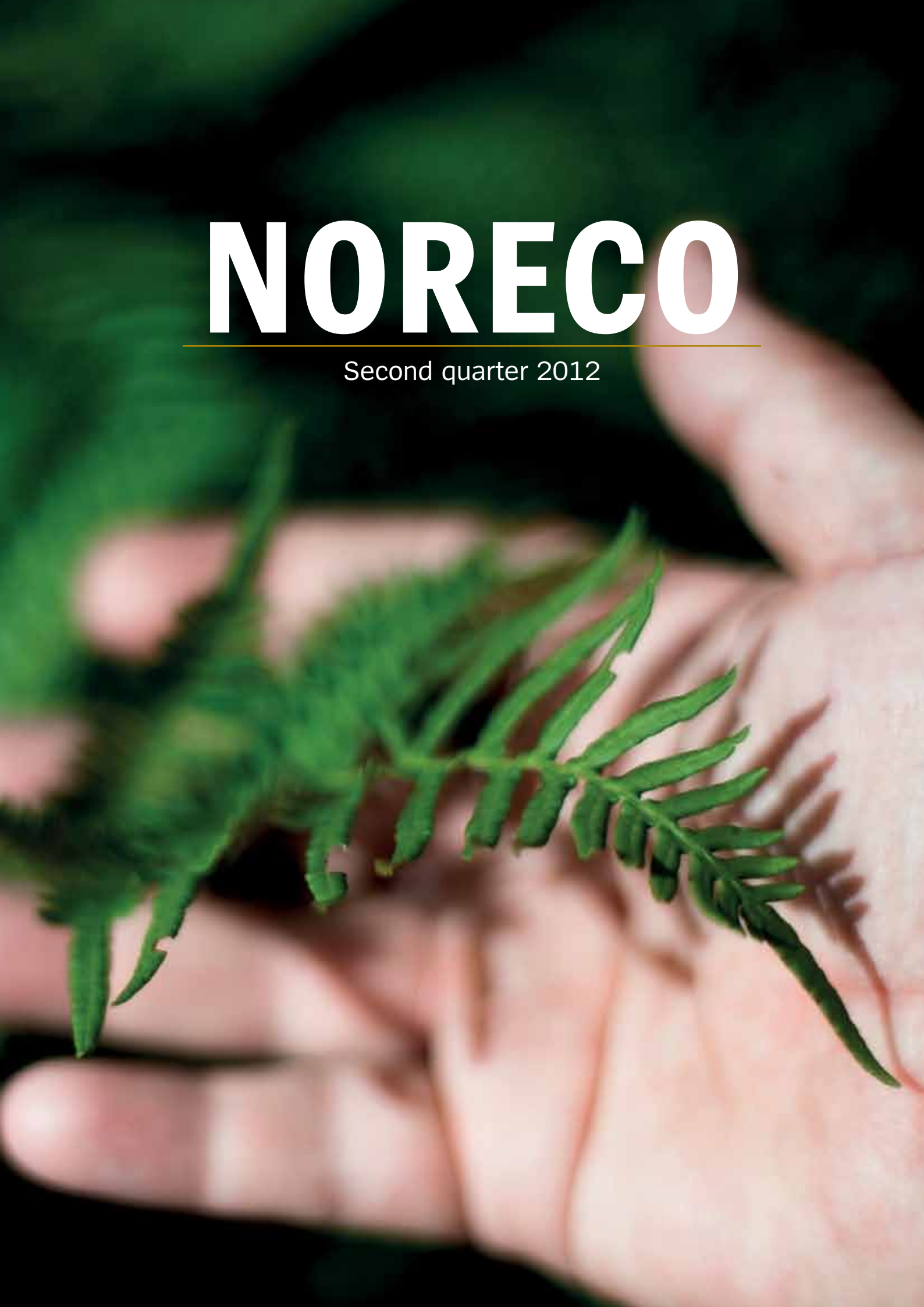


NORECO

Second quarter 2012



Report for the second quarter and first half 2012

Norwegian Energy Company ASA

Report for the second quarter and first half 2012

Norwegian Energy Company ASA

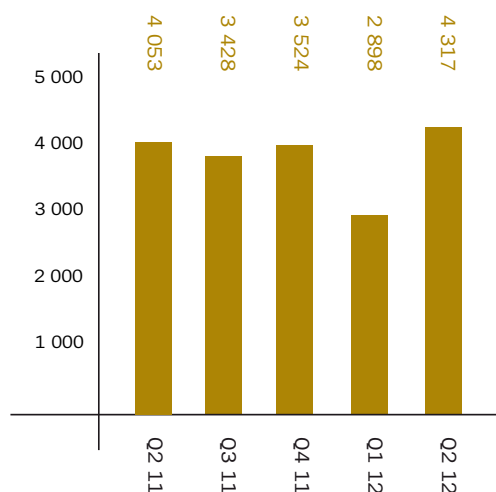
HIGHLIGHTS SECOND QUARTER 2012

- High exploration activity – two dry wells
- Produced 4,317 barrels oil equivalents (boe) per day
- Realised oil price USD 97 per boe
- Oselvar production started ahead of plan, but with a longer ramp up period
- Huntington development on track for production start in fourth quarter 2012

