THIRD QUARTER
2013

REPORT FOR THE THIRD QUARTER 2013

NORWEGIAN ENERGY COMPANY ASA

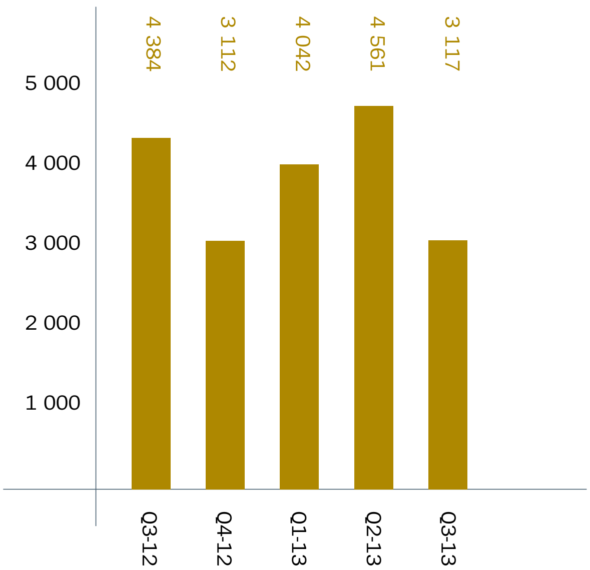
HIGHLIGHTS THIRD QUARTER 2013

- After issuing up to 530 million in new equity and restructuring of all outstanding bonds, Noreco has established a sound financial basis to continue its value creation the coming years.
- Drilling of the exploration well at the Gohta license in the Barents Sea proved hydrocarbons in reservoir rocks with good production characteristics. The discovery is the third largest on the Norwegian continental shelf in the last three years. Noreco's share is estimated at between 23 and 48 million barrels of oil equivalent (boe)
- All of Noreco's producing fields were, at times, subject to substantial operational challenges in the third quarter. The average production was 3117 barrels (boe) per day in the quarter. Realised oil price was USD 102 per boe.
- Noreco has received a request from its partners in the Danish licenses Nini, Nini East and Cecilie to provide full guarantee for the future abandonment expenditures as from 1 January 2014. Noreco's share of the abandonment costs are currently estimated to approx. DKK 500 million. The guarantee obligation is funded through the restructuring of the Group's bonds, but there is not an established consensus on the legal form or amount for the final guarantee arrangement.
- The operator has recommended that the Amalie discovery should not be developed and the license should be relinquished. This decision has resulted in expensing NOK 192 million after tax.
- Write-downs amounted to NOK 272 million after tax for the quarter related to Oselvar and the Siri satellite fields.

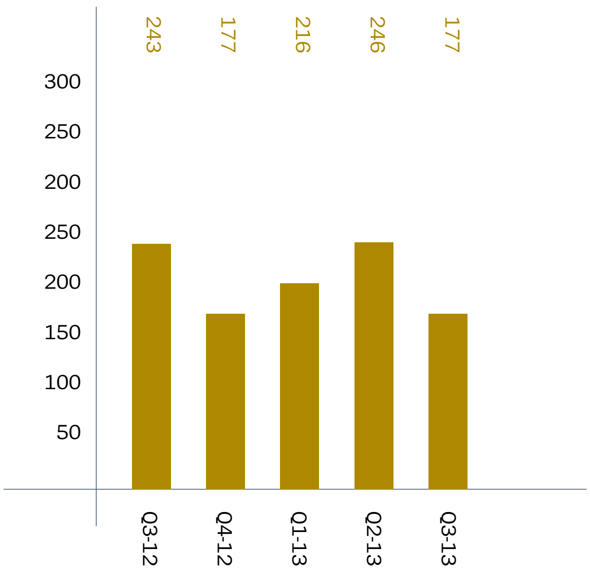
KEY FIGURES

	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12
Net realised oil price *(USD/boe)*	102	102.5	106.3	107.9	103.7
EBITDA *(NOK million)*	(284.5)	(45.3)	(165.5)	(452.4)	(31.6)
Net results *(NOK million)*	(569.4)	(504.0)	(272.9)	(193.8)	(184.6)
Total assets *(NOK billion)*	6.9	7.5	7.9	7.9	8.5

Production *(boe/d)*



Operating Income *(NOK million)*



GROUP FINANCIALS

The Noreco group had **revenues** of NOK 177 million in the third quarter 2013, a decrease of 27.2 percent compared to the third quarter 2012. All of the producing fields in Noreco's portfolio suffered operational problems in the quarter.

Production in the third quarter was 3 117 boe per day, down from 4 384 boe per day for the same period last year. The average realised oil, gas and NGL price in the third quarter was USD 102 per boe, compared to USD 103.7 per boe in the third quarter 2012. See further details regarding the production during the quarter in the section for Producing fields.

Production expenses in the third quarter were NOK 108 million, up from NOK 63 million for the same quarter last year, but unchanged compared to the second quarter 2013. The increase is primarily due to the commencement of the Huntington field and increased costs in the Siri area. Costs related to the FPSO lease on the Huntington field are included starting in September. The leasing expenses accrued in the second quarter were reversed in the third quarter. Production costs in Denmark increased by approx. NOK 20 million, primarily due to additional costs associated with the inspection and protection of the Siri platform and a higher proportion of allocated operating expenditures in the Siri area.

Exploration and evaluation expenses amounted to NOK 295 million for the third quarter. Of these, NOK 274 million relates to the write-off of the carrying value of exploration assets. The Amalie discovery was expensed entirely after the operator has recommended discontinuing the work with a possible development. The asset had a book value of NOK 256 million. For license P1650 in the UK NOK 18 million had been capitalised in connection with drilling preparations for the planned exploration well in the Crazy Horse prospect. These costs were written-off in the third quarter as it was decided that the well will not be drilled. The license will be relinquished.

Payroll expenses were NOK 29 million in the third quarter, up from NOK 22 million in the third quarter last year, but down from NOK 37.5 million for the previous quarter. The expenses for the third quarter 2012 were unusually low because of accrued payroll expenses that were reversed in the quarter. This is also the case for the third quarter 2013 when approximately NOK 5.2 million of previously accrued payroll expenses has been reversed.

Other operating expenses amounted to NOK 25 million for the third quarter, compared to NOK 26 million for the same period last year.

EBITDA (earnings before interest, tax, depreciation and amortisation) in third quarter 2013 was negative by NOK 284 million, compared to a negative EBITDA at NOK 32 million in the third quarter 2012. The lower earnings are due to a combination of low production income because of fields being shut down, higher production expenses related to Huntington start-up and the Siri-area, and also high exploration expenses which includes the write-offs of Amalie and Crazy Horse.

Depreciation amounted to NOK 70 million in the third quarter, down from NOK 81 million for the third quarter 2012. The reduction is due to production disruptions, followed by lower production from the oil fields that affect the depreciations the same way as it affects the revenue.

Write-downs amounted to NOK 555 million before tax and NOK 272 million after tax for the third quarter 2013. The write-downs are related to Norwegian and Danish activities with NOK 301 million, and NOK 255 million respectively.

The write-down in Norway relates to Oselvar, where new reserve estimates are affected by the operator's reconsidered plan for further development of the field. The reserve estimate at 31 December 2012 was 7.7 million boe (2P). Updated reserve estimate as of 30 September 2013 is 3.23 million boe.

The write-downs in Denmark relate to the producing fields Cecilie, Nini and Nini East which have been shut in for the whole quarter because of the problems at the Siri platform. The write-down is caused by changed assumption for recommencing the production, which is assumed to be after the winter 2014 in the latest valuation. After the summer 2014 it is expected the same regularity as the fields had before the shut down in July 2013. However the production level is assumed to be somewhat lower. In the period until the Siri platform is repaired extra operating expenditures will incur that will affect the value of the fields negatively.

Net financial items were NOK -129 million for the third quarter, almost unchanged compared to the same quarter 2012 when it was NOK -126 million.

Taxes amounted to an income of NOK 470 million for the third quarter. This corresponds to an average tax rate of 45.2 percent. Noreco operates in three countries and thus under multiple tax regimes. The tax rate represents the weighted results from the different subsidiaries.

