Noreco is an oil and gas

company in the

North Sea

Noreco Annual Report 2007

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NORECO

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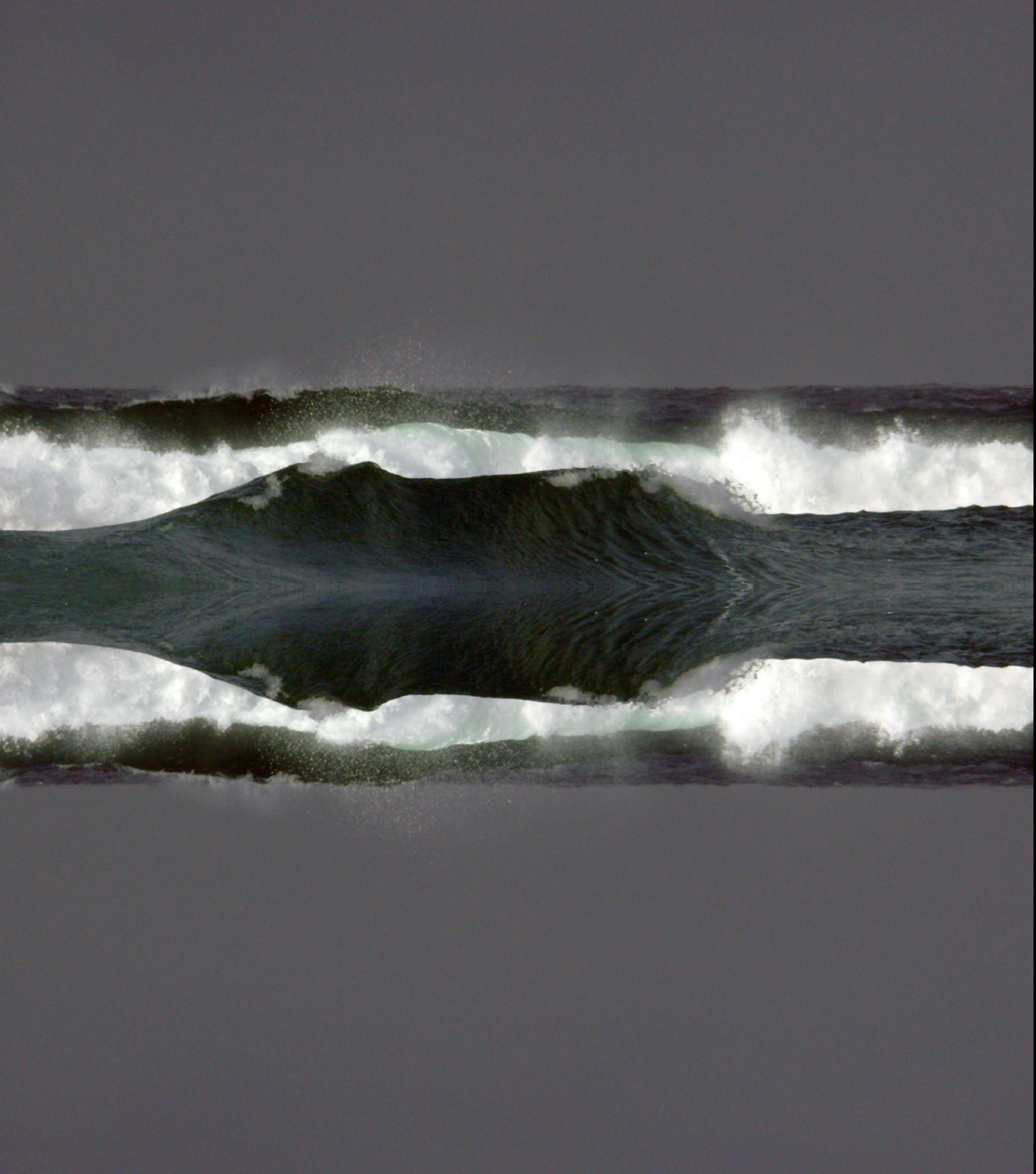
This is
Noreco

Noreco is a fast growing Norwegian, independent oil and gas company. The company's focus is to explore, develop and produce oil and gas in the North Sea. Since its start in 2005, the company has grown rapidly through license rounds and acquisitions. Noreco operates in Norway, Denmark and the United Kingdom, and employs 70 oil and gas professionals. Noreco is listed on Oslo Børs under ticker NOR.

A company in the
North Sea

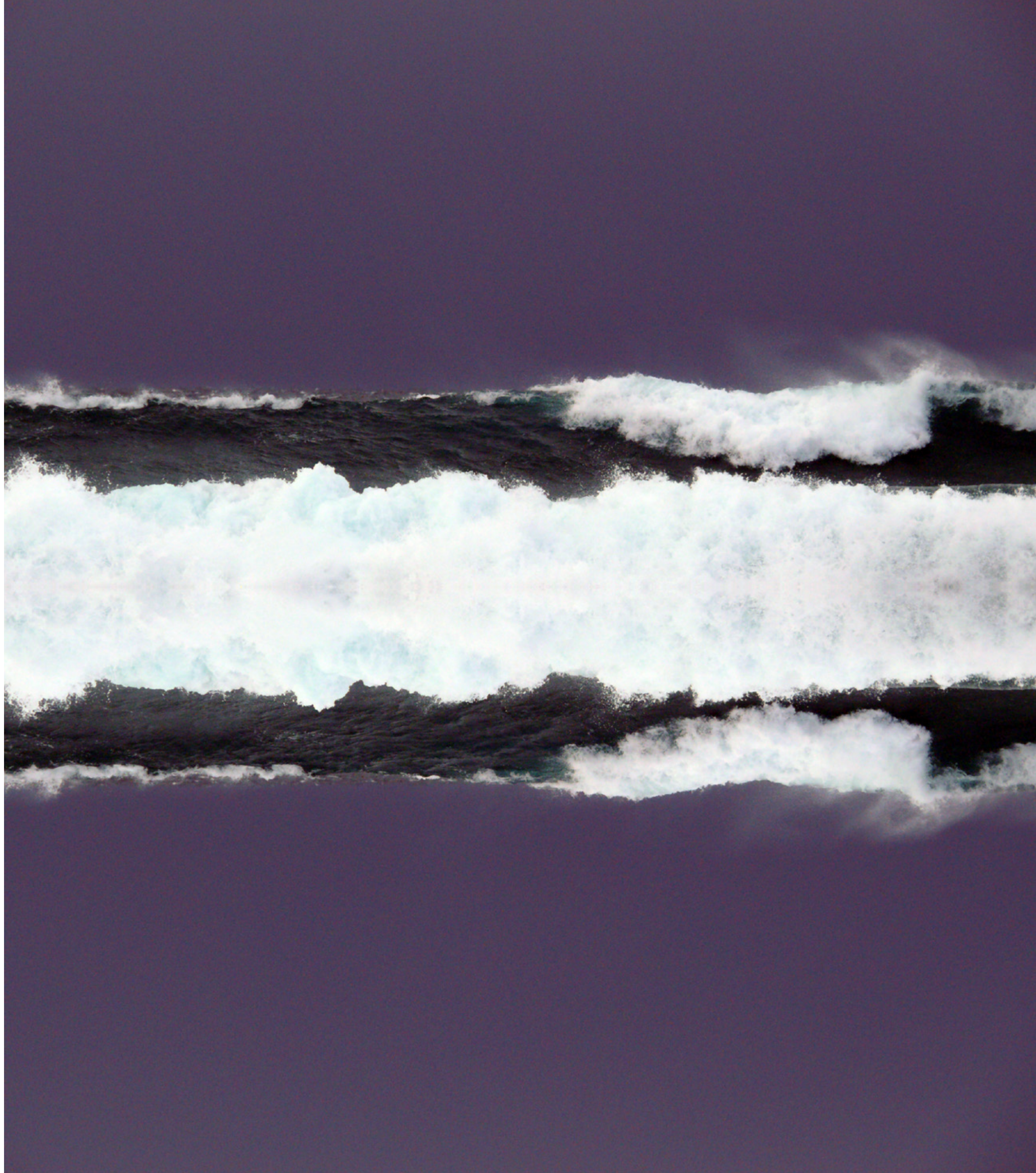
And this is
everything we did in the North Sea in 2007



Contents
year 2007

Our corporate history
so far

- Founded in Stavanger, Norway on 28 January 2005 by Takla Energy, Melberg Invest, IKM Gruppen and Melberg Partners
- Secured 550 mill NOK private equity funding from HitecVision Private Equity, Lyse Energi, 3i, founders and management in October 2005
- Experienced management team and highly competent operational and technical staff recruited in 2005 and 2006
- Pre-qualified as licensee on the Norwegian Continental Shelf in January 2006
- Awarded first licenses in Norway in January 2006
- Acquired first licenses in February 2006
- Pre-qualified as operator on the Norwegian Continental Shelf in December 2006
- Awarded first operated license in January 2007
- Acquired of 100% of the shares of the Oslo Børs listed oil company Altinex ASA August 2007
- Started trading on Oslo Børs 9 November 2007



A good year
for Noreco

10.500

10 500 OIL AND GAS PRODUCTION BARRELS OF OIL EQUIVALENTS PER DAY 4Q 2007
LAST YEARS: 2006: **0** 2005: **0**

52

52 LICENSES
LAST YEARS: 2006: **10** 2005: **3**

15

15 OIL AND GAS DISCOVERIES IN PORTFOLIO
LAST YEARS: 2006: **3** 2005: **0**

70

70 EMPLOYEES
LAST YEARS: 2006: **18** 2005: **6**

327

327 OPERATING RESULT (EBITDA) MILL NOK
LAST YEARS: 2006: **-87** 2005: **-25**

10.330

10 330 TOTAL ASSETS MILLION NOK
LAST YEARS: 2006: **110** 2005: **66**

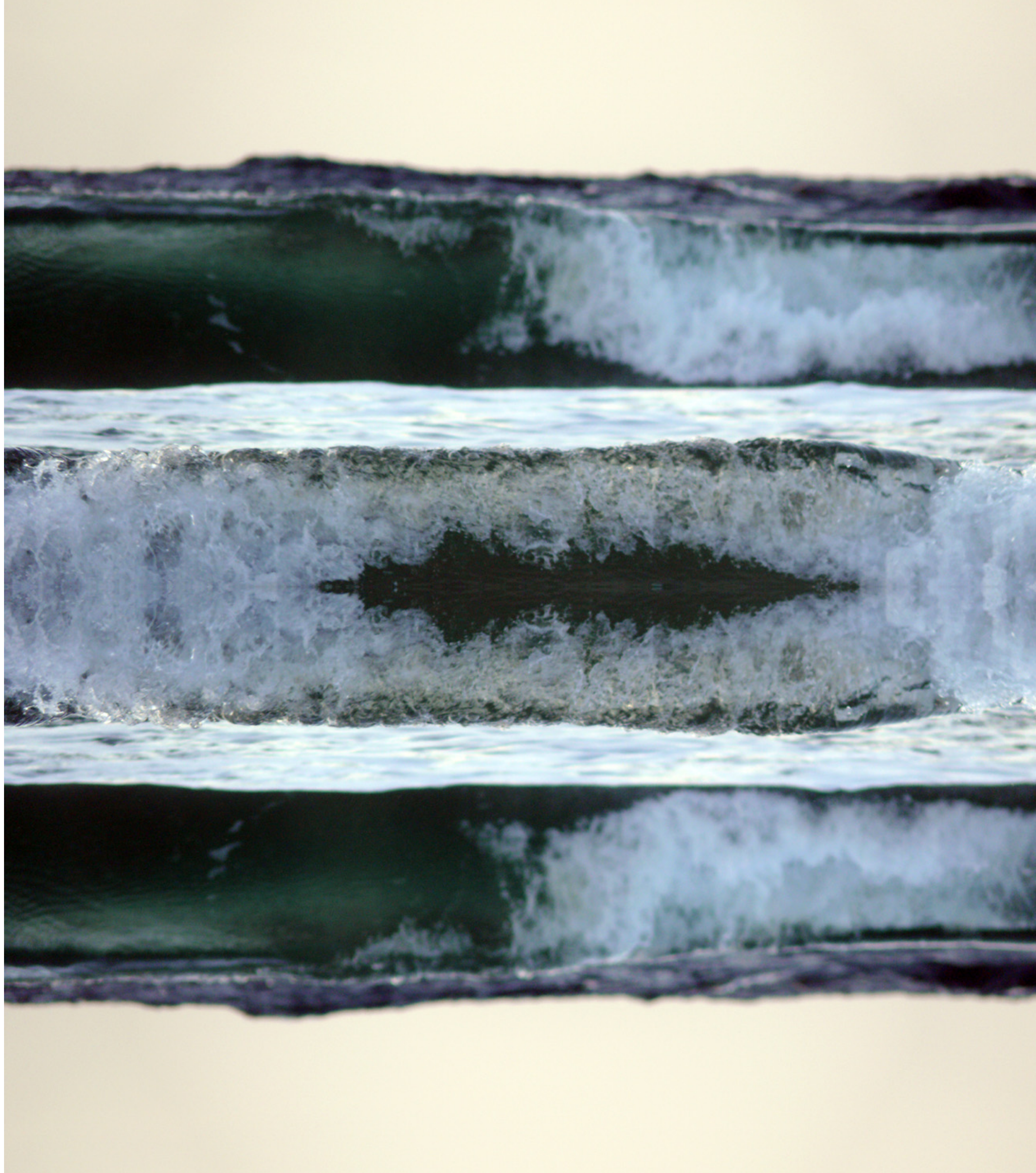
Key Figures
white on black

IFRS (NOK 1000)	**2007**	**2006**
Profit & Loss Account		
Operating income	839 664	0
EBITDA	327 437	-86 541
EBIT	49 051	-87 235
Profit before tax	-249 159	-88 064
Net result	**-198 690**	**-19 859**
Balance Sheet		
Non-current assets	8 746 954	15 832
Current assets	1 583 735	94 276
Total assets	**10 330 688**	**110 108**
Equity	1 677 451	55 724
Liabilities	8 653 237	54 384
Total equity and liabilities	**10 330 688**	**110 108**

Memorable highlights
of 2007

2007 was a year of continued strong growth for Norwegian Energy Company ASA (Noreco), both in terms of portfolio, people and financials:

- Major transformation of the company through the acquisition of Altinex ASA
- 70 employees in Stavanger, Copenhagen and Oslo brought together to form one team
- 18 license awards in the Norwegian APA rounds of 2006 and 2007, including 5 operatorships and first license in the Barents Sea
- 6 licenses acquired in transactions with other companies
- Extensive exploration and appraisal program commenced in August 2007 – to date the first five wells have been successful
- Sale of Oman assets and Altinex oil services businesses focused the portfolio on upstream oil and gas activity in the North Sea
- 5.1 billion NOK in equity and debt raised in 2007
- Noreco listed on Oslo Børs, first day of trading 9 November 2007



On behalf of everyone

here is Scott Kerr

EXPLOITING UNIQUE OPPORTUNITIES

When Scott Kerr discovered the huge possibilities in the North Sea that the major players in the industry did not pursue, he decided to leave his successful international career to build a new oil company – Noreco.

by Cato Bruarøy

– The North Sea is unique. It is one of the very few places in the world that offers huge exploration possibilities in a stable environment. Northern Europe is stable both political, and financial, in addition the North Sea gives good chances for smaller companies to grow fast, says Kerr.

Kerr is a US citizen with vast international experience, including Eastern Europe and the Middle East. When he was in charge of BP in Russia the American was the manager of one of the largest foreign companies in the country. Now his home is in Jørpeland outside Stavanger and Kerr is in charge of a fast growing company considerably smaller than his former employers. He is happy with the change.

– Stavanger is really a centre of excellence of oil and gas expertise. We have all the support we need because there are so many subcontractors, consultants and other companies in the area who have experience and detailed knowledge of the oil and gas industry. We also have an office in Oslo where there is a vibrant investor base, but our main office will continue to be in Stavanger. We are very pleased with being in Stavanger, says Kerr.

People who know Scott Kerr describes him as a strong leader, a visionary and a doer. He is impatient and expects fast results. This is clearly reflected in Noreco. Noreco was the first oil company in history to be awarded a licence on the Norwegian Continental Shelf within its first year of business. Less than three years after its founding, Noreco was listed at Oslo Stock Exchange and has production and a relatively large base of exploration licences. Noreco and Scott Kerr have planned an aggressive growth strategy. The management believe they have the right foundation for growing into a much larger organisation.

– The heart of the company is the people who work here. We were lucky and got highly skilled people at all levels from the beginning. The dedication and focus this group has is incredible! I appreciate the chance to work with such an excellent team of people. I think that is what I like most about working in Noreco, says Kerr.

After finishing his petroleum engineering studies at University of Wyoming he immediately chose to pursue a career in the oil industry.

– To me it has always been an exciting and interesting business. It is a dynamic industry where the products it provides are basic services and basic needs of people world wide.

He has a sincere interest in every aspect of the business. He left Russia to come closer to the operations, and moved to Scandinavia to be in charge of BP's operations in Norway. While living and doing business in Norway he saw a lot of opportunities, more than he previously had thought existed in such a mature and stable area. There are many opportunities in the North Sea that the major players simply do not pursue. In addition this presents opportunities to smaller independent companies, especially since the merger of Norway's two major oil companies Statoil and Norsk Hydro into StatoilHydro.

We would like to know what Noreco's CEO sees as the company's greatest challenges in the years to come. As expected Kerr is sure of the possibilities in market and in the geographic area, and that he thinks the main challenge for the organisation is to implement the ambitious plans.

– Our intention is to continue to grow into a fully integrated oil and gas company. The challenge for us is doing that, and aligning the commitment we currently have. We will grow through new licences, through acquisitions when we find the right companies at the right price. We will continue to focus our operations in the North Sea, says Kerr.

– 2007 was a significant year for Noreco with rapid growth, new licenses, acquisition of Altinex and listing at the Oslo Stock Exchange. 2008 will be the year where we can consolidate our position. We have secured the oil price for the whole year using financial instruments and we do not need any additional financing unless we choose to in order to buy interesting companies. We will continue to apply for new licences in Norway, Denmark and the UK, says Kerr.

Even though he has been in charge of large organisations for many years, it is a new experience for him to be in charge of a listed company.

– I think it is exciting. It is refreshing as you get direct feedback from professional investors and analysts. There are of course challenges in that we are in a long term business and the market has in many ways a short term focus, but we are very happy with being a public company. Being listed also creates a lot of opportunities for the company, and our investors get a correct pricing of their shares, says Kerr.

Noreco has an aggressive growth strategy. What kind of company does the CEO think Noreco will be in 10 years?

– In 10 years time I see Noreco as being one of the major independent oil companies in the North Sea. We will have more than tripled our production, and we will have significant discoveries and large exploration resources.

management team

Scott Kerr (50)
CEO

CEO of Noreco since July 2005. Holds over 27 years of experience from the oil industry and was previously the managing director for BP Norway. Has held positions as Manager for Russia and Kazakhstan for Arco, and president for CIS and North Africa Regions. Holds a BSc in Petroleum Engineering from University of Wyoming.

Einar Gjelsvik (35)
Vice President Investor/ External Relations

Joined Noreco in Jan 2006. Held various positions in BP, including Business development analyst and business planning and performance management team leader. 10 years of experience in the oil and gas industry. Holds a MSc in Business Administration, Strategic Management as well as a MSc, Chemical Engineering.

Jan Nagell (48)
CFO

Joined Altinex in May 2004. Has 25 years' experience within the Norwegian and international offshore industry, and has worked in all phases of the oil business, from exploration, construction to production. Holds a MSc of Business and Economics from the Norwegian School of Management (BI) from 1984.

Thor Arne Olsen (52)
Vice President Business Development

Business development manager, since Jan 2006. Holds over 25 years of commercial experience and previous positions include Business Development/A&D manager for BP Norway, commercial manager for Amoco Norway in addition to key positions across the upstream value chain in Norway and internationally. Holds a MSc in Business and Administration.

Stig Frøysland (51)
Vice President HSE/HR

Joined Altinex Oil in Aug 2007. Has 20 years' E&P experience from Norsk Hydro both in Norway and internationally where he held various senior HSE management positions. Has been involved in strategic and tutorial work related to company culture building and quality. Has a Diploma in HSE from Loughborough University, a degree from the Norwegian Police University College and studies in Law from Bergen University.

Birte N Borrevik (49)
Vice President Projects & Drilling

Joined Noreco in Oct 2006. Holds more than 25 years of Drilling and Project experience, including exploration drilling manager for BP, project general manager Valhall Flank Development, Major Projects Technology Unit in UK. Holds a BSc in Petroleum Engineering from the University of Stavanger.

Reinert Seland (54)
Vice President Exploration

Has been with Noreco since Sept 2005. Holds a MSc of Marine Geology from the University of Bergen and over 25 years of exploration experience. Has previously held various exploration positions, including executive vice president for business development in Aker Kværner Geo.

Rune Martinsen (43)
Vice President Northern North Sea

Joined Noreco as HSE and Engineering Manager in Dec 2005. Took over current position in Sept 2007. Has more than 15 years of experience in various sub surface, and has held various leadership positions in sub surface in BP, leading position in business management in Amoco, sub surface manager for Valhall and reservoir engineer in the Hod fields. Holds a MSc in Petroleum Engineering.

Synnøve Røysland (41)*
Vice President Southern North Sea

Joined Altinex in Sept 2006. Has 18 years of experience in drilling; 2 years as field manager. For more than 10 years, she worked as drilling supervisor and superintendent in the North Sea - mainly with Norsk Hydro in Norway and also with DONG in Denmark. Has also been managing drilling projects in Egypt, Namibia and UK. Gained an MSc in Petroleum Technology from Stavanger Technical University in 1988. ** Not present at photoshoot*

Strategy

“Noreco’s vision is to build a leading independent oil and gas company in the North Sea.”

The strategy to achieve this vision is threefold:

- Grow through license rounds and acquisitions
- Grow through progressing resources to production
- Optimize value creation from production assets

Noreco believes there is value in being part of the whole upstream value chain, and the business model is to reinvest profits from the producing assets into the growth of the company through exploration, developments and acquisitions.

The geographic focus for the company is the North Sea region, where Noreco has expertise, and there is substantial exploration potential and the infra-structure is in place.

Noreco is investing in capacity to grow the company further, and will continue to recruit highly motivated oil and gas professionals who will participate in the value creation in the company.

2007 in review

Operations review

PRODUCING FIELDS

Noreco has a portfolio of seven producing fields, which produced 10 500 boed net to the company in 4Q 2007.

Brage Field, Noreco 12.62%
The Brage Field is located in the Norwegian part of the North Sea 120 km west of Bergen in water depths of 130-170 meters. The field was discovered in 1980, and is operated by StatoilHydro. Production started in 1993, and the maximum production rate of more than 120,000 boed was achieved in 1996. The Brage production facilities consist of an integrated production, drilling and accommodation platform. The crude is exported to the Sture terminal via the Oseberg Transportation System. Gas is exported through the Statpipe system to Kårstø. The integrated platform drilling unit allows for drilling of additional development and exploration wells in order to continuously enhance the oil recovery from the field and to tap potential additional resources in adjacent prospects. A 4D seismic survey has recently been acquired over the field and is being interpreted to identify bypassed oil and possible new targets for infill drilling. For 2008, further infill drilling is planned to optimize production. The average production from the Brage Field in 2007 was approximately 25 000 boed gross.

There is prospectivity in the areas around the Brage Field. Two near field exploration targets on the northern flank of the field are planned to be drilled from the Brage platform in 2008.

Siri Field, Noreco 20%
The Siri Field is located in the Danish part of the North Sea, and started production in 1999. The Siri platform is an integrated production and accommodation platform placed on top of an oil storage tank resting on the seabed at a water depth of approximately 65 meters. The oil is produced to the seabed storage tank and via a floating loading buoy transported by shuttle tanker to refineries in North West Europe. The reservoir is produced with water injection and limited gas injection to improve oil recovery. The Siri platform is the host for processing and transport of production from the Nini and Cecilie Fields. The average production from the Siri Field in 2007 was approximately 9 000 boed gross. For 2008 an infill drilling campaign is planned to optimize recovery.

The oil discovery Sofie as well as exploration prospectivity has been identified around the field. The Paleocene Siri West prospect is located immediately west of the Siri Field, and is planned to be drilled in 2008.

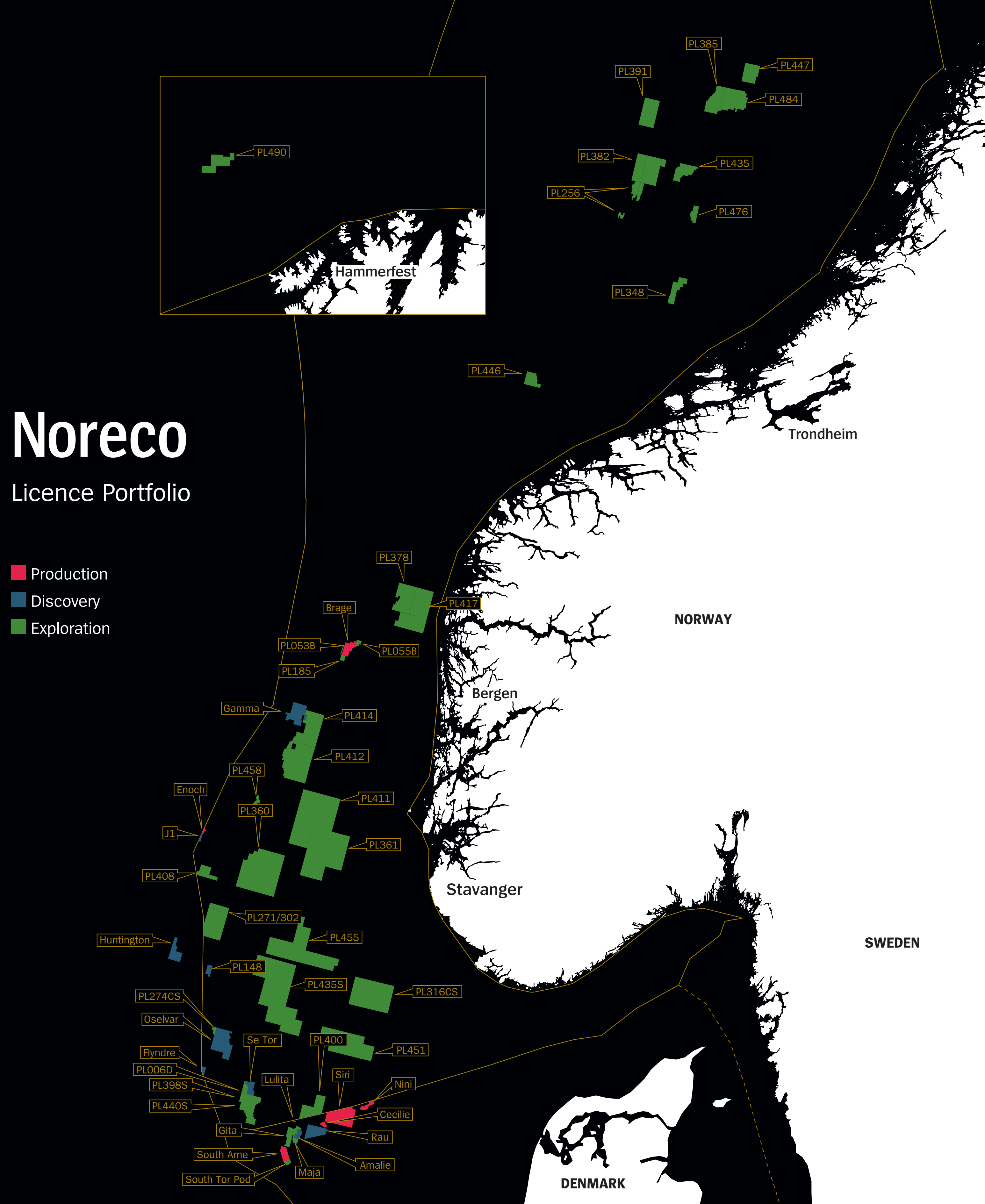
Nini Field, Noreco 30%
The Nini oilfield is located in the Danish part of the North Sea, 32 km northeast of the Siri Field. The Nini Field was discovered in 2000, and production commenced in 2003. The Nini Field is developed with an unmanned wellhead platform and is tied back to the Siri facilities for processing of the oil and gas. The Siri Field is also supplying water injection for the Nini Field. Successful infill drilling was done on Nini in 2007. For 2008, further infill drilling is planned to optimize production. The average production from the Nini Field in 2007 was approximately 5 500 boed gross.

