



# **Noreco**

January 2012

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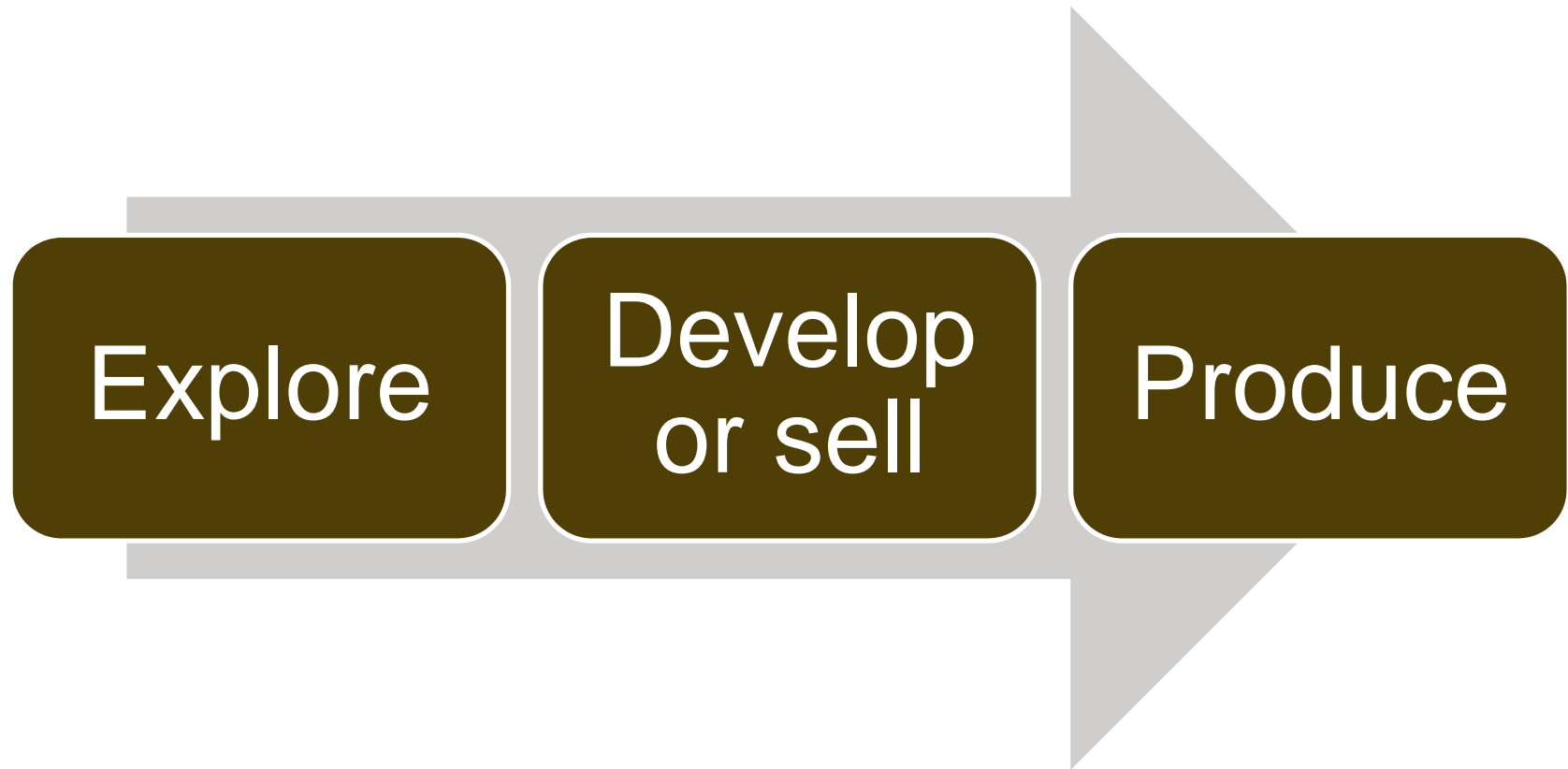
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# Noreco at a glance

