

# **Second quarter 2013**

29 August 2013

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Chief Exec Officer



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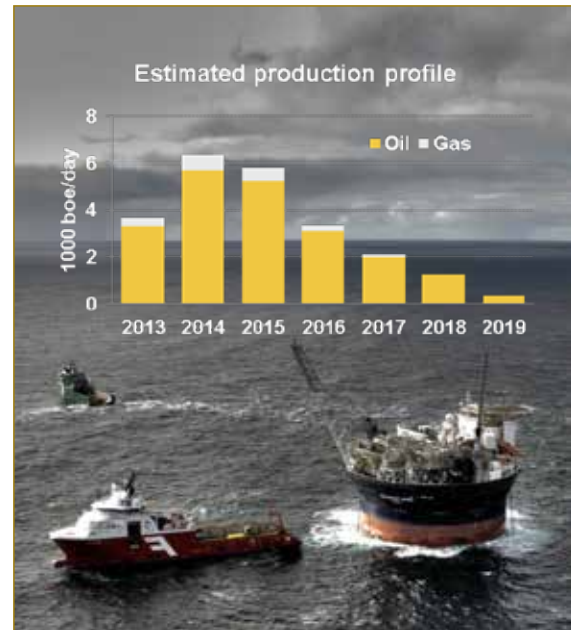
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# Headlines

- Production capacity increased
  - Huntington on stream. Adds more than 6.000 boed to capacity
  - Produced 4.651 boed in 2Q. Planned maintenance
  - Slow start in 3Q. Technical issues
- Reviewed exploration strategy, improving risk reward
  - Restructuring 2014 drilling program
  - Three key focus areas for medium term drilling program (2-3 years)
  - APA 2013 application
- Financial status
  - Waivers approved early July
  - More stable production important before refinancing
  - NOK 497 million write-down in 2Q

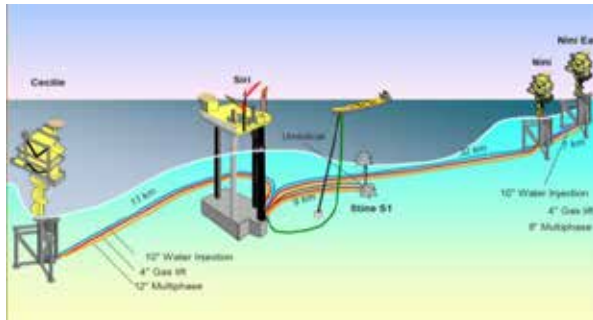
# Huntington back on stream

- First oil in April 2013
- Slow ramp-up mainly due to commissioning issues in main compressor systems
- Shut-in due to HSE concerns related to oil storage venting system. Now resolved
- Production resumed on 19th August. Quick ramp-up expected
- Potential for debottlenecking identified



# Siri temporary solution

- Nini, Nini East and Cecilie production halted in mid-July due to integrity issues on Siri platform



- A temporary production solution for the Siri satellites is currently being reviewed by the Siri operator and Danish authorities
- With direct loading to tanker regularity expected to be about 75% of normal level
- Permanent repair of Siri platform is scheduled for summer 2014

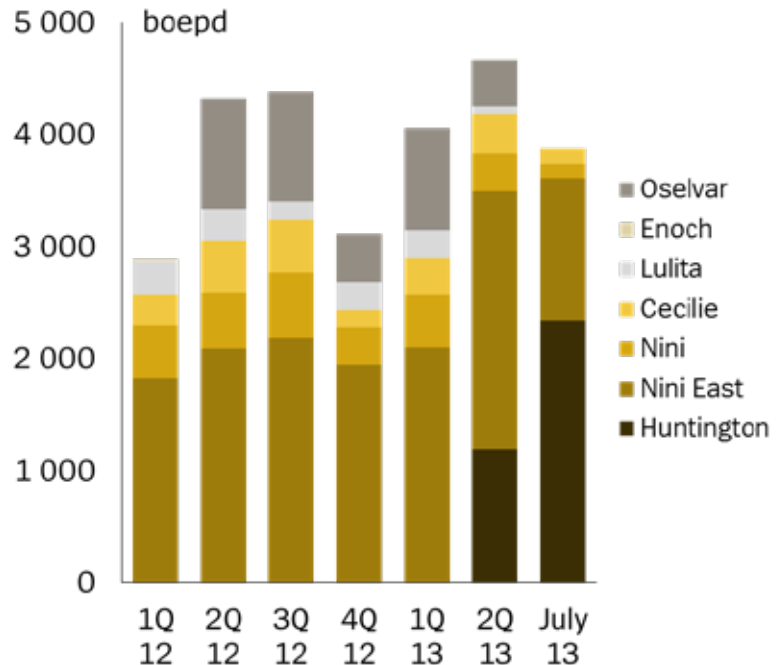
# Oselvar oil expected next month

- Closed for maintenance at Ula in June (planned) and July (unplanned)
- Restarted in early August, but closed again due to gas turbine failure on Ula
- Equipment will be replaced and commissioned next month
- Production expected to resume first half of September

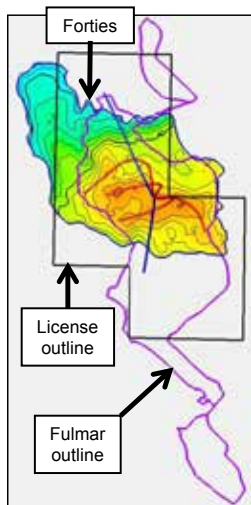


# Status production

- Slow start on Huntington. Has added 6.400 boed to Noreco's production capacity
- Nini, Nini East and Cecilie output hampered by Siri issues, most likely through first half 2014, Lulita restart Sep 2013
- Oselvar expected back on stream in first half of September

