

A close-up photograph of a hand holding a single stalk of grain, possibly wheat or barley, against a blurred background of a field. The hand is positioned in the lower-left quadrant, with fingers gently gripping the stalk. The grain is dark and textured, showing individual spikes. The background is a soft-focus landscape with green and brown tones, suggesting an agricultural setting. The overall lighting is natural, highlighting the textures of the skin and the grain.

# NORECO

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First quarter 2012

# Report for the first quarter 2012

Norwegian Energy Company ASA

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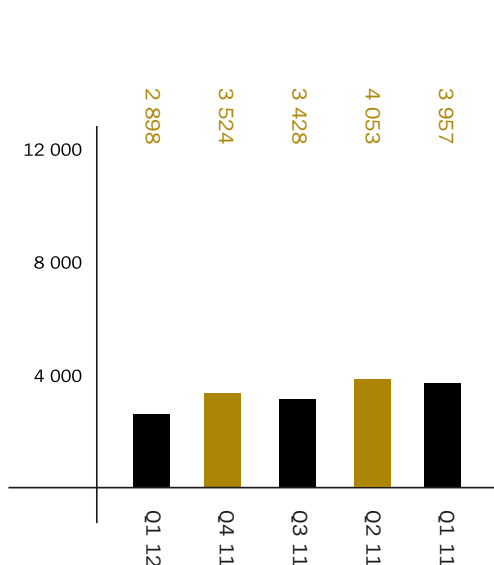
## HIGHLIGHTS

- Awarded eight new licences in Norway, one in the UK
- High exploration activity, two dry wells
- Produced 2,898 barrels oil equivalents (boe) per day
- Realised oil price USD 116 per boe
- Oselvar production started in April
- Huntington development on track for production start in second half 2012

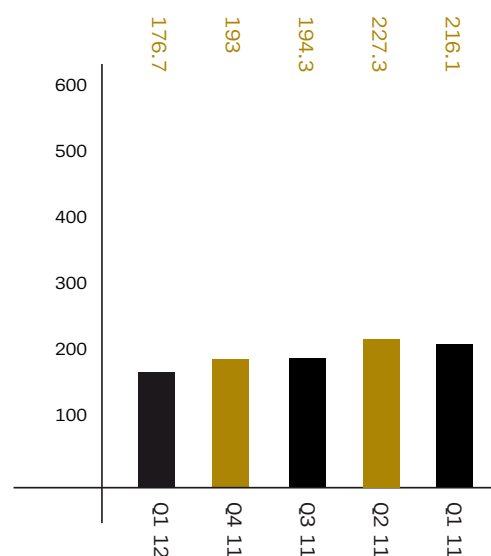
## KEY FIGURES

	Q1-12	Q4-11	Q3-11	Q2-11	Q1-11	Q4-10
<b>Net realised oil price (cont ops) (USD/boe)</b>	116.0	107.4	110	110.5	103	83.9
<b>EBITDA (cont ops) (NOK million)</b>	(185.2)	11.7	(45.4)	9.9	(132.6)	(272.9)
<b>Net results (NOK million)</b>	(150.9)	(11.2)	(395.2)	(157.5)	(295.1)	(135.4)
<b>Total assets (NOK billion)</b>	9.7	9.6	11.7	12.2	12.5	12.7

### Production (boed)



### Operating income (cont ops) (NOK million)



## GROUP FINANCIALS

The Noreco Group had revenues of NOK 177 million in the first quarter 2012, a reduction of 18 percent compared to first quarter 2011 for continued operations. The reduction was mainly driven by lower production from the company's Danish oil fields due to several weather-related shutdowns of the Siri platform.

Production in the quarter was 2,898 boe per day, down from 3,957 boe per day for the same period last year (excluding divested fields). The achieved average oil, gas and NGL prices adjusted for the cost and income from put options expiring in the quarter was USD 116 per boe, compared to USD 104 per boe in the first quarter 2011.