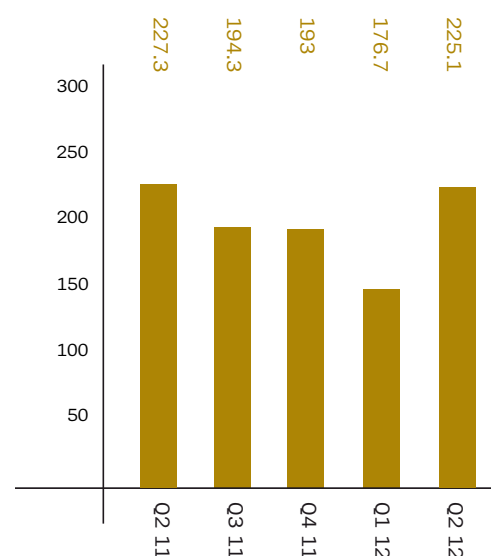
KEY FIGURES

| | Q2-12 | Q1-12 | Q4-11 | Q3-11 | Q2-11 | Q1-11 |
|----------------------------------------------------|--------|---------|--------|---------|---------|---------|
| Net realised oil price (cont ops) (USD/boe) | 97.2 | 116.0 | 107.4 | 109.9 | 112.6 | 105.3 |
| EBITDA (cont ops) (NOK million) | (86.5) | (185.2) | 11.7 | (8.6) | (34.9) | (132.2) |
| Net results (NOK million) | (92.9) | (150.9) | (11.2) | (395.2) | (157.5) | (295.1) |
| Total assets (NOK billion) | 10.0 | 9.7 | 9.6 | 11.7 | 12.2 | 12.5 |

Production (boed)



Operating income (cont ops) (NOK million)



GROUP FINANCIALS

The Noreco Group had revenues of NOK 248 million in the second quarter 2012, an increase of 9 percent compared to second quarter 2011 for continued operations. The increase was driven by gains from the divestment of the Danish oil discovery 7/06 Rau. For the first half of 2012, total revenues were NOK 425 million, compared to NOK 444 million from continued operations for first half 2011.

Production in the second quarter was 4,317 boe per day, up from 4,053 boe per day for the same period last year (excluding divested fields) as the Oselvar field started producing in April. The achieved average oil, gas and NGL prices adjusted for the cost and income from put options expiring in the second quarter was USD 97 per boe, compared to USD 112 per boe in the second quarter 2011. For the first half 2012, production was 3,608 boe per day and average realised price was USD 105 per boe, compared to 4,005 boe per day and USD 110 per boe for the same period last year from continued operations.

The Rau discovery in licence 7/06 in Denmark was divested in the second quarter. This resulted in a gain of NOK 23 million which is recorded as Other revenue. The transaction takes place without consideration, and the gain is related to reversal of negative excess value.

Production expenses in second quarter were NOK 46 million, compared to NOK 59 million from the same quarter last year for continued operations and NOK 73 million in the first quarter of 2012. Production expenses were positively impacted by reversal of previous accruals of around NOK 20 million. For the first half 2012, production expenses amounted to NOK 119 million, in line with first half last year for continued operations.

Exploration and evaluation expenses amounted to NOK 226 million, reflecting two dry wells completed during the second quarter. For the first half, exploration costs were NOK 449 million, up 58 percent from last year due to significantly higher activity level and four dry wells.

Payroll expenses were NOK 34 million in the second quarter, down from NOK 39 million in second quarter last year. For the first half 2012, payroll expenses were NOK 72 million, a reduction of 24 percent compared to same period last year, and driven by a lower number of employees. Other operating expenses were NOK 29 million for the second quarter and NOK 57 million for the first half, representing a reduction of around 20 percent compared to the corresponding periods last year.

EBITDA (earnings before interest, tax, depreciation and amortisation) in second quarter 2012 amounted to a loss of NOK 87 million, compared to a gain of NOK 11 million in the second quarter 2011 from continued operations. For the first half of 2012, EBITDA amounted to a loss of NOK 272 million, compared to a loss of NOK 121 million from continued operations for the same period last year, mainly driven by the increased exploration activity.

Depreciation amounted to NOK 79 million in the second quarter, and NOK 132 million for the first half 2012, compared

to NOK 64 million and NOK 129 million for the corresponding periods last year.

Write-downs amounted to NOK 108 million related to the Cortina discovery in licence PL471 which was made in 2011. A new evaluation in June 2012 concluded that the discovery at the moment is not likely to have a commercial value.

Net financial items came in at NOK -107 million for the second quarter and NOK -226 for the first half of 2012, both broadly in line with similar periods last year. Tax amounted to an income of NOK 288 million for second quarter and NOK 494 million for the first half of 2012, strongly impacted by tax deductions for exploration expenses in Norway. Net result for the second quarter was a loss of NOK 93 million, equal to the result for the second quarter 2011 for continued operations. For the first half of 2012, the loss was NOK 244 million compared to NOK 439 million last year.

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 30 June 2012 was NOK 20 million, recorded as other current receivables in the balance sheet.