The tax rate for the third quarter was lower than for the same period in 2012 (63.5 percent) due to relatively higher costs in Denmark with a tax rate of 25 percent compared to 78 percent in Norway and 62 percent in the UK. Special items are, as mentioned above, write-downs of producing assets and the write-off of the Amalie discovery.

Furthermore, Noreco has received confirmation for the tax calculation for Norwegian Energy Company ASA for 2012. This equals the reported tax in the accounts for 2012. Current tax refund will, therefore, be paid to the company about 20 December as indicated in Note 7.

Net result for the third quarter was a loss of NOK 569 million, compared to a loss of NOK 185 million for the third quarter 2012.

The book value of **license costs and capitalised exploration costs** at the end of the third quarter amounted to NOK 715 million, with deferred tax of NOK 440 million. This consists primarily of the non-developed discoveries Huntington Fulmar in the UK and the newly reported Gohta discovery in the Barents Sea.

Noreco and its partners in the Huntington license P1114 are currently assessing alternative solutions for the Fulmar reservoir. This work is expected to continue through the next quarters. The book value of Fulmar is NOK 569 million and NOK 238 million net of deferred tax. Huntington Fulmar is included in a combined cash generating unit for the Huntington license when performing the impairment test, and negative changes of assumptions would firstly impact the goodwill values before other book values will be affected. If the assessment of commercial potential would be changed, it can result in a write-down of capitalised exploration expenses.

The Gohta discovery is currently under evaluation, and the operator has informed Noreco that it's planning to acquire new seismic and to drill an appraisal well in 2014. The discovery's book value at 30 September amounts to NOK 125 million. Net of deferred tax, the net book value is NOK 28 million.

Trade receivables and other current assets amount to NOK 511 million at the end of the quarter. This includes the company's receivables from the insurance settlement after the events at the Siri platform in 2009 (see note 10 in the interim financial report). Updated technical documentation that still supports Noreco's claim was presented to the insurers 14 November 2013. Noreco has withdrawn the standstill agreement with the insurance companies and will invite to negotiations regarding a settlement. Such negotiations are expected to take place before the next quarterly reporting.

At the end of third quarter Noreco had **cash and cash equivalents** of NOK 358 million. At the same time the reserve based loan (RBL) was fully drawn at approximately NOK 420 million (USD 69,9 million).

Interest-bearing debt, excluding exploration loans, amounted to NOK 3 450 million at the end of third quarter 2013, compared to NOK 3 337 million one year earlier. The group's total exploration loan was NOK 856 million at the end of the quarter, compared to NOK 875 million at the end of the third quarter 2012. Total interest-bearing debt amounted to NOK 4 306 million, of which NOK 4 161 million is classified as current liabilities, even if the repayments for some of these loans are due more than twelve months ahead. IAS 1.75 requires that non-current liabilities with breach of covenants at the balance sheet date are classified as current unless the covenant breach is waived before the balance sheet date, and for a twelve month period or more. See further information in note 11 to the interim financial report.

The group's reserve based loan facility (RBL) is a syndicate constituted by eight banks led by BNP Paribas. The producing fields in Denmark and the Huntington field are pledged as security for this loan.

REFINANCING IN FOURTH QUARTER 2013

In October it became evident that Noreco's financial challenges were becoming critical. Sustained production problems at Huntington and continued shut down of Danish fields, combined with a demand for a guarantee for the abandonment obligation in Denmark, led the RBL banks to not approve a continuance of the previous approved waivers. The borrowing limit was instead reduced from approx. NOK 420 million (USD 69.9 million) to approx. NOK 150 million (USD 25 million). Furthermore the banks disallowed Noreco to transfer cash from the Danish subsidiaries to the parent company in order to cover current operating expenses and interest.

In total, the result of this was that Noreco would run out of cash by mid-November, and would be unable to pay current obligations. The board considered it necessary to immediately initiate a significant financial restructuring.

After pre-sounding with the major shareholders and bondholders, Noreco presented a proposal for refinancing on 21 October which involved the issuance of new equity and restructuring of all bonds into a new structure with lower interest rates and a maturity structure that reflects the expected future cash flow of the Group in a much better way.

A private placement of NOK 430 million was the first part of the plan. It was confirmed fully subscribed 23 October, and the price was set to NOK 0.10 per share through a bookbuilding process. The subscription of this share issue was later re-confirmed after certain conditions relating to the bonds were adjusted compared to the initial proposal. Bondholders approved the new loan structure in a joint bondholder meeting on 5 November. The shareholders approved the overall plan, including the issuance of new shares at an extraordinary general meeting on 15 November 2013.

The last part of the refinancing will give the shareholders who did not participate in the private placement and who owned less than one million shares at the end of 23 October (as registered in the VPS at 25 October), the opportunity to subscribe for new shares in a subsequent issue of up to NOK 100 million in December 2013. For each share it will be possible to subscribe for about six new shares at the same price as in the private placement. Oversubscription will be possible, and other investors may also subscribe for this issue. However, existing shareholders that has been diluted will be given priority in the allocation of the new shares.

After the private placement but before the completion of the issue in December, Sabaro Invest Ltd and IKM Industri-Invest AS will own respectively 1 531 854 828 and 1 046 970 889 shares. It is equivalent to 32.9 percent and 22 percent of the share capital. In the subsequent repair offering, it will be issued up to one billion additional shares, and the share capital will be increased accordingly.

For the new bond structure, the old covenants regarding gearing ratio and equity ratio will no longer be applicable. The main covenant going forward will be a requirement for minimum free cash. Noreco must at all times have at least 100 million in free cash available. Additionally, the new terms include extraordinary repayments of the bonds in case of divestments of certain assets and on payment of settlement of the insurance claim related to the Siri platform. See additional information regarding the new loan structure in note 11 to the interim financial statements.

PRODUCING FIELDS

Noreco Group's average production in the third quarter of 2013 was 3 117 barrels of oil equivalents per day (boed). For the first nine months of 2013, average production was 3 903 boepd.

The Huntington field has been on stream since April 2013. The production wells continue to deliver as expected, and confirm the excellent productivity. The fields assumed maximum capacity has been confirmed by several days of production at rates above 30 000 boe per day. The average production for Noreco for the third quarter is 2 336 boepd net.

From 9 September the Huntington production has been restricted due to quality problems in the CATS export pipeline. Huntington gross production was limited to 12 500 boepd (2 500 boepd net Noreco), but this restriction has been gradually lifted from early November, and the field is currently producing at around 23 000 boepd (4 600 boepd net Noreco). It is expected that the field will reach full production by the end of this year.

The operator has in parallel been working to complete commissioning of the production facilities. A permanent solution for removing ventilation from the storage tanks on board has been implemented, and the gas lift system has been commissioned.

The partners in the Huntington license continue to evaluate the opportunities in the greater Huntington area which could increase the overall value of the development. Among others, this includes the deeper Fulmar formation.

Low regularity and non planned shutdowns on the host platform Ula continue to impact the Oselvar production during the third quarter. Stable production from the field was established 1 of October, andthe average production in the third quarter was 222 boepd.

Production at the Nini East, Nini and Cecilie fields has been shut in since 18 July, after a crack inside the sponson tank (supporting structure for risers connected to storage tank) on the Siri-platform was found. The operator has prepared and applied to the Danish Authorities for approval for a temporary solution which entails that production from Nini, Nini East and Cecilie can start up again by direct loading of the produced oil to a tanker. It is uncertain when such an approval will be granted. The operator is planning to repair the Siri-platform during the summer 2014, but the work to start up production from the three above mentioned fields will start as early as possible before that.

The Lulita field production restarted on 7 September after having been shut down since 28 April. Daily production has been just above 250 boe (Noreco's share), but production is somewhat irregular.

The Enoch field remained shut in for the entire quarter awaiting maintenance in early 2014 work on the well. Production start is expected.

EXPLORATION

Noreco drilled one exploration well in the third quarter on the Gohta prospect in PL492. The well had three targets, a primary target in the Late Triassic Snadd Formation, a secondary target in the Middle Triassic Kobbe Formation and another secondary target in the Late Permian Røye Formation. In the two Triassic targets the reservoir rocks were identified as expected, but they contained no hydrocarbons. In the Røye Formation, however, a discovery was made in carbonate rocks with good hydrocarbon shows.