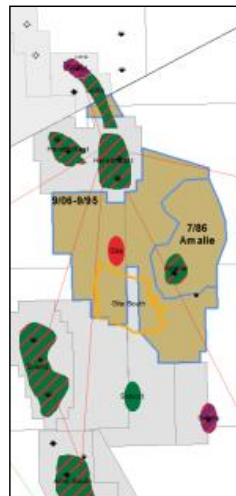


# Discoveries



## Huntington Fulmar

- Deeper reservoir in Huntington, first drilled in 2007
- Reserves estimate: 4 mmboe (contingent resources)
- Reservoir assessment ongoing
- Conclusion expected over next few quarters



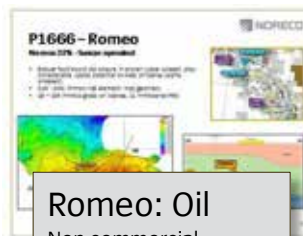
## Amalie

- Danish sector discovery in 1991
- Reserves estimate: 6 mmboe (contingent resources)
- Geology and reservoir re-evaluation ongoing
- Conclusion expected in 2013



# Recent exploration drilling

- Four wells drilled in first half of 2013 (below). One non-commercial oil discovery. Three dry wells
- Gohta spud in July; still drilling



**Romeo: Oil**  
Non-commercial



**Scotney: Dry**











**Ogna: Dry**



**Lupin: Dry**

# Next 18 months Exploration programme

Well	Noreco share	Operator	Pot. vol. <sup>1</sup>	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
PL484 Verdande	40 %	Noreco	53-236								
DK 9/95 Xana (Gita S)	16.4 %	Maersk	47-475								
P1650 Crazy Horse	78 %	Noreco	95-260								
P1889 Niobe	22.5 %	Sunco	40-72								
PL606 Jupiter	40 %	OMV	na								
PL591 Zumba	40 %	Tullow	na								
P2003 Alfred	50 %	E.ON	na								
P1768 B&B	54 %	Noreco	na								

 Committed well  
 Potential well

<sup>1</sup> in MMboe

## Next 18 months Committed and potential wells

- Timing of wells has moved back
  - Crazy Horse, Xana and Niobe
- Potential new wells being matured from our inventory of prospects
- Work to optimise risk reward balance continues
  - 40%+ equity interest not optimal

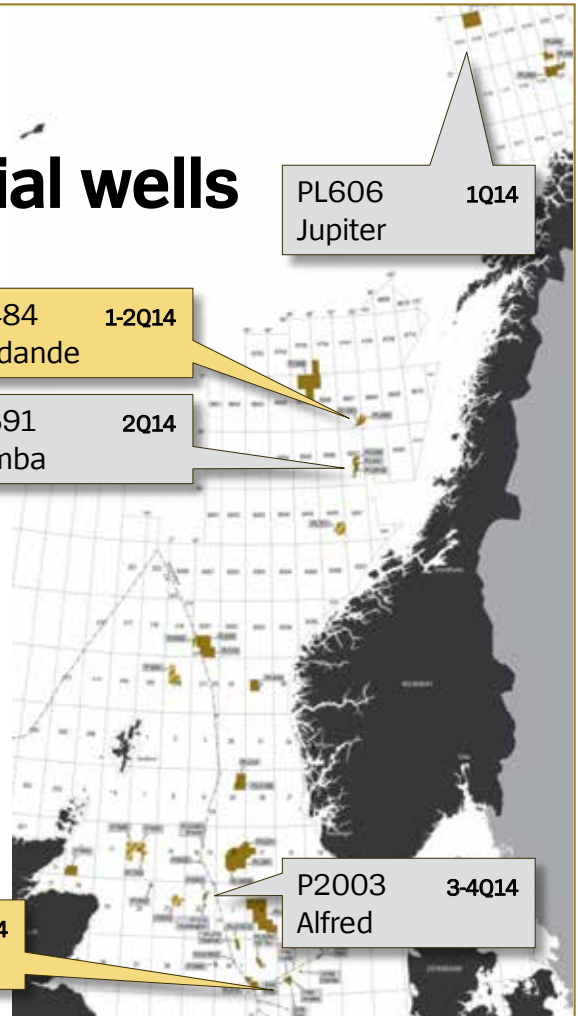
PL484 1-2Q14  
Verdande

PL591 2Q14  
Zumba

PL606 1Q14  
Jupiter

DK 9/95 4Q14  
Xana (Gita S)