South Arne Field, Noreco 6.56%
The South Arne Field is located in the Danish part of the North Sea, and is operated by Hess. Oil production from the field commenced in July 1999 and gas export commenced later in the year. The platform is an integrated production and accommodation platform, where the oil and gas from the South Arne reservoir are separated, processed and exported. The oil is stored in a subsea storage tank and transferred to shuttle tankers via an offshore loading system for onward transport to refineries in North West Europe. The field is developed with a total of 19 production/injection wells that are producing from a low permeability chalk reservoir. Two new infill wells are being planned for 2009. The average production from the South Arne Field in 2007 was approximately 25 000 boed gross.

Production:Brage:12.62%Siri:20% Nini:30%SouthArne:6.56%Cecilie: 61%Lulita:28.2%Enoch:4.36% Discovery:Huntington:20%NiniEast: 30% Oselvar: 15% Nemo: 20% South EastTor:25%Rau:40%Amalie: 29.9%Flyndre:13.34%J1:21.8% Gamma:20%Exploration:PL256:10% PL316CS:35%Galtvort:17.5% PL360: 15% PL361: 30% PL378: 20% PL382: 20%PL385:20%PL391:20% PL398S:30%PL400:30%PL408: 30%PL411:100%PL414:20% PL417:20% PL435: 20% PL440S: 12% PL447: 20% PL448: 40% PL458:30% Gita:12%Maja:12%PL490:20% PL476:30%PL484:40%PL006D: 25%PL274CS:15%PL451:40% PL453S:20%PL455:70% PL458:30%

Noreco

Licence Portfolio



In 2006 significant appraisal of the South Arne northern flank took place with the Rigs-3 appraisal well including three side-tracks. Scope for a distinct development of the northern flank area exist and is currently being matured. Project sanction is posible for end of year 2008, but most likely in 2009. The current development concept includes an unmanned dry well head platform able to accommodate a number of production and injection wells and a tie-back to the South Arne process platform.

Cecilie Field, Noreco 61%
The Cecilie oil Field is located in the Danish part of the North Sea, and was discovered in 2000. Production commenced in 2003. The oil is being produced from one wellhead platform and transported through pipelines to the Siri platform situated approximately 13 km north east of Cecilie. The oil is being processed at the Siri platform to a seabed storage tank and transferred to shuttle tankers via an offshore loading system for onward transport to refineries in North West Europe. The average production from the Cecilie Field in 2007 was approximately 1 500 boed gross.

Lulita, Noreco 28.2%
The Lulita oil and gas field is located in the Danish part of the North Sea, and was discovered in 1992. The reservoir is Middle Jurassic sandstone and has been developed with two extended reach wells from the Harald platform. Following processing on Harald, oil/condensate is transported to Gorm via Tyra East. The gas is exported to Tyra East via a separate pipeline. The average production from the Lulita Field in 2007 was approximately 1 500 boed gross.

Enoch Field, Noreco 4.36%
The Enoch Field is located in the central part of the Norwegian North Sea and came on stream in May 2007. The field straddles the Norwegian/UK border, and Talisman is operator for the unitised field. Enoch is developed as a subsea tie-back to the Brae A platform on the UKCS. Produced oil is transported in the Forties pipeline system to Cruden Bay in Scotland, and gas is delivered and sold at the Brae platform. The average production from the Enoch Field in 2007 was approximately 5 500 boed gross.

DEVELOPMENTS / DISCOVERIES

Noreco's portfolio contains 15 discoveries in Norway, Denmark and UK. Most of these are described below. In addition, there are discoveries around the producing fields and in the exploration licenses.

Huntington, Noreco 20%
The Huntington Field is located in the central part of the UK North Sea. The field lies in close proximity to existing infrastructure between the Nelson, Everest and Montrose fields. Oil was discovered on the field by Shell in 1989 in the Triassic Skagerrak Formation, but the discovery was deemed sub-economic at the time. The field was re-awarded in the 21st UK Offshore licensing round, and Oilexco is the operator. The main plan for the license in 2007 was to drill a combined Paleocene and Upper Jurassic prospect followed by appraisal drilling, if successful.

Exploration well 22/14b-5 was drilled in Q2 2007 with a total depth in the Triassic Smith Bank Formation, and it discovered oil in the Paleocene Forties Formation and the Upper Jurassic Fulmar Formation. Both formations displayed good reservoir quality. The two discoveries were tested and flow rates of up to 4600 barrels per day from a 101 ft interval in the Fulmar Formation and 5500 barrels per day from a 50 ft interval in the Forties Formation were obtained.

In Q3 2007 an extensive first phase appraisal programme was initiated. The programme gave important information concerning the lateral distribution of the reservoir quality in the Forties Formation and about the potential of the Fulmar discovery.

> “Noreco has a portfolio of seven producing fields, which produced 10 500 boed net to the company in 4Q 2007.”

The appraisal wells have de-risked the resource base and confirmed that Huntington can be developed. Work is currently ongoing to assess the gathered data and information with respect to the total resource potential in the Huntington Field.

The first well in the appraisal programme, 22/14b-6, was drilled and side-tracked multiple times and comprised a total of eight penetrations through the Forties Formation. The last penetration included coring of the pay zone and flow testing of two intervals. The lower test interval was right above the water leg and gave a rate of up to 2100 barrels per day from a 20 ft interval. The upper test interval in the upper part of the pay zone gave a rate of up to 5200 barrels per day from a 75 ft interval, which is in line with the results from the discovery well.

The final well in this first appraisal stage was 22/14b-8, which was completed in mid-February 2008. This well was drilled to a total depth in the Triassic Smith Bank Formation and data was gathered both in the Forties and Fulmar Formations. As expected, an oil column was observed in the Forties reservoir. A long core – 166 feet – was cut through the Forties Formation pay zone and upper part of the water zone for special core analyses. This core will give very valuable insight into the reservoir properties of the Forties Formation. The well penetrated the Fulmar Formation far down on the structural closure of the Fulmar discovery. Further work is needed to understand the for the total resource base, in particular for the Fulmar discovery for which there is still a large uncertainty and upside potential. The well was not cored in the Fulmar Formation and neither the Forties nor the Fulmar reservoir were flow tested. Development planning for the Forties Formation discovery is ongoing, and with the intent to bring the Fulmar discovery on stream as Forties production declines. Further appraisal drilling needs and timing for the Fulmar discovery, in particular, will be evaluated based on the outcome of this ongoing development planning effort.

Nini East, Noreco 30%
The Nini East discovery is located in the Danish part of the North Sea, some 7 km away from the producing Nini Field. A successful appraisal well to the Nini East discovery was drilled in June 2007, resulting in a significantly increased resource estimate for the Nini East Field. A field development plan comprising an unmanned wellhead platform tied back via Nini to the Siri platform was approved by the Danish Energy Authority in January 2008. Production is scheduled to start up in late 2009/early 2010. Reserves are estimated at 16 mmboe gross.

Oselvar, Noreco 15%
The Oselvar discovery was made by Elf in 1991, and is located in the southern part of the Norwegian North Sea in proximity to producing oil fields such as Ula, Gyda and Blane. Two appraisal wells has previously been drilled on the structure, one well being dry and one well encountering oil downdip of the gas discovery well.

In October 2007, the operator Dong spudded a new appraisal well to further delineate the field. The well objectives were to investigate reservoir deliverability, to acquire fluid samples for fluids characterisation, sample reservoir pressure data and cut representative cores. An open hole test flowed 4 920 barrels of oil equivalents per day. All objectives were fulfilled satisfactory and it was decided to side-track the well downflank with the objectives of establishing a free water level and acquire water samples. A representative water pressure gradient was established and water samples were obtained. The well results were positive, and confirmed Noreco's pre-drill resource estimate of 42 mmboe.

Noreco actively took part of the license decision to test the main bore and subsequently to side-track the well downflank to appraise the water leg and possibly identify an upside. The test proved a significantly improved flow potential compared to previous test conducted on this discovery which is important for the sub surface development planning. The side-track reduced the uncertainty on the free water level and in place volumes as well as giving valuable information regarding the formation water composition to be used in the development planning.

Work has now been initiated to update the sub surface models with the recent well results and progress development planning with the aim of submitting a PDO during 2008 with anticipated first oil in 2011. In the middle of 2008 another Palaeocene exploration prospect on the license called Ipswich 10 km south of Oselvar will be drilled. A discovery here could promote an area development together with Oselvar.

Nemo, Noreco 20%
The Nemo discovery was made by well 7/7-2 in 1992 in Upper Jurassic sandstone with Statoil as operator. The discovery was later appraised by well 7/7-3, but this well was deemed to be dry with shows. The main plan for the license in 2007 was to drill an appraisal well to the north of the discovery well to prove up the resource base estimate of 22 mmboe. The well 7/4-2 was drilled, and completed in February 2008. The well demonstrated hydrocarbons in the Ula Formation and confirmed a resource base of 20-30 mmboe, and at the same time it strengthened the case for an upside potential. The well was logged, cored and formation pressure tested, all in support of an oil-down-to at least 25 meters below the previous oil-down-to found in the discovery well. The well was not flow tested, but fluids were sampled in connection with formation pressure testing.

The well results will now be thoroughly evaluated together with the rest of the license database to support a development decision for the Nemo Field.

South East Tor, Noreco 25%
Noreco acquired a working interest in this license from Lundin in 2006. The license is located in the Norwegian southern North Sea, where chalk reservoirs are proven in several giant oil fields such as Ekofisk and Valhall. The discovery is located in a structural trap, but a major upside may be trapped down-flank in porous chalk analogues to the Danish Halfdan Field. Noreco have made a new geological model for the South East Tor discovery and an assessment of the prospectivity of the area surrounding the discovery. Two wells are planned to be drilled early 2009 to appraise the South East Tor discovery and to explore the upside west of the South East Tor structure. The exploration target is believed to be a high porosity oil filled zone in the Tor Fm.

Rau, Noreco 40%
The Rau discovery is located in the Danish part of the North Sea. During 2Q 2007 a successful exploration well, including three side-tracks, was drilled. The exploration well discovered movable oil in Paleocene sandstone reservoirs. Additionally, the three deviated side-tracks appraised the lateral extent and size of the Rau oil accumulation. All side-tracks found oil and confirmed the reservoir model and the extent of the Rau oil accumulation.

Noreco is the operator of Rau, and is currently finalizing the development report on the Rau discovery. Rau is located close to the Cecilie and Siri Fields, and the most likely development scenario for Rau is an unmanned wellhead platform tied back to the Siri Field via Cecilie for processing of the hydrocarbons. A possible project sanction is expected in December 2008.

Amalie, Noreco 29.9%
The Amalie discovery is located 20 km North East of the South Arne Field in the Danish part of the North Sea, and was discovered in 1991. Since the Amalie discovery several gas fields have been discovered in the area, forming the basis for a possible area development of the resources. A development plan for the field was submitted to the Danish Energy Authority (DEA) in December 2001. The plan depends on a tie-in to infrastructure on favorable terms.

Flyndre, Noreco 13.34%
The Flyndre Field was discovered in 1974, and has proven hydrocarbons in Paleocene sandstones and in Cretaceous chalk straddling the UK/Norway border. Several production tests with good oil rates have been carried out, but further field evaluation and possibly will be required prior to making a development decision. The operator, Mærsk, is currently working on plans for development of the Paleocene Balmoral Formation.

J1, Noreco 21.8%
The J1 discovery is a gas/condensate discovery located 15 km from the Sleipner West Field in in the central part of the Norwegian North Sea. The J1 discovery is being evaluated for further appraisal and development.

Gamma, Noreco 20%
The license was awarded to the company in the APA 2006 round in Norway, and is located in the northern part of the Norwegian North Sea. Two wells (25/2-10 S and 25/2-11) have been drilled on the Gamma structure, both encountering gas and oil in a four way dip closure at Frigg Formation level. Noreco is planning to perform a full evaluation of the license, aimed at assessing the commercial potential and development solution of the Gamma discovery, as well as identifying additional un-drilled potential in other formations. An appraisal well is planned for 2009.

EXPLORATION

Noreco's has an extensive portfolio of 52 exploration licenses, 42 in Norway, 9 in Denmark and 1 in the UK. Below is a description of the exploration licenses with wells planned over the next few months and the licenses awarded in the recent APA2007 licensing round in Norway. In addition, there are near field exploration targets being drilled around the producing fields and existing discoveries in the portfolio. A description of all exploration licenses in Noreco's portfolio is available on the company's website www.noreco.com.

Yoda (PL271/PL302), Noreco 15%
Noreco acquired an interest in blocks 7/1 and 6/10 from Dong in 2006. The license holds several prospects and leads at Triassic and Upper Jurassic levels, the latter being seen as the most prospective target. The prospectivity is linked to shallow marine Upper Jurassic sandstones, deposited in Triassic "intra - pods". The play model is well known and prolific on the UKCS, but underexplored on the Norwegian side. One of the prospects (Yoda) will be drilled in 2008 by the jack up rig Mærsk Giant. The license is located in a mature area with several producing fields and discoveries within a radius of 15 km.

Faeroe Petroleum recently required 15 of Noreco's 30% equity in return of a full covery of the upcomming well.

Eiganes (PL412), Noreco 40%
The license was awarded in APA 2006 and is located in the Northern part of the Norwegian North Sea. The license has prospectivity in mainly two levels. The Paleocene deep marine sandstones form a trap by pinch-out against the Utsira High. This is the same type of trap as in the very prolific Jotun and Ringhorne Fields in the next blocks to the west. A deeper target, the shallow marine sandstones of Middle Jurassic age is also proven oil-bearing in the region. A small oil discovery (25/6-1) exists on the license. Oil from this discovery is thought to spill into a stratigraphic pinch-out trap updip.

Secondary targets also exist in the shallow marine sandstones of Early Jurassic age. Noreco is the operator of this license and has contracted the rig West Alpha to drill an exploration well on the license in 1Q 2009.

South Tor Pod (7/89 & 2/06), Noreco 6.56%
The South Tor Pod is an exploration prospect identified through 3D seismic data and comprehensive knowledge of the South Arne Field located some 7 km away. The evaluation shows this prospect to be a low risk prospect with a high reserves upside. The operator Hess plans to drill an exploration well on this prospect during the summer of 2008. If the well is positive, hydrocarbons will be produced from the South Arne Facilities either as a sub-sea tie-back or with a separate platform.

Gita/Maja (9/06 & 9/95), Noreco 12%
In 2007 Noreco entered an agreement with Chevron Denmark to farm into licences 9/06 and 9/95 – the Gita/Maja Licences. Maersk Oil & Gas AS is the operator and the HPHT Gita-1X well will be the first well in the 9/95 licence, but the Gita prospect is expected to cover both licences. The main target is gas/condensate trapped in Upper Jurassic basin-floor sandstone reservoirs, but a potentially large upside is identified in both the Upper Jurassic sandstone and in the shoreface and fluvial sands of the Middle Jurassic aged formations. Spud is planned during summer 2008. Noreco will actively take part in the license work and build its own sub surface models. The results from Gita-1X will improve the understanding of the Jurassic potential in the nearby area covering the Jurassic gas condensate Amalie discovery in which Noreco has a significant interest.

Galtvort (PL348), Noreco 17.5%
The license was purchased from Talisman in 2006, and is located in the Norwegian Sea between the Draugen and Njord producing fields. The license covers the fault-zone between the Halten Terrace and the Trøndelag Platform and has a string of smaller

prospects reaching northwards from the Njord Field. The reservoir is of the same type as the Njord Field and is considered low risk. An exploration well is planned to test the Galtvort prospect in the license the first half of 2008. The operator StatoilHydro recently made a discovery 6407/6-6 (Gamma) 25 km away on trend and analogous with Galtvort. A discovery at Galtvort will most likely be tied back to the Njord Field.

APA2007

Noreco filed an extensive application for the Norwegian APA 2007 round, and was awarded nine new licenses including 3 operatorships. Below is a short description of the new licenses.

Barents Sea:

PL 490, Noreco 20%
This is Noreco's first license in the Barents Sea. The prospectivity relates to Jurassic/Cretaceous sandstones eroded off the Loppa High.

Norwegian Sea:

PL 476, Noreco 30%
The prospect relates to the classical Jurassic sandstones of the region and is encouraged by recent drilling in the vicinity of the block.

PL 484, Noreco 40% operator
Both Jurassic and Cretaceous prospectivity is defined in this license, encouraged by interesting results in nearby recent wells. The license is located between two existing licenses, bringing out possible synergies.

North Sea:

PL006D, Noreco 25%
The acreage secures the down-flank extension of what is called the Hyme prospect on the west flank of the South East Tor discovery.

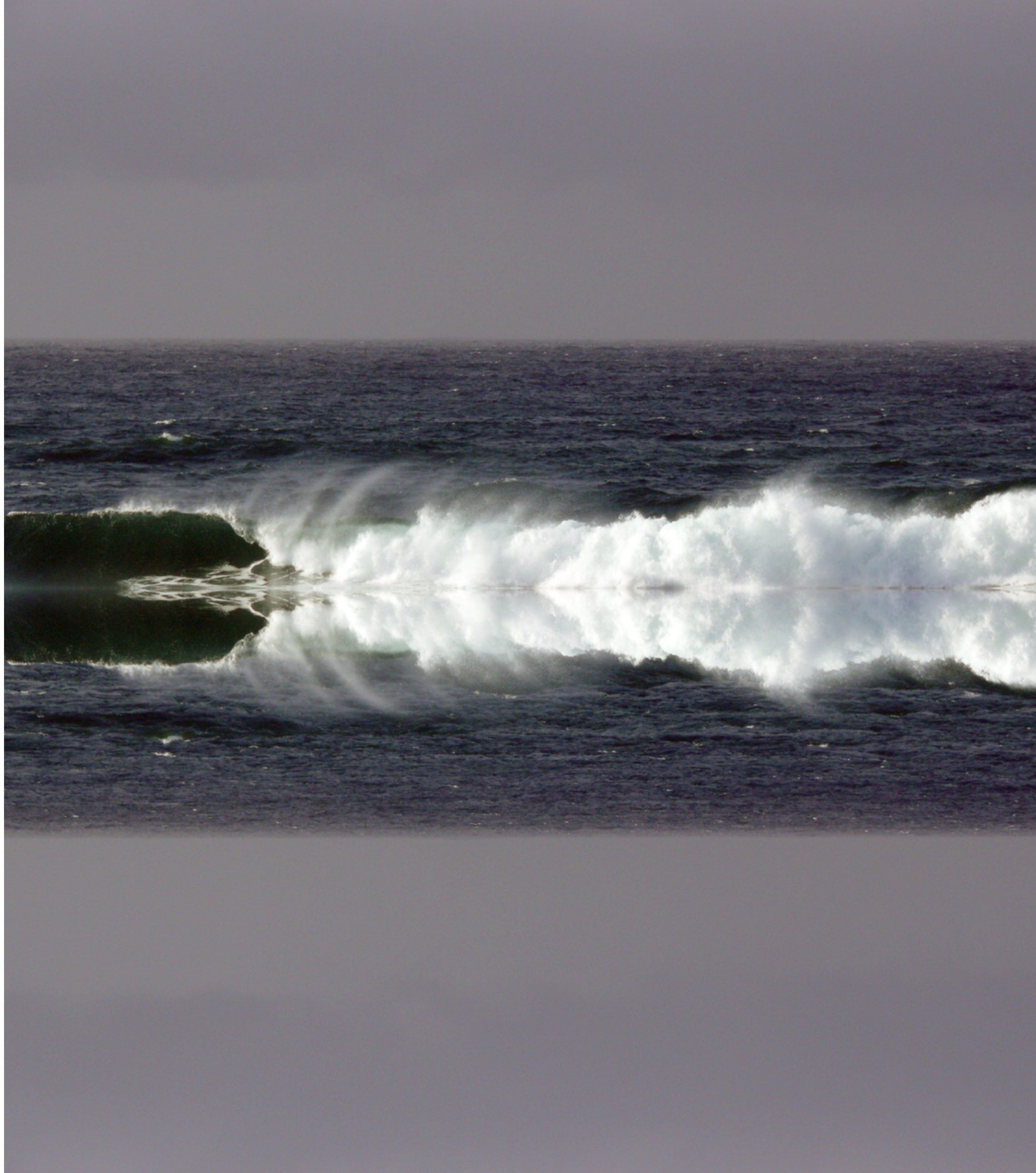
PL 274CS, Noreco 15%
The acreage secures the possible upside of the Oselvar discovery.

PL 451, Noreco 40% operator
The prospectivity relates to the Paleocene deep marine sandstones, analogues to the Siri Fairway where Noreco has gained significant knowledge over the years.

PL 453S, Noreco 20%
The license is planned to be covered with extensive 3D seismic in order to explore for Paleocene deep marine sandstones similar to the producing fields in the Siri Fairway in Denmark, where Noreco has significant interest and expertise. Exploration potential also exists in deeper series.

PL 455, Noreco 70% operator
The play is classical Jurassic sandstones, similar to those being redeveloped in the nearby Yme Field.

PL 458, Noreco 30%
The prospectivity relates to relatively shallow strata and is a follow-up of a trend in which oil has previously been discovered in nearby wells.



And this is our future

Annual Reserves Statement 2007

Noreco's classification of reserves is based on the Society of Petroleum Engineers' (SPE) Petroleum Resource Management System published in 2007. The system is a recognized resource classification system in accordance to the Oslo Børs Circular 2/2007 "Guidelines for the disclosure of hydrocarbon reserves, contingent resources and results from exploration activities".

The SPE resource classification system uses "reserves", "contingent resources" and "prospective resources" to classify hydrocarbon resource of varying technical maturity. The maturity within each class is also described to help guide classification of a given asset.

RESERVES

Noreco reserves are only those resources we consider to fulfill the maturity requirement proposed in the SPE classification system. Reserves are typically those volumes of hydrocarbon that can be expected to be produced from known accumulation with the plans that are approved or are likely to be approved in the near future. Reserves includes those volumes that will be produced by the current development (infrastructure and wells), volumes that will be produced by sanctioned developments, wells and projects, and volumes that will be produced by developments, projects or wells that are deemed justified for development. Justified for development are those investments that are commercially viable at the time of reporting, and where there are no reasonable contingencies that could preclude development.

The Reserves are also classified according to uncertainty or probability of the reserves being produced. Noreco is classifying reserves into the following categories;

1P – Reserves are the hydrocarbon volumes that have a reasonable certainty of being produced (from a field, a development, a well). In Noreco's reserves philosophy, the P1 reserves should be a realistic/conservative expectation of the producible volumes without being too conservative or too optimistic.

2P – Reserves are the hydrocarbon volumes that likely to be produced (from a field, a development or a well). For the producing fields in Noreco's portfolio, the difference between the 1P and 2P reserves are relatively small, reflecting that the 1P reserves are classified as being realistic/conservative. The 2P reserves will have a slightly higher risk of not being produced.

3P – Reserves are the hydrocarbon volumes that can possibly be produced (from a field, a development, a well). The 3P reserves will typically include the upside potential in the field, i.e. reserves that have a lower probability of being produced.

All hydrocarbon volumes classified as reserves in 1P, 2P and 3P must fulfill the maturity criteria for Reserves, as described (in production, sanctioned or justified for development) above.

Reserves are also divided into two categories based on the status of the reserves. Developed reserves are those volumes of hydrocarbons that can be produced from the already executed development, i.e. from existing wells and infrastructure without significant new capital expenditures. Undeveloped reserves are those volumes that are planned to be produced based on new capital expenditures.

Reserves Portfolio

Noreco has producing reserves from a total of 7 fields. Five fields on the Danish Continental Shelf (DCS) and two fields on the Norwegian Continental Shelf (NCS). More information on the fields are available on Noreco's homepage www.noreco.com and in the 2007 annual report.

Cecilie Field, DCS, operated by Dong, Noreco 61%
The reserves for the Cecilie Field is based on expected decline of the already producing reserves. There are no new reserves development planned for Cecilie.

Lulita Field, DCS, operated by Dong, Noreco 28.2%
The reserves for the Lulita Field is based on decline analysis and assessment of the restrictions of producing Lulita across the Harald platform. No new reserves development is planned for Lulita.

Nini Field, DCS, operated by Dong, Noreco 30%
The reserves assessment of the Nini Field is based on decline analysis of existing wells, upgrading of the water injection pipeline and drilling of one dual target water injector on the Nini Field. The sanctioned development of the Nini East Field is included as undeveloped reserves for the Nini license. The Nini East development is bringing new reserves across the Siri platform, and is extending the field life for the Siri, Stine and Nini Fields by contributing to lowering the unit operating cost for the fields.

Siri/Stine Fields, DCS, operated by Dong, Noreco 20%
The reserves for the Siri and Stine Fields are based on decline analysis of the existing production wells. One additional Siri well is included in the reserve estimates for Siri.

South Arne, DCS, operated by Hess, Noreco 6.56%
The reserves assessment of the South Arne Field is based on performance assessment of the fields production and review of reservoir modelling results from the South Arne Field. The reserves are based on remedial well activity to restore and improve production from existing wells, as well as drilling of further two production wells.

The South Arne Northern Extension (SANE) is included as undeveloped probable reserves, requiring additional infrastructure and well investments.

Brage, NCS, operated by StatoilHydro, Noreco 12.62%
The reserves assessment for the Brage Field is based on detailed decline analysis of the Brage wells, and assessment of the forward work program in the long term plan for the field. The drilling of a long reach well to develop the Brage north flank has recently been completed successfully with significant impact on field performance and expected reserves. Further drilling is planned over the next three years, with three wells to be completed in 2008. The forward drilling program includes a mix of production, injection and exploration wells, aimed at improving recovery and increasing the field STOOIP.

Enoch, NCS, operated by Talisman, Noreco 4.36%
The Enoch Field reserves are based on the expected production performance for the Enoch development well with gas lift and with low pressure operations from 2009. The low pressure operations project is in the define stage with expected execution starting in the second half of 2008.