Extensive data gathering was done and the discovery was tested. The results showed a 75 meter oil column below a 30 meter gas column in a reservoir with variable but in places very good reservoir properties. This was confirmed by the drill stem test, which gave a production test rate through 44/64 inch-choke of 683 Sm3 per day with an associated gas production of 222 300 Sm3 per day. This is equivalent to 5 695 boe per day.

Preliminary evaluation of the size of this discovery suggests between 10 and 23 million Sm3 of recoverable oil and between 8 and 15 billion Sm3 of gas, which is equivalent to between 113 and 239 million boe. The results confirm oil and gas for the first time in a play which until now has not been successful in Norway. An appraisal well is planned in 2014.

For the rest of the quarter the focus has been on completing and submitting the APA 2013 applications, upcoming drill or drop decisions, and further maturing the licence portfolio.

Licence PL385 was relinquished in the third quarter. This license comprised a small non-commercial gas/condensate discovery, Jette, made in 2012. In licence DK 9/06 it has been decided to relinquish the northern half of the license, whilst the southern half, which comprises the Xana prospect to be drilled later, will be kept. The relinquishment of the northern half results in a reduction of the resources in the Middle Jurassic Gita-1X discovery by about 35 percent.The operator has proposed to relinquish licence DK 7/86, which contains the Amalie discovery. Noreco supports this proposal.

BUSINESS DEVELOPMENT

Noreco is in the process of relinquishing licence P1650 (Crazy Horse) on the UK continental shelf and has informed its licence partner Trapoil that Noreco no longer intends to drill the well. Trapoil and Noreco conditionally agreed on 18 October 2013 on amendments to the existing legal arrangements which imply that Noreco will transfer its 10 per cent interest in the Romeo license. The current carry arrangement on Crazy Horse is replaced with a carry of Trapoil's share of the seismic work commitment in license P.1989 and the existing carry will increase from 5 percent to 10 percent if the license decides to drill a well.

This decision will reduce Noreco's exploration commitment in the short term, and was required in view of the Company's difficult financial position. This relinquishment may impact Noreco's opportunities to be awarded new licences on the UK continental shelf.

The Company has reduced its holding in PL 484 Verdande on the Norwegian continental shelf from 40 to 30 per cent, as Explora Petroleum AS has acquired a 10 per cent equity interest from Noreco, subject to Authority approval. Noreco is the operator of this licence, and the prospect is expected to be drilled at the latest in the second quarter of 2014.

HEALTH, SAFETY, ENVIRONMENT AND QUALITY

Noreco did not conduct operated drilling operations in the third quarter of 2013. No serious HSEQ incidents related to Noreco operated activities have been reported in the third quarter.

Noreco is conducting risk assessments and emergency preparations ahead of the drilling of the the first half of Verdande well in PL484. The well is planned to be drilled in 2014.

ORGANISATION

At the beginning of 2013 Noreco had 69 employees. The number of employees has been reduced through the year. By the end of the third quarter the company had 58 employees. The number of consultants on fulltime contract is 10.

OUTLOOK

After the issuance of NOK 430 million in new equity and restructuring of all the outstanding bonds, Noreco has established a sound financial basis for continued value creation in the coming years. The equity will be further strengthened through issue of up to NOK 100 million in December 2013.

By the end of the year, the company will a receive tax refund of NOK 1 341 million. Of that amount, NOK 564 million will be used to repay the current portion of the exploration loan. In addition, the remaining balance of the RBL loan will be repaid immediately after the new share capital is paid and made available for the company.

With the Huntington field on-stream, Noreco's production capacity has more than doubled. It is expected that Noreco's share of the plateau production from this field alone will be approximately 6 400 boed. The Oselvar and the Lulita field came back on stream in October.

The operator plans to repair the Siri platform during the summer 2014. Currently, there is on-going work with a solution that will enable production from Nini, Nini East and the Cecilie field to start before the Siri platform is repaired. However, it is still unclear if and when this might happen. Should the fields be back on stream during the winter, a lower regularity must be expected.

For the time being, Noreco's exploration program consists of three confirmed wells. The company is continuing to work with its exploration portfolio to make the future drilling program as optimal as possible and to reflect the company's desired risk profile within the financial capacity.

Work is continuing with plans to reduce the operating costs by approximately 30 percent by the end of 2014 compared to the cost level at the beginning of 2013.

Future liquidity is greatly dependent on production from Huntington and the other fields, and whether these fields produce as expected. Through the strategic restructuring of bonds and new equity the future cost of capital is significantly reduced. At the same time the loan repayment structure is tailored to fit the company's expected future cash flow.

STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED

All figures in NOK 1 000	Note	Unadited Q3 2013	Unadited Revised[1] Q3 2012	Unadited YTD Q3 2013	Unadited Revised[1] YTD Q3 2012	Revidert Revised[1] 2012
Revenue	**2**	**177 061**	**243 245**	**638 856**	**654 793**	**831 768**
Production expenses		(108 344)	(62 908)	(290 523)	(181 600)	(244 231)
Exploration and evaluation expenses	3,8	(295 479)	(162 242)	(657 246)	(680 854)	(1 188 396)
Payroll expenses	4	(28 917)	(21 788)	(103 832)	(93 901)	(134 251)
Other operating expenses	4	(25 305)	(23 951)	(74 618)	(81 113)	(114 027)
Other (losses)/ gains	5	(3 484)	(4 016)	(7 877)	18 092	31 867
Total operating expenses		**(461 529)**	**(274 904)**	**(1 134 098)**	**(1 019 375)**	**(1 649 039)**
Operating results before depreciation and amortisation (EBITDA)		**(284 468)**	**(31 659)**	**(495 242)**	**(364 582)**	**(817 271)**
Depreciation	9	(70 209)	(80 676)	(220 135)	(212 905)	(269 355)
Write-downs	8,9	(555 309)	(268 066)	(1 212 206)	(268 066)	(421 262)
Net operating result (EBIT)		**(909 986)**	**(380 401)**	**(1 927 583)**	**(845 553)**	**(1 507 887)**
Financial income	6	4 044	7 220	34 097	64 005	76 083
Financial expenses	6	(133 282)	(133 288)	(402 828)	(416 060)	(562 067)
Net financial items		**(129 237)**	**(126 068)**	**(368 731)**	**(352 055)**	**(485 984)**
Result before tax (EBT)		**(1 039 224)**	**(506 469)**	**(2 296 314)**	**(1 197 608)**	**(1 993 872)**
Income tax benefit	7	469 857	321 848	950 066	798 881	1 401 252
Net result for the period		**(569 367)**	**(184 621)**	**(1 346 248)**	**(398 727)**	**(592 620)**
Other comprehensive income (net of tax):						
Items not to be reclassified to profit or loss in subsequent periods						
Remeasurement of defined benefit pension plans		-	-	-	-	2 968
Total		-	-	-	-	*2 968*
Items to be reclassified to profit or loss in subsequent periods						
Cash flow hedge		2 403	(15 395)	5 348	(9 189)	(10 733)
Currency translation adjustment		(12 151)	(144 640)	221 939	(145 626)	(201 254)
Total		*(9 748)*	*(160 035)*	*227 287*	*(154 815)*	*(211 987)*
Total other comprehensive net result for the period		**(9 748)**	**(160 035)**	**227 287**	**(154 815)**	**(209 019)**
Total comprehensive net result for the period		**(579 115)**	**(344 657)**	**(1 118 960)**	**(553 542)**	**(801 639)**
Earnings per share (NOK 1)						
Basic		(1.60)	(0.76)	(3.78)	(1.64)	(2.26)
Diluted		(1.60)	(0.76)	(3.78)	(1.64)	(2.26)