P2003 3-4Q14  
Alfred



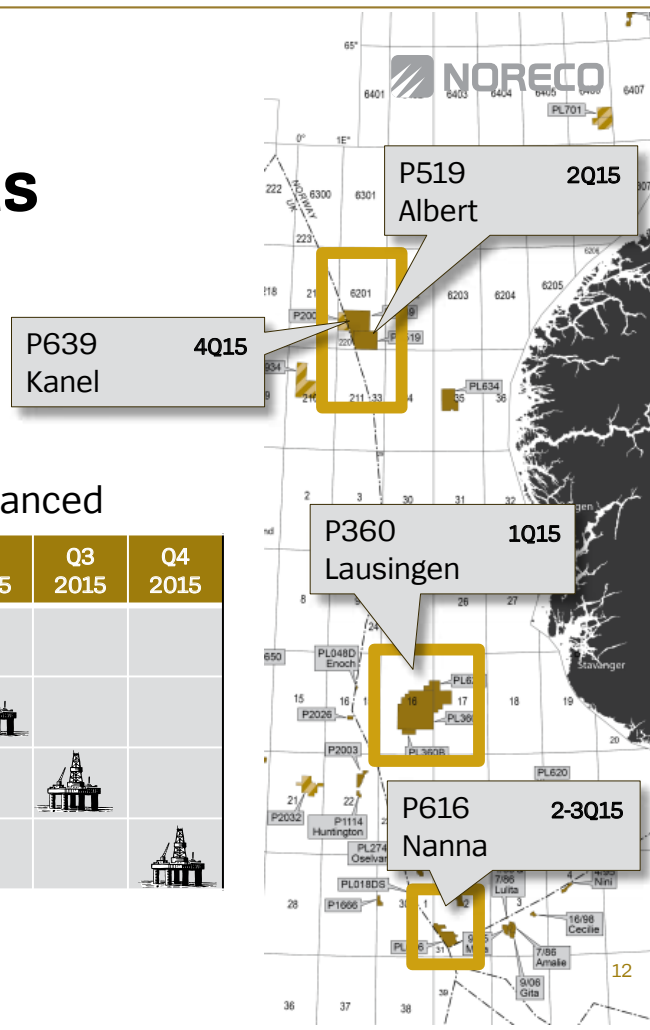
## Next 2-3 years

# Three key focus areas

- Three areas are being targeted
  - North Sea North
  - Utsira High South
  - North Sea South
- High potential, risk reward well balanced

Possible well	Noreco share	Operator	Q1 2015	Q2 2015	Q3 2015	Q4 2015
PL360 Lausingen	15 %	Statoil				
PL519 Albert	20 %	Lundin				
PL616 Nanna	20 %	Edison				
P639 Kanel	15 %	Tullow				

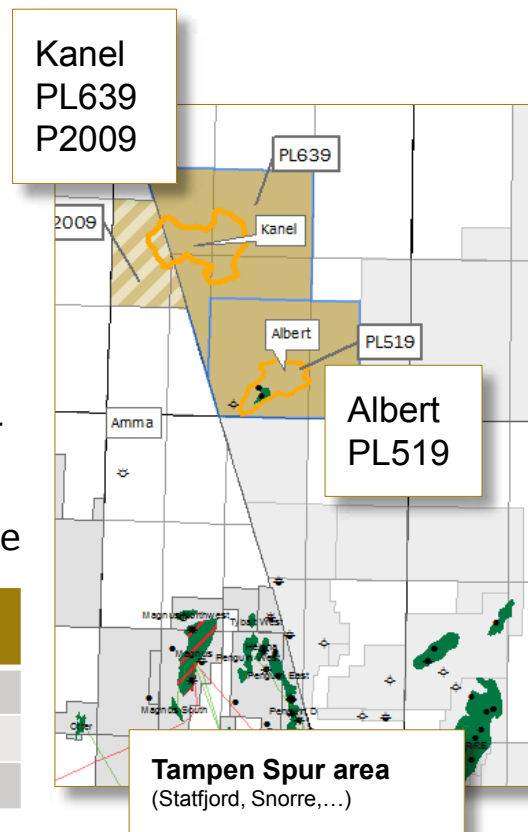
- Also working the APA2013



# North Sea North

- Albert well (2012) discovered oil at several levels
- Appraisal well is being considered for Albert Chalk in 2015
- Albert Paleocene has no commercial value, but oil discovery positive for our Kanel prospects
- Combined resource potential very large

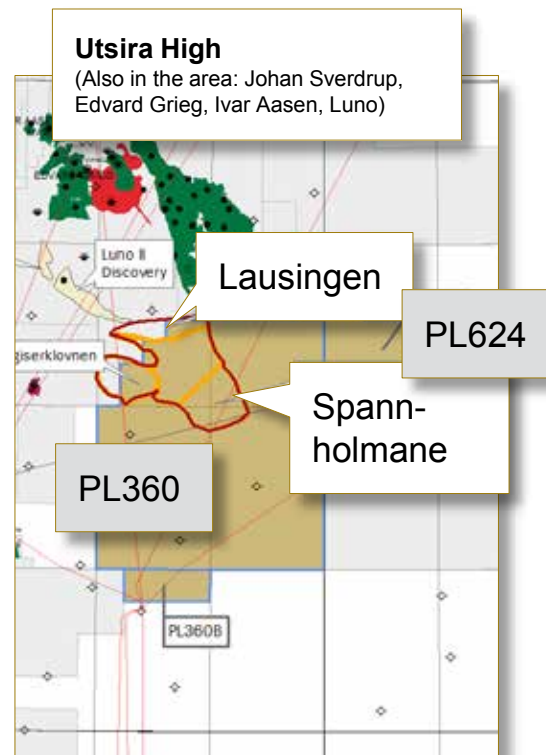
	Albert PL519	Kanel PL639	Kanel P2009
Noreco	20 %	15 %	100 %
Operator	Lundin	Tullow	Noreco
Tentative drilling	2Q15	4Q15	



# South of Utsira High

- Noreco holds 15 per cent interest in Statoil operated PL 360 and PL 624
- Recent Luno II discovery has reduced geological risk in the area
- Several prospects; interesting resource potential

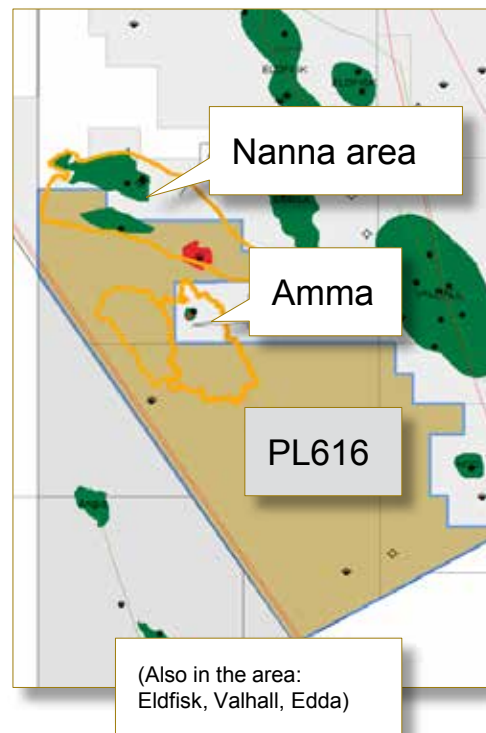
	Lausingen	Spannholmane	Portugiser-kloven
Noreco	15 %		
Operator	Statoil		
Tentative drilling	1Q15	na	na



