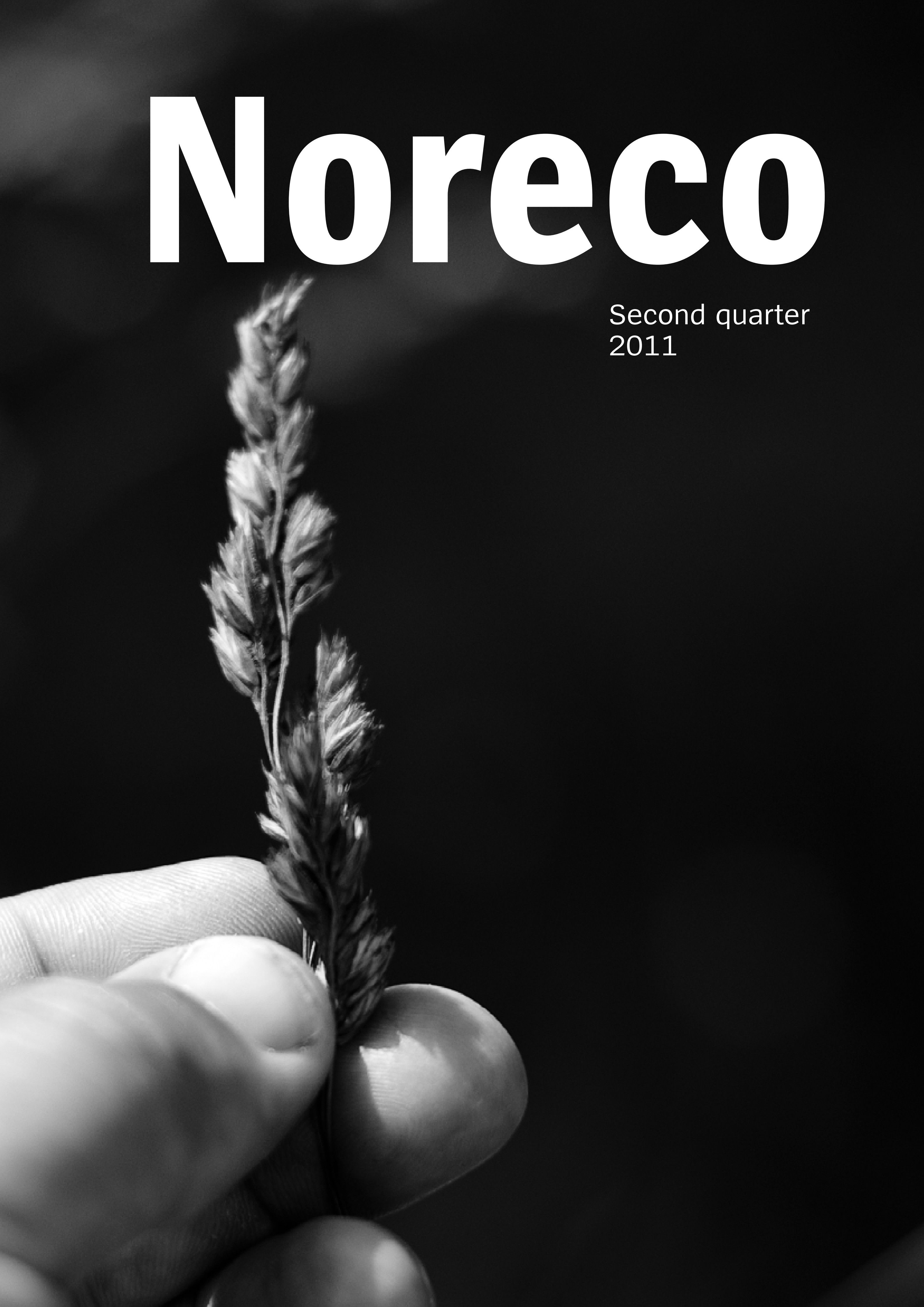
Noreco

Second quarter
2011



Report for the second quarter 2011

Norwegian Energy Company ASA

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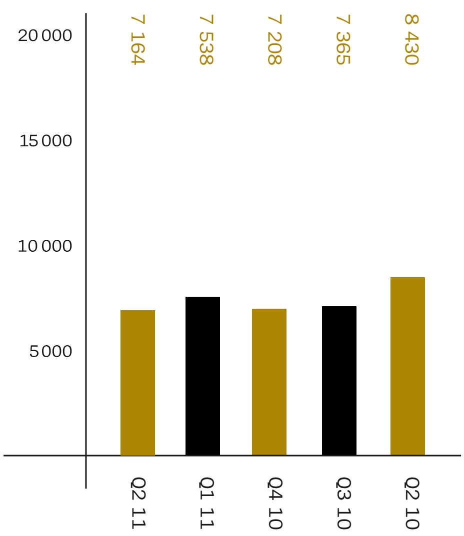
HIGHLIGHTS

- Average production 7,164 barrels of oil equivalents (boe) per day
- Oil price realised at USD 111.7 per boe
- Total revenues of NOK 396 million, EBITDA of NOK 149 million, and a net loss of NOK 9 million from continuing operations
- Brage and Hyme sold
- Dry exploration well on Ronaldo
- New bond to finance remaining Oselvar development costs issued

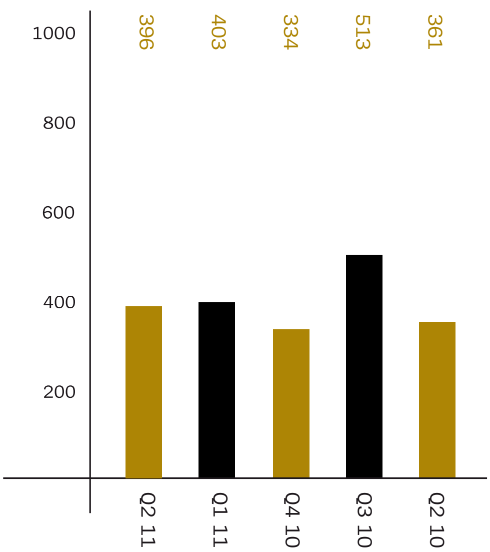
KEY FIGURES

	Q2-11	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10
Net realised oil price *(USD/boe)*	111.7	103.9	84.7	75.2	75.6	72.8
EBITDA *(NOK million)*	149	(11)	(179)	238	103	26
Net results *(NOK million)*	(9)	(295)	(135)	167	(6)	(21)
Total assets *(NOK billion)*	12.2	12.5	12.6	12.6	12.4	12.1