1) See note 1 for description of the revision of the 2012 figures

STATEMENT OF FINANCIAL POSITION

CONSOLIDATED

All figures in NOK 1 000	Note	Unadited 30.09.13	Audited Revised(1) 31.12.12	Audited Revised(1) 01.01.12
Non-current assets				
License and capitalised exploration expenses	8	715 234	818 707	1 249 839
Goodwill	8	214 538	496 812	656 395
Deferred tax assets	7	305 108	105 018	609 733
Property, plant and equipment	9	3 084 281	3 990 712	4 296 788
Tax refund	7	334 310	-	-
Total non-current assets		**4 653 470**	**5 411 249**	**6 812 755**
Current assets				
Tax refund	7	1 351 258	1 339 030	506 056
Derivatives	13	4 438	7 247	26 754
Trade receivables and other current assets	10,13	511 406	564 175	833 786
Bank deposits, cash and cash equivalents	13	358 277	604 113	688 708
Total current assets		**2 225 379**	**2 514 564**	**2 055 305**
Total assets		**6 878 850**	**7 925 813**	**8 868 060**
Equity				
Share capital	15	1 103 892	1 096 876	755 913
Other equity		(175 280)	931 030	1 670 746
Total equity		**928 612**	**2 027 907**	**2 426 659**
Non-current liabilities				
Deferred tax	7	912 468	1 244 827	1 991 192
Pension liabilities		7 089	7 089	15 654
Asset retirement obligations	16	294 540	323 078	298 130
Bond loan	11	-	-	2 317 825
Other interest bearing debt	11,13	145 634	242 729	292 803
Total non-current liabilities		**1 359 731**	**1 817 723**	**4 915 605**
Current liabilities				
Bond loan (2)	11,13	3 043 231	2 779 390	643 344
Other interest bearing debt (2)	11,13	1 117 364	862 147	420 981
Derivatives	11,13	5 446	11 073	-
Tax payable	7	36 818	51 440	180 409
Trade payables and other current liabilities	12,13	387 649	376 134	281 063
Total current liabilities		**4 590 506**	**4 080 184**	**1 525 796**
Total liabilities		**5 950 238**	**5 897 907**	**6 441 401**
Total equity and liabilities		**6 878 850**	**7 925 813**	**8 868 060**

1) See note 1 for description of the revision of the 2012 figures.
2) The group's long term loans on 31 December 2012 and 30 September 2013 with agreed waiver are classified as current liabilites since the duration of the waiver does not exceed 12 months. See further information in note 11.

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

Unadited All figures in NOK 1 000	Share capitall	Currency translation fund	Hedging reserve	Other equity	Total equity
2012					
Equity at 01.01.2012 as reportet in annual report 2012	**755 913**	**137 728**	**-**	**1 534 185**	**2 427 826**
Retrospective adoption of IAS19R adjustment	-	-	-	(1 167)	(1 167)
Equity at 01.01.2012	**755 913**	**137 728**	**-**	**1 533 018**	**2 426 659**
Net result for the period				(398 727)	(398 727)
Other comprehensive income(loss) for the period (net of tax)					
Currency translation adjustments		(145 626)			(145 626)
Cash flow hedge			(9 189)		(9 189)
Total other comprehensive income(loss) for the period	**-**	**(145 626)**	**(9 189)**	**-**	**(154 815)**
Transactions with owners					
Share-based incentive program			-	10 245	10 245
Total transactions with owners for the period	**-**	**-**	**-**	**10 245**	**10 245**
Equity at 30.09.2012	**755 913**	**(7 897)**	**(9 189)**	**1 144 536**	**1 883 362**
2013					
Equity at 01.01.2013	**1 096 876**	**(63 525)**	**(10 733)**	**1 005 289**	**2 027 907**
Net result for the period				(1 346 248)	(1 346 248)
Comprehensive income(loss) for the period (net of tax)					
Currency translation adjustments		221 939			221 939
Cash flow hedge			5 348		5 348
Total other comprehensive income(loss) for the period	**-**	**221 939**	**5 348**	**-**	**227 287**
Transactions with owners					
Proceeds from shares issued	7 015			1 810	8 825
Share-based incentive program				10 841	10 841
Total transactions with owners for the period	**7 015**	**-**	**-**	**12 651**	**19 666**
Equity at 30.09.2013	**1 103 892**	**158 414**	**(5 386)**	**(328 308)**	**928 612**

STATEMENT OF CASH FLOWS

CONSOLIDATED

All figures in NOK 1 000	Unaudited YTD Q3 2013	Unaudited YTD Q3 2012
Net result for the period	(1 346 248)	(398 727)
Income tax benefit	(950 066)	(798 881)
Adjustments to reconcile net result before tax to net cash flows from operating activities:		
(Tax paid) / Tax refunded	(20 565)	(22 247)
Depreciation and write-downs	1 432 341	480 972
Expensed exploration expenditures previously capitalised	569 459	515 900
Share-based payments expenses	10 841	10 245
(Gain) / Loss on sale of licenses	-	(31 843)
Unrealised loss (gain) related to financial instruments	2 809	-
Effect of changes in exchange rates	(31 442)	(3 442)
Amortisation of borrowing costs	45 836	33 886
Imputed interest from abandonment provisions	17 236	20 258
Net financial items	368 731	352 055
Other items with no cash impact	965	-
Change in working capital		
Changes in trade receivable	79 510	152 418
Changes in trade payables	(8 235)	(6 310)
Changes in other current balance sheet items	(6 991)	61 642
Net cash flow from operations	**164 180**	**365 926**
Cash flows from investing activities		
Purchase of tangible assets	(48 133)	(433 469)
Purchase of intangible assets	(405 123)	(412 988)
Net cash flow from/(used at) investing activities	**(453 256)**	**(846 457)**
Cash flows from financing activities		
Issue of share capital	8 825	-
Proceeds from issuance of bonds	300 000	200 000
Proceeds from utilisation of exploration facility	304 444	447 181
Proceeds from utilisation of reserve based facility/other	-	327 767
Repayment of bonds	-	(173 000)
Repayment of exploration facility	(8 608)	-
Repayment of reserve based facility/other	(169 046)	(255 802)
Repurchase own bonds	(48 000)	-
Paid borrowing cost	(41 567)	-
Interest paid	(302 807)	(310 653)
Net cash flow from financing activities	**43 241**	**235 493**
Net change in cash and cash equivalents	**(245 835)**	**(245 038)**
Cash and cash equivalents at the beginning of the year	604 113	688 708
Cash and cash equivalents at end of the quarter	**358 277**	**443 670**

NOTES

1 Accounting principles

Basis for preparation
The interim condensed consolidated financial statements for the third quarter and the first three quarters of 2013 comprise 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.

Going concern
The Board of Directors confirms that the consolidated interim financial statements have been prepared under the presumption of going concern, and that this is the basis for the preparation of these interim financial statements. The financial solidity and the company's cash position at 30 September 2013 were significantly weaker than expected by the beginning of the year due to operational challenges. Subsequent to this date, the partners in the Danish licenses Nini, Nini East and Cecilie made it clear that they would require a guarantee for the abandonment expenditures. This guarantee should be effective from 1 January 2014. Further, the RBL banks did not approve the company's application for maintaining the borrowing base because of the cash situation at that time. It was thereby significant doubt upon the Company's ability to continue as a going concern at this time. The board is of the clear opinion that the values of the company's assets are best preserved through going concern. Measures were taken by initiating a refinancing to create a long term financing solution for the company. During the months after 30 September 2013 the interest-bearing debt was restructured, and new equity of NOK 430 million is secured through a private placement. In addition, the company expects to issue additional NOK 100 million in new equity in connection with the subsequent repair issue in January 2014. The bondholders have approved a refinancing proposal which implies a settlement of the current loans, by rolling these into a new structure of bond loans with lower interest rates, and a repayment structure that matches the expected cash flow to the company. In addition, a new discovery has added value potential to the asset portfolio. See additional details in note 11 and 17. Based on these subsequent events and the expectations for 2014, it is the board's opinion that it is appropriate to apply the going concern presumption.

Reference to summary of significant accounting policies
This interim financial statement is prepared using the same accounting principles as the annual financial statement for 2012, except for the changes of IFRS standard as described below. For the full summary of significant accounting policies, we refer to the annual financial statement for 2012.

Revision of comparable numbers for 2012
Description and explanation of the revisions that where made to the 2012 figures are to be found in the interim financial report for the fourth quarter 2012. Effects of new standards which also are incorporated in figures for 2012 are described below. Certain other amounts in the comparable period have also been revised to conform to current period presentation.

