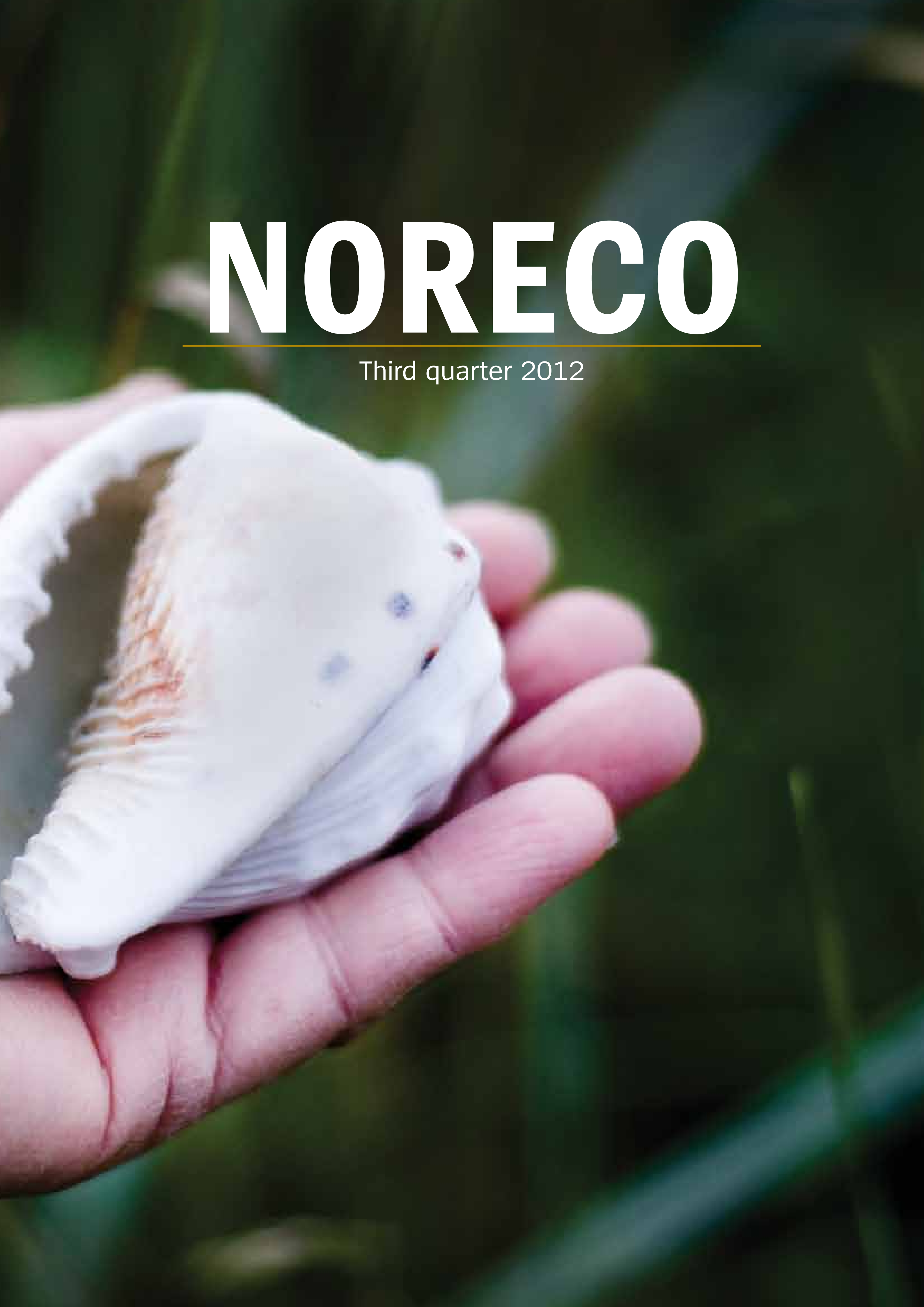
NORECO

Third quarter 2012



Report for the third quarter 2012

Norwegian Energy Company ASA

Report for the third quarter 2012

Norwegian Energy Company ASA

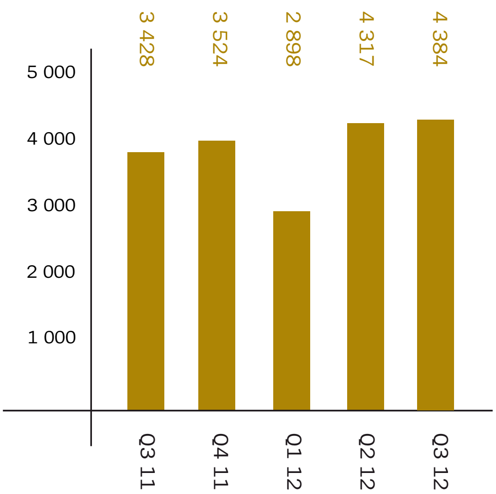
HIGHLIGHTS THIRD QUARTER 2012

- High exploration activity – one dry well
- Produced 4,384 barrels oil equivalents (boe) per day
- Realised oil price USD 102 per boe
- Huntington production start delayed to first quarter 2013
- Low production from Oselvar, writedown of NOK 48 million after tax

