The oil- and gas fields have been in the North Sea for 150 mill years


Noreco has been there
for four years

This year

Contents

Our corporate history

Milestone by milestone

- 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 in August 2007
- Initiated trading on Oslo Børs 9 November 2007
- Acquired Talisman Oil Denmark Limited in April 2008
- New record oil and gas production of for the Company set in December 2008 at 16 100 barrels

2008 great
and small

12.950 59

12.950 OIL AND GAS PRODUCTION BARRELS OF OIL EQUIVALENTS PER DAY
LAST YEARS: 2007: **10.400** 2006: **0**

59 LICENSES
LAST YEARS: 2007: **52** 2006: **10**

20 74 1.540

20 OIL & GAS DISCOVERIES IN PORTFOLIO
LAST YEARS: 2007: **15** 2006: **3**

74 EMPLOYEES
LAST YEARS: 2007: **70** 2006: **18**

1.540 OPERATING RESULT (EBITDA) MILL NOK
LAST YEARS: 2007: **327** 2006: **-87**

12.288

12.288 TOTAL ASSETS MILLION NOK
LAST YEARS: 2007: **10.427** 2006: **110**

The Key Figures
to understand Noreco

(NOK 1000)	2008	2007	2006
Profit & Loss			
Operating income	2 423 531	835 968	0
EBITDA	1 540 359	324 735	-86 541
EBIT	823 560	55 615	-87 235
Profit before tax	267 967	-208 209	-88 064
Net result	**120 213**	**-191 112**	**-19 859**
Balance Sheet			
Non-current assets	9 908 989	8 842 302	15 832
Current assets	2 378 793	1 584 552	94 276
Total assets	**12 287 781**	**10 426 853**	**110 108**
Equity	2 996 486	1 784 257	55 724
Liabilities	9 291 295	8 642 596	54 384
Total equity and liabilities	**12 287 781**	**10 426 853**	**110 108**

Important cornerstones
of 2008

Increased production and cash flow
- Infill drilling and shut downs executed to plan
- Protected future cash flow through oil put options
- 145% reserve replacement in 2008

Active and opportunistic in asset and M&A market
- Acquisition of Talisman Oil Denmark
- Several asset transactions

Proactive management of capital structure
- Bond repayments and restructuring
- New reserve based lending facility
- Conversion convertible bond

Successful exploration
- 9 of 11 wells to date have been successful
- Exploration on Brage has increased production
- Active high grading of portfolio

Manage business to meet targets
- Actual 2008 production 40% above guidance
- Actual 2008 capex 23% below guidance
- Actual 2008 exploration investment 24% below guidance

Let’s build something great

Our vision

Norecos goal is to create value for society, owners and employees. My goal is therefore to build a greater oil company that in an effective and competitive way can manage Norwegian and international energy resources.

Dear shareholders.

On behalf of Norwegian Energy Company ASA, it gives me great pleasure to present Noreco’s 2008 annual report. I hope that the following pages will give you a clear and sound insight over what Noreco does and what we have achieved as a company.

Noreco has delivered record results during 2008. With all time high revenues and a positive year end result we are pleased with the year that passed and with this year behind us it is important to focus on what lies ahead. I am convinced that the past few years are only the beginning on an exciting journey for Noreco, and that the years ahead will yield positive prospects both for the Company and its owners. I am convinced that Noreco possesses the expertise that is needed for further growth in accordance with our ambitions and goals, and that our organisation will succeed in this task.

As this statement is being written, the world is experiencing some rough times in different global markets and these are impacting Noreco and its employees. This put aside, the fundamental underlying demand for oil and gas will remain and the demand will only increase into the future, which supports Noreco’s underlying business model. We will continue to develop and explore new ways to extract resources from the ground and I am convinced that with Noreco’s strategy we will continue to deliver great results.

We are at present the largest independent E&P Company noted on Oslo Børs measured in barrels of produced oil and resources. Towards the end of 2008 we had an average production of 14,000 barrels of oil equivalents per day. During the year we have produced over 4,7 million barrels of oil equivalents which gives us an increase in production of 25 percent compared with 2007. Parts of this increase come from the acquisition of Talisman Oil Denmark together with further developments on existing fields. The value of an oil company is primarily dependent on the size of the oil and gas reserves that the Company owns. As a result, Norecos greatest challenge is to find more oil and gas reserves and to further develop these into producing fields. During 2008 Noreco delivered a reserve replacement ratio of 145 percent, and had 32,6 million barrels reserves at the end of the year. In addition we have 100 million barrels in contingent resources and over 450 million barrels in risked exploration resources.

We thank you for your support and the trust you have shown by investing in Noreco. I know that I speak for all Noreco’s employees when I say that we are facing exciting, but challenging times. Through further organic growth, acquisitions and consolidation within the industry Noreco will continue to develop as a leading oil and gas company. Thank you for your commitment to our vision.

Best regards

Scott Kerr
CEO, Noreco

Management team

Rocks

Scott Kerr (51)
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 (36)
Vice President Investor Relations

Joined Noreco in Jan 2006. Has more than ten years experience from the Norwegian and international oil and gas business. 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 (49)
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 (53)
Vice President
Commercial

Vice President Commercial, 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.

Rune Martinsen (44)
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 20 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.

Birte N Borrevik (50)
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.

Lars Fosvold (47)
Acting Vice President Exploration

Joined Noreco in December 2005. Has more than 22 years experience from the oil and gas industry in Norway and internationally. Has held various specialist and leading geoscience positions in the total value chain from exploration to development and production with several major oil companies. Holds a BSc (Hons) in Applied Geology from the University of Strathclyde in Scotland.

Stig Frøysland (52)
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.

Synnøve Røysland (42)
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.

Our Vision and 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
- Optimise 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 infrastructure 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.

Our Values

Companies are more than simply a collection of people and assets, they are entities that have a set of beliefs about how they will act and what is important for them. These are the values that come to represent the Company and what it stands for.

During first half of 2008 we went through an important process to establish and agree upon the values for Noreco. This process was important in many aspects, and encouraged everyone through a process to raise consciousness with regards to our values.

Each and one of us are responsible for living the values, but doing this also gives us the benefits of a positive atmosphere, where everyone feels respected and valuable.

Courage
We have the courage to pursue our vision
and live our values

Respect
Our culture builds on trust
and fosters open and honest communication,
where the individual's opinion is recognised and valued

Professional
We achieve outstanding results
by proactively using our skills and experience
to deliver our promises

Innovate
Our culture encourages creativity
and innovation through cooperation,
where each individual's contribution
makes a difference

Challenge
We embrace challenge to continuously
improve our results and performance,
enabling a culture where teams and individuals excel

2008 in review
Operations review

PRODUCING FIELDS

Noreco has a portfolio of seven producing fields, which produced 14 900 boed net to the Company in Q4 2008.

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.

In 2008, two long reach wells were drilled to the Bowmore and Knockandoo Prospect on the Brage north flank. The Bowmore well has been produced consistently at more than 15,000 boed through 2008 and now into 2009 with no signs of excessive pressure depletion or increase in watercut. The Knockando well was also produced at very high rates at the end of 2008, but is currently chocked back for further interpretation of it's production performance.

The 2009 drilling plan includes drilling of a Bowmore water injector (ongoing) as well further infill drilling to the Fensfjord Fm and Statfjord Fm.

The Brage Field produced 44,000 boed gross in average in February 2009.

Siri Field, Noreco 50%
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.

In 2008 two new producers was drilled at the Siri Field. The wells was completed and put on production in 3Q 2008 and has contributed significantly to Siri 2008 production.

The Siri Field produced 9,800 boed gross in average in February 2009.

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.

One production was drilled in 2007 and to new production wells in 2008 that has contributed to increase the Nini production.

In 2009, one water injector and one producer will be drilled in and completed in 2Q 2009.

The Nini Field produced at a slightly reduced rate of 4 400 boed gross in average in February 2009. In March 2009, the average rate from Nini was 5,200 bpoed 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, one in the Tor Fm and one in the Ekofisk Fm are being planned for early 2010.

The South Arne Field produced 25,900 boed gross in average in February 2009.

Further development of the South Arne Field is planned through the South Arne Northern Extension (SANE). The reserves for this development has been proved, although sanction of the development project is not expected until following the next drilling campaign in 2010. 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 Cecilie Field produced 1,050 boed gross in average in February 2009.

Lulita, Noreco 28.2%
The Lulita oil field with a gas cap 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.

One additional infill well is being planned for Lulita for 2010.

The Lulita Field produced 1,300 boed gross in average in February 2009.

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.

There are currently no further development plans for Enoch.

The Enoch Field produced 8,200 boed gross in average in February 2009.

DEVELOPMENTS / DISCOVERIES

Noreco's portfolio contains 18 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 the field is as of February 2009 operated by EON Ruhrgas UK.

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. The two discoveries were tested and flow rates of up to 4,600 barrels per day from a 101 ft interval in the Fulmar Formation and 5,500 barrels per day from a 50 ft interval in the Forties Formation were obtained.

An extensive appraisal program was completed in 2008 of the Forties Fm with drilling of a Forties appraisal well with 8 appraisal sidetracks as well as a Fulmar appraisal well that also penetrated the Forties reservoir. This was followed by a full development assessment and planning of the Forties development options. The development activities were paused in Q4 2008, following drilling of two additional Forties Fm discoveries in the 22/14a block to the east and southeast of the Huntington Field. One of the 22/14a wells proved the Huntington Forties accumulation to extend across the block boundary, requiring a unitisation of the field in parallel with the development activities.

The current plans are to select development concept in Q2 2009, followed by filing development plan and project sanction in the second half of 2009. The timing of first oil for the Forties development will depend on the selected development concept and timing available production facilities. Production startup is assumed to be in the window of late 2010 to Q3 2011.

Further appraisal of the Fulmar reservoir is being planned by the Huntington license. New seismic data is currently being processed, and a new Fulmar appraisal well is being planned.

Further appraisal of the Triassic reservoir will also be required, and is expected to follow Fulmar appraisal.

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.

The development is now well underway, with expected platform installation in the summer of 2009, and drilling of the production wells in 3Q 2009. First oil is expected in Q4 2009 from three initial wells.

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 have previously been drilled on the structure, one well being dry and one well encountering oil downdip of the gas discovery well.

An appraisal well was successfully completed in Q1 2008, confirming the predrill resource estimates of the Oselvar discovery as well as the reservoir quality of the Oselvar reservoir.

Through 2008, the subsurface models and development plans for Oselvar have been matured and the license submitted a plan for development for the field has as per March 2009. First oil from the development is expected in 2011 based on the current plans.

During 2008, the Ipswich discovery well was drilled in the Oselvar license (PL274). The discovery is not currently included in the Oselvar development plan, but Noreco believes it is commercal.

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, confirming the Nemo discovery with resource base of 20-30 mmboe, and at the same time it strengthened the case for an upside potential.

The subsurface models have been updated through 2008, and screening of development options has been conducted. The license is currently planning to review development options and metrics in 2Q 2009 to decide on further development plans, development options and export routes as well as timing at a Field Development Plan for the Nemo Field.

South East Tor, Noreco 15%
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 with downflank upside potential on the structure.

The South East Tor license also included the Hyme Prospect. The prospect was located downflank to the west of the South East Tor structure. The prospect was drilled by a South East Tor appraisal well in March 2009, and the well was completed as a dry well, but with Hydro carbons shows both in the Upper Cretaceous and the Paleocene.

Rau, Noreco 40%
The Rau discovery is located in the Danish part of the North Sea. During Q2 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. 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.

During 2008 the subsurface evaluation of the Rau Field has been updated and development concept screening has been completed. The project is currently ready for concept selection, and commercial terms for tie back to the Siri Field is being negotiated.

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.

Exploration drilling is ongoing on the Gita/Maja prospects close to Amalie, and a discovery in the Gita/Maja prospect could significantly accelerate the forward plans also for the Amalie discovery.

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 favourable terms.

Flyndre, Noreco 13.34%
At the Flyndre development in the Southern North Sea that straddles the Norway/UK border all involved licensees on both Norwegian and UK side are working towards an agreement of commerciality for the combined discovery. In parallel, the discoveries will be unitized and a PDO for the field will be issued before mid 2009. The PDO will include discovered volumes in the Paleocene section on Norwegian license PL018C, where Noreco owns 13.3%, and relevant discoveries on the UK side. The first producer on the Flyndre Field is already drilled on the UK side and installation of production equipment is planned for first oil in 2011.