Production expenses were NOK 73 million, compared to NOK 56 million from the same quarter last year for continued operations and NOK 100 million in the fourth quarter of 2011.

Exploration costs amounted to NOK 223 million, reflecting two dry wells completed during the quarter and pre-drilling costs related to a dry well completed after the end of the quarter.

Payroll expenses were NOK 38 million. Other operating expenses were NOK 28 million.

EBITDA (earnings before interest, tax, depreciation and amortisation) in first quarter 2012 amounted to a loss of NOK 185 million, compared to a loss of NOK 132 million in the first quarter 2011 from continued operations.

Net financial items came in at NOK -119 million for the first quarter. Tax amounted to an income of NOK 206 million. Net result for the quarter was a loss of NOK 151 million, comparable to a loss of NOK 371 million in the first quarter 2011 for continued operations.

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 70 per barrel. Fair value of these put options as of 31 March 2012 was NOK 11 million, recorded as other current receivables in the balance sheet.

At the end of first quarter Noreco had cash and cash equivalents of NOK 884 million. Available, undrawn credit under the company's reserve-based bank facility amounted to USD 72 million (NOK 410 million) at the closing of the first quarter. On the 15. April, the facility was reduced by USD 29 million. This facility contains certain restrictions related to internal transfers of funds within the Group. In April the company therefore decided to sell own bonds for a nominal amount of NOK 200 million to increase the liquidity in the parent company.

Noreco was in compliance with all covenants under its loan agreements in the quarter.

## GROUP STRUCTURE

Siri Holdings Ltd and Altinex ASA are guarantors for two of the bond loans issued by Noreco (NOR03 and NOR04). Altinex

ASA serves as a sub-holding company for all of Noreco's activities, except 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 of 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 first quarter 2012 was on average 2,898 barrels of oil equivalents per day (boed). Production regularity of the Nini East, Nini and Cecilie fields was impacted by the Siri host platform which was shut down for a total of 19 days due to the adverse weather conditions. Production from the Lulita field in first quarter was stable, while the Enoch field was shut in late January, awaiting maintenance work on a subsea valve.

## DEVELOPMENTS AND DISCOVERIES

Noreco has a 20 percent interest in the Huntington field in the UK which is currently under development. The field is operated by E.ON Ruhrgas UK. Drilling of the development wells continued through the quarter with the jack-up rig Eneco 100 according to plan. The third production well was successfully completed and tested in February, and the first water injection well was also completed during the quarter. The Huntington field will be produced with the floating production and storage unit (FPSO) Sevan Voyageur, which is currently being upgraded for the Huntington assignment at the Nymo shipyard in Norway. The Voyageur will be leased under an agreement with Sevan Marine/Teekay. The upgrade work is progressing according to plan, and oil production from the Huntington field is expected to commence during second half of 2012.

The development of the Oselvar field (PL274) in Norway is nearing completion, and production from the field commenced medio April. Noreco owns 15 percent of the field and DONG Energy is the operator. Drilling continued through the quarter, and the second production well was completed and tested in February. The subsea wells were connected to the pipeline during the period, and integration of the Oselvar processing module to the Ula platform was completed. The commissioning was finalised early April, and the field is currently producing from two wells. Completion of the third well is expected in June, and close-out of the development project is anticipated during the third quarter.

On the Gita discovery in Denmark (Noreco 12 percent), work towards a drill or drop decision for the 9/95 Maja licence and the 9/06 Gita licence has been finalised. On the 9/95 Maja licence the partners have decided to apply for an extension of the licence period by committing to an exploration well on a High Pressure High Temperature gas prospect with an

Upper Jurassic target. This well is expected to be drilled in 2013/14. On the 9/06 Gita licence the partners have decided to continue the licence by committing to buying a new 3D seismic survey, merge it with the existing data base, and then update the prospectivity in the licence.