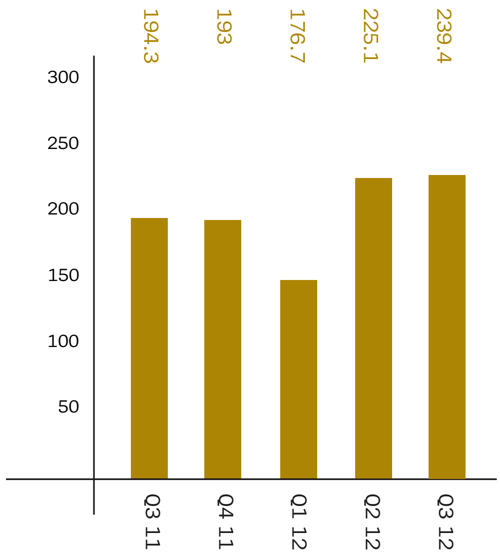
KEY FIGURES

	Q3-12	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11
Net realised oil price (cont ops) *(USD/boe)*	102.1	97.2	116.0	107.4	109.9	112.6
EBITDA (cont ops) *(NOK million)*	(31.6)	(86.5)	(185.2)	11.7	(8.6)	(34.9)
Net results *(NOK million)*	(242.8)	(92.9)	(150.9)	(11.2)	(395.2)	(157.5)
Total assets *(NOK billion)*	9.2	10.0	9.7	9.6	11.7	12.2

Production *(boed)*



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



GROUP FINANCIALS

The Noreco Group had revenues of NOK 240 million in the third quarter 2012, an increase of 23 percent compared to third quarter 2011 for continued operations.

Production in the third quarter was 4,384 boe per day, up from 3,428 boe per day for the same period last year (excluding divested fields). The achieved average oil, gas and NGL price adjusted for the cost and income from put options expiring in the third quarter was USD 102 per boe, compared to USD 110 per boe in the third quarter 2011.

Production expenses in third quarter were NOK 63 million, compared to NOK 57 million from the same quarter last year for continued operations.

Exploration and evaluation expenses amounted to NOK 162 million, of which NOK 88 million related to the Albert well, which was completed before the reporting date.

Payroll expenses were NOK 22 million in the third quarter, down from NOK 51 million in the third quarter last year. This was driven by a lower number of employees, and a reversal of accruals from previous periods. Other operating expenses were NOK 24 million for the third quarter, representing a cost reduction of around 20 percent compared to third quarter last year.

EBITDA (earnings before interest, tax, depreciation and write-downs) in third quarter 2012 amounted to a loss of NOK 32 million, compared to a loss of NOK 45 million in the third quarter 2011 from continued operations.

Depreciation amounted to NOK 80 million in the third quarter, up from NOK 57 million for the corresponding periods last year. The increase is related to Oselvar, which started production in April this year.

Write-downs amounted to NOK 323 million for the third quarter before tax. The write-downs are related to the producing fields Oselvar and Enoch, and impaired goodwill allocated to the company's activities in Norway. The write-downs amount to NOK 235 for the producing fields, and NOK 88 million for goodwill. The write-downs of the producing fields are based on best estimate for future production profile.

The impact of the write-downs on the net result is offset by a corresponding change in deferred tax which amounts to NOK 181 million. Consequently, the net negative impact is NOK 54 million on the net income for the period.

Net financial items came in at NOK -126 million for the third quarter, up from NOK -106 million for the same period last year. Income tax benefit amounted to NOK 318 million for third quarter, strongly impacted by tax deductions for exploration expenses in Norway and changes in deferred tax. Net result for the third quarter was a loss of NOK 243 million, compared to a loss of NOK 393 million for the third quarter 2011 for continued operations.

Noreco uses oil put options to protect part of 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 September 30, 2012 was NOK 11 million, recorded as other current receivables in the balance sheet.

At the end of second quarter Noreco had cash and cash equivalents of NOK 444 million. During the third quarter, the company repaid NOK 108 million of the reserve based loan (RBL) facility. Undrawn credit under the company's reserve-based bank facility amounted to NOK 467 million at the end of the quarter. During October 2012 the RBL facility is reduced by NOK 245 million.

Noreco completed several financial transactions in September and October to strengthen the financial position and create a robust financial outlook. The company on 28 September 2012 placed a NOK 400 million equity issue, followed by the placement of a NOK 300 million bond loan with maturity in December 2013. At the same time, the company entered into an agreement with bond holders regarding covenant waivers for the company's existing bond loans. The transactions were made mutually dependent. The final approval was given in an extraordinary general meeting on 26 October 2012.

DISCUSSIONS WITH THE NFSA

The Financial Supervisory Authority of Norway (the NFSA) has as part of its supervision of listed companies initiated a review of Noreco's annual financial statements for 2011. The NFSA has raised certain specific issues with respect to the 2011 financial statements, issues which are currently subject to on-going discussions with the Company.

The key issues being discussed are related to the goodwill arising from the acquisition of Altinex ASA in 2007 and the allocation of such goodwill to the assets disposed of by Noreco in 2011, as well as the booking and valuation of suspended wells and presentation of discontinued operations. The amount of contested goodwill allocation is not clear, but could have an estimated impact on book equity in the range of NOK 30 to 200 million. The potential effect on the accounts of any reassessment of suspended wells is difficult to estimate at this stage. None of the issues being discussed with the NSFA will, however, have any cash effects.

The annual financial statements for 2011 were audited and an unqualified audit opinion was issued by the Company's independent auditor, and the NFSA's review has not uncovered any significant matters not previously considered by the Company and its auditor.