New standards, interpretations and amendments adopted by Noreco at 1 January 2013
Noreco has adopted the following changes as of 1 January 2013:

IAS 19 - Employee benefits - amended June 2011 concerning defined benefits plans
IAS 1 - Presentation of Financial statements - change regarding presentation of items in other comprehensive income
IAS 1 - Presentation of Financial statements - clarification of the requirement for comparative information
IFRS 13 - for Fair value measurement

Noreco has chosen not to early adopt IFRS 10, 11, 12 and the changes in IAS 27 and 28. These standards and changes will be adopted from 1 January 2014.

For more comments regarding the new standards that will be adopted in the coming years, we refer to note 2.1.1 in the annual financial statements for 2012.

IAS 19 - Employee benefits - Pension
Effective as of 1 January 2013, Noreco has utilised IAS 19 Benefits to employees (June 2011) ("IAS 19R") and altered the basis for calculation of pension liabilities and pension costs. The company has previously applied the "corridor" method for accounting of unamortised estimate deviations. The corridor method is no longer allowed and, in accordance with IAS 19R, all estimate deviations are to be recognised under other comprehensive income (OCI). The corridor at 1 January 2012, which amounted to NOK 5.3 million, has been reset to zero. Pension liabilities increased correspondingly at 1 January 2012, whereas the equity was reduced by NOK 1.2 million (after tax)

Return on pension plan assets was previously calculated on the basis of a long-term expected return on the pension plan assets. Due to the application of IAS 19R, the net interest cost of the period is now calculated by applying the discount rate applicable to the liability at the start of the period on the net liability. Thus, the net interest cost comprises interest on the liability and return on the pension plan assets, both calculated with the discount rate. Changes in net pension liabilities due to premium payments and pension benefits are taken into consideration. The difference between actual return on the pension plan assets and the recognised return is recognised against the OCI on an ongoing basis. The pension cost in 2012, recognised in accordance with the prior principles, amounted to NOK 14.8 million.

As a consequence of the altered principle for handling of unamortised estimate deviations and calculation of net interest cost, the recognised pension cost increased to NOK 15.0 million, whereas an estimate deviation in the amount of NOK 2.9 million was charged to other comprehensive income. The pension liability at 31 December 2012 decreased to NOK 7.1 million. IAS 19 R has been applied retrospectively, and the corresponding figures have changed. As the net pension liability for Noreco is considered immaterial compared to the rest of the balance sheet, a new actuary report is only adopted once a year for the fourth quarter, to the extent that there are no special triggers that will change the calculation significantly. As such the entire remeasurement of defined benefit pension plans for the full year is recognised in the fourth quarter, and the adoption impact for 2012 is also included in the statement of comprehensive income in the fourth quarter 2012.
The adoption impact and retrospective adoption have the following impacts on the comprehensive income for 2012, and the openings and closing statement of financial positions for 2012:

Consolidated statement of comprehensive income(NOK 1 000)	YTDQ3 2012	2012
Payroll expenses	-	(273)
Remeasurement of defined benefit pension plans	-	2 968

Consolidated statement of financial positions	01.01.12	31.12.12
Deferred tax asset	4 137	(6 174)
Other equity	(1 167)	1 741
Pension obligation	5 304	(7 915)

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
Amendment to IAS 1, ‘Financial statement presentation’ regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The statement for other comprehensive income for 2013 is changed due to this amendment.

IFRS 13 Fair Value Measurement
IFRS 13, ‘Fair value measurement’, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. Noreco applies fair value measurement for some assets and liabilities. Additional disclosures regarding these items are included in note 13 to these interim financial statements.

2 Revenue

(NOK 1 000)	Q3 2013	Q3 2012	YTD Q3 2013	YTD Q3 2012
Sale of oil	164 979	230 422	610 771	629 048
Sale of gas and NGL	12 082	12 823	28 084	25 744
Total revenue	177 061	243 245	638 856	654 793

3 Exploration and evaluation expenses

(NOK 1 000)	Q3 2013	Q3 2012	YTD Q3 2013	YTD Q3 2012
Acquisition of seismic data, analysis and general G&G costs	(26 661)	(39 026)	(77 582)	(97 834)
Exploration wells capitalised in previous years	(274 026)	(5 903)	(309 089)	(134 830)
Dry exploration wells this period	11 378	(61 896)	(260 371)	(381 070)
Other exploration and evaluation costs	(6 170)	(55 416)	(10 205)	(67 120)
Total exploration and evaluation costs	(295 479)	(162 242)	(657 246)	(680 854)
The exploration organisation's share of Noreco's total payroll expenses and other operating expenses amounts to:	(46 467)	(51 903)	(137 223)	(135 921)

For the period from 01.10.2012 to 30.09.2013, the exploration organisation's share of Noreco's total payroll expenses and other operating expenses amounts to NOK 198 million.

4 Payroll expenses & Other operating expenses

(NOK 1 000)	Q3 2013	Q3 2012	YTD Q3 2013	YTD Q3 2012
Payroll expenses	(28 917)	(21 788)	(103 832)	(93 901)
Other operating expenses	(25 305)	(23 951)	(74 618)	(81 113)
Total payroll expenses & other operating expenses	(54 223)	(45 738)	(178 451)	(175 013)
Hereof the exploration organisation accounts for the following expenses	(46 467)	(51 903)	(137 223)	(135 921)

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

5 Other (losses) / gains

(NOK 1 000)	Q3 2013	Q3 2012	YTD Q3 2013	YTD Q3 2012
Change in value, put options	(3 484)	(3 801)	(7 877)	(13 557)
Gain /(loss) on sale of assets	-	(215)	-	31 649
Total other (losses) / gains	(3 484)	(4 016)	(7 877)	18 092

(Loss) / gain per divestment	Accounting date	Q3 2013	Q3 2012	YTD Q3 2013	YTD Q3 2012
Rau	22-05-12	-	(215)	-	31 649
Total		-	(215)	-	31 649

6 Financial income and expenses

(NOK 1 000)

Financial income	Q3 2013	Q3 2012	YTD Q3 2013	YTD Q3 2012
Interest income	5 787	2 154	18 752	12 533
Other financial income	(1 742)	5 066	15 345	51 472
Total financial income	4 044	7 220	34 097	64 005

Financial expenses	Q3 2013	Q3 2012	YTD Q3 2013	YTD Q3 2012
Interest expense from bond loans	(107 496)	(89 588)	(304 811)	(263 198)
Interest expense from convertible loan	-	-	-	(6 181)
Interest expense from reserve based loan	(7 536)	(8 714)	(25 445)	(27 966)
Interest expense from exploration loan	(9 302)	(12 127)	(21 861)	(29 796)
Interest expenses current liabilities	(67)	(16)	(1 666)	(391)
Capitalised interest expenses	-	-	-	11 280
Imputed interest from asset retirement obligation	(6 263)	(6 871)	(17 236)	(20 258)
Loss on repurchase of bonds	-	-	(3 079)	-
Other financial expenses	(2 618)	(15 973)	(28 730)	(79 549)
Total financial expenses	(133 282)	(133 288)	(402 828)	(416 060)
Net financial items	(129 237)	(126 068)	(368 731)	(352 055)

7 Tax

(NOK 1 000)	Q3 2013	Q3 2012	YTD Q3 2013	YTD Q3 2012
Income (loss) before tax	(1 039 224)	(506 469)	(2 296 314)	(1 197 608)
Income tax	469 857	321 848	950 066	798 881
Equivalent to a tax rate of	45.2 %	63.5 %	41.4 %	66.7 %

The tax rate for Q3 2013 was 45.2 percent compared with 63.5 percent for the same quarter last year. The income statement for the period is, to a greater extent, impacted by transactions in Denmark and United Kingdom, and as such, the tax rate for the group is decreased compared to previous periods. Especially, write-down in Denmark is contributing to this.

The recognition of the deferred tax assets is based on the expectation that sufficient taxable income will be available through future taxable income in the UK. Planned restructuring of Noreco's business in the UK is included in such assessment in accordance with IAS 12.36.(d).