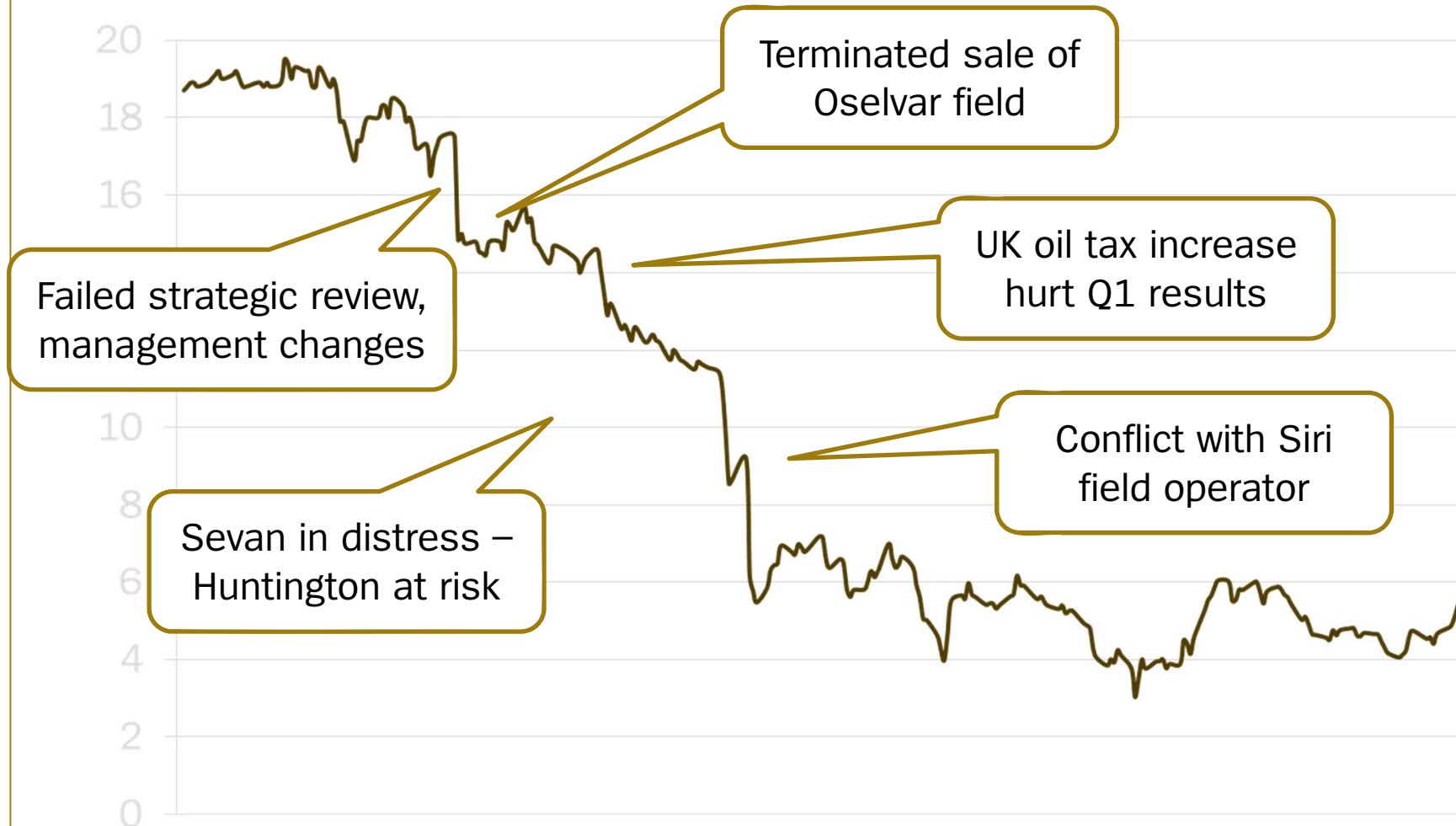
- Exploration-driven E&P company
- 12 exploration wells planned for the coming 18 months
- Production from five fields
  - 2011-H2: 3,500 boe/day
- Two field developments ongoing
  - Adding 8-9,000 boe/day in 2012
- Significant portfolio of licenses and discoveries
- Listed at Oslo Stock Exchange
  - Ticker: NOR
  - Market cap: USD 220 million



# Noreco's business model



# 2011 – a challenging year



# Repositioning the company

## Financial

- Asset sales for USD 330 mill
- Substantial reduction of investment commitments
- 20% reduction of G&A cost
- Provided funding for Oselvar following cancelled sale
- Substantial debt repayment