Noreco is of the opinion that accounting principles in compliance with IFRS have been used. The NFSA's preliminary assessment of the matters is however that they do not agree with the methods used, and as IFRS in several areas are judgmental, the discussion with the NFSA may thus result in the Company reassessing the book value of its goodwill, licenses and capitalised exploration expenses going forward, and possibly corresponding amendments to its comparative historical accounts. The issues being discussed have no cash effects, but certain covenants in Noreco's bond loans may be impacted by writedowns of equity. Noreco has obtained consent to an allowance from bondholders in the event that such write-downs should occur. The allowance will entail adjusting for any potential write-downs related to goodwill and suspended wells limited upwards to NOK 600 million (after tax) which is then included in the calculation of the book equity ratio by adding the actual write-down amount to the calculation of equity and total assets.

The on-going discussions are expected to be finalised before reporting of the fourth quarter, and any possible impacts will be adjusted for in the figures in the annual report for 2012, and in the report for the forth quarter.

GROUP STRUCTURE

Siri Holdings Ltd and Altinex ASA are guarantors for the bond loan NOR04 issued by Noreco. 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.

REORGANISATION

Noreco has initiated a plan to simplify and optimise the legal structure of the group.

Noreco is today both a holding company for a large number of entities in several jurisdictions, and an operating company for a significant part of the group's activities in Norway. The current group structure is a result of several acquisitions and disposals, and has over time proved to be suboptimal. The Company is therefore, as indicated in the second quarter report, preparing a reorganisation to achieve a more appropriate group structure.

The key objectives of this reorganisation are to transform Noreco to a pure holding company, with all operational activities being continued in wholly owned subsidiaries, and thereafter seek to reduce the number of subsidiaries and over time targeting single operating entities for each jurisdiction. Such reorganisation will provide for a more appropriate structure, and be favourable both from risk management, financial, flow of funds and fiscal perspectives, and position Noreco for continued growth of its core business.

The Noreco group's activities, plans and strategy will remain unaffected by the reorganisation. The organisational structure will be unchanged, and the reorganisation will not have any negative consequences for the employees.

The planned reorganisation will lead to the parent company, Norwegian Energy Company ASA, discontinuing its direct petroleum activities liable for special tax within the meaning of the Norwegian Petroleum Taxation Act. As a consequence, Noreco may claim payment from the Norwegian government of the tax value of its uncovered losses pursuant to the Norwegian Petroleum Taxation Act section 3(c)(4). As at 31 December 2011, this tax value amounted to NOK 569 million. This amount will increase with the tax value of losses in 2012, resulting in an expected tax value in the range of NOK 650 million to NOK 700 million. The tax refund will be payable at the end of the year following the year of discontinuance of petroleum activity in the parent company. The right to such refund has been confirmed by an advance tax ruling from the Norwegian Petroleum Taxation Board (Oljeskattenemnda).

The first step in this respect will be the transfer of the remaining license participation rights on the Norwegian continental shelf currently held by Noreco itself to its 100% (indirect) owned subsidiary Noreco Norway AS (formerly Altinex Oil Norway AS). This transfer will in addition to such licenses include all related assets, contracts and personnel, and is, subject to relevant conditions being fulfilled, contemplated to be done with an effective date of 31 December 2012. Following completion of the transfer, Noreco Norway AS will become the owner of all the group's licenses on the Norwegian Continental Shelf.

On 29 October 2012, Noreco received approval from the Norwegian Ministry of Petroleum and Energy regarding the transfer of all production licences and operatorships from Noreco to Noreco Norway AS. It is expected that such transfers will be done with effect from year end 2012, and that the Company's direct petroleum activities will be discontinued by the end of 2012.

PRODUCING FIELDS

Noreco's production in third quarter 2012 was on average 4,384 boe per day.

Production at the Nini East, Nini and Cecilie fields was stable. Production from the Lulita field in third quarter was influenced by planned maintenance at Harald and Tyra, while the Enoch field remained shut in due to maintenance work on a subsea valve.

The development of the Oselvar field in licence PL274 in Norway is now completed. Noreco owns 15 percent of the field and DONG Energy is the operator. All three production wells are now available for production, but the production level has so far been significantly lower than expected. Work is underway to find the reason for the weak production and to identify possible improvement measures.

Production from Oselvar was shut down on 12 September 2012 following an incident involving leak of hydrocarbons on the host platform Ula. Ula was restarted on 17 November, and preparations are currently underway for restarting Oselvar.

DEVELOPMENTS AND DISCOVERIES

The FPSO Voyageur Spirit has been on location at the Huntington field in the UK North Sea since 3 October 2012. Hook-up of risers, and completion and commissioning of the FPSO is now taking place. The exact timing of the start-up activities is dependent upon i.a. weather conditions, and the expected timing of first oil has been moved from fourth quarter 2012 to first quarter 2013. Noreco has 20 percent interest in Huntington, which is operated by E.ON.

On the 9/95 Maja and 9/06 Gita licences in Denmark (Noreco 16,4 percent in Maja and 12 percent in Gita), well planning has started in the Maja license with the aim to drill the Gita South prospect at the end of 2013 / beginning of 2014.

EXPLORATION

Drilling of the Albert well in licence PL519 was resumed in August after the rig Bredford Dolphin had completed its yard stay. The well encountered oil in three reservoir formations, however none of these are considered commercial. The Triassic hydrocarbon bearing section came in as expected from previous drilling on the block, but it appears to be tight as was also the case for the original discovery well on the structure. The small oil discovery in the Paleocene Lista level gives cause for optimism for further Paleocene/Tertiary exploration in the area, but it is perhaps the oil discovery in the Cretaceous which is the most interesting. Further geoscience studies are required to establish if this can be developed into a commercial discovery and hence a target for appraisal drilling. The Albert well was plugged and abandoned by mid October.