Production *(boed)*



Operating income *(NOK million)*



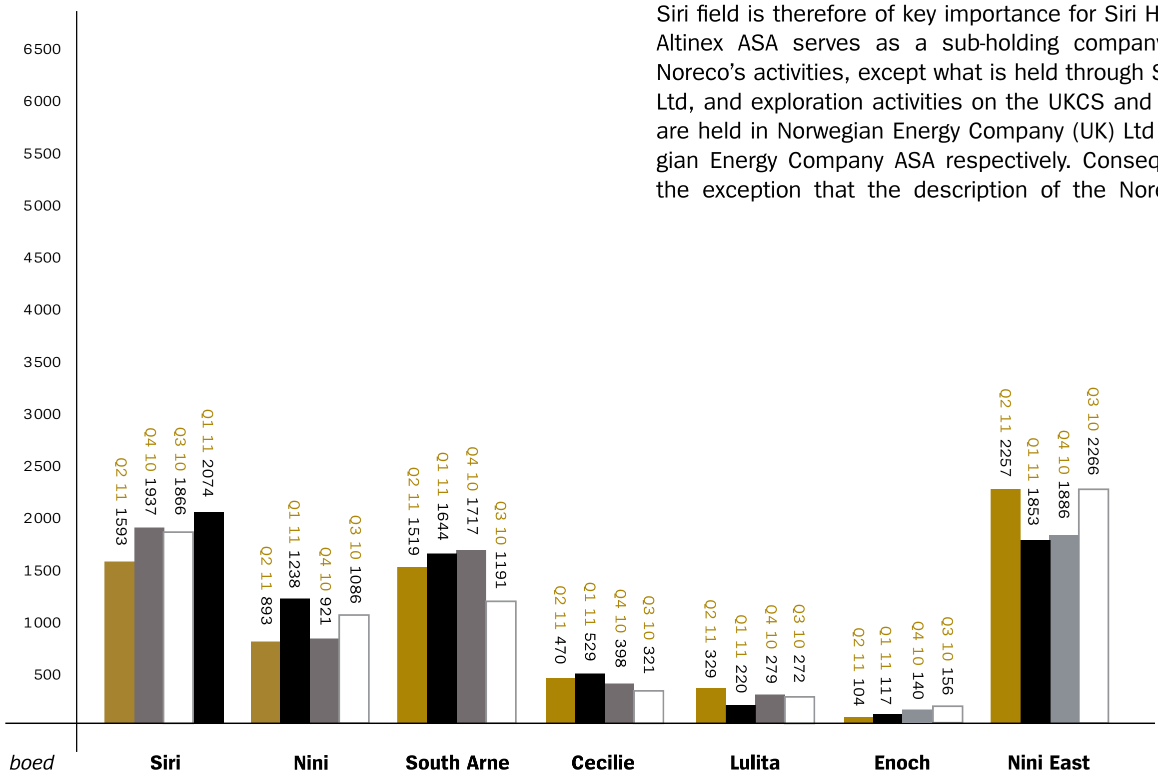
GROUP FINANCIALS

Noreco entered an agreement to sell its interests in the Brage and Hyme fields to Core Energy in the second quarter 2011. Economic effective date of the transaction is 1 January 2011, while the transaction was completed in June for Brage and July for Hyme. These fields have consequently been classified as discontinued operations in the financial statements. Net result from discontinued operations for the second quarter amounted to NOK -149 million, of which NOK -156 million is related to loss on sale of Brage while NOK 7 million is related to profits from the first quarter 2011 related to the discontinued operations.

The following discussion will concentrate on the continued operations, and previous periods' results are adjusted accordingly for comparison.

The Noreco Group had revenues from continued operations of NOK 396 million in the second quarter 2011, an increase of 10 percent compared to second quarter 2010. The increase was driven by higher oil prices which more than compensated for lower production volumes. Production in the quarter was 7,164 boe per day following the sale of Brage, down from 8,430 boe per day for the same period last year (excluding Brage), mainly due to a 12 days shutdown at Siri and its satellite fields Nini East, Nini and Cecilie for maintenance in June 2011. The achieved average oil, gas and NGL price adjusted for the cost and income from put options expiring in the quarter was USD 111.7 per boe, compared to USD 75 per boe in the second quarter 2010.

Production expenses were NOK 87 million, down 14 percent from the same quarter in the previous year. This is impacted by a reversal of costs previously charged from the operator in relation to the permanent repair solution for the Siri caisson.



Exploration costs amounted to NOK 86 million, and include NOK 43 million in dry well costs related to the Ronaldo exploration well which was completed in April. Payroll expenses were NOK 39 million while other operating expenses were NOK 36 million.

EBITDA (earnings before interest, tax, depreciation and amortisation) in second quarter 2011 was NOK 149 million, compared to NOK 103 million in second quarter 2010. Depreciation amounted to NOK 97 million. Net financial items came in at NOK -125 million for the quarter. Tax amounted to NOK -64 million (income). Net result from continued operations for the quarter was a loss of NOK 9 million, comparable to a loss of NOK 40 million in the second quarter 2010 for the same activities.

In April, Noreco issued a new NOK 600 million bond loan secured by pledge in the Oselvar field. The bond is listed on Oslo Stock Exchange with tickers NOR06 (fixed interest rate tranche) and NOR07 (floating interest tranche). In May the company entered an agreement to sell its shares in the oil fields Brage and Hyme for a consideration of USD 85 million.

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 per barrel). Fair value of these put options as of 30 June 2011 was NOK 18 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 (NOR03 and NOR04). 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 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 similar to Altinex ASA.

PRODUCING FIELDS

The Noreco Group's production in second quarter 2011 was on average 7,164 barrels of oil equivalents per day (boed), in line with the company's estimates. This excludes production from the Brage field, which has been sold with economic effective date 1 January 2011. The graph on page 3 shows the net production to Noreco from each of the seven producing fields in the portfolio.

Gross production from the Siri area fields (Noreco equities: Siri 50 percent, Nini East 30 percent, Nini 30 percent and Cecilie 61 percent) averaged 14,400 boed in the second quarter. The SCB-1 subsea production well at the Siri field which has been shut in since late April 2010 is still awaiting final repair of the malfunctioning subsea safety valve. The second water injector at Nini East was put on stream in April, and has contributed to increased production from the field.