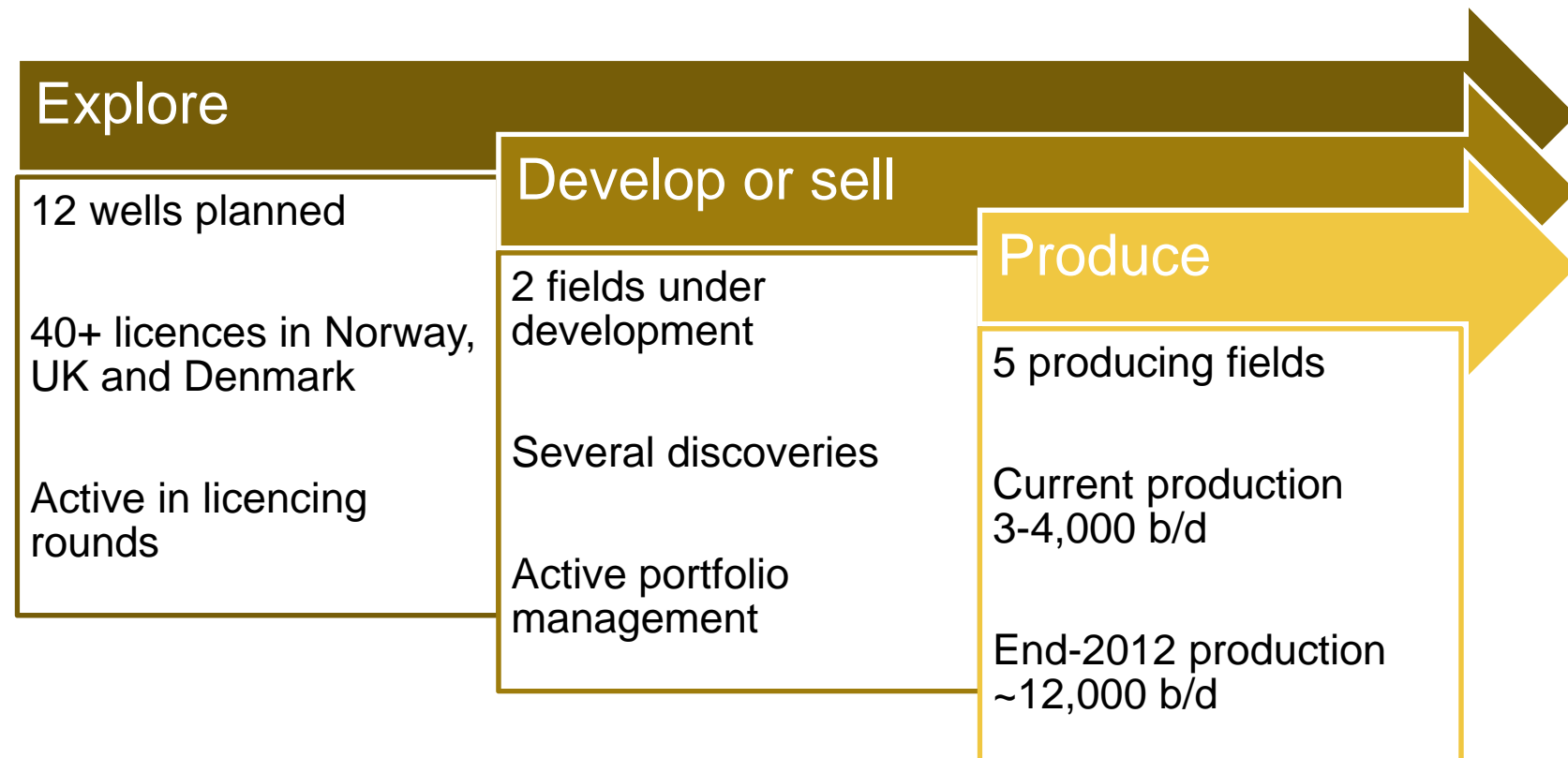
## Operational

- Main operational risks at Siri and Huntington addressed
- Oselvar development progressing in line with plan
- Focused exploration strategy
- Robust production forecasting