Asset/Field	WI	Ultimate Recovery		Cumulative Production		Proved Reserves (1P)		Proved + Probable (2P)	
	(%)	Oil/NGL (MMBBLS)	Gas (BCF)	Oil/NGL (MMBBLS)	Gas (BCF)	Oil/NGL (MMBBLS)	Gas (BCF)	Oil/NGL (MMBBLS)	Gas (BCF)
Cecilie	61.00%	3,91	0,00	3,39	0,00	0,53	0,00	1,53	0,00
Lulita	28.20%	1,82	6,24	1,48	5,28	0,34	0,96	0,63	1,48
Nini [1]	30.00%	10,74	0,00	5,97	0,00	4,78	0,00	8,35	0,00
Siri	20.00%	11,30	0,00	10,23	0,00	1,07	0,00	1,63	0,00
South Arne [2]	6.56%	11,33	16,47	7,34	10,81	3,99	5,66	6,56	11,95
Stine	20.00%	1,23	0,00	0,93	0,00	0,92	0,00	1,27	0,00
Brage [3]	12.62%	44,17	17,71	39,46	11,45	4,71	6,26	6,36	9,33
Enoch	4.34%	0,21	0,34	0,08	0,08	0,13	0,26	0,45	0,84
Totals		84,71	40,76	68,87	27,62	16,47	13,14	26,78	23,60

1 Includes Nini East development
2 Includes South Arne Northern Extension development
3 Includes A-28B Bowmore

CONTINGENT RESOURCES

Contingent resources are those volumes of recoverable hydrocarbons that are in discoveries (known accumulations) where development has not yet been sanctioned or is for other reasons uncertain (new technology needed, resources requiring further evaluation, limited market/export solutions etc).

The probability of the contingent resources is classified into category 1C, 2C and 3C, in a classification scheme corresponding to the scheme used for reserves and described above.

1C – Contingent Resources is a realistic/conservative estimate for the volumes that can be produced from the discovery with a given assumed development scheme.

2C – Contingent Resource is the volumes that are likely to be produced from the development of the discovery.

3C – Contingent Resource is the volumes that possibly can be expected to be produced from a development of the discovery.

The Contingent Resources are based on deterministic evaluations of the recoverable volumes.

Contingent resources portfolio

Noreco contingent resources are from discoveries in various stages of maturation towards development on the Norwegian Continental Shelf, Danish Continental Shelf and UK continental shelf.

The volumetric evaluation of the contingent resources has not been reassessed since the issuing of the Noreco prospectus in November 2007. The table below indicates the appraisal activity on the discoveries since November 2007 (completed appraisal in bold), indicating that these discoveries have been further matured. However, these do not yet qualify as reserves as defined by the SPE resource classification system.

Asset/ Field	WI	Contingent Resources (2C)
	(%)	(Net. MMBOE)
P1114, Huntington. UKCS, Forties & Fulmar	**20.00%**	**34.50**
P1114, Huntington, UKCS, Triassic	20.00%	15.10
PL274 Oselvar, NCS	**15.00%**	**6.30**
PL148 Nemo, NCS	**15.00%**	**4.40**
PL006C South East Tor, NCS	25.00%	6.10
7/06 Rau, DCS	40.00%	5.20
7/86 Amalie, DCS	29.92%	10.50
PL018C Flyndre, NCS	13.34%	6.20
PL048C J1, NCS	5.45%	0.70
PL442 Gamma, NCS	20.00%	4.80
PL256, Sklinna, NCS	10.00%	1.80
PL348, Tau, NCS	17.50%	1.00
16/98, Connie, DCS	61.00%	1.10
PL055B Brage Flank	12.62%	4.00
6/95 Sofie, DCS	20.00%	0.20
PL412, 25/6-1, NCS	40.00%	0.20
Total Contingent Resources		102.10

Huntington – an extensive appraisal program has been completed for the Forties Fm in Huntington. One appraisal well with 8 sidetracks, 2 DST and extensive coring have been completed. The data from the appraisal campaign is being incorporated into 3D reservoir models for evaluation of resource in place and recoverable resources. This subsurface evaluation work is still ongoing and conclusion on the resource basis is expected in 2Q/3Q 2008. One appraisal well has also been completed to the Fulmar Fm, which has given valuable information. The uncertainty on the Fulmar reserves remain significant and additional appraisal activity is required to conclude on the full potential. A seismic survey will be acquired over Huntington in 2008 aimed at improving the mapping of the reservoirs.

Without improved seismic data and probably also additional appraisal drilling, it will be difficult to reduce the uncertainty on the Fulmar volumes. In parallel with the subsurface work, plans are being made for a rapid phased development of Huntington Field, with a possible fast track development of the Forties Fm, followed by a Fulmar development when the Fulmar Fm has been sufficiently appraised. It is expected that the resources associated with the Forties Fm will be bookable in 2008, following a development decision and when plan for field development and operation is filed.

Oselvar – a successful appraisal well was completed in February 2008, and has provided encouraging results with respect to development of the field. Incorporation of the appraisal well results are ongoing and studies are being conducted to evaluate development options for the field. A plan for development and operation (PDO) is planned for 2008.

Nemo – a successful appraisal well was completed in March 2008. Subsurface work is starting up to incorporate well results and mature development options for the Nemo discovery.

Rau – the discovery assessment has been completed and filed with Danish authorities. The development decision for the discovery is currently pending a commerciality evaluation and subsequent declaration of commerciality to the Danish authorities. The evaluation work is ongoing and the conclusions are expected in second half of 2008.

Amalie – there are currently no direct evaluation activity ongoing on Amalie. The development of the field is pending a commercial gas off take solution in the Amalie area. Exploration is planned for the Amalie neighbouring blocks and could help move Amalie forward. Based on this, Amalie has been moved to contingent resources.

Brage Flank – following the successful Bowmore appraisal/ development well that was completed in February 2008, 0,9 mmboe of the Brage Flank contingent resources have been booked as reserves.

Appraisal drilling has been ongoing until recently on the Huntington, Oselvar and Nemo discoveries. Reservoir studies and analysis are ongoing to evaluate the impact on the contingent resource estimate for these discoveries, and hence a new assessment of the volumetrics is not available for year end estimates of the contingent resources.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The reported reserves estimates for the Danish producing fields have been prepared by the independent, third party experts DeGolyer and MacNaughton with input data from Noreco and its license partners. For the Norwegian producing fields the reserve estimates have been prepared by experienced professionals in Noreco.

The information included herein may contain certain forward-looking statements that address activities, events or developments that Noreco expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by Noreco, which are beyond its control and are subject to certain additional risks and uncertainties. As a result of these factors, actual events may differ materially from those indicated in or implied by such forward-looking statements.

The Noreco total 1P reserves are 18.8 mmboe. The main 1P reserves contribution are from the South Arne and Brage Fields, both large fields with high STOOIP and an extensive producing well stock. The mature satellite fields like Cecilie and Lulita has low 1P reserves, while the Siri, Nini and Nini East each contribute in excess of 2 mmboe each to the 1P reserves estimate.

The 2P reserves estimate represents the expected outcome for the fields based on the performance observed to date, our understanding of the fields and the planned activities in the license. The 2P reserve estimate for the Noreco portfolio is 31.0 mmboe, of which the Brage and the South Arne Fields accounts from approximately half the of 2P reserves. The other half is dominated by the Nini/Nini East/Siri production cluster.

The difference between 1P and 2P reserves for the South Arne and Brage Fields are mainly in the infill drilling programs as well as assessment of expected performance from the existing well stock. The infill program on South Arne is a combination of additional well from existing infrastructure and wells drilled in the SANE project, requiring additional infrastructure. The Brage infill program is targeted for the unswept oil in the Statfjord Fm.

The Nini Field also has a significant probable reserves pool, that will be bookable to proved reserves as the development is progressing and the development wells are being drilled.

This is the first Annual Reserves Statement prepared by Noreco. The last reserves assessment was presented for the Noreco prospectus for the Noreco in November 2007. Adjusted for 2007 production the reserves have remained largely unchanged for Cecilie, Lulita, Nini, Nini East, Brage and Enoch. The Siri Field 2P reserves have increased by approximately 0.7 mmboe, while the South Arne Field 2P reserves have been decreased by approximately 2 mmboe.

Contingent resources in 15 discoveries are included in this report. Several of the discoveries are in the process of being proposed for development, and are expected to be promoted from contingent resources to reserves by year end 2008.

Scott Kerr
CEO
Noreco

investor information

Noreco's share capital is 346,390,410.20 NOK, divided on 111,738,842 shares, each with a nominal value of NOK 3.10.

Dear Shareholder

Information 2007

Noreco was listed on the Oslo Stock Exchange on 9 November 2007 (ticker NOR). Prior to the listing, the company conducted a private placement of 550 mill NOK at a subscription price of 33 NOK per share. The company also issued shares in conjunction with the acquisition of Altinex ASA. The majority of the shares were issued at a price of 22.25 NOK. The share price at 31 December 2007 was 30 NOK.

As of 31 December 2007 Noreco's share capital was 345 384 509.80 NOK, divided on 111 414 358 shares, each with a nominal value of NOK 3.10.

In 2007 the company issued a convertible loan in the amount of NOK 440 million, of which NOK 10 million has been converted to equity as per 31 December 2007. The remaining loan is convertible into 19 325 843 shares at a conversion price of 22.25 NOK per share, and is currently held by 14 investors. The last date for conversion is 8 May 2012.

A number of research analysts follow the company. An updated list of analysts can be found on www.noreco.com.

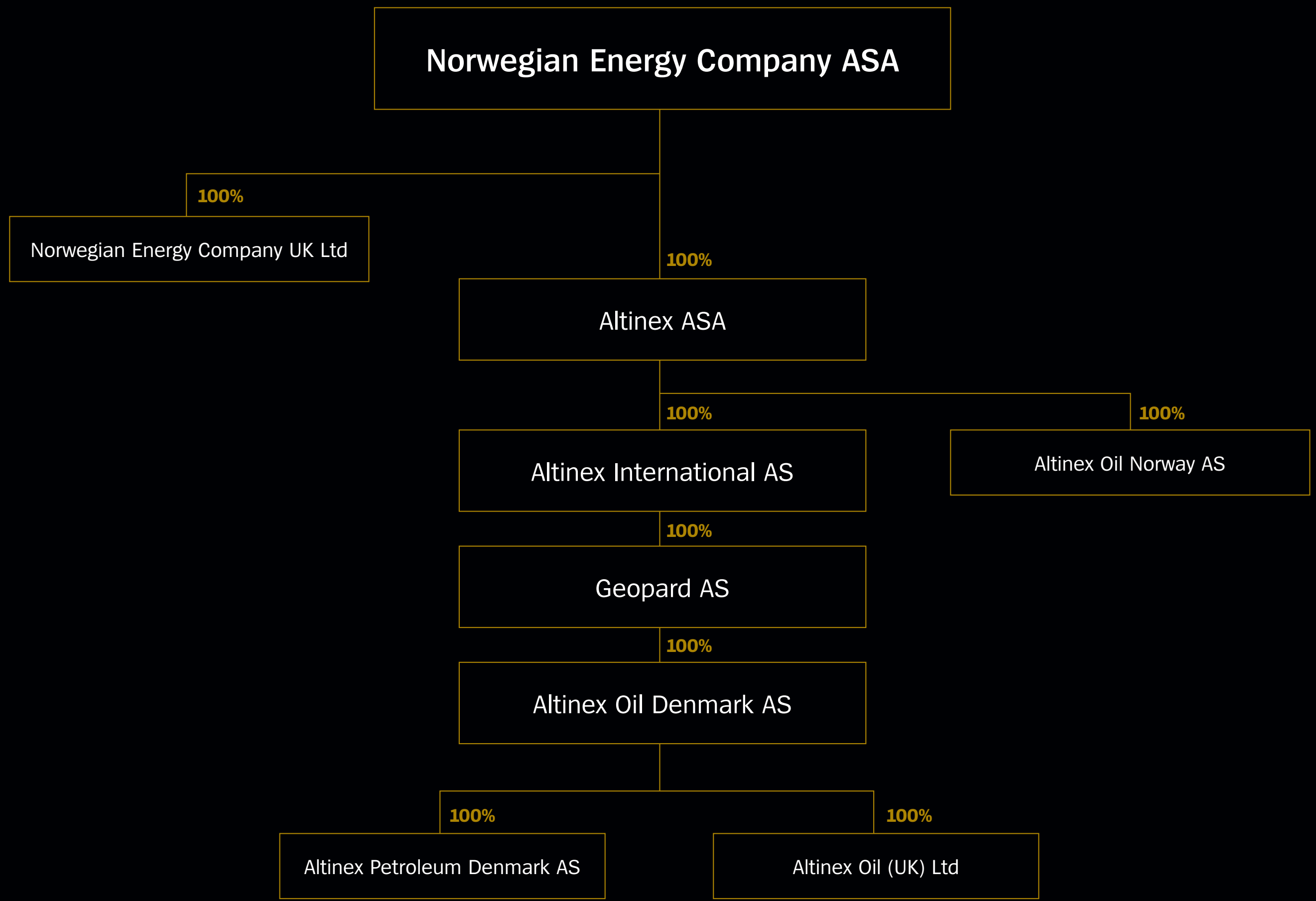
As at 31 December 2007 Noreco had a total of 912 shareholders divided into 834 Norwegian and 78 foreign owners. The shareholders as of the end of 2007 are shown in note 22 to the accounts.

Top 20 shareholders

per 25 March 2008

Investor	Number of shares	% of top 20	% of total
Lyse Energi AS	17 355 940	20.56%	15.53%
Nec Invest AS	16 725 396	19.81%	14.97%
Ikm Invest AS	8 072 418	9.56%	7.22%
Nordea Bank Norge ASA Markets	5 750 027	6.81%	5.15%
Bank Of New York, Brussels Branch	4 874 400	5.77%	4.36%
Morgan Stanley & Co Intl Plc	3 792 000	4.49%	3.39%
Nordea Securities AB	3 250 000	3.85%	2.91%
Credit Suisse Securities	2 844 836	3.37%	2.55%
Varma Mutual Pension Insurance	2 812 400	3.33%	2.52%
Verdipapirfondet KLP Aksjenorge	2 467 000	2.92%	2.21%
Cheyne Global Catalyst	2 067 600	2.45%	1.85%
Bank Of New York, Brussels Branch	2 013 196	2.38%	1.80%
Goldman Sachs Int. - Equity -	1 665 983	1.97%	1.49%
Lbpb Nominees Limited	1 607 864	1.90%	1.44%
Dnb Nor Markets, Aksjehand/Analyse	1 606 800	1.90%	1.44%
Bjørn Rygg Investering AS	1 594 284	1.89%	1.43%
JP Morgan Chase Bank	1 519 228	1.80%	1.36%
Spencer Trading Inc.	1 515 000	1.79%	1.36%
Melberg Investment AS	1 446 664	1.71%	1.29%
Takla Energy AS	1 431 436	1.70%	1.28%
Total number owned by top 20	**84 412 472**	**100%**	**75.54%**
Total number of shares	**111 738 842**		**100%**

Noreco Group



Corporate governance

CORPORATE GOVERNANCE IN NORECO

Noreco is committed to maintain a high standard of corporate governance and believe that effective corporate governance is essential to its success.

Noreco endeavors to exercise a corporate governance policy built on Norwegian corporate law, and that follows the Norwegian Code of Practice for Corporate Governance of 4 December 2007 (the "**Code**").

The company's Board of Directors has the overall responsibility for corporate governance in Noreco. The Board of Directors has established a remuneration and corporate governance committee consisting of three of the members of the Board of Directors. This committee reviews and assesses on a regular basis the company's corporate governance policies and procedures, and recommends any proposed changes to the Board of Directors for approval.

Noreco's business and main strategy

During 2007, Noreco has grown from being a small privately owned E&P company into a larger publicly owned independent E&P company listed on Oslo Stock Exchange. From inception, the company has combined strong commercial principles with a long-term growth perspective. Confidence in Noreco and its businesses is essential for the company's competitiveness and value creation.

In accordance with Noreco's Articles of Association section 3, "*The business of the Company is exploration, production and sale related to oil and gas activities. The Company will obtain participating interests in production licences by participating in licence rounds and through acquisition of participating interests*".

The company's vision is to be one of the leading independent energy companies whose activities are focused on the North Sea (mainly Norway, Denmark and United Kingdom). Noreco provides value creation for all its shareholders by building an optimized portfolio of exploration, development and production assets.

To achieve its vision, Noreco is actively participating in exploration rounds and acquisition activity, as well as building on core areas were Noreco has the understanding and knowledge to develop unique value creating options for the company and its shareholders. Further, Noreco endeavors to create values in the core areas through competence and commitment to generate activity and take risk. Noreco's employees, and their competence and commitment to succeed, is at the centre of the company's strategy. Noreco will ensure that the company has and maintains competitive competence in all key disciplines, and that it has the necessary capacity to both deliver value creation on Noreco's assets and sustainable growth in portfolio and capability.

Noreco believes that its integrity and standards are critical to the company's sustainability and value as a company, and that success is both about achieving the right results and delivering in the right way. Noreco's business decisions and actions are made in accordance with the following values:

- Being a good corporate citizen
- Caring for Noreco's people and the environment
- Developing Noreco's people and competence
- Committing to competitive performance
- Conducting its business with integrity and honesty

The company's ethical guidelines are based on the values mentioned above.

Equity and dividends

The company's equity is considered to be adequate to Noreco's objectives, strategies and risk profile.

Noreco has not previously paid any dividends, and it does not expect to pay ordinary dividends to its shareholders in the near future. However, the company aims over time to give shareholders a competitive return on capital relative to the underlying risk. Any future dividend payment will be subject to determination based on the Company's results and other factors the Board of Directors finds relevant. Any proposal by the Board of Directors concerning dividends must be approved by Noreco's shareholders at the General Meeting. Thus, the company's policy concerning dividends is predictable and corresponding with its objectives, strategies and risk profile.

The Board of Directors currently possesses two authorizations to undertake an increase of the company's share capital. One of the authorizations may only be used for issuing of new shares directed towards existing shareholders in full or in part, or in order to bring new investors into the company, in order to fund the company's equity plans (other than issuance of shares as part of a share option program for employees). The other authorization may only be used for issuing of new shares relating to the purchase of shares and redemption of options in Altinex ASA (a wholly-owned subsidiary of Noreco). Both authorizations expire 11 October 2008, one year after registration in the Norwegian Register of Business Enterprises.

The Board of Directors has not been granted an authorization for Noreco to purchase its own shares.

Equal treatment of shareholders
Noreco has only one class of shares and each share in the company carries one vote at general meetings.

According to the authorizations to undertake an increase of the company's share capital, the Board of Directors is further authorized to waive the preferential rights pursuant to Section 10-4 of the Norwegian Public Limited Liability Companies Act (hereinafter the "**PLCA**"). Any decision to waive the preferential right of existing shareholders to subscribe for shares in an event of an increase in share capital must be justified.

Noreco does not have any authorizations to carry out transactions in its own shares.

Transactions with close associates
In 2007 there have been no significant transactions between closely related parties.

If the company should enter into a transaction with associated parties within Noreco or with companies in which a Director or the CEO have a direct or indirect vested interest, those concerned shall immediately notify the Board of Directors. Any such transaction must be approved by the CEO and the Board of Directors, and where required also be reported to the market through Noreco's investor relations communications. If a transaction, which is not immaterial, is entered into between the company and shareholders, member of the Board of Directors, member of the executive management or close associates of such parties, or related companies with minority shareholders, the Board of Directors will, where deemed necessary, seek to arrange an independent valuation to be obtained from an independent third party.

Freely negotiable shares
The Noreco shares are freely negotiable and the Articles of Association do not impose any restriction on the transfer of shares. Noreco is listed on the Oslo Stock Exchange.

General Meetings
Noreco's General Meetings held in 2007 were conducted under the requirements of the Public Limited Companies Act and the Norwegian Code of Practice for Corporate Governance of 28 November 2006.

The General Meeting is the Noreco's highest corporate body. The Board of Directors strives to ensure that the General Meeting is an effective forum for communication between the Board of Directors and the shareholders. Therefore, Noreco encourages all shareholders to exercise their right to participate at the General Meeting.

The General Meeting will normally be held in April or May each year. Noreco endeavors to make the calling notice and detailed support information and the resolutions to be considered at the General Meeting, available on Noreco's website no later than 21 days prior to the General Meeting. The resolutions and the supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting.

The calling notice will be distributed to all shareholders no later than two weeks before the General Meeting, cf. PLCA section 5-10. The notice includes a reference to Noreco's website where the notice calling the meeting and other supporting documents are made available. Further, the right for shareholders to propose resolutions in respect of matters to be dealt with by the general meeting will be described on the website. As the right for shareholders to propose resolutions is described on Noreco's website, it is not specifically included in the calling notice.

According to Noreco's Articles of Association section 9, shareholders must give written notice to the company of their intention to attend the General Meeting by the date stated in the calling notice, which date must be at least two working days before the General Meeting. Shareholders, who are unable to be present, are encouraged to participate by proxy. Such proxy is enclosed to the calling notice. To the extent necessary, members of the Board of Directors and the auditor will strive to be present at the General Meeting.

To the extent adequate to the company, Noreco will arrange elections in such manners that the general meeting may vote separately for each candidate nominated for election to the Noreco's corporate bodies.

The Board of Directors decides the agenda for the General Meeting. However, the main agenda items are determined by the requirements of the PLCA and requirements in Noreco's Articles of Association. The chairman of the Board of Directors will also act as chairman for the General Meeting. The shareholders have found it adequate that the chairman of the Board of Directors also acts as chairman for the General Meeting, and this is stipulated in the company's Articles of Association.

Nomination committee
The nomination committee consists of three members elected by the General Meeting, whereas two of the members are independent of the Board of Directors and the management. The service shall be two years unless the General Meeting determines that the period shall be shorter, cf. Noreco's Articles of Association section 7.

The Articles of Association states that: "*the nomination committee shall prepare a motion for the Annual General Meeting relating to:*

- *Election of members of the Board of Directors and the chairperson of the Board of Directors.*
- *Election of the members of the Nomination Committee and the chairperson of the Committee.*
- *The remuneration of the Directors and the members of the Nomination Committee.*
- *Any amendments of the Nomination Committee's Mandate and Charter*".

The members of the Nomination Committee are currently Lars Takla (chairperson), Ole Melberg and Eimund Nygaard. The committee had two meetings in 2007. Board candidates are selected considering the competence, experience, capacity and diversity of each individual and the group as a whole. The nomination committee also proposes the remuneration of the Directors to the General Meeting, reflecting the responsibility, competence, time and complexity of the work involved. The remuneration is a fixed amount, which does not depend on results or involve options. The General Meeting makes all decisions.

Corporate assembly
Noreco does not have a corporate assembly as it is not required to.

Board of Directors: Composition and Independence
The Board of Directors is organized in accordance with the PLCA and currently exists of five members, whereas two are women. The chairman, the deputy chairman and the three other directors were all elected by the shareholders at an extraordinary General Meeting held on 10 October 2007. The members are elected for a two-year period, cf. PLCA section 6-6. This period of service is not deviated in Noreco's Articles of Association.

All the directors have a wide experience and represent both industry specific and professional expertise from national and international companies. Further information on each director is available on www.norecom.com/about_us/board In Noreco's opinion, all the directors are independent of the company's executive management and material business contacts.

Three of the directors are directly or indirectly currently holding shares in Noreco. None of the directors have any options to buy or subscribe for shares in the Company, nor has a decision to issue options to the directors been made.

The work of the Board of Directors
In 2007 the Board of Directors held 23 board meetings.

The Board of Directors has the overall and ultimate responsibility for the management of Noreco and for supervising its day-to-day management and activities in general. Their main duties are to develop Noreco's strategy and monitor its implementation. The Board of Directors also exercises supervision responsibilities to ensure that the company manages its business and assets in a prudent and satisfactory manner, and that an appropriate level of internal control and risk management systems are upheld.

In accordance with the provisions of the PLCA, the terms of reference for the Board of Directors are set out in a formal mandate that includes specific rules on the work of the board and decision-making. The chairman of the Board of Directors is responsible for ensuring that the work of the Board of Directors is carried out in an effective and proper manner in accordance with the relevant legislation.

The Board of Directors prepares annually a work plan for the upcoming year especially emphasizing their objectives, strategies and implementation.

The Board of Directors issues a mandate for the work of the CEO. There is a clear division of responsibilities between the Board of Directors and the executive management. The CEO is responsible for the operational management of the group and reports to the Board of Directors on a regular basis.

The Board of Directors is informed of Noreco's financial position and ensures adequate control of the company's activities, accounts and asset management. The Board of Directors receives monthly reports on the company's commercial and financial status. The company also follows the timetable laid down by the Oslo Stock Exchange concerning publication of interim and annual reports.

The Board of Directors has established an audit committee consisting of three members elected by and among the Board of Directors. Lars Takla, Therese Log Bergjord and Roger O'Neil are currently the members of the committee.

In addition, the Company's CFO is attending the audit committee meetings. The Board of Directors has resolved a charter stating the purpose and responsibilities of the committee. According to the audit committee charter, the audit committee shall, inter alia, act as preparatory body in connection with the supervisory role of the Board of Directors with respect to financial control and review and external audit of Noreco's financial statements and propose to the Board of Directors, who then propose to the General Meeting, the election of the independent auditor of the company.

Further, a remuneration and corporate governance committee has been established. The committee consists of three members elected by and among the Board of Directors and the committee's purpose and responsibilities are stated in a charter approved by the Board of Directors. Lars Takla, John Hogan and Heidi Petersen are currently the members of the committee. The remuneration and corporate governance committee charter states, inter alia, that the remuneration and corporate governance committee shall act as preparatory body in connection with the supervisory role of the Board of Directors with respect to remuneration compensation and other benefits of Noreco's CEO and other senior executives and make proposals for long-term incentive schemes applicable to the Company's CEO and other senior executives.

The Board of Directors carries out an annual evaluation of its own work, competence and performance. A similar evaluation of the CEO is also carried out annually. Further, the Board of Directors carries out an annual risk- and internal control review evaluating inter alia the company's reporting routines, monitoring, internal audit functions and Noreco's ability to cope with a variety of potential changes.

"The Board of Directors carries out an annual evaluation of its own work, competence and performance."

Risk management and internal control
The Noreco management system covers all areas of operation of the company. The system is divided into four levels. Level 1 describes the company's vision and values, level 2 is the management documents and level 3 general requirements in work processes flow diagrams and procedures and 4 contains supporting documentation (e.g. guidelines)

Management documents for risk management, internal control and financial reporting are covered in level 2 in the management system. Noreco's risk management process covers all types of risks, opportunities and threats. The financial manual describes how financial management and reporting is performed in Noreco.

Noreco's management conduct day-to-day follow-up of financial management and reporting. The board's audit committee assesses the integrity of the company's accounts, and prepares for the board items related to financial review and control and external audit of accounts.

Non-conformances are systematically followed up and corrective measures initiated.

Remuneration of the Board of Directors
The nomination committee proposes the remuneration of the Directors. The General Meeting approves the remuneration to the Directors and reflects the responsibility, qualifications, time commitment and the complexity of their tasks and Noreco in general. The remuneration to the Directors is included in the notes to the annual accounts.

Remuneration of the executive Management
The remuneration committee reviews and advises on proposals made by the CEO with regard to the remuneration payable to senior executive employees, and presents it to the Board of Directors.

The remuneration payable to senior executive employees is determined on the basis of competence, experience and achieved results. The Board of Directors prepares guidelines concerning remuneration and presents these for the General Meeting's consideration in accordance with the PLCA.

The executive management, as well as other employees, have performance-related bonus programmes. Further information is included in the notes to the annual accounts.