## EXPLORATION

Noreco participated in two exploration wells in the first quarter. PL414 Kalvklumpen targeted Palaeocene Hermod sandstones and Middle Jurassic Brent sandstones. Both targets were dry. Reservoir quality was found as expected and for both targets the most likely cause of failure was lack of migration into the traps. The results will now be used to update remaining prospectivity in the licence. The second well was drilled on DK 1/11 licence in Denmark targeting the Permian Auk sandstones in the Luna prospect. The well was dry and the reservoir formation came in deeper and with poorer quality than expected. The results from the well will now be used to update the geological understanding of the area.

The PL396 Eik well was spudded in the beginning of April and total depth (TD) was reached some weeks later. The primary Middle Jurassic sandstone target and the two secondary Triassic sandstone targets were all dry. Geological tops and formation quality came in as expected, and the primary target had weak shows. The pre-drill main risk was trap integrity, and this is considered as the most likely reason for the well to be dry.

In January 2012, Noreco was awarded eight new licences in the 2011 Awards in Predefined Areas (APA) in Norway. Seven of the licences were located in the North Sea, while one licence was located in the Norwegian Sea.

Noreco is at the start of a very busy year with respect to licensing rounds. The company plans to take part in the UK 27th Round, the APA 2012, and the NCS 22nd Round, and is also in preparation for a potential DK 7th Round.

## BUSINESS DEVELOPMENT

The recent announcement of a gas discovery in the PL435 Zidane-2 well could result in additional payment to Noreco. The company's 20 percent share of the licence containing the Zidane-1 discovery was sold to OMV in 2011 for NOK 180 million and part of the deal was a contingent payment for Zidane-2 reserves above a certain threshold, as presented in an approved Plan for Development and Operation (PDO).

The remaining commercial agreements (Processing, Operating Services and Gas Sales Agreement and Ula Transport Agreement) necessary to allow Oselvar to begin producing were entered into on 16 March 2012.

Three licences have been decided relinquished in the quarter – PL545, PL434, and PL392, all in Norway.

## HEALTH, SAFETY, ENVIRONMENT AND QUALITY

So far this year Noreco has been operator for the drilling of two exploration wells – the Eik well in PL396 in the Barents Sea, and the Luna well in licence 1/11 on the Danish shelf. Both wells were completed without serious incidents, and no serious incidents took place within Noreco's other activities in the first quarter.

## ORGANISATION

By the end of the first quarter Noreco had 72 employees and 16 consultants. Approximately 34 per cent of the employees are female, and 10 nationalities are represented in the workforce. The company is currently working to recruit 11 new employees, and has successfully recruited four new employees in the quarter. Six new employees will be joining the company in the second and third quarter.

## OUTLOOK

The development in the market fundamentals for the upstream oil and gas industry remain positive. 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. Noreco is of the opinion that the medium to long-term prospects for the oil and gas industry remain positive.

Noreco expects a significant production growth over the coming quarters due to start-up of new fields. When the Huntington field comes on stream, which is expected to take place during the second half of 2012, the company's total production is expected to be around 12,000 boe per day. The planned repairs of the Siri platform are however expected to cause some reduced regularity for the production from Nini East, Nini and Cecilie in the coming quarters.

Noreco's exploration program for 2012 consists of up to 12 exploration wells, of which three have already been completed. The exact timing of each well is subject to rig schedules and final drilling decisions in each licence.