At the end of second quarter Noreco had cash and cash equivalents of NOK 608 million. During the second quarter, the company repaid USD 30 million (NOK 176 million) of the reserve based loan (RBL) facility. Undrawn credit under the company's reserve-based bank facility amounted to USD 75 million (NOK 451 million) at the end of the quarter.

In April the company sold own bonds for a nominal amount of NOK 200 million to increase the liquidity in the parent company. In May the remaining balance of the convertible bond loan of NOK 173 million was repaid.

GROUP STRUCTURE

Siri Holdings Ltd and Altinex ASA are guarantors for two of the bond loans issued by Noreco (NORO3 and NORO4). 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 in 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 second quarter 2012 was on average 4,317 barrels of oil equivalents per day (boed). Production at the Nini East, Nini and Cecilie fields was shut in for eight days in the second quarter due to planned main-

tenance. Production from the Lulita field in second quarter was stable, while the Enoch field remained shut in due to maintenance work on a subsea valve. The Oselvar field started production mid-April, and contributed with 985 boe per day in the second quarter.

The development of the Oselvar field (PL274) in Norway is nearing completion. Noreco owns 15 percent of the field and DONG Energy is the operator. Production from the field commenced medio April ahead of plan, but the production ramp up has been slower than expected. The third and final production well was completed and tested in June, and the drilling rig has now left the Oselvar location. The field is currently producing from two wells, and the third well is expected to come in production during the third quarter.

For the first half of 2012, average production was 3,608 boe per day. In addition to the factors mentioned above, this number was impacted by several weather related shutdowns in the first quarter.

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. The drilling of the development wells has been completed with better than expected results. 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 at the yard, and oil production from the field is expected to commence during the fourth quarter of 2012.

On the 9/95 Maja and 9/06 Gita licences in Denmark (Noreco 12 percent), extensions have been granted. On the 9/95 Maja licence the partners have committed to an exploration well to be drilled within two years on a High Pressure High Temperature gas prospect with an Upper Jurassic target. This well is expected to be drilled in 2013/14. After one of the partners, PA Resources, withdrew from the licence, Noreco's equity in DK 9/95 has increased to 16.4 percent. On the 9/06 Gita licence the partners have been granted an eighteen months extension and have committed to buying a new 3D seismic survey, merge it with the existing data base, and then update the evaluation of prospectivity in the licence.

EXPLORATION

Noreco participated in three exploration wells in the second quarter. The PL396 Eik well was spudded in the beginning of April and total depth 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.

The Albert well in PL519 spudded in May. In June, the well was temporarily suspended because the rig Bredford Dolphin needed to be re-classified and was brought to a shipyard in Norway to do so. The rig is expected to come back during the third quarter to finish the drilling operation.

The Clapton well in PL440S also spudded in May. The primary target was to prove petroleum in Late Cretaceous and Early Tertiary chalk rocks. The well encountered reservoir rocks as expected, however, there were only residual hydrocarbons in the reservoir section and the well. The main risk was trap, and that seems to be what failed.

Noreco submitted a broad and comprehensive application for licences in the UK 27th Round. The company is also working on the APA 2012 and the NCS 22nd Round. Furthermore, Noreco is in preparation for a potential DK 7th Round.

On PL525 in the Norwegian Sea, Noreco has taken over the operatorship and the entire equity.

BUSINESS DEVELOPMENT

The company has entered into an agreement with DONG for the sale of its 40 percent share of the Danish license 7/06 containing the Rau discovery. A consideration of USD 1.5 million will be paid conditional upon approval of field development. A development of Rau will provide benefit to Noreco through the system of sharing operating costs at the Siri host facilities. DONG will assume operatorship of the license.

Noreco executed two farm-ins to license PL492 in the Barents Sea by taking 10 percent from each of Lundin and Det Norske. The deal was done at ground floor terms and Noreco will only pay for its 20 percent share of historic and future costs.

Three licences have been decided relinquished in the quarter – PL411, PL523, and PL526, 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 second quarter Noreco had 65 employees and 13 consultants. Approximately 36 percent of the employees are female, and seven nationalities are represented in the workforce. During the first half of 2012, the company recruited 11 new employees, of which six have started and five will be joining the company in the third quarter.

OUTLOOK

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 fourth quarter 2012, the company's total production is expected to be around 12,000 boe per day based on current estimates. 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 four have so far been completed. The exact timing of each well is subject to rig schedules and final drilling decisions in each licence.

The company continues to progress the insurance claim related to the damages to the Siri platform that were discovered in 2009. This has taken more time than anticipated due to the technical complexity of the claim. The total claim is likely to exceed NOK 2 billion, of which NOK 354 million is recorded as a current receivable per 30 June 2012. This amount relates to costs incurred to prevent further damage, and loss of production income in 2009/2010. Based on internal as well as external evaluations the Board remains firm that Noreco's claim is robust and will accordingly be resolved in a manner satisfactory to the company.

The company has initiated an evaluation of the future legal structure of the group, with a view to achieve a more adequate structure considering both operational, fiscal and financial issues. Under certain assumptions, this may among other things release tax values linked to the parent company's losses carry forward.