Noreco is currently participating in three exploration wells, PL385 Jette, PL490 Snurrevad, and UK P1666 Romeo. Results are expected during the fourth quarter 2012.

Other exploration activities include the completion of a 3D seismic survey on PL639 in the Northern North Sea and the completion of a site survey on PL484 in preparation for drilling the Verdande well in 2014.

BUSINESS DEVELOPMENT

The agreement with DONG for the sale of Noreco's 40 percent share of the Danish license 7/06 containing the Rau discovery was completed in August. Noreco will receive USD 1.5 million upon approval of field development. A development of Rau may also benefit Noreco through the system of sharing operating costs at the Siri host facilities.

HEALTH, SAFETY, ENVIRONMENT AND QUALITY

Noreco has not been operating drilling operations in third quarter 2012. There have been no significant accidents or incidents reported in third quarter.

ORGANISATION

By the end of the third quarter 2012 Noreco had 66 employees.

OUTLOOK

Noreco expects a significant production growth as a result of the start-up of the Huntington field, which alone is expected to contribute with around 6,000 boe per day to the company after a start-up period. The planned repairs of the Siri platform, combined with weather related operational restrictions, are however expected to cause some reduced regularity for the production from Nini East, Nini and Cecilie in the coming quarters. At the Oselvar field the production prognosis are uncertain and work is underway to find the reason for the weak production and to identify possible improvement measures.

Noreco's exploration programme currently consists of 10 wells, of which three are currently being drilled. The next wells are expected to be drilled over the next two years. The exact timing of each well is subject to rig schedules and decisions in each licence. The drilling programme and assets may also change due to acquisitions or divestments of licences.

The company continues to progress an insurance claim which is 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 exceeds NOK 2 billion, of which NOK 336 million is recorded as a current receivable per 30 September 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 satisfactory manner.

Consolidated statement of comprehensive income

All figures in NOK 1 000	Note	Q3 2012	Q3 2011	YTD 2012	YTD 2011	2011
Continued operation						
Revenue	1	239 444	194 309	641 236	638 004	829 438
Other revenue	1	(21)	-	22 943	-	1 590
Total revenues	1	239 422	194 309	664 179	638 004	831 028
Production expenses	2	62 908	56 929	181 600	171 918	271 434
Exploration and evaluation expenses	3	162 242	102 548	718 690	389 326	408 199
Payroll expenses	4	21 788	50 703	93 900	145 241	163 396
Other operating expenses	4	23 950	29 572	81 113	101 412	133 258
Loss on sale of licenses		194		194	-	
Total operating expenses		271 082	239 752	1 075 496	807 897	976 287
Operating results before depreciation and amortisation (EBITDA)		**(31 659)**	**(45 443)**	**(411 317)**	**(169 893)**	**(145 258)**
Depreciation	7,8	80 113	57 456	212 343	182 520	241 817
Write-downs	7, 8	323 239	230 000	323 239	230 000	236 539
Net operating result (EBIT)		**(435 011)**	**(332 899)**	**(946 899)**	**(582 413)**	**(623 614)**
Net financial items	5	(126 068)	(106 298)	(352 055)	(328 965)	(438 196)
Ordinary result before tax (EBT)		**(561 079)**	**(439 197)**	**(1 298 954)**	**(911 378)**	**(1 061 810)**
Income tax benefit		318 295	46 044	812 382	71 846	194 109
Net result continued operation		**(242 784)**	**(393 152)**	**(486 572)**	**(839 532)**	**(867 701)**
Discontinued operation						
Profit (loss) from discontinued operation (net of income tax)	6	-	(2 096)	-	(8 372)	8 607
Net result for the period		**(242 784)**	**(395 248)**	**(486 572)**	**(847 903)**	**(859 094)**
Net result for the period		(242 784)	(395 248)	(486 572)	(847 903)	(859 094)
Other comprehensive income:						
Other changes		(15 395)	6 196	(9 189)	6 999	9 148
Currency translation adjustment		(164 886)	85 946	(167 329)	23 968	165 737
Total comprehensive net result for the period		(423 065)	(303 106)	(663 090)	(816 936)	(684 208)
Earnings per share (NOK)						
Basic		(1.00)	(1.62)	(2.00)	(3.48)	(3.52)
Diluted		(1.00)	(1.62)	(2.00)	(3.48)	(3.52)
Earnings per share - continued operation						
Basic		(1.00)	(1.61)	(2.00)	(3.45)	(3.56)
Diluted		(1.00)	(1.61)	(2.00)	(3.45)	(3.56)