# Statement of comprehensive income

All figures in NOK 1 000	Note	Q1 2012	Q1 2011	2011
<b>Continued operation</b>				
Revenue	1	176 705	216 436	829 438
Other revenue	1	-	-	1 590
<b>Total revenues</b>	<b>1</b>	<b>176 705</b>	<b>216 436</b>	<b>831 028</b>
Production expenses	2	72 511	56 148	271 434
Exploration and evaluation expenses	3	222 894	200 246	408 199
Payroll expenses	4	38 330	55 714	163 396
Other operating expenses	4	28 174	36 526	133 258
<b>Total operating expenses</b>		<b>361 909</b>	<b>348 633</b>	<b>976 287</b>
<b>Operating results before depreciation and amortisation (EBITDA)</b>		<b>(185 204)</b>	<b>(132 197)</b>	<b>(145 258)</b>
Depreciation	6, 8	52 754	65 381	241 817
Write-downs	6, 7, 8	-	-	236 539
<b>Net operating result (EBIT)</b>		<b>(237 958)</b>	<b>(197 577)</b>	<b>(623 614)</b>
Net financial items	5	(119 470)	(104 135)	(438 196)
<b>Ordinary result before tax (EBT)</b>		<b>(357 428)</b>	<b>(301 713)</b>	<b>(1 061 810)</b>
Income tax benefit		206 496	(69 330)	194 109
<b>Net result continued operation</b>		<b>(150 933)</b>	<b>(371 043)</b>	<b>(867 701)</b>
<b>Discontinued operation</b>				
Profit (loss) from discontinued operation (net of income tax)	6	-	75 932	8 607
<b>Net result for the period</b>		<b>(150 933)</b>	<b>(295 111)</b>	<b>(859 094)</b>
Net result for the period		(150 933)	(295 111)	(859 094)
Other comprehensive income:				
Other changes		(4 574)	803	9 148
Currency translation difference		(128 352)	(61 978)	165 737
<b>Total comprehensive net result for the period</b>		<b>(283 859)</b>	<b>(356 286)</b>	<b>(684 208)</b>
Earnings per share				
Basic		(0.62)	(1.21)	(3.52)
Diluted		(0.62)	(1.21)	(3.52)
Earnings per share - continued operation				
Basic		(0.62)	(1.53)	(3.56)
Diluted		(0.62)	(1.53)	(3.56)

# Statement of financial position

All figures in NOK 1 000	Note	31.03.12	31.12.11	31.03.11
<b>Non-current assets</b>				
License and capitalised exploration expenses	7	1 964 698	3 536 162	3 985 118
Deferred tax assets		634 313	605 596	593 431
Goodwill	7	836 783	871 994	1 504 298
Production facilities	8	4 027 155	2 582 545	4 123 187
Tax refund		128 290	-	194 233
<b>Total non-current assets</b>		<b>7 591 239</b>	<b>7 596 296</b>	<b>10 400 267</b>
<b>Current assets</b>				
Accounts receivable		80 733	177 961	190 164
Tax refund		506 056	506 056	721 824
Other current receivables	9	636 543	682 580	668 979
Bank deposits, cash and cash equivalents		883 577	688 708	490 086
<b>Total current assets</b>		<b>2 106 910</b>	<b>2 055 305</b>	<b>2 071 052</b>
<b>Total assets</b>		<b>9 698 149</b>	<b>9 651 601</b>	<b>12 471 319</b>
<b>Equity</b>				
Share capital		755 913	755 913	755 913
Other equity		1 980 916	2 259 494	2 579 334
<b>Total equity</b>		<b>2 736 829</b>	<b>3 015 407</b>	<b>3 335 247</b>
<b>Provisions and other non-current liabilities</b>				
Deferred tax		2 050 360	2 191 290	2 902 268
Provisions for other liabilities and charges		299 864	308 480	821 753
Convertible bond loan	10	-	-	208 304
Bond loan	10	2 320 613	2 317 825	2 662 026
Other interest bearing debt	10	753 803	292 802	1 313 786
<b>Total provisions and other non-current liabilities</b>		<b>5 424 639</b>	<b>5 110 398</b>	<b>7 908 136</b>
<b>Current liabilities</b>				
Other interest bearing debt	10	1 069 053	1 064 325	663 950
Trade payables		19 852	25 627	33 050
Current tax payable		149 172	180 409	83 929
Public duties payable		2 464	8 934	47 223
Other current liabilities	11	296 139	246 501	399 784
<b>Total current liabilities</b>		<b>1 536 680</b>	<b>1 525 796</b>	<b>1 227 936</b>
<b>Total liabilities</b>		<b>6 961 320</b>	<b>6 636 194</b>	<b>9 136 072</b>
<b>Total equity and liabilities</b>		<b>9 698 149</b>	<b>9 651 601</b>	<b>12 471 319</b>