# North Sea South

- PL 616 shows significant potential in several old oil and gas discoveries in Upper Jurassic and Tor Chalk layers
- Additional prospectivity in Paleozoic (older) sediments
- Combined resource potential large

	Nanna area PL616	Amma PL616
Noreco	20 %	
Operator	Edison	
Tentative drilling	2-3Q15	na



# Key financials



# Income statement

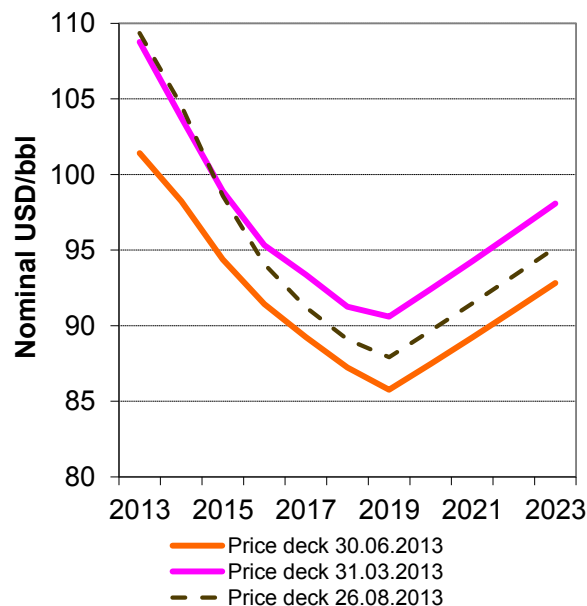
NOK million	2Q13	1Q13	4Q12	2012
<b>Total revenues</b>	<b>246</b>	<b>216</b>	<b>177</b>	<b>832</b>
Production expenses	(108)	(74)	(63)	(244)
Exploration expenses	(119)	(243)	(508)	(1 188)
Payroll	(38)	(37)	(40)	(134)
Other operating expenses	(28)	(22)	(33)	(114)
Other gain/(loss)	1	(5)	14	32
<b>EBITDA</b>	<b>(45)</b>	<b>(165)</b>	<b>(452)</b>	<b>(817)</b>
Depreciation	(89)	(61)	(56)	(269)
Write-downs	(497)	(160)	(153)	(421)
<b>EBIT</b>	<b>(631)</b>	<b>(387)</b>	<b>(662)</b>	<b>(1 508)</b>
Net financial items	(119)	(121)	(134)	(486)
<b>EBT</b>	<b>(750)</b>	<b>(507)</b>	<b>(796)</b>	<b>(1 994)</b>
Tax	246	234	602	1401
<b>Net result</b>	<b>(504)</b>	<b>(273)</b>	<b>(194)</b>	<b>(593)</b>

# Write-downs in 2Q

Item	NOK mill
Oselvar	41
Nini, Nini East, Cecilie	274
Goodwill Denmark	8
Goodwill UK	174
<b>Total</b>	<b>497</b>

Changes in the oil price forward curve from 30 March to 30 June is the largest single reason for write-downs in 2Q. Price has come back in 3Q (see chart to the right)

## Brent Price Deck



# Balance sheet

NOK million	30.06.13	31.03.13	31.12.12
<b>Assets</b>			
Non-current assets	5 212	5 524	5 411
Current assets	1 889	1 905	1 910
Cash	418	461	604
<b>Total assets</b>	<b>7 519</b>	<b>7 890</b>	<b>7 926</b>
<b>Equity and liabilities</b>			
Total equity	1 504	1 906	2 028
Long-term liabilities	1 692	1 694	1 818
Current liabilities	4 322	4 290	4 080
<b>Total liabilities</b>	<b>6 014</b>	<b>5 984</b>	<b>5 898</b>
<b>Total equity and liabilities</b>	<b>7 519</b>	<b>7 890</b>	<b>7 926</b>
<b>Net interest-bearing debt</b>	<b>3 036</b>	<b>3 062</b>	<b>2 707</b>