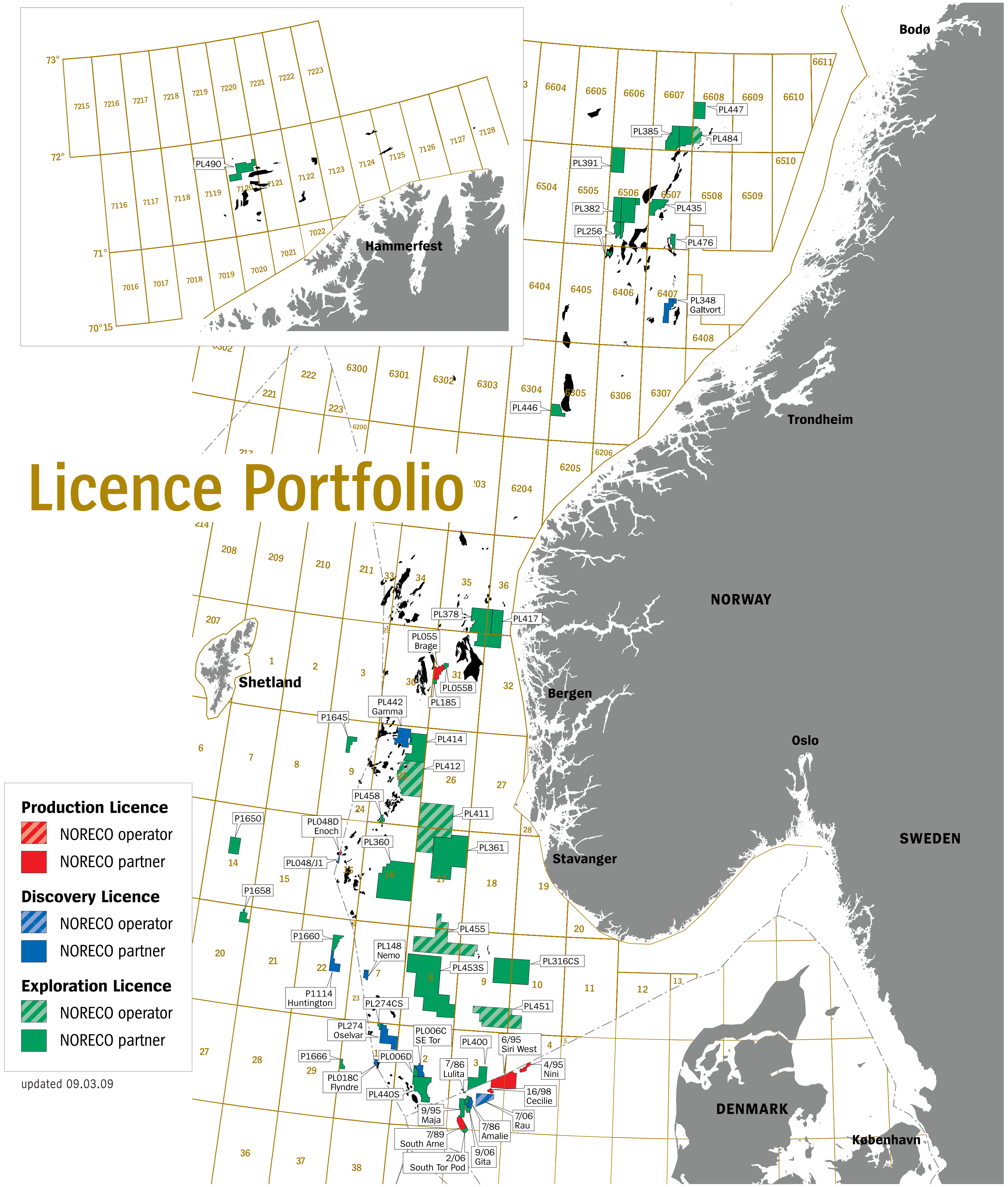
J1, Noreco 21.8%
The J1 discovery is a gas/condensate discovery located 15 km from the Sleipner West Field in in the central part of the Norwegian North Sea. The J1 discovery is being evaluated for further appraisal and development.

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. Site-survey was conducted in 2008 as part of the preparation for drilling of the delimitation well in 2009.

South Tor Pod, Noreco 6.56%
South Tor Pod is discovery is located 5 km southeast of the producing South Arne Field. The exploration prospect was identified through 3D seismic data and comprehensive knowledge of the South Arne Field in Denmark in license 7/89 awarded in 1989.

Production: Lulita (1/90) **56,4%** Cecilie (16/98) **61,0%** Nini (4/95) **30,0%** Siri (6/95) **20,0%** Maja (6/95) **30,0%** South Arne (7/89) **6,6%** PL048D **4,4%** Brage (PL055) **13,2%** **Discovery:** Rau (7/06) **40,0%** Amalie (7/86) **29,9%** Huntington (P1114) **20,0%** South East Tor (PL006C) **15,0%** Flyndre (PL018C) **13,3%** J1 (PL048C) **21,8%** Nemo (PL148) **20,0%** Oselvar (PL274/CS) **15,0%** Galtvort (PL348) **17,5%** Gamma (PL442) **20,0%** **Exploration:** South Tor Pod (2/06) **6,6%** Gita (9/06) **12,0%** 9/95 **12,0%** Michael (P1645) **40,0%** Crazy Horse (P1650) **50,0%** Scotney (P1658) **50,0%** Hermosa (P1660) **30,0%** Romea (P1666) **25,0%** PL006D **15,0%** PL053B **12,3%** PL055B **13,2%** PL185 **13,2%** PL256 **10,0%** PL274CS **15,0%** PL316CS **35,0%** PL360 **15,0%** PL361 **30,0%** PL378 **20,0%** PL382 **20,0%** PL385 **20,0%** PL391 **20,0%** PL400 **30,0%** PL411 **70,0%** PL412 **40,0%** PL414 **20,0%** PL417 **20,0%** PL435 **20,0%** PL440S **12,0%** PL446 **40,0%** PL447 **20,0%** PL451 **40,0%** PL453S **25,0%** PL455 **50,0%** PL458 **30,0%** PL476 **30,0%** PL484 **40,0%** PL490 **20,0%**

Licence Portfolio



The prospect identified is in Upper Cretaceous Chalk within a structural closure. The operator Hess Denmark APS drilled a well on the prospect in summer 2008 and found oil. The licensees will now evaluate the size and productivity of the discovery. A development of the South Tor Pod area will constitute an integrated part of the ongoing continued development planning of the South Arne main field as well as the Northern Extension (SANE) of the field which was appraised in 2006 by Rigs-3 including a number of side-tracks.

EXPLORATION

Noreco has an extensive portfolio of 59 exploration licenses, 44 in Norway, 9 in Denmark and 6 in the UK. Five of the UK licenses were in 2008 awarded in the UK 25th offshore round. Below is a description of the exploration licenses with wells planned in the near future. 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*.

The 25th Seaward Licensing Round
The awards in November 2008 strengthen Noreco's position in the UK and provide future drilling targets. There are no drilling commitments on the licenses offered to Noreco. The clarification regarding the partnerships in the awarded licenses is under way. The prospectivity in the awarded licenses is classical Paleocene to Jurassic Central North Sea petroleum systems.

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. There was prospectivity in Upper and Middle Jurassic. Noreco's main objective was the Middle Jurassic target. Spud was executed during 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.

Noreco announced in April 2009 the Gita gas discovering.

PL271 and PL302, Noreco 15%
Noreco acquired an interest in blocks 7/1 and 6/10 from DONG Norge AS in 2006 and farmed down to 15% interest share in 2008. The license holds several prospects at Triassic and Upper Jurassic levels, the latter being seen as the most prospective target. The prospectivity is linked o shallow marine Upper Jurassic sandstones, deposited in Triassic 'intra-pods'. The play model is well known and prolific on the UK Continental Shelf, but underexplored on the Norwegian side of the border. The Yoda Prospect was drilled in 2008 by the jack up rig Mærsk Giant. Following the dry well at Yoda, is it expected that the licenses will be relinquished.

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. The Galtvort Prospect was drilled in 2008 and encountered gas in both the mail bore and in the planned side-track. In 2009 the license will drill the Gygrid Prospect.

PL378, Noreco 20%
The license was awarded in APA 2005. The prospectivity in the license is in Upper Jurassic Sognefjord Fm and Fensfjord Fm reservoir. The seal is of Upper Cretaceous Shale. Draupne Fm shale is the source rock for the area. The trapping mechanism is 4-way closure trap. Site-survey was conducted in 2008 as part of the preparation for drilling of the Grosbeak Prospect.

PL391, Noreco 20%
The license was awarded in 19th licensing round. The license is located in the middle of the Rås Basin along Ytreholmen Fault Zone containing prospectivity connected to Lysing Fm sandstones in a basin floor setting. The license acquired new 3D seismic in 2008. This is processed and will be interpreted in 2009.

PL411, Noreco 100% Operator
The license was awarded in APA 2006 and is sitting in the Stord Basin. The acerage is frontier exploration with significant Middle Jurassic potential. 3D seismic will be acquired by the license in 2009.

PL412, Noreco 40% Operator
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 2009. A site-survey was conducted in 2008 as part of the planning towards drilling of the Eiganes Prospect.

PL417, Noreco 20%
The licenses was awarded in APA 2006 and is located in blocks 31/3 (part), 32/1 (part), 36/10 (part). The prospectivity for the license is of Upper Jurassic to Middle Jurassic potential. 2D seismic was acquired in 2008.

PL446, Noreco 40%
The license was awarded in APA 2006. it is located in part of block 6305/7 in the southern Norwegian Sea south-west of the Ormen Lange gas field.

The reservoir consists of Upper Cretaceous to Lower Tertiary sandstones within a possible stratigraphic trap. Acquisition and processing of new EM data was conducted in 2008.

PL451, Noreco 40% Operator
The license was awarded in APA 2007 and the prospectivity in the license is related to deep-marine Paleocene sandstones analogue to the Siri-area where Noreco through the years have worked up considerable knowledge.

PL453S, Noreco 20%
The license was awarded in APA 2007. 3D seismic was acquired over the license in 2008 to investigate the deep marine sandstones of Paleocene age analogue to the producing fields in the Siri-area in Denmark where Noreco has considerable interets and competency. In addition, there is potential in older stratigraphical levels in the license area.

PL455, Noreco 70% Operator
The license was awarded in APA 2007 and the play model is classical Jurassic sandstones, similar to those being redeveloped in the nearby Yme Field. 3D seismic was acquired over the license in 2008.

PL484, Noreco 40% Operator
The license was awarded in APA 2007. 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.

PL490, Noreco 20%
The license was awarded in APA 2007. This is Noreco's first license in the Barents Sea. The prospectivity relates to Jurassic/Cretaceous sandstones eroded off the Loppa High. 3D seismic was acquired in 2008 and this will continue in 2009.

What we shall build on

Annual Reserves Statement 2008

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 recognised 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 fulfil 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. Note that 2P reserves include 1P reserves.

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. Note that 3P reserves include 2P reserves.

All hydrocarbon volumes classified as reserves in 1P, 2P and 3P must fulfil 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 2008 annual report.

All the reserves numbers in the annual reserves statement are net of equity to Noreco.

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

The 2008 2P reserves evaluation of the Cecilie reserves has not resulted in any significant reserves revision. The year end 2008 reserves are therefore in line with the year end 2007 estimate adjusted for 2008 production.

Lulita Field, DCS, operated by Dong, Noreco 28.2%
The 2P reserves for the Lulita Field are based on decline analysis and assessment of the restrictions of producing Lulita across the Harald platform. One additional production well is assumed for Lulita from 2010.

The production performance on Lulita is in line with expectations. The reserves addition of 1 mmboe reflects the expected production from the additional infill well and provides a significant increase in the Lulita remaining reserves.

Nini Field, DCS, operated by Dong, Noreco 30%
The reserves assessment of the Nini Field is based on decline analysis of existing wells and drilling of one water injector and one additional producer to the Ty Fm. The injection well is currently being drilled, and will be followed by drilling of the producer in 2Q 2009.

The revised reserves estimate for the existing Nini wells, and the estimated reserves contribution of the ongoing Nini drilling campaign adds 1 mmboe to the Nini reserves, equivalent to a reserves replacement ratio of more than 150% in 2008.

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 50%
The reserves for the Siri and Stine Fields are based on decline analysis of the existing production wells, including the two new wells drilled in 2008. No additional drilling is assumed on Siri.

The reserves are reflecting the acquisition of Talisman Denmark in 2Q of 2008, increasing the Noreco equity in Siri from 20% to 50%.

As a result of the increased equity from 20% to 50%, and upwards revision of the Siri reserves based on the results of the 2008 infill drilling campaign, the Siri net reserves to Noreco have been increased by more than 3.2 mmboe. The resulting reserves replacement on Siri is 170% compared to the 2008 production.

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 in early 2010.

The South Arne reserves represents a reduction of 1.7 mmboe compared to the 2008 reserves statement. The reduction does not represent degradation in field performance, but rather the delay in the South Arne Northern Extension (SANE) development project. At its current status the SANE project fails at this time to meet the maturity criteria in the SPE reserves guidelines as practiced by Noreco. The plans for SANE is still being matured in the license, and the SANE

Field	Equity	Ultimate Recovery		Cumulative Production		Proved Reserves (1P)		Proved + Probable (2P)	
		Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas
	(%)	(mmstb)	(BCF)	(mmstb)	(BCF)	(mmstb)	(BCF)	(mmstb)	(BCF)
Cecilie	61.00%	4.56	0.00	3.56	0.00	0.873	0.00	1.00	0.00
Nini/Nini East	30.00%	15.43	0.00	6.70	0.00	5.043	0.00	8.73	0.00
Siri	50.00%	40.67	0.00	34.55	0.00	5.514	0.00	6.13	0.00
South Arne	6.56%	12.16	21.53	7.81	9.75	3.41	3.11	4.35	11.78
Lulita	28.20%	2.55	9.88	1.56	5.58	0.58	2.44	0.99	4.30
Brage	12.26%[1]	48.88	17.36	41.76	12.16	4.90	3.03	7.12	5.21
Enoch	4.36%	0.69	0.24	0.19	0.09	0.38	0.08	0.50	0.14
Totals		**124.94**	**49.01**	**96.13**	**27.58**	**20.70**	**8.66**	**28.81**	**21.43**

1 consists of Brage Unit and Sognefjord Reserves calculated at 12,26 and 13.2% equity respectively

reserves will be rebooked to 2P reserves when a development plan for SANE is submitted. On the southern flank of the South Arne Field, a successful exploration well (South Tor Pod) was drilled in 2008. The resources discovered are included as contingent resources.