The terms in Noreco's bond loans include financial covenants related to equity ratio and gearing ratio. For the bonds NOR03 and NOR04, all key figures were within the limits of the covenants per 30 June 2012. For the bonds NOR05 and NOR06/07 however, the calculated gearing ratio was 6.1, which is above the limit of 5.0 as defined in the loan agreements. The covenant has to be breached for two consecutive quarters in order to constitute a default. The company is closely following the development of these key figures and is working on an action plan to avoid and correct a potential breach.

*Stavanger, 8 August 2012
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 2012 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, 8 August 2012
The Board of Directors and Chief Executive Officer
Norwegian Energy Company ASA*

*Ståle Kyllingstad
Chairman*

| | | | | |
|----------------------------------------|---------------------------------------------|---------------------------------------|------------------------------------------|--------------------------------------|
| <i>Ole Melberg Deputy Chairman</i> | <i>Eimund Nygaard Board Member</i> | <i>Shona Grant Board Member</i> | <i>Mona Iren Kolnes Board Member</i> | <i>Hilde Drønen Board Member</i> |
| | <i>Arnstein Wigestrاند Board Member</i> | <i>Lotte Kjørboe Board Member</i> | <i>Bård Arve Lærum Board Member</i> | |

*Einar Gjelsvik
CEO*

Statement of comprehensive income

| All figures in NOK 1 000 | Note | Q2 2012 | Q2 2011 | YTD 2012 | YTD 2011 | 2011 |
|------------------------------------------------------------------------|----------|------------------|------------------|------------------|------------------|--------------------|
| Continued operation | | | | | | |
| Revenue | 1 | 225 088 | 227 258 | 401 792 | 443 695 | 829 438 |
| Other revenue | 1 | 22 964 | - | 22 964 | - | 1 590 |
| Total revenues | 1 | 248 052 | 227 258 | 424 757 | 443 695 | 831 028 |
| Production expenses | 2 | 46 181 | 58 774 | 118 692 | 114 923 | 271 434 |
| Exploration and evaluation expenses | 3 | 225 613 | 82 981 | 448 508 | 283 227 | 408 199 |
| Payroll expenses | 4 | 33 783 | 38 824 | 72 113 | 94 538 | 163 396 |
| Other operating expenses | 4 | 28 988 | 35 315 | 57 162 | 71 840 | 133 258 |
| Total operating expenses | | 334 566 | 215 894 | 696 474 | 564 527 | 976 287 |
| Operating results before depreciation and amortisation (EBITDA) | | (86 514) | 11 364 | (271 718) | (120 833) | (145 258) |
| Depreciation | 6, 8 | 79 475 | 64 045 | 132 230 | 129 426 | 241 817 |
| Write-downs | 6, 7, 8 | 107 940 | - | 107 940 | - | 236 539 |
| Net operating result (EBIT) | | (273 929) | (52 681) | (511 887) | (250 259) | (623 614) |
| Net financial items | 5 | (106 517) | (118 539) | (225 987) | (222 674) | (438 196) |
| Ordinary result before tax (EBT) | | (380 446) | (171 220) | (737 874) | (472 933) | (1 061 810) |
| Income tax benefit | | 287 592 | 78 708 | 494 087 | 33 507 | 194 109 |
| Net result continued operation | | (92 854) | (92 512) | (243 787) | (439 426) | (867 701) |
| Discontinued operation | | | | | | |
| Profit (loss) from discontinued operation (net of income tax) | 6 | - | (65 031) | - | (13 229) | 8 607 |
| Net result for the period | | (92 854) | (157 543) | (243 787) | (452 655) | (859 094) |
| Net result for the period | | (92 854) | (157 543) | (243 787) | (452 655) | (859 094) |
| Other comprehensive income: | | | | | | |
| Other changes | | 10 780 | 1 390 | 6 206 | 2 193 | 9 148 |
| Currency translation difference | | 125 909 | (19 009) | (2 443) | (80 987) | 165 737 |
| Total comprehensive net result for the period | | 43 835 | (175 162) | (240 024) | (531 449) | (684 208) |
| Earnings per share | | | | | | |
| Basic | | (0.38) | (0.65) | (1.00) | (1.86) | (3.52) |
| Diluted | | (0.38) | (0.65) | (1.00) | (1.86) | (3.52) |
| Earnings per share - continued operations | | | | | | |
| Basic | | (0.38) | (0.38) | (1.00) | (1.80) | (3.56) |
| Diluted | | (0.38) | (0.38) | (1.00) | (1.80) | (3.56) |