# Statement of cash flow

All figures in NOK 1 000	Q1 2012	Q1 2011
Net result for the period	(150 933)	(295 111)
Tax expenses	(206 496)	(69 330)
(Tax paid) / Tax refunded	(22 601)	(58 482)
Depreciation and writedowns	52 754	135 858
Write-downs dry well	184 983	172 670
Effect of changes in exchange rates/other effects equity	(12 580)	(51 398)
Net financial items	119 470	116 318
Other items with no cash impact	1 033	1 500
Changes in accounts receivable	97 227	18 291
Changes in trade payables	(5 775)	(53 010)
Changes in other current balance sheet items	80 823	47 465
<b>Net cash flow from operations</b>	<b>137 906</b>	<b>(35 229)</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(160 908)	(239 924)
Purchase of intangible assets	(145 403)	(28 063)
<b>Net cash flow from investing activities</b>	<b>(306 311)</b>	<b>(267 988)</b>
<b>Cash flows from financing activities</b>		
Issue of share capital	-	14 399
Proceeds from issuance of long term debt	473 401	169 537
Repayment of short term debt	-	(153 500)
Interest paid	(97 655)	(128 897)
<b>Net cash flow from (used in) financing activities</b>	<b>375 746</b>	<b>(98 461)</b>
<b>Net change in cash and cash equivalents</b>	<b>207 341</b>	<b>(401 678)</b>
Cash and cash equivalents at start of the year	688 708	892 482
Effects of changes in exchange rates on cash and cash equivalents	(12 472)	(718)
<b>Cash and cash equivalents at end of the quarter</b>	<b>883 577</b>	<b>490 086</b>



# Statement of changes in equity

All figures in NOK 1 000	31.03.12	31.12.11	31.03.11
Equity at the beginning of period	3 015 407	3 674 861	3 674 861
Capital increase	-	14 399	14 399
Share-based incentive program	5 281	10 355	2 273
Other changes	(4 574)	9 148	803
Translation differences foreign exchange	(128 352)	165 737	(61 978)
Net results for the period	(150 933)	(859 094)	(295 111)
Equity at the end of period	2 736 829	3 015 407	3 335 247

# Notes

## to the quarterly consolidated financial statements

### ACCOUNTING PRINCIPLES

#### **Basis for preparation**

The consolidated interim financial statement for the first quarter of 2012 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 2011 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 31.03.2012 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 acquisitions is 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 percent in Denmark and 28 percent in Norway and United Kingdom. In addition, there is an extra petroleum tax of 50 percent in Norway related to exploration and production on the Norwegian Continental Shelf and 34 percent in UK related to exploration and production on the English Continental Shelf. In Denmark there is a petroleum tax of 70 percent, 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**

Acquisition of legal entities 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 in the functional currency of the companies. 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**

The preliminary drilling results for the exploration well 7228/1-1 on the Eik prospect indicate that the well does not contain commercial quantities of hydrocarbons. The capitalized costs on the license on 31 March, NOK 40 million, have been expensed.