Deferred tax asset and deferred tax liability are presented net for each jurisdiction and tax regime, where our legal entities have, or are expected to have, a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Tax refund

(NOK 1 000)	30.09.13	31.12.12	01.01.12
Non-current assets			
Tax refund related to Norwegian exploration activity in 2013	334 310		
Current assets			
Tax refund related to Norwegian exploration activity in 2012	628 553	617 918	506 056
Tax refund related to discontinuing of petroleum activity in Norwegian Energy Company ASA	722 704	721 112	
Total tax refund	**1 685 568**	**1 339 030**	**506 056**

On 31 December 2012 Norwegian Energy Company ASA completed a planned transfer of its petroleum activity to Noreco Norway AS, with the effect that from the expiry of the same date, all related assets, contracts and personnel were transferred to this subsidiary. Noreco Norway AS thereby became owner of all the group's licences on the Norwegian continental shelf. The ultimate parent company, Norwegian Energy Company ASA, has thereby discontinued its direct petroleum activities, and as such, it has claimed payment from the Norwegian government for the tax value of its uncovered losses pursuant to Norwegian Petroleum Taxation Act section 3(c)(4). The right to such refund has been confirmed by an advance tax ruling from Norwegian Petroleum Taxation Board (Oljeskattenemda). Tax refund will be received by the end of December 2013.

Tax payable

(NOK 1 000)	30.09.13	31.12.12	01.01.12
Tax payable in Norway	-	-	-
Tax payable other countries	36 818	51 440	180 409
Total tax payable	**36 818**	**51 440**	**180 409**

All figures reported in the income statement and the balance sheet are based on Noreco's tax calculations, and should be considered as estimates until the final tax return is approved for each specific year.

8 Intangible non-curent assets

(NOK 1 000)	Licence and capitalised exploration expenses	Goodwill	Total
Acquisition cost 01.01.13	944 407	947 343	1 891 751
Additions	405 123	-	405 123
Expensed exploration expenditures previously capitalised	(569 459)	-	(569 459)
Currency translation adjustment	60 863	66 520	127 383
Acquisition cost 30.09.13	**840 934**	**1 013 863**	**1 854 797**
Accumulated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01.13	125 700	450 531	576 231
Write-downs	-	306 980	306 980
Currency translation adjustment	-	41 814	41 814
Accumulated depreciation and write-downs 30.09.13	**125 700**	**799 325**	**925 025**
Book value 30.09.13	**715 234**	**214 538**	**929 771**

Impairment test Q3 2013

For detailed desciption of applied methodology for the impairment test, see note 12 to the annual financial statements for 2012.

Main assumptions applied for the impairment test on 30 September 2013

Discount rate (after tax)	9.0 percent
Inflation	2.0 percent
Cash flow	After tax
Reserves/resources	Internal estimated resources on 30 September 2013
Oil price	Forward curve for oil price for the period 2013-2019. From 2020 the oil price is adjusted for inflation.
Currency rates	Average forward-rate for the period 2013-2016. From 2017 the average rate for 2016 is used.

Result from impairment test of goodwill at 30 September 2013
The impairment test at 30 September 2013 shows no need for any further write-downs of goodwill.

Book value of goodwill associated with the Danish and British businesses are equal or near to equal the recoverable amounts, and change in the assumptions may require future write-downs.

Result from impairment test of Licence and capitalised exploration expenses at 30 September 2013
A quarterly impairment test of all intangible assets has been performed. Based on consideration of progress, new information from evaluation work and other commerciality analyses regarding Noreco's suspended wells, it has been concluded that the Amalie discovery in Denmark is written off in the third quarter. Recent technical work by the operator and Noreco on the discovery has shown that there is basis for increasing the volume estimates; however, the operator have decided that they will not pursue a development of this discovery. The write-off of Amalie contributes with extra exploration expenses which amounts to NOK 255 million pre tax and NOK 191 million after tax.

License P1650 with the Crazy Horse prospect in United Kingdom will be relinquished after Noreco have decided not to drill the well.
Capitalised expenditures related to drilling preparations were written off during the third quarter and amounts to NOK 18 million pre tax and NOK 7 million after tax.

Huntington Fulmar is included in a combined cash generating unit for the Huntington license when performing the impairment test, and negative changes of assumptions would firstly impact the goodwill values before other book values will be affected. If the assessment of commercial potential would be changed, it can result in write-down of capitalised exploration expenses.

9 Property, plant and equipment

(NOK 1 000)	Asset under construction	Production facilities	Machinery and equipment	Total
Acquisition cost 01.01.13	2 256 666	2 632 606	3 591	4 892 863
Additions	35 756	12 377	-	48 133
Transferred from Asset Under Construction to Production Facilities	(2 447 617)	2 447 617	-	-
Revaluation abandonment assets	45 830	(111 870)	-	(66 040)
Disposals	-	-	(15)	(15)
Currency translation adjustment	109 364	188 283	284	297 931
Acquisition cost 30.09.13	**-**	**5 169 013**	**3 860**	**5 172 873**
Accumulated depreciation and write-downs				
Accumulated depreciation and write-downs 01.01.13	-	898 577	3 575	902 152
Depreciation	-	220 135	-	220 135
Disposals	-	-	(15)	(15)
Write-downs	-	905 227	-	905 227
Currency translation adjustment	-	60 810	282	61 093
Accumulated depreciation and write-downs 30.09.13	**-**	**2 084 749**	**3 843**	**2 088 591**
Book value at 30.09.13	**-**	**3 084 264**	**17**	**3 084 281**

Impairment test Q3 2013

For detailed desciption of applied methodology for the impairment test, see note 12 to the annual financial statements for 2012.

Main assumptions applied for the impairment test on 30 September 2013

Discount rate (after tax)	9.0 percent
Inflation	2.0 percent
Cash flow	After tax
Prognosis period	Estimated life of the oil/gas field
Reserves/resources	Internal estimated reserves at 30 September 2013
Oil price	Forward curve for oil price for the period 2013-2019. From 2020 the oil price is adjusted for inflation.
Currency rates	Average forward-rate for the period 2013-2016. From 2017 the average rate for 2016 is used.

Result from impairment test 30 September 2013
The Oselvar field in Norway has not delivered as expected since it came on-stream in the second quarter 2012. In the license there has been ongoing work with rebuilding a reservoir model to assess what can be done to improve the production from the field. Based on this new work, the operator has communicated an updated reserve estimate, which is significantly lower then the previous estimate. Noreco have applied this estimate for our own assessment of the reserves at 30 September 2013. For the third quarter this has resulted in a write-down of the Oselvar fields with NOK 301 million pre tax and NOK 81 million after tax.

The fields in Denmark, which is producing through the Siri-platform (Nini, Nini East and Cecilie), have been shut in since July this year. In the valuation model applied for the impairment test at 30 September 2013 it is assumed that these fields will be back on-stream after the winter 2014. Hence, the production is deferred at the same time that the cost is still being incurred. The estimated future operating expenditures is also increased since the last impairment test was performed by the end of the second quarter. For the third quarter, this resulted in a reduced recoverable amount for this group of assets and a write-down of NOK 255 million pre tax and NOK 191 million after tax.

Book value of Oselvar, Enoch and Siri fairway 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 increased recoverable amounts.

10 Trade receivables and other current assets

(NOK 1 000)	30.09.13	31.12.12
Trade receivables	59 907	139 417
Receivables from operators relating to joint venture licenses	20 598	40 231
Underlift of oil/NGL	23 259	38 183
Prepayments	160	182
Other receivables (1)	407 482	346 162
Total trade receivables and other current receivables	**511 406**	**564 175**

1) The company continues to pursue 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 354 million is recognised as a current receivable at 30 September 2013. This amount relates to costs incurred to prevent further damage, and loss of production income in 2009/2010. Based on technical documentation containing third party evaluations and the insurance agreements, the Company remains firm that the booked claim is covered and will be settled during the next twelve months. Thus the receivable is classified as a current receivable. The USD amount is unchanged from 31 December 2012.