Statement of financial position

| All figures in NOK 1 000 | Note | 30.06.12 | 31.12.11 | 30.06.11 |
|-----------------------------------------------------------|------|------------------|------------------|-------------------|
| Non-current assets | | | | |
| License and capitalised exploration expenses (1) | 7 | 2 009 221 | 2 081 428 | 2 558 398 |
| Deferred tax assets | | 706 575 | 605 596 | 586 911 |
| Goodwill | 7 | 861 988 | 871 994 | 1 215 808 |
| Production facilities ⁽¹⁾ | 8 | 4 264 749 | 4 037 279 | 4 826 708 |
| Tax refund | | 358 370 | - | 291 844 |
| Total non-current assets | | 8 200 904 | 7 596 296 | 9 479 669 |
| Current assets | | | | |
| Assets held for sale | | - | - | 168 495 |
| Accounts receivable | | 139 289 | 177 961 | 100 369 |
| Tax refund | | 495 421 | 506 056 | 702 968 |
| Other current receivables | 9 | 520 224 | 682 580 | 945 428 |
| Bank deposits, cash and cash equivalents | | 607 934 | 688 708 | 819 094 |
| Total current assets | | 1 762 868 | 2 055 305 | 2 736 353 |
| Total assets | | 9 963 772 | 9 651 601 | 12 216 022 |
| Equity | | | | |
| Share capital | | 755 913 | 755 913 | 755 913 |
| Other equity | | 2 026 928 | 2 259 494 | 2 409 548 |
| Total equity | | 2 782 841 | 3 015 407 | 3 165 461 |
| Provisions and other non-current liabilities | | | | |
| Deferred tax | | 2 110 085 | 2 191 290 | 2 554 498 |
| Provisions for other liabilities and charges | | 332 048 | 308 480 | 588 745 |
| Convertible bond loan | 10 | - | - | 210 657 |
| Bond loan | 10 | 2 515 024 | 2 317 825 | 3 252 603 |
| Other interest bearing debt | 10 | 825 967 | 292 802 | 1 157 919 |
| Total provisions and other non-current liabilities | | 5 783 125 | 5 110 398 | 7 764 422 |
| Current liabilities | | | | |
| Liabilities/debt held for sale | | - | - | 106 703 |
| Other interest bearing debt | 10 | 901 694 | 1 064 325 | 690 176 |
| Trade payables | | 34 455 | 25 627 | 53 105 |
| Current tax payable | | 171 636 | 180 409 | 45 819 |
| Public duties payable | | 3 506 | 8 934 | 8 530 |
| Other current liabilities | 11 | 286 516 | 246 501 | 381 806 |
| Total current liabilities | | 1 397 807 | 1 525 796 | 1 286 139 |
| Total liabilities | | 7 180 932 | 6 636 194 | 9 050 561 |
| Total equity and liabilities | | 9 963 772 | 9 651 601 | 12 216 022 |

(1) The values as per 31.12.2011 and 30.06.2011 on Licence and capitalised exploration expenses and Production facilities have been adjusted for a reclassification from Licence and capitalised exploration expenses to Assets Under Construction of the acquisition costs and additions relating to the Forties discovery on the Licence P1114 Huntington.

Statement of cash flow

| All figures in NOK 1 000 | YTD Q2 2012 | YTD Q2 2011 |
|-------------------------------------------------------------------|------------------|------------------|
| Net result for the period | (243 787) | (452 655) |
| Tax expenses | (494 087) | (33 507) |
| (Tax paid) / Tax refunded | (22 601) | (126 412) |
| Depreciation and writedowns | 240 169 | 258 702 |
| Write-down dry wells | 377 997 | 215 610 |
| (Gain) / Loss on sale of licenses | (22 964) | - |
| Effect of changes in exchange rates/other effects equity | 22 357 | (45 518) |
| Net financial items | 225 987 | 245 298 |
| Other items with no cash impact | 2 066 | 3 000 |
| Changes in accounts receivable | 38 672 | 108 086 |
| Changes in trade payables | 8 828 | (32 955) |
| Changes in other current balance sheet items | 205 113 | 163 597 |
| Net cash flow from operations | 337 749 | 303 246 |
| Cash flows from investing activities | | |
| Purchase of tangible assets | (353 992) | (489 012) |
| Purchase of intangible assets | (372 636) | (257 998) |
| Net cash flow from investing activities | (726 628) | (747 010) |
| Cash flows from financing activities | | |
| Issue of share capital | - | 14 399 |
| Proceeds from issuance of long term debt | 881 298 | 586 269 |
| Repayment of long term debt | (176 790) | - |
| Repayment of short term debt | (173 000) | (91 598) |
| Interest paid | (220 563) | (119 355) |
| Net cash flow from (used in) financing activities | 310 946 | 389 716 |
| Net change in cash and cash equivalents | (77 933) | (54 048) |
| Cash and cash equivalents at start of the year | 688 708 | 892 482 |
| Effects of changes in exchange rates on cash and cash equivalents | (2 841) | (19 340) |
| Cash and cash equivalents at end of the quarter | 607 934 | 819 094 |

Statement of changes in equity

| All figures in NOK 1 000 | 30.06.12 | 31.12.11 | 30.06.11 |
|------------------------------------------|-----------|-----------|-----------|
| 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 | 7 458 | 10 355 | 7 650 |
| Other changes | 6 206 | 9 148 | 2 193 |
| Translation differences foreign exchange | (2 443) | 165 737 | (80 987) |
| Net results for the period | (243 787) | (859 094) | (452 655) |
| Equity at the end of period | 2 782 841 | 3 015 407 | 3 165 461 |

Notes

to the quarterly consolidated financial statements

ACCOUNTING PRINCIPLES

Basis for preparation

The consolidated interim financial statement for the second 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 Noreco'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 30.06.2012 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 capitalised pending an evaluation of the economics of the exploration drilling findings. If hydrocarbons are discovered and expected to be commercially profitable, the

costs remain capitalised. If no hydrocarbons are found or if the discoveries are not commercially profitable, the drilling costs are expensed. All costs of developing oil and gas fields are capitalised.