The main activity related to the Siri area in the second quarter has been the work and discussions in the partnership regarding a permanent repair of the platform. Different solutions have been proposed, with substantial variation in scope and cost. DONG Energy and Noreco each own 50 percent of Siri and the final investment decision will therefore require unanimity. In the middle of June it became clear that the two partners were not able to reach an agreement on the way forward, and the operator announced its intention to move forward with its own proposed solution. Subsequently, the Danish Energy Agency (DEA) requested the partnership to agree on a repair solution for the Siri platform as soon as possible. Until such agreement was reached, the DEA would not process the operator's application regarding its proposed permanent repair solution.

On 25 July, Noreco announced that it had entered into an agreement to sell its interests in Siri to DONG Energy. The agreement involves Noreco's 50 percent interest in license 6/95 in Denmark, and the price is USD 13 million with economic effective date 1 July 2011. Noreco's ownership in Siri's satellite fields Nini East, Nini and Cecilie remains unchanged and unaffected. As part of the agreement Noreco will not carry any historical or future costs related to the permanent repair solution for the Siri field. These costs have been estimated to be DKK 2 billion in total. Noreco retains until 30 August the right to sell its interests in Siri to other parties at a higher price. Noreco also retains all existing and future insurance claims relating to the damage to the caisson support structure of the Siri platform, as well as tax balances in Altinex Oil Denmark of USD 26 million. Following the resolution on what the permanent solution will be on Siri, Noreco will now file all claims relating to both temporary and permanent solution costs on the Siri caisson, and pursue them collectively.

If Noreco does not sell its interests in Siri to other parties, the transaction is expected to be completed in the third quarter 2011, and is then expected to have a negative impact on the third quarter 2011 result in the order of USD 60 million after tax. The transaction is subject to customary approval by Danish authorities.

The sale of Siri removes the inherent uncertainty around the Siri situation, and protects Noreco's value in the satellite fields Nini, Nini East and Cecilie.

On the South Arne field (Noreco 6.56 percent) the average gross production in the second quarter was approximately 23,100 boed. The South Arne Phase III development activities are progressing according to plan.

On the Lulita field (Noreco 28.2 percent) the average gross production was approximately 1,175 boed in the second quarter.

Enoch (Noreco 4.36 percent) had an average gross production in second quarter of approximately 2,325 boed.

DEVELOPMENTS AND DISCOVERIES

Noreco has a 20 percent interest in the Huntington field in U.K. which is currently under development. The field is operated by E.ON Ruhrgas UK. Drilling of the development wells commenced in April with the jackup rig Ensco 100, and drilling has since then been progressing successfully according to plan. Marine installation work commenced in June. The field will be produced with the floating production unit Sevan Voyageur, which is now being upgraded for the Huntington assignment. The Voyageur is owned by Sevan Marine, which has announced cost overruns for the upgrade of the Voyageur. The Huntington partnership has an extensive system of agreements with Sevan Marine and other relevant stakeholders. These agreements secure that the Huntington partnership does not carry the risk of cost overruns, and further secure the partnership's rights to access the Voyageur and to exercise control over the upgrade project in the event that Sevan breaches certain conditions. Noreco has previously assumed production start from Huntington during first quarter 2012. In light of these developments, there is now some risk of a moderate delay to this schedule, and the current estimate calls for production start in the second quarter 2012.

Development of the Oselvar field in license PL274 is well underway. Noreco owns 15 percent of Oselvar and DONG Energy is the operator. In June, the drilling of the production wells on Oselvar commenced as well as the marine installation works. The topside module was completed during the quarter, and was lifted on board the Ula host platform late May. The project cost on Oselvar is according to budget, and production start-up is expected in the first half of 2012.

The Hyme (PL348, Noreco 17.5 percent) development project was sanctioned and the Plan of Development and Operation (PDO) was submitted in May, and the PDO was approved in June. During the second quarter, Noreco entered an agreement to sell its interests in the Hyme field to Core Energy. This transaction was completed in July.

The development of the Brynhild discovery (previously called Nemo) in license PL148 (Noreco 20 percent) was sanctioned and the PDO was submitted to Norwegian authorities on 1 August. The Brynhild field is located adjacent to the Norwegian - United Kingdom (UK) international border. The PDO includes three wells and pipelines/umbilical tied back to the existing Shell operated Pierce field infrastructure in the UK sector of the North Sea. Brynhild is estimated to hold 22 million barrels of oil in gross proved and probable reserves with a forecast gross peak production of approximately 12,000 barrels of oil per day.

The Flyndre Palaeocene discovery in license PL018C is also progressing towards a development decision in 2011. Maersk Oil is the operator. The discovery straddles the Norway/UK border and unitisation discussions are ongoing. Noreco owns 13.34 percent of the Norwegian license.

On the Gita discovery in Denmark (Noreco 12 percent), a seismic re-processing campaign, involving four different surveys and aiming at pre-stack depth migration to improve depth imaging, is underway. This depth imaging is important for the appraisal planning of the discovery, and seismic interpretation products are being delivered. The re-interpretation work to update current geologic models have commenced, and as the seismic re-processing work goes into its final stages, focus will shift to well planning.

EXPLORATION

Drilling of the exploration well 6507/8-8 on the Ronaldo prospect in license PL434 (Noreco 20%) in the Norwegian Sea was completed in April. The well was drilled about seven kilometres southeast of the Heidrun field. The purpose of the well was to prove petroleum in Lower Jurassic reservoir rocks (the Tilje and Åre formations). Reservoir rocks of expected thickness and of good quality were encountered in the Tilje and Åre formations. Data acquisition and sampling were carried out. The well was dry. The well was drilled by the drilling facility Songa Delta to a vertical depth of 2,525 metres below sea level, and was terminated in the Åre formation in Lower Jurassic. The water depth is 329 metres. The well has now been permanently plugged and abandoned.

Concerning seismic acquisition activity, on license PL563 in the Barents Sea, the 3D survey LN0901 was completed. Three multi-client 3D surveys, one covering PL606 in the Barents Sea, one covering PL435 and PL591 on Haltenbanken and one covering our operated license P1768 in the UK, commenced operations in the second quarter. All three surveys are expected to be completed over the summer.

In license PL382 (Noreco 20 percent), the partnership made a relinquishment decision in the second quarter.