## Organisational

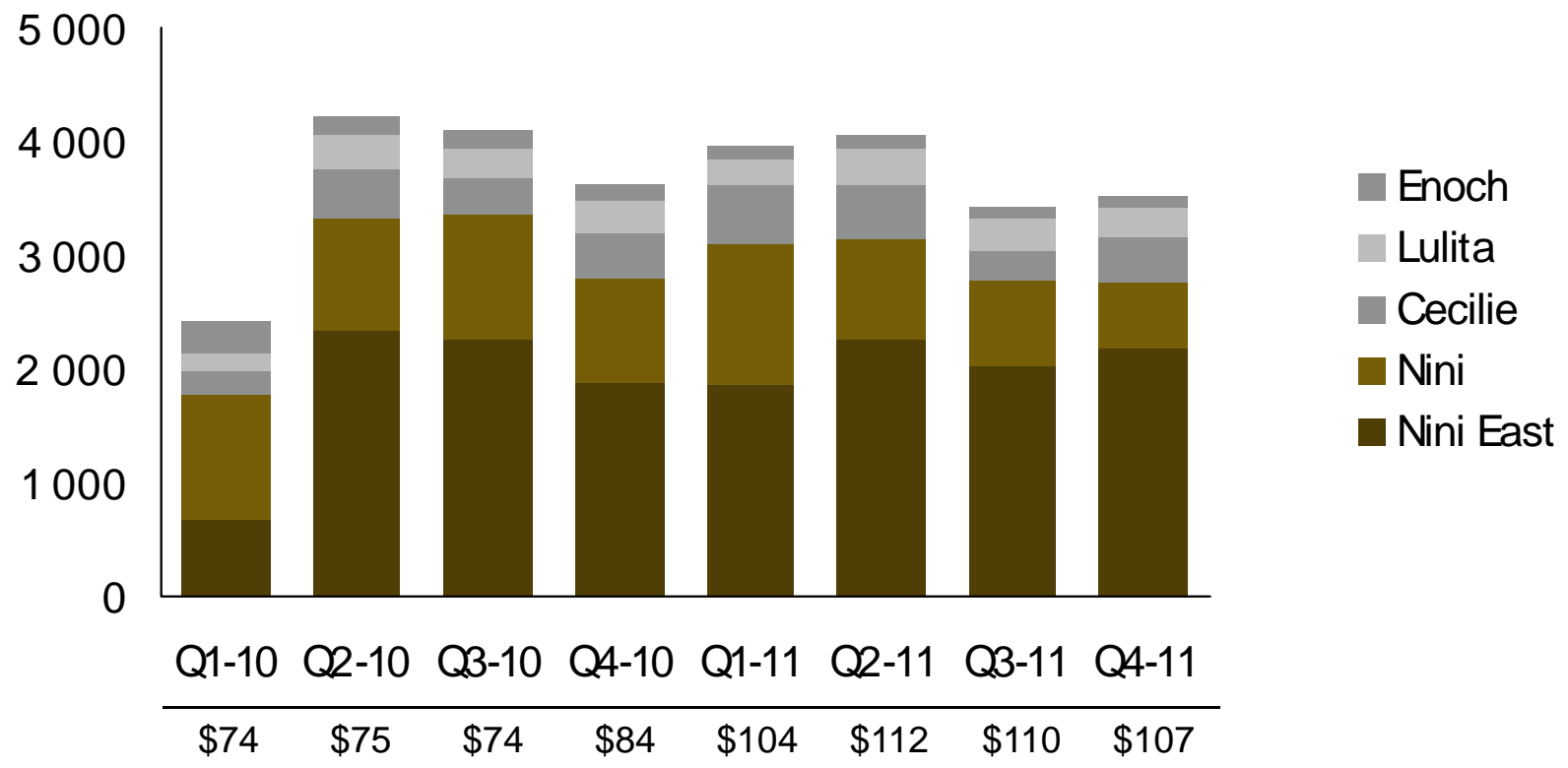
- Simplified organisational structure
- Reduced management team
- 20% reduction in staff

# Noreco – assets and activities



# Oil & gas production

boe/day net from continuing operations



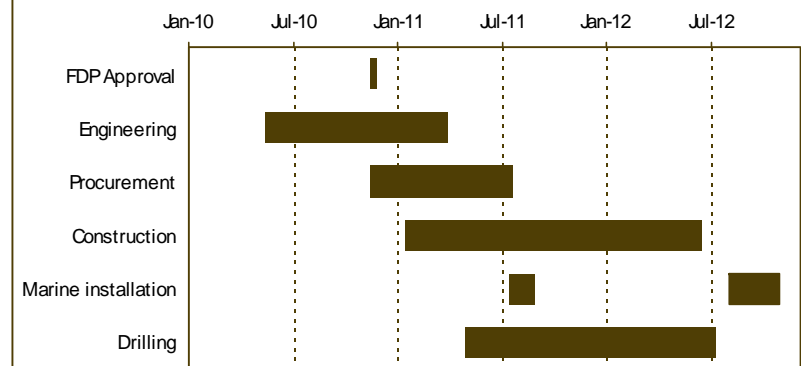
# Huntington Forties

Noreco 20%

- Drilling on schedule
  - Two production wells and one injection well completed, currently drilling third production well
- Subsea operations on schedule
  - All pipelines and structures installed
  - Only FPSO hook-up and minor construction work remaining
- FPSO upgrade ongoing
  - Teekay to finance Voyageur upgrade project and buy unit from Sevan
  - Engineering and fabrication continuing
- First oil expected second half 2012