Brage, NCS, operated by StatoilHydro,
Noreco 12.26% in Brage Unit, 13.2% in Sognefjord
The reserves assessment for the Brage Field is based on detailed decline analysis of the Brage and Sognefjord wells. For the newly drilled Bowmore and Knockandoo producers, detailed reservoir models have been used to estimate reserves. The reserves are based on continued drilling on Brage into 2010, with drilling of a Bowmore injector, and 3 additional infill producers to Fensfjord and Statfjord Formation (Fm).

The Brage Unit and Sognefjord harmonisation agreement was not completed in 2008, and 2008 reserves statement now reflects the equity in Brage Unit (12.2575%) and Sognefjord (13.2%) as opposed to last years statement where a combined estimate equity was reported for the Noreco Brage interests.

The Brage reserves have been increased by 1.7 mmboe in 2008. The reserves addition reflects upwards revision of the Bowmore reserves resulting from well strong production performance in 2008, as well as addition of Knockandoo reserves resulting from the Knockandoo appraisal/production well drill in 4Q 2008. The Knockandoo well was completed as a producer in November 2008. The revised Brage reserves also include a downwards adjustment of the reserves associated with the gas blow down at the end of field life.

The resulting reserves replacement on Brage in 2008 is more than 100% in spite of very strong 2008 production.

Enoch, NCS, operated by Talisman, Noreco 4.36%
The Enoch Field reserves are based on the expected production performance for the Enoch development with the existing development.

The Enoch reserves oil reserves are revised upwards by almost 30% as a result of the very favourable production performance observed in the field in 2008, resulting in 150% replacement of the oil reserves from the year end 2007 estimates. The gas reserves has been adjusted downwards, reflecting a less adverse GOR development in the field and improved preservation of reservoir pressure and energy than previously anticipated.

Field	Equity	Contingent Resources
		NET mmBOE
Huntington Deep	20.00%	21.8
Huntington Forties	20.00%	18.9
Amalie	29.92%	10.5
Oselvar	15.00%	7.8
S.E. Tor	15.00%	6.4
Flyndre*	13.34%	4.9
Frigg East Gamma	20.00%	4.8
Rau	40.00%	4.7
Galtvort	17.50%	4.3
Nemo	20.00%	4.2
25/6-1 Disc	40.00%	4.2
Ipswich	15.00%	2.3
South Tor Pod	6.56%	1.8
6406/1-2 Sklinna	10.00%	1.8
J1	21.80%	0.6
Connie	61.00%	0.5
Tau	17.50%	0.3
Sofie	20.00%	0.2
Total		**100.0**

* Palaeocene and Chalk combined

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).
In the SPE Petroleum Resource Management System 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 (1P, 2P, 3P).

For the Noreco contingent resource the full range of resources are not reported (1C to 3C) for each discovery, as the discoveries are in a varying degree of technical maturity and definition. The resource estimates reported below are considered to be representative of a 2C resource estimate, unless stated otherwise the resource commentary for the specific fields.

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 are reassessed at various stages through the maturation of the discoveries. There is not a full reassessment of all discoveries for the annual reserves statement, but new estimates are provided for the discoveries where new studies and assessment has been completed during 2008, and comments are provided to selected discoveries based on activities in 2008.

Huntington
An extensive appraisal program was completed in 2008 of the Forties Fm, followed by a full development assessment and planning. The development activities was paused in 4Q 2008, following drilling of two additional Forties Fm discoveries in the 22/14a block to the east and southeast of the Huntington Field. One of the 22/14a wells proved the Huntington Forties accumulation to extend across the block boundary, requiring a unitisation of the field in parallel with the development activities.

Noreco has through 2008 performed extensive subsurface studies of the Huntington Forties discovery, including seismic interpretation, full geological and reservoir modelling, as well as drilling and development studies to quantify recoverable resources and developability.

The evaluations are currently at a fairly mature stage and resource evaluation can be performed with a reasonable degree of accuracy. It should still be noted that key reservoir engineering data related to saturation modelling (Special Core Analysis) is still outstanding with expected reporting late 2Q 2009.

The on block recoverable resource is by Noreco estimated to 18.9 for the Huntington Forties development. The estimate is considered to be between 2C and 3C in the resource classification. 11.7 mmboe is expected to be bookable at sanction, while the remaining upside will require additional performance data prior to booking.

The Huntington Forties Fm development is based on a 3 to 5 wells development. Issuing of a Field development plan and sanction of the Huntington Forties development is expected in 3Q/4Q 2009, at which time the resources for the Forties development will be moved to reserves as per the Noreco reserves policy.

Further appraisal of the Fulmar reservoir is being planned by the Huntington license. New seismic data is currently being processes, and the recommendation for the next Fulmar appraisal well is expected in late 2Q 2009.

Further appraisal of the Triassic reservoir will also be required, but and is expected to follow Fulmar appraisal.

Noreco is evaluating the Fulmar and Triassic resources to be less mature than the Forties resources, and the combined resource potential for the Fulmar and Triassic reservoirs are estimated to be 21.8 mmboe. The reported resource potential for the Fulmar/Triassic reservoirs are currently considered to be a 3C estimate, but could be moved to 2C following successful appraisal activities.

Oselvar and Ipswich
A successful appraisal well was completed in February 2008, and based on this the license partners has conducted development studies through 2008, and decided in March 2009 to submit a field development plan for the Oselvar development as a tieback to the Ula Field.

The Oselvar resources are estimate to 7.8 mmboe, and will be booked to reserves at the end of 1Q 2009 resulting from the sanctioning of the development and submittal of a PDO to the Norwegian Authorities. The resource estimate is considered to be a 2C estimate. The PL274 license containing the Oselvar development, also includes the Ipswich discovery which Noreco believes to be commercial.

Nemo
A successful appraisal well was completed in March 2008 and the license completed key subsurface studies in the fall of 2008. The license is currently reviewing development options and economics to decide if a plan for development should be submitted in the last half of 2009.

The Nemo resources are estimated to 4.2 mmboe based on the development assessment incorporating the results of the last appraisal well, in addition there is a significant upside potential downdip of the Nemo discovery well. The resource estimate is considered to be a 2C estimate.

Rau
Through 2008 Noreco has performed extensive subsurface and development studies to screen and quantify development options for the discovery. The most likely development option is as a unmanned wellhead platform tied back to the Nini

platform, with processing and oil export through the Siri facilities. Project sanction is pending final economic analysis and completion of commercial negotiations with the Siri owners.

The Rau resource estimate is 4.7 mmboe based on the 2008 development assessment. The resource estimate is considered to be a 2C estimate.

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 ongoing on the neighbouring block to Amalie (Gita/Maja Prospects) and could accelerate Amalie forward towards a development. Based on this, Amalie is currently classified as a contingent resource and the resource estimate is considered to be a 2C estimate.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The reported reserves estimates for the Danish producing fields have been prepared by experienced professionals in Noreco. The evaluations are based on standard industry practices and methodology such as decline analysis, reservoir modelling and geological and geophysical analysis. The evaluations and assessments have been performed by engineers with 10-20 years of industry experience, and the results and methodology have been discussed with Noreco management.

A third party independent assessment has been performed by Degolyer and MacNaughton based on input data from Noreco, as well as information from the field operators on field performance and forward plans. The results of the independent assessments confirm the Noreco net reserves in Noreco's portfolio.

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.

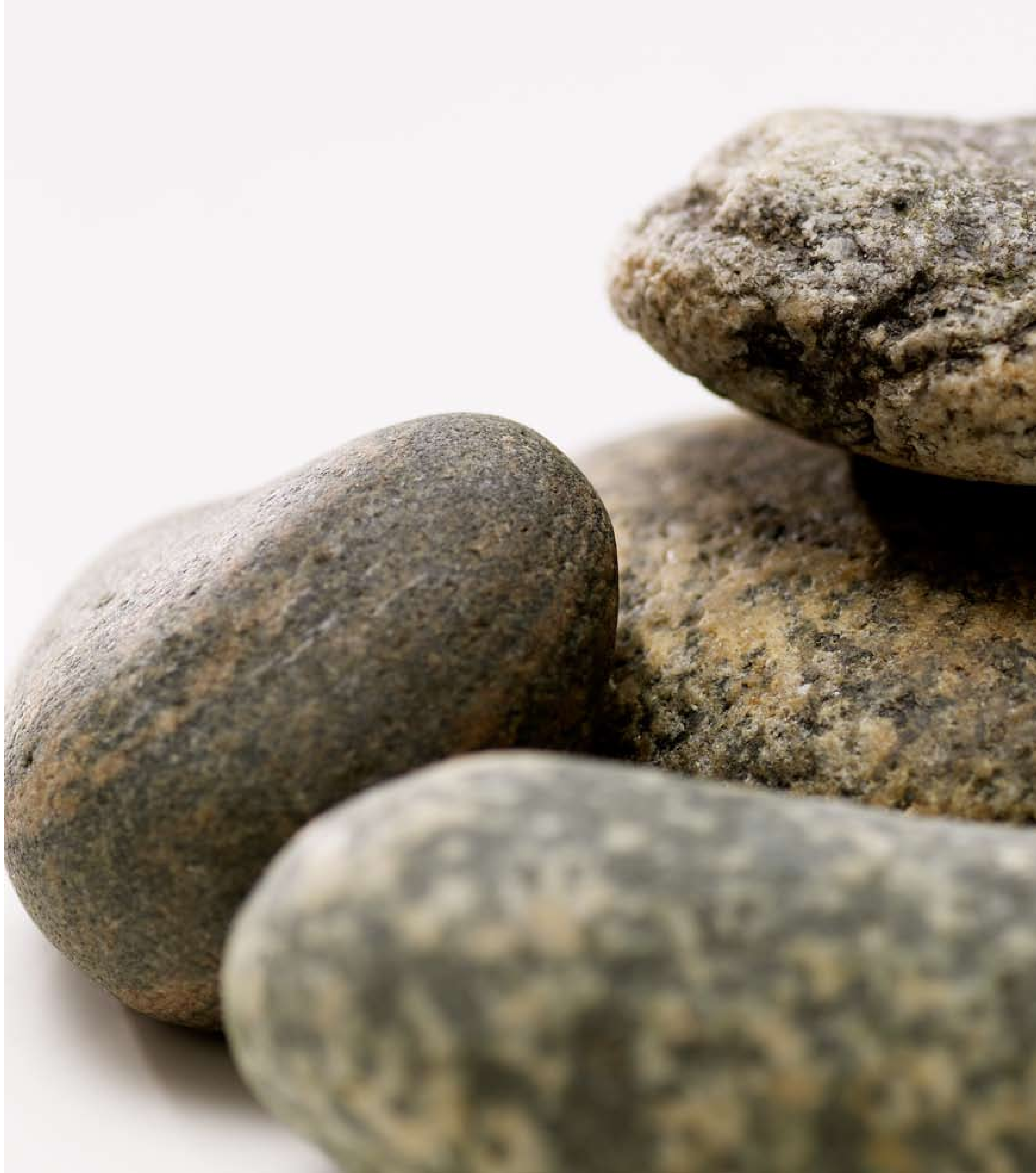
The Noreco total 1P reserves are 22.2 mmboe, compared to 18.8 mmboe at year end 2007, representing an increase in 1P reserves of 8.6 mmboe adjusted for 2008 production. The main additions are from the acquisition of an additional 30% of the Siri Field through the acquisition of Talisman, as well increased reserves from the South Arne and Brage Fields. The increase in 1P reserves represents an 168% reserves replacement on 1P reserves.

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 32.6 mmboe compared to 31.0 mmboe in the year end 2007 reserves statement. Adjusted for 2008 production this represents an increase in 2P reserves of more than 6.8 mmboe in 2008, and a 2P reserves replacement ratio of more than 130%.

The increases in 2P reserves are dominated by the contribution from Siri Field acquisition and reserves revision and the Brage Field reserves additions resulting from the Bowmore and Knockandoo wells. The Siri and Brage Field accounts for 6.8 mmboe in reserves additions. Reserves increases in other fields are offset by a downwards revision in South Arne 2P reserves resulting from delays in the South Arne Northern Extension development.

Contingent resources in 15 discoveries are included in this annual reserves statement. Several of the discoveries are in the process of being proposed for development, and are expected to be promoted from contingent resources to reserves in the near term and by the end of 2009. Specifically, the Oselvar and Huntington Forties reserves will be moved from Contingent Resource to Reserves in the 1H and 2H of 2009 respectively. The reserves additions from the Oselvar and Huntington should enable continued growth in the Noreco reserves position also in 2009.