An incentive scheme for the management and other employees under which options exercisable into ordinary shares in Noreco are granted, has been approved by the shareholders in a Extraordinary General Meeting held 14 January 2008.

Information and communications
Noreco will on a regular basis keep shareholders and investors informed about commercial and financial development and performance. Such information will also be made available on Noreco's website simultaneously with the informing of shareholders. Noreco is committed to ensuring that the participants in the stock market receive the same information at the same time. Hence, key value drivers and risks will be disclosed through Hugin on www.newsweb.no as soon as it becomes known to the Board of Directors and the executive management, subject to rules relating to drilling results.

Noreco's annual report is distributed to shareholders prior to the General Meeting. Quarterly earnings releases are published within two months following the end of the quarter. Presentations of the Quarterly earnings are communicated directly via the internet. Noreco publishes an annual financial calendar which can be consulted on the Oslo Stock Exchange web site, through news agencies and on the Noreco website. The Board of Directors performs the financial and other reporting and their contact with shareholders outside the General Meeting with basis in the requirement for openness and equal treatment for all participants in the market.

Noreco strives to ensure that the information provided in announcements to the market, reports, presentations and meetings at all times will give the correct picture of Noreco's current position in all relevant matters.

Take-Overs

Noreco's Articles of Association do not contain any restrictions, limitations or defence mechanisms on acquiring the company's shares.

The Board of Directors has not prepared internal guidelines for the event of a take-over bid. In the event of a take-over bid, the Board of Directors will, in accordance with its overall responsibility for corporate governance, act for the benefit of all company shareholders.

Noreco has not been subject for a take-over after the listing of the company on Oslo Stock Exchange.

Auditor

Year-end accounts are audited. The Board of Directors receives a report from the auditor after year-end audits for the year concerned. Yearly, the auditor presents to the Board of Directors a review of the company's internal control procedures. The auditor participates in the meetings of the Board of Directors that deal with annual accounts. The auditor also presents a declaration of independence and objectivity. The Board of Directors also regularly reviews this relationship to ensure that the auditor is fulfilling an independent and satisfactory control function. The Board of Directors reports the remuneration of the auditor at the General Meeting for the approval of the shareholders.

directors report

Roger O'Neil (69)
Board member

O'Neil has had a career in the oil industry with Mobil Oil and Statoil and has served as a non-executive director on boards of public companies in the UK and Asia. O'Neil is an American citizen and resides in London, England.

Therese Log Bergjord (42)
Board member

Log Bergjord is Sales Director in Business Group Salmon Feed, Skretting. From 2004 until 2007, Vice President Commercial in the Pan Fish group, after serving as Vice President Finance in the same group since 2003. Started her career in ConocoPhillips where she held various leading positions during 16 years with the company.

John Hogan (54)
Board member

Hogan has over 30 years international experience in the O&G industry also at board level. He joined LASMO plc in 1981, running their US O&G business for 5 years before being made Managing Director between 1989 and -93. Was appointed to the main board of LASMO plc as Executive Director and Chief Operating Officer between 1993 and -99. Since then he has worked at board level in a number of companies.

Lars Takla (64)
Chairman

Takla is one of the founders of Noreco, and the chairman of Noreco's Board of Directors. He is the former Managing Director for ConocoPhillips in Norway. He is a member of a number of industry forums, and is widely recognized for his long and dedicated effort for the O&G industry in Norway.

Heidi Marie Petersen (49)
Board member

From 2003 and until June 2007, Petersen was CEO in Rambøll Oil & Gas AS. From 1997 and until 2000, she was Vice President in Kværner Oil & Gas AS Sandefjord, and up until 2004 she continued as Managing Director when the company changed name to Future Engineering AS. She was also a major owner in Future Engineering AS. Petersen holds a number of board positions including board membership in Norsk Hydro.

Building a leading independent oil and gas company in the North Sea

Directors report 2007

Noreco

Noreco is a Norwegian independent oil and gas company. The company's focus is to explore, develop and produce oil and gas in the North Sea. Currently, the portfolio consists of assets in Norway, Denmark and the UK. The company has offices in Stavanger (head office), Oslo and Copenhagen. Since incorporation in 2005 the company's vision has been to become a leading independent oil and gas company in the North Sea region.

Highlights

Noreco delivered strong financial and operational performance while making significant progress towards the company's vision in 2007. A step change in the development of the company was the acquisition of the Oslo listed oil company Altinex ASA. Through the financing of this transaction, the company was fundamentally transformed from a private to a public company. The company subsequently listed its shares and bonds on the Oslo Børs in November 2007. Further growth in the company in the year was secured through the acquisition of 6 licenses and 18 license awards in the Norwegian APA license rounds of 2006 and 2007. Another key milestone for the company was the commencement of the company's planned 30 well exploration and appraisal drilling program to be undertaken between late 2007 and 2010. The board is pleased to report that to date the first five wells of the drilling program has been completed successfully, and in accordance with planned targets.

Financial performance

The 4.4 bill NOK acquisition of Altinex ASA in 2007 transformed the company, and represents the key driver behind the significantly different results for 2007 compared to 2006. Prior to the acquisition of Altinex the company did not have any oil and gas production. Altinex has been incorporated in the accounts from 01.07.07. As a result of the Altinex acquisition, the Group's production in 2007 was 1.9 mmboe, equivalent to approximately 10 400 boed from in the period 01.07 – 31.12.07. The production was realized at an average price of USD 75 per boe. The financial results are further impacted by reinvestment of the revenues from the 7 producing fields into exploration, appraisal and development activities of the Group aimed at fuelling further growth. In 2007, the company completed one appraisal well on the Huntington Field. Another two appraisal wells commenced late in 2007 (Nemo and Oselvar). All three wells were successful, and the costs associated with the wells were capitalized.

Operating income in 2007 was 840 mill NOK (0 in 2006). Operating results (EBIT) for 2007 was 49 mill NOK, up from -87 mill NOK in 2006 The Group's profit before tax (EBT) was -249 mill NOK compared to -88 mill NOK for 2006. Net results for the year was -199 mill NOK compared to -20 mill NOK for 2006. Net cashflow from operating activities increased from -80 mill NOK in 2006 to 247 mill NOK in 2007. Net cashflow from investing activities in 2007 was -4 522 mill NOK, compared with -10 mill NOK the year before, interest-bearing debt

> “Noreco is in a good position to successfully compete and continue to grow the company.”

amounted to 4 826 mill NOK at the end of 2007, compared with 35 mill NOK the year before. Total bank deposits amounted to 973 mill NOK at the end of 2007 compared to 12 mill NOK in 2006.

Liquidity is good, and the company’s work program in 2008 will be funded from cash in hand, existing bank facilities and operating cash flow.

The Group strengthened its financial position in 2007 through new equity of a total of 1 910 mill NOK net of issue cost, and issuance of new bonds of 2 800 mill NOK, and issuance of a convertible loan of 430 mill NOK. The Group divested its assets in Oman and two oil service companies (Altinex Services AS and Altinex Reservoir Technology AS) in 2007 to focus its activities on upstream oil and gas in the North Sea region in line with the strategy. As required by section 3-3 a) of the Norwegian Accounting Act, the board confirms that the going concern assumption has been fulfilled. The accounts for 2007 have been prepared on that basis. The accounts give an accurate picture of the company’s assets, liabilities, financial position and financial performance. No events have taken place after the end of the financial year that have a bearing on the evaluation of the company.

Markets

The demand for energy continued to increase in 2007, fuelled by the growth in the global economy. Together with shortages of production capacity and political instability this led to record high oil and gas prices for the year. The average oil price realized for Noreco in 2007 was USD 75 per boe.

Increasing oil prices have led to increased activity in the oil and gas industry, which puts pressure on capacity and costs in the supply markets to the industry.

There is strong competition for access to new opportunities, both in license rounds and the acquisitions market. There are a number of new companies entering the North Sea, and in particular this is the case for the Norwegian Continental Shelf where 13 new companies have been qualified by the Norwegian State in 2007. However, 2007 also saw some consolidation in the North Sea upstream segment. The board believes that the consolidation will continue in the years ahead, and that competition will remain strong. Noreco is in a good position to successfully compete and continue to grow the company.

Financial risk

Risks related to oil price, currency and interest rates and debt covenant compliance represent the main financial risks to the Group. Financial risk management is carried out by a central finance and accounting function and the risk management program seeks to minimize the potential adverse effects on the Group’s financial performance. Derivative financial instruments are used to hedge certain risk exposures. Noreco has inter alia ensured through purchase of put options that a minimum price of USD 50 per barrel is guaranteed for a significant part of the expected oil production for the next 24 months on a rolling basis. In addition, the Group has purchased put options at USD 75 per barrel for 1.5 million barrels of production for the period April 2008 to March 2009. This secures the company’s ability to carry out the planned work program for 2008 should there be any negative turn in the oil price. Furthermore, a part of the company’s exposure to foreign currencies is secured through forward contracts and swaps. For further information about the financial risk management objectives and policies see the notes to the accounts.

Health, Safety, Security and Environment

Noreco’s vision for Health, Safety and Environment (HSE) is to achieve zero accidents and zero incidents in all operations. Management of HSE is an integral part of the company’s management system. The management system is updated regularly, and employees are actively engaged in this process. This fosters continuous improvements, and helps build a sound company culture.

Safety

Noreco’s aim is to ensure that all employees and contractors are aware of the risks involved in carrying out their work, and of the precautions to be taken to reduce or remove these risks. Noreco suffered no fatal accidents and no personal injuries in our operated activities in 2007. In the non-operated activities there were no fatal accidents, but the operators reported three medical treatment incidents in 2007. All incidents in non-operated licenses are followed up by the Noreco representative in the license.

External environment

Exploration, development and production of oil and gas leads to discharges to sea and air emissions. Noreco operate within all statutory requirements. There have not been any breaches of these requirements in 2007 from Noreco’s operations. Business travel leads to carbon emissions to air. Noreco has purchased offsets for air travel emissions through My Climate (www.mittklima.no), whereby the estimated carbon emissions from Noreco’s air travel are offset through investments in climate projects in developing countries and emerging countries, in Africa, Latin America and Asia.

Human resources and working environment

Following the acquisition of Altinex, an integration process was undertaken to combine the staff of both Noreco and Altinex into one organisation. Emphasis was placed on involvement and engagement from the employees in the planning process for this integration. Both formal and informal meetings and discussions were held frequently to ensure adequate input and actions. Measurable parameters and other feedback from the employees show that this approach was successful. Noreco has agreed on the structure of the Working Environment Committee and its meeting schedule. Employee representatives from both Norway and Denmark are elected and formal working environment training for the members has begun.

As of 31.12.07 Noreco had 61 employees, aged between 24 and 60 years. Nine different nationalities are represented in the workforce, and 18 employees (30%) were female. Noreco has continued to actively recruit skilled professionals after 31.12.07, and as of today has 70 employees on the payroll. In recruitment of new staff members, Noreco will continue to encourage diversity with regards to, including but not limited to, gender, cultural background and experience. Remuneration is related to job content and qualifications. Senior management remuneration is detailed in the notes to the accounts.

By the end of 2007 new and aligned employment contracts have been signed for all employees, and the Board has introduced one common compensation and benefits policy for the company. This policy recognizes the different employment practices for the countries where we employ staff and we therefore have adjusted our compensation packages to reflect the local market conditions.

During 2007 employee absence due to sickness in Noreco remained very low at 1% (0% in 2006).

Research and development

Noreco is working with several research institutions with a view to enhancing the understanding of a series of complex challenges within the upstream oil and gas industry. The company has no firm plans for engagement in commercialization of these efforts.

Corporate governance

Good corporate governance is the board’s most important tool for ensuring that the company’s resources are managed in the best possible way and contribute to long term value creation for shareholders. Corporate governance in Noreco is based on equal treatment of all shareholders exercised through the board of directors and the general meeting. The board of directors held 23 meetings in 2007. Key focus areas for the board in 2007 were the transformation of Noreco from a private to a public company, the acquisition of Altinex ASA and the financing thereof, and the listing of the company on the Oslo Børs. There were two changes among board members in 2007. With effect from 09.11.2007 Tollak Melberg and Gunnar

Halvorsen stepped down and Heidi Petersen and Therese Log Bergjord were elected as new directors of the company. Further information on corporate governance in Noreco is detailed in the separate section on corporate governance in this annual report and the notes to the accounts.

Outlook
The board believes that the market fundamentals for the upstream oil and gas industry will remain strong, with sustained high oil prices.

Following the successful performance in 2007, the company has established a sound platform for further growth. The board believes that reinvestment of the cashflow from the producing fields into the company's organic growth through an extensive exploration and drilling program will deliver very good shareholder returns in the long run. An extensive work program for 2008, with participation in a total of 18 wells at the heart, positions the company very well for organic growth in 2008 and beyond. Production for 2008 is expected to be in the range 9000 – 9500 barrels of oil equivalents per day. Four of the company's 14 discoveries are progressing to development decisions, which will increase the reserve base of the company during 2008. Acquisitions and mergers will be considered provided that they support this strategic direction and create long term value for shareholders. The Noreco team is determined to continue to strive towards the vision of creating a leading independent oil and gas company in the North Sea.

Parent company
The parent company had a loss of 165 126 TNOK. The Board of Directors proposes a transaction of 189 085 TNOK from the share premium reserve to fully cover the loss for 2007 and previous years' loss.

The parent company's total equity as at 31.12.2007 was 1 854 931 TNOK of which TNOK 0 are free equity.

Stavanger 31 March 2008

Lars Takla | **Heidi M Petersen** | **Roger O'Neil**

Therese L Bergjord | **John Hogan** | **Scott Kerr** CEO

everything that counts

annual accounts

Here is the

Income statement

		NORECO GROUP	NORWEGIAN ENERGY COMPANY ASA		
(NOK 1000)	Note	2007	2007	2006*	2005*
Revenue	7	839 664	0	0	0
Total operating income		**839 664**	**0**	**0**	**0**
Production expenses	8	214 830	0	0	0
Exploration and appraisal expenses	9	145 543	93 132	25 735	7 809
Payroll expenses	10, 11	103 239	52 836	31 312	3 185
Depreciation and write-down expenses	17, 18	278 386	855	694	58
Other operating expenses	12, 13	48 617	28 165	29 494	13 851
Total operating expenses		**790 614**	**174 988**	**87 235**	**24 903**
Operating result		**49 051**	**-174 988**	**-87 235**	**-24 903**
Financial income	14	149 001	36 371	1 374	154
Financial expense	14	447 212	204 410	2 204	4
Net financial result		**-298 210**	**-168 039**	**-830**	**150**
Ordinary result before tax		**-249 159**	**-343 027**	**-88 064**	**-24 753**
Tax	15	-50 469	-177 901	-68 205	-19 266
Net loss for the year		**-198 690**	**-165 126**	**-19 859**	**-5 488**
Net loss for the year is distributed as follows					
Shareholders		-198 690	-165 126	-19 859	-5 488
Earnings per share					
Basic	16	**-3.14**	**-2.61**	**-2.15**	**-4.85**
Diluted	16	**-3.14**	**-2.61**	**-2.15**	**-4.85**

**Numbers for the Noreco Group for year 2006 and 2005 are identical to those presented for the parent company for 2006 and 2005.*

And this our

Balance sheet per 31.12.

		NORECO GROUP	NORWEGIAN ENERGY COMPANY ASA		
(NOK 1000)	Note	2007	2007	2006*	2005*
ASSETS					
Fixed assets					
Intangible fixed assets					
Licences and capitalised exploration expenses	17	4 379 448	215 314	8 882	0
Deferred tax asset	15	111 391	67 892	5 147	1 212
Goodwill	17	1 445 992	0	0	0
Total intangible fixed assets		**5 936 831**	**283 206**	**14 029**	**1 212**
Tangible fixed assets					
Production facilities	18	2 317 576	0	0	0
Removal asset	18	486 311	0	0	0
Plant, machinery and equipment	18	6 236	2 193	1 804	1 464
Total tangible fixed assets		**2 810 123**	**2 193**	**1 804**	**1 464**
Financial fixed assets					
Investments in subsidiaries	5	0	4 351 135	0	0
Total financial fixed assets		**0**	**4 351 135**	**0**	**0**
Total fixed assets		**8 746 954**	**4 636 534**	**15 832**	**2 675**
Current assets					
Receivables					
Accounts receivable	19	89 820	0	0	0
Tax credit	15, 19	265 866	265 866	77 464	19 442
Receivables from subsidiaries	19	0	5 350	0	0
Other short-term receivables	19	207 650	60 498	4 842	1 911
Total receivables		**563 336**	**331 715**	**82 306**	**21 353**
Financial current assets					
Other financial instruments	20	46 997	0	0	0
Bank deposits, cash and cash equivalents	21	973 402	666 524	11 970	41 616
Total financial current assets		**1 020 399**	**666 524**	**11 970**	**41 616**
Total current assets		**1 583 735**	**998 239**	**94 276**	**62 969**
Total assets		**10 330 688**	**5 634 772**	**110 108**	**65 644**

**Numbers for the Noreco Group for year 2006 and 2005 are identical to those presented for the parent company for 2006 and 2005.*

		NORECO GROUP	NORWEGIAN ENERGY COMPANY ASA		
(NOK 1000)	Note	2007	2007	2006*	2005*
EQUITY AND LIABILITIES					
Paid in equity					
Share capital	22	345 385	345 385	31 422	2 135
Share premium fund	22	1 455 453	1 455 453	48 261	0
Paid in not registered capital	22	0	0	0	51 905
Other paid in equity	22	-123 387	54 093	-23 959	-4 100
Total paid in equity		**1 677 451**	**1 854 931**	**55 724**	**49 940**
LIABILITIES					
Provisions					
Pension liabilities	23	659	659	252	0
Deferred tax	15	2 396 463	97 248	0	0
Removal liabilities	24	711 793	0	0	0
Total provisions		**3 108 915**	**97 907**	**252**	**0**
Other long-term liabilities					
Convertible bond loan	25	349 232	349 232	0	0
Bond loan	25	3 730 514	2 739 809	0	0
Other liabilities to financial institutions	25	523 843	0	0	0
Total other long-term liabilities		**4 603 589**	**3 089 041**	**0**	**0**
Current liabilities					
Other interest-bearing liabilities	26	222 000	222 000	35 000	0
Trade creditors	26	68 974	26 842	4 664	10 421
Taxes payable	15, 26	92 765	0	0	0
Public duties payable	26	33 508	9 658	4 200	764
Payables to subsidiaries	26	0	1 011	0	0
Other short-term liabilities	26	523 487	333 382	10 269	4 519
Total current liabilities		**940 733**	**592 893**	**54 132**	**15 704**
Total liabilities		**8 653 237**	**3 779 841**	**54 384**	**15 704**
Total equity and liabilities		**10 330 688**	**5 634 772**	**110 108**	**65 644**

**Numbers for the Noreco Group for year 2006 and 2005 are identical to those presented for the parent company for 2006 and 2005.*

Stavanger 31 March 2008

Lars Takla
Chairman of the Board

Heidi M Petersen

Roger O'Neil

Therese L Bergjord

John Hogan

Scott Kerr
CEO

Consolidated Statement of Equity

NORECO GROUP (NOK 1000)	Share capital	Share premium fund	Foreign exchange translation fund	Hedging fund reserver	Other equity	Total equity
Equity at 1 January 2007	**31 422**	**48 261**	**0**	**0**	**-23 959**	**55 724**
Capital increase 2007	311 571	1 654 600				1 966 171
Transferred from convertible bond					41 675	41 675
Transferred - share split and fund emission	2 392	-2 392				0
Share issue costs		-55 931				-55 931
Value-adjusted financial instruments				-43 411		-43 411
Translation differences - foreign exchange			-88 087			-88 087
Net income (loss)					-198 690	-198 690
Coverage of loss		-189 085			189 085	0
Equity at 31 December 2007	**345 385**	**1 455 453**	**-88 087**	**-43 411**	**8 111**	**1 677 451**

Numbers for the Noreco Group for the year 2006 and 2005 are identical to those presented for the parent company for 2006 and 2005.

Statement of Equity

NORWEGIAN ENERGY COMPANY ASA (NOK 1000)	Share capital	Share premium fund	Paid in but not registered capital	Other equity	Total equity
Equity at 1 January 2005	**0**	**0**	**0**	**0**	**0**
Paid in capital	1 085	2 025			3 110
Capital increase April 2005	700	1 306			2 006
Capital increase June 2005	350	653			1 003
Capital increase December 2005			52 153		52 153
Share issue costs		-3 984	-248	1 388	-2 844
Net income (loss)				-5 488	-5 488
Equity at 31 December 2005	**2 135**	**0**	**51 905**	**-4 100**	**49 940**
Equity at 1 January 2006	**2 135**	**0**	**51 905**	**-4 100**	**49 940**
Capital increase February 2006	20 341	31 564	-51 905		0
Capital increase May 2006	959	1 790			2 749
Capital increase September 2006	7 910	14 763			22 673
Capital increase December 2006	77	144			221
Net income (loss)				-19 859	-19 859
Equity at 31 December 2006	**31 422**	**48 261**	**0**	**-23 959**	**55 724**
Equity at 1 January 2007	**31 422**	**48 261**	**0**	**-23 959**	**55 724**
Capital increase April 2007	2 212	5 191			7 403
Capital increase May 2007	10 503	19 602			30 105
Capital increase June 2007	236 513	1 018 803			1 255 316
Capital increase August 2007	10 605	111 879			122 484
Capital increase October 2007	51 677	498 453			550 130
Capital increase December 2007	61	672			733
Transferred from convertible bond				54 093	54 093
Transferred - share split and fund emission	2 392	-2 392			0
Share issue costs		-55 931			-55 931
Net income (loss)				-165 126	-165 126
Coverage av loss		-189 085		189 085	0
Equity at 31 December 2007	**345 385**	**1 455 453**	**0**	**54 093**	**1 854 931**

And last, but not least:

Statement of Cash Flow

		NORECO GROUP	NORWEGIAN ENERGY COMPANY ASA		
(NOK 1000)	Note	2007	2007	2006*	2005*
Ordinary result before tax		-249 159	-343 027	-88 064	-24 753
Depreciation and write-down expenses	17, 18	278 386	855	694	58
Taxes paid / refunded	15	-173 928	81 596	17 573	0
Loss on sale of fixed assets held for sale	14	23 490	0	0	0
Pension cost with no cash impact	23	407	407	252	0
Effect of changes in exchange rates		-88 087	0	0	0
Financial items with no cash impact		-23 904	-43 239	0	0
Change in accounts receivable	19	35 001	0	0	0
Change in trade payables	26	63 122	22 178	-4 569	10 421
Changes in other current balance sheet items		382 078	256 396	-6 258	3 372
Net cash flow from operations		**247 406**	**-24 834**	**-80 373**	**-10 902**
Cash flow from investments activities					
Proceeds from sale of tangible fixed assets		27 502	0	0	0
Purchase of tangible assets	18	-169 653	-1 244	-9 916	-1 522
Purchase of intangible fixed assets	17	-254 681	-206 431	0	0
Purchase of investment in shares	4	-4 125 204	-4 351 135	0	0
Net cash flow from investments activities		**-4 522 036**	**-4 558 810**	**-9 916**	**-1 522**
Cash flow from financing activities					
Issue of share capital	22	1 910 240	1 910 240	25 643	54 040
Proceeds from issuance of long term debt	25	3 160 427	3 140 959	0	0
Proceeds from issuance of short term debt	26	187 000	187 000	35 000	0
Net cash flow from financing activities		**5 257 667**	**5 238 199**	**60 643**	**54 040**
Net change in cash and cash equivalents		**983 037**	**654 555**	**-29 645**	**41 616**
Cash and cash equivalents at start of the year	21	**11 970**	**11 970**	**41 616**	**0**
Effects of changes in exchange rates on cash and cash equivalents		**-21 605**	**0**	**0**	**0**
Cash and cash equivalents at end of the year	21	**973 402**	**666 524**	**11 970**	**41 616**

**Numbers for the Noreco Group for year 2006 and 2005 are identical to those presented for the parent company for 2006 and 2005.*

notezzz of the annual report of 2007

01 General

Norwegian Energy Company ASA is a public limited company registered in Norway with its head office in Stavanger. The company has subsidiaries in Oslo and Copenhagen.

For complete address see annual report for 2007.
The annual financial statements were approved by the directors on 31 March 2008.

02 Accounting principles

Main principle
The consolidated financial statements of the Norwegian Energy Company ASA (Noreco ASA) have been drawn up in accordance with international accounting standards, published by the International Accounting Standards Board, as well as additional provisions set out in Norwegian Accounting Act. The consolidated financial statements comprise the parent company Noreco ASA and subsidiaries mentioned in note 5.

The consolidated financial statements have been prepared based on historical cost with the following modifications:
- Derivatives and financial assets are measured based on actual value. Financial liabilities are measured based on the amortised cost method.
- Assets are assessed for any impairment. If the residual value of an asset is lower than the book value the asset will be written down to its residual value.

Consolidated financial statements
The consolidated financial statements comprise Noreco ASA. as well as subsidiaries in which Noreco ASA has a controlling influence on the finances and operations of the businesses in order to gain financial or other benefits.

A controlling influence is normally achieved when the Noreco Group controls, directly or indirectly, more than 50 per cent of the voting rights in another company or is otherwise able to exercise actual control of the company. All investments in the Noreco Group are owned and controlled 100 per cent and are included in the consolidated financial statements.

The consolidated financial statements have been produced by adding the accounts of the parent company and the individual subsidiaries, which have been settled using the same accounting principles. For consolidation purposes, intra-group revenues and costs, shareholdings, outstanding balances, dividends, group contributions and realised and unrealised gains on transactions between consolidated companies have been eliminated.

Business combinations
Acquired incorporated businesses are included in the consolidated financial statements from the takeover date. The takeover date is defined as the date on which Noreco achieves control over the target company's financial and operational assets. This date may differ from the actual date on which the assets are transferred. Sold businesses are included in the consolidated accounts until time of the sale. Comparable figures are not corrected for acquisitions, sold or discontinued businesses.

For accounting purposes the acquisition method is used in connection with the purchase of businesses. Acquisition cost equals the actual value of the assets used as consideration, equity instruments issued, liabilities assumed in connection with the transfer of control, as well as direct costs associated with the actual acquisition. Acquisition cost is measured against the actual value of the newly acquired assets and liabilities. Identifiable intangible assets are included at the time of the acquisition, if they are separable from other assets and their value can be reliably measured. When calculating actual value, the tax implications of the reassessments made are taken into consideration. If the acquisition cost at the time of the acquisition exceeds the actual value of the net assets acquired, goodwill arises. Goodwill is calculated using the same functional currency which is used in the parent companies. If the actual value of the net identifiable assets acquired exceeds the acquisition cost, the excess amount is taken to income on the takeover date.

The acquisition of licences entitling the licensee to explore for and produce hydrocarbons requires that for each acquisition an assessment is made whether it shall be classified as a business combination or the purchase of an asset. As a main rule the acquisition of licences which are being developed or are already in production will be treated as an business combination. Other licence purchases are treated as asset purchases.

The allocation of excess value and goodwill may be adjusted up to 12 months after the takeover date, if it should prove that the asset or liability was incorrectly valued at that time.

When a subsidiary is sold, the gain or loss is the difference between the sales price, less sales costs, and the book value of the net assets, including goodwill, on the date of the sale.