## Indicative project schedule – to be revised



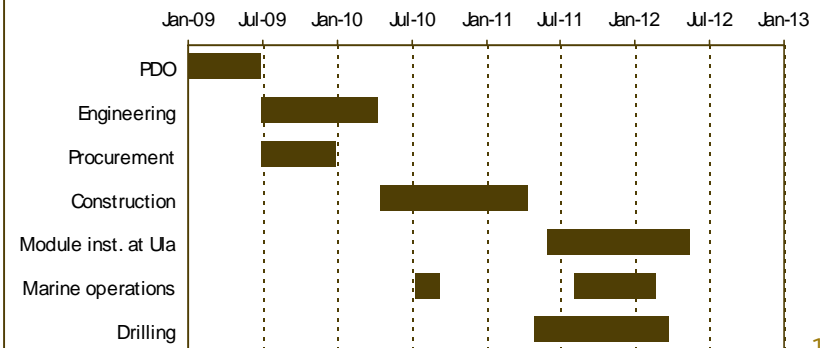
# Oselvar

Noreco 15%

- Project progressing well
  - More than 70% complete per end-2011
- Drilling ongoing
  - Second production well currently being completed
- Ula platform integration progressing well
  - More than 80% complete
- Marine operations ongoing
  - Pipeline and umbilical installed
  - Tie-in operations ongoing
- First oil expected during first half 2012



## Oselvar project schedule

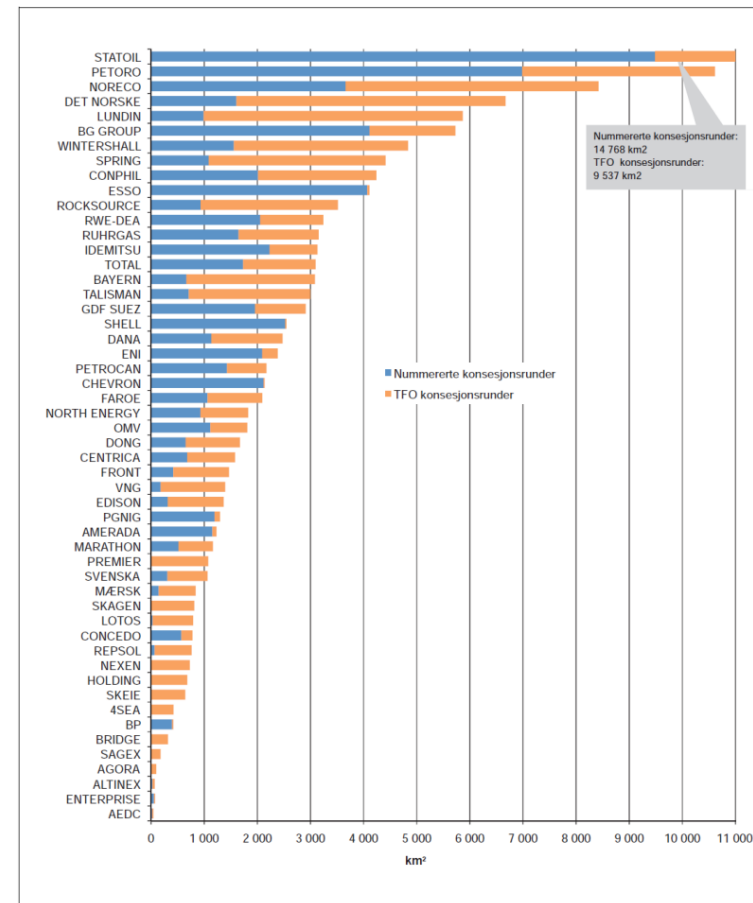


# Exploration strategy

- Active and focused exploration program from a large portfolio
  - Focus on wells that can create significant value
  - Clear entry and exit strategy for each license
  - Active risk management and highgrading of portfolio
  - Operatorship when needed to get access/influence



Licensed acreage awarded on NCS last 10 years



Source: Storting White Paper 28 (2010 – 2011)

# High impact exploration program

Prospect	License	Noreco share	Chance of success	Volume <sup>1)</sup> potential	Drilling start	Operator
Kalvklumpen	PL414	20%	35%	36-110	10 jan 2012	Det Norske
Zidane-2 <sup>2)</sup>	PL435				Q1-12	RWE
Luna	DK 1/11	47%	14%	196-490	Q1-12	Noreco
Eik	PL396	50%	28%	130-310	Q1-12	Noreco
Albert	PL519	20%	24%	280-500	H1-12	Lundin
Clapton	PL440S	12%	25%	76-194	H1-12	Faroe
Lupin	PL360	15%	10%	102-760	2012	Statoil
Jette/Sprott	PL385	20%	50%/36%	17-73/7-22	2012	Statoil
Crazy Horse	P1650	78%	21%	80-230	2012	Noreco
Scotney	P1658	44%				Suncor
Romeo	P1666	22%				Suncor
Snurrevad	PL490	20%				Lundin
Ogna	PL453S	25%				Lundin