Scott Kerr
Chief Executive Officer
Noreco



Health, Safety and Environment

Noreco will conduct all our activities with great respect for the people we touch and the environment we are in, and will at all time have a strong focus on health, safety and environment, recognising that our people represent the cornerstone of delivering Noreco's vision and strategy.
We will strive towards our ZERO vision; zero accidents, zero incidents and zero long term impact to the environment. Our commitment is to protect our people from harm and create a work environment that facilitates excellent business results by creating and maintaining an HSE culture in the Company where all employees feel responsible for their own well being and the well being of others. Our employees are challenged to intervene to stop unsafe actions and are active in driving an HSE culture in the Company.

Management System
The Management System in Noreco is essential and sets the foundation for all our activities. It is developed to ensure that we at all times are in compliance with authority require-ments. To prepare for future growth and advanced operational activities, Noreco has through 2008 updated and further developed the Management System from a procedure based system to a process oriented Management System.

The whole organisation has contributed to finalising the system and made the system reflect the way we want to operate. Through the process we have built a strong common under-standing on how we run our business and what makes Noreco unique in the way we think and work, keeping a strong link between our strategy and operating processes.

Emergency preparedness
Noreco has established its own Emergency Preparedness Organisation including building up an Emergency Response Room All involved employees have been trained to be updated and drilled in the newest technology and strategies within Emergency Preparedness. In a potential emergency situation Noreco shall be prepared to act in a pro-active way and Noreco is now preparing for our first operated drilling activity through monthly drills and training on defined situations of hazard.

With the in house organisation Noreco can control and influence the situation directly, and we will create ownership and build competence in Noreco. This also makes Noreco's organisation trained and able to handle other unplanned situations in a professional and structured way.

Safe operations
Noreco is a member of a consortium for the semi-submersible drilling rig West Alpha together with 4 other operators. In the consortium Noreco plays an active role using the best HSE-practices when establishing the common operational procedures and processes. Noreco is responsible as operator and has the see-to duty when planning and operating Noreco wells. The benefit of being part of a consortium is having experience transfer between the different members and using common offshore representatives. The consortium has developed a common HSE activity plan.

Noreco's first operated well in Norway (license PL412 in the North Sea), is planned to be drilled in 2009 using the West Alpha rig. Noreco's well planning team is using a stage-gate work process for well delivery which is part of the Noreco Manage-ment System. The planning includes several HSE activities such as risk assessments, evaluation of the non-conformance status of the rig, peer reviews, operational safety planning, emergency response planning, environmental impact studies, oil-spill contingency plans, blow-out contingency plans, preparation of application for discharge and application for con-sent to drill, workshops and team buildings with the onshore-and offshore crew. The PL412 well is located in an area which is classified as not being particularly environmentally sensitive. Noreco still aims for zero discharge of environmentally harmful chemicals given that only chemicals classified to be in the green or yellow NPCA-category will be used. In addition, focus will be on using a low quantity of chemicals. To further ensure a proper tracing of the chemical's ecotoxicological properties, Noreco has signed up as KPD-member (Chemical Product Data). This is reflected in the Discharge Application that is sent to the Norwegian Pollution Control Authority.

Major accidents
To make sure to control the potential for major accidents Noreco has established a general practice to identify and follow up on risk related to our business. An Enterprise Risk Register that categorises risks is established on management level. Activities to reduce risks are identified, and responsibility is given to the manager in charge and through these actions risks are attempted to be handled in the best and most efficient way. The Enterprise Risk Register is presented to the Board on a regular basis.

Environment
Noreco will work to safeguard the environment by minimising waste, emissions and other long term negative impact on the environment in all of our activities (Reduce-reuse-recycle). We will strive towards our ZERO vision by avoiding long term impact to the environment and by preventing and minimising occurrence of damage, harm or pollution from our activities. We have expanded our use of videoconferencing systems, to reduce air travel. Noreco participates in several professional networks within Health, Safety and Environment and are represented in different committees and working groups in The Norwegian Oil Industry Association (OLF) and in Danish Operators. One of Noreco's contributions is to transfer experience from the OLF work to similar challenges handled by the different committees in Danish Operators.

Noreco is also a member of The Norwegian Clean Seas Association for Operating Companies (NOFO). Through this membership Noreco obtains access to the latest technology and competence within oil spill response, and NOFO will be a key collaborator when drilling the PL412 well. Operative personnel from Noreco have participated in NOFO-seminars to obtain the latest competency within the area, and we are also participating and supporting NOFO in the evaluations in connection with white papers to 'Oljevern 2010'.

The Working Environment Committee (WEC) is active and meets regularly. Both employee and employer representatives from the Danish and the Norwegian part of the organisation discuss and address preventive and operational issues and processes related to safety, security, environment and health.

An excellent working environment is of high importance for individuals and essential in order for Noreco to achieve its goals. Focus for 2008 have been to develop a common culture after the acquisition of Altinex in 2007.

Noreco is dependent on having a good relationship with suppliers and partners, and we need to be able to rely on their systems and processes. To assure high quality deliveries we have an Annual Quality Plan which schedules external audits, and in 2008 we among others focused on Security related to IT-systems. Our main Application Service Provider and their deliveries were audited towards our internal Security require-ments. The need for external HSE assistance is at all time evaluated and Noreco has establis-hed long term relationship with highly qualified HSE professionals.

HUMAN RESOURCES

Noreco is built around a core asset; its people. The credit for Noreco's 2008 performance goes to the efforts of more than 74 employees and 16 consultants. Geologists, geophysicists, economists, petrophysicits, reservoir engineers, engineers, advisors, analysts, controllers, accountants, technical and administrative assistants as well as our experienced top management team helped Noreco end 2008 with solid results and prepare Noreco for future growth. During 2008 we have integrated new top tier talent, by adding 18 new hires.

We have an experienced but relatively young workforce as the average age in Noreco is 43 years old. Today, operational units account for 66% of employees while support units account for 34%. 32% of our employees are female and we have 9 nationalities represented (Norway, Denmark, USA, England, Scotland, Finland, France, Mexico and Turkey).

Defining common values
Strongly believing that shared values are the identity by which Noreco will be known, Noreco's Management Team invited every single employee to participate in a discussion to establish Noreco's values and to us this is true empowerment and organisational engagement.

Employees from all locations participated in the process. The main focus was around discussions on what employees admire about Noreco, what they as individuals in Noreco stand for and what attributes they wanted for Noreco. Employees offered profound insights and practical suggestions.

The values defined by the organisation are to be found on pages 24 to 25.

Participation and Engagement
Defining common values process is just one example of how Noreco engages its employees. Engaging employees is a top organisational priority. We aim at becoming an attractive employer where our employees are being fully intellectually and emotionally committed. Our goal is for people to be engaged and rewarded by the success of the Company; to feel proud to work for Noreco and to recommend the Company as an exciting and challenging place to work. Noreco's way of engaging its employees includes a degree of real autonomy and exposure to top management as well as involvement in forming the Company's strategy and contributing to decision making.

The employees are represented in the board of Noreco. Noreco's Working Environment Committee (WEC) engages both employee and employer representatives from the Danish and the Norwegian part of the organisation. All members of Noreco staff participate in Noreco's strategy sessions. Top management maintains a close dialogue with all the staff formally and informally. One example is the regular company meetings/video conference in which all staff members' from all locations participate.

Competence
Noreco has experienced a structural employment growth, both organically and through acquisition. Professionals are hired according to business developments within the North Sea. The size of the workforce reflects the necessary capacity to deliver value creation on company assets and sustainable growth in portfolio and capability.

The Noreco competence areas reflect the business strategy. Each competence area consists of several competency items.

“ Engaging employees is a top organisational priority. ”

The main competence area is the Geo-science & Engineering function accounting for about one third of all employees within the Company. Formal education combined with challenging work experience from high level positions in national and international oil companies is the competitive advantage of the Company's field development activities.

Noreco believes that investing in good people through development of competence in existing staff are among the most value adding investments we can make, and the key enabler for meeting our business objectives. In addition to management and induction training, it is also important to maintain and develop other professional competences. Professional training and individual development are people management issues covered in performance objectives and employee appraisal.

Noreco spent in 2008 a substation amount in our employees' careers through continuing education initiatives and other training programs. Noreco supports not only industry and technical training but also further individual development through economic support and/or time away from work.

Flexibility and work and life balance
Noreco shows sensitivity for work life balance and practices a flexible schedule for employees. Noreco also has a voluntary ‘flexible Friday’ arrangement.

Benefits and Incentive Scheme
Noreco provides health and life insurance for its employees, pension plans as well long term incentive scheme for all employees.

The incentive scheme provides each employee with the opportunity to take an active part in the future value creation of the Company. The scheme consists of three elements: annual bonus, deferred bonus (share matching), and share options.

Industrial and Professional bodies
Noreco participates in several professional networks within human resources, employer policy and competence.

Noreco is a member of OLF (The Norwegian Oil Industry Association). OLF is a professional body and employer's association for oil and supplier companies engaged in the field of exploration and production of oil and gas on the Norwegian Continental Shelf.

Noreco has representation in OLF's Committee for Employer Policy and Competence. The Committee for Employer Policy and Competence develops employer-political framework conditions that improve all OLF's members' competitiveness. The committee also works to safeguard the oil and gas industry's need for competence and its access to highly qualified employees.

Noreco is a member of HR Norway, the country's largest human resources and management network.

Green Offices
By having our office in the city centre of Stavanger and only having parking spaces for bicycles, Noreco incentivises environmentaly friendly transportation to and from the office for our employees.

In 2008 we started to develop a stronger green profile of our offices. This is an ongoing process that demands striving for environmentally consciousness both from us and our suppliers.

Health Services
Having healthy employees is one of our main priorities. Therefore, we offer our employees preventive treatment in the form of health checks from our company doctor, and in 2008 we entered an agreement with a physiotherapy company that provides preventive treatment as well as ergonomic support for our employees. These are agreements that we will continue to use and build throughout 2009. Noreco Bedrifts-idrettslag (Noreco Sports Club) is financially supported by the Company to support an active and healthy lifestyle.

Noreco's share capital is 445,993,704.70 NOK, divided on 143,868,937 shares, each with a nominal value of NOK 3.10.

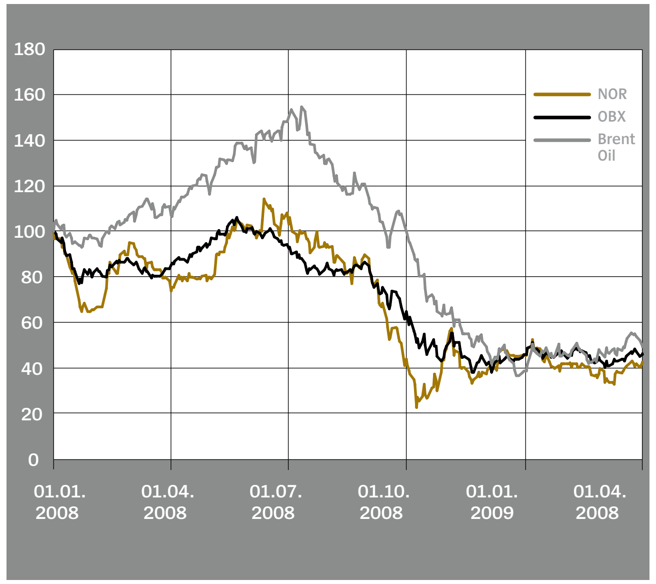
Dear Shareholder

Information 2008

Noreco trades under the ticker code NOR on the Oslo Stock Exchange (Oslo Børs), and is the second largest producer of oil after StatoilHydro on the exchange.

Noreco's share price decreased from NOK 30 at the end of 2007 to NOK 13.60 at the end of 2008. Earnings per share amounted to NOK 0.92 per share. Noreco has not previously paid any dividends, and does not expect to pay ordinary dividends to its shareholders in the near future. However, the Company aims over time to give shareholders competitive return on capital.

On average, 708,634 Noreco shares were traded on the Oslo Børs every day in 2008, more than three times as much as in 2007.



As of 31 December 2008 Noreco's share capital was NOK 445,993,704.70, divided on 143,868,937 shares, each with a nominal value of NOK 3.10. Noreco has a convertible loan of NOK 218.5 million outstanding held by 6 investors, convertible into a total of 9.8 million shares at a conversion price of 22.25 NOK per share by 8 May 2012.

The Company issued 32 million shares in 2008, primarily related to the acquisition of Talisman Oil Denmark announced in April 2008.

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

As at 31 December 2008 Noreco had a total of 1,716 shareholders divided into 1,588 Norwegian and 128 foreign owners. The shareholders as of the end of 2008 are shown in note 22 to the accounts.