# 1 Revenue

(NOK 1 000)	Q1 2012	Q1 2011
<b>Continued operation</b>		
Sale of oil	179 111	218 084
Sale of gas and NGL	2 395	1 601
Cost from oil price hedging <sup>(1)</sup>	(4 801)	(3 249)
Total revenue continued operation	176 705	216 436
Total revenue discontinued operation	-	330 342
Total revenue	176 705	546 779

(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)	Q1 2012	Q1 2011
<b>Continued operation</b>		
Direct production expenses	48 349	31 177
Duties, tariffs, royalties	12 208	15 252
Other expenses	11 954	9 720
Total production expenses continued operation	72 511	56 148
Total production expenses discontinued operation	-	97 842
Total production expenses	72 511	153 990

# 3 Exploration and evaluation costs

(NOK 1 000)	Note	Q1 2012	Q1 2011
<b>Continued operation</b>			
Acquisition of seismic data, analysis and general G&G costs		29 623	19 934
Exploration wells capitalised in previous years		52 557	5 588
Dry exploration wells this period		132 426	167 082
Other exploration and evaluation costs		8 288	7 642
Total exploration and evaluation costs continued operation		222 894	200 246
Total exploration and evaluation costs discontinued operation		-	3 248
Total exploration and evaluation costs		222 894	203 493
The exploration organisation's share of Noreco's total payroll expenses and other operating expenses amounts to:	4	28 815	30 238

Specification of cash flow concerning exploration and evaluation activities

(NOK 1 000)	Q1 2012	Q1 2011
<b>Continued operation</b>		
Exploration and evaluation costs capitalised as intangible assets this period	12 964	18 247
Exploration and evaluation costs directly expensed this period	170 338	194 658
Amount invested in exploration and evaluation activities this period continued operation	183 302	212 905
<b>Discontinued operation</b>		
Exploration and evaluation costs capitalised as intangible assets this period	-	9 817
Exploration and evaluation costs directly expensed this period	-	3 248
Amount invested in exploration and evaluation activities this period discontinued operation	-	13 064
Amount invested in exploration and evaluation activities this period	183 302	225 969
Utilised exploration financing	159 700	169 666

## 4 Payroll expenses & Other operating expenses

(NOK 1 000)	Q1 2012	Q1 2011
Payroll expenses	38 330	55 714
Other operating expenses	28 174	36 526
Total payroll expenses & other operating expenses	66 504	92 239
Hereof the exploration organisation accounts for the following expenses	28 815	30 238

The expenses include all direct payroll expenses and allocated administrative expenses for the exploration organisation.

## 5 Financial income and expenses

(NOK 1 000)	Q1 2012	Q1 2011
<b>Continued operation</b>		
<b>Financial income</b>		
Interest income	4 026	4 139
Other financial income	6 407	23 128
Total financial income	10 433	27 267
<b>Financial expenses</b>		
Interest expense from bond loans	81 193	80 037
Interest expense from convertible loan	2 604	3 278
Interest expense from other non-current liabilities	5 775	11 450
Interest expense from exploration loan	6 015	9 374
Capitalised interest expenses	(11 280)	(7 088)
Amortisation from loan costs	11 637	10 615
Imputed interest from abandonment provisions	6 531	6 402
Interest expenses current liabilities	488	2 199
Other financial expenses	26 939	15 136
Total financial expenses	129 903	131 402
Net financial items continued operation	(119 470)	(104 135)
Net financial items discontinued operation	-	(12 183)
Net financial items	(119 470)	(116 318)

## 6 Discontinued operation

In 2011 Norwegian Energy Company (Noreco) sold their shares in the Norwegian oil fields Brage, Hyme, Zidane, Brynhild and Flyndre and their shares in the Danish oil fields South Arne and Siri. These licenses are presented as discontinued operations. For further details we refer to our Annual Report 2011.

(NOK 1 000)

Results of discontinued operation	Note	Q1 2012	Q1 2011
Revenue	1	-	330 342
Production expenses	2	-	97 842
Exploration expenses	3	-	3 248
Depreciations		-	70 478
Finance items	5	-	(12 183)
<b>Total Expenses</b>		-	<b>183 750</b>
<b>Results from operating activities</b>		-	<b>146 592</b>
Income tax		-	70 660
<b>Results from operating activities, net of tax</b>		-	<b>75 932</b>
Gain (loss) on sale of discontinued operation		-	-
<b>Profit (loss) for the period</b>		-	<b>75 932</b>
Basic earnings (loss) per share		-	0.31
Diluted earnings (loss) per share		-	0.31