BUSINESS DEVELOPMENT

Noreco entered an agreement to sell its shares in the Norwegian oil fields Brage and Hyme to Core Energy in May. The consideration is USD 85 million net of tax with economic effective date 01.01.2011. Noreco may under the agreement receive additional compensation if a Plan for Development and Operations (PDO) for other discoveries in the Hyme license is submitted within six years. The transaction was subsequently approved by Norwegian authorities and was completed in June for Brage and July for Hyme.

The disagreement between Noreco and DONG Energy regarding the permanent repair solution at the Siri field was solved through an agreement whereby DONG Energy will buy Noreco's interests in the Siri field. The details of the transaction are described above.

Noreco has also entered an option agreement which gives the company a right to sell its interest in PL148 (Brynhild development, previously Nemo) to another party. This option expires during fourth quarter 2011, and Noreco will over the coming months evaluate its position in the Brynhild development and make a decision on whether to invest in the project or sell its interests in the license.

Noreco also did one farm-out deal in the second quarter in license PL490. Noreco originally had a 20 percent interest in the license, which increased to 40 percent after one of the partners relinquished its ownership. Noreco then sold 20 percent to Spring Energy, which will cover a part of Noreco's future drilling cost in the license. The PL490 license is located immediately to the West/North West of the producing Snøhvit Field in the Barents Sea, and a well on the combined Juksa/Snurrevad prospects is scheduled for 2012.

Noreco will continue to pursue monetisation of individual assets or asset packages with interested parties as part of its ordinary course of business.

HEALTH, SAFETY, ENVIRONMENT AND QUALITY

The planning for Noreco's upcoming operated well, the exploration well Luna in license DK 1/11 on the Danish sector, is well underway.

The HSEQ Program and QA Plan for 2011 are being implemented according to plan. The Noreco HSEQ Program and objectives for 2011 continues to address culture, quality, business improvement and prevention of major accidents.

ORGANISATION

The Board announced on 22 June that Mr Einar Gjelsvik was been appointed as Chief Executive Officer (CEO) of the company. Einar Gjelsvik (38) has been with Noreco since 2006, and has served as Acting CEO for the last three months. He has previously held positions as Chief Operating Officer and Vice President Strategy and Investor Relations. Before he joined Noreco, Gjelsvik held various positions in BP. Gjelsvik holds a MSc in Business Administration & Strategic Management, and a MSc in Chemical Engineering.

Noreco currently has 96 employees. Approximately 34 percent of the employees are female, and 10 nationalities are represented in the workforce.

Half year report 2011

KEY EVENTS

In October 2010, Noreco announced it had commenced a broad review of its strategic alternatives to enhance shareholder value. Through this review, Noreco and its advisors were in dialogue with a number of interested parties and examined different structural alternatives, including mergers and sale of all or parts of the company.

After a thorough evaluation of such alternatives and the offers and interest received, and considering the substantial value creation potential in the company's portfolio together with the significant improvements in market fundamentals for oil, the board concluded in March 2011 that a sale of all or parts of the company would not represent the most value creating alternative for the company and its shareholders.

The company's main activity related to the producing fields in the first half of 2011 has been the work and discussions in the Siri partnership regarding a permanent repair of the Siri platform. Different solutions have been proposed, with substantial variation in scope and cost. DONG Energy and Noreco each own 50 percent of Siri and the final investment decision will therefore require unanimity. In the middle of June, it became clear that the two partners were not able to reach an agreement on the way forward, and the operator announced its intention to move ahead with its own proposed solution. Subsequently, the Danish Energy Agency (DEA) requested the partnership to agree on a repair solution for the Siri platform as soon as possible. Until such agreement was reached the DEA would not process the operator's application regarding its proposed permanent repair solution.

On 25 July Noreco announced that it had entered into an agreement to sell its interests in Siri to DONG Energy. The agreement involves Noreco's 50 percent interest in license 6/95 in Denmark, and the price is USD 13 million with effective date 1 July 2011. Noreco's ownership in Siri's satellite fields Nini East, Nini and Cecilie remains unchanged and unaffected. As part of the agreement Noreco will not carry any historical or future costs related to the permanent repair solution for the Siri field. These costs have been estimated to be DKK 2 billion in total. Noreco retains until 30 August the right to sell its interests in Siri to other parties at a higher price. Noreco also retains all existing and future insurance claims relating to the damage to the caisson support structure of the Siri platform, as well as tax balances in Altinex Oil Denmark of USD 26 million. Following the resolution on what the permanent solution will be on Siri, Noreco will now file all claims relating to both temporary and permanent solution costs on the Siri caisson, and pursue them collectively. The transaction is subject to customary approval by Danish authorities.

The sale of Siri removed the inherent uncertainty around the Siri situation, and protects Noreco's value in the satellite fields Nini, Nini East and Cecilie.

Noreco also entered an agreement to sell its interests in the Brage and Hyme fields to Core Energy for a consideration of USD 85 million. The transaction was completed in June and July respectively.

The Huntington field development in the UK is progressing. Drilling of production wells commenced in April and has since then been progressing successfully according to plan. Marine installation work commenced in June. The field will be produced with the floating production unit Sevan Voyageur, which is being upgraded for this purpose. The Voyageur is owned by Sevan Marine, which has announced cost overruns for the upgrade of the Voyageur. The Huntington partnership has an extensive system of agreements with Sevan Marine and other relevant stakeholders. These agreements imply that the Huntington partnership does not carry the risk of cost overruns, and secure the partnership rights to access the Voyageur and to exercise control over the upgrade project in the event that Sevan breaches certain conditions. Noreco has previously assumed production start from Huntington during first quarter 2012. In light of these developments, there is now some risk of a moderate delay to this schedule, and the current estimate calls for production start in the second quarter 2012.

Development of the Oselvar field in Norway is well underway. Drilling of production wells as well as the marine installation works commenced in June. The topside module was completed during the quarter, and was lifted on board the Ula host platform late May. The project cost for Oselvar is according to budget, and production start-up is expected during the first half of 2012.

For the Brynhild discovery (previously called Nemo), a Plan for Development and Operations has been submitted to Norwegian authorities (August). The development concept is a subsea tie-back to the Pierce field on the UK continental shelf. Noreco has also entered an option agreement which gives the company a right to sell its interest in PL148 to another party. This option expires during fourth quarter 2011, and Noreco will over the coming months evaluate its position in the Brynhild development and make a decision on whether to invest in the project or sell its interests in the license.