Foreign currency
The consolidated financial statements are presented in NOK. This is also the functional currency of the parent company Noreco ASA. A functional currency is specified for each of the

group's individual businesses. This currency may be different from the functional currency of the parent company. A business's functional currency will be the currency in which the business normally generates and spends cash.

Transactions in another currency are translated, when they are first recognised, into the business's functional currency at the exchange rate applicable on the transaction date. Differences between the exchange rate on the transaction date and the payment date are taken to income as gain/loss on exchange under financial items. Monetary items (receivables/liabilities) in other currencies are translated into the functional currency at the exchange rate applicable on the translation date. The difference between the exchange rate applicable on the date the monetary item was recognised and the translation date results in a gain/loss on exchange. Gains and losses on foreign exchange relating to the hedging of future cash flows are entered in the same accounting item and at the same time as the hedged cash flow is recognised.

The assets and liabilities of businesses with a functional currency other than the presentation currency are translated into the presentation currency at the exchange rate applicable on the day of striking the balance sheet. Revenues and costs for businesses in other functional currencies are translated into the presentation currency at the average annual exchange rate for that currency. Foreign exchange differences which arise when translating equity from the exchange rate applicable at the start of the year to the rate applicable on the day of entering the balance sheet, and translating income statement items from average exchange rates to the exchange rates applicable on the day of entering the balance sheet are taken directly to equity as a separate item for translation differences.

Financial instruments
The purchase and sale of financial instruments are recorded at the actual value on the date the transaction took place. Actual value equals the transaction price. Any changes in actual value occurring before the settlement date are included in the income statement and balance sheet.

Classification
Financial instruments are divided into the following categories at the time of recognition:
- financial assets at actual value with the result taken to income
- loans and receivables at amortised cost
- investments which are held until their due date at amortised cost
- available for sale at actual value

Financial liabilities are divided into the following categories:
- financial liabilities at actual value with the result taken to income
- available for sale at actual value
- other financial liabilities at amortised cost.

Non-recognition of financial assets and liabilities
When the Noreco Group has transferred the risk pertaining to return, the control or right to cash flows is terminated, the financial assets cease to be recognised.
When the duty to provide resources has been met, cancelled or expires, financial liabilities cease to be recognised.

Hedging
The Noreco Group employs financial derivatives to hedge material exposure to foreign exchange risks and price risks, which occur in the course of its operating, financing and investing activities. Financial derivatives are not purchased or issued for trading purposes. Financial derivatives which are not classified as hedging instruments are taken to income and presented as financial instruments at fair value.

Financial derivatives are recognised initially at cost. In subsequent periods financial derivatives are valued at fair value, if fair value can be reliably measured, and are included in the item "other financial instruments" (positive daily value) or as "other current liabilities" (negative daily value). Gains and losses are immediately entered in the income statement. If financial derivatives qualify as hedging instruments, gains and losses are recognised in accordance with the type of items being hedged.

Adjustments in the value of financial derivatives which have been entered into to hedge future cash flows (oil price hedging and foreign exchange hedging of monetary items) are taken directly to equity. Adjustments in the value of the non-effective part of the financial derivatives are taken to income. As the hedged cash flows are gradually realised, gains or losses on the financial derivatives are included in the same accounting item as the hedged cash flows, and items which have been taken directly to equity are reversed. If the hedged transaction leads to the recognition of an asset or liability, gains or losses are included in the valuation of the asset or liability when it is first recognised.

Financial derivatives entered into to hedge recognised assets or liabilities are recognised at fair value. Gains/losses are entered in the income statement together with any gains/losses on the hedged asset or liability.

Segment
A segment comprises an identifiable part which delivers goods or services (business segment) or delivers goods or services within a specific financial environment (geographical segment) and which has a risk and return different from other segments.

The Noreco Group's business segment is exclusively linked to exploration and production of hydrocarbons. In connection with the acquisition of Altinex also activities linked to the business segment Oil Service & Environment was taken over. Noreco's management decided to sell this latter business segment. The sale was transacted in the autumn of 2007 and the company therefore only has one business segment.

In addition the company has three geographical segments: Norway, Denmark and England.

Principles of revenue recognition
Revenues from the production of oil, gas and NGL (hydrocarbons) are taken to income in proportion to the Noreco Group's share of the output from the individual licence, irrespective of whether the output has been sold (rights method). Over/under lifting of hydrocarbons pursuant to the rights method is valued at the estimated sales price, less estimated sales costs, on the balance sheet day. Over/under lifting occurs when the Noreco Group has extracted and sold more or less hydrocarbons from a producing field than the Noreco Group was entitled to at the time of lifting.

Gains and losses on financial derivatives which have been entered into to hedge the Noreco Group's net revenues are recognised on the same line as the underlying revenues.

Production costs
Production costs are costs which can be directly ascribed to the production of hydrocarbons, such as costs incurred in the operation and maintenance of production facilities and installations. The costs mainly comprise hours worked, insurance premiums, production costs, environmental taxes, transportation costs etc.

Exploration and evaluation costs
Oil and gas exploration and evaluation costs are recognised in accordance with the "successful effort" (SE) method.

For example exploration costs will include the costs of topographical and geophysical (G&G) studies, costs relating to undeveloped areas, costs relating to the drilling of exploration/appraisal wells, and evaluation costs. The basic rule of SE is that such costs are charged to expense as they accrue, with the exception of costs incurred during exploratory drilling which results in oil and gas being found. For further details, see the section on the treatment of intangible and tangible assets.

Corporation tax
The total tax expense comprises tax payable and any change in deferred tax. Tax is deducted from the company's profit, with the exception of tax on items which are reported directly under equity. The tax effect of the latter items is charged directly to equity.

Tax for the period comprises the anticipated tax payable on the taxable profit for the year, adjusted for any changes from previous years. Tax is calculated on the basis of the official tax rates available on the balance sheet day. Deferred tax/tax benefit is calculated on the differences between the accounting and taxable value of the company's assets and liabilities, with the exception of deferred tax arising in connection with the initial recognition of goodwill, and deferred tax arising from the initial recognition of purchased oil licences which are not treated as business acquisitions.

Deferred tax assets are recognised when it is probable that the companies can realise the deferred tax benefit. The recognised deferred tax benefit is reduced when it is no longer probable that the tax benefit will be realised.

Deferred tax/tax benefit is measured on the basis of anticipated future tax rates for the companies in which temporary differences have arisen.

Deferred tax/tax benefit is recorded irrespective of when the differences will be reversed. Deferred tax benefit is recorded at nominal value and are classified as intangible fixed assets on the balance sheet.

Tax payable and deferred tax benefit are measured at the tax rate relating to earned, but not allocated equity. The tax effect of dividends is taken into consideration when the company has assumed a liability to distribute a dividend.

Intangible assets
Intangible assets are entered on the balance sheet, if probable future financial benefits can be ascribed to the asset which is owned by the company, and the asset's cost price can be reliably estimated. Intangible assets are recognised at cost, less any accumulated depreciation and write-downs.

Intangible assets with an infinite economic life are not depreciated, but are written down if the residual value is less than cost price. The residual value is calculated annually as well as when impairment is indicated. Losses resulting from impairment are recorded as a write-down in the income statement. Intangible assets with a finite economic life are depreciated and the need for a write-down is considered in the event of impairment. The depreciable amount is divided systematically over the asset's estimated usable (economic) life. Depreciation is recorded in the income statement. The depreciation estimate and depreciation method are subject to annual review, based on the current financial situation.

The residual value is the higher of the net sales value and utility value. Utility value is calculated by discounting anticipated future cash flows at net present value. The discount rate used reflects the market pricing of money and the risk associated with the specific asset. For assets for which is it not possible to estimate independent cash flows, the residual value is determined related to the cash-flow generating unit to which the asset belongs. Impairment for a cash-flow generating unit is calculated so that recognised goodwill in the cash-flow generating unit's balance sheet is reduced first. Any remaining impairment will then be allocated in accordance with the value of the unit's other assets.

Goodwill
Goodwill is initially recognised on the balance sheet at cost, as described in the Business combination section above. Subsequently, goodwill is measured at cost, less accumulated write-downs. Goodwill is not depreciated. Any write-downs of goodwill cannot be reversed.

In connection with each business acquisition, goodwill is allocated to cash-flow generating units at the level which management measures the investment in question.

Licences
Oil-related licences and capitalised exploration and evaluation costs are classified as intangible assets until such time as plans for development and operation have been approved. Then capitalised amounts will be transferred to tangible fixed assets and will be depreciated in accordance with the production unit method. When oil-related exploration licences are purchased, the cost price will be capitalised as an intangible asset. After initial recognition they will be treated in accordance with the general principles for intangible assets. Under the "successful effort" method, costs associated with the drilling of exploratory wells and evaluation costs are capitalised. Capitalised amounts are classified as intangible assets and are treated according to the general evaluation rules. Exploration and evaluation costs not associated with commercially viable finds are charged to expense. Capitalised exploration and evaluation costs are transferred to tangible fixed assets, if it is decided to further develop the project.

Software
Expenses associated with the purchase of new computer software are recognised on the balance sheet as intangible assets, if these expenses are not part of the cost of hardware. Software is depreciated in a straight line over three years. Costs incurred to maintain the software or retain its future utility are expensed unless the change in the software increases its future economic utility.

Tangible fixed assets
Tangible fixed assets include production facilities, facilities under construction, fixtures, etc. Tangible fixed assets are valued at cost, less accumulated depreciation and write-downs. Facilities under construction are not depreciated until the asset is put into operation. The cost price comprises the acquisition price plus direct costs associated with the acquisition incurred up until the time the asset is ready to be put into operation. For tangible fixed assets to which there are liabilities with respect to decommissioning and disposal, and this liability is recognised as such, this sum will be added to the acquisition cost of the tangible asset concerned. The cost price of a combined asset is divided into separate parts which are depreciated individually, if the economic life of the separate parts varies in length.

Costs incurred after the tangible fixed asset has been put into operation, such as repair and maintenance costs, are normally expensed. If it can be demonstrated that the repair/maintenance has led to increased earnings, the costs associated with this will be capitalised as additions to property, plant and equipment.

When assets are sold, disposed of or replaced, the cost price and accumulated depreciation is reversed, and any losses or gains from the disposal entered in the income statement.

Production facilities comprise investments in facilities, plant and infrastructure which are used in the production of hydrocarbons. The cost price of production facilities, as well as any capitalised amounts resulting from provisions for decommissioning and disposal, are depreciated in accordance with the production unit method. Depreciation is carried out in line with the production of hydrocarbons in relation to the estimated recoverable reserves in each field. Capitalised costs which can be ascribed to and used during the field's entire lifespan are depreciated in relation to total proved reserves. Costs related to developed reserves are depreciated in relation to total developed reserves.

The cost of other property, plant and equipment is depreciated in a straight line over the economic life of the asset.
The depreciation periods used are as follows:
• fixtures and other equipment 3-5 years

The depreciation period and method is reviewed annually to ensure that the method and period employed correspond with the asset's actual economic situation. The same also applies to the asset's scrap value.

Each year tangible assets are assessed for impairment. Emphasis is placed on factors which are relevant to the individual asset. These include external factors, such as the market price of hydrocarbons and technological developments, as well as internal factors, such as the Noreco Group's intentions for continued use, cost of use, and wear etc. If the asset is deemed to be impaired, an assessment is made of its residual value. If the book value of an asset exceeds its residual value the impairment is recorded in the accounts.

Write-downs which have been recognised in previous accounting periods are reversed when it becomes apparent that the circumstances prompting the write-down no longer exist or the asset's loss in value is less than it was. The reversal is taken to income or recorded as an increase in previously written-down values. However, a reversal will not take place if to do so would lead to the book value of the asset exceeding that which it would have been if it had been depreciated in the normal way.

Leasing
Operating lease agreements
Leasing agreements in which the bulk of the risk remains with the lessor are classified as operational leases. Leasing costs are classified as operating costs and are charged to expense for the duration of the period of lease.

Accounts receivable and other short-term receivables
Accounts receivable and other short-term receivables are recognised initially at actual value. In connection with the sale of goods and services this will generally coincide with the original invoiced amount. Receivables are subsequently valued at amortised cost, determined using effective interest rate method less bad debt provisions.

Bad debt provisions are entered when there are objective indications that the Noreco Group will not receive settlement in accordance with the original terms.

Over/under lifting of hydrocarbons
Over lifting of hydrocarbons is presented as short-term liability, under lifting of hydrocarbons is presented as a short-term receivable. The value of over lifting or under lifting is set at the estimated sales value, less estimated sales costs. Over lifting and under lifting of hydrocarongs are presented at gross value.

Cash and cash equivalents
Cash includes cash in hand, bank deposits, short-term, easily convertible investments with a term of less than three months and bank overdraft. Bank overdraft is recorded on the balance sheet under current liabilities.

Equity
Ordinary shares are classified as equity. Costs which can be ascribed specifically to the issue of new shares or options are charged, less tax, directly to paid-in capital.

Foreign exchange translation fund
The foreign exchange translation fund covers foreign exchange rate adjustments, arising in connection with the translation of business accounts in other functional currencies than the parent company's presentation currency.

Hedging transaction fund
The hedging transaction fund covers the change in value, after tax, of hedging transactions which meet the criteria for the hedging of future cash flows, and where the hedged transaction has not yet been realised.

Share-based payments
As of January 2008 all Noreco Group employees are granted options to purchase shares in the Noreco Group. The fair value of the option programme will be expensed as the options accrue and the amount recorded as other paid-in capital. When options are exercised the payments from employees are recognised as an increase in the company's share capital and share premium fund. See Note 27 for further details.

Pensions
The employees in the Norwegian part of the Noreco Group have a collective (secured) pension scheme, classified as a defined-benefits plan. In the accounts pension liabilities and pension costs are recorded using a linear accrual formula. This formula is based on the presumed future salary. National Insurance payments, discount rate, furture return on pension funds and the assessments related to death and voluntary resignation by an actuary. When assessing the pension assets and pension liabilities an estimated value is used when closing the accounts. The estimated values are adjusted annually in accordance with the calculations of an independent actuary. The pension assets and liabilities are presented at net value on the balance sheet. Changes in plans (gains and losses) are amortised over the expected remaining life. The same applies to estimate variations if these exceed 10 per cent of the pension liabilities and pension assets (corridor) whichever is larger.

Debt
Debt is recognised at actual value, less transaction costs, when the loan is paid out. In subsequent accounting periods debt is recorded at amortised cost, calculated on the basis of the effective interest rate. The difference between the amount of the loan received and the amount to be repaid is recorded as a financial expense over the estimated term of the loan.

When a convertible loan is issued, the actual value of the debt is calculated using the market rate for loans of a similar length and level of security which is non convertible. The amount is classified as a liability and is recorded at amortised cost until the loan expires, either through its conversion to shares or upon maturity. The remaining consideration is included under equity, less the tax effect, as payment for the issue of options.

Debt is classified as a short-term liability unless an unconditional right exists to postpone repayment of the debt for more than 12 months from the balance sheet day. The first year's instalment of long-term debt is classified as a short-term liability.

Provisions
A provision is recognised when the company has a valid liability (legal or assumed) resulting from an event which has occurred, and it is probable (more probable than not) that a financial settlement will take place as a result of that liability, and the amount may be reliably measured.

Book provisions for disposal liabilities on the balance sheet reflect the estimated cost of decommissioning and removal of wells and production facilities used for the production of hydrocarbons. Decommissioning and disposal liabilities are valued at the net present value of the anticipated future cost. The liability is calculated on the basis current disposal requirements and are discounted back to present value. The discount factor used reflects the current general level of interest rates. Liabilities are recognised when they arise and are adjusted continually in accordance with changes in requirements, price levels etc. The counter-value of the provisions is recognised under disposal assets and is depreciated along with the relevant assets, see Note 18. The increase in the liability over time is recorded in the income statement as a financial expense.

Conditional liabilities and assets
Conditional liabilities are defined as:
• potential liabilities resulting from past events, where the existence of the liability depends on future events.
• liabilities which have not been recognised because it is not probable that they will result in a payment.
• liabilities which cannot be measured with sufficient reliability.

Specific mention is made in the Notes of material conditional liabilities, with the exception of conditional liabilities where the probability of the liability coming into existence is low.

Conditional assets are not recorded in the annual accounts, but are specifically mentioned in the Notes if there is a certain probability that a benefit will accrue to the Noreco Group.

Events after the balance sheet day
New information about the company's position on the balance sheet day has been taken into consideration in the annual financial statements. Events after the balance sheet day which do not affect the company's position on the balance sheet day, but which will affect the company's position in the future are reported where it is material.

Uncertain estimates
Management makes use of estimates based on its professional judgement and assumptions about future developments when it prepares the annual financial statements. There is uncertainty related to all estimates so used, since changes in market conditions may lead to changes in estimates. Estimate changes may lead to changes in the book value of the company's assets, liabilities, equity and result.

The most important accounting estimates employed by the company are associated with the following items:
• the allocation of fair value of assets and liabilities in the event of acquisitions (see Note 4)
• the valuation of goodwill, other intangible assets, property, plant and equipment and future disposal liabilities (see Notes 17 and 18)
• depreciation of property, plant and equipment (production equipment) (see Note 18).

Use of the acquisition method when recognising business acquisitions requires that the acquisition cost is allocated to identifiable assets and liabilities in accordance with their fair value. When calculating the fair value of such assets and liabilities, a number of estimates are used to which a great degree of uncertainty is attached. For production facilities the fair value is calculated by discounting the estimated future field cash flows. These estimates are, i.a., built on uncertain assumptions relating to the price of hydrocarbons, the value of the USD, production profiles, reservoir estimates, production costs, future investment requirements, future decommissioning and disposal costs and discount factors. Changes in one or more of these assumptions will have an impact on the fair value allocated. The fair value of the exploration and evaluation portfolio is estimated using an estimate for risked reserves multiplied by the price per unit. A substantial risk will be attached both to the reserve estimate and the price of economically viable future finds. There is less uncertainty attached to the valuation of other assets and liabilities defined as business acquisitions.

In connection with business acquisitions, assets and liabilities will be revalued without changing the taxable value of the corresponding items. This change affects capitalised deferred tax, which in turn leads to a change in goodwill. For the Noreco Group goodwill deriving from business acquisitions in 2006 can be ascribed in its entirety to this effect. Since a great deal of uncertainty is attached to the allocation of the value of assets and liabilities, see the previous paragraph, considerable uncertainty will also be attached to the allocation of goodwill in connection with acquisitions.

The valuation of production assets and intangible assets following an acquisition makes use of the same methods as described above. This means that uncertainty will be attached to the measurement of residual value against the book value at the end of each accounting period.

The value of the Noreco Group's capitalised goodwill and intangible assets with an infinite economic life are subject to annual appraisal. Changes in the price of hydrocarbons have a major impact on the Noreco Group's activities. A drop in the price of oil will have a significant effect on the Noreco Group's cash flows. Future oil price assumptions are also an important factor in determining whether a find is economically viable and should be developed. Furthermore the price of oil also affects exploration activity.

Production of oil and gas is subject to statutory requirements relating to the decommissioning and disposal of production equipment once production has ceased. Provisions to cover these future decommissioning and disposal costs must be made in the accounts at the same time the statutory requirement comes into force. The costs themselves will often accrue far into the future, and there is a great deal of uncertainty attached to the scale and complexity of the decommissioning and disposal operations involved. Estimated future costs are based on known decommissioning and disposal technology, expected future price levels, and the expected future decommissioning and disposal date, discounted to net present value using an estimated discount factor. Changes in one or more of these factors could lead to major changes in the size of the decommissioning and disposal liabilities.

Comparatives figures
Some figures for the year 2006 and 2005 have been adjusted to be comparative with figures presented in the current year.

Approved standards and interpretations yet to come into effect

IFRS 3 (Revised) – Business Combinations
As compared to the existing IFRS 3, the revised standard entails certain amendments and specifications pertaining to the application of the acquisition method. Specific issues that are addressed include a.o. goodwill acquired in step acquisitions, minority voting interests, contingent payments, and acquisition-related costs. The Noreco Group plans to apply the revised standard with effect from 1 January 2010.

IFRS 8 – Operating Segments
IFRS 8 – Operating Segments IAS 14 – Segment reporting. The standard requires that the Company/Group uses a management approximation to identify segments. In general, the information to be reported must be that used by management internally for the evaluation of the segment's results and to decide how resources shall be allocated to the segments. IFRS 8 requires information on the basis from which the segment information is prepared, and from which type of products and services each segment receives earnings. The Noreco Group will apply IFRS 8 with effect from 1. January 2009

IAS 1 (Revised) – Presentation of Financial Statements
The revised standard will come into effect for the annual periods beginning on or after 1 January 2009. The reviser standard entails changes to the presentation of financial statements, particularly with regard to the statement of changes in equity, and introduce a presentation of non-owner transactions; "Statement of Comprehensive Income". Specific issues that are addressed include a.o. goodwill acquired in step acquisitions, minority voting interests, contingent payments, and acquisition-related cost. The Noreco Group will apply the revised standard with effect from and including 1 January 2009.

IAS 23 – Borrowing Costs
A revised IAS 23 Borrowing Cost was issued in March 2007. and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Noreco Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

IAS 27 (Revised) – Consolidated and Separate Financial Statements
As compared to the existing standard, the revised standard provides more instructions related to accounting for changed ownership interest in subsidiaries and disposal of subsidiaries. Furthermore, the existing regulations pertaining to allocation of losses between majority and minority are amended to read that losses are to be allocated against the minority, even if this should be adverse. The Noreco Group will apply the revised standard with effect from and including 1 January 2010.

IFRIC 11 – Group and Treasury Share Transactions
IFRIC 11 gives guidance on how to apply IFRS 2 Share-based Payment for settlement with the Noreco Group's own equity instruments. The interpretation requires that an agreement regarding share-based payment, whereby an entity receives goods and services as payment for the entity's equity instruments, is to be accounted for as a share-based payment transaction to be settled in equity. This applies regardless of how the equity instrument has been acquired. The Noreco Group has not utilized any equity instrument as payment, and the interpretation is consequently not applicable to the Noreco Group.

IFRIC 12 – Accounting for Service Concession Arrangements
IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2008. The Interpretation applies to service concession operators and explain how to account for the obligations undertaken and rights received in service concession arrangements. The Noreco Group has no concession arrangements comprised by IFRIC 12 and hence the interpretations will have no impact on the Noreco Group.

IFRIC 13 – Customer Loyalty Programs
IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted, and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Noreco Group expects that this interpretation will have no impact on the Noreco Group's financial Statements as no such schemes currently exist.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset. Minimum Funding Requirements and their Interaction
IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 Employee Benefits. The Noreco Group expects that this Interpretation will have no impact on the financial position or performance of the Noreco Group as all defined benefit schemes are currently in deficit.

03 Financial risk management

Financial risk
The Noreco Group activities involve various types of financial risk through the use of various types of financial instruments. The Noreco Group uses bank loans, bond loans and convertible bond loans to finance its operations as well as investing in new businesses. Financial instruments, such as bank deposits, receivables and payables, and other kinds of current liabilities are also employed in the day-to-day operations. For hedging purposes and the significant items on the balance sheet or cash flows, also certain financial derivatives are used, such as options, swap agreements and forward contracts.

The most important financial risks incurred by the Noreco Group's activities are foreign exchange risk, credit risk, liquidity risk and interest rate risk.

Foreign exchange risk
The Noreco Group has operational activities which involve substantial cash flows in various currencies. The Noreco Group is composed of businesses with various functional currencies (USD and NOK). The Noreco Group policy is to hedge significant items in currencies other than its functional currency against exchange rate fluctuations. This means that balance sheet items such as loans, considerable cash flows, such as interest, cash calls, tax etc. are hedged using forward currency contracts/currency swap agreements. Noreco's investments in businesses with a functional currency other than the one used by Noreco ASA are not hedged against foreign exchange risk. See Note 19 Accounts receivables and other receivables, Note 20 Financial Instruments, Note 21 Bank deposits, Note 25 Long term liabilities and Note 26 Accounts payable and other current liabilities.

Price risk – The most important risk associated with the company's incoming cash flow is related to the development of the price of oil and gas. To hedge against this risk the Noreco Group enters into sales options specifying a price floor for the setting of the price for the bulk of the company's oil production. The options entitle the company, but does not impose an obligation, to sell oil at a specified minimum price. If the market price of oil exceeds the strike price of the option, the option is not exercised and the Noreco Group sells at the market price. This form of security is treated as hedging in the accounts, see Note 20 Financial instruments.

Credit risk
The major portion of the company's credit risk is associated with recognised receivables and the actual value of financial derivatives. The credit risk associated with the production of oil, gas and NGL is considered limited, as sales are to major oil companies with considerable financial resources. See Note 19 Accounts receivable and other receivables.

The trading partners in derivatives are large banks whose credit risk is deemed to be low.

Liquidity risk
Prudent management of liquidity risk requires the maintenance of an adequate reserve of cash and easily convertible securities, as well as ready access to funding in the form of drawing rights. The Noreco Group's business activities require unrestricted liquidity for future investment. By means of a drawing facility, the Noreco Group has ensured it has flexibility with respect to financing. This, together with substantial reserves of unrestricted liquidity and good cash flow from operations, means

that the group has secured the financing of its ongoing operations and future investments. See Note 13 Operational leasing, Note 21 Bank deposits, cash and Note 25 Long-term liabilities.

Interest rate risk
Loans with a floating interest rate represent an interest risk for the Noreco Group's future cash flow. A fixed interest rate exposes the Noreco Group to risk (premium/discount) associated with changes in the market interest rate. The Noreco Group has a total of NOK 5 053 100 in interest-bearing debt (nominal value), of which NOK 222 000 is short-term debt. The parent company has a total of NOK 3 452 000 in interest-bearing debt (nominal value), of which NOK 222 000 is short-term debt. Of the Noreco Group's debt NOK 3 790 000 are loans with a fixed interest rate. The remaining, NOK 1 263 100, are loans with a floating interest rate. The parent company has a total debt of NOK 2 730 000 at a fixed interest rate and NOK 722 000 at a floating rate of interest.

All bank deposits (NOK 973 402 for the Noreco Group and NOK 666 524 for the parent company) are at floating interest rates. A change of +/- 1 per cent will lead to a change of +/- NOK 2 900 for the Noreco Group and NOK 550 for the parent company. For further information about the Noreco Group's interest-bearing debt see Note 25 Long-term liabilities. The company considers there to be a good balance between fixed and floating interest rates on its debt portfolio.

04 Changes in the corporate structure

Business acquisition
In 2007 Noreco ASA acquired 100 per cent of the shares in Altinex ASA at NOK 4 351 135 000. As of 1 July 2007 Noreco had a controlling interest and the Altinex group is included in the corporate financial statements as from that date. Ownership and voting rights are equal. The acquisition price is in its entirety settled in cash and shares. Expenses for advisors, attorneys etc. are included in the acquisition price of NOK 27 626 000. Altinex Oil Norway AS is a public limited company with offices in Stavanger, Norway. The company has interests in two producing licences offshore Norway, as well as interests in exploration activity offshore Norway. Altinex Oil Denmark A/S is a public limited company with its head office in Copenhagen, Denmark. The companies own 100 per cent of the shares in Altinex Petroleum A/S and Altinex Oil (UK) Ltd. The companies have shares in five producing licences on the Danish shelf, is exploring in Denmark and the UK, in addition to being operator on the Danish shelf. Management is of the opinion that the acquisition will strengthen Noreco's position as a medium size oil company. The acquisition will contribute to a good cash flow which will contribute to financing further investments in the exploration and production of oil.