Depreciation and 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 amortised in accordance with the unit of production method.

Taxes

Income tax expenses for the period are calculated based on the tax rate applicable to the expected total annual earnings. The ordinary income tax is 25 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

Acquisitions 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

None.

1 Revenue

| (NOK 1 000) | Q2 2012 | Q2 2011 | YTD 2012 | YTD 2011 |
|---------------------------------------------|----------------|----------------|----------------|------------------|
| Continued operation | | | | |
| Sale of oil | 219 516 | 227 103 | 398 626 | 445 188 |
| Sale of gas and NGL | 10 527 | 2 767 | 12 922 | 4 368 |
| Revenue from oil price hedging | - | - | - | - |
| Cost from oil price hedging ⁽¹⁾ | (4 955) | (2 612) | (9 756) | (5 861) |
| Other revenue ⁽²⁾ | 22 964 | - | 22 964 | - |
| Total revenue continued operation | 248 052 | 227 258 | 424 757 | 443 695 |
| Total revenue discontinued operation | - | 280 512 | - | 610 854 |
| Total revenue | 248 052 | 507 770 | 424 757 | 1 054 549 |

(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 revenue consists of accounting gain of NOK 23.0 million related to the divestment of the Danish oil discovery 7/06 Rau.

2 Production expenses

| (NOK 1 000) | Q2 2012 | Q2 2011 | YTD 2012 | YTD 2011 |
|---------------------------------------------------------|---------------|----------------|----------------|----------------|
| Continued operation | | | | |
| Direct production expenses | 31 860 | 33 751 | 80 210 | 64 928 |
| Duties, tariffs, royalties | 15 513 | 15 669 | 27 721 | 30 921 |
| Other expenses | (1 192) | 9 354 | 10 762 | 19 074 |
| Total production expenses continued operation | 46 181 | 58 774 | 118 692 | 114 923 |
| Total production expenses discontinued operation | - | 51 896 | - | 149 737 |
| Total production expenses | 46 181 | 110 670 | 118 692 | 264 660 |

3 Exploration and evaluation costs

| (NOK 1 000) | Note | Q2 2012 | Q2 2011 | YTD 2012 | YTD 2011 |
|------------------------------------------------------------------------------------------------------------------|------|----------------|---------------|----------------|----------------|
| Continued operation | | | | | |
| Acquisition of seismic data, analysis and general G&G costs | | 29 184 | 28 909 | 58 808 | 48 843 |
| Exploration wells capitalised in previous years | | 6 266 | - | 58 822 | 5 588 |
| Dry exploration wells this period | | 186 748 | 42 940 | 319 175 | 210 023 |
| Other exploration and evaluation costs | | 3 415 | 11 131 | 11 703 | 18 773 |
| Total exploration and evaluation costs continued operation | | 225 613 | 82 981 | 448 508 | 283 227 |
| Total exploration and evaluation costs discontinued operation | | - | 3 621 | - | 6 868 |
| Total exploration and evaluation costs | | 225 613 | 86 602 | 448 508 | 290 095 |
| The exploration organisation's share of Noreco's total payroll expenses and other operating expenses amounts to: | | 21 735 | 19 114 | 50 550 | 49 352 |

Specification of cash flow concerning exploration and evaluation activities

| (NOK 1 000) | Q2 2012 | Q2 2011 | YTD 2012 | YTD 2011 |
|----------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
| Continued operation | | | | |
| Exploration and evaluation costs capitalised as intangible assets this period | 51 778 | 9 505 | 64 742 | 27 752 |
| Exploration and evaluation costs directly expensed this period | 219 348 | 82 981 | 389 685 | 277 639 |
| Amount invested in exploration and evaluation activities this period continued operation | 271 125 | 92 486 | 454 427 | 305 391 |
| Discontinued operation | | | | |
| Exploration and evaluation costs capitalised as intangible assets this period | - | 9 111 | - | 18 928 |
| Exploration and evaluation costs directly expensed this period | - | 3 621 | - | 6 868 |
| Amount invested in exploration and evaluation activities this period discontinued operation | - | 12 732 | - | 25 796 |
| Amount invested in exploration and evaluation activities this period | 271 125 | 105 218 | 454 427 | 331 187 |
| Utilised exploration financing | 220 913 | - | 380 613 | 169 666 |

4 Payroll expenses & Other operating expenses

| (NOK 1 000) | Q2 2012 | Q2 2011 | YTD 2012 | YTD 2011 |
|-------------------------------------------------------------------------|---------------|---------------|----------------|----------------|
| Payroll expenses | 33 783 | 38 824 | 72 113 | 94 538 |
| Other operating expenses | 28 988 | 35 315 | 57 162 | 71 840 |
| Total payroll expenses & other operating expenses | 62 771 | 74 139 | 129 275 | 166 730 |
| Hereof the exploration organisation accounts for the following expenses | 21 735 | 19 114 | 50 550 | 49 352 |

