28 954	24 649	55 521	45 179
Total exploration and evaluation costs	90 004	179 578	312 596	490 402

Specification of cash flow concerning exploration and evaluation activities					
(NOK 1 000)	Q3 - 10	Q3 - 09	YTD 2010	YTD 2009	
Exploration and evaluation costs capitalised as intangible assets this period	124 315	-14 505	180 312	189 255	
Exploration and evaluation costs directly expensed this period	90 004	173 042	305 077	483 866	
Amount invested in exploration and evaluation activities this period	214 319	158 537	485 389	673 122	

### 4 Financial income and expenses

(NOK 1 000)				
Financial income	Q3 - 10	Q3 - 09	YTD 2010	YTD 2009
Interest income	1 413	2 729	6 386	8 333
Other financial income	26 538	30 272	45 978	105 326
Total financial income	27 950	33 002	52 364	113 660
Financial expenses	Q3 - 10	Q3 - 09	YTD 2010	YTD 2009
Interest expense from bond loans	67 537	67 606	202 456	203 452
Interest expense from convertible loan	3 278	3 278	9 833	9 833
Interest expense from other non-current liabilities	12 646	12 848	36 996	38 783
Interest expense from exploration loan	10 147	8 746	25 960	20 994
Capitalised interest expenses	-5 245	0	-12 864	0
Amortisation from loan costs	10 482	19 095	29 723	49 709
Imputed interest from abandonment provisions	20 182	16 389	59 981	51 465
Interest expenses current liabilities	430	283	2 209	1 459
Other financial expenses	33 993	60 629	65 767	107 823
Total financial expenses	153 450	188 874	420 062	483 517
Net financial items	-125 500	-155 872	-367 698	-369 856

## 5 Intangible fixed assets

	Capitalised exploration and		
(NOK 1 000)	evaluation expenses	Goodwill	Total
Acquisition cost 01.01.10	3 974 933	1 540 798	5 515 731
Additions	251 448	0	251 448
Dry wells	-78 655	0	-78 655
Disposals	-65 926	0	-65 926
Currency translations	3 532	0	3 532
Acquisition cost 30.09.10	4 085 331	1 540 798	5 626 129
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	36 500	36 500
Accumulated depreciation and write-downs 30.09.10	125 700	36 500	162 200
Book value 30.09.10	3 959 631	1 504 298	5 463 929

### 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	222 525	287 471	0	509 996
Transferred	-861 180	861 180	0	0
Currency translations	4 183	12 800	5	16 987
Acquisition cost 30.09.10	597 751	5 491 714	8 205	6 097 669
Accumulated depreciation and write-downs				
Accumulated depreciation and write-downs 01.01.10	0	1 463 434	7 550	1 470 984
Depreciation	0	457 136	510	457 646
Currency translations	0	-1 151	0	-1 151
Accumulated depreciation and write-downs 30.09.10	0	1 919 419	8 060	1 927 479
Book value at 30.09.10	597 751	3 572 295	144	4 170 190

## 7 Other current receivables

(NOK 1 000)	30-09-10	30-09-09
Receivables from operators relating to joint venture licenses	114 714	83 433
Underlift of oil/NGL	36 467	41 868
Financial instruments	15 699	130 557
Other receivables 1)	395 760	50 616
Total other current receivables	562 040	306 474
1) mNok 340 - estimated compensation from the shut down of the Siri area fields.		

) mNok 340 - 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 30.09.10
Bond Ioan Noreco ASA	1 250 000	1 230 376
Bond Ioan Noreco ASA	750 000	739 859
Convertible bond loan Noreco ASA	218 500	203 598
Exploration loan Noreco ASA	375 755	375 755
Reserve-based loan Altinex Oil Denmark A/S	1 076 564	1 036 018
Total long-term interest bearing debt	3 670 819	3 585 606
Current interest bearing debt	Nominal value	Book value at 30.09.10
Exploration loan Noreco ASA	535 245	530 661
Bond Ioan Altinex Oil Norway AS	300 000	299 438
Reserve-based loan Altinex Oil Denmark A/S	295 413	295 413
Total short-term interest bearing debt	1 130 657	1 125 512

### 9 Other current liabilities

(NOK 1 000)	30-09-10	30-09-09
Liabilities to operators relating to joint venture licenses	213 638	149 412
Overlift of oil	35 425	12 468
Accrued interest	51 710	80 580
Other current liabilities	48 093	73 350
Total other current liabilities	348 866	315 809

Noreco Interim report Q3 2010

## 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 homogenious risk and rate of return before tax and are therefore considered as one operating segment.