Sale of businesses
In connection with the acquisition of Altinex also the companies Altinex Service AS and Altinex Reservoir Technology AS were taken over. It was decided to sell both companies as they did not fit into Noreco's core activities. The companies were sold on 31 October 2007 and the companies net result is presented under financial items. In addition Altinex's exploration licences in Oman were sold in November in line with the Noreco's policy of focusing on North Sea activities.

An explanation of acquired net assets and goodwill are as follows	**(NOK 1 000)**
Acquisition cost	
Cash payment	4 151 009
Direct acquisition cost	27 626
Actual value of issued shares	172 500
Total acquisition cost	4 351 135
Actual value of acquired assets	3 395 621
Goodwill (1)	955 514

Specification of acquired net assets and goodwill is as follows	**Actual value (2)**	**Book value (3)**
Intangible assets, ex. goodwill	4 270 959	443 792
Goodwill	583 817	583 817
Tangible fixed assets	2 645 677	2 303 108
Net assets for sale	-1 422	-1 422
Receivables	188 173	188 173
Liquidity	225 931	225 931
Long-term liabilities, incl. disposal liability	-1 820 487	-2 051 248
Deferred tax	-2 312 900	-478 400
Short-term liabilities	-384 127	-384 127
Net assets	**3 395 586**	**829 624**

Acquisition cost	4 351 135
Payment by issue of own shares	172 500
Cash in acquired company	225 931
Net cash payment for acquisition (3)	**3 952 704**

(1) Goodwill arises as a result of the transaction being treated according to IFRS 3 Business Combinations. The difference between actual value of assets and taxable value at the date of acquisition results in a change in deferred tax. Book goodwill in connection with the acquisition is closely related to change in deferred tax. The cash-flow generating unit for this goodwill is the entire Altinex ASA "group".

(2) For the purposes of calculation and allocation of the acquisition cost of assets and liabilities in the acquired company a number of estimates are used. The most significant estimates are briefly shown below.
- Intangible assets comprise exploration and appraisal licences. The actual value is estimated based on the estimate of potential reserves. Any change in these estimates will impact on the actual value. Exploration and appraisal licences are furthermore allocated according to the country to which they belong for the purpose of calculating cash-flow generating units.
- Tangible fixed assets mainly comprise production equipment (producing licences). The actual value is estimated based on the estimated future cash flow from the production licences. The major assumptions related to these estimates are, inter alia, recoverable reserves, future investments, price of hydrocarbon. USD exchange rate and discount rate. Changes in estimates may lead to a change in allocation. For production licences the actual value is split between the cost of facilities for proven and developed reserves and the cost of facilities for the total proven reserves.

For other items only minor adjustments have been made in relation to the original book value.

(3) The translation from USD to NOK was made based on the exchange rate on 30 June 2007 which was 5,9034.

05 List of subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	**Country**	**Ownership**	**Voting right**
Norwegian Energy Company UK Ltd	UK	100%	100%
Altinex ASA	Norway	100%	100%
Altinex Oil Norway AS	Norway	100%	100%
Altinex International AS	Norway	100%	100%
Geopard A/S	Denmark	100%	100%
Altinex Oil Denmark A/S	Denmark	100%	100%
Altinex Petroleum A/S	Denmark	100%	100%
Altinex Oil (UK) Ltd	UK	100%	100%

All the companies were acquired and recognised in the Group accounts as of 1 July 2007, with the exception of Norwegian Energy Company UK Ltd.

Numbers for the Noreco Group for year 2006 and 2005 are identical to those presented for the parent company for 2006 and 2005.

Noreco ASA owns shares in the following subsidiaries:

Company (NOK 1 000)	Registered office	Share-holding	Voting share	Loss 2007	Equity 31.12.07
Altinex ASA	Stavanger	100%	100%	14 594	1 157 017

06 Foreign exchange rates

The following foreign exchange rates are included in the consolidated financial statements:

	Exchange rate 1.1	Exchange rate 30.6	Exchange rate 1.7-31.12	Exchange rate 31.12
Norwegian kroner (NOK)	1.00	1.00	1.00	1.00
Danish kroner (DKK)	110.49	107.13	106.04	106.75
US dollars (USD)	6.26	5.90	5.60	5.41
Euros (EUR)	8.24	7.79	7.90	7.96
British pounds (GBP)	12.27	11.83	11.38	10.81

07 Operating revenues

Specification of operating revenues:

	Noreco Group	Noreco Energy Company ASA		
(NOK 1 000)	2007	2007	2006	2005
Sale of oil	800 859	0	0	0
Sale of gas and NGL	38 806	0	0	0
Total revenues	839 665	0	0	0

Some of the Noreco Group's sale of oil is hedged against a price drop by using options. Hedge costs are reported as an income reduction, gains are reported as income. For 2007 revenues from the sale of oil is reduced by TNOK 7 199 as a result of the cost of hedging.

08 Productions expenses

Production expenses consist of the following:

	Noreco Group	Noreco Energy Company ASA		
(NOK 1 000)	2007	2007	2006	2005
Direct production expenses	149 597	0	0	0
Duties, tariffs, royalties	48 942	0	0	0
Other expenses	16 286	0	0	0
Total production expenses	214 825	0	0	0

Production expenses are exclusively related to the production of oil, gas and NGL.

09 Exploration and evaluation expenses

Specification of exploration and evaluation expenses capitalised during the year

	Noreco Group	Noreco Energy Company ASA		
(NOK 1 000)	2007	2007	2006	2005
Acquisition of seismic, analyses and general G&G costs	145 543	93 132	25 735	7 809
Other exploration and evaluation expenses	0	0	0	0
Total exploration and evaluation expenses	145 543	93 132	25 735	7 809

Specification of cash flow concerning exploration and evaluation activities

	Noreco Group	Norwegian Energy Company ASA		
(NOK 1 000)	2007	2007	2006	2005
Accrued exploration and evaluation expenses capitalised as an intangible asset during the year	198 367	150 117	2 942	0
Accrued exploration and evaluation expenses directly recognised during the year	145 543	93 132	25 735	7 809
Exploration and evaluation investments during the year	343 910	243 249	28 677	7 809

10 Payroll and number of employees

Payroll expenses consist of the following

	Noreco Group	Norwegian Energy Company ASA		
(NOK 1 000)	2007	2007	2006	2005
Salaries	77 778	42 328	24 944	2 880
Employer's national insurance contribution	9 364	5 783	2 993	123
Pension expenses (Note 22)	3 343	3 343	1 983	0
Other social charges	12 753	1 382	1 392	182
Total payroll	103 239	52 836	31 312	3 185

Average number of employees	2007	2007	2006	2005
Norway	30	22	14	1
Denmark	11	0	0	0
Total	41	22	14	1

11 Transactions with closely related parties

Remuneration paid to senior executives and board of directors

(NOK 1 000)		Salary	Bonus	Pension costs	Other remuneration	Total remuneration	No. of shares	No. of options (3)	No. of shares 2008 (4)
Senior executives									
Scott Kerr	CEO	2 261	862	121	904	4 148	1 499 528	75 684	36 765
Jan Nagell (1)	CFO	271	0	27	3	301	0	43 120	15 766
Stig Frøysland (1)	VP, HSE/HR	251	0	28	3	282	0	40 000	17 222
Einar Gjelsvik (1)	VP, IR/ER	219	41	15	19	294	50 876	31 619	7 313
Birte N. Borrevik	VP, Drilling and Projects	1 415	99	132	421	2 067	76 080	41 552	20 230
Thor Arne Olsen	VP, Commercial	1 887	363	129	722	3 101	1 047 684	50 456	31 457
Rune Martinsen	VP, Northern North Sea	1 650	321	100	441	2 512	998 892	44 520	15 941
Synnøve Røysland	VP, Southern North Sea	267	0	30	0	297	0-	39 854	0
Reinert Seland	VP, Exploration	1 541	300	135	508	2 484	984 992	41 552	26 950
Ludvig Høvring (2)	CFO	1 343	222	108	412	2 085	0	0	0

(1) from 22 October 2007

(2) until 21 October 2007

		Directors' fees	Total remuneration	No. of shares
Board of directors				
Lars Takla (4)	Chair	550	550	1 421 436
John Hogan	Director	355	355	334 528
Roger O'Neill	Director	355	355	269 444
Tollak Melberg (2)	Director	85	85	0
Gunnar Halvorsen (2)	Director	89	89	0
Heidi M. Petersen (1)	Director		0	1 732
Therese Log Bergjord (1)	Director		0	0

(1) from 9 November 2007

(2) until 8 November 2007. Remuneration paid to Noreco Founders and NEC Invest/HVPE respectively

(3) Options awarded in January 2008

(4) The shares were acquired in February 2008 in connection with bonuses paid in 2007 and pension payments in 2008

(5) CEO Scott Kerr owns convertible obligations in Noreco ASA to a nominal value TNOK 4 000, in the event of a conversion it comprises 179 775 shares in Noreco ASA

(6) The chair owns two obligations in Noreco ASA at a nominal value of NOK 500 000

(7) The number of shares owned by executives and the directors is split between private shareholdings and shares in a company controlled by the employees

	Directors' fees	Salary	Bonus	Pension costs	Other remuneration	Total remuneration	No. of shares	No. of options	No. of shares 2008
Total remuneration in 2007	**1 434**	**11 105**	**2 208**	**825**	**3 433**	**19 005**	**6 685 162**	**408 357**	**171 644**
Total remuneration in 2006	1 523	8 134	1 595	648	3 203	15 103			

After the balance sheet day Scott Kerr acquired 26 385 shares. Lars Takla acquired 10 000 shares and Therese Log Bergjord acquired 8 000 shares.

The Noreco Group's senior executives have an agreement entitling them to 12 months severance pay. This only applies in connection with mergers or acquisitions involving the company and if the individual must resign from his/her position. No loans have been granted to members of the management team, nor has any security been pledged on their behalf.

Directors' remuneration
The directors' annual remuneration is decided by the General Meeting. The remuneration is as follows:

The chair's annual remuneration is NOK 600 000. The deputy chair's remuneration is NOK 450 000 and international and Norwegian directors receive an annual remuneration of NOK 400 000. The remuneration is paid quarterly. No director has an agreement to work for the company beyond his/her duties as a director.

The board of directors do not participate in the Noreco Group option scheme.

In addition to the above remuneration the directors are reimbursed any expenses in connection with travelling and other activities associated with the company's activities.

Board of Directors' Statement on Remuneration to the CEO and the Executive Officers.

In accordance with §6-16a of the Norwegian Public Limited Companies Act, the Board of Directors of Norwegian Energy Company ASA ("Noreco" or the "Company") has prepared a statement related to the determination of salary and other benefits for the CEO and other executive officers. The guidelines set out below for the CEO and other executive officers' salary and other benefits, for the coming fiscal year, will be presented to the shareholders for their advisory vote at the April 2008 Annual General Meeting.

Noreco is a Norwegian E&P company, and its activities are focused in the North Sea (mainly Norway, Denmark and United Kingdom). Noreco's employment base is international. The total compensation package for the CEO and other executive officers shall therefore be competitive both within the Norwegian labour market and internationally. Both the level of total compensation and the structure of the compensation package for the CEO and other executive officers shall be such that it may attract and retain highly qualified international managers. This will require the use of several different instruments and measures also meant to provide incentives for enhanced performance and to ensure common goals and interest between the shareholders and management.

The current remuneration package for the CEO and other executive officers includes fixed elements and variable elements. The fixed element consists of a base salary and other benefits. Other benefits include free mobile phone and similar benefits. The fixed elements also include life, accident and sickness insurance in accordance with normal practice in the oil industry and a pension plan for all the employees, including the executive officers and the CEO. The main elements of the pension scheme are a pension premium based on income up to the maximum of 12G and the award of Noreco shares for the value of the insurance premium needed for pension above 12G. The variable elements consist of an annual bonus scheme, a deferred bonus and participation in a share option program.

The level of the annual cash bonus is determined based on achievements of the Company's performance. The annual cash bonus has a maximum payment of 30% of the salary and a possibility for adjustment in exceptional cases in order to reflect individual performance.

The employees, including the executive officers and the CEO, will have the opportunity to purchase Noreco shares equal to a maximum of 50% of the bonus at the time of the bonus payment (deferred bonus). Employees, who retain such shares for two years and are still employed by Noreco at that time, will be eligible for an award of additional matching shares on a one-for-one basis.

The extraordinary general meeting in January 2008 approved the principles for a share option program for all employees. The purpose of the program is to establish long-term incentive schemes for all personnel. Performance-related remuneration of employees, including the CEO and other executive officers, are linked to value creation for shareholders or the Company's earnings performance over time. Share options will be granted annually by the Board of Directors. For 2008, the award will be 100% of base salary for the CEO, 80% of base salary for other executive officers and 40% of base salary for other employees. The options will vest in full after three years and will lapse after 5 years.

The annual cash bonus for the CEO is approved by the Board of Directors in a meeting, based on recommendations from the Remuneration and Corporate Governance Committee, and the annual cash and share bonuses of the other executive officers are reviewed and approved by the Remuneration and Corporate Governance Committee based on the CEO's recommendation. The Board of Directors will continue to use this system for determining the level of annual cash and share bonus in the coming fiscal year.

Remuneration of the CEO and other executive officers will be evaluated regularly by the Remuneration and Corporate Governance Committee and the Board of Directors to ensure that salary and other benefits are kept, at all times within the above guidelines and principles.

Noreco was transformed from a private limited liability company to a public limited liability company in July 2007. The Company has thus not had a remuneration policy in accordance with §6-16a of the Norwegian Public Limited Companies Act for the whole fiscal year of 2007. There have been no deviations from the above described principles in 2007.

12 Other operating expenses

Specification	Noreco Group	Norwegian Energy Company ASA		
(NOK 1 000)	2007	2007	2006	2005
Office rent	3 964	1 978	818	253
IT costs	11 020	8 046	5 357	187
Travel costs	4 424	2 918	896	256
Office costs	3 221	2 493	1 404	1 061
External assistance	16 043	12 391	20 497	11 587
Other operating expenses	9 945	339	522	507
Total other operating expenses	**48 617**	**28 165**	**29 494**	**13 851**

Compensation to the auditor:

Overview of expensed compensation	Noreco Group	Norwegian Energy Company ASA		
to the auditor (NOK 1 000)	2007	2007	2006	2005
Auditor compensation statutory	1 558	135	103	13
Other attestation services	298	286	0	0
Tax advise	339	93	0	0
Other compensation	611	255	199	43
Total compensation	**2 806**	**769**	**302**	**56**

Fee allocated per company	Noreco Group	Norwegian Energy Company ASA		
(NOK 1 000)	2007	2007	2006	2005
Deloitte	769	769	302	56
KPMG	1 595	0	0	0
PricewaterhouseCoopers	241	0	0	0
McIntyre Hudson Ltd	202	0	0	0
Total allocated fee	**2 806**	**769**	**302**	**56**

Notes

13 Financial and operational leasing

Operational leasing:

Annual leasing costs for lease agreements treated	Noreco Group	Norwegian Energy Company ASA		
as operational leasing (NOK 1 000)	2007	2007	2006	2005
Offices	3 324	1 654	661	244
Other	844	844	143	7

Total minimum leasing charge for non-cancellable leasing agreements (NOK 1 000)		Annual leasing cost
2008	8 755	2 906
2009	2 822	2 627
2010	2 098	2 098
2011	2 053	2 053
>2012	9 690	9 690
Total	**25 418**	**19 374**

The Noreco Group lease offices as well as parts of the Noreco Group's IT equipment and other office related equipment.

14 Financial income and expenses

Financial income	Noreco Group	Norwegian Energy Company AS		
(NOK 1 000)	2007	2007	2006	2005
Interest income	43 890	34 618	1 374	154
Other financial income	15 372	0	0	0
Interest income from company in the same Group	0	1 490	0	0
Gain on exchange	89 739	263	0	0
Total financial income	**149 001**	**36 371**	**1 374**	**154**

Financial expenses	2007	2007	2006	2005
Interest expenses on bond loan	165 319	124 870	0	0
Interest expenses on convertible loan	17 502	16 396	0	0
Interest expenses on other long-term liabilities	50 466	16 354	0	0
Amortisation of borrowing	27 841	20 987	0	0
Calculated interest on disposal liabilities	8 709	0	0	0
Interest expenses on short-term liabilities	34 242	25 502	2 001	1
Loss on the sale of assets held for sale	23 490	0	0	0
Other financial expenses	3 669	68	203	3
Loss on exchange	115 974	233	0	0
Total financial expenses	**447 212**	**204 410**	**2 204**	**4**
Net financial expenses	**-298 210**	**-168 039**	**-830**	**150**

15 Tax

Tax expenses (NOK 1 000)	Noreco Group 2007	Norwegian Energy Company ASA 2007	2006	2005
Tax payable	-59 778	-265 866	-77 464	-19 442
Deferred tax not previously capitalised	21 751	21 751	0	0
Change in deferred tax taken to equity	131 776	131 776	12 145	0
Other items	-2 831	-2 831	-1 805	0
Change in the year's tax	-141 386	-62 730	-1 081	176
Tax expenses	**-50 469**	**-177 901**	**-68 206**	**-19 266**
Tax expenses domestic	-103 571			
Tax expenses abroad	53 102			

Specification of tax payable (NOK 1 000)	Noreco Group 2007	Norwegian Energy Company ASA 2007	2006	2005
Income (loss) before tax	-249 158	-343 027	-88 064	-24 753
Change in temporary differences	-200 125	-168 322	0	-226
Permanent differences	111 152	2 456	248	54
Other items - not included in reimbursement scheme	188 319	168 039	0	0
Total basis of tax payable	**-149 812**	**-340 854**	**-87 817**	**-24 925**

Reconciliation of nominal to actual tax rate (NOK 1 000)	Noreco Group 2007	Norwegian Energy Company ASA 2007	2006	2005
Income (loss) before tax	-249 158	-343 027	-88 064	-24 753
Expected tax 28%	-69 764	-96 047	-24 658	-6 931
Capitalised deferred tax change from previous years	-13 261			
Permanent differences	36 147	5 640	69	42
Other items	-15 686			
Special offshore tax	12 093	-87 494	-43 617	-12 377
Tax expenses	-50 469	-177 901	-68 206	-19 266

Deferred tax and deferred tax benefit linked to ordinary corporation tax (NOK 1 000)	Noreco Group 2007	Norwegian Energy Company ASA 2007	2006	2005
Deferred tax benefit				
Deficit carried forward	634 720	229 506	6 997	1 779
Fixed assets	-5 445 221	-211 197	-135	-226
Current assets	-63 328	0	0	0
Liabilities	144 072	-22 079	252	0
Basis of deferred tax/tax benefit	-4 729 757	-3 770	7 115	1 553
Deferred tax/tax benefit (28%)	1 947 512	1 056	-1 992	-435
Deferred tax/tax benefit linked to special offshore tax	449 627	81 019	-3 154	-777
Total deferred tax/tax benefit	2 397 139	82 074	-5 147	-1 212
Of which directly taken to equity	-52 718	-52 718	0	0
Off-balance sheet deferred tax benefit	-59 349	0	0	0
Posted deferred tax/tax benefit	2 285 072	29 357	-5 147	-1 212
Posted deferred tax benefit (1)	-111 391	-67 892	-5 147	-1 212
Posted deferred tax (2)	2 396 463	97 248		0
Posted deferred tax benefit domestic	-111 391			
Posted deferred tax benefit abroad	0			
Posted deferred tax domestic	759 694			
Posted deferred tax abroad	1 636 769			

(1) Posted deferred tax benefit is associated with the general Norwegian tax regime.
(2) Deferred tax refers to the special tax regime in the Norwegian Petroleum Tax Act and deferred tax of foreign subsidiaries.

In 2007 the Noreco Group capitalise all its deferred tax assets in all the companies in Norway. This decision is based on an expectation that the company in future would generate a taxable profit which would allow these tax benefits to be realised. This expectation is prompted by the radical change in the scale of the Noreco Group's level of activity and size in 2007, as well as management's expectations with respect to the Noreco Group's development and prospects.

Based on expected future earnings based on realistic assumptions, and the fact that the deadline for realising losses carried forward has been eliminated, it is management's opinion that there are strong indications that sufficient taxable income will be earned in the future such that the losses carried forward may be fully utilised in its onshore business operations.

The Noreco Group has not recorded any deferred tax related to losses in the subsidiary, Geopard A/S (NOK 59 349 000). Geopard A/S currently has no revenues and deferred tax assets are not recognised.

Changes in the Norwegian Petroleum Tax Act
As of 1 January 2007 new rules were introduced concerning the deduction of financial expenses for companies engaged in the exploration for and production of hydrocarbons. The rules change the calculation of tax for financial items.

16 Earnings per share

The earnings per share is a calculation of the relationship between the year's profit and the weighted average outstanding ordinary shares in 2007.

At 31 December 2007 the company had no current option schemes or other schemes which could dilute the profit. The earnings per share are consequently fully diluted in accordance with the earnings per share.

	Noreco Group	Norwegian Energy Company ASA		
	2007	**2007**	**2006 (1)**	**2005 (1)**
The year's earnings which the holders of ordinary shares receive	-198 600	-165 126	-19 859	-19 266
Average number of issued shares	63 222 584	63 222 584	9 243 253	1 132 016
Average number of diluted shares	63 222 584	63 222 584	9 243 253	1 132 016
Earnings per share	-3.14	-2.61	-2.15	-4.60
Earnings per share fully diluted	-3.14	-2.61	-2.15	-3.38

(1) figures for 2006 and 2005 are adjusted to reflect that the face value per share is reduced from NOK 1 000 to NOK 3.10 in 2007.

The company introduced an options programme in January 2008 for all Noreco Group employees. The total number of options awarded as of 31.03.08 is 1 077 051 of which 817 952 is awarded to parent company employees. These options could have a diluting effect in future.

17 Intangible assets

Noreco Group 2007 (NOK 1 000)	**Capitalised exploration & evaluation costs**	**Other patents & licences**	**Goodwill**	**Total**
Acquisition cost at 01.01.	2 942	5 940	0	8 882
Additions	198 367	56 314	0	254 681
Addition from acquisition of subsidiaries	4 154 571	0	1 485 570	5 640 141
Disposals (1)	-10 091	0	0	-10 091
Translation differences	-28 595	0	-24 461	-53 556
Acquisition cost at 31.12	**4 317 194**	**62 254**	**1 480 609**	**5 840 057**
Accumulated depreciation & write-downs				
Accumulated depreciation at 01.01	0	0	0	0
Addition from acquisition of subsidiaries	0	0	0	0
Write-back of depreciation sold fixed assets	10 091	0	0	10 091
Year's depreciation	0	0	0	0
Year's write-downs (1)	-10 091	0	-15 128	-25 219
Translation differences	0	0	511	511
Accumulated depreciation & write-downs at 31.12	**0**	**0**	**-14 617**	**-14 617**
Book value at 31.12	**4 317 194**	**62 254**	**1 445 992**	**5 825 440**
Economic life	N/A	N/A	N/A	
Depreciation plan	N/A	N/A	N/A	

Norwegian Energy Company ASA 2007 (NOK 1000)	**Capitalised exploration & evaluation costs**	**Other patents & licences**	**Total**
Acquisition cost at 01.01	2 942	5 940	8 882
Additions	150 117	56 314	206 431
Disposals	0	0	0
Acquisition cost at 31.12	153 059	62 254	215 313
Accumulated depreciation & write-downs			
Accumulated depreciation at 01.01	0	0	0
Year's depreciation	0	0	0
Accumulated depreciation & write-downs at 31.12	**0**	**0**	**0**
Book value at 31.12	**153 059**	**62 254**	**215 313**
Economic life	N/A	N/A	
Depreciation plan	N/A	N/A	

Norwegian Energy Company ASA 2006 (NOK 1 000)	**Capitalised exploration & evaluation costs**	**Other patents & licences**	**Total**
Acquisition cost at 01.01	0	0	0
Additions	2 942	5 940	8 882
Acquisition cost at 31.12	2 942	5 940	8 882
Accumulated depreciation & write-downs			
Accumulated depreciation at 01.01	0	0	0
Year's depreciation	0	0	0
Accumulated depreciation & write-downs at 31.12	**0**	**0**	**0**
Book value at 31.12	**2 942**	**5 940**	**8 882**
Economic life	N/A	N/A	
Depreciation plan	N/A	N/A	

(1) Capitalised exploration and evaluation costs associated with exploratory drilling that did not result in the discovery of economically recoverable resources have been written down. See Note 2 Accounting principles on the treatment of exploration and evaluation costs.

Capitalised exploration and evaluation costs
Capitalised exploration and evaluation costs are treated in accordance with the "successful effort" method. The purchase of exploration licences and finds are capitalised as intangible assets. Accrued exploration and evaluation costs relating to exploratory drilling are capitalised until it has been determined whether a viable find has been made. Capitalised sums are subsequently valued in accordance with the general rules for the valuation of intangible assets. If a find is deemed to be viable and a decision is made to develop it, the associated capitalised amount is transferred to facilities under construction. If no viable finds are made, the associated amount is transferred to the income statement. Capitalised exploration and evaluation costs are not depreciated.

Goodwill per business acquisition:

(NOK 1 000)	Currency	Exchange rate	Cost (local currency)	Acquisition date	Book value at 31.12	Book value 31.12
Enoch	NOK	1.00	11 700	10-05-05	11 700	11 700
Brage	NOK	1.00	339 312	01-01-06	247 981	313 139
Altinex ASA (Group)	NOK	1.00	1 186 311	01-07-07	1 186 311	301 510
Total			1 537 323		1 445 992	626 349

Write-down test for goodwill
Goodwill is allocated to the Noreco Group's cash flow generating units according to the acquisition from which the goodwill derives and the allocation within each acquisition. The Noreco Group has chosen to use business acquisitions as the cash-flow generating unit for goodwill.

Goodwill is allocated to the Noreco Group's cash-flow generating units, according to the acquisition from which the goodwill derives and the allocation within each acquisition. The Altinex group has chosen to use business acquisitions as the cash-flow generating unit for goodwill.

Goodwill, and the posted value of tangible and intangible assets, associated with the acquisition of Altinex ASA are to be tested for impairment on indication of write-downs or a minimum of once per year. The write-down considerations are carried out by the company and build on the anticipated cash flows from relevant reserves and resources. The calculations are made on the following assumptions (1):

Forecast period	Estimated field life
Cash flow	After tax
Discount rate (after tax)	9.6%
Oil price	The market's forward curve for the oil price from 2008 – 2015 is used. From 2016 the oil price is adjusted for inflation.
Exchange rate USD/NOK	The market's average forward curve from 2008 – 2012. From 2013 the expected closing rate in 2012 is used.
Reserves	Based on the company's estimated reserves at 31.12.07
Inflation	2.5%

Calculation shows that the residual value is considerably higher than book value, given the assumptions on which it is based. A substantial decline in the estimated discount rate, oil price, exchange rate and reserves would have to occur before a write-down would be necessary.

(1) When calculating a field's estimated residual value an estimation period corresponding to the life of the individual field is used. This is because production profiles, investments costs, disposal liabilities and the date of disposal all have a material effect on the value of future cash flows, and may be estimated with a reasonable degree of accuracy over the fields' total life.