Noreco's exploration activities so far in 2011 have included two wells which have all been dry or non-commercial. This includes the Noreco-operated Svaneøgle well in the North Sea and the Ronaldo well near the Heidrun field. The company was awarded three licenses in the APA 2010 and two licenses in the 21st NCS licencing round, and a new license in Denmark where the Noreco-operated Luna well will be drilled later this year.

The production from Noreco's seven producing fields in the first half of 2011 was 7,350 barrels of oil equivalents per day, slightly down from 7 747 for the same period in 2010. The achieved oil price for the first half of 2011 was USD 107 per barrel, leading to operating revenues of NOK 800 million for the period (NOK 633 million in first half 2010).

The company continues working to improve its capital structure and reduce the cost of capital. In the first half of 2011, the company has issued a new NOK 600 million bond to finance the Oselvar development, and has sold Brage and Hyme to strengthen the company's liquidity. 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.

During the first half of 2011, Scott Kerr stepped down as Chief Executive Officer (CEO) of the company and was replaced by Einar Gjelsvik.

RISK AND UNCERTAINTY

Investing in Noreco involves inherent risk and uncertainty, detailed in the annual report for 2010. 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 purchasing of put options that a minimum sales price of 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 2010 provides details of transactions with closely related parties. During the first half of 2011 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 are strong. The oil price is currently at levels which stimulate exploration and development of oil and gas assets, and the activity level in the asset market has improved. The board is of the opinion that the mid- to long-term prospects for the oil and gas industry remain strong.

An extensive work program is planned for the second half of 2011, focusing on exploration and developments. Noreco will be operating its third exploration well in the second half of 2011, and will continue working to progress the ongoing developments safely towards production start.

At the end of the first half of 2011, Noreco had NOK 819 million in cash and cash equivalents. Combined with expected earnings from the oil production, this provides the company with sufficient liquidity to meet its current commitments and complete its ongoing investment program in field developments and exploration wells.

Over time Noreco intends to strengthen its equity ratio and reduce the financial risk, primarily through further asset sales. The company will be marketing assets and execute sales when this is seen as value enhancing for Noreco's shareholders. Acquisitions and mergers will be proactively considered provided that they support the company's strategy and create long term value for shareholders.

The Huntington partnership has carried out extensive technical work this year in order to mature the Fulmar resources, however a development program has not yet been decided upon. Considering that the license expiry date for licensed area outside the Huntington Forties Field Development Area is coming up in October 2011, the resources and asset value for the deeper horizons at Huntington will be subject to a re-evaluation later this year. If the outcome should be a relinquishment of this area, the company will have to write-down the goodwill accordingly, currently estimated to NOK 140 million.

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, 10 August 2011
The Board of Directors and Chief Executive Officer
Norwegian Energy Company ASA

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 2011 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 uncertainties facing the Group over the next accounting period
- description of the principal risks and uncertainties facing the Group over the next accounting period
- description of major transactions with related parties.

Stavanger, 10 August 2011
The Board of Directors and Chief Executive Officer
Norwegian Energy Company ASA

Lars Takla
Chairman

John Hogan	*Therese Log Bergjord*	*Arnstein Wigestrand*	*Hilde Drønen*	*Lotte Kjørboe*	*Bård Arve Lærum*
Board Member	*Board Member*	*Board Member*	*Board Member*	*Board Member*	*Board Member*

Einar Gjelsvik
CEO

Statement of comprehensive income

All figures in NOK 1 000	Note	Q2 2011	Q2 2010	YTD 2011	YTD 2010	2010
Continued operation						
Revenue	1	396 177	361 460	799 550	632 676	1 280 546
Other revenue	1	0	0	0	37 470	236 552
Total revenues	1	396 177	361 460	799 550	670 146	1 517 099
Production expenses	2	86 673	100 759	206 759	193 152	426 005
Exploration and evaluation expenses	3	85 622	98 488	287 691	220 660	611 080
Payroll expenses		38 824	31 205	94 538	70 464	158 457
Other operating expenses		35 667	27 944	72 192	56 918	133 287
Total operating expenses		246 786	258 396	661 179	541 194	1 328 829
Operating results before depreciation and amortization (EBITDA)		**149 391**	**103 063**	**138 371**	**128 953**	**188 270**
Depreciation	7	96 878	135 228	195 959	232 928	469 492
Write-downs	6	0	0	0	0	36 500
Net operating result (EBIT)		**52 514**	**(32 165)**	**(57 587)**	**(103 975)**	**(317 721)**
Net financial items	4	(125 306)	(115 432)	(236 629)	(230 716)	(473 833)
Ordinary result before tax (EBT)		**(72 792)**	**(147 597)**	**(294 217)**	**(334 691)**	**(791 553)**
Income tax expenses		(63 978)	(107 432)	18 714	(244 431)	(687 451)
Net result continued operation		**(8 814)**	**(40 165)**	**(312 930)**	**(90 260)**	**(104 102)**
Discontinued operation						
Profit (loss) from discontinued operation (net of income tax)	5	(148 729)	34 151	(139 724)	63 067	108 627
Net result for the period		**(157 543)**	**(6 013)**	**(452 655)**	**(27 193)**	**4 525**
Net result for the period		(157 543)	(6 013)	(452 655)	(27 193)	4 525
Other comprehensive income:						
Value adjusted financial instruments		1 390	12 553	2 193	(9 464)	(34 441)
Currency translation difference		(19 009)	58 400	(80 987)	73 884	2 393
Total comprehensive net result for the period		(175 162)	64 940	(531 448)	37 227	(27 523)
Earnings per share						
Basic		(0.65)	(0.02)	(1.86)	(0.11)	0.02
Diluted		(0.61)	(0.02)	(1.77)	(0.11)	0.05