11 Interest bearing debt

(NOK 1 000)	30.09.13		31.12.12	
Interest bearing debt maturing after 12 months from the balance sheet date (1)	Principal amount	Book value	Principal amount	Book value
Bond loan NOR04 (2)	1 219 500	1 196 220	1 250 000	1 221 745
Bond loan NOR06 (2)	192 500	184 475	275 000	266 767
Bond loan NOR07 (2)	227 500	218 016	325 000	315 270
Bond loan NOR09 (2)	300 000	292 509	-	-
Exploration loan (2)	304 444	291 719	-	-
Reserve-based loan	150 203	145 634	261 621	242 729
Total interest bearing debt maturing after 12 months	**2 394 147**	**2 328 573**	**2 111 621**	**2 046 511**
Interest bearing debt maturing before 12 months from the balance sheet date (1)	Principal amount	Book value	Principal amount	Book value
Bond loan NOR05	698 500	690 570	700 000	682 480
Bond loan NOR06	82 500	82 500	-	-
Bond loan NOR07	97 500	97 500	-	-
Bond loan NOR08	284 000	281 441	300 000	293 128
Exploration loan	564 086	564 086	572 694	572 694
Reserve-based loan	269 764	261 559	289 453	289 453
Total interest bearing debt maturing before 12 months	**1 996 350**	**1 977 656**	**1 862 147**	**1 837 755**
Total interest bearing liabilities	**4 390 496**	**4 306 229**	**3 973 768**	**3 884 266**
Classified as non-current liabilities	150 203	145 634	261 621	242 729
Classified as current liabilities	4 240 294	4 160 595	3 712 147	3 641 537

1) Assessment on maturity before or after 12 months is based on repayment plan in existing loan agreements as of September 30, 2013.
2) In the statement of financial positions the bond loans NOR04, NOR06, NOR07 and NOR09, and the exploration loan due in December 2014 are classified as current even though the loans have an agreed maturity later than 12 months. IAS 1.75 demands such classification if a borrower is in breach with the loan agreement on the balance sheet date and has not prior to the balance sheet date obtained waiver with 12 months duration from the balance sheet date. Noreco obtained temporary waiver for the gearing ratio covenant in July 2013, but the duration of the waiver is not 12 months from 30.09.2013. However, after the refinancing in the fourth quarter the existing covenants and waivers are no longer applicable.

Change after 30 september 2013 - The refinansing
Due to several problems and delays related to Noreco's production fields during 2013, the cash situation became very tight during the third and fourth quarter 2013. In addition the partners in the licenses Cecilie, Nini and Nini East in Denmark demanded, in accordance with the joint operating agreement, that Noreco should issue a guarantee covering the abandonment expenditures which will occur in the future. The cash situation became even worse when the RBL banks decided that Norecos available borrowing base should be reduced from USD 70 million to USD 25 million after 15 October 2013.

With this background, a proposal for refinancing was issued by the company on 21 October 2013. In addition to new equity, the implication of the refinancing proposal was that all issued bonds that were outstanding at 30 September 2013 will be settled, and the bondholders will get parts in four new bonds.

Further to this change, the entire RBL loan will be repaid in the fourth quarter 2013, and Noreco may utilise a short term bridge facility from Swedbank until the money from the new equity issue is paid to the company around 5 December 2013. Below details regarding the new borrowings are listed. Additional information can be found in a company presentation that were attached to the press release issued 21 October 2013 at www.noreco.com, and in the prospectus that will be prepared in connection with the listing of the new loans.

Change after 30 september 2013 - The refinansing

Details / Loan	1st lien Secured Huntington and Denmark Bond	1st lien Secured Oselvar Bond	2nd Lien Bond (Huntington and Denmark)	Unsecured Convertible Bond	Swedbank bridge loan
Principal amount (NOK million)	1 400	600	736	367	40
Tenor	3 year	4 year	5,5 year	5 year	1 month
Issue date	9 December 2013	9 December 2013	9 December 2013	9 December 2013	13 November 2013
Final maturity date	9 December 2016	9 December 2017	9 June 2019	9 December 2018	9 December 2013
Interest	Fixed 6.0%	Fixed 6.5%	Fixed 6.75%	Fixed 4.0%	Nibor 3M + 4.4%
Interest payments	Semi-annual	Semi-annual	Semi-annual	Payment in kind or semi-annual	Monthly
Arrangment fees (approx. NOK million)	16,8	7,2	8,8	4,4	0,6
Repayment scheduale (NOK million)	500 in 2014, 500 in 2015, and 400 in 2016	100 in 2014, 100 in 2015, 150 in 2016, and 250 in 2017	100 in 2017, 200 in 2018 and 445 in 2019*	367 in 2018**	40 in 2013
Security***	1st lien in the fields Huntington, Cecilie, Nini, Nini East og Lulita	1st lien in Oselvar, and 2nd lien in the fields Huntington, Cecilie, Nini, Nini East og Lulita	2nd lien in the fields Huntington, Cecilie, Nini, Nini East og Lulita	No	No
Creditor's options	Change of control put option at 101% of par	Change of control put option at 101% of par	Change of control put option at 101% of par	Convertion option for the entire period with a strike price of NOK 0,3 per share	No
Noreco options	Early redemption option at 105% in 2014, 103% in 2015 and 101% in 2016	Early redemption option at 105% in 2014, 103.5% in 2015, 102.5% in 2016 and 101% in 2017	Early redemption option at 105% until 2016, 103% in 2017, 102% in 2018 and 101% in 2019	Soft call at 100% in 2017 and 2018, subject to 120% parity check based on 20/30 last trading days	No
Financial covenants	Minimum free cash of NOK 100 million	Minimum free cash of NOK 100 million	Minimum free cash of NOK 100 million	Minimum free cash of NOK 100 million	No

* The company have committed itself to pay 102% of remaining principal amount on final maturity date.
** The repayment amount assume no use of PIK interest option
*** additional details regarding security is available in the company presentation at www.noreco.com

Repayment structure for the new loans (NOK million)	Maturities
Year	
2013*	-
2014	600
2015	600
2016	550
2017	350
2018**	647
2019	445
Sum	**3 112**

* Assuming no utilisation of the bridge facility from Swedbank

** In 2018 the repayment of the convertible bond is included with NOK 447 million, which will be the principal amount of this bond if all interests are paid in kind.

Future interest payments on new loans (NOK million)	
Year	Interest payment
2014	173
2015	137
2016	100
2017	67
2018	44
2019	30
Sum	**550**

It is assumed that the interest for the convertible bond is paid in kind.

Dilution if the convertible bonds is converted
Given the new share issue in December of NOK 430 million and the subsequent repair issue of NOK 100 million, a full conversion of the convertible bond will result in an issue of 1 223 million new shares. This new equity from the convertible bonds will then represent 17.8 percent of the share capital. If the interest is paid in kind in stead of cash, a conversion of the entire convertible bond after five years will result in issue of 1 490 million shares. This new equity will then represent 20.9 percent of the issued share capital at that time. This information does not assume any other issue of new shares in the period.

Accounting implications
Based on preliminary evaluations the refinancing will be accounted for as an extinguishment. Due to substantial modification of terms, the old loans will be derecognised during the fourth quarter 2013, and the new loans will be recognised as new borrowings. The secured bonds will be recognised at fair value at the time of listing, and the difference between the fair value and the principal amount will be amortised as additional interest expenses in period until final maturity for each loan. The convertible bond will be split between liability component and an equity component. The value of the liability component will be determined using a comparable loan with no conversion features. The equity component will be the residual between the fair value of the bond, and the calculated value of the liability component. Any difference between the book value of the currently outstanding bonds at the date of derecognition 9 December 2013, and the fair value of the new loans will be recorded in the income statement as a gain or loss on extinguishment within the financial items. This gain or loss calculation will also included transaction costs. The amount for such gain or loss will be dependent of the weighted average pricing of the new bonds, and preliminary calculations suggests that it will vary in accordance the table below (pre tax).

Weighted average pricing of new bonds in mid-December 2013	Gain/(loss) pre tax (NOK million)
75 percent	690
80 percent	535
85 percent	380
90 percent	225
95 percent	70
100 percent	(85)

At 22 November 2013 the weighted average pricing of Noreco's outstanding bonds is 81 percent

12 Trade payables and other current liabilities

(NOK 1 000)	30.09.13	31.12.12
Trade payable	20 839	29 074
Liabilities to operators relating to joint venture licenses	214 962	185 802
Overlift of oil/NGL	49 927	45 256
Accrued interest	55 526	52 053
Employee bonus/salary accruals	22 739	32 530
Public duties payable	5 599	7 786
Other current liabilities	18 057	23 633
Total other current liabilities	**387 649**	**376 134**

13 Financial instruments

13.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows
Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs for the asset or liability that are not based on observable market data.