# Balance sheet considerations

## Risks & opportunities

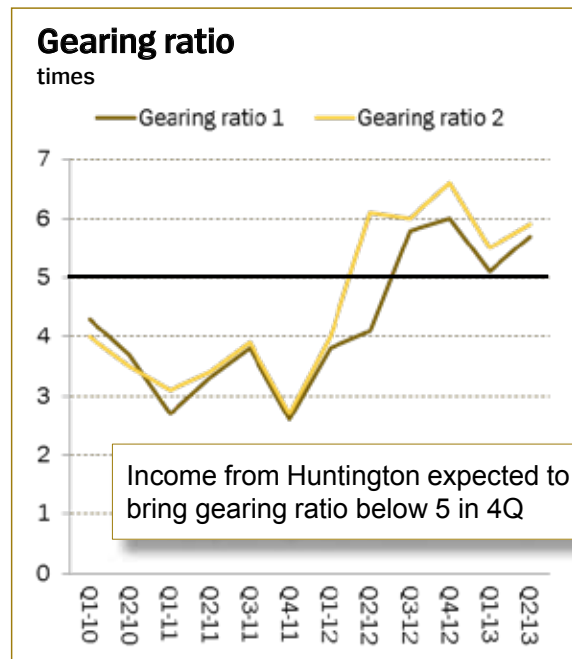
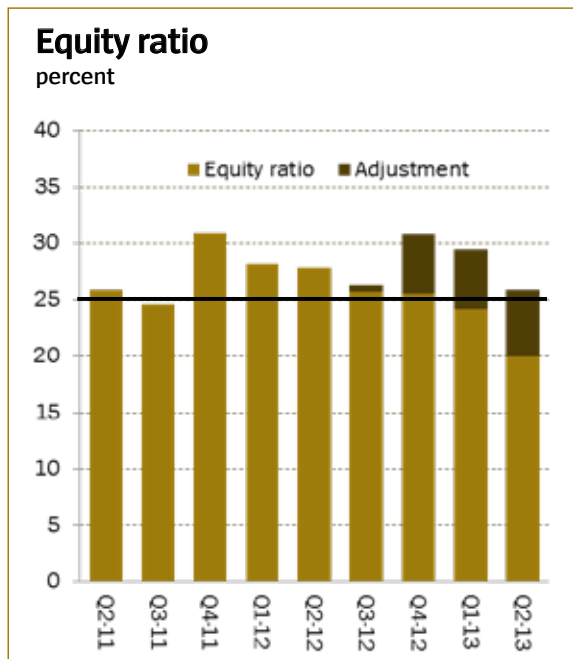
- Final assesment of Amalie field potential likely to be concluded in second half 2013
- Further work to determine potential of Huntington Fulmar ongoing. Likely conclusion before year-end
- Oselvar operator will finalise an updated reservoir model by end 3Q
- NOK 215 million goodwill remaining (UK: 173, DK: 43) at end 2Q
- Siri insurance claim. Documentation that supports Noreco's position will be finalised in 3Q

Licence and exploration expences	NOK mill gross	NOK mill after tax
Amalie	257	193
H'ton Fulmar	570	239

Property, plant and equipment	NOK mill gross	NOK mill after tax
Oselvar	689	539

All values above are as of 30 June 2013

# Covenant ratios



For definitions of ratios please refer to loan agreements. Historical figures have not been recalculated.  
The definition of exploration cost has been adjusted from Q1-13, see note 3 in Q1-2013 report for details.

# Main priorities

- Operational
  - Get Huntington to stable plateau production, and turn focus to upside potential (debottlenecking; add-on potential)
  - Work with DONG to ensure more stable production in Denmark and Norway
  - Continue improving risk-reward in near-term exploration portfolio and mature medium-term drilling opportunities in key focus areas
- Financial
  - Reduce debt and financial cost
  - Align maturities to cashflow



# **ADDITIONAL INFORMATION**



# Production per field

boe/day

Field	Noreco share	2Q12	3Q12	4Q12	1Q13	2Q13
Oselvar	15 %	893	984	431	897	407
Enoch	4.36 %	5	0	0	0	0
Lulita	28.2 %	280	162	251	246	79
Nini	30 %	502	582	344	470	338
Nini East	30 %	2 086	2 178	1 941	2 096	2 303
Cecilie	61 %	459	477	144	333	347
Huntington	20 %					1 188
<b>Total</b>		<b>4 226</b>	<b>4 384</b>	<b>3 112</b>	<b>4 042</b>	<b>4 662</b>

# Oil and gas reserves

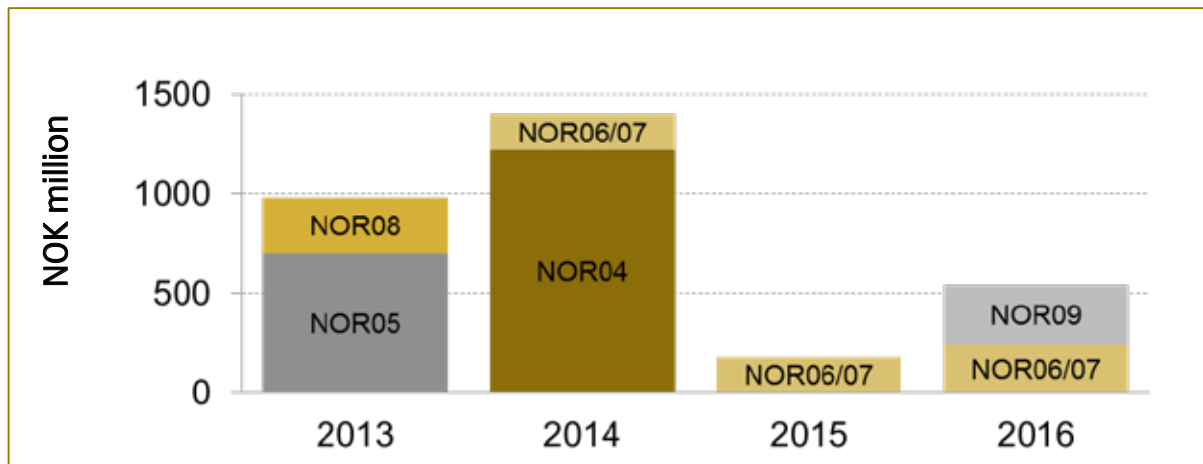
Per 31.12.2012

## Reserves per field

	1P					2P				
	Liquids (mill bbl)	Gas (bscf)	mill boe	Interest %	Net mill boe	Liquids (mill bbl)	Gas (bscf)	mill boe	Interest %	Net mill boe
Nini	2.4	0.0	2.4	30.0	0.7	3.7	0.0	3.7	30.0	1.1
Nini East	4.4	0.0	4.4	30.0	1.3	9.0	0.0	9.0	30.0	2.7
Cecilie	0.6	0.0	0.6	61.0	0.4	2.1	0.0	2.1	61.0	1.3
Lulita	0.9	4.2	1.7	28.2	0.5	1.0	4.7	1.9	28.2	0.5
Enoch	2.0	0.0	2.0	4.4	0.1	2.6	0.0	2.6	4.4	0.1
Oselvar	12.8	55.6	22.7	15.0	3.4	25.7	145.6	51.7	15.0	7.7
Huntington	24.5	10.8	26.5	20.0	5.3	38.3	20.9	42.0	20.0	8.4
Total					11.7					21.9

The reserves have been verified by DeGolyer & MacNaughton.

