

A black and white photograph of a hand holding a rock in water. The hand is positioned in the upper left, with fingers wrapped around a dark, textured rock. The water is dark and rippling, with numerous bright, starburst light effects scattered throughout, particularly concentrated over the hand and the rock. The overall mood is serene and natural.

Noreco

Fourth quarter
2011

Report for the fourth quarter 2011

Norwegian Energy Company ASA

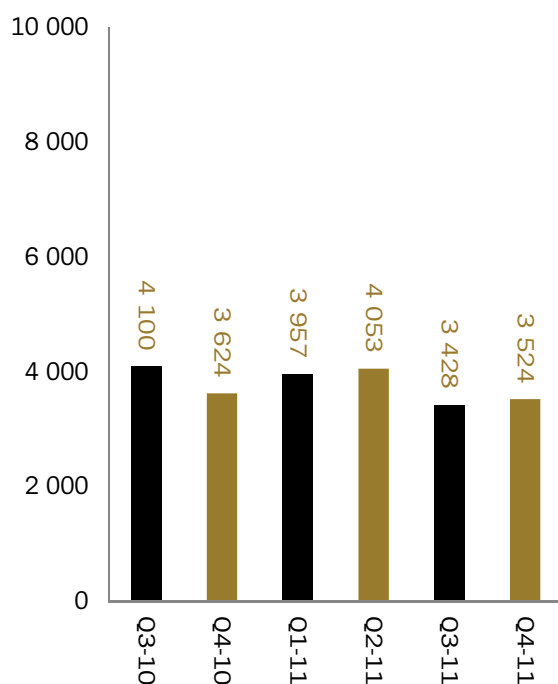
HIGHLIGHTS

- Completed repositioning the company through further portfolio management and debt reduction
- Sold Zidane and Brynhild discoveries
- Bond buy-back for NOK 250 million
- Produced 3,524 barrels oil equivalents (boe) per day
- Realised oil price USD 107 per boe
- Field developments on track, which is expected to more than triple production to around 12,000 boe per day at the end of 2012

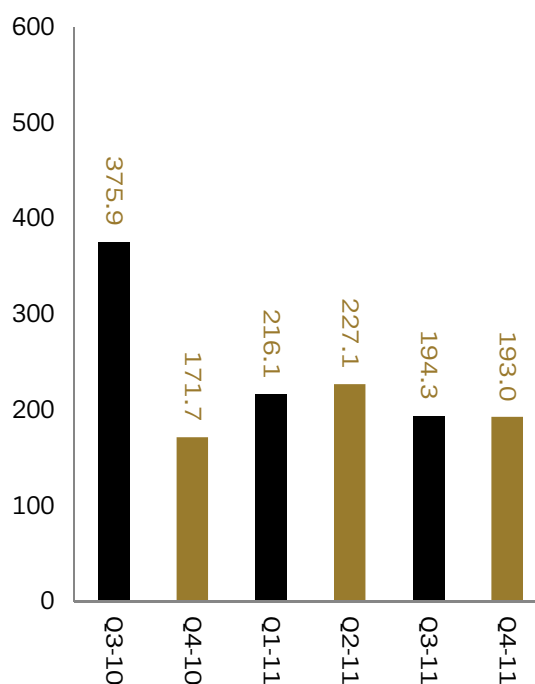
KEY FIGURES

	Q4-11	Q3-11	Q2-11	Q1-11	Q4-10	Q3-10
Net realised oil price (USD/boe)	107.4	110	110.5	103	83.9	74.4
EBITDA (NOK million)	11.7	(45.4)	9.9	(132.6)	(272.9)	(28.6)
Net result (NOK million)	(11.2)	(395.2)	(157.5)	(295.1)	(135.4)	167.1
Total assets (NOK billion)	9.6	11.7	12.2	12.5	12.7	12.6

Production (net boed)



Operating income (NOK million)



GROUP FINANCIALS

The Noreco Group had revenues from continued operations of NOK 193 million in the fourth quarter 2011, an increase of 13 percent compared to fourth quarter 2010. The increase was driven by higher oil prices which more than compensated for slightly lower production volumes.

Production in the quarter was 3,524 boe per day, down from 3,624 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 107 per boe, compared to USD 84 per boe in the fourth quarter 2010.