Statement of financial position

All figures in NOK 1 000	Note	30.06.11	31.12.10	30.06.10
Non-current assets				
License and capitalised exploration expenses	6	3 866 389	3 976 833	3 931 016
Deferred tax assets		586 911	594 800	464 208
Goodwill	6	1 215 808	1 492 598	1 540 798
Production facilities	7	3 518 717	3 546 878	4 292 965
Tax refund		291 844	0	257 044
Total non-current assets		**9 479 669**	**9 611 110**	**10 486 031**
Current assets				
Assets held for sale	8	168 495	590 389	0
Accounts receivable		100 369	208 455	100 444
Tax refund		702 968	730 891	659 996
Other current receivables	9	945 428	579 684	686 752
Bank deposits, cash and cash equivalents		819 094	892 482	441 300
Total current assets		**2 736 353**	**3 001 901**	**1 888 492**
Total assets		**12 216 022**	**12 613 011**	**12 374 523**
Equity				
Share capital		755 913	753 418	753 418
Other equity		2 409 548	2 921 443	2 985 760
Total equity		**3 165 461**	**3 674 861**	**3 739 178**
Provisions and other non-current liabilities				
Deferred tax		2 554 498	2 368 027	2 502 449
Provisions for other liabilities and charges		588 745	833 553	859 244
Convertible bond loan	10	210 657	205 951	201 245
Bond loan	10	3 252 603	2 658 582	1 967 864
Other interest bearing debt	10	1 157 919	943 612	1 156 911
Total provisions and other non-current liabilities		**7 764 422**	**7 009 725**	**6 687 713**
Current liabilities				
Liabilities/debt held for sale	8	106 703	231 539	0
Other interest bearing debt	10	690 176	1 085 304	1 337 713
Trade payables		53 105	86 060	25 714
Current tax payable		45 819	114 716	287 382
Public duties payable		8 530	22 760	33 982
Other current liabilities	11	381 806	388 047	262 841
Total current liabilities		**1 286 139**	**1 928 426**	**1 947 632**
Total liabilities		**9 050 561**	**8 938 151**	**8 635 345**
Total equity and liabilities		**12 216 022**	**12 613 011**	**12 374 523**

Statement of cash flow

All figures in NOK 1 000	YTD Q2 2011	YTD Q2 2010
Ordinary result before tax continued operation	(294 217)	(334 691)
Ordinary result before tax discontinued operation	123 282	220 848
Tax paid	(126 412)	(140 886)
Depreciation	258 702	310 119
Write-downs dry well, previous years investments	5 588	7 519
Loss on sale of discontinued operation	(156 408)	0
Effect of changes in exchange rates/other effects equity	(47 711)	70 314
Financial instruments at fair value	2 193	13 602
Amortisation of borrowing expenses	21 412	19 241
Calculated interest on abandonment provision	35 672	39 799
Other items with no cash impact	3 000	2 000
Changes in accounts receivable	108 086	33 175
Changes in trade payables	(32 955)	(10 229)
Changes in other current balance sheet items	(210 895)	33 542
Net cash flow from operations	**(310 662)**	**264 353**
Cash flows from investing activities		
Purchase of tangible assets	(100 588)	(336 258)
Purchase of intangible assets	(32 513)	(55 992)
Net cash flow from investing activities	**(133 101)**	**(392 251)**
Cash flows from financing activities		
Issue of share capital	14 399	11 322
Proceeds from issuance of long term debt	586 269	165 755
Repayment of short term debt	(91 598)	(79 292)
Interest paid	(119 355)	(193 213)
Net cash flow from (used in) financing activities	**389 716**	**(95 428)**
Net change in cash and cash equivalents	**(54 047)**	**(223 326)**
Cash and cash equivalents at start of the year	**892 482**	**659 812**
Effects of changes in exchange rates on cash and cash equivalents	(19 340)	4 814
Cash and cash equivalents at end of the quarter	**819 094**	**441 300**

Statement of changes in equity

All figures in NOK 1 000	30.06.11	31.12.10	30.06.10
Equity at the beginning of period	3 674 861	3 722 223	3 722 223
Adjustments opening balance (1)	0	(38 291)	(38 291)
Capital increase	14 399	11 322	11 322
Share-based incentive program	7 650	7 130	6 697
Value adjusted financial instruments	2 193	(34 441)	(9 464)
Translation differences foreign exchange	(80 987)	2 393	73 884
Net results for the period	(452 655)	4 525	(27 193)
Equity at the end of period	3 165 461	3 674 861	3 739 178

(1) Calculation errors on depreciation of excess values are incorporated as per 1.1.2010 as follows: Other Equity NOK -38 million - Non-current deferred tax liability NOK -16 million - Production assets NOK -54 million.

Notes

to the quarterly consolidated financial statements

ACCOUNTING PRINCIPLES

Basis for preparation
The consolidated interim financial statement for the second quarter of 2011 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.

As of the date of authorization of this interim report, the IASB has issued the following standards during 2011:

IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosures of Interests in other Entities
IFRS 13 Fair Value Measurement
Amendment to IAS 1 Presentation of Items of Other Comprehensive Income
IAS 19R Employee benefits
IAS 27R Separate Financial statements
IAS 28R Investments in Associates and Joint Ventures

All of the new and amended standards were issued during May and June 2011, and will be effective for NORECO's financial statements for 2013. NORECO is currently evaluating the potential accounting impacts of the standards. We expect that IFRS 11 Joint Arrangements may impact how NORECO accounts for and discloses certain of our operations conducted in cooperation with others. Further, we expect that IAS 19R Employee benefits will impact how post employment benefits including pensions, and measurement changes in such arrangements, are reflected in our financial statements.

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 2010 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
There has been no change to the capital in this quarter. The share capital as per 30.06.2011 is NOK 755,9 million.

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 capitalized pending an evaluation of the economics of the exploration drilling findings. If hydrocarbons are discovered and expected to be commercially profitable, 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 recent 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% in Norway related to exploration and production on the Norwegian Continental Shelf and 34% in UK related to exploration and production on the English 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 have 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 results 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
22 July 2011, Noreco entered into a Transfer Agreement with DONG E&P A/S according to which Noreco sells its interest in the Siri field in Denmark.

The agreement involves Noreco's 50 percent interest in license 6/95 in Denmark, and the price is USD 13 million with effective date 1 July 2011.

Noreco retains until 30 August 2011 the right to sell its interests in Siri to other parties at a higher price.

If Noreco does not sell its interests in Siri to other parties, the transaction is expected to be completed in the third quarter 2011, and is then expected to have a negative impact on the third quarter 2011 result in the order of USD 60 million after tax.