# Noreco bonds

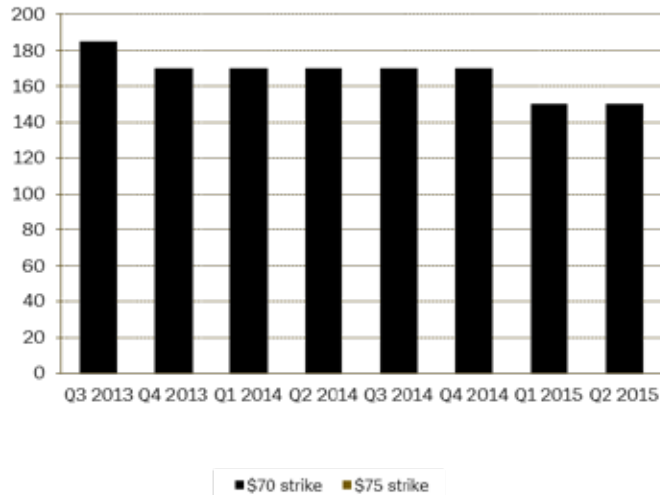


Bond	Outstanding	Due	Terms
NOR04	NOK 1,219.5 mill	20 Nov 2014	12.9 % fixed, pledge in shares in subsidiaries
NOR05	NOK 698.5 mill	30 Dec 2013	3m NIBOR + 8 %, unsecured
NOR06/07	NOK 600 mill	27 Apr 2016	10.25 % fixed / 3m NIBOR + 6 %, pledge in Oselvar field
NOR08	NOK 284 mill	30 Dec 2013	12.9% fixed, unsecured
NOR09	NOK 300 mill	25 Feb 2016	10.5% fixed, unsecured

# Hedging programme

## Put options

1,000 barrels



- Noreco is using put options to protect cash flow from oil price downside
- 24 months rolling forward programme
- Asian type puts based on monthly average Brent oil price

# Exploration schedule

Updated 29 August 2013

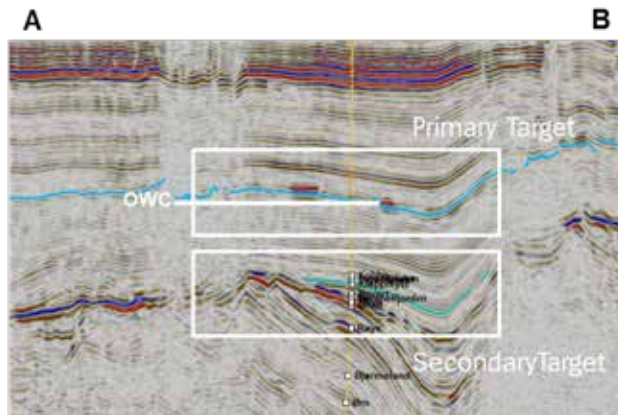
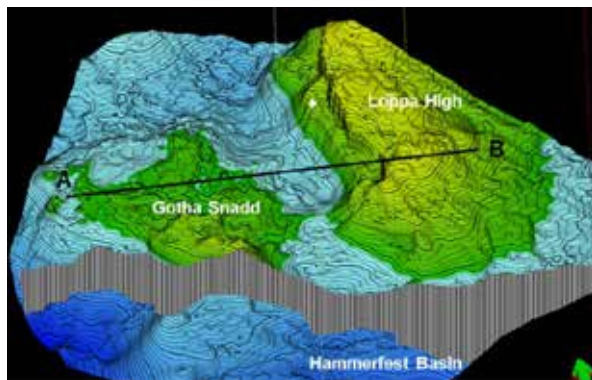
Prospect	License	Noreco share	Chance of succ.	Vol. pot. <sup>1</sup>	Drilling start	Operator
Gohta	PL492	20%	20%	68-217	July 2013	Lundin
Verdande	PL484	40%	29%	53-236	2Q 2014	Noreco
Gita South	DK 9/95	16.4%	27%	47-475	4Q 2014	Maersk
Niobe	P1889	22.5%	42%	40-72	2015	Suncor
Crazy Horse	P1650	78%	21%	95-260	2015	Noreco