Goodwill, as well as the book value of tangible and intangible assets, associated with Enoch and Brage have been tested for impairment as at 31 Dec 2006. The calculations are based on the same assumptions used above (1):

Calculation shows that the residual value is higher than book value, given the assumptions on which it is based. A decline in the assumed discount rate, oil price or exchange rate could lead to a write-down in goodwill associated with Brage. Goodwill associated with Enoch is more robust with respect to changes in underlying assumptions.

18 Tangible fixed assets

Noreco Group 2007 (NOK 1000)	**Production facilities**	**Disposal assets**	**Office supplies & inventory**	**Total**
Acquisition cost 01.01	0	0	2 555	2 555
Additions	167 451	384 028	2 202	535 681
Addition from acquisition of subsidiaries	2 500 551	140 625	4 462	2 645 638
Disposals	0	0	-1 165	-1 165
Translation differences	-118 456	-24 691	-364	-143 511
Acquisition cost 31.12	**2 549 546**	**499 963**	**7 689**	**3 057 198**
Accumulated depreciation and write-downs				
Accumulated depreciation 01.01	0	0	-751	-751
Addition from acquisition of subsidiaries	0	0	0	0
Write-back of depreciation sold fixed assets	0	0	1 165	1 165
Year's depreciation	-237 176	-14 129	-1 861	-253 166
Translation differences	5 206	477	-6	5 678
Accumulated depreciation and write-downs at 31.12	**-231 970**	**-13 652**	**-1 453**	**-247 075**
Book value at 31.12	**2 317 576**	**486 311**	**6 236**	**2 810 123**
Economic life	N/A	N/A	3-5 yrs	
Depreciation plan	Production-unit method	Production-unit method	Straight line	

Norwegian Energy Company ASA 2007 (NOK 1000)	**Office supplies & inventory**	**Total**
Acquisition cost at 01.01	2 555	2 555
Additions	1 244	1 244
Disposals	0	0
Acquisition cost at 31.12	**3 799**	**3 799**
Accumulated depreciation and write-downs		
Accumulated depreciation at 01.01	-751	-751
Year's depreciation	-855	-855
Accumulated depreciation and write-downs at 31.12	**-1 606**	**-1 606**
Book value at 31.12	**2 193**	**2 193**
Economic life	3-5 yrs	
Depreciation plan	Straight line	

2006 (NOK 1000)	Office supplies & inventory	Total
Acquisition cost at 01.01	1 522	1 522
Additions	1 034	1 034
Disposals	0	0
Acquisition cost at 31.12	**2 556**	**2 556**
Accumulated depreciation and write-downs		
Accumulated depreciation at 01.01	-58	-58
Year's depreciation	-694	-694
Accumulated depreciation and write-downs at 31.12	**-752**	**-752**
Book value at 31.12	**1 804**	**1 804**
Economic life	3-5 yrs	
Depreciation plan	Straight line	

2005 (NOK 1000)	Office supplies & inventory	Total
Acquisition cost 01.01	0	0
Additions	1 522	1 522
Disposals	0	0
Acquisition cost at 31.12	**1 522**	**1 522**
Accumulated depreciation and write-downs		
Accumulated depreciation at 01.01	0	0
Write-back of depreciation sold fixed assets	0	0
Year's depreciation	-58	-58
Accumulated depreciation and write-downs at 31.12	**-58**	**-58**
Book value at 31.12	**1 464**	**1 464**
Economic life	3-5 years	
Depreciation plan	Straight line	

Tangible fixed assets are assessed at historical cost.

In connection with the acquisition of the Altinex group the excess value of the investment split on the real assets. For further information see Note 4.

Production facilities and disposal assets are depreciated when production commences. The facilities are depreciated in accordance with the pro duction-unit method. The amount of depreciation equals the depreciation basis multiplied by the output during the period and divided by the estimated proven reserves, see Note 36. The basis of depreciation is divided between investments in production facilities and infrastructure which are used throughout the life of the field, and production facilities and infrastructure which are used only in connection with developed reserves. The former uses total proven reserves (developed and undeveloped) as the basis for division, while the latter use proven developed reserves.

Other items of property, plant and equipment are depreciated in a straight line over the asset's estimated economic life. The estimated economic life is estimated at 3-5 years.

Estimated economic life is reassessed annually. In the event of any change in estimates, future depreciation is amended correspondingly.

The value of production facilities has been tested in connection with the analysis of goodwill allocated to the associated cash-flow generating units. Since their residual value is higher than the book value, no write-downs have been made. See Note 17 for further details of the write-down test.

For further information regarding the write-down tests please see Note 17 Intangible assets.

19 Accounts receivable and other receivables

Specification of accounts receivable and other short-term receivables

	Noreco Group	Norwegian Energy Company ASA		
(NOK 1 000)	**2007**	**2007**	**2006**	**2005**
Accounts receivable	89 820	0	0	0
Tax credit	265 866	265 866	77 464	19 442
Receivables for companies in same group	0	5 350	0	0
Other receivables	207 650	60 498	4 842	1 911
Provisions for bad debts	0	0	0	0
Total receivables	**563 336**	**331 714**	**82 306**	**21 353**

Specification of other receivables

	Noreco Group	Norwegian Energy Company ASA		
(NOK 1 000)	**2007**	**2007**	**2006**	**2005**
Payments due to operators for participation in licences	75 983	44 628	312	0
Under lifting of oil/NGL(1)	110 573	0	0	0
Other receivables	21 094	15 870	4 529	1 911
Provisions for losses on other receivables	0	0	0	0
Total other receivables	**207 650**	**60 498**	**4 842**	**1 911**

(1) Specification of under lifting of oil/NGL (2)	boe	USD/boe	Value (NOK 1000)
Under lifting of oil	213 541	91.11	105 276
Under lifting of NGL	12 985	75.39	5 297
Total	**226 526**	**78.04**	**110 573**

(2) Under/over lifting of oil and NGL from the various fields is presented gross. For a specification of over lifting see Note 26 Accounts payable and other current liabilities.

Specification of accounts receivable and other receivables by currency

(NOK 1 000)	2007	2007	2006	2005
NOK	339 248	331 714	82 306	21 353
DKK	27 756	0	0	0
USD	187 767	0	0	0
GBP	4 141	0	0	0
EUR	4 423	0	0	0
Total	**563 336**	**331 714**	**82 306**	**21 353**

Receivables are recognised at amortised costs. Uncertain receivables are written down to their estimated residual value. Actual value corresponds to book value.

The Noreco Group's receivables are largely related to the sale/production of hydrocarbons. Debtors are large, well-established oil companies and the credit risk is considered low. Nonbe of accounts receivable had fallen due for payment at 31 December. The group had no realised loss on accounts receivable in 2007.

All receivables in USD are from companies whose functional currency was USD in 2007. Receivables have not been hedged against any change in exchange rates. The company incurs running costs in various currencies, and receivables will hedge accounts payable and other current liabilities in various currencies. None of these transactions has been recognised as hedging in the accounts.

20 Financial instruments

2006
Financial derivatives entered into to hedge future cash flows:
The Noreco Group's strategy is to hedge its oil sales revenues against future price fluctuations. This is achieved by purchasing sales options for a share of its estimated oil production. These options give the company the right, but not an obligation, to sell oil at a minimum price. The options qualify as hedging instruments since they hedge future cash inflows into the company. Unrealised changes in the value of options are recorded as a separate item against equity. Any subsequent realisation is reported as a gain/loss on options in the income statement. Equity provisions are written back on realisation.

At 31 December the Altinex group had entered into the following option contracts:

	Cost (USD 1 000)	Book value (USD 1 000)	Book value/ actual value (NOK 1 000)	Unrealised gain/loss against equity
Options expiring in 2008	3 501	31	168	-18 775
Options expiring in 2009	2 077	349	1 887	-9 352
Total	5 578	380	2 054	-28 126

- The options' fair value has been provided by the finance institution with which the Noreco Group has entered into an agreement.

- Options are acquired by subsidiaries whose functional currency is USD. Translation to NOK is at the exchange rate in effect on 31 Dec.

- Changes in value are taken directly to equity in line with the accounting rules for future cash-flow hedging, see below.

- The company hedges a proportion of its oil production based on production estimates. Since production can be estimated very reliably, there is a high degree of probability that estimates for future cash flows will be realised. In 2006 the Noreco Group experienced no situations in which hedged oil sales exceeded oil sales. Options expiring in 2007 and 2008 hedge a proportion of expected cash flows based on anticipated production in 2007 and 2008 respectively.

Financial derivatives entered into to hedge changes in foreign exchange rates:
The Noreco Group's strategy is to hedge fluctuations in foreign exchange rates for material monetary items in currencies other than group companies' functional currencies. For this forward currency contracts are used. Forward contracts qualify as hedging instruments in the accounts since their purpose is to hedge future cash flows in relation to functional currencies.

At 31 Dec the Altinex group had entered into the following forward contracts:

	Purchase USD	Sale NOK	Exchange rate	Book value/ actual value at 31.12
NOK/USD	120 441	660 000	5.44	3 345
Total	**120 441**	**660 000**	**5.44**	**3 345**

	Sale NOK	Purchase USD	Exchange rate	Book valueu/ actual value at 31.12
USD/NOK - loan hedge	300 000	48 177	6.01	28 691
USD/NOK - loan hedge	100 000	16 059	6.00	9 368
USD/NOK - hedging interest payments	28 500	4 688	6.00	2 746
USD/NOK - hedging interest payments	8 500	1 407	5.98	793
Total	**437 000**	**70 331**		**41 598**

- The actual value of forward contracts is calculated using the Bank of Norway's day rate on the balance sheet day.
- Forward contracts have been entered into by subsidiaries whose functional currency is USD. Translation to NOK is at the rate in effect on 31 Dec. Contracts are entered into to hedge liabilities. Financial derivatives entered into to hedge liabilities are treated as actual value hedging.

Cash-flow hedging taken to equity through the year	
Actual value of cash-flow hedging OB	0
Change in value during the year	43 411
Recognised gains	0
Translation differences	0
Actual value of cash-flow hedging CB	**43 411**

Actual value and capitalised value of financial assets and obligations.

	31.12.07 Capitalised value	Actual value
Loan hedge	41 598	41 598
Hedging interest payments	3 345	3 345
Oil price hedge	2 054	2 054
Total financial assets	**46 997**	**46 997**

2006 and 2005
The Noreco Group did not have any financial instruments in 2005 and 2006.

21 Bank deposits, cash & cash equivalents

Specification of bank deposits:

	Noreco Group	Norwegian Energy Company ASA		
(NOK 1 000)	**2007**	**2007**	**2006**	**2005**
Bank deposits and cash in hand (unrestricted funds)	938 947	658 825	10 673	41 363
Bank deposits and cash in hand (restricted funds)	34 454	7 699	1 297	252
Cash and cash equivalents on the balance sheet	973 402	666 524	11 970	41 616

Restricted funds
Of the restricted funds in the Noreco Group, NOK 11 854 000 are employees' tax deductions at source. NOK 22 600 000 is security for payment to Gassco for the use of pipeline capacity for the transport of gas and NGL. In the parent company restricted funds are exclusively associated with tax deductions.

Specification of bank deposits, cash & cash equivalents by currency:

	Amount in	Recognised by the group			
(NOK 1 000)	**Currency**	**2007**	**2007**	**2006**	**2005**
NOK	750 938	750 938	666 524	11 970	41 616
DKK	578	617	0	0	0
USD	41 106	222 425	0	0	0
EUR	614	4 891	0	0	0
GBP	-506	-5 469	0	0	0
Total		**973 402**	**666 524**	**11 970**	**41 616**

The book value of bank deposits corresponds to their actual value.

Drawing facilities are exclusively associated with the Noreco Group.

(NOK 1 000)	**Currency amount**	**NOK**	**Withdrawn**	**Unused**
NOK	5 000	5 000	0	5 000
USD	5 000	27 055	14 978	12 077
USD (reserve-based loan, see Note 25)	115 784	626 507	541 100	85 407
Total		**658 562**	**556 078**	**102 484**
Bank deposits, cash & cash equivalents				973 402
Available liquidity				1 075 886

22 Share capital and share premium fund

	2007	2006	2005
Ordinary shares, face value NOK 3.10	111 414 358	700	700
A shares		24 239	17 269
B shares		6 483	4 507
Total number of shares	**111 414 358**	**31 422**	**22 476**

The company's share capital is NOK 345 385 000, comprising 111 414 358 shares at a face value of NOK 3.10. In 2007 two share splits were carried out. The first share split resulted in the share face value per share being reduced from NOK 1 000 to NOK 12.30. The second split reduced the face value from NOK 12.30 to NOK 3.10. In connection with the second share split a bond issue was also undertaken. The reduction in the face value per share has led to a corresponding increase in the number of shares. For 2006 and 2007 the face value of all share classes was NOK 1 000. The company holds none of its own shares.

All shares enjoy equal rights.

Changes in share capital and share premium fund:

	Number of shares	Share capital	Share premium fund
Equity at 1 January 2005	0	0	0
Paid in capital	1 085	1 085	2 025
Capital increase in April 2005	700	700	1 306
Capital increase in June 2005	350	350	653
Share issue costs	0	0	-3 984
Equity at 31 December 2005	**2 135**	**2 135**	**0**
Equity at 1 January 2006	2 135	2 135	0
Capital increase in February 2006	20 341	20 341	31 564
Capital increase in May 2006	959	959	1 790
Capital increase in September 2006	7 910	7 910	14 763
Capital increase in December 2006	77	77	144
Equity at 31 December 2006	**31 422**	**31 422**	**48 260**
Equity at 1 January 2007	31 422	31 422	48 261
Capital increase in April 2007	2 212	2 212	5 191
Capital increase and share split in May 2007	3 555 033	10 503	19 602
Capital increase in June 2007	19 230 257	236 513	1 018 803
Capital increase in August 2007	862 251	10 605	111 879
Share split and bond issue	71 043 525	2 392	-2 392
Capital increase in October 2007	16 670 131	51 677	498 453
Capital increase in December 2007	19 527	61	672
Share issue costs	0	0	-55 931
Covering accumulated losses	0	0	-189 085
Equity at 31 December 2007	**111 414 358**	**345 385**	**1 455 453**

At 31.12.2005 a capital increase of not registered 20 341 shares was recorded. These shares were transferred to share capital in the amount of NOK 20 341 000 and a premium fund of NOK 31 564 000 in February 2006.

In February 2008 a capital increase was carried out in the form of a share scheme for the Norwegian employees. The capital increase was NOK 1 006 000 and comprised 324 484 shares at a face value of NOK 3.10. The premium fund comprised a total of NOK 8 729 000.

Board authorisation
At an Extraordinary General Meeting on 10 October 2007 the board of directors were granted authorisation to increase the share capital by up to NOK 3 100 000 by issuing 1 000 000 new shares at a face value of NOK 3.10. The capital increase may be settled in cash or by other means of payment. The subscription price and other subscription terms are decided by the directors. The preferential rights of shareholders may be waived. The purpose of the authorisation is to issue shares in connection with the purchase of shares and redemption of Altinex ASA options. The authorisation is valid from the date of registration in the Register of Enterprises and for one year. As of 31 December 2007 the company had acquired all the shares in Altinex ASA and there were no further options to be redeemed.

The directors have been granted authorisation to increase the share capital by up to NOK 131 850 000 by issuing of up to 42 532 258 shares at a face value of NOK 3.10. The subscription price and other subscription terms are decided by the directors. The preferential rights of shareholders may be waived. The purpose of the authorisation is to undertake share issues aimed at existing or new investors to strengthen the company's equity. The subscription price and other subscription terms are decided by the directors. The preferential rights of shareholders may be waived. The authorisation is valid from the date of registration in the Register of Enterprises and for one year. The remaining number of shares is 25 865 591 at a face value of NOK 3.10.

The two above-mentioned authorisations replace all previously granted authorisations for the issuing of shares.

Shareholders at 31 December 2007:

Name	No. of shares	Shareholding	Voting share
Lyse Energi AS	17 355 940	15.58%	15.58%
Nec Invest AS	16 725 396	15.01%	15.01%
Nordea Securities AB	9 391 000	8.43%	8.43%
IKM Gruppen AS	8 072 418	7.25%	7.25%
Bank Of New York, Brussels Branch BNY GCM Client Accounts (E) ISG	3 902 915	3.50%	3.50%
Morgan Stanley & Co.	3 781 204	3.39%	3.39%
Verdipapirfondet KLP Aksjenorge	2 187 200	1.96%	1.96%
Lbpb Nominees Limited	2 082 400	1.87%	1.87%
Cheyne Global Catalyst	2 067 600	1.86%	1.86%
Bank Of New York, BR	2 013 196	1.81%	1.81%
Varma Mutual Pension Insurance Company	1 950 000	1.75%	1.75%
Goldman Sachs Int. - Equity - Security Client Segregation	1 608 405	1.44%	1.44%
Arctic Securities ASA	1 594 800	1.43%	1.43%
Bjørn Rygg Investering As	1 580 484	1.42%	1.42%
Spencer Trading Inc.	1 515 000	1.36%	1.36%
Bank Of New York, Brussels Branch S/A Equity Tri-Party (3)	1 508 566	1.35%	1.35%
Credit Suisse Securities (Europe) Ltd	1 504 136	1.35%	1.35%
Jp Morgan Chase Bank Non Treaty AC	1 502 228	1.35%	1.35%
Melberg Investment AS	1 446 664	1.30%	1.30%
Takla Energy AS	1 421 436	1.28%	1.28%
Total	**83 210 988**	**74.7%**	**74.7%**
Total other shareholders	28 203 370	25.3%	25.3%
Total no. of shares at 31 December 2007	111 414 358	100%	100%

See Note 11, CEO Scott Kerr owns a total of 1 499 528 company shares. These shares are split between his private shares and those hold by companies controlled by him and he is consequently not included on the above list.
As of 31 March 2008 there had been no significant changes in shareholders.

23 Pensions

Defined-benefit scheme
The parent company employees have a collective defined-benefit pension plan in a life insurance company. The scheme comprised 14 individuals at 31 December 2007 and eight at 31 December 2006. The actual number of employees covered by the company pension scheme as of 31 December 2007 was 34. The difference between those included in the pension scheme and the actual number of employees comes mainly from the transfer of employees from the Altinex group to the Norwegian Energy Company ASA, and the employees who joined the company late in the year. These will be included in the pension obligation as of 2008. The parent company defined-benefit scheme was introduced in 2006.

The Noreco Group's Norwegian companies are obliged to have a company pension scheme under the law related to compulsory company pensions. All the companies have a pension scheme meeting the regulatory requirements.

The actuary assumptions are based on the normal insurance assumptions concerning demographic assumptions.

Specification of pension costs for the year:	**Noreco Group**	**Norwegian Energy Company ASA**	
(NOK 1 000)	**2007**	**2007**	**2006**
Net present value of pension accruals for the year	2 847	2 847	1 741
Interest cost	117	117	11
Expected return on pension assets	-152	-152	-40
Administration costs	52	52	26
Employers' national insurance contributions for the period	413	413	245
Recognised effect of estimate changes	66	66	0
Total	3 343	3 343	1 983

Pension liabilities and pension assets:	**Noreco Group**	**Norwegian Energy Company ASA**	
(NOK 1 000)	**2007**	**2007**	**2006**
Net present value of accrued secured liabilities	6 278	6 278	2 692
Actual value of pension assets	-4 288	-4 288	-1 562
Net pension liabilities at 31 Dec	1 991	1 991	1 130
Employers' national insurance contributions for the period	81	81	31
Unrecognised estimate deviations	-1 413	-1 413	-909
Net pension liabilities at 31 Dec	659	659	252

Changes in liabilities:	**Noreco Group**	**Norwegian Energy Company ASA**	
(NOK 1 000)	**2007**	**2007**	**2006**
Net liabilities at 1 Jan	252	252	0
Pension costs recorded in the income statement	3 343	3 343	1 983
Premiums paid	-2 936	-2 936	-1 731
Net pension costs recorded on the balance sheet at 31 Dec	659	659	252

The following assumptions underlie the calculation	**Noreco Group**	**Norwegian Energy Company ASA**	
of pension costs and net pension liabilities:	**2007**	**2007**	**2006**
Discount rate	4.35%	4.35%	4.35%
Return on pension assets	5.40%	5.40%	5.40%
Salary growth	4.50%	4.50%	4.50%
Adjustments of basic rate	4.25%	4.25%	4.25%
Pension adjustments	1.60%	1.60%	1.60%
Employers' national insurance contribution	14.10%	14.10%	14.10%

24 Provisions

Specification of disposal liabilities	Noreco Group	Norwegian Energy Company ASA		
(NOK 1 000)	2007	2007	2006	2005
Balance at 1 Jan	0	0	0	0
Additions on acquisition of subsidiaries	362 548	0	0	0
Provisions during the period	375 364	0	0	0
Time value/estimated interest	4 123	0	0	0
Effect of changes in exchange rates	-30 242	0	0	0
Provisions for disposal liabilities at 31 Dec	711 793	0	0	0

Provisions relate to expected future costs for the decommissioning of fields and removal of production facilities associated with the production of hydrocarbons. Provisions are discounted to net present value using a discount factor of 5 per cent. Inflation is estimated at 2.5 per cent. The counter-value of the change in estimate/provision is included under disposal assets and is depreciated according to the production unit method, see Note 18.

Expected date of maturity	Noreco Group	Norwegian Energy Company ASA		
(NOK 1 000)	2007	2007	2006	2005
0-2 years	0	0	0	0
3-5 years	0	0	0	0
6-10 years	207 208	0	0	0
over 10 years	504 585	0	0	0
Provisions for disposal liabilities at 31 Dec	711 793	0	0	0

In connection with the development of Stine Segment 1 in 2004 (Altinex Oil Denmark A/S) a supplier has initiated arbitration proceedings against the licence operator, who rejects the supplier's claims. The Noreco Group has made provisions to cover any legal costs and losses this case may result in already at the time the company was acquired. It is not expected that any judgment in the case will have a material impact on the Noreco Group's consolidated accounts. There are several parties to the case and further details with respect to the size of the provision are therefore not being published.

25 Long-term liabilities

	Currency	Nominal interest rate	Date of loan maturity	Date of first interest payment	Nominal value 2007	Capitalised value 2007 (b)
Bond loan Noreco ASA (1)	NOK	11.00%	13-07-10	13-01-08	2 300 000	2 250 557
Bond loan Noreco ASA (2)	NOK	Nibor 6. mnd + 5.25%	13-07-10	13-01-08	500 000	489 252
Convertible loan Noreco ASA (3)	NOK	6.00%	11-05-12	11-05-08	430 000	349 232
Total in Norwegian Energy Company ASA					**3 230 000**	**3 089 041**
Bond loan Altinex Oil Norway AS (4)	NOK	8.50%	07-06-10	07-06-08	100 000	49 848
Bond loan Altinex Oil Norway AS (5)	NOK	9.50%	09-02-11	09-02-08	300 000	294 555
Bond loan Geopard A/S (6)	NOK	12.00%	22-06-12	22-06-08	660 000	646 303
Reserve-based loan Altinex Oil Denmark A/S (7)	USD	Libor + margin (a)	31-12-12	16-01-07	541 100	523 843
Total other group companies					**1 601 100**	**1 514 549**
Total long-term liabilities Noreco Group					**4 831 100**	**4 603 590**

The Noreco Group had no long-term liabilities for 2006 and 2005.

(a) The margin varies according to the amount drawn on the credit facility. The margin will vary between 1.1 and 1.7 per cent.

(b) All long-term debt is recorded at amortised cost.

(1) The bond loan has an original face value of NOK 2 300 000. The loan is amortised and charged to expense over the term of the loan. The loan is at a fixed annual coupon interest of 11 per cent. Interest is paid semi-annually in arrears. At 31 December the remaining amortisation equalled NOK 49 443. The loan is secured, see Note 29.

(2) The bond loan was raised in July 2007 and has a face value of NOK 500 000 000. The loan is amortised and charged to expense over the term of the loan. The loan interest is Nibor 6 months + a margin of 5.25 per cent p.a. The loan is paid in arrears semi-annually. At 31 December the remaining amortisation equalled NOK 10 748 000. The loan is listed on the Oslo Stock Exchange with the ticker NOR02. The loan is secured, see Note 29.

After October 2007 the company may, with respect to the above-mentioned bond loan, at any time repurchase the bonds at a price of NOK 1.03. The following conditions apply to the loans: The Noreco Group equity ratio is to be a minimum of 20 per cent. The Noreco Group's market adjusted equity-ratio shall exceed 30 per cent and the corresponding figure for the company shall also exceed 30 per cent. The Noreco Group EBITDA-Ratio shall be less than 8.0.

(**3)** The convertible bond loan was raised in May 2007 at a nominal value of NOK 440 000 000. NOK 10 000 000 was converted in August 2007 so that the liability at the end of 2007 was NOK 430 000 000, nominal value. The fixed interest rate is 6.0 per cent which is paid in arrears semi-annually. The owners of the bond loan have an unconditional right to request the issuing of company shares at any time during the term of the loan. At conversion NOK 22.25 is to be paid per share to offset the debt. Loans with a right of requesting issue of shares are freely negotiable. The new shares entitle the owners to a dividend as from the financial year the right to request shares is valid.

(4) The bond loan was raised in June 2005 at a nominal value of NOK 500 000 000, of which NOK 100 000 000 has been drawn. Altinex ASA has 50 per cent of the loan. The loan is amortised and charged to expense over the term of the loan. The loan has a fixed coupon interest of 8.50 per cent p.a. and is paid annually in arrears. The remaining amortisation at 31 December was NOK 546 000. The loan is listed on the Oslo Stock Exchange with the ticker ALX01.

The company may buy back bonds at the following prices: 2008: 1.02. and 2009: 1.01.

(5) The bond loan was raised in February 2006 and had an original face value of NOK 300 000 000. The loan is amortised and charged to expense over the term of the loan. The loan is at a fixed annual coupon interest of 9.50 per cent. Interest is paid semi-annually in arrears. At 31 December the remaining amortisation equalled NOK 5 445 000. The loan is secured, see Note 29.

The above-mentioned loans, where NOK 100 000 000 and 300 000 000 have been drawn, require a minimum equity ratio of 25 per cent in accounts of Altinex Oil Norway AS. The equity ratio is here reckoned as book equity of net interest-bearing debt. The calculation of net interest-bearing debt is interest-bearing debt less bank deposits, cash and cash equivalents. In December 2007 the company received a claim waiver from Norsk Tillitsmann (Norwegian Trustee) based on a possible breach of the above-mentioned equity requirements as a result of loss on exchange related to the company's tax obligations. In February 2008 the company carried out a capital increase of NOK 25 million to satisfy the equity requirements of the loan agreement.

The company may buy back bonds at the following prices: 2008: 1.08, 2009: 1.06, 2010: 1.03 and 2011: 1.00.

(6) The bond loan was raised in June 2006 and had an original face value of NOK 600 000 000. The loan is amortised and charged to expense over the term of the loan. The loan is at a fixed annual coupon interest of 12.00 per cent. Interest is paid annually in arrears. At 31 December the remaining amortisation equalled NOK 13 697 000. The loan is raised by Geopard A/S whose functional currency us USD. As a result of this a forward currency contract has been concluded for an equivalent loan amount at an exchange rate of USD/NOK 5.48 (Note 19). The loan is secured, see Note 29.

The company may buy back bonds at the following prices: 2008: 1.05, 2009: 1.04, 2010: 1.03 and 2011: 1.01.

The loan imposes restrictions on further borrowing by the Altinex group. The loan also imposes restrictions concerning the payment on dividends. The Altinex group can not pay dividend unless the equity versus capital employed exceeds 50 per cent.