1 Revenue

(NOK 1 000)	Q2 2011	Q2 2010	YTD 2011	YTD 2010
Continued operation				
Sale of oil	394 560	362 849	798 540	634 935
Sale of gas and NGL	5 565	4 462	10 078	7 948
Revenue from oil price hedging	0	93	0	896
Cost from oil price hedging 1)	(3 948)	(5 944)	(9 067)	(11 103)
Other revenue 2)	0	0	0	37 470
Total revenue continued operation	396 177	361 460	799 550	670 146
Total revenue discontinued operation	111 593	198 683	254 998	371 323
Total revenue	507 770	560 143	1 054 549	1 041 469

(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 2011	Q2 2010	YTD 2011	YTD 2010
Continued operation				
Direct production expenses	45 785	75 566	127 851	148 861
Duties, tariffs, royalties	21 120	18 571	42 280	32 297
Other expenses	19 769	6 622	36 628	11 993
Total production expenses continued operation	86 673	100 759	206 759	193 152
Total production expenses discontinued operation	23 997	31 427	57 901	59 657
Total production expenses	110 670	132 186	264 660	252 809

3 Exploration and evaluation costs

(NOK 1 000)	Q2 2011	Q2 2010	YTD 2011	YTD 2010
Acquisition of seismic data, analysis and general G&G costs	31 551	96 351	53 307	115 284
Exploration wells capitalised in previous years	0	2	5 588	7 519
Dry exploration wells this period	42 940	(6 524)	210 023	71 291
Other exploration and evaluation costs	11 131	8 660	18 773	26 566
Total exploration and evaluation costs continued operation	85 622	98 488	287 691	220 660
Total exploration and evaluation costs discontinued operation	979	1 143	2 405	1 932
Total exploration and evaluation costs	86 602	99 631	290 095	222 592

Specification of cash flow concerning exploration and evaluation activities

(NOK 1 000)	Q2 2011	Q2 2010	YTD 2011	YTD 2010
Continued operation				
Exploration and evaluation costs capitalised as intangible assets this period	14 195	38 399	36 829	52 052
Exploration and evaluation costs directly expensed this period	85 622	98 487	282 103	213 140
Amount invested in exploration and evaluation activities this period continued operation	99 818	136 885	318 932	265 193
Discontinued operation				
Exploration and evaluation costs capitalised as intangible assets this period	4 421	2 418	9 850	3 945
Exploration and evaluation costs directly expensed this period	979	1 143	2 405	1 932
Amount invested in exploration and evaluation activities this period discontinued operation	5 401	3 561	12 255	5 877
Amount invested in exploration and evaluation activities this period	105 218	140 446	331 187	271 069

4 Financial income and expenses

(NOK 1 000)

Continued operation

Financial income	**Q2 2011**	**Q2 2010**	**YTD 2011**	**YTD 2010**
Interest income	5 765	1 858	9 904	4 303
Other financial income	12 696	9 962	35 862	19 434
Total financial income	18 461	11 820	45 766	23 737

Financial expenses	**Q2 2011**	**Q2 2010**	**YTD 2011**	**YTD 2010**
Interest expense from bond loans	89 265	67 679	169 302	134 919
Interest expense from convertible loan	3 278	3 277	6 555	6 555
Interest expense from other non-current liabilities	9 813	12 827	21 263	24 350
Interest expense from exploration loan	11 430	8 943	20 805	15 813
Capitalised interest expenses	(8 382)	(4 575)	(15 470)	(7 619)
Amortisation from loan costs	10 796	9 669	21 412	19 241
Imputed interest from abandonment provisions	12 958	14 836	26 589	28 804
Interest expenses current liabilities	198	518	2 441	1 779
Other financial expenses	14 411	14 078	29 498	30 610
Total financial expenses	143 767	127 251	282 395	254 453
Net financial items continued operation	(125 306)	(115 432)	(236 629)	(230 716)

Discontinued operation

Financial income	**Q2 2011**	**Q2 2010**	**YTD 2011**	**YTD 2010**
Other financial income	443	677	563	677
Total financial income	443	677	563	677

Financial expenses	**Q2 2011**	**Q2 2010**	**YTD 2011**	**YTD 2010**
Imputed interest from abandonment provisions	3 974	5 497	9 083	10 995
Other financial expenses	143	465	149	1 164
Total financial expenses	4 116	5 963	9 231	12 159
Net financial items discontinued operation	(3 674)	(5 286)	(8 668)	(11 482)
Net financial items	(128 979)	(120 717)	(245 298)	(242 198)

5 Discontinued operation

In May 2011 Norwegian Energy Company (Noreco) announced an agreement to sell its share in the Norwegian oil fields Brage and Hyme to Core Energy. The sale of Brage was completed on 10 June 2011 and the sale of Hyme was completed on 20 July 2011. These licenses are in this report presented as Discontinued operations. Consequently the comparative statement of comprehensive income has been re-presented to show the discontinued operation separately from continued operations.

(NOK 1 000)

Results of discontinued operation	Q2 2011	Q2 2010	YTD 2011	YTD 2010	2010
Revenue	111 593	198 683	254 998	371 323	629 363
Production expenses	23 996	31 427	57 900	59 657	113 914
Exploration expenses 1)	979	1 143	2 405	1 932	4 692
Depreciations	25 965	40 301	62 743	77 403	131 818
Financial expenses	3 674	5 288	8 668	11 482	11 199
Total	54 615	78 159	131 716	150 474	261 623
Results from operating activities	**56 978**	**120 525**	**123 282**	**220 848**	**367 739**
Income tax	49 299	86 373	106 598	157 781	259 112
Results from operating activities, net of tax	**7 679**	**34 151**	**16 684**	**63 067**	**108 627**
Gain (loss) on sale of discontinued operation	(156 408)	0	(156 408)	0	0
Income tax on gain (loss) on sale of discontinued operation	0	0	0	0	0
Profit (loss) for the period	**(148 729)**	**34 151**	**(139 724)**	**63 067**	**108 627**
Basic earnings (loss) per share	(0.61)		(0.57)		
Diluted earnings (loss) per share	(0.58)		(0.53)		
1) Hereof related to Hyme	1 164	1 137	2 214	1 926	4 398

(NOK 1 000)

Cash flow from (used in) discontinued operation	Q2 2011	Q2 2010	YTD 2011	YTD 2010	2010
Net cash used in operating activities	86 617	166 114	194 693	309 734	510 757
Net cash from investing activities	47 826	37 073	102 732	68 024	153 870
Net cash from financing activities	0	0	0	0	0
Net cash flows for the period	134 443	203 186	297 425	377 758	664 627

(NOK 1 000)

Effect of the disposal on the financial position of Noreco	Q2 2011
License and capitalised exploration expenses	(15 462)
Deferred tax assets	(77 812)
Goodwill	(288 490)
Production facilities	(627 580)
Other current receivables	232 518
Deferred tax	248 339
Provisions for other liabilities and charges	239 155
Tax payable	131 878
Other current liabilities	1 046
Net assets and liabilities	(156 408)
Consideration received, satisfied in cash	0
Cash and cash equivalents disposed of	0
Net cash inflow	0