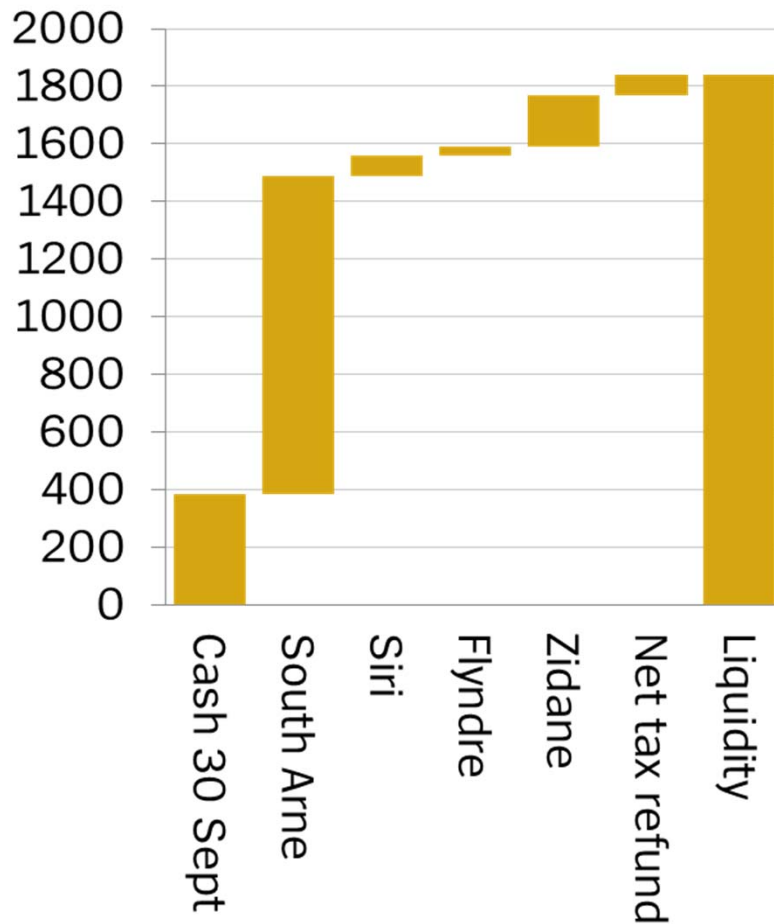
Candidates for 2012/13 drilling

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

2) Zidane-2 has been sold for a volume-dependent price, conditional upon a commercial discovery above a certain size

# Cash and liquidity

30 September 2011



- Strong cash position after asset sales
- Planned capex for Oselvar, Huntington and maintenance on other fields:
  - Q4-2011: NOK 200 mill
  - 2012: NOK 450 mill
- Insurance recovery related to the Siri caisson damages not included in these numbers