(NOK 1 000)

Cash flow from (used in) discontinued operation	Q1 2012	Q1 2011
Net cash used in operating activities	-	229 253
Net cash from investing activities	-	-
<b>Net cash flows for the period</b>	-	<b>229 253</b>

## 7 Intangible fixed assets

(NOK 1 000)	Capitalised exploration and evaluation expenses	Other patents and licenses	Goodwill	Total
Acquisition cost 01.01.12	3 655 190	6 672	1 227 143	4 889 005
Additions	145 403	-	-	145 403
Dry wells	(184 983)	-	-	(184 983)
Transferred to asset under construction	(1 405 562)	-	-	(1 405 562)
Currency translations	(126 322)	-	(50 132)	(176 453)
<b>Acquisition cost 31.03.12</b>	<b>2 083 726</b>	<b>6 672</b>	<b>1 177 011</b>	<b>3 267 409</b>
<b>Accumulated depreciation and write-downs</b>				
Accumulated depreciation and write-downs 01.01.12	125 700	-	355 149	480 849
Depreciations	-	-	-	-
Currency translations	-	-	(14 921)	(14 921)
<b>Accumulated depreciation and write-downs 31.03.12</b>	<b>125 700</b>	<b>-</b>	<b>340 229</b>	<b>465 929</b>
<b>Book value 31.03.12</b>	<b>1 958 026</b>	<b>6 672</b>	<b>836 783</b>	<b>2 801 481</b>

## 8 Tangible non-current assets

(NOK 1 000)	Asset under construction	Production facilities	Machinery and equipment	Total
Acquisition cost 01.01.12	1 338 740	1 607 192	8 216	2 954 148
Additions	156 633	4 275	-	160 908
Transferred from capitalised exploration	1 405 562	-	-	1 405 562
Currency translations	(8 688)	(79 946)	3 116	(85 519)
<b>Acquisition cost 31.03.12</b>	<b>2 892 246</b>	<b>1 531 521</b>	<b>11 332</b>	<b>4 435 099</b>
<b>Accumulated depreciation</b>				
Accumulated depreciation and write-downs 01.01.12	-	363 467	8 136	371 603
Depreciation	-	52 754	-	52 754
Currency translations	-	(19 533)	3 120	(16 413)
<b>Accumulated depreciation 31.03.12</b>	<b>-</b>	<b>396 688</b>	<b>11 255</b>	<b>407 944</b>
<b>Book value at 31.03.12</b>	<b>2 892 246</b>	<b>1 134 833</b>	<b>76</b>	<b>4 027 155</b>

## 9 Other current receivables

(NOK 1 000)	31.03.12	31.03.11
Receivables from operators relating to joint venture licenses	77 773	190 164
Underlift of oil/NGL	38 332	88 878
Financial instruments	10 904	11 552
Other receivables <sup>(1)</sup>	509 535	378 385
<b>Total other current receivables</b>	<b>636 543</b>	<b>668 979</b>

(1) NOK 337 million (USD 59 million) - estimated compensation from the shut down of the Siri area fields. The USD amount is unchanged from Q4 2011.

## 10 Interest bearing debt

(NOK 1 000)	Nominal value	Book value at 31.03.12
<b>Non-current interest bearing debt</b>		
Bond loan Norwegian Energy Company ASA (NOR04)	1 179 000	1 167 199
Bond loan Norwegian Energy Company ASA (NOR05)	571 000	564 224
Bond loan Norwegian Energy Company ASA (NOR07)	275 000	270 045
Bond loan Norwegian Energy Company ASA (NOR06)	325 000	319 144
Exploration Financing Norwegian Energy Company ASA	159 700	159 700
Reserve-based loan Altinex Oil Denmark A/S	620 570	594 103
<b>Total long-term interest bearing debt</b>	<b>3 130 270</b>	<b>3 074 416</b>
<b>Current interest bearing debt</b>		
Exploration loan Norwegian Energy Company ASA	429 666	423 152
Bond loan Norwegian Energy Company ASA (NOR03)	475 500	473 579
Convertible bond loan Norwegian Energy Company ASA	173 000	172 321
<b>Total short-term interest bearing debt</b>	<b>1 078 166</b>	<b>1 069 053</b>