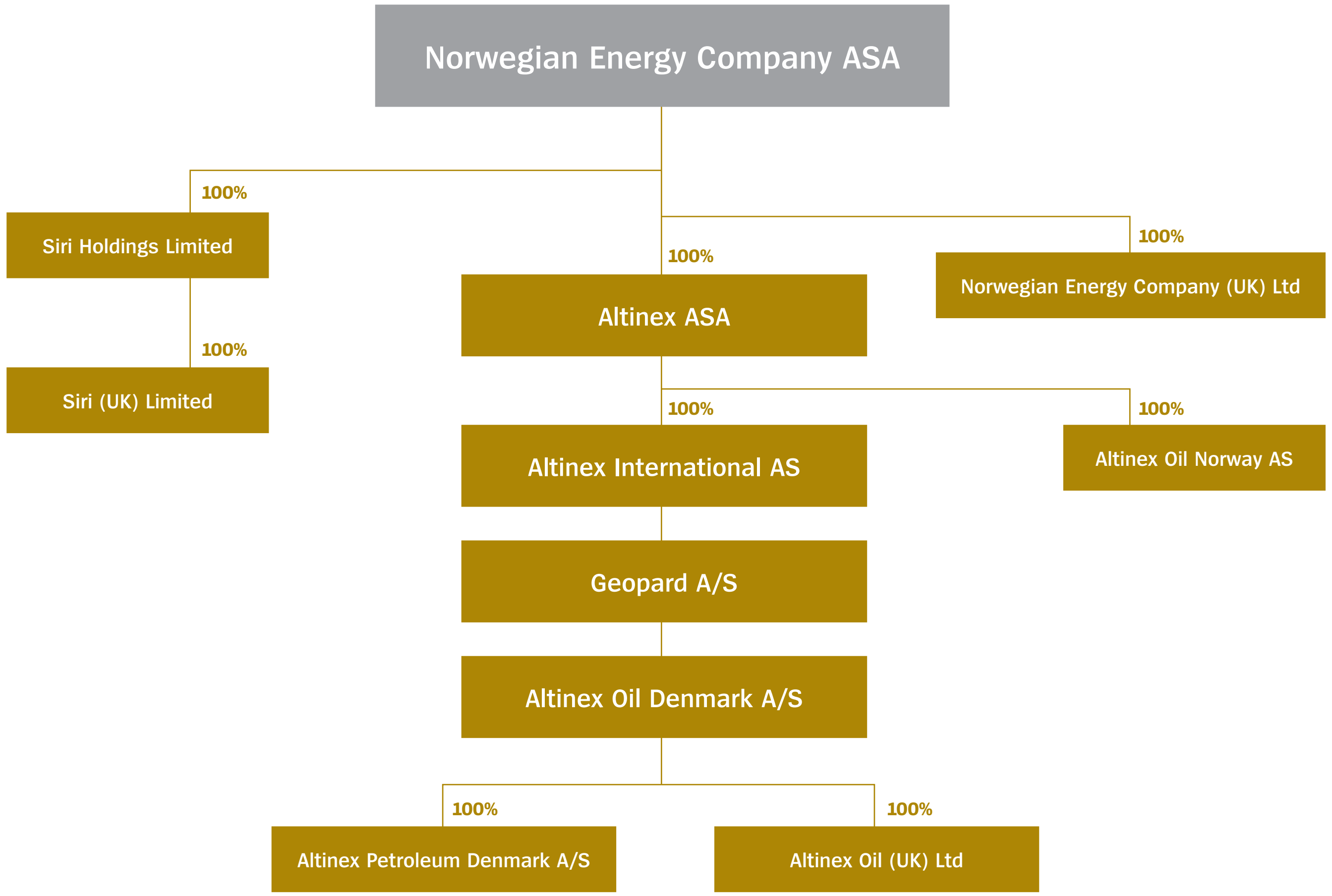
	2008	2007
Share price high (NOK)	35.00	34.50
Share price low (NOK)	6.77	27.10
Share price year-end (NOK)	13.60	30.00
Market value year-end (NOKm)	1 949.7	3 342.4
Daily turnover (shares)	708 634	230 879
Ordinary and diluted earnings per share (EPS) (NOK)	0.92/0.93	-3.02
Ordinary shares outstanding (weighted average)	130.1	63.2
Ordinary shares outstanding (year-end)	143.4	111.4

Top 20 shareholders

per 1 April 2009

Investor	Number of shares	% of top 20	% of total
BANK OF NEW YORK, BRUSSELS BRANCH	22 588 488	21.78%	15.70%
LYSE ENERGI AS	18 583 127	17.92%	12.92%
NEC INVEST AS	11 236 257	10.83%	7.81%
IKM INDUSTRI-INVEST AS	9 130 937	8.80%	6.35%
NORDEA BANK NORGE ASA MARKETS	7 258 000	7.00%	5.04%
UBS AG, LONDON BRANCH	6 633 375	6.40%	4.61%
FOLKETRYGDFONDET	4 317 957	4.16%	3.00%
BANK OF NEW YORK, BRUSSELS BRANCH	3 292 906	3.17%	2.29%
MORGAN STANLEY & CO. INC.	2 820 393	2.72%	1.96%
KLP LK AKSJER	2 714 500	2.62%	1.89%
GOLDMAN SACHS INT. - EQUITY -	1 825 809	1.76%	1.27%
BANK OF NEW YORK, BRUSSELS BRANCH	1 808 500	1.74%	1.26%
MORGAN STANLEY & CO INTL PLC	1 781 164	1.72%	1.24%
VERDIPAPIRFONDET KLP AKSJENORGE	1 595 787	1.54%	1.11%
JP MORGAN CHASE BANK	1 573 993	1.52%	1.09%
TAKLA ENERGY AS	1 461 436	1.41%	1.02%
TOPAS AS	1 364 204	1.32%	0.95%
DNB NOR SMB VPF	1 250 000	1.21%	0.87%
TAO INVEST AS	1 245 441	1.20%	0.87%
OM HOLDING AS	1 237 768	1.19%	0.86%
Total number owned by top 20	**103 720 042**	**100.00%**	**72.11%**
Total number of shares	**143 868 937**		**100%**

Noreco Group Structure



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

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 optimised 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 authorisations to undertake an increase of the Company's share capital. One of the authorisations 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, or in order to issue consideration shares in connection with acquisitions within the oil and energy sector, or in connection with mergers. The other authorisation may only be used in connection with Norecos current incentive programs for employees in the Group. Both authorisations expire one year after registration in the Norwegian Register of Business Enterprises.

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

> "Noreco has only one class of shares and each share in the Company carries one vote at general meetings."

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 authorisations to undertake an increase of the Company's share capital, the Board of Directors is further authorised 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.

Transactions with close associates
In 2008 there have been no significant transactions with closely related parties.

If the Company should enter into a transaction with associated parties within Noreco or with companies in which a Director or leading employee of Noreco or close associates of these 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 2008 were conducted in accordance with the requirements of the Public Limited Liability Companies Act and the Code, cf. below.

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.

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, the Nomination Committee 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 one meeting in 2008. 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 organised in accordance with the PLCA and currently exists of six members, whereas two are women. The chairman, the deputy chairman and the three of the other directors were all elected by the shareholders at an extraordinary General Meeting held on 10 October 2007. One director and one deputy were elected during 2008 as representatives for the employees. The new directors were registered in the Register of Business Enterprises 19 August 2008. The directors 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 elected by the shareholders 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.noreco.com/about_us/board In Noreco's opinion, all the directors are independent of the Company's executive management and material business contacts. Five 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 2008 the Board of Directors held 20 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 emphasising 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 has the overall and ultimate responsibility for the management of Noreco and for supervising its day-to-day management and activities in general.”

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.

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.

The Board of Directors carries out an annual review of the Company's main areas of business and its internal control system.

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.

No directors elected by the shareholders have assumed special tasks for the Company beyond what is described in this document.

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 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. There are special rules related to publishing of drilling results.

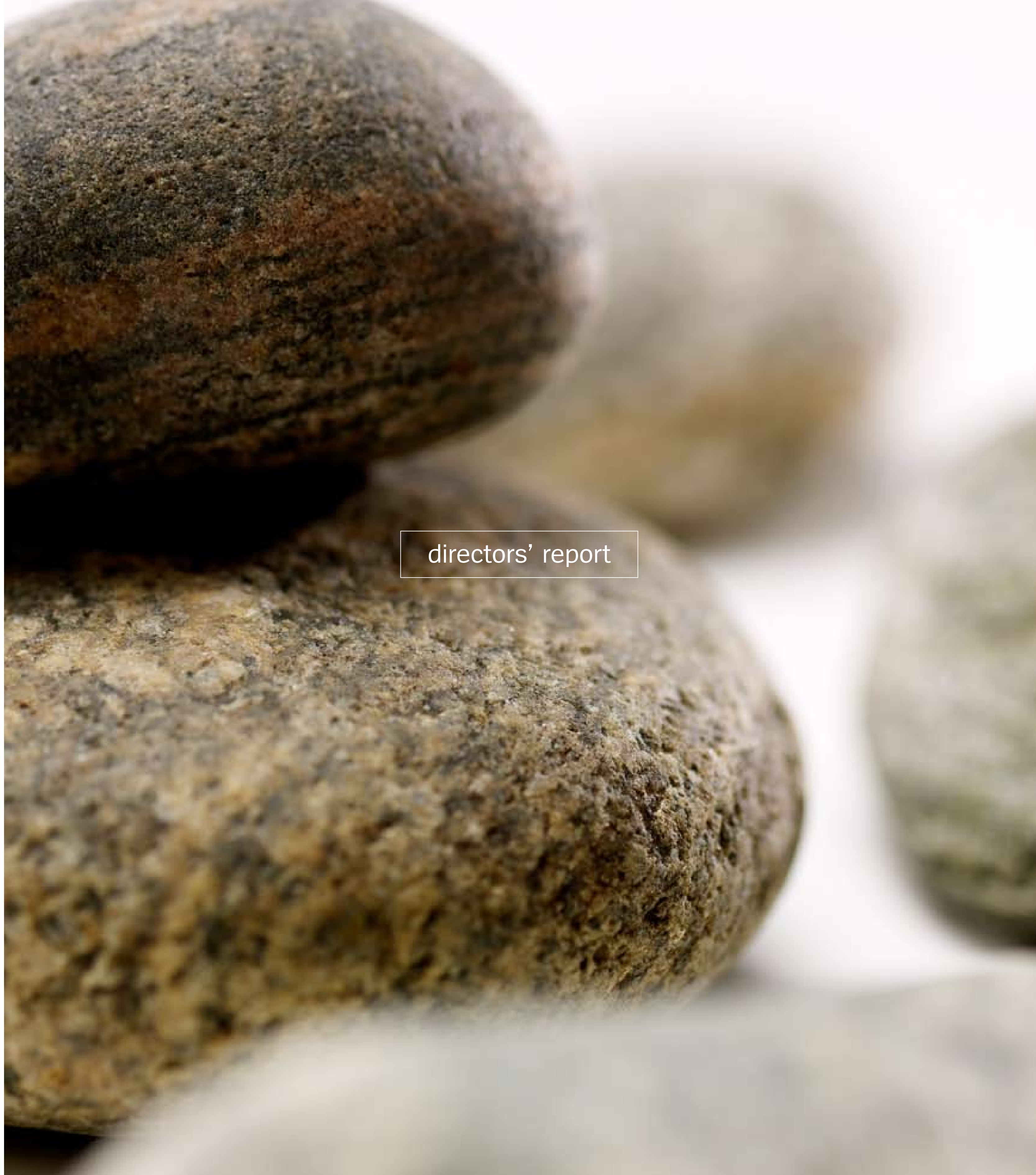
Noreco's annual report is distributed to shareholders prior to the General Meeting. Quarterly earnings releases are published within two months following the end of the quarter. Presentations of the Quarterly earnings are communicated directly via the internet. Noreco publishes an annual financial calendar 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.



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

Directors' report 2008

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 region. The Company holds a balanced portfolio of exploration, development and producing assets in Norway, Denmark and the UK. The business model is to acquire assets, invest in exploration, mature resources to reserves and maximise value through asset monetisation. 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, and the Company has made significant progress towards the Company's vision in 2008.

Highlights
Noreco delivered strong operational and financial performance in 2008. The Company increased cash flow through the year, and had a reserve replacement ratio of 145% in 2008. The Company's drilling programme was very successful, with the first 9 of 11 exploration and appraisal wells being successful. The Company continued to be active and opportunistic in the asset and M&A market. The Company's acquisition of Talisman Oil Denmark in June brought additional production to the Company at a low cost, and also enabled the Company to restructure it's capital base through issuance of equity, increased reserve based lending and repayment of bonds. Further growth was secured through further license acquisitions and a total of 15 license awards in the Norwegian APA license round and the 25th UK licensing round.

The board is pleased to report that the Noreco's production increased significantly throughout the year from 9,700 barrels of oil equivalents per day in January to 16,100 barrels in December, and that the Company exceeded the production guidance given to the market (actual of 12,950 barrels per day vs. guidance of 9,000 – 9,500 barrels per day).

Financial performance
The strong financial performance in 2008 was underpinned by increased production, high oil prices, successful exploration and the acquisition of Talisman Oil Denmark. Production from Noreco's seven producing assets for the year averaged 12,950 barrels of oil equivalents per day, up from 10,400 barrels in 2007. Realised oil price was 90 dollars per barrel in 2008, up 15 dollars from 2007. Our successful exploration drilling led to only one of ten exploration wells being expensed (Siri West in Denmark). Two exploration wells commenced late in 2008 (Gita and Hyme). Indications of hydrocarbons were discovered in the Hyme well in Norway, but is not currently expected to be economically viable. The Gita exploration well in Denmark discovered hydrocarbons, and the results are being analysed to estimate the size of the discovery and the full potential of the resource base in the area, and plan the forward plan in the license. The $83m (NOK 489 million) acquisition of Talisman Oil Denmark was effective 18 June 2008, and was financed through an equity issue of NOK 509 million and debt adjustments.