Consolidated statement of financial position

All figures in NOK 1 000	Note	30.09.12	31.12.11	30.09.11
Non-current assets				
License and capitalised exploration expenses (1)	7	1 896 569	2 081 428	2 544 840
Deferred tax assets		757 232	605 596	589 674
Goodwill	7	741 034	871 994	931 505
Production facilities (1)	8	3 867 088	4 037 279	3 747 428
Tax refund		454 838	-	481 106
Total non-current assets		**7 716 762**	**7 596 296**	**8 294 552**
Current assets				
Assets held for sale		-	-	570 357
Accounts receivable		25 542	177 961	125 535
Tax refund		504 813	506 056	702 968
Other current receivables	9	497 332	682 580	1 666 448
Bank deposits, cash and cash equivalents		443 670	688 708	386 867
Total current assets		**1 471 358**	**2 055 305**	**3 452 175**
Total assets		**9 188 120**	**9 651 601**	**11 746 727**
Equity				
Share capital		755 913	755 913	755 913
Other equity		1 606 648	2 259 494	2 128 516
Total equity		**2 362 562**	**3 015 407**	**2 884 429**
Provisions and other non-current liabilities				
Deferred tax		1 832 001	2 191 290	2 663 439
Provisions for other liabilities and charges		325 152	308 480	307 374
Bond loan	10	2 519 154	2 317 825	2 993 297
Other interest bearing debt	10	788 600	292 802	1 097 227
Total provisions and other non-current liabilities		**5 464 907**	**5 110 398**	**7 061 337**
Current liabilities				
Liabilities/debt held for sale		-	-	379 610
Other interest bearing debt	10	904 249	1 064 325	947 276
Trade payables		19 317	25 627	26 369
Current tax payable		190 955	180 409	12 319
Public duties payable		1 861	8 934	3 413
Other current liabilities	11	244 270	246 501	431 973
Total current liabilities		**1 360 651**	**1 525 796**	**1 800 961**
Total liabilities		**6 825 558**	**6 636 194**	**8 862 298**
Total equity and liabilities		**9 188 120**	**9 651 601**	**11 746 727**

(1) See description of reclassification adjustments regarding comparable figures in the accounting principles note.

Consolidated statement of changes in equity

All figures in NOK 1 000	Share capital	Share premium fund	Currency translation fund	Other equity	Total equity
Equity at 1.1.2012	**755 913**	**2 504 407**	**142 676**	**(387 589)**	**3 015 407**
Comprehensive income(loss) for the period (net of tax)					
Net result for the period				(486 572)	(486 572)
Currency translation adjustments			(167 329)		(167 329)
Other changes				(9 189)	(9 189)
Total comprehensive income(loss) for the period	**-**	**-**	**(167 329)**	**(495 761)**	**(663 090)**
Transactions with owners					
Share-based incentive program				10 245	10 245
Total transactions with owners for the period	**-**	**-**	**-**	**10 245**	**10 245**
Equity at 30.9.2012	**755 913**	**2 504 407**	**(24 653)**	**(873 105)**	**2 362 562**

Consolidated statement of cash flows

All figures in NOK 1 000	YTD Q3 2012	YTD Q3 2011
Net result for the period	(486 572)	(449 552)
Tax expenses	(812 382)	(189 245)
Adjustments to reconcile net income before tax to net cash flows provided by operating activities:		
(Tax paid) / Tax refunded	(22 247)	(126 412)
Depreciation and writedowns	535 582	582 413
Expensed exploration expenditures previously capitalised	553 736	210 824
Share-based payments	10 245	12 105
(Gain) / Loss on sale of licenses	(22 943)	-
(Gain) / Loss on sale of discontinued operation	-	(40 980)
Effect of changes in exchange rates/other effects equity	(3 442)	53 867
Net financial items	352 055	328 965
Other items with no cash impact	-	4 500
Change in working capital		
Changes in accounts receivable	152 418	82 920
Changes in trade payables	(6 310)	(59 691)
Changes in other current balance sheet items	115 786	103 837
Net cash flow from operations	**365 927**	**513 553**
Cash flows from investing activities		
Proceeds from sale of discontinued operations	-	318 537
Purchase of tangible assets	(433 469)	(763 417)
Purchase of intangible assets	(412 988)	(385 290)
Net cash flow from investing activities	**(846 457)**	**(830 170)**
Cash flows from financing activities		
Issue of share capital	-	14 399
Proceeds from issuance of long term debt	974 948	593 154
Repayment of long term debt	(255 802)	(270 000)
Repayment of short term debt	(173 000)	(207 571)
Interest paid	(310 653)	(318 980)
Net cash flow from (used in) financing activities	**235 493**	**(188 997)**
Net change in cash and cash equivalents	**(245 038)**	**(505 615)**
Cash and cash equivalents at start of the year	688 708	892 482
Cash and cash equivalents at end of the quarter	**443 670**	**386 867**

Notes

to the quarterly consolidated financial statements

ACCOUNTING PRINCIPLES

For full description of the group's accounting principles we refer to the financial statements for 2011

Basis for preparation
The consolidated interim financial statement for the third 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 Interim Financial Reporting and The Norwegian Securities Trading Act § 5 – 6.

All of the new and amended standards that were issued during 2011, with effective adoption date for Noreco's financial statements in 2013, have been evaluated. There is no new standard that will have a material impact on the group's financial statements, however the change of IAS 19R - Employee benefits which will make the currently applied corridor principle for accounting of pension obligations to laps. The impact of this change is estimated to approximately NOK 5 million before tax.

The consolidated 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).

The condensed interim financial statements are unaudited.

Share capital
There has been no change to the capital in this quarter. The share capital as per 30.09.2012 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 the 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 the maximum marginal tax rate for oil and gas companies are 70 percent, but at current oil price level the Danish subsidiaries will not be in a position where they have to pay the extra petroleum tax.

The deferred tax liabilities and deferred tax assets are based on the difference between book value and tax value of assets and liabilities.