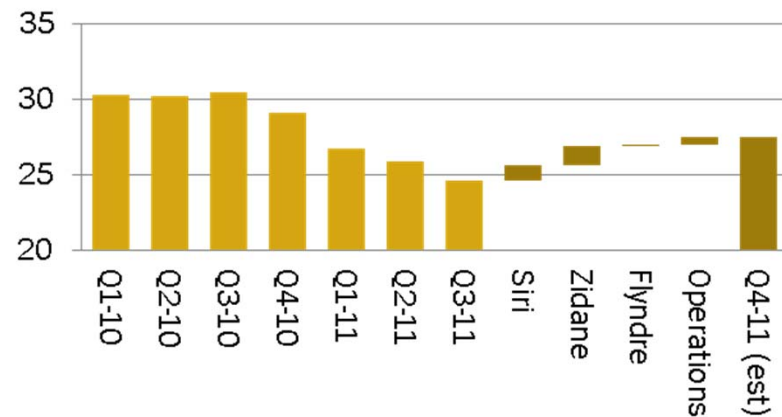
# Financial ratios

30 September 2011

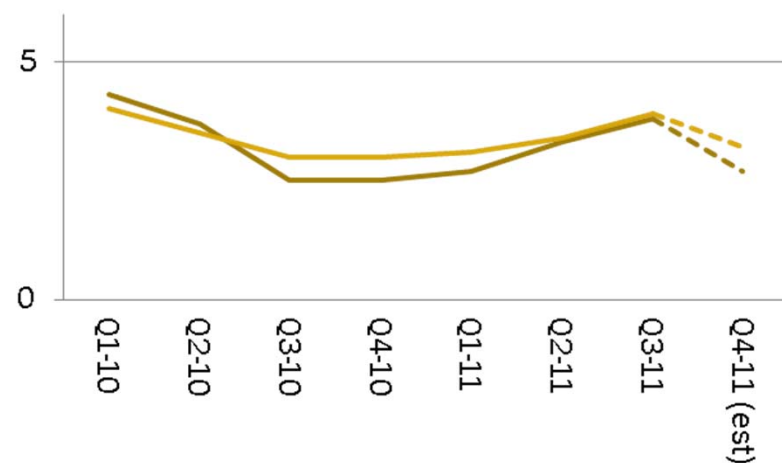


- Equity ratio 24.6%
  - Covenant limit is 25% for two consecutive quarters
  - Expecting to be well above 25% in Q4 due to positive impact from asset sales
- Gearing ratio 3.8/3.9
  - Well within limits (<5)
  - Expecting a significant improvement in Q4 due to reduction in net debt