Production expenses were NOK 100 million, up from NOK 50 million for the same quarter in the previous year for the continued operations. The amount includes cost of NOK 14 million from earlier periods relating to Nini and Cecilie's share of cost for the repair of the Siri caisson. This is offset by a similar income recorded under discontinued operations (Siri).

Exploration costs amounted to NOK 32 million, reflecting the fact that no exploration drilling took place in the quarter. Payroll expenses were NOK 18 million, which included a positive effect of NOK 13 million due to reversal of previously recorded expenses related to incentive schemes and de-manning cost. Other operating expenses were NOK 32 million.

EBITDA (earnings before interest, tax, depreciation and amortisation) from continued operations in fourth quarter 2011 was NOK 12 million, compared to a loss of NOK 270 million in the fourth quarter 2010.

Depreciation amounted to NOK 58 million. In addition, the company made a write-down of goodwill related to the Enoch field.

Net financial items came in at NOK -109 million for the fourth quarter. Tax amounted to an income of NOK 122 million. Net result from continued operations for the quarter was a loss of NOK 40 million, comparable to a loss of NOK 182 million in the fourth quarter 2010 for the same activities.

During the third quarter 2011, Noreco entered into an agreement to sell its interests in the Siri field. This transaction was completed during the fourth quarter, consequently the operating results from this field for the fourth quarter until the time of deal completion is included in the result from discontinued operations in the financial statements. This also applies to the gain and loss from sales of PL435 (Zidane) and PL148 (Brynhild).

Net result from discontinued operations for the fourth quarter amounted to NOK 29 million. Previous periods' results have been adjusted accordingly for comparison.

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 December 2011 was NOK 26 million, recorded as other current receivables in the balance sheet.

At the end of fourth quarter Noreco had cash and cash equivalents of NOK 689 million. Available, undrawn credit under the company's reserve-based bank facility amounted to USD 123 million (NOK 737 million).

During the fourth quarter the company repurchased bonds for a nominal value of NOK 250 million, split between NOK 204.5 in NOR03 and NOK 45.5 million in the convertible bond. The bonds were purchased at approximately 99 percent of par value.

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 fourth quarter 2011 was on average 3,524 barrels of oil equivalents per day (boed). This excludes production from the Siri field which has been sold with effective date 1 July 2011.

Production regularity at the Nini East, Nini and Cecilie fields was reduced in the fourth quarter due to adverse weather conditions which resulted in shut-down of the Siri host platform for a total of 20 days in the period.

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 Ensco 100 according to plan. The second production well was successfully completed and tested in December, and one of the two planned water injection wells was also drilled 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, which has recently been going through a restructuring process. This process was resolved early October by a.o. a sale of the Voyageur to Teekay. This has secured funding for the completion of the Voyageur upgrade. The upgrade work is now progressing well, and Noreco still anticipates oil production from the Huntington field to start during second half of 2012.

Development of the Oselvar field (PL274) in Norway is well underway. Noreco owns 15 percent of the field and DONG Energy is the operator. Drilling continued through the quarter, and the first production well was successfully completed and tested in November. The pipeline to Ula was also installed during the quarter, and subsea tie-in activities are progressing well although harsh weather affected progress somewhat negatively during the quarter. The integration of the Oselvar topside module to the Ula platform also progressed well during the quarter. The project cost is according to budget, and first oil is still expected during the first half of 2012.

On the Gita discovery in Denmark (Noreco 12 percent), the seismic re-processing campaign, involving four different surveys and aiming at pre-stack depth migration to improve depth imaging is complete and the geologic re-interpretation is on-going. When the updated geologic models are ready, planning of wells will start with the aim to appraise the Gita discovery and unlock further potential in the licences by 2013.

EXPLORATION

Noreco did not participate in any exploration wells or in any seismic campaigns in the fourth quarter. A site survey in preparation for the upcoming Eik well in license PL396 in the Barents Sea was performed and completed.

In December, Noreco was awarded a new licence offshore UK as part of the 26th Seaward Licensing Round.

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

In this period the company has concentrated its exploration activities on regional geoscience work for the upcoming license rounds in 2012, the UK 27th Round, the APA 2012, and the NCS 22nd Round.