6 Intangible fixed assets

(NOK 1 000)	Capitalised exploration & evaluation expenses	Goodwill	Total
Acquisition cost 01.01.11	4 102 534	1 529 098	5 631 632
Additions	257 998	0	257 998
Dry well	(215 610)	0	(215 610)
Disposals	(15 462)	(288 490)	(303 952)
Transfered to asset under construction	(114 769)	0	(114 769)
Reclassified from asset for sale	1 033	11 700	12 733
Reclassified to asset for sale	(78)	0	(78)
Currency translations	(23 555)	0	(23 555)
Acquisition cost 30.06.11	**3 992 089**	**1 252 308**	**5 244 397**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.11	125 700	36 500	162 200
Write-downs	0	0	0
Accumulated depreciation and write-downs 30.06.11	**125 700**	**36 500**	**162 200**
Book value 30.06.11	**3 866 389**	**1 215 808**	**5 082 197**

7 Tangible non-current assets

(NOK 1 000)	Asset under construction	Production facilities	Machinery and equipment	Total
Acquisition cost 01.01.11	121 787	5 544 383	8 207	5 674 377
Additions	326 011	163 002	0	489 013
Transferred	114 769	0	0	114 769
Disposals	0	(1 292 535)	0	(1 292 535)
Reclassified from asset for sale	542 526	73 175	0	615 701
Reclassified to asset for sale	(168 417)	0	0	(168 417)
Currency translations	(10 228)	(219 449)	(45)	(229 722)
Acquisition cost 30.06.11	**926 449**	**4 268 575**	**8 161**	**5 203 185**
Accumulated depreciation and write-downs				
Accumulated depreciation and write-downs 01.01.11 according to annual report 2010	0	2 065 263	8 099	2 073 362
Adjustments previous years (1)	0	54 138	0	54 138
Accumulated depreciation and write-downs 01.01.11	0	2 119 401	8 099	2 127 500
Depreciation	0	258 675	26	258 702
Reclassified from asset for sale	0	43 310	0	43 310
Reclassified to asset for sale		(664 956)	0	(664 956)
Currency translations	0	(80 051)	(36)	(80 087)
Accumulated depreciation and write-downs 30.06.11	**0**	**1 676 380**	**8 089**	**1 684 469**
Book value at 30.06.11	**926 449**	**2 592 195**	**73**	**3 518 717**

(1) Calculation errors on excess value depreciations: 2007 NOK 15 million - 2008 NOK 25 million - 2009 NOK 18 million - 2010 NOK -4 million.

8 Assets and liabilities held for sale

In May 2011, Norwegian Energy Company (Noreco) announced an agreement to sell its share in the Norwegian oil fields Brage and Hyme to Core Energy. The sale of Brage was completed on 10 June 2011 and the sale of Hyme was completed on 20 July 2011. Since the sale of Hyme was not completed on 30 June 2011, it is presented as an asset held for sale in this report.

(NOK 1 000)

Assets held for sale	**Note**	**2011**
License and capitalised exploration expenses	6	78
Production facilities	7	168 417
Total assets held for sale at 30.06.11		**168 495**
Liabilities held for sale		
Deferred tax		85 720
Other current liabilities		20 983
Total liabilities held for sale at 30.06.11		**106 703**
Total assets and liabilites held for sale at 30.06.11		**61 791**

9 Other current receivables

(NOK 1 000)	**30.06.11**	**30.06.10**
Receivables from operators relating to joint venture licenses	197 509	63 836
Underlift of oil/NGL	73 416	116 512
Financial instruments	17 803	44 625
Other receivables 1) 2)	656 700	461 779
Total other current receivables	**945 428**	**686 752**

(1) NOK 346 million - estimated compensation from the shut down of the Siri area fields.

(2) NOK 257 million - net receivable on Core Energy AS from sale of the Brage field.

10 Interest bearing debt

(NOK 1 000)

Non-current interest bearing debt	**Nominal value**	**Book value at 30.06.11**
Bond loan Noreco ASA	1 250 000	1 233 933
Bond loan Noreco ASA	750 000	743 415
Bond loan Noreco ASA	700 000	687 993
Bond loan Noreco ASA	600 000	587 262
Convertible bond loan Noreco ASA	218 500	210 657
Exploration loan Noreco ASA	205 131	192 103
Reserve-based loan Altinex Oil Denmark A/S	996 817	965 816
Total long-term interest bearing debt	**4 720 448**	**4 621 179**

Current interest bearing debt	**Nominal value**	**Book value at 30.06.11**
Exploration loan Noreco ASA	630 869	630 869
Reserve-based loan Altinex Oil Denmark A/S	59 270	59 270
Other	37	37
Total short-term interest bearing debt	**690 176**	**690 176**

11 Other current liabilities

(NOK 1 000)	30.06.11	30.06.10
Liabilities to operators relating to joint venture licenses	121 621	166 567
Overlift of oil	11 078	3 456
Accrued interest	44 779	50 279
Other current liabilities	204 329	42 539
Total other current liabilities	**381 806**	**262 841**

12 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, UK and France 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 30.06.2011

(NOK 1 000)	Norway	Denmark	UK	Other/ elimination	Group
Total revenue	12 661	786 889	-		(799 550)
Net operating result	(372 451)	347 989	(32 260)	(865)	(57 587)
Net financial items					(236 629)
Ordinary result before tax					(294 217)
Loss on sale of discontinued operation					(139 724)
Income tax expenses					18 714
Net result for the period					(452 655)
Assets	4 744 552	5 171 283	3 341 123	(1 040 936)	12 216 022
Liabilities	5 306 074	2 954 542	1 830 020	(1 040 075)	9 050 561
Capital expenditures production facilities	39 960	123 041			163 002
Capital expenditures asset under construction	280 344	37 907	122 529		440 780
Capital expenditures exploration and evaluations	122 600	19 736	893		143 228
Depreciations	60 250	198 452			258 702

INFORMATION ABOUT NORECO GROUP

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Lotte Kiørboe
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Rebekka Glasser Herlofsen	CFO
Erik Borg	Deputy CFO
Ellen Sandra Bratland	COO
Kjetil Bakken	Vice president, Strategy & Investor Relations
Thor Arne Olsen	Vice president, Commercial
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Financial calendar 2011

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

Annual reports

Annual reports for the Noreco Group 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

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