For the first time in the Company's history, the Group has delivered positive results for the year. Net income for the year was NOK 120 million compared to NOK -191 million for 2007.

Operating income in 2008 was NOK 2,424 million (836 in 2007). Operating results (EBIT) for 2008 was NOK 824 million, significantly up from NOK 56 million in 2007. The Group's profit before tax (EBT) was NOK 268 million compared to NOK -208 million for 2007. Net cash flow from operating activities increased from NOK 362 million in 2007 to NOK 1,378 million in 2008. Net cash flow from investing activities in 2008 was NOK -1,199 million, compared with NOK -4,549 million the year before. Interest-bearing debt amounted to NOK 4,715 million at the end of 2008, compared with NOK 4,826 million the year before. Total bank deposits amounted to NOK 867 million at the end of 2008 compared to NOK 974 million in 2007.

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 recognised 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.

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.

Søren Poulsen (41)
Employee Representative

Joined Noreco in Nov 2007. Holds over 12 years of E&P experience in Maersk Oil & Gas Denmark and DONG E&P, before joining Noreco. Holds a Master of Science degree in Chemical Engineering from the University of Denmark. Poulsen is currently holding the position as Central Graben Manager in Noreco, he is a Danish citizen, and resides in Copenhagen.

John Hogan (56)
Deputy Chairman

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.

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.

Malin E. Flor Helgesen (37)
Deputy Employee Representative

Joined Noreco in December 2005. Holds 9 years of E&P experience priliminary within Well Placement and Drilling Optimisation in the North Sea working with Sclumberger before joining Noreco in the current position. Holds a Master of Science degree in Petroleum Geosciences from the Norwegian University of Science ans Technology in Trondheim, Norway. Helgesen is currently holding the position as Senior Geologist in Noreco. She is a Norwegian citizen, and resides in Stavanger.

The Group strengthened its financial position in 2008 through new equity of a total of NOK 738 million and by increasing the reserve based lending facility for the Company from $155m to $325m.

In October, the Company redeemed NOK 560 million of the Oslo Stock Exchange listed bonds NOR01 and NOR02 and got the bondholders acceptance to remove the covenant related to the market adjusted equity ratio in the loan agreement. In March 2009, the Company completed a refinancing of the NOR01 and NOR02 bonds, which entails a new repayment schedule. The previous loan agreement required payment of NOK 2,240 million by July 2010.

The new amortisation profile entails that NOK 1,000 million is repaid within the current maturity date of July 2010 through two NOK 500 million instalments in December 2009 and July 2010, 50 per cent of the remaining loan outstanding in July 2010 is to be repaid in July 2011 and the remaining loan in April 2012.

It is the board's opinion that this refinancing and Noreco's strong portfolio of 7 producing fields, 18 discoveries and approximately 60 exploration licenses gives the Company flexibility and sufficient liquidity from, cash in hand, existing bank facilities operating cash flow and active portfolio management to meet its liquidity requirements. 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 2008 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, other than the refinancing mentioned above, have taken place after the end of the financial year that have a bearing on the evaluation of the Company.

Markets
Following the recent market turmoil, the global demand for oil is expected to decrease in 2009 relative to 2008. The board is of the opinion that due to fundamental factors the oil demand is going to pick up in the medium and long term, that there will be a shortage of production capacity to meet that demand and consequently that oil prices will increase.

Falling oil prices in the second half of 2008 have led to more capacity being available and downward pressure on costs and services in the supply markets to the industry.

The competition for access to new opportunities through license rounds continues to be tough. The secondary asset market functioned well for the most part of 2008, but towards the end of the year the asset market has been very challenging for sellers. There have been few transactions, and the sellers marketing their assets have often been in distress.

However, 2008 also saw some continued 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.

The capital markets have been challenging throughout 2008, and worsened in the second part of 2008 as the global financial crisis hit the markets. Performance of European High yield market has been dismal with very few new issues coming to the market and credit spreads continuing to remain close to all time highs. In the current environment, spreads have widened drastically between investment and non-investment grade straight bonds.

Equity indices continue to test new lows in 2009, and are likely to remain under pressure until economic conditions improve reflecting that investors remain defensive with high cash balances.

Financial risk
Risks related to oil price, currency and interest rates and debt service 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 minimise 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 through the third quarter of 2010. In addition, the Group has purchased put options at USD 75 per barrel for a significant part of the production through the first quarter 2011. This secures the Company's ability to carry out the planned work program for 2009, even if the oil price continues to be suppressed.

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 will conduct all our activities with great respect for the people we touch and the environment we are in, and will at all times have a strong focus on health, safety and work environment, recognising that our people represent the cornerstone of delivering Noreco's vision and strategy. 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.

The Company's commitment is to protect its people from harm and create a work environment that facilitates excellent business results by creating and maintaining an HSE culture in the Company where all employees feel responsible for their own well being and the well being of others. Our employees are challenged to intervene to stop unsafe actions and are active in driving an HSE culture in the Company.

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 2008. In the non-operated activities there were no fatal accidents, but the operators reported some medical treatment incidents in 2008. 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 2008 from Noreco's operated 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
Noreco is built around a core asset; its people. The credit for Noreco's 2008 performance goes to the efforts of more than 74 employees and 16 consultants. Geologists, geophysicists, petrophysicists, reservoir engineers, engineers, advisors, analysts, controllers, accountants, technical and administrative assistants as well as our experienced top management team helped Noreco end 2008 with solid results and prepare Noreco for future growth.

During 2008 the Company has integrated new top tier talent, by adding 18 new hires. As at 31.12.08 Noreco had 74 employees. Nine different nationalities are represented in the workforce, and 20 employees (32%) were female. The Noreco workforce is experienced but relatively young, with an average age of 43 years. Today, operational units account for 66% of employees while support units account for 34%. 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.

The Working Environment Committee is active and meets regularly. Both employee and employer representatives from the Danish and the Norwegian part of the organisation discuss and address preventive and operational issues and processes related to safety, security, environment and health.

During 2008 employee absence due to sickness in Noreco remained very low at 1.4% (1% in 2007).

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 currently no firm plans for engagement in commercialisation 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 20 meetings in 2008. Key focus areas for the board in 2008 were the development of the forward strategy for the Company, the acquisition of Talisman Oil Denmark and the capital restructuring of the Company.

There was one change to the board in 2008. The Noreco employees elected a representative, Søren Poulsen, and a deputy representative, Malin E. Flor Helgesen, effective 1 August 2008 to sit on the board. Further information on corporate governance in Noreco is detailed in the separate section on corporate governance in this annual report and in the notes to the accounts.

Allocations
The results for the year for Norwegian Energy Company ASA in 2008 was NOK –197,948 million, after receipt of a group contribution of NOK 74,950 million.

The board proposed the following allocations to cover the loss for 2008:
Transferred from share premium fund: NOK 197,948 million

The Parent company's total equity as at 31.12.2008 was NOK 2,342,783 of which NOK 0 is free equity.

Outlook
The board believes that the market fundamentals for the upstream oil and gas industry will be challenging for the best part of 2009. The financial turmoil will also likely continue to pose challenges in 2009. The board are of the opinion that the mid to long term prospects for the industry are bright.

Following the good performance in 2008, the Company has established a sound platform for further growth. The new level of production and the put options ensures that the Company has significant cash flow from operations, even at lower oil prices. The board believes that reinvestment of the cash flow from the producing fields into the Company's organic growth through selective exploration and appraisal drilling will deliver very good shareholder returns in the long run. Noreco plans to complete up to 8 exploration and appraisal wells in 2009. Production for 2009 is expected to be in excess of 14,000 barrels of oil equivalents per day. Five of the Company's 18 discoveries are progressing to development decisions, which will increase the reserve base of the Company around the time a plan of development is submitted. The Company will continue to market assets, and will execute sales if the offered price is deemed satisfactorily for Noreco's shareholders. 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.

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future.

Stavanger 22 April 2009

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

Therese L Bergjord **John Hogan** **Søren Poulsen**

Scott Kerr
CEO

Our own

Income statement

		NORECO GROUP		NORWEGIAN ENERGY COMPANY ASA	
(NOK 1000)	Note	2008	2007	2008	2007
Revenues	7	2 423 531	835 968	0	0
Total revenues		**2 423 531**	**835 968**	**0**	**0**
Production expenses	8	414 893	214 135	0	0
Exploration and appraisal expenses	9	258 664	146 577	188 923	93 132
Payroll expenses	10, 11	114 135	103 252	93 866	52 836
Depreciation and amortisation	17, 18	716 799	269 120	1 138	855
Other operating expenses	12, 13	95 480	47 269	68 060	28 165
Total operating expenses		**1 599 970**	**780 353**	**351 987**	**174 988**
Net operating result		**823 560**	**55 615**	**-351 987**	**-174 988**
Financial income	14	161 680	174 430	384 885	36 371
Financial expense	14	717 274	438 254	637 857	204 410
Net financial items		**-555 593**	**-263 824**	**-252 972**	**-168 039**
Ordinary result before tax		**267 967**	**-208 209**	**-604 960**	**-343 027**
Tax	15	147 754	-17 097	-407 012	-177 901
Net Result for the year		**120 213**	**-191 112**	**-197 948**	**-165 126**
Attributable to:					
Shareholders		120 213	-191 112	-197 948	-165 126
Earnings per share					
Basic	**16**	**0.92**	**-3.02**	**-1.52**	**-2.61**
Diluted	**16**	**0.93**	**-3.02**	**-1.35**	**-2.61**

And this our
Balance sheet

(NOK 1000)	Note	NORECO GROUP 2008	NORECO GROUP 2007	NORWEGIAN ENERGY COMPANY ASA 2008	NORWEGIAN ENERGY COMPANY ASA 2007
ASSETS					
Non-current assets					
Intangible non-current assets					
Licences and capitalised exploration expenses	17	4 595 387	4 396 570	519 239	215 314
Deferred tax asset	15, 34	230 421	111 391	177 340	67 892
Goodwill	17	1 540 798	1 483 978	0	0
Total intangible non-current assets		6 366 606	5 991 939	696 579	283 206
Tangible non-current assets					
Production facilities	18	3 538 789	2 843 712	0	0
Machinery and equipment	18	3 594	6 652	1 055	2 193
Total tangible non-current assets		**3 542 383**	**2 850 364**	**1 055**	**2 193**
Financial non-current assets					
Investments in subsidiaries	5	0	0	4 350 561	4 351 135
Loan to group companies		0	0	487 384	0
Total financial non-current assets		**0**	**0**	**4 837 945**	**4 351 135**
Total non-current assets		**9 908 989**	**8 842 302**	**5 535 578**	**4 636 534**
Current assets					
Receivables					
Accounts receivables	19	219 488	89 846	25 052	0
Tax refund	15, 19	542 644	265 866	542 644	265 866
Receivables from group companies	19	0	0	99 378	5 350
Other short-term receivables	19	202 642	208 182	94 115	60 498
Total receivables		**964 774**	**563 894**	**761 189**	**331 715**
Financial current assets					
Financial instruments	20	546 670	46 997	0	0
Bank deposits, cash and cash equivalents	21	867 349	973 661	583 743	666 524
Total financial current assets		**1 414 019**	**1 020 658**	**583 743**	**666 524**
Total current assets		**2 378 793**	**1 584 552**	**1 344 932**	**998 239**
Total assets		**12 287 781**	**10 426 853**	**6 880 510**	**5 634 772**

(NOK 1000)	Note	NORECO GROUP 2008	NORECO GROUP 2007	NORWEGIAN ENERGY COMPANY ASA 2008	NORWEGIAN ENERGY COMPANY ASA 2007
EQUITY AND LIABILITIES					
Equity					
Share capital	22	444 428	345 385	444 428	345 385
Share premium fund	22	1 869 200	1 562 259	1 869 200	1 455 453
Other equity	22	682 858	-123 387	29 155	54 093
Total equity		2 996 486	1 784 257	2 342 783	1 854 931
LIABILITIES					
Provisions					
Pension liabilities	23	812	659	812	659
Deferred tax	15, 34	2 725 879	2 406 885	356 907	97 248
Abandonment provisions	24	852 039	712 367	0	0
Total provisions		3 578 730	3 119 911	357 719	97 907
Other long-term liabilities					
Convertible bond loan	25	187 127	349 232	187 127	349 232
Bond loan	25	2 530 982	3 730 872	2 184 501	2 739 809
Other interest bearing debt	25	1 463 722	523 843	0	0
Other interest bearing debt to group companies		0	0	988 402	0
Total other long-term liabilities		**4 181 831**	**4 603 947**	**3 360 030**	**3 089 041**
Current liabilities					
Other interest bearing debt	26	533 371	222 000	533 371	222 000
Trade payables	26	138 058	68 983	73 640	26 842
Current tax payable	15, 26	564 911	69 847	0	0
Public duties payable	26	29 365	33 117	9 924	9 658
Short term debt to group companies	26	0	0	23 101	1 011
Other short term liabilities	26	265 029	524 792	179 942	333 382
Total current liabilities		**1 530 734**	**918 738**	**819 978**	**592 893**
Total liabilities		**9 291 295**	**8 642 596**	**4 537 727**	**3 779 841**
Total equity and liabilities		**12 287 781**	**10 426 853**	**6 880 510**	**5 634 772**