BUSINESS DEVELOPMENT

In July, Noreco entered into an agreement with DONG Energy to sell its 50 percent share of the Siri field for a

consideration of USD 13 million (NOK 78 million). The deal provides protection from all costs associated with the permanent repair solution now being implemented at the field. The transaction was completed in December.

In August, Noreco entered into an agreement to sell its share of the Flyndre Paleocene discovery in license PL018C to Maersk Oil for a consideration of NOK 19 million. The license also contains a discovery in the Cretaceous formation which was carved out and retained by Noreco.

In October, Noreco entered into an agreement to sell its 20 percent share of license PL435 on Haltenbanken to OMV (Norge) AS. The license contains the gas discovery Zidane-1 which was made in 2010. The second exploration well in the license is named Zidane-2, and the drilling of this well commenced in January 2012. Noreco received a consideration of NOK 180 million upon completion of the transaction in December, and is also entitled to a volume-dependent consideration if a discovery on Zidane-2 should prove commercially recoverable volumes of hydrocarbons beyond certain levels. This conditional amount is payable upon approval of a Plan for Development and Operations (PDO) which includes Zidane-2.

In November Noreco exercised an option to sell its 20 percent share in the Brynhild development to Lundin, the operator of PL148, for a consideration of USD 2.4 million (NOK 14 million).

HEALTH, SAFETY, ENVIRONMENT AND QUALITY

There have not been any serious incidents related to Noreco's activities in the quarter.

The planning for Noreco's upcoming operated well, the exploration well Eik in license PL396 in the Barents Sea, is well underway. All approvals from relevant authorities have been received.

ORGANISATION

Noreco's management team was reduced from eight to six positions earlier in the year, and now consists of the following:

Einar Gjelsvik, CEO
Ellen Bratland, COO & VP HSE
Lars Fosvold, VP Exploration
Kjetil Bakken, VP Investor Relations
John Bogen, VP Commercial

Mr Ørjan Gjerde has been appointed new CFO from 1 March 2012. In the meantime Erik Borg is acting CFO.

The total number of employees is currently 67. 34 percent of the employees are female, and 10 nationalities are represented in the workforce. The company is currently working to recruit 10 new employees.

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 its existing fields to produce around current levels of 3-4,000 boe per day until production starts from the new fields Oselvar and Huntington during 2012. The planned repairs of the Siri platform are expected to cause some reduced regularity for the production from Nini East, Nini and Cecilie in the coming quarters. Oselvar is expected to start producing during the first half of 2012, while Huntington is expected to start during second half of 2012. Noreco expects to be involved in up to 12 exploration wells over the next 12-15 months. The exact timing of each well is subject to rig schedules and final drilling decisions in each license.

Noreco's liquidity situation is good, and combined with expected earnings from the oil production this provides the company with sufficient liquidity to meet its current commitments and complete its ongoing investment program.

Statement of comprehensive income

All figures in NOK 1 000	Note	Q4 2011	Q4 2010	2011	2010
Continued operation					
Revenue	1	191 434	171 385	829 438	624 670
Other revenue	1	1 590	-	1 590	14 872
Total revenues	1	193 024	171 385	831 028	639 542
Production expenses	2	99 516	49 885	271 434	178 978
Exploration and evaluation expenses	3	31 798	296 713	408 199	596 174
Payroll expenses	4	18 155	45 918	163 396	158 457
Other operating expenses	4	31 846	49 104	133 258	133 287
Total operating expenses		181 314	441 620	976 287	1 066 896
Operating results before depreciation and amortization (EBITDA)		11 710	(270 235)	(145 258)	(427 353)
Depreciation	6, 8	58 349	61 019	241 817	261 654
Write-downs	6, 7, 8	6 539	-	236 539	36 500
Net operating result (EBIT)		(53 178)	(331 254)	(623 614)	(725 507)
Net financial items	5	(109 219)	(114 650)	(438 196)	(443 753)
Ordinary result before tax (EBT)		(162 397)	(445 904)	(1 061 810)	(1 169 260)
Income tax benefit		122 026	263 908	194 109	735 170
Net result continued operation		(40 371)	(181 995)	(867 701)	(434 090)
Discontinued operation					
Profit (loss) from discontinued operation (net of income tax)	6	29 180	46 623	8 607	438 616
Net result for the period		(11 191)	(135 373)	(859 094)	4 525
Net result for the period		(11 191)	(135 373)	(859 094)	4 525
Other comprehensive income:					
Value adjusted financial instruments		8 345	(10 910)	9 148	(34 441)
Currency translation difference		165 586	(1 684)	165 586	2 393
Total comprehensive net result for the period		162 741	(147 967)	(684 360)	(27 523)
Earnings per share					
Basic		(0.05)	(0.56)	(3.52)	0.02
Diluted		(0.05)	(0.56)	(3.52)	0.02