(7) The reserve-based loan is recognised at amortised cost. The loan has ceiling of USD 200 000 000, which will fall to USD 175 000 000 at the end of 2008. USD 125 000 000 at the end of 2009, and then gradually down to zero by 31 December 2012, when the loan expires. The available drawing limit as at 31 December 2007 is USD 115 784 000, and the amount drawn at 31 December is USD 100 000 000. The available drawing limit is set quarterly and is based partly on the anticipated reserves, costs and oil price. The loan is at a floating rate of interest of LIBOR plus a margin of 1.10-1.70 per cent per annum. The margin depends on how much the borrower draws on the facility. The loan has financial terms linked to liquidity and debt ratios, and is secured by a lien on the borrower's shares and major assets. The loan assumes that a given proportion of the expected oil production at all times is secured for a period of two years. The estimated repayment plan is as follows: 2008 - 19 900 000, 2009 - USD 32 400 000, 2010 - USD 22 000 000, 2011 - USD 15 800 000 and 2012 USD 12 500 000. The remaining amortisation equals USD 17 256 000.

Geopard A/S has an intra-group loan from Altinex ASA of NOK 335 000 000 nominal value. The loan can not be repaid without the consent of the creditors of the reserve-based loan in Altinex Oil Denmark A/S, or if the loan has been paid off.

(NOK 1 000)	Noreco Group 2007	Norwegian Energy Company ASA 2007	2006	2005
Nominal value of convertible loan	440 000	440 000	0	0
Loan costs	-17 996	-17 996	0	0
Equity component (a)	-54 093	-54 093	0	0
Deferred tax	-21 036	-21 030	0	0
Debt component at initial recognition	346 875	346 875	0	0
Conversion	-10 000	-10 000	0	0
Interest cost	10 058	10 058	0	0
Amortisation of cost of raising the loan	2 300	2 300	0	0
Debt component at 31.12	349 232	349 232	0	0

Maturity structure for long-term liabilities (NOK 1 000):

Year	Noreco Group 2007	Norwegian Energy Company ASA 2007	2006	2005
2008	107 679	0	0	0
2009	175 316	0	0	0
2010	2 969 042	2 800 000	0	0
2011	385 494	0	0	0
>2012	1 157 638	430 000	0	0
Total	**4 795 169**	**3 230 000**	**0**	**0**

An estimate has been made concerning the instalments on the reserve-based loan. The instalment profile may change if terms change, cf. the loan agreement.

26 Accounts payable and other current liabilities

(NOK 1 000)	Noreco Group 2007	Norwegian Energy Company ASA 2007	2006	2005
Debt to credit institutions	222 000	222 000	35 000	0
Accounts payable	68 974	26 842	4 664	10 421
Tax payable (see Note 15)	92 765	0	0	0
Public charges payable	33 508	9 658	4 200	764
Other intra-group current liabilities	0	1 011	0	0
Other current liabilities (1)	523 487	333 382	10 269	4 519
Total	**940 733**	**592 893**	**54 132**	**15 704**

(1) Specification of other current liabilities (NOK 1 000)	Noreco Group 2007	Norwegian Energy Company ASA 2007	2006	2005
Owing operators for participation in licences	91 954	27 444	1 188	0
Over lifting of oil (2)	26 103	0	0	0
Loan interest owing	181 214	148 164	581	0
Other current debt	224 216	157 774	8 500	4 519
Total other current liabilities	**523 487**	**333 382**	**10 269**	**4 519**

(2) Specification of over lifting of oil (3)	boe	USD/boe	Value (NOK 1000)
Over lifting of oil	56 313	85.65	26 103
Over lifting of NGL	0	N/A	0
Total	**56 313**	**85.65**	**26 103**

(3) Over lifting/under lifting of oil and NGL from the various fields as presented as gross figures. For specification of over lifting see Note 18 Accounts receivable and other receivables.

Specification of accounts payable and other liabilities by currency (NOK 1 000)	Noreco Group 2007	Norwegian Energy Company ASA 2007	2006	2005
NOK	782 064	592 893	54 132	15 704
DKK	47 227	0	0	0
USD	84 905	0	0	0
GBP	25 927	0	0	0
EUR	611	0	0	0
Total	940 733	592 893	54 132	15 704

Liabilities are recognised at amortised cost. The actual value is deemed to correspond to book value.

Liabilities in USD are in their entirety held by companies with USD as their functional currency. All liabilities in DKK are in their entirety held by companies with USD as their functional currency. Revenue generating cash flows in currencies in which companies have current revenues, will hedge the company's liabilities in the corresponding currencies. None of these transactions has been recognised as hedging in the accounts.

27 Options

Option scheme
As of 31 December 2007 the company did not have a continuous options scheme. At the extra ordinary General Meeting on 14 January 2008 the company proposal of creating an option scheme was endorsed. The scheme will apply to everyone who were employed at the end of 2007. The option scheme has a duration of three years and the price is set at NOK 33 per option. For 2008 the CEO will be awarded options corresponding to 100 per cent of his annual salary. The Noreco Group management team will be awarded options corresponding to 80 per cent of the annual salary. Other employees will be awarded options corresponding to 40 per cent of the annual salary.

As of 31 March 2008 a total of 1 077 051 options had been issued to Noreco Group employees, of which 817 952 options had been given to employees of the parent company.

28 Segment reporting

The Noreco Group's operations are exclusively associated with the exploration for and production of oil, gas and NGL. The Noreco Group considers the risk and return, before tax, of the business units to be similar and thus comprise one business segment. This segment is considered identical with the Noreco Group's consolidated income statement, balance sheet and cash flow.

The Noreco Group's geographical segment consists of Norway, Denmark and England. There are subsidiaries in each of these countries. The intra-group revenues represent in the main interest on intra-group loans, which are eliminated in the Noreco Group accounts. Transactions among the geographical segments are at normal terms and condition, which also would have applied in dealings with independent parties.

The segments' assets and liabilities mainly reflect the balance sheet items of the Noreco Group companies in the respective countries. Added value is allocated to the units that are expected to derive a benefit from the acquisition. Investments in subsidiaries, loans, accounts receivable and liabilities among the companies come under segments' assets and liabilities. These are eliminated in the Noreco Group balance sheet.

For 2006 and 2007 the company only consisted of the parent company and no figures are therefore presented for the geographical segments for those years.

Geographical distribution in 2007 (NOK 1000)	Norway	Denmark	England	Other/ elimination	Group
Revenues	293 223	546 442	0	0	839 664
Intra-group operating revenues	3 210	0	0	-3 210	0
Total operating income	**296 433**	**546 442**	**0**	**-3 210**	**839 664**
Operating income (loss)	-110 355	168 354	-9 109	161	49 051
Net financial items					**-298 210**
Ordinary result before tax					-249 159
Tax on ordinary result					-50 469
Net loss					**-198 690**
Assets	3 407 268	3 701 543	2 400 257	821 621	10 330 688
Liabilities	5 218 676	2 575 638	1 202 229	-343 305	8 653 237
Investment expenses	341 345	395 343	51 400		788 088
Depreciation and write-downs	76 897	201 489	0		278 386

29 Guarantees and pledges

List of guarantees and pledges:

	Noreco Group	Norwegian Energy Company ASA		
(NOK 1 000)	**2007**	**2007**	**2006**	**2005**
Secured debt				
Bond loan	3 100 00	2 800 000	0	0
Reserve-based loan	523 843	0	0	0
Short-term interest-bearing debt	222 000	222 000	0	0
Total secured debt	**3 845 843**	**3 022 000**	**0**	**0**
Book value of assets pledged as security				
Shares in subsidiaries	0	4 351 135		
Production facilities	2 803 887	0	0	0
Tax credit	265 866	265 866	0	0
Bank deposits	22 600	0		
Total recorded value	**3 092 353**	**4 617 001**	**0**	**0**

Debt is stated at nominal value.

30 Licences and commitments

Field	Ownership		Share
PL 006C	Noreco ASA		25.00%
PL 148	Noreco ASA		20.00%
PL 256	Noreco ASA		10.00%
PL 271 & PL 302	Noreco ASA		15.00%
PL 274	Noreco ASA		15.00%
PL 316CS	Noreco ASA		35.00%
PL 348	Noreco ASA		17.50%
PL 378	Noreco ASA		20.00%
PL 382	Noreco ASA		20.00%
PL 385	Noreco ASA		20.00%
PL 391	Noreco ASA		20.00%
PL 398S	Noreco ASA		30.00%
PL 400	Noreco ASA		30.00%
PL 411 (O)	Noreco ASA		100.00%
PL 412 (O)	Noreco ASA		40.00%
PL 414	Noreco ASA		20.00%
PL 417	Noreco ASA		20.00%
PL 435	Noreco ASA		20.00%
PL 440S	Noreco ASA		12.00%
PL 446	Noreco ASA		40.00%
PL 447	Noreco ASA		20.00%
PL 006D	Noreco ASA	APA 2007 - awarded Jan 2008	25.00%
PL 274/CS	Noreco ASA	APA 2007 - awarded Jan 2009	15.00%
PL 451 (O)	Noreco ASA	APA 2007 - awarded Jan 2008	40.00%
PL 453S	Noreco ASA	APA 2007 - awarded Jan 2008	20.00%
PL 455 (O)	Noreco ASA	APA 2007 - awarded Jan 2008	70.00%
PL 458	Noreco ASA	APA 2007 - awarded Jan 2008	30.00%
PL 476	Noreco ASA	APA 2007 - awarded Jan 2008	30.00%
PL 484 (O)	Noreco ASA	APA 2007 - awarded Jan 2008	40.00%
PL 490	Noreco ASA	APA 2007 - awarded Jan 2008	20.00%
PL 018C	Altinex Norway		13.30%
PL 048C	Altinex Norway		21.80%
PL 048D	Altinex Norway		21.80%
PL 053B	Altinex Norway		12.60%
PL 055B	Altinex Norway		12.60%
PL 185	Altinex Norway		12.60%
PL 360	Altinex Norway		15.00%
PL 442	Altinex Norway		20.00%
PL 55	Altinex Norway		12.60%
PL 361	Altinex Norway		30.00%
PL 408	Altinex Norway		30.00%
PL 16/98	Altinex Denmark		61.00%
PL 2/06	Altinex Denmark		6.50%
PL 4/95	Altinex Denmark		30.00%
PL 6/95	Altinex Denmark		20.00%
PL 7/06 (O)	Altinex Denmark		40.00%
PL 7/86	Altinex Denmark		28.20%
PL 7/86	Altinex Denmark		30.00%
PL 7/89	Altinex Denmark		6.60%
PL 9/06	Altinex Denmark		12.00%
PL 9/95	Altinex Denmark		12.00%
PL 1114	Altinex UK		20.00%

(O) Group companies are operator

Related to the award of new licences for exploration and production of oil and gas, the participants are required to drill a certain number of exploration wells. By year-end, the Noreco Group has approved participation in 9 such wells on the Norwegian Continental Shelf, of which 8 of the wells concern the parent company. In addition, the Noreco Group has approved the purchase and reprocessing of seismic data on 9 licences, of which all concern the parent company. The Noreco Group share of estimated costs relating to the drilling of these wells, including purchase and reprocessing seismic data, is about MNOK 800, of which MNOK 750 concern the parent company. Wells that the Noreco Group may be required to participate in the drilling of, depends on future results on certain licences, and are not included in this figure.

When acquiring a licence a “Carry” agreement is often applied. In a “Carry agreement, the acquirer agrees to pay seller’s share of exploration costs and/or development expenditures limited upwards to an agreed pre-tax amount. These agreements are an alternative to cash payment. As per year 2007 the company had entered into 4 such agreements.

31 Contingent liabilities

Law suits involving the Noreco Group
Noreco is indirectly involved in two legal proceedings through its participating interest in the Siri and the South Arne licenses. Subsea-7 has filed an arbitration request against the Operator of the Siri Group regarding the payment of approximately DKK 90 million representing extra costs incurred by Subsea-7 as contractor in connection with various subsea and offshore installation works. The Siri Operator claims acquittal and has also filed a counterclaim of approximately DKK 11 million. The forum is Copenhagen arbitration, and a hearing is expected to take place in May 2008. Noreco by its subsidiary holds a 20% interest in the Siri Group and maximum exposure is thus DKK 18 million. After consideration with the operator of the Siri Group. DKK 10 million is accrued in the Noreco subsidiary accounts.

Noreco is indirectly involved in a dispute with Dansk Naturgas A/S regarding the natural gas sale and purchase agreement for the South Arne field. The licensees claim abuse of dominant position, unfair contract price, restriction of competition and discrimination by Dansk Naturgas A/S in connection with the entering into and operation of the depletion gas sales and purchase agreement. The forum is Copenhagen Arbitration, and a final hearing is expected mid 2008. A positive outcome may hold a positive value for Altinex up to DKK 100-150 million.
Altinex, as holder of an interest in the Cecilie licence, is involved in administrative proceedings with the Ministry of Transport and Energy and the Danish Energy Authority regarding the latter’s decision not to grant an exemption from the obligation to pay the 5% pipeline duty. A positive outcome may hold a value for Altinex of up to DKK 50-60 million.

In June 2006, a pipeline between the Siri and the Nini platform ruptured. Noreco, through its subsidiary Altinex, holds a 30% interest in the Siri and Nini pipelines, the subject of the incident. For further details, please refer to section 6.6.5 above.

Except for the above, the Company has not in the previous 12 months been involved in or threatened with governmental, legal or arbitration proceedings which may have, or have had significant effects on the Company’s or Group’s financial position or profitability.

32 Events after the balance sheet day

Share capital increases
In connection with the company’s bonus and option schemes for 2007 a capital increase involving the employees of Noreco ASA was exercised in February. The capital increase concerns a total of 324 484 shares at a market price of NOK 30, which was equal to the company’s market price at 31 December 2007. A total of NOK 713 000/NOK 1 006 000 has been paid in as share capital and NOK 6 191 000 at a premium/NOK 8 729 000 at a premium. The new share capital is NOK 346 390 000 split on 111 738 842 shares. The capital increase has been registered in the Register of Business Enterprises.

APA 2008 (Awards in Predefined Areas in Norway)
Noreco ASA has been awarded shares in nine new licences in the Norwegian APA 2007 licensing round announced by the Ministry of Petroleum and Energy on 8 January 2008. Six of the licences are in the North Sea, two in the Norwegian Sea and one licence in the Barents Sea.

Loan agreement for the exploration programme in 2008 and 2009
The Norwegian Energy Company ASA in February 2008 signed a loan agreement in the amount of NOK 800 million and a guarantee facility of USD 25 million. The loan agreement will finance up to 70 per cent of the Noreco Group’s exploration and appraisal programme on the Norwegian shelf the next two years. The guarantee facility is used in connection with a drilling rig contract.

33 Pro forma information

Basis for preparation of the pro forma figures
The unaudited pro forma financial information has been compiled in connection with the acquisition of Altinex, to illustrate the main effects the acquisition of Altinex (“the transaction” or “the Altinex acquisition”) would have had on the consolidated profit and loss statement for Noreco.

The unaudited pro forma condensed profit and loss statement for the year 2007 and the twelve months ended 31 December 2006 give effect to the acquisition of Altinex as if it had occurred on 1 January 2007 and 1 January 2006 respectively.

Because of its nature, the pro forma financial information addresses a hypothetical situation and therefore does not represent the Company’s actual financial results. The pro forma financial information is prepared for illustrative purposes only.

Consolidated income statement (NOK 1000)	**2007**	**2007 Pro forma**	**2006**	**2006 Pro forma**
Revenues	839 664	1 474 174	0	1 609 000
Total operating revenues	**839 664**	**1 474 174**	**0**	**1 609 000**
Production expenses	214 830	348 746	0	258 006
Exploration and appraisal expenses	145 543	166 033	25 735	69 123
Depreciation and write-offs	278 386	624 107	694	793 272
Other operating expenses	151 856	215 755	60 806	216 412
Total operating expenses	**790 614**	**1 354 641**	**87 235**	**1 336 813**
Operating income (loss)	**49 051**	**119 533**	**-87 235**	**272 187**
Net financial items	**-298 210**	**-609 881**	**-830**	**-619 655**
Ordinary result before tax	**-249 159**	**-490 347**	**-88 064**	**-347 468**
Tax	-50 469	-30 969	-68 205	-132 171
Net loss	**-198 690**	**-459 378**	**-19 859**	**-215 297**
Earnings per share	**-3.14**	**-7.27**	**-2.15**	**-23.29**
Earnings per share fully diluted	**-3.14**	**-7.27**	**-2.15**	**-23.29**

34 Change of the 4th quarter report and preliminary annual accounts

On 13 February 2008 the Noreco Group board of directors adopted the 4th quarter report for 2007 and preliminary annual accounts for 2007. During the compiling of the final annual accounts a correction has been made. The cost of raising one of the loans in a subsidiary was classified as a current assets instead of long-term liability. The amount concerned was NOK 11 85 000. In the final annual accounts this amount has been reclassified as a long-term liability and the current assets have been reduced correspondingly.

35 Explanations of the transition from NGAAP to IFRS

2007 is the first year Norwegian Energy Company/Group present the financial statements in accordance with IFRS. To have comparable accounts the 2006 numbers have been restated in accordance with IFRS.

In preparing its opening IFRS balance sheet and financial statements for the year ended 31 December 2006. Noreco and Noreco consolidated have adjusted amounts reported previously in financial statements prepared in accordance with NGAAP. An explanation of how the transition from NGAAP to IFRS has affected the Noreco Group's financial position, financial performance and cash flows is set out in this note.

Reconciliation of IFRS adjustments for Norwegian Energy Company ASA/Noreco Group

Income statement (NOK 1000)	**2006 NGAAP**	**IFRS adjust-ments**	**2006 IFRS**
Exploration costs expensed	23 540	2 195	25 735
Depreciation and write-down expenses	694		694
Other operating expenses	60 806		60 806
Total operating costs	**85 040**	**2 195**	**87 235**
Operating result	**-85 040**	**-2 195**	**-87 235**
Financial income	1 374		1 374
Financial expenses	2 204		2 204
Net financial items	**-830**		**-830**
Ordinary result before tax	**-85 869**	**-2 195**	**-88 064**
Tax	66 494	1 711	68 205
Net loss for the year	**-19 375**	**-484**	**-19 859**

Balance sheet (NOK 1000)	**01.01.06 NGAAP**	**IFRS adjust-ments 1)**	**IFRS**	**31.12.06 NGAAP**	**IFRS adjust-ments 1)**	**IFRS**
Assets						
Intangible fixed assets						
Deferred tax assets	1 212		1 212	5 147		5 147
Licences and capitalised exploration expenses	0		0	90 472	-81 590	8 882
Machinery and equipment	1 464		1 464	1 804		1 804
Total intangible fixed assets	**2 675**	**0**	**2 675**	**97 422**	**-81 590**	**15 832**
Current assets						
Tax receivables	19 442		19 442	77 464		77 464
Other short term receivables	1 911		1 911	4 842		
Bank deposits. cash equivalents	41 616		41 616	11 970		11 970
Total current assets	**62 969**	**0**	**62 969**	**94 276**	**0**	**94 276**
Total assets	**65 644**	**0**	**65 644**	**191 698**	**-81 590**	**110 108**
Equity						
Share capital	2 135		2 135	31 422		31 422
Other equity	47 805		47 805	24 786	-484	24 302
Total equity	**49 940**	**0**	**49 940**	**56 208**	**-484**	**55 724**
Liabilities						
Provisions for other liabilities and charges 1)	0		0	81 106	-81 106	0
Pension liabilities	0		0	252		252
Other short-term interest bearing liabilities	0		0	35 000		35 000
Account payables	10 421		10 421	4 664		4 664
Public duties payable	764		764	4 200		4 200
Other current liabilities	4 519		4 519	10 269		10 269
Total liabilities	**15 704**	**0**	**15 704**	**135 490**	**-81 106**	**54 384**
Total equity and liabilities	**65 644**	**0**	**65 644**	**191 698**	**-81 590**	**110 108**

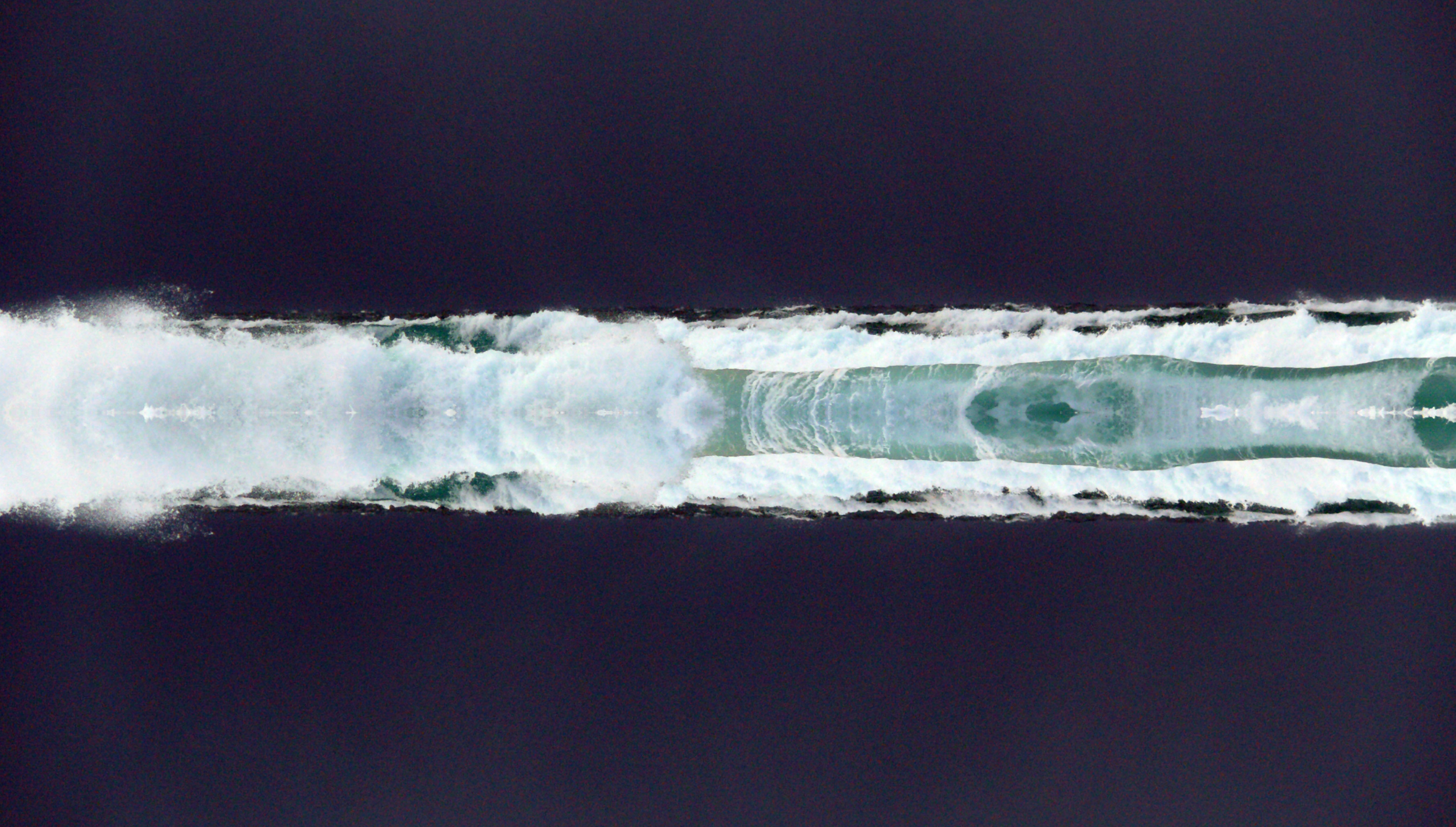
1) Under NGAAP the Company accounted for "farm in" agreements at closing of such agreements by recognising an asset and a corresponding licence obligation (net of tax. 78%). Actual carried costs in succeeding accounting periods were accounted for as reduction of the licence obligation. In accordance with IFRS 6 "farm in" agreements are recognised when the costs carried, according to the agreement, are incurred. Related deferred or payable tax is recognised and classified separately.

Explanation of material adjustments to the cash flow statement for 2006.
There are no material differences between the cash flow statement presented under IFRS and the cash flow statement presented under N-GAAP

36 Information related to oil and gas (unaudited)

2007 is the first year Norwegian Energy Company/Group present the financial statements in accordance with IFRS. To have The group has reported oil, gas and NGL reserves in accordance with the recommendations published in Stock Exchange Circular No. 2/2007. The figures are presented in a separate chapter in the annual report. See the chapter: Annual analysis of reserves.

See Note 9 for further details of the group's exploration and appraisal costs.



Auditors report

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Norwegian Energy Company ASA

AUDITOR'S REPORT FOR 2007

We have audited the annual financial statements of Norwegian Energy Company ASA as of 31 December 2007, showing a loss of NOK 165.126.000 for the parent company and a loss of NOK 198.690.000 for the group. We have also audited the information in the Directors report concerning the financial statements, the going concern assumption and the proposal for the coverage of the loss. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. International Financial Reporting Standards as adopted by the EU have been applied to prepare the financial statements. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We have conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and generally accepted auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and generally accepted auditing practice, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company and of the group as of 31 December 2007, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the Company's management has fulfilled its duty to see to proper and well arranged recording and documentation of accounting information in accordance with law and generally accepted bookkeeping practice in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the coverage of the loss, is consistent with the financial statements and complies with law and regulations.

Stavanger, 31 March 2008
Deloitte AS

Ommund Skailand
State Authorised Public Accountant (Norway)

Audit. Tax & Legal. Consulting. Financial Advisory.

Member of
Deloitte Touche Tohmatsu

Org.nr.: 980 211 282

And this is the

Glossary

APA	Awards in Predefined Areas, system for awarding production licenses in mature areas of the Norwegian Continental Shelf
Appraisal well	A well drilled to determine the physical extent, reserves and
bbl	Barrel, volume unit corresponding to 159 liters
boe	Barrel of Oil Equivalents, used as a standard unit measure for oil and natural gas
boed	Barrels of oil per day
Code	Norwegian Code of Practice for Corporate Governance
DCS	Danish Continental Shelf
Exploration well	A well in an unproven area or prospect, may also be known as a wildcat well
HSE	Health, Safety and Environment
IFRS	International Financial Reporting Standards
License	Permit granted to an oil company from the government of a country to explore for and produce oil and gas.
mmboe	Million barrels of oil equivalent
NCS	Norwegian Continental Shelf
NOK	Norwegian kroner
Noreco	Norwegian Energy Company ASA
Operator	The oil company responsible for carrying out the daily operations of a production license on behalf of the other licensees
Oslo Børs	Oslo Stock Exchange
PDO	Plan for Development and Operation, Norwegian term for the formal plan for developing and operating a field
PL	Production License
R&D	Research & Development
Spudding	Initiation of drilling operations
UKCS	UK Continental Shelf
Unrisked	Potential volumes before applying a risk factor
Upstream	Segment of the oil industry that cover the exploration, development, production and transport of oil and gas prior to refining
USD	US Dollar
Working interest	The percentage interest ownership a company has in a license

This is
Noreco

And what you have seen here
is what we do.

FASETT

Photo: Geir Egil Bergjord. Photo of Board of Directors and Management team: Emile Ashley. Print: Spesialtrykk. Paper: Artic Volume White 250/130 g