# 11 Other current liabilities

(NOK 1 000)	31.03.12	31.03.11
Liabilities to operators relating to joint venture licenses	160 182	176 436
Overlift of oil	576	1 226
Accrued interest	62 762	37 170
Other current liabilities	72 619	184 953
<b>Total other current liabilities</b>	<b>296 139</b>	<b>399 784</b>

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

Noreco has activities in Norway, Denmark and UK.

Transactions between the companies in the group are carried out at ordinary conditions, which would have been equivalent for independent parties.

Assets and liabilities are reflecting balance sheet items for the Group entities in 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.

## Geographical information 31.03.2012

(NOK 1000)	Norway	Denmark	UK	Other/ elimination	Group
Total revenue	2 096	174 609	-		176 705
Net operating result	(186 352)	(38 481)	(13 110)	(16)	(237 959)
Net financial items					(119 470)
Ordinary result before tax					(357 429)
Income tax benefit					206 496
Net result for the period					(150 933)
Assets	4 170 184	4 245 682	3 298 582	(2 016 300)	9 698 149
Liabilities	4 380 227	2 558 111	2 034 613	(2 011 633)	6 961 319
Capital expenditures production facilities	(1 358)	5 633	-		4 275
Capital expenditures asset under construction	99 541	-	57 092		156 633
Capital expenditures exploration and evaluations	85 551	54 377	5 475		145 403
Depreciations & writedowns	651	52 103	-		52 754

Stavanger, 23 May 2012

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

Ståle Kyllingstad  
Chairman

Ole Melberg  
Deputy Chairman

Eimund Nygaard  
Board Member

Shona Grant  
Board Member

Mona Iren Kolnes  
Board Member

Hilde Drønen  
Board Member

Arnstein Wigestrاند  
Board Member

Lotte Kjørboe  
Board Member

Bård Arve Lærum  
Board Member

Einar Gjelsvik  
CEO

## INFORMATION ABOUT NORECO

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Organisation number Register of Business Enterprises  
NO 987 989 297 MVA

### Board of Directors Noreco

Ståle Kyllingstad, Chairman  
Ole Melberg, Deputy Chairman  
Eimund Nygaard  
Shona Grant  
Mona Iren Kolnes  
Arnstein Wigestrånd  
Hilde Drønen  
Lotte Kjørboe  
Bård Arve Lærum

### Noreco Group management

Einar Gjelsvik CEO  
Ørjan Gjerde CFO  
Ellen Sandra Bratland COO & Vice president HSE  
Kjetil Bakken Vice president Investor Relations  
John Bogen Vice president, Commercial  
Lars Fosvold Vice president, Exploration

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### Financial calendar 2012

29 February	Presentation of Q4 2011 report, Oslo
02 May	Annual General Meeting, Stavanger
24 May	Presentation of Q1 2012 report, Oslo
09 August	Presentation of Q2 2012 report, Oslo
22 November	Presentation of Q3 2012 report, Oslo

### Other sources of information

Annual reports  
Annual reports for the Noreco Group are available on  
[www.noreco.com](http://www.noreco.com)

### Quarterly publications

Quarterly reports and supplementary information for investors and analysts are available on [www.noreco.com](http://www.noreco.com). The publications can be ordered by sending an e-mail to [av@noreco.com](mailto:av@noreco.com)

### News releases

In order to receive news releases from Noreco, please register on [www.noreco.com](http://www.noreco.com) or send an email to [av@noreco.com](mailto:av@noreco.com)





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