Statement of financial position

All figures in NOK 1 000	Note	31.12.11	31.12.10
Non-current assets			
License and capitalised exploration expenses	7	3 536 162	3 976 833
Deferred tax assets		605 596	594 800
Goodwill	7	871 994	1 492 598
Production facilities	8	2 582 545	3 546 879
Tax refund		-	-
Total non-current assets		7 596 296	9 611 110
Current assets			
Assets held for sale		-	590 389
Accounts receivable		177 961	208 455
Tax refund		506 056	730 891
Other current receivables	9	682 580	579 684
Bank deposits, cash and cash equivalents		688 708	892 482
Total current assets		2 055 305	3 001 901
Total assets		9 651 601	12 613 011
Equity			
Share capital		755 913	753 418
Other equity		2 259 494	2 921 443
Total equity		3 015 407	3 674 861
Provisions and other non-current liabilities			
Deferred tax		2 191 290	2 368 027
Provisions for other liabilities and charges		308 480	833 553
Convertible bond loan	10	-	205 951
Bond loan	10	2 317 825	2 658 582
Other interest bearing debt	10	292 802	943 612
Total provisions and other non-current liabilities		5 110 398	7 009 725
Current liabilities			
Liabilities/debt held for sale		-	231 539
Other interest bearing debt	10	1 064 325	1 085 304
Trade payables		25 627	86 060
Current tax payable		180 409	114 716
Public duties payable		8 934	22 760
Other current liabilities	11	246 501	388 047
Total current liabilities		1 525 796	1 928 426
Total liabilities		6 636 194	8 938 151
Total equity and liabilities		9 651 601	12 613 011

Statement of cash flow

All figures in NOK 1 000	2011	2010
Ordinary result before tax	(1 061 810)	(423 814)
Tax paid	380 904	150 750
Depreciation and writedowns	917 377	601 310
Write-downs dry well, previous years investments	5 588	325 142
(Gain) / Loss on sale of licenses	(1 590)	-
(Gain) / Loss on sale of discontinued operation	(37 098)	(199 082)
Effect of changes in exchange rates/other effects equity	100 088	38 613
Financial instruments at fair value	(9 148)	34 441
Amortisation of borrowing expenses	48 426	44 329
Calculated interest on abandonment provision	55 192	68 564
Other items with no cash impact	5 832	158
Changes in accounts receivable	30 494	(74 836)
Changes in trade payables	(60 433)	50 117
Changes in other current balance sheet items	703 453	378 228
Net cash flow from operations	1 077 276	993 920
Cash flows from investing activities		
Proceeds from sale of intangible fixed assets	458	-
Proceeds from sale of discontinued operations	1 554 823	265 545
Purchase of tangible assets	(933 661)	(622 589)
Purchase of intangible assets	(195 172)	(482 486)
Net cash flow from investing activities	426 448	(839 530)
Cash flows from financing activities		
Issue of share capital	14 399	11 322
Proceeds from issuance of long term debt	593 154	497 616
Repayment of long term debt	(738 045)	-
Proceeds from issuance of short term debt	429 666	634 755
Repayment of short term debt	(1 551 697)	(695 573)
Interest paid	(452 706)	(370 199)
Net cash flow from (used in) financing activities	(1 705 229)	77 921
Net change in cash and cash equivalents	(201 505)	232 311
Cash and cash equivalents at start of the year	892 482	659 812
Effects of changes in exchange rates on cash and cash equivalents	(2 269)	360
Cash and cash equivalents at end of the quarter	688 708	892 482

Statement of changes in equity

All figures in NOK 1 000	31.12.11	31.12.10
Equity at the beginning of period	3 674 861	3 722 223
Adjustments opening balance (1)	-	(38 291)
Capital increase	14 399	11 322
Share-based incentive program	10 507	7 130
Value adjusted financial instruments	9 148	(34 441)
Translation differences foreign exchange	165 586	2 393
Net results for the period	(859 094)	4 525
Equity at the end of period	3 015 407	3 674 861

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

Accounting principles

Basis for preparation

The consolidated interim financial statement for the fourth quarter of 2011 comprises Norwegian Energy Company ASA (NORECO) and its subsidiaries. These consolidated interim financial statements have been prepared in accordance with IAS 34 and The Norwegian Securities Trading Act § 5 – 6.