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

5 Financial income and expenses

(NOK 1 000)

Continued operation

| Financial income | Q2 2012 | Q2 2011 | YTD 2012 | YTD 2011 |
|-----------------------------------------------------|------------------|------------------|------------------|------------------|
| Interest income | 6 353 | 5 846 | 10 379 | 9 904 |
| Other financial income | 39 999 | 12 922 | 46 406 | 36 131 |
| Total financial income | 46 353 | 18 768 | 56 785 | 46 035 |
| Financial expenses | Q2 2012 | Q2 2011 | YTD 2012 | YTD 2011 |
| Interest expense from bond loans | 84 347 | 89 265 | 165 540 | 169 302 |
| Interest expense from convertible loan | 1 093 | 3 278 | 3 697 | 6 555 |
| Interest expense from other non-current liabilities | 5 536 | 9 813 | 11 311 | 21 263 |
| Interest expense from exploration loan | 7 312 | 11 430 | 13 327 | 20 805 |
| Capitalised interest expenses | - | (8 380) | (11 280) | (15 469) |
| Amortisation from loan costs | 11 202 | 10 796 | 22 839 | 21 412 |
| Imputed interest from abandonment provisions | 6 856 | 6 092 | 13 387 | 12 494 |
| Interest expenses current liabilities | 567 | 365 | 1 055 | 2 563 |
| Other financial expenses | 35 957 | 14 648 | 62 896 | 29 783 |
| Total financial expenses | 152 869 | 137 306 | 282 772 | 268 709 |
| Net financial items continued operation | (106 517) | (118 539) | (225 987) | (222 674) |
| Net financial items discontinued operation | - | (10 441) | - | (22 624) |
| Net financial items | (106 517) | (128 979) | (225 987) | (245 298) |

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 | | Q2 2012 | Q2 2011 | YTD 2012 | YTD 2011 |
|------------------------------------------------------|---|---------|-----------------|----------|-----------------|
| Revenue | 1 | - | 280 512 | - | 610 854 |
| Production expenses | 2 | - | 51 896 | - | 149 737 |
| Exploration expenses | 3 | - | 3 621 | - | 6 868 |
| Payroll | | - | - | - | - |
| Other operating expenses | | - | 352 | - | 352 |
| Depreciations | | - | 58 798 | - | 129 275 |
| Writedown | | - | - | - | - |
| Finance items | 5 | - | (10 441) | - | (22 624) |
| Total Expenses | | - | 125 106 | - | 308 856 |
| Results from operating activities | | - | 155 405 | - | 301 998 |
| Income tax | | - | 64 029 | - | 158 819 |
| Results from operating activities, net of tax | | - | 91 376 | - | 143 179 |
| Gain (loss) on sale of discontinued operation | | - | (156 407) | - | (156 408) |
| Profit (loss) for the period | | - | (65 031) | - | (13 229) |
| Basic earnings (loss) per share | | | (0.27) | - | (0.05) |
| Diluted earnings (loss) per share | | | (0.27) | - | (0.05) |

(NOK 1 000)

| Cash flow from (used in) discontinued operation | | Q2 2012 | Q2 2011 | YTD 2011 | YTD 2010 |
|-------------------------------------------------|--|---------|----------------|----------|----------------|
| Net cash used in operating activities | | - | 224 995 | - | 454 248 |
| Net cash from investing activities | | - | - | - | - |
| Net cash flows for the period | | - | 224 995 | - | 454 248 |

7 Intangible fixed assets

| (NOK 1 000) | Capitalised exploration and evaluation expenses | Other patents and licenses | Goodwill | Total |
|-----------------------------------------------------------|----------------------------------------------------------|-------------------------------|------------------|------------------|
| Acquisition cost 01.01.12 according to Annual Report 2011 | 3 655 190 | 6 672 | 1 227 143 | 4 889 005 |
| Adjustment previous years ⁽¹⁾ | (1 454 734) | - | - | (1 454 734) |
| Acquisition cost 01.01.12 | 2 200 456 | 6 672 | 1 227 143 | 3 434 271 |
| Additions | 381 358 | 2 558 | - | 383 916 |
| Dry wells | (377 997) | - | - | (377 997) |
| Disposals | 32 900 | - | (8 900) | 24 000 |
| Currency translations | (3 086) | - | (1 574) | (4 660) |
| Acquisition cost 30.06.12 | 2 233 630 | 9 230 | 1 216 669 | 3 459 530 |
| Accumulated depreciation and write-downs | | | | |
| Accumulated depreciation and write-downs 01.01.12 | 125 700 | - | 355 149 | 480 849 |
| Depreciations | - | - | - | - |
| Write-downs | 101 356 | 6 584 | - | 107 940 |
| Currency translations | - | - | (468) | (468) |
| Accumulated depreciation and write-downs 30.06.12 | 227 056 | 6 584 | 354 681 | 588 321 |
| Book value 30.06.12 | 2 006 574 | 2 646 | 861 988 | 2 871 209 |

(1) The adjustment relates to reclassification to Assets Under Construction of the acquisition costs and additions relating to the Forties discovery on the license P1114 Huntington.