1) Million barrels oil equivalents on 100% basis, P90-P10 interval

# PL492 – Gohta

Noreco 20% – Lundin operated

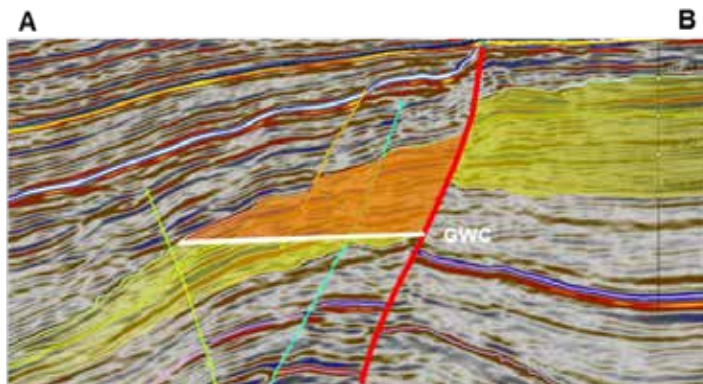
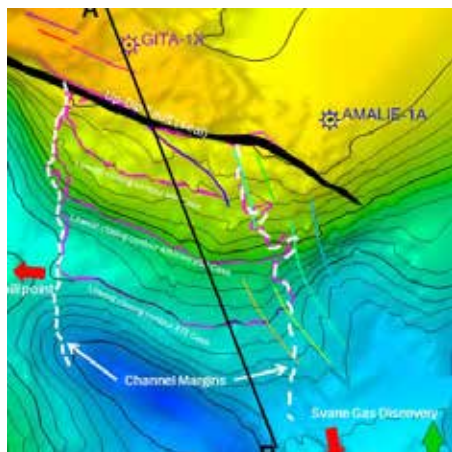
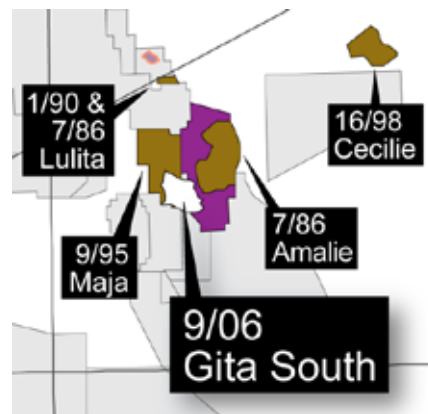
- Triassic target in Western Barents Sea – Emerging play
- With additional secondary target in Permian Frontier Play
- CoS (oil): 10% – CoS (HC): 20% – Primary risk element: Charge
- 68 – 217 mmboe gross (oil), 25 mmboe net P50, with considerable additional dependant prospectivity given success
- Spudded in July 2013. Drilling ongoing



# DK 09/95 – Gita South

Noreco 16.4% – Maersk operated

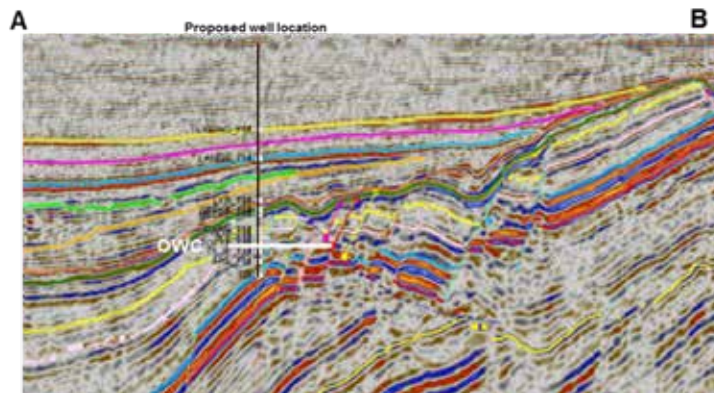
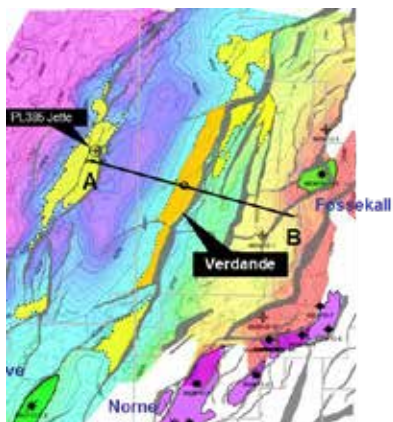
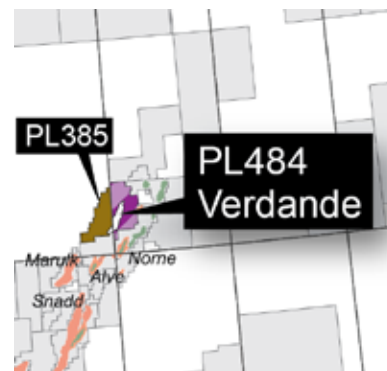
- Upper Jurassic target in close vicinity (up-dip) to the Svane gas discovery and south of Gita discovery
- CoS: 27% – Primary risk element: Trap
- 47 – 475 mmboe gross (gas), 28 mmboe net P50
- Expected spud 4Q 2014



# PL484 – Verdande

Noreco 40% – Noreco operated

- Middle Jurassic target in well proven play northwest of Norne
- CoS: 29% – Primary risk element: Trap
- 53 – 236 mmboe gross (gas and oil), 39 mmboe net P50, with considerable additional dependant prospectivity given success
- Expected spud 1Q/2Q 2014

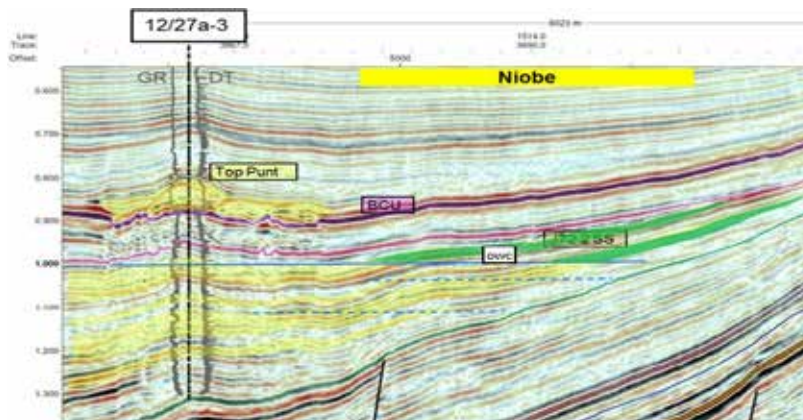
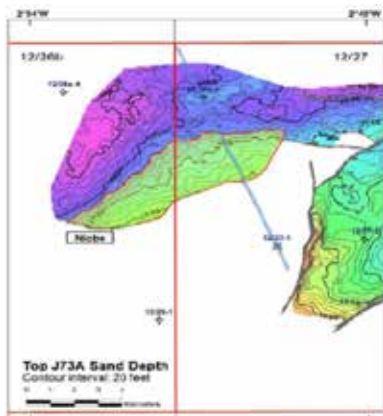
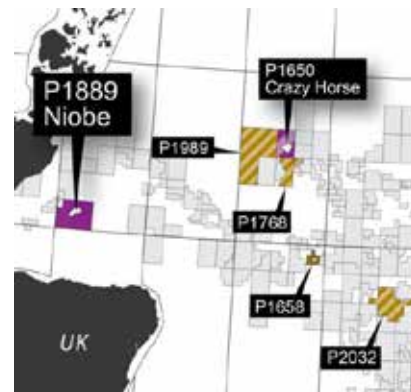