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

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosures of Interests in other Entities

IFRS 13 Fair Value Measurement

Amendment to IAS 1 Presentation of Items of Other Comprehensive Income

IAS 19R Employee benefits

IAS 27R Separate Financial statements

IAS 28R Investments in Associates and Joint Ventures

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

The interim financial statements do not include all information required for annual financial statements and should for this reason be read in conjunction with Norecos's 2010 annual report. The accounting principles applied are prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union and interpretations by the International Accounting Standard Board (IASB).

Share capital

There has been no change to the capital in this quarter. The share capital as per 31.12.2011 is NOK 755.9 million.

Exploration and development costs for oil and gas assets

Exploration costs are accounted for in accordance with the successful effort method. This means that all exploration costs including pre-operating costs (seismic acquisitions, seismic studies, internal man hours, etc.) are expensed as incurred. Exceptions are costs related to acquisition of licenses and drilling of exploration wells. These costs are temporarily capitalized pending an evaluation of the economics of the exploration drilling findings. If hydrocarbons are discovered and expected to be commercially profitable, the costs remain capitalized. If no hydrocarbons are found or if the discoveries are not commercially profitable, the drilling costs are expensed. All costs of developing oil and gas fields are capitalized.

Depreciation and amortization

Depreciation of production equipment is calculated in accordance with the unit of production method. The excess value allocated to producing fields arising from 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

Drilling of the "Kalvklumpen" prospect in exploration well 25/6-4 in license PL414 was completed in February 2012. The well did not encounter hydrocarbons. The capitalized exploration costs per 31 December 2011 was NOK 8 million. These costs will be expensed in 2012.

Notes

1 Revenue

(NOK 1 000)	Q4 2011	Q4 2010	2011	2010
Continued operation				
Sale of oil	194 102	172 683	834 812	630 340
Sale of gas and NGL	2 703	1 637	9 236	6 313
Revenue from oil price hedging	-	-	-	415
Cost from oil price hedging ¹⁾	(5 370)	(2 936)	(14 610)	(12 398)
Other revenue ²⁾	1 590	-	1 590	14 873
Total revenue continued operation	193 024	171 385	831 028	639 542
Total revenue discontinued operation	54 335	302 996	768 289	1 307 838
Total revenue	247 360	474 381	1 599 318	1 947 380

1) Part of the group's oil sales are hedged against price reductions with the use of options. Costs relating to hedging are recognised as reduction in revenue, gains are recognised as revenue.

2) Other revenues consists of gain on sale amounting to NOK 1.6 million relating to the sale of 20% equity on PL 490. In addition, expected insurance coverage for the loss of oil production from the Siri area fields in 2009 and 2010.

2 Production expenses

(NOK 1 000)	Q4 2011	Q4 2010	2011	2010
Continued operation				
Direct production expenses	84 750	39 352	184 535	144 529
Duties, tariffs, royalties	13 509	15 299	57 539	62 511
Other expenses	1 257	(4 765)	29 360	(28 062)
Total production expenses continued operation	99 516	49 885	271 434	178 978
Total production expenses discontinued operation	(19 852)	92 650	180 123	360 941
Total production expenses	79 664	142 535	451 557	539 919

3 Exploration and evaluation costs

(NOK 1 000)	Note	Q4 2011	Q4 2010	2011	2010
Continued operation					
Acquisition of seismic data, analysis and general G&G costs		20 879	1 524	121 915	166 810
Exploration wells capitalised in previous years		-	13 711	5 588	21 230
Dry exploration wells this period		(114)	267 567	205 122	338 703
Other exploration and evaluation costs		11 033	13 911	75 574	69 432
Total exploration and evaluation costs continued operation		31 798	296 713	408 199	596 174
Total exploration and evaluation costs discontinued operation		1 817	6 463	19 002	19 598
Total exploration and evaluation costs		33 615	303 176	427 200	615 772