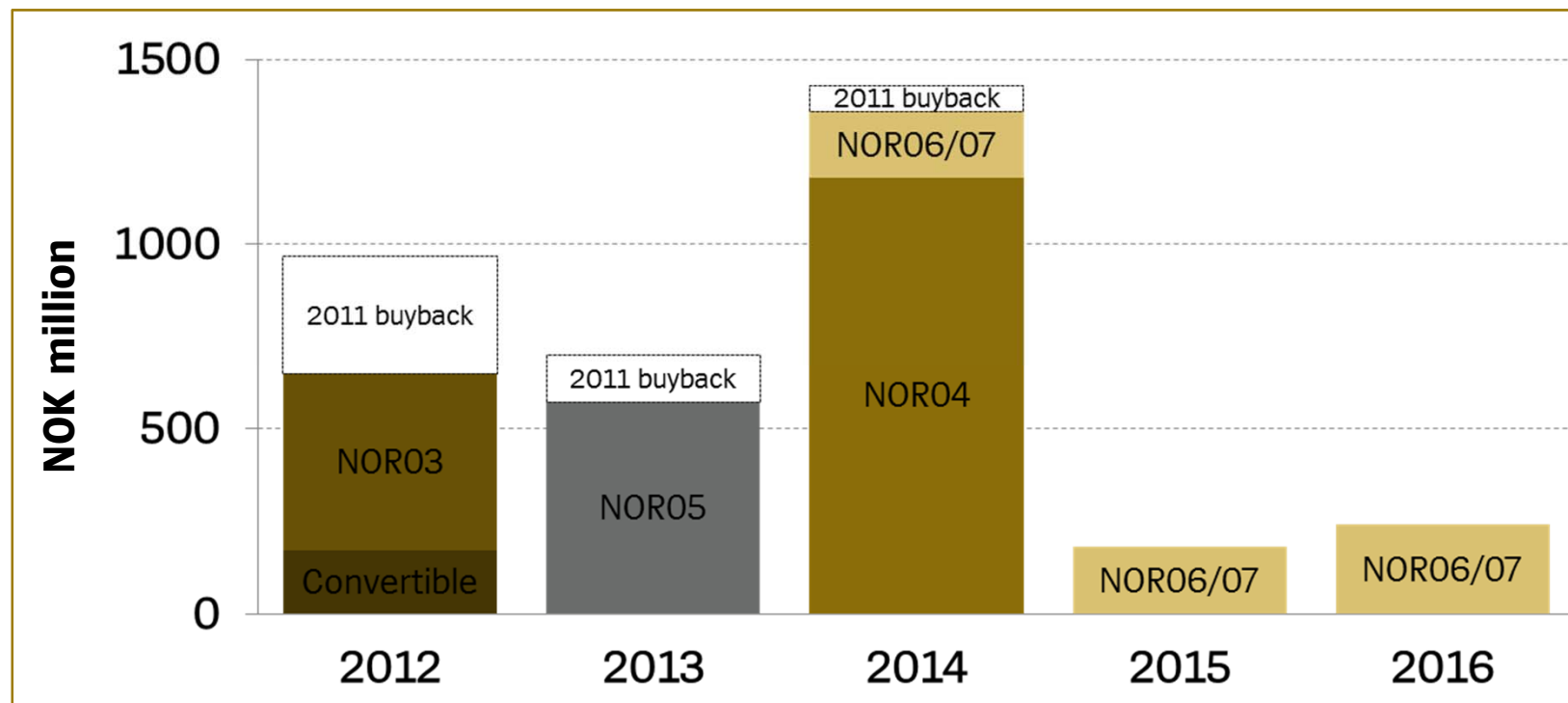
**Equity ratio (percent)**



**Gearing ratio**



# Bond debt profile



Bond	Outstanding	Due	Terms
Convertible	NOK 173 mill	11 May 2012	6 % fixed, unsecured
NOR03	NOK 475.5 mill	20 Nov 2012	3m NIBOR + 7.9 %, pledge in shares in subsidiaries
NOR04	NOK 1,179 mill	20 Nov 2014	12.9 % fixed, pledge in shares in subsidiaries
NOR05	NOK 571 mill	6 Dec 2013	3m NIBOR + 8 %, unsecured
NOR06/07	NOK 600 mill	27 April 2016	10.25 % fixed / 3m NIBOR + 6 %, pledge in Oselvar field

# Strategy and way forward



Noreco's vision is to build a leading independent oil and gas company in the greater North Sea

Create significant value through exploration

Monetize value through developments and sales

Build production base to fund growth



**Additional information**

# Income statement

Third quarter 2011



NOK million	Q3-11	Q2-11	Q3-10	Comments
<b>Total revenues</b>	<b>194</b>	<b>227</b>	<b>177</b>	
Production expenses	57	59	51	Production irregularities on Siri
Exploration and evaluation expenses	103	84	87	
Payroll and other operating expenses	80	74	69	Demanning cost NOK 16 m
<b>EBITDA</b>	<b>(45)</b>	<b>10</b>	<b>(30)</b>	
Depreciation and write-downs	287	64	113	Goodwill write-down NOK 230 m
<b>EBIT</b>	<b>(333)</b>	<b>(54)</b>	<b>(143)</b>	
Net financial items	(106)	(118)	(112)	
<b>EBT</b>	<b>(439)</b>	<b>(172)</b>	<b>(255)</b>	
Tax	(46)	(89)	(196)	
<b>Net result continued operations</b>	<b>(393)</b>	<b>(83)</b>	<b>(60)</b>	
Profit/(loss) discontinued operations	(2)	(75)	227	Siri, South Arne and Hyme
<b>Net result for the period</b>	<b>(395)</b>	<b>(158)</b>	<b>167</b>	

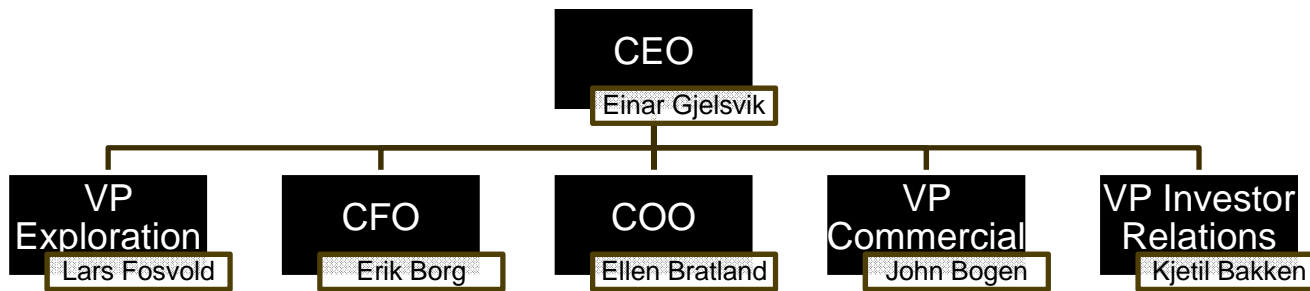
# Balance sheet

30 September 2011



NOK million	30.09.2011	30.06.2011	
<b>Assets</b>			
Non-current assets	8 295	9 480	
Current assets	3 065	1 917	NOK 1.1 bn relates to sale of South Arne
Cash	387	819	
<b>Total assets</b>	<b>11 747</b>	<b>12 216</b>	
<b>Equity and liabilities</b>			
<b>Total equity</b>	<b>2 884</b>	<b>3 165</b>	
Long-term liabilities	7 061	7 764	Debt repayments NOK 370 m (bonds+RBL)
Current liabilities	1 801	1 286	Convertible bond reclassified to current
<b>Total liabilities</b>	<b>8 862</b>	<b>9 051</b>	
<b>Total equity and liabilities</b>	<b>11 747</b>	<b>12 216</b>	

# Organisation



# Asset sales for \$330m