Goodwill
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 are 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 deferred tax liability.

Goodwill is, according to IFRS, not amortised, but is subject to impairment testing.

Reclassification
In second quarter, previously capitalised exploration and evaluation expenditures in connection with Cortina well was expensed as a consequence of reaching the conclusion that the discovery was non-commercial. This was presented as a write-down in the statement of comprehensive income; however it should have been classified as an exploration expense in accordance with the group's accounting principles. This is adjusted in the YTD figures for the nine month period. The reclassification amounts to NOK 108 million. This reclassification does not impact any of Noreco's covenant calculations.

The book values of Licence and capitalised exploration expenses and Production facilities as of 31.12.2011 and 30.09.2011 have been adjusted for a reclassification from Licence and capitalised exploration expenses to Assets under construction of the aquisition costs and additions relating to the Forties discovery on licence P1114 Huntington. For further details, see note 7 and 8.

1 Revenue

(NOK 1 000)	Q3 2012	Q3 2011	YTD 2012	YTD 2011
Continued operation				
Sale of oil	230 422	195 522	629 048	640 710
Sale of gas and NGL	12 823	2 166	25 744	6 534
Revenue from oil price hedging		-	-	-
Cost from oil price hedging (1)	(3 801)	(3 379)	(13 557)	(9 239)
Other revenue (2)	(21)	-	22 943	-
Total revenue continued operation	239 422	194 309	664 179	638 004
Total revenue discontinued operation	-	103 100	-	713 954
Total revenue	239 422	297 409	664 179	1 351 958

(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)	Q3 2012	Q3 2011	YTD 2012	YTD 2011
Continued operation				
Direct production expenses	39 509	34 029	119 718	98 958
Duties, tariffs, royalties	13 295	13 110	41 015	44 031
Other expenses	10 104	9 790	20 866	28 930
Total production expenses continued operation	62 908	56 929	181 600	171 918
Total production expenses discontinued operation	-	50 304	-	199 975
Total production expenses	62 908	107 233	181 600	371 893

3 Exploration and evaluation expenses

(NOK 1 000)	Note	Q3 2012	Q3 2011	YTD 2012	YTD 2011
Continued operation					
Acquisition of seismic data, analysis and general G&G costs		55 416	53 857	67 120	106 251
Exploration wells capitalised in previous years		5 904	-	172 666	5 588
Dry exploration wells this period		61 896	(4 787)	381 070	205 236
Other exploration and evaluation costs		39 026	53 478	97 834	72 251
Total exploration and evaluation costs continued operation		162 242	102 548	718 690	389 326
Total exploration and evaluation costs discontinued operation		-	942	-	4 260
Total exploration and evaluation costs		162 242	103 490	718 690	393 586
The exploration organisation's share of Noreco's total payroll expenses and other operating expenses amounts to:		16 094	23 509	67 015	72 861

4 Payroll expenses & Other operating expenses

(NOK 1 000)	Note	Q3 2012	Q3 2011	YTD 2012	YTD 2011
Payroll expenses		21 788	50 703	93 900	145 241
Other operating expenses		23 950	29 572	81 113	101 412
Total payroll expenses & other operating expenses continued operation		45 738	80 275	175 013	246 653
Total payroll expenses & other operating expenses discontinued operation	6	-	350	-	702
Total payroll expenses & other operating expenses		45 738	80 626	175 013	247 355
Hereof the exploration organisation accounts for the following expenses		16 094	23 509	67 015	72 861

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	Q3 2012	Q3 2011	YTD 2012	YTD 2011
Interest income	2 154	6 888	12 533	17 138
Other financial income	5 066	43 098	51 472	78 882
Total financial income	7 220	49 986	64 005	96 020

Financial expenses	Q3 2012	Q3 2011	YTD 2012	YTD 2011
Interest expense from bond loans	84 705	91 287	250 245	260 590
Interest expense from convertible loan	-	3 278	3 697	9 833
Interest expense from other non-current liabilities	4 721	10 540	16 032	31 803
Interest expense from exploration loan	9 955	10 497	23 282	31 289
Capitalised interest expenses	-	(10 175)	(11 280)	(25 639)
Amortisation from loan costs	11 047	10 631	33 886	32 043
Imputed interest from abandonment provisions	6 871	6 153	20 258	18 646
Interest expenses current liabilities	16	914	391	3 340
Other financial expenses	15 973	33 160	79 549	63 081
Total financial expenses	133 288	156 284	416 060	424 985
Net financial items continued operation	(126 068)	(106 298)	(352 055)	(328 965)
Net financial items discontinued operation	-	(6 717)	-	(29 348)
Net financial items	(126 068)	(113 015)	(352 055)	(358 313)

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.

The Financial Supervisory Authority of Norway (the NFSA) has as part of its supervision of listed companies initiated a review of Noreco's annual financial statements for 2011. The NFSA has raised certain specific issues with respect to the 2011 financial statements, issues which are currently subject to on-going discussions with the Company.

One of the issues being discussed is the presentation of discontinued operations. NFSA is of the opinion that none of the assets sold qualifies for presentation as a discontined operation. The final conclusion on this topic is not ready, and any possible effect on the presentation of the financial statement will be adjusted in the Q4 report and the Annual report for 2012. This matter will only impact presentation, and does not have any impact on the covenants calculations.