The exploration organisation's share of Noreco's total payroll expenses and other operating expenses amounts to:

4	13 338	17 785	86 199	64 574
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Specification of cash flow concerning exploration and evaluation activities

(NOK 1 000)	Q4 2011	Q4 2010	2011	2010
Continued operation				
Exploration and evaluation costs capitalised as intangible assets this period	9 632	(78 171)	167 328	13 060
Exploration and evaluation costs directly expensed this period	31 798	283 002	402 611	574 944
Amount invested in exploration and evaluation activities this period continued operation	41 429	204 830	569 939	588 004
Discontinued operation				
Exploration and evaluation costs capitalised as intangible assets this period	5 486	28 554	27 844	188 771
Exploration and evaluation costs directly expensed this period	1 817	6 463	19 002	19 598
Amount invested in exploration and evaluation activities this period discontinued operation	7 303	35 018	46 845	208 369
Amount invested in exploration and evaluation activities this period	48 732	239 848	616 784	796 373

4 Payroll expenses & Other operating expenses

(NOK 1 000)	Note	Q4 2011	Q4 2010	2011	2010
Continued operation					
Payroll expenses		18 155	45 918	163 396	158 457
Other operating expenses		31 846	49 104	133 258	133 287
Total payroll expenses & other operating expenses continued operation		50 001	95 022	296 654	291 744
Total payroll expenses & other operating expenses discontinued operation		-	-	702	-
Total payroll expenses & other operating expenses		50 001	95 022	297 356	291 744
Hereof the exploration organisation accounts for the following expenses		13 338	17 785	86 199	64 574

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

5 Financial income and expenses

(NOK 1 000)		Q4 2011	Q4 2010	2011	2010
Continued operation					
Financial income					
Interest income		13 682	14 003	30 820	19 283
Other financial income		21 680	9 402	100 562	53 846
Total financial income		35 362	23 404	131 382	73 128
Financial expenses					
Interest expense from bond loans		86 978	71 784	347 568	274 240
Interest expense from convertible loan		3 173	3 277	13 005	13 110
Interest expense from other non-current liabilities		7 669	14 059	39 471	51 055
Interest expense from exploration loan		13 895	12 738	45 196	38 698
Capitalised interest expenses		(12 473)	(6 297)	(38 113)	(19 161)
Amortisation from loan costs		16 383	14 606	48 426	44 329
Imputed interest from abandonment provisions		6 423	6 625	25 069	27 006
Interest expenses current liabilities		2 592	3 845	5 932	4 601
Other financial expenses		19 940	17 417	83 023	83 003
Total financial expenses		144 580	138 054	569 578	516 882
Net financial items continued operation		(109 219)	(114 650)	(438 196)	(443 753)
Discontinued operation					
Financial income					
Interest income		(2)	399	446	1 505
Other financial income		724	479	927	2 012
Total financial income		721	878	1 373	3 517
Financial expenses					
Capitalised interest expenses		-	-	-	-
Imputed interest from abandonment provisions		-	1 957	30 123	41 558
Interest expenses current liabilities		(26)	332	(100)	1 785
Other financial expenses		244	1 272	182	1 453
Total financial expenses		218	3 561	30 205	44 795
Net financial items discontinued operation		504	(2 683)	(28 832)	(41 279)
Net financial items		(108 715)	(117 333)	(467 028)	(485 032)

6 Discontinued operation

In May 2011 Norwegian Energy Company (Noreco) entered into an agreement to sell their share in the Norwegian oil fields Brage and Hyme to Core Energy. The sale of Brage was completed on 10. June 2011 and the sale of Hyme was completed on 20. July 2011.

In July 2011 Noreco entered into an agreement to sell their share in the Danish oil field Siri to DONG. The sale was completed 22. December 2011.

In August 2011 Noreco entered into an agreement to sell their share in the Danish oil field South Arne to Hess, DONG and Danoil and the Norwegian oil field Flyndre Paleocene to Maersk Norway. The sale of South Arne was completed in October 2011 and the sale of Flyndre Paleocene was completed 30. December 2011.