In each of the geographical segments, Norway, Denmark and 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 respectively countries.

Excess value is allocated to the units 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 30.09.2010

Norway	Denmark	UK	Other/ elimination	Group
712 416	959 665	-		1 672 081
30 697	259 866	(19 330)		271 234
				(367 698)
				-96 464
				-236 364
				139 900
5 010 631	5 417 266	3 177 275	(984 144)	12 621 027
5 081 001	2 876 598	1 783 168	(984 144)	8 756 624
96 978	190 494			287 471
176 198	721	45 606		222 525
248 932	2 516			251 448
144 999	349 146			494 146
	712 416 30 697 5 010 631 5 081 001 96 978 176 198 248 932	712 416 959 665   30 697 259 866   5 010 631 5 417 266   5 081 001 2 876 598   96 978 190 494   176 198 721   248 932 2 516	712 416 959 665 -   30 697 259 866 (19 330)   5 010 631 5 417 266 3 177 275   5 081 001 2 876 598 1 783 168   96 978 190 494 45 606   248 932 2 516	712 416 959 665 -   30 697 259 866 (19 330)   5 010 631 5 417 266 3 177 275 (984 144)   5 081 001 2 876 598 1 783 168 (984 144)   96 978 190 494 45 606 248 932 2 516

#### Geographically distribution as of 30.09.2009

(NOK 1 000)	Norway	Denmark	UK	Other/ elimination	Group
Total revenue	433 324	577 938	213 295		1 224 557
Net operating result	(570 679)	136 734	15 764		(418 181)
Net financial items					(369 856)
Ordinary result before tax					(788 038)
Income tax expenses					(506 866)
Net result for the period					(281 172)
Assets	4 742 153	4 893 157	3 727 341	(1 560 458)	11 802 194
Liabilities	5 802 332	3 095 186	1 841 197	(1 560 458)	9 178 256
Capital expenditures production facilities	75 405	346 310			421 715
Capital expenditures asset under construction	46 908	219 034	17 987		283 929
Capital expenditures exploration and evaluations	128 895	60 360			189 255
Depreciations and write-downs	235 739	238 655	94 337	-	568 730

#### Stavanger, 28 October 2010 The Board of Directors and Chief Executive Officer Norwegian Energy Company ASA

#### Lars Takla Chairman

Rebekka Herlofsen	Therese Log Bergjord	John Hogan	Aasulv Tvetereld	Ellen Sandra Bratland	Bård Arve Lærum
Board Member	Board Member	Board Member	Board Member	Board Member	Board Member

Scott Kerr CEO

#### INFORMATION ABOUT NORECO GROUP

#### **Head office Noreco**

Mailing address

Visiting address

Telephone

Internet

P.O. Box 550 Sentrum, 4005 Stavanger Nykirkebakken 2, Stavanger +47 992 83 900 www.noreco.com Organisation number Register of Business Enterprises NO 987 989 297 MVA

#### **Board of Directors Noreco**

Lars Takla, chairman Aasulv Tveitereid Rebekka Herlofsen John Hogan Therese Log Bergjord Ellen Sandra Bratland Bård Arve Lærum

#### **Noreco Group management**

Scott Kerr CEO Einar Gjelsvik C00 CFO Jan Nagell Vice President Stategy & Investor Relations Rune Martinsen Thor Arne Olsen Vice president, Commercial Lars Fosvold Vice president, Exploration Stig Frøysland Vice president, HSE/HR Birte Borrevik Vice president, Projects & Drilling

#### **Investor Relations**

Rune Martinsen Vice President Stategy & Investor Relations, tel. +47 992 83 853 rm@noreco.com

Kjetil Bakken Investor Relations, tel. +47 91 889 889 kjb@noreco.com

Jan Nagell CFO, tel. +47 99 49 72 71 jn@noreo.com

Tone K. Skartveit tel. +47 992 83 882 tks@noreco.com

#### Financial calendar 2011

17 February 2011	Presentation of Q4 2010 report, Oslo
28 April 2011	Presentation of Q1 2011 report, Oslo
05 May 2011	Annual General Meeting, Stavanger
04 August 2011	Presentation of Q2 2011 report, Oslo
27 October 2011	Presentation of Q3 2011 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



Norwegian Energy Company ASA Nykirkebakken 2 P.O. Box 550 Sentrum 4005 Stavanger Norway Tel: +47 99 28 39 00 Fax: +47 51 53 33 33 www.noreco.com FASETT