8 Tangible non-current assets

| (NOK 1 000) | Asset under construction | Production facilities | Machinery and equipment | Total |
|--------------------------------------------------------------------|-----------------------------|--------------------------|----------------------------|------------------|
| Acquisition cost 01.01.12 according to Annual Report 2011 | 1 338 740 | 1 607 192 | 8 216 | 2 954 148 |
| Adjustment previous years ⁽¹⁾ | 1 454 734 | - | - | 1 454 734 |
| Acquisition cost 01.01.12 | 2 793 474 | 1 607 192 | 8 216 | 4 408 882 |
| Additions | 255 731 | 108 010 | - | 363 741 |
| Transferred from Asset Under Construction to Production Facilities | (975 908) | 975 908 | - | - |
| Currency translations | 258 | (2 223) | 3 302 | 1 338 |
| Acquisition cost 30.06.12 | 2 073 555 | 2 688 887 | 11 518 | 4 773 960 |
| Accumulated depreciation | | | | |
| Accumulated depreciation and write-downs 01.01.12 | - | 363 467 | 8 136 | 371 603 |
| Depreciation | - | 132 167 | 62 | 132 230 |
| Currency translations | - | 2 076 | 3 303 | 5 379 |
| Accumulated depreciation 30.06.12 | - | 497 710 | 11 501 | 509 211 |
| Book value at 30.06.12 | 2 073 555 | 2 191 177 | 17 | 4 264 749 |

(1) The adjustment relates to reclassification from Capitalised Exploration and Evaluation expenses of the acquisition costs and additions relating to the Forties discovery on the license P1114 Huntington.

9 Other current receivables

| (NOK 1 000) | 30.06.12 | 30.06.11 |
|---------------------------------------------------------------|----------------|----------------|
| Receivables from operators relating to joint venture licenses | 27 816 | 197 509 |
| Underlift of oil/NGL | 43 061 | 73 416 |
| Financial instruments | 23 622 | 17 803 |
| Other receivables ¹⁾ | 425 726 | 656 700 |
| Total other current receivables | 520 224 | 945 428 |

(1) NOK 354 million (USD 59 million) - estimated compensation from the shut down of the Siri area fields. The USD amount is unchanged from Q1 2012.

10 Interest bearing debt

| (NOK 1 000) | Nominal value | Book value at 30.06.12 |
|----------------------------------------------------|------------------|------------------------|
| Non-current interest bearing debt | | |
| Bond loan Norwegian Energy Company ASA (NOR04) | 1 250 000 | 1 237 506 |
| Bond loan Norwegian Energy Company ASA (NOR05) | 700 000 | 687 665 |
| Bond loan Norwegian Energy Company ASA (NOR06) | 275 000 | 270 349 |
| Bond loan Norwegian Energy Company ASA (NOR07) | 325 000 | 319 504 |
| Exploration Financing Norwegian Energy Company ASA | 380 613 | 378 573 |
| Reserve-based loan Altinex Oil Denmark A/S | 472 681 | 447 394 |
| Total long-term interest bearing debt | 3 403 293 | 3 340 991 |
| Current interest bearing debt | | |
| Exploration loan Norwegian Energy Company ASA | 429 666 | 427 363 |
| Bond loan Norwegian Energy Company ASA (NOR03) | 475 500 | 474 331 |
| Total short-term interest bearing debt | 905 166 | 901 694 |

11 Other current liabilities

| (NOK 1 000) | 30.06.12 | 30.06.11 |
|-------------------------------------------------------------|----------------|----------------|
| Liabilities to operators relating to joint venture licenses | 178 344 | 121 621 |
| Overlift of oil | 7 118 | 11 078 |
| Accrued interest | 40 691 | 44 779 |
| Other current liabilities | 60 363 | 204 329 |
| Total other current liabilities | 286 516 | 381 806 |

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 the respective 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 30.06.2012

| (NOK 1 000) | Norway | Denmark | UK | Other/ elimination | Group |
|--------------------------------------------------|-----------|-----------|-----------|-----------------------|-----------|
| Total revenue | 48 889 | 384 767 | - | | 433 655 |
| Net operating result | (539 771) | 57 250 | (20 448) | (19) | (502 988) |
| Net financial items | | | | | (225 987) |
| Ordinary result before tax | | | | | (728 974) |
| Income tax benefit | | | | | 494 087 |
| Net result for the period | | | | | (234 887) |
| Assets | 4 795 765 | 3 581 938 | 3 506 483 | (1 920 413) | 9 963 772 |
| Liabilities | 5 123 989 | 1 725 320 | 2 246 619 | (1 914 997) | 7 180 931 |
| Capital expenditures production facilities | 96 076 | 11 934 | - | | 108 010 |
| Capital expenditures asset under construction | 111 884 | - | 143 847 | | 255 731 |
| Capital expenditures exploration and evaluations | 320 559 | 57 413 | 5 945 | | 383 916 |
| Depreciations & writedowns | 418 658 | 199 510 | - | | 618 167 |

INFORMATION ABOUT NORECO

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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
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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

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

In order to receive news releases from Noreco, please register on www.noreco.com or send an email to av@noreco.com



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