In October 2011 Noreco entered into an agreement to sell their share in the Norwegian gas field PL435 Zidane to OMV. The sale was completed on 30. December 2011.

In November 2011 Noreco entered into an agreement to sell their share in the Norwegian oil field PL148 Brynhild to Lundin. The sale was completed on 30. December 2011.

These licenses are in this report presented as Discontinued operations. This also applies for the sale in Q3 2010 of the Norwegian oil discovery Grosbeak. Consequently the comparative statement of comprehensive income has been re-presented to show the discontinued operation separately from continued operations.

(NOK 1 000)

Results of discontinued operation	Note	Q4 2011	Q4 2010	2011	2010
Revenue	1	54 335	302 996	768 289	1 307 838
Production expenses	2	(19 852)	92 650	180 123	360 941
Exploration expenses	3	1 817	6 463	19 002	19 598
Other operating expenses		-	-	702	-
Depreciations		(4 457)	82 645	145 970	339 656
Writedown		-	-	293 051	-
Finance items	5	504	(2 683)	(28 832)	(41 279)
Total Expenses		(22 996)	184 442	667 680	761 473
Results from operating activities		77 331	118 555	100 609	546 365
Income tax		44 269	71 932	129 100	306 831
Results from operating activities, net of tax		33 062	46 623	(28 491)	239 534
Gain (loss) on sale of discontinued operation		(3 882)	-	37 098	199 082
Profit (loss) for the period		29 180	46 623	8 607	438 616
Basic earnings (loss) per share		0.12		0.04	
Diluted earnings (loss) per share		0.13		0.08	

(NOK 1 000)

Cash flow from (used in) discontinued operation	Q4 2011	Q4 2010	2011	2010
Net cash used in operating activities	72 371	203 883	569 165	927 299
Net cash from investing activities	1 236 161	-	1 554 823	265 545
Net cash flows for the period	1 308 532	203 883	2 123 988	1 192 844

(NOK 1 000)

Effect of the disposal on the financial position of Noreco	2011
License and capitalised exploration expenses	(546 887)
Deferred tax assets	(160 218)
Goodwill	(336 490)
Production facilities	(1 683 251)
Financial Fixed Assets	(78 351)
Other current receivables	(78 528)
Deferred tax	837 312
Provisions for other liabilities and charges	359 782
Other current liabilities	47 637
Net assets and liabilities	(1 638 994)
Consideration received, satisfied in cash	1 554 823
Cash and cash equivalents disposed of	-
Net cash inflow	1 554 823

7 Intangible fixed assets

(NOK 1 000)	Capitalised exploration and evaluation expenses	Goodwill	Total
Acquisition cost 01.01.11	4 102 534	1 529 098	5 631 632
Additions	400 294	-	400 294
Dry well	(210 710)	-	(210 710)
Disposals	(559 544)	(335 405)	(894 949)
Transferred to asset under construction	(115 163)	-	(115 163)
Reclassified from asset for sale	1 033	11 700	12 733
Reclassified to asset for sale	-	-	-
Currency translations	43 418	21 750	65 167
Acquisition cost 31.12.11	3 661 862	1 227 143	4 889 005
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.11	125 700	36 500	162 200
Depreciations	-	-	-
Write-downs	-	294 085	294 085
Currency translations	-	24 564	24 564
Accumulated depreciation and write-downs 31.12.11	125 700	355 149	480 849
Book value 31.12.11	3 536 162	871 994	4 408 155

8 Tangible non-current assets

(NOK 1 000)	Asset under construction	Production facilities	Machinery and equipment	Total
Acquisition cost 01.01.11	121 787	5 544 383	8 207	5 674 377
Additions	747 131	186 529	-	933 661
Transferred	115 163	-	-	115 163
Disposals	(248 158)	(4 200 707)	-	(4 448 865)
Reclassified from asset for sale	542 526	73 175	-	615 701
Reclassified to asset for sale	-	-	-	-
Currency translations	62 197	1 905	9	64 111
Acquisition cost 31.12.11	1 340 646	1 605 285	8 216	2 954 148
Accumulated depreciation				
Accumulated depreciation and write-downs 01.01.11 according to annual report 2010	-	2 065 263	8 099	2 073 362
Adjustments previous years (1)	-	54 138	-	54 138
Accumulated depreciation and write-downs 01.01.11	-	2 119 401	8 099	2 127 500
Depreciation	-	387 761	26	387 787
Disposals	-	(2 460 477)	-	(2 460 477)
Write-downs	-	235 505	-	235 505
Reclassified from asset for sale	-	43 310	-	43 310
Reclassified to asset for sale	-	-	-	-
Currency translations	-	37 967	11	37 978
Accumulated depreciation 31.12.11	-	363 467	8 136	371 603
Book value at 31.12.11	1 340 646	1 241 818	80	2 582 545