(NOK 1 000)

Results of discontinued operation	**Note**	**Q3 2012**	**Q3 2011**	**YTD 2012**	**YTD 2011**
Revenue	1	-	103 100	-	713 954
Production expenses	2	-	50 304	-	199 975
Exploration expenses	3	-	942	-	4 260
Other operating expenses		-	350	-	702
Depreciations		-	17 737	-	151 375
Writedown		-	293 051	-	293 051
Financial items		-	6 717	-	29 348
Total Expenses		-	369 102	-	678 711
Results from operating activities		**-**	**(266 002)**	**-**	**35 242**
Income tax		-	(66 519)	-	84 594
Results from operating activities, net of tax		**-**	**(199 483)**	**-**	**(49 352)**
Gain (loss) on sale of discontinued operation		-	363 302	-	(347 638)
Income tax on gain (loss) on sale of discontinued operation		-	(165 916)	-	388 617
Profit (loss) for the period		**-**	**(2 096)**	**-**	**(8 372)**
Basic earnings (loss) per share		-	(0.01)	-	(0.03)
Diluted earnings (loss) per share		-	(0.01)	-	(0.03)

7 Intangible non-curent 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	411 897	1 091	-	412 988
Expensed exploration expenditures previously capitalised	(548 585)	(5 151)	-	(553 736)
Disposals	32 216	-	(8 900)	23 316
Currency translation adjustment	(76 326)	-	(49 094)	(125 420)
Acquisition cost 30.09.12	2 019 657	2 612	1 169 149	3 191 418
Accumulated depreciation and write-downs				
Accumulated depreciation and write-downs 01.01.12	125 700	-	355 149	480 849
Depreciations	-	-	-	-
Write-downs	-	-	88 000	88 000
Currency translation adjustment		-	(15 034)	(15 034)
Accumulated depreciation and write-downs 30.09.12	125 700	-	428 115	553 815
Book value 30.09.12	1 893 957	2 612	741 034	2 637 603

(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.

For detailed desciption of applied methodology for the imapairment test, see note 18 to the annual financial statements for 2011.

Main assumptions applied for the impairment test as of september 30, 2012

Discount rate (after tax)	9.0 percent
Inflation	2.0 percent
Cash flow	After tax
Reserves/resources	Internal estimated resources as of september 30, 2012
Oil price	Forward curve for oil price for the period 2012-2019. From 2020 the oil price is adjusted for inflation.
Currency rates	Average forward-rate for the period 2012-2015. From 2016 the everage rate for 2015 is used.

Goodwill associated with the business in Norway, included in the Noreco group in connection with the acquisition of Altinex ASA in 2007 is written down to its recoverable amount. Resolution of relinquishment of license, and update of estimated future cash flows has in the third quarter resulted in reduced recoverable amounts for some of the assets.

Book value of goodwill associated with the Norwegian and British business are close to the recoverable amounts, and change in the assumptions may require future write-downs.

The Financial Supervisory Authority of Norway (the NFSA) has as part of its supervision of listed companies initiated a review of Noreco's annual financial statements for 2011. The NFSA has raised certain specific issues with respect to the 2011 financial statements, issues which are currently subject to on-going discussions with the Company.

Valuation of some of Noreco's suspended wells included in category Capitalised exploration and evaluation expenses, and the allocation of goodwill to sold assets in 2011 are issues currently discussed with NFSA. The final conclusions on these topics are not ready, and any possible effects on the financial statements will be incorporated in the Q4 report and the Annual report for 2012.

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	1 338 739	1 607 192	8 216	2 954 148
Adjustment previous years [1]	1 454 732	-	-	1 454 732
Acquisition cost 01.01.12	2 793 472	1 607 192	8 216	4 408 879
Additions	307 939	125 531	-	433 469
Capitalised interest	11 280			11 280
Transferred from Asset Under Construction to Production Facilities	(975 908)	975 908	-	-
Currency translation adjustment	(131 332)	(46 111)	(2)	(177 445)
Acquisition cost 30.09.12	**2 005 450**	**2 662 520**	**8 214**	**4 676 183**
Accumulated depreciation and write-downs				
Accumulated depreciation and write-downs 01.01.12	-	363 467	8 136	371 603
Depreciation	-	212 281	62	212 343
Write-downs	-	235 239	-	235 239
Currency translation adjustment	-	(10 089)	-	(10 089)
Accumulated depreciation and write-downs 30.09.12	**-**	**800 898**	**8 198**	**809 096**
Book value at 30.09.12	**2 005 450**	**1 861 622**	**16**	**3 867 088**

(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.

A full impairment test of tangible non-current assets is at a minimum performed annually. If impairment triggers occur a in the interim period, a full impairment test is performed for such period. For the Norwegian fields Oselvar and Enoch, new information regarding lower production than previously estimated, has triggered a new impairment test.

Main assumptions applied for the impairment test as of september 30, 2012

Discount rate (after tax)	9.0 percent
Inflation	2.0 percent
Cash flow	After tax
Prognosis period	Estimated life time of the oil/gas field
Reserves/resources	Internal estimated reserves as of september 30, 2012
Oil price	Forward curve for oil price for the period 2012-2019. From 2020 the oil price is adjusted for inflation.
Currency rates	Average forward-rate for the period 2012-2015. From 2016 the everage rate for 2015 is used.

Book value of Oselvar and Enoch are equal to the recoverable amount by the end of the third quarter, and change in the assumptions may require future write-downs.

The write-downs can be fully or partially reversed if new information results in increase recoverable amounts.