At 30.09.2013

(NOK 1 000)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives		4 438		4 438
- Underlift of oil		23 259		23 259
Total assets	-	**27 697**	-	**27 697**
Liabilities				
Derivatives used for hedging				
- Interest rate swap agreements		5 446		5 446
Financial liabilities at fair value through profit or loss				
-Overlift of oil		49 927		49 927
Total liabilities	-	**55 373**	-	**55 373**

At 31.12.2012

(NOK 1 000)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives		7 247		7 247
- Underlift of oil		38 183		38 183
Total assets	-	**45 430**	-	**45 430**
Liabilities				
Derivatives used for hedging				
- Interest rate swap agreements		11 073		11 073
Financial liabilities at fair value through profit or loss				
-Overlift of oil		45 256		45 256
Total liabilities	-	**56 329**	-	**56 329**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value for a financial instrument are observable, the instrument is included in level 2.

The fair value of the instruments in level 2 is collected from external finance institutions, or calculated based on the oil price in the spot market.

13.2 Financial instruments by category

At 30.09.2013

(NOK 1 000)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Derivatives		4 438	4 438
Trade receivables and other current assets	487 987	23 259	511 246
Bank deposits, cash and cash equivalents	358 277		358 277
Total	846 265	27 697	873 962

(NOK 1 000)	Derivatives used for hedging	Other financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities				
Bonds		3 043 231		3 043 231
Other interest bearing debt		1 262 998		1 262 998
Derivatives	5 446			5 446
Trade payables and other current liabilities		309 384	49 927	359 311
Total	5 446	4 615 613	49 927	4 670 985

At 31.12.2012

(NOK 1 000)	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Derivatives		7 247	7 247
Trade receivables and other current assets	525 810	38 183	563 993
Bank deposits, cash and cash equivalents	604 113		604 113
Total	1 129 923	45 430	1 175 353

(NOK 1 000)	Derivatives used for hedging	Other financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities				
Bonds		2 779 390		2 779 390
Other interest bearing debt		1 104 876		1 104 876
Derivatives	11 073			11 073
Trade payables and other current liabilities	-	330 878	45 256	376 134
Total	11 073	4 215 144	45 256	4 271 473

13.3 Financial instruments – Fair values

Set out below is a compairson of the carrying amounts and fair value of financial instruments as at 30 September 2013:

(NOK 1 000)	Carrying amount	Fair value
Financial assets:		
Derivatives	4 438	4 438
Trade receivables and other current assets	511 246	511 246
Bank deposits, cash and cash equivalents	358 277	358 277
Total	873 962	873 962
Financial liabilities:		
Bonds	3 043 231	2 791 824
Other interest bearing debt	1 262 998	1 262 998
Derivatives	5 446	5 446
Trade payables and other current liabilities	359 311	359 311
Total	4 670 985	4 419 578

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

Geographical information 30.09.2013 (YTD)

(NOK 1 000)	Norway	Denmark	UK	Other	Group
Revenue	66 848	373 976	198 031	-	638 856
Net operating result	(762 219)	(847 974)	(317 389)		(1 927 583)
Net financial items					(368 731)
Result before tax					(2 296 314)
Income tax benefit					950 066
Net result for the period					(1 346 248)
Total assets	2 741 019	1 970 629	3 649 970	(1 482 768)	6 878 850
Total liabilities	4 266 783	1 227 817	1 938 407	(1 482 769)	5 950 238
Capital expenditures production facilities	(402)	13 471	(692)	-	12 377
Capital expenditures asset under construction	-	-	35 756	-	35 756
Capital expenditures exploration and evaluations	283 051	4 958	117 113	-	405 123
Depreciations and write-downs	413 503	748 694	270 145	-	1 432 341

15 Shares and share capital

Changes in paid in equity:

(NOK 1 000)	No. Of shares	Share Capital
Paid in equity at 31 December 2012	353 831 111	1 096 876
Equity issue in 2013:		
Share issue employees on 14 January 2013	1 814 206	5 624
Share issue employees on 18 March 2013	448 778	1 391
Paid in equity at 30 September 2013	356 094 095	1 103 892

16 Asset retirement obligations

Specification of asset retirement obligations

(NOK 1 000)	30-09-13	31-12-12
Balance at 1.1.	323 078	298 130
Provisions and change of estimate made during the year	(66 040)	16 804
Time value/calculatory interest	17 236	26 630
Currency translation	20 266	(18 486)
Total provision made for asset retirement obligations	**294 540**	**323 078**

Provisions made for asset retirement obligations includes the future expected costs for close-down and removal of oil equipment and production facilities used in hydrocarbon activities. The estimated future provision is discounted using a discount rate of 9%, which represent the Group's average alternative borrowing interest, to calculate the net present value of the obligation. Inflation is assumed to be 2.0%.

Guarantee for abandonment expenditures
As from 1 January 2014 the company is required to issue a guarantee as security for the company's obligation to pay for abandonment and removals at the licenses Nini, Nini East and Cecilie in Denmark. This is in accordance with the joint operation agreement with the other partners. The guarantee obligation, which is expected to be about DKK 500 million, is funded through the restructuring of the Group's bonds, but there is not an established consensus on the legal form or amount for the final guarantee arrangement.

17 Subsequent events

On 15 October 2013, the operator of the Oselvar field reported updated figures for reserves to the authorities for national budget purposes. The updated figures represent a reduction of the reserve estimate from 7.61 to 3.23 million boe. This is incorporated in the production profiles and cash flow projections which is the basis for the impairment test for the third quarter 2013.

On 21 October 2013 Noreco reported that license P1650 in United Kingdom will be relinquished. The committed well targeting the Crazy Horse prospect will not be drilled after all. Capitalised expenditures related to pre-drill activities are expensed in the income statement for the third quarter and amounts to NOK 18 million pre tax.

On 21 October 2013 a plan for refinancing of the Noreco group was issued. The refinancing involves:
- Existing bonds are rolled into a new structure of bonds with lower interest rates and longer tenor
- The RBL loan will be repaid, and the loan agreement terminated
- Completion of a private placement of NOK 430 million and a subsequent repair offering of up to NOK 100 million.

Because troubled and deferred production, withdrawal of credit from the RBL banks and a claim for warranty for abandonment expenditures for the Danish fields Nini, Nini East and Cecilie such refinancing became essential for Noreco to be able to continue as a going concern.

On 23 October 2013 it was confirmed that the private placement of NOK 430 million was fully subscribed. It will be issued 4 299 999 987 new shares at NOK 0.10 per share. The payment of this capital and the registration will be executed within 5 December 2013.

On 5 November 2013 the bondholder meeting for all outstanding bonds was held. The refinancing proposal was approved for each loan. See further description of the new borrowing structure in note 11.

On 5 November 2013 Noreco received a loan commitment for a short term bridge facility from Swedbank amounting to NOK 40 million. The loan agreement was formally signed on 15 November 2013. The loan carries an interest of three month NIBOR plus a 4.4 percent margin and will be repaid before 9 December 2013 after the new equity is paid to the company.

On 15 November 2013 the board considered the Amalie report received from the operator which suggests relinquishing the license. The board decided to concur with the operator recommendation.

On 15 November 2013 an extraordinary general meeting was held for Norwegian Energy Company ASA where the entire refinancing proposal was approved by the shareholders.

On 20 November 2013 a utilisation request for NOK 40,1 million on the exploration facility was approved by the banks.

INFORMATION ABOUT NORECO

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Board of Directors Noreco

Ståle Kyllingstad, chairman
Hilde Alexandersen
Hilde Drønen
Bård Arve Lærum
Eimund Nygaard

Noreco management

Svein Arild Killingland	CEO
Ørjan Gjerde	CFO
Øyvind Sørbø	VP commercial
Lars Fosvold	VP exploration

Investor Relations

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Financial calendar 2013

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

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.

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