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

9 Other current receivables

(NOK 1 000)	31.12.11	31.12.10
Receivables from operators relating to joint venture licenses	93 766	140 528
Underlift of oil/NGL	48 314	62 291
Financial instruments	32 915	8 831
Other receivables ¹⁾	507 585	368 034
Total other current receivables	682 580	579 684

1) NOK 354 million - estimated compensation from the shut down of the Siri area fields.

10 Interest bearing debt

(NOK 1 000)

	Nominal value	Book value at 31.12.11
Non-current interest bearing debt		
Bond loan Norwegian Energy Company ASA (NOR04)	1 179 000	1 166 081
Bond loan Norwegian Energy Company ASA (NOR05)	571 000	563 218
Bond loan Norwegian Energy Company ASA (NOR06/07)	600 000	588 526
Reserve-based loan Altinex Oil Denmark A/S	323 007	292 802
Total long-term interest bearing debt	2 673 007	2 610 627

	Nominal value	Book value at 31.12.11
Current interest bearing debt		
Exploration loan Norwegian Energy Company ASA	429 666	420 981
Bond loan Norwegian Energy Company ASA (NOR03)	475 500	472 828
Convertible bond loan Norwegian Energy Company ASA	173 000	170 516
Total short-term interest bearing debt	1 078 166	1 064 325

11 Other current liabilities

(NOK 1 000)	31.12.11	31.12.10
Liabilities to operators relating to joint venture licenses	123 078	207 766
Overlift of oil	2 164	340
Accrued interest	53 989	49 813
Other current liabilities	67 271	130 128
Total other current liabilities	246 501	388 047

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.

In each of the geographical segments, Norway, Denmark and UK, the Group has established subsidiaries.

Transactions between the geographical segments are carried out at ordinary conditions, which would have been equivalent for independent parties.

Segment assets and liabilities are reflecting balance sheet items for the Group entities in respectively countries.

Excess value is allocated to the units expected to gain advantages by the acquisition. Investments in subsidiaries, loans, receivables and payables between the companies are included in segment assets and liabilities. These are eliminated in the consolidated balance sheet.

Geographical distribution as of 31.12.2011

(NOK 1000)	Norway	Denmark	UK	Other/ elimination	Group
Total revenue	26 466	804 562	-		831 028
Net operating result	(579 326)	229 389	(269 077)	(4 599)	(623 614)
Net financial items					(438 196)
Ordinary result before tax					(1 061 810)
Gain / (Loss) on sale of discontinued operation					8 607
Income tax benefit					194 109
Net result for the period					(859 094)
Assets	5 032 293	3 026 271	3 449 346	(1 856 311)	9 651 601
Liabilities	4 399 092	1 991 894	2 096 929	(1 851 722)	6 636 194
Capital expenditures production facilities	32 910	155 850	(2 231)		186 529
Capital expenditures asset under construction	394 540	59 796	292 795		747 131
Capital expenditures exploration and evaluations	360 442	28 191	11 661		400 294
Depreciations & writedowns	82 986	617 852	216 539		917 377

Stavanger, 28. February 2012
The Board of Directors and Chief Executive Officer

Ståle Kyllingstad
Chairman

Ole Melberg
Deputy chairman

Shona Grant
Board member

Eimund Nygaard
Board member

Mona Iren Kolnes
Board member

Hilde Drønen
Board member

Arnstein Wigestrands
Board member

Lotte Kjørboe
Board member

Bård Arve Lærum
Board member

Einar Gjelsvik
CEO

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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 Kiørboe
Bård Arve Lærum

Noreco Group Management

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

Investor Relations

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

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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