9 Other current receivables

(NOK 1 000)	30.09.12	30.09.11
Receivables from operators relating to joint venture licenses	25 346	54 654
Underlift of oil/NGL	57 865	28 802
Financial instruments	11 233	29 085
Other receivables [(1)]	402 887	1 553 907
Total other current receivables	**497 332**	**1 666 448**

(1) NOK 336 million (USD 59 million) - estimated compensation from the shut down of the Siri area fields. The USD amount is unchanged from Q2 2012.

10 Interest bearing debt

(NOK 1 000) **Non-current interest bearing debt**	**Nominal value**	**Book value at 30.09.12**
Bond loan Norwegian Energy Company ASA (NOR04)	1 250 000	1 238 814
Bond loan Norwegian Energy Company ASA (NOR05)	700 000	689 824
Bond loan Norwegian Energy Company ASA (NOR06)	275 000	270 653
Bond loan Norwegian Energy Company ASA (NOR07)	325 000	319 863
Exploration Financing Norwegian Energy Company ASA	447 181	445 510
Reserve-based loan Noreco Oil Denmark A/S	364 768	343 090
Total long-term interest bearing debt	**3 361 949**	**3 307 754**

Current interest bearing debt	**Nominal value**	**Book value at 30.09.12**
Exploration loan Norwegian Energy Company ASA	429 666	429 166
Bond loan Norwegian Energy Company ASA (NOR03)	475 500	475 082
Total short-term interest bearing debt	**905 166**	**904 249**

11 Other current liabilities

(NOK 1 000)	30.09.12	30.09.11
Liabilities to operators relating to joint venture licenses	78 598	200 729
Overlift of oil	27 266	5 828
Accrued interest	48 763	52 153
Other current liabilities	89 643	173 263
Total other current liabilities	**244 270**	**431 973**

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

Noreco has activities in Norway, Denmark and UK.

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

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

Excess values are allocated to the units expected to gain advantages by the acquisition. Total assets and liabiliteis are presentented net of Investments in subsidiaries, loans, receivables and payables between group companies which are eliminated in the consolidated balance sheet.

Geographical information 30.09.2012 (YTD)

(NOK 1 000)	Norway	Denmark	UK	Other	Group
Total revenue	92 486	548 750	-		641 236
Net operating result	(1 031 324)	112 637	(28 189)	(23)	(946 899)
Net financial items					(352 055)
Ordinary result before tax					(1 298 954)
Income tax benefit					812 382
Net result for the period					(486 572)
Total assets	3 100 434	2 589 955	3 497 731		9 188 120
Total liabilities	4 140 845	1 267 400	1 417 313		6 825 558
Capital expenditures production facilities	110 178	15 353	-		125 531
Capital expenditures asset under construction	111 884	-	207 335		319 219
Capital expenditures exploration and evaluations	335 028	18 753	59 207		412 988
Depreciations and writedowns	356 958	178 624	-		535 582

13 Subsequent events

At the date of the quarter end, September 30, 2012 there was on-going drilling and evaluation operations targeting the Albert prospect in License PL519. The exploration well targeting the Albert prospect encountered oil but in non-commercial quantities. As such, the capitalised drilling expenses as of September 30, 2012 which amounted to NOK 88 million, has been expensed in the statement of comprehensive income impacting the third quarter results.

On October 2, 2012 Noreco contemplated issue of an unsecured bond of NOK 300 million, with maturity date in December 2013 (NOR08). On October 30, 2012 the share issue regarding the private placement earlier announces was registered. Noreco raised NOK 400 million in gross proceeds through the private placement of 108,108,108 new shares, each with a par value of NOK 3.10 at a price of NOK 3.70 per share.

On November 19, 2012 the results from the drilling of the Juksa/Snurrevad well located in PL490 was pronounced. Oil has been proven in thin sandstone layers in an 8-9 meter thick zone in the prospective level called Juksa. Further analysis and interpretations are needed to evaluate possible reservoir volumes. In the prospective level called Snurrevad, the targeted sandstones were not encountered. As of September 30, 2012 capitalised exploration and evaluation expenses related to the Juksa/Snurrevad-well was NOK 0.6 million after tax.

INFORMATION ABOUT NORECO

Head office Noreco

Mailing address	P.O. Box 550 Sentrum, 4005 Stavanger
Visiting address	Verksgata 1A, Stavanger
Telephone	+47 992 83 900
Internet	www.noreco.com
Organisation number	Register of Business Enterprises NO 987 989 297 MVA

Board of Directors Noreco

Ståle Kyllingstad, Chairman
Hilde Alexandersen
Hilde Drønen
Shona Grant
Mona Iren Kolnes
Bård Arve Lærum
Ole Melberg
Eimund Nygaard
Arnstein Wigestrand

Noreco management

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

Investor Relations

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

Ørjan Gjerde, CFO
tel. +47 900 35 738, og@noreco.com

Financial calendar 2013

28 February	Presentation of Q4 2012 report, Oslo
08 May	Annual General Meeting, Stavanger
30 May	Presentation of Q1 2013 report, Oslo
29 August	Presentation of Q2 2013 report, Oslo
28 November	Presentation of Q3 2013 report, Oslo

Other sources of information

Annual reports
Annual reports for Noreco 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

NORECO

Norwegian Energy Company ASA
Verksgata 1A
P.O. Box 550 Sentrum
4003 Stavanger Norway
Tel: +47 99 28 39 00
Fax: +47 51 53 33 33
www.noreco.com