Stavanger 22 April 2009

Lars Takla
Chairman of the Board

Heidi M Petersen

Roger O'Neil

Therese L Bergjord

Søren Poulsen

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
Equity share of convertible bond Noreco ASA					54 093	54 093
Exercise convertible bonds Altinex ASA					-12 418	-12 418
Transferred - share split and fund issue	2 392	-2 392				0
Share issue cost		-55 931				-55 931
Value-adjusted financial instruments				-43 411		-43 411
Translation differences - foreign exchange			11 141			11 141
Net result (loss)					-191 112	-191 112
Coverage of loss		-189 085			189 085	0
Equity at 31 December 2007	**345 385**	**1 455 453**	**11 141**	**-43 411**	**15 689**	**1 784 257**
Equity at 1 January 2008	**345 385**	**1 455 453**	**11 141**	**-43 411**	**15 689**	**1 784 257**
Capital increase 2008	99 042	638 801				737 842
Share issue cost		-27 106				-27 106
Conversion of convertible bond					-27 088	-27 088
Share-based incentive program					963	963
Value-adjusted financial instruments				388 516		388 516
Translation differences - foreign exchange			18 889			18 889
Net result					120 211	120 211
Coverage of loss		-197 948			197 948	0
Equity at 31 December 2008	**444 428**	**1 869 200**	**30 030**	**345 105**	**307 723**	**2 996 486**

Statement of Equity

NORWEGIAN ENERGY COMPANY ASA (NOK 1000)	Share capital	Share premium fund	Other equity	Total equity
Equity at 1 January 2007	**31 422**	**48 261**	**-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
Equity share of convertible bond			54 093	54 093
Transferred - share split and fund issue	2 392	-2 392		0
Share issue cost		-55 931		-55 931
Net result			-165 126	-165 126
Coverage of loss		-189 085	189 085	0
Equity at 31 December 2007	**345 385**	**1 455 453**	**54 093**	**1 854 931**
Equity at 1 January 2008	345 385	1 455 453	54 093	1 854 931
Capital increase February 2008	1 005	8 683		9 688
Capital increase May 2008	59 362	390 640		450 002
Capital increase June 2008	7 750	51 000		58 750
Capital increase July 2008	29 467	182 033		211 500
Capital increase November 2007	1 458	6 445		7 903
Conversion of convertible bond			-27 088	-27 088
Share issue cost		-27 106		-27 106
Share-based incentive program			2 150	2 150
Net result			-197 948	-197 948
Coverage of loss		-197 948	197 948	0
Equity at 31 December 2008	**444 428**	**1 869 200**	**29 155**	**2 342 783**

And our own

Cash Flow Statement

		NORECO GROUP		NORWEGIAN ENERGY COMPANY ASA	
(NOK 1000)	Note	2008	2007	2008	2007
Ordinary result before tax		267 965	-208 209	-679 910	-343 027
Depreciation and amortisation	17, 18	716 799	269 120	1 138	855
Tax paid / refunded	15	675	-196 846	273 783	81 596
Loss on sale of fixed assets	14	0	23 490	0	0
Financial instruments at fair value	20	-495 927	-46 997	0	0
Amortisation of borrowing expenses	14	61 077	27 927	41 899	20 987
Calculated interest on abandonment liabilities	24	43 782	9 901	0	0
Other items with no cash impact		58 963	407	22 596	-63 819
Effect of changes in exchange rates / impact equity		570 557	-22 231	0	0
Change in accounts receivable	19	-129 642	34 975	-25 052	0
Change in trade payables	26	69 075	63 131	46 798	22 178
Changes in other current balance sheet items		214 728	407 671	331 959	256 396
Net cash flow from operations		1 378 052	362 339	13 211	-24 834
Cash flow from investing activities					
Proceeds from sale of assets held for sale		0	27 502	0	0
Purchase of tangible assets	18	-414 996	-189 408	0	-1 244
Purchase of intangible assets	17	-380 258	-254 681	-316 335	-206 431
Purchase of subsidiaries reduced with cash in the subsidiaries	4	-403 298	-4 132 073	-7 690	-4 351 135
Net cash used in investing activities		**-1 198 552**	**-4 548 660**	**-324 025**	**-4 558 810**
Cash flow from financing activities					
Issue of share capital	22	499 262	1 910 240	499 262	1 910 240
Proceeds from issuance of long term debt	25	633 412	3 160 427	0	3 140 959
Repayment of long term debt incl. Cost	25	-1 241 000	0	-581 000	0
Proceeds from issuance of short term debt	26	531 771	222 000	531 771	187 000
Repayment of short term debt	26	-222 000	-35 000	-222 000	0
Interest paid		-564 725	-88 050	0	0
Net cash flow from financing activities		**-363 280**	**5 169 617**	**228 033**	**5 238 199**
Net change in cash and cash equivalents		**-183 780**	**983 296**	**-82 781**	**654 555**
Cash and cash equivalents at start of the year	21	973 661	11 970	666 524	11 970
Effects of changes in exchange rates on cash and cash equivalents		77 467	-21 605	0	0
Cash and cash equivalents at end of the year	21	**867 349**	**973 661**	**583 743**	**666 524**

01 Company information

Norwegian Energy Company ASA (Noreco) is a public limited company registered in Norway, with its' headquarter in Stavanger. The Company has subsidiaries in Oslo, Copenhagen and the UK. For complete adress details see the Annual Report for 2008. The financial statements were approved by the Board of Directors on 22 April 2009.

02 Accounting principles

Main principle
The consolidated financial statements of the Norwegian Energy Company ASA (Noreco ASA) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the EU, and additional provisions set out in the Norwegian Accounting Act. The consolidated financial statements comprise the Parent company Noreco ASA and subsidiaries mentioned in note 5.

The consolidated financial statements are based on a historical cost approach with the following modifications:
- Derivatives and financial assets are measured at fair value. Financial liabilities are measured at amortisised cost.
- Assets are measured at cost less accumulated impairment losses. If the recoverable amount of an asset is lower than its carrying amount, the Company will recognise an impairment loss.

Consolidated financial statements
The consolidated financial statements comprise Noreco ASA and its subsidiaries. Subsidiaries are entities controlled by Noreco ASA. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting rights of an entity or is able to exercise actual control of the entity. All investments in the Group are owned and controlled 100 per cent and are included in the consolidated financial statements.

The financial statements of Noreco ASA and its subsidiaries are included in the consolidated financial statements. Accounting policies are applied consistently by Group entities. 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 acquisition date. The acquisition date is defined as the date on which Noreco obtains control over the acquired company.

The acquisition date may differ from the date on which the assets are transferred. Sold businesses are included in the consolidated accounts until the business is derecognised.

Comparable figures are not adjusted following the acquisition, sale or liquidation of a business.

Business combinations are accounted for by applying the acquisition method. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The Company recognises separately an intangible asset of the acquiree at the acquisition date only if they are separable from other assets and their value can be reliably measured. When assessing fair value, tax implications of the revaluations made, are taken into consideration. The excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. Goodwill is recognised using the same functional currency as is used in the Parent company. If the fair value of the net identifiable assets acquired exceeds the acquisition cost, the excess amount is recognised as income at the acquisition date.

For each acquisition of licences entitling the licensee to explore and produce hydrocarbons, an assessment is made whether it shall be classified as a business combination or an acquisition of an asset. As a main rule, the acquisition of developing- or producing licences will be treated as a business combination. Acquisitions of other licences are treated as asset acquisitions.

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

When a subsidiary is sold, the gain or loss is the difference between the sales amount less sales costs, and the book value of the net assets, including goodwill, at the date of 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 companies. This currency may be different from the functional currency of the Parent company. A company's functional currency will be the currency in which the Company primarily generates and expends cash.

Transactions in foreign currency are translated to the functional currency at the transaction date exchange rate. Differences between the exchange rate on the transaction date and the payment date are recognised as gain/loss on exchange under financial items. Monetary items denominated in foreign currencies are translated to the functional currency using the exchange rate at the balance sheet date. Non-monetary items are translated to the functional currency using the transaction date exchange rate.

Assets and liabilities in entities with a functional currency other than the presentation currency, are translated into the presentation currency at the exchange rate applicable on the balance sheet date. Revenues and costs for entities in other functional currencies are translated into the presentation currency at the average exchange rate for the period. Foreign exchange differences are recognised directly in equity.

Financial instruments
Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Financial instruments at fair value through profit and loss are recognised initially at fair value and attributable transaction costs are expensed when incurred. Subsequent to initial recognition financial instruments are measured as described below.

Classification
An asset or liability is classified as current when it is part of a normal operating cycle, when it is held primarily for trading purposes, when it falls due within 12 months and when it consists of cash or cash equivalents on the balance sheet date. Other items are non-current. A dividend does not become a liability until it has been formally approved by the General Meeting.

Financial instruments are divided into the following categories at the time of recognition:
- Financial assets at fair value through profit and loss
- Loans and receivables at amortised cost
- Available for sale financial assets measured at fair value
- Financial liabilities are divided into the following categories:
- Financial liabilities at fair value through profit and loss
- Other financial liabilities at amortised cost.

Derecognition of financial assets and liabilities
When the Group has transfered substantially all the risks, the control and rewards of ownership of the financial asset, the entity derecognises the financial asset.

When the obligation specified in the contract is discharged, cancelled or expires, financial liabilities are derecognised.

Hedging
The Group uses financial derivatives to hedge its material exposure to foreign exchange risks and price risks, which occur in the course of its operating, financing and investing activities. Financial derivatives not qualifying as hedging instruments are recognised and presented as financial instruments at fair value through profit and loss.

Financial derivatives are recognised initially at fair value. Attributable transaction costs are recognised in profit and loss when incurred. Subsequent to initial recognition, financial derivatives are measured at fair value, and are included in the item “other financial instruments” (positive fair value) or as “other current liabilities” (negative fair value). Gains and losses are immediately recognised in the income statement. If financial derivatives qualify as hedging instruments, gains and losses are recognised in accordance with the hedging relationship used.

Changes in the fair value of derivative hedging instrument designated as a cash flow hedge (oil price hedging and foreign exchange hedging of monetary items) are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss. 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 recognised directly to equity are reversed. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit and loss in the same period that the hedged item affects profit and loss.

Segment
A segment is a distinguishable component that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

The Group’s business segment is fully related to exploration and production of hydrocarbons. The Company has therefore only 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 recognised in proportion to the Group’s share of the output from the individual licence, irrespective of whether the output has been sold (entitlement method). Over/under lift of hydrocarbons pursuant to the rights method is measured at the estimated sales price, less estimated sales costs at the balance sheet day. Over/under lifting occurs when the Group has extracted and sold more or less hydrocarbons from a producing field than the Group was entitled to at the time of lifting.

Gains and losses on financial derivatives which are held to hedge the Group’s net revenues are recognised 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 working hours, 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. Exploration costs will i.e. 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 etc. The basic rule of SE is that such costs are expensed as they incur, 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
Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Tax for the period comprises the expected tax payable on the taxable profit for the year, adjusted for any changes from previous years. Tax is calculated using tax rates enacted at the reporting date. Deferred tax is calculated on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, with the exception of deferred tax arising from the following temporary differences; the initial recognition of goodwill and the initial recognition of purchased oil licences which are not treated as business acquisitions.

A deferred tax asset is recognised to the extent that it is probable that the deferred tax asset will be utilised. The recognised deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax and deferred tax assets are measured at the tax rates that are expected to be applied when the temporary differences reverse.

Deferred tax and deferred tax assets are recognised irrespective of when the temporary differences will be reversed. Deferred tax assets are measured at nominal value and is classified as intangible fixed asset on the balance sheet.

Current tax and deferred tax assets are measured at the tax rate relating to earned, but not allocated equity. Additional income taxes that arise from the distribution of dividends are recognised at the same time the liability to pay the related dividend is recognised.

Intangible assets
Intangible assets that have been acquired separately are carried at cost. The costs of intangible assets acquired through an acquisition are recognised initially at their fair value. Capitalised intangible assets are thereafter recognised at cost less any amortisation and impairment losses.

Intangible assets with an infinite economic life are not amortised, but if recoverable amount of an asset is lower than its cost price, the Company will recognise an impairment loss. The recoverable amount is calculated annually and when there are indications that the asset may be impaired. Impairment losses are recognised as a write-down in the income statement. Intangible assets with a finite useful life are amortised and the write-downs are considered in the event of impairment. The depreciable amount is allocated on a systematic basis over the asset’s estimated usable (economic) life. Depreciation is recognised in the profit or loss. The amortisation estimate and method used are subject to annual review, based on the current financial situation.

The recoverable amount is the higher of the fair value less costs to sell and value in use. Value in use is calculated by discounting expected future cash flows to present value. The discount rate used reflects the market pricing of money and the risk associated with the specific asset. For assets where independent cash flows are not possible to estimate, the residual value is determined based on the cash-flow generating unit to which the asset belongs. When impairment for a cash-flow generating unit is recognised, goodwill in the cash-flow generating unit’s balance sheet is reduced first. Remaining impairment will then be allocated on a pro rata basis to the other assets.