# UK P1889 – Niobe

Noreco 22.5% – Suncor operated

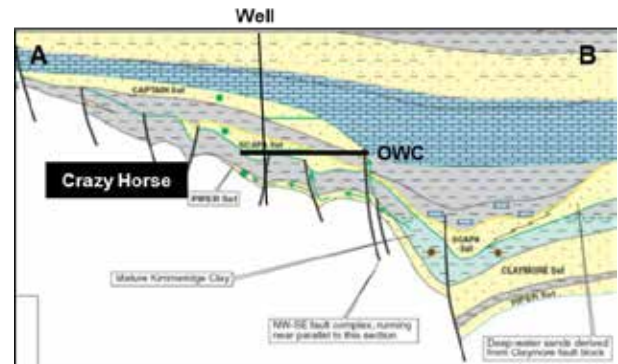
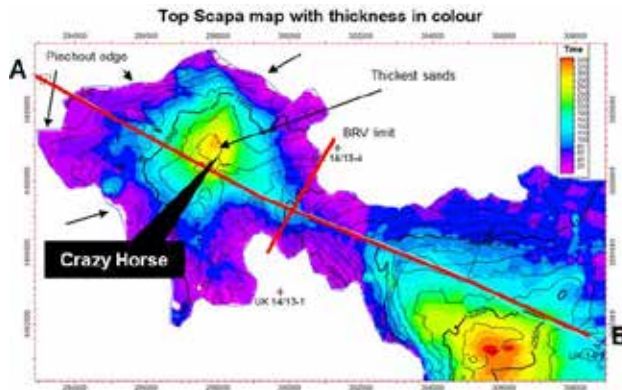
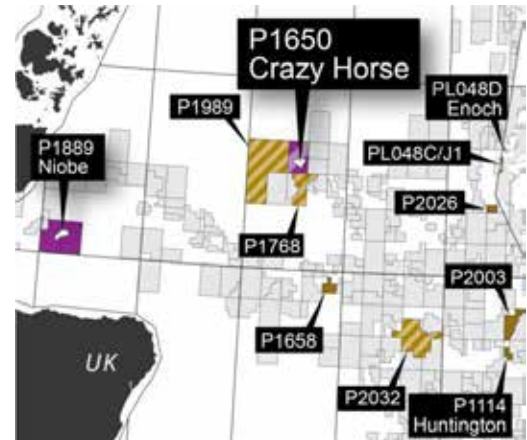
- Jurassic stratigraphic pinch-out trap, up-dip of proven oil discovery
- Located in Inner Moray Firth in proven play east of Beatrice Field, de-risking additional prospects given success
- Cos: 42% – Primary risk element: Trap
- 40 – 72 mmboe
- Expected spud 2015



# P1650 Crazy Horse

Noreco 78% – Noreco operated

- Stratigraphic trap in Outer Moray Firth (UK) north of Claymore Field. Proven Lower Cretaceous Scapa Sands (reservoir) in nearby wells
- Well will test both the Scapa sands (primary target) and Lower Cretaceous Captain Sands
- CoS: 21% – Primary risk element: charge (migration). Reservoir and trap have moderate risk.
- 95 – 260 mmboe gross in Scapa Sands only, 126 mmboe net P50
- Expected spud 2015



# Shareholders

Top 20 shareholders as of 26 August 2013

Shareholder	Shares	% of total
IKM INDUSTRI-INVEST AS	46 972 889	13,2 %
SABARO INVESTMENTS LTD	43 867 228	12,3 %
LYSE ENERGI AS	27 701 514	7,8 %
OM HOLDING AS	12 685 484	3,6 %
GOLDMAN SACHS INTERNATIONAL EQUITY	9 715 463	2,7 %
ALTO HOLDING AS	8 000 000	2,2 %
ODIN OFFSHORE	7 188 000	2,0 %
SKANDINAVISKA ENSKILDA BANKEN	6 974 835	2,0 %
VERDIPAPIRFONDET DNB SMB	5 350 000	1,5 %
STOREBRAND VEKST	5 245 138	1,5 %
KLP AKSJE NORGE VPF	4 100 000	1,2 %
CITIBANK, N.A.	4 072 685	1,1 %
DNB NOR BANK ASA EGENHANDELSKONTO	3 365 291	0,9 %
BD TRADING AS	3 318 873	0,9 %
KOMMUNAL LANDSPENSJONSKASSE	3 000 000	0,8 %
STOREBRAND OPTIMA NORGE A	2 932 794	0,8 %
HOLBERG NORGE VERDIPAPIRFONDET	2 900 000	0,8 %
HAMNINGBERG HOLDING AS	2 600 000	0,7 %
LARSEN OIL & GAS AS	2 262 414	0,6 %
HSBC BANK PLC	2 000 000	0,6 %
<b>Total number owned by top 20</b>	<b>204 252 608</b>	<b>57,4 %</b>
<b>Total numbers of shares</b>	<b>356 094 095</b>	

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