Goodwill
Goodwill is initially recognised at cost, as described in the Business combination section above. Subsequently, goodwill is measured at cost, less accumulated impairment losses. Goodwill is not amortised. Any impairment loss for 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 plan for development and operation has been approved. Capitalised amounts will be transferred to tangible fixed assets and will be depreciated in accordance with the units of production method when approval is granted. 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 efforts method, costs associated with drilling of exploratory wells and evaluation costs are capitalised. Capitalised amounts are classified as intangible assets and are treated according to general valuation rules. Exploration and evaluation costs related to unsuccessful drilling that is considered not commercially recoverable 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 purchase of new computer software are capitalised as intangible assets, if these expenses are not part of the cost of hardware. Software is depreciated over three years, using the straight-line method. Costs incurred to maintain the software or retain its future benfit are expensed unless the change in the software increases the future economic benefit.

Fixed assets
Tangible fixed assets include production plant, plants under construction, fixtures, etc. Tangible fixed assets are measured at cost, less accumulated depreciation and impairment losses. Facilities under construction are not depreciated until the asset is put into operation. The cost price comprises the purchase price plus costs directly attributable to the acquisition incurred up until the time the asset is ready to be put into operation. For assets where decommissioning- and dismantling liabilities arises, and these liabilities are recognised as such, the liabilities will be added to the acquisition cost of the relevant asset. The cost price of an asset which comprises different individual components is divided into separate parts which are depreciated individually, if the economic life of the parts varies.

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

When assets are sold, disposed of or replaced, the cost price and accumulated depreciations are reversed, and any losses or gains from the removal recognised in profit or loss.

Production facilities comprise investments in facilities, plant and infrastructure used in the production of hydrocarbons. The cost price of production facilities, and any capitalised amounts resulting from provisions for decommissioning and removal, are depreciated in accordance with the units of production 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 over the economic life of the asset, using the straight line method.
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 used corresponds with the asset's actual economic situation. The same also applies to the asset's scrap value.

The Group assesses each year whether there is an indication that the production plants have been impaired. Factors which are relevant to the individual asset are emphasised. Both external factors, such as the market price of hydrocarbons and technological developments, and internal factors, such as the Group's intentions for continued use, cost of use, and wear etc is considered. If there are indications that an asset is impaired, an assessment is made of the assets recoverable amount. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised.

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 impairment is less than previously recognised. The reversal is recognised in profit and loss or as reversal of previous write-downs. However, a reversal the book value of the asset can not exceed the value the asset would have been booked at, applying ordinary depreciation had no impairment loss been recognised for the asset in prior years.

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 expensed on a straight-line basis over the lease term.

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

Bad debt provisions are recognised when there are objective indications that the 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 measured at the estimated sales value, less estimated sales costs. Over lifting and under lifting of hydrocarbons are presented at gross value.

Cash and cash equivalents
Cash includes cash in hand, bank deposits, short-term highly liquid investments with a term of less than three months and bank overdraft. Bank overdraft is recorded as current liabilities.

Equity
Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are recognised, after tax, directly in equity as a reduction in the remuneration.

Foreign exchange translation fund
The foreign exchange translation fund comprises 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 comprises 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
The fair value of the option programme will be expensed over the vesting period and accrued for 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 Group have a collective (secured) pension scheme, classified as a defined-benefit plan.

In the accounts pension liabilities and pension costs are recorded using a linear accrual formula. This formula is based on assumtions including the compensation increase, increase of social security base amount, discount rate, expected future return on pension funds and actuarial assumptions related to death and voluntary resignation. When assessing the pension assets and pension liabilities an estimated value is used at the balance sheet date. The estimated values are adjusted annually in accordance with calculations made by an independent actuary. The pension assets and liabilities are presented at net value in the balance sheet. Curtailments are amortised over the expected remaining lifetime. The same applies to actualial gains/losses if these exceed 10 per cent of the greatest of pension liabilities and pension assets (corridor).

Debt
Debt is recognised at fair value, less transaction costs at the disbursement date. In subsequent accounting periods, debt is recorded at amortised cost, calculated using effective interest rate method. The difference between the withdrawal amount and the repayment amount is recognised as a financial expense amortised over the estimated term of the loan. When a convertible loan is issued, the fair value of the debt is measured using the market rate for non convertible loans of a similar length and level of security. The amount is classified as a liability and recognised at amortised cost until the loan expires, either through conversion to shares or upon maturity. The remaining consideration is included in 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 date. The first year's installment of long-term debt is classified as a short-term liability.

Provisions
A provision is recognised when the Company has a present obligation (legal or constructive) arising from a past event, and it is probable (more probable than not) that it will result in an outflow from the entity of resources embodying economic benefits, and that a reliable estimate can be made of the amount of the obligation.

Abandonment provisions reflect the estimated cost of decommissioning and removal of wells and production facilities used for the production of hydrocarbons. Abandonment provisions are measured at net present value of the anticipated future cost. The liability is calculated on the basis current removal requirements and is discounted 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 as removal assets and is depreciated with the relevant assets, see Note 18. The increase in the liability over time is recognised in profit or loss as a financial expense.

Contingent liabilities and assets
Contingent liabilities are defined as:
- possible obligation that arised from past events, whose the existence depends on future events.
- present obligation which have not been recognised because it is not probable that they will result in a payment.
- the amount of the obligation cannot be measured with sufficient reliability.

Specific mention of material contingent liabilities is disclosed, with the exception of contingent liabilities where the probability of the liability is low.

Contingent assets are not recognised in the financial statements, but are disclosed if there is a certain probability that a benefit will accrue to the Group.

Events after the balance sheet date
New information about the Company's position on the balance sheet date is adjusted for in the annual financial statements. Events after the balance sheet date which do not affect the Company's position on the balance sheet date, but which will affect the position in the future are reported, if considered material.

Estimation uncertainty
Management uses 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 used where changes in market conditions may lead to changes in estimates. Estimate changes may lead to changes in carrying amounts of the Company's assets, liabilities, equity and profit.

The Company's information about significant areas of estimation uncertainty are included in the following notes:
- the allocation of fair value of assets and liabilities when an acquisition is undertaken (see Note 4)
- the valuation of goodwill, other intangible assets, property, plant and equipment and future decommissioning and removal 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 purchase cost is allocated to identifiable assets and liabilities at their fair value. When measuring 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 measured by discounting the estimated future field cash flows. These estimates are, i.a., based on uncertain assumptions relating to the price of hydrocarbons, the USD value, production profiles, reserves estimates, production costs, future investment requirements, future decommissioning and removal expenditures 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 aquired by 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. 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.

For valuation of tangible and intangible assets subsequent to an acquisition, the same methods as described above are applied. This means that there will be uncertainty attached to the measurement of residual value against carrying amount at the end of each accounting period.

The value of the 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 Group's activities. A drop in the oil price will have a significant effect on the 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. Further, the price of oil also affects the Group's exploration activity.

Production of oil and gas is subject to statutory requirements relating to decommissioning and removal once production has ceased. Provisions to cover these future decommissioning and removal expenditures must be accrued for at the time the statutory requirement arises The costs will often incur some time in the future, and there is a significant uncertainty attached to the scale and complexity of the decommissioning and removal involved. Estimated future costs are based on known decommissioning and removal technology, expected future price levels, and the expected future decommissioning and removal date, discounted to net present value using an estimated discount factor. Changes in one or more of these factors could result in major changes in the decommissioning and removal liabilities.

Comparative figures
The numbers for 2007 have been changed due to Altinex Oil Norway AS change in functional currency from USD to NOK. That has resulted in a change in the Group's Financial Statements as of 31.12.2007. The main effects of the change is an increase in the Group's equity of MNOK 107 from MNOK 1.677 to MNOK 1.784. The loss for 2007 is reduced from MNOK -198,7 to MNOK -191,1.

New standards and interpretations not yet adopted
At the date of these financial statements, the following standards and interpretations which could have a significant impact on the financial statements of Noreco were in issue but not yet effective. Noreco has not implemented any of these standards yet. The standards have to be applied in annual reporting periods which starts on or after the effective date, unless other information is given below:

IFRS 3 (Revised) – Business Combinations
The revised standard continues to apply the acquisition method with some significant changes and specifications. Specific issues that are addressed include a.o. goodwill acquired by successive acquisitions, minority interests, contingent consideration, and share- and debt issue costs. The Group plans to apply the revised standard prospectively from January 1st 2010.

IFRS 8 – Operating Segments
IFRS 8 supersedes IAS 14 – Segment reporting. The standard requires that the Company/Group uses the "management approach" to identify segments. In general, the segments should be identified based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. IFRS 8 requires information on how the different segments are identified, and information on which products and services that generate earnings in each segment. The Group will apply IFRS 8 prospectively from January 1st 2009.

IAS 1 (Revised) – Presentation of Financial Statements
The revised standard will be effective for annual periods beginning on or after January 1st 2009. The revised standard entails changes to the presentation of financial statements, particularly with regards 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 by successive acquisitions, minority interests, contingent consideration and share- and debt issue cost. The Group will apply the revised standard prospectively from January 1st 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 January 1st 2009. The revised standard requires capitalisation of borrowing costs directly attributable to the acquisition, construction or production 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 Group will adopt this change prospectively. Accordingly, borrowing costs will be capitalised on qualifying assets with commencement date after 1 January 2009. No changes will be made for expensed borrowing costs which has incurred before this date

IAS 27 (Revised) – Consolidated and Separate Financial Statements
As compared to the existing standard, the revised standard specifies the accounting for changes in ownership interests in a subsidiary and the accounting when the Group loses control of a subsidiary. 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 Group will apply the revised standard prospectively from January 1st 2010.

IFRS 2 Share based Payment – Vesting Conditions and Cancellations
Amendments to the standard clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Group's 2009 consolidated financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

Amendments to IAS 39 – Financial Instruments: Recognition and Measurment
The amendments represent a clarification on how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The new requirments will provide further guidance for hedging of one-seded risk (hedging with options) and hedging of inflation risk. The requirements clarifies that the designated risks and cash flows has to be identifiable and reliably measurable. The effective date is 1 July 2009 and the Group expects to apply the changes from 1 january 2010.

03 Financial Risk

Financial risk
The Group's activities expose it to a variety of financial risk through the use of various types of financial instruments. The Group uses bank loans, bond loans and convertible bond loans to finance its operations together with investing in new businesses. The Group has also financial assets, such as bank deposits, trade receivables and payables, and other short term liabilities which arise directly from its operations. The Group also enters into derivative transactions as options, swap agreements and forward contracts. The purpose is to hedge the significant items in the balance sheet or cash flows.

The main financial risks arising from the Group's activities are foreign exchange risk, credit risk, liquidity risk and interest rate risk.

Foreign exchange risk
The Group has operational activities which involve substantial cash flows in various currencies. The Group is composed of businesses with various functional currencies (USD and NOK). The Group's policy is to hedge significant items in currencies other than its functional currency against exchange rate fluctuations. Balance sheet items such as loans and significant cash flows as interest, cash calls, tax etc. are hedged using forward currency contracts/currency swap agreements. Foreign currency risk related to Noreco's investments in businesses with a functional currency other than Noreco ASA's functional currency is not hedged. 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.

An change in the average exchange rate related to USD with +/- 10% would have changed revenue with MNOK 242. The yearly profit and loss would have changed with MNOK 50.

Price risk – The main risk the Company is exposed to, with regards to its incoming cash flow, is related to the development of the oil and gas price. To mitigate this risk the Group enters into put options specifying a price floor for the pricing of the bulk of the Company's oil production. The options entitle a right, but not an obligation, to sell oil at a specified minimum price. If the market price of oil exceeds the strike price of the option, which currently is USD 50 and USD 75 respectively, the option is not exercised and the Group sells at market price. This form of hedging is accounted for as hedging in the financial statements, see note 20 Financial instruments.

Credit risk
Credit risk arises principally from recognised receivables and the fair value of financial derivatives. The credit risk arising from 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 counterparty in derivatives are large banks whose credit risk is considered as low.

Liquidity risk
Prudent liquidity risk management implies maintaining a sufficient reserve of cash and marketable securities, and the availability of funding through committed credit facilities. The nature of the Group's business activities requires unrestricted liquidity for future investments.

The Noreco Group maintains its flexibility in funding by maintaining availability to undrawn borrowing facility. This flexibility, together with substantial liquid capital and cash flow from operations and active portfolio management, means that the Group's financing of ongoing operations and future investments has been secured. See Note 13 Operational leasing, Note 21 Bank deposits, cash and Note 25 Long-term liabilities.

Interest rate risk
Loans with floating interest rate represent an interest risk for the Group's future cash flow. Loans with fixed interest rate exposes the Group to risk (premium/discount) associated with changes in the market interest rate. The Group has a total of TNOK 4,898,235 in interest-bearing debt (nominal value), of which TNOK 534,971 is short-term debt. The Parent company has a total of TNOK 2,993,471 in interest-bearing debt (nominal value), of which TNOK 534,971 is short-term debt. Of the Group's debt TNOK 2,458,500 are loans with a fixed interest rate. The remaining, TNOK 2,439,735, are loans with a floating interest rate. The Parent company has a total debt of TNOK 2,058,500 at a fixed interest rate and TNOK 934 971 at a floating interest rate.

All bank deposits (TNOK 867,349 for the Group and TNOK 583,743 for the Parent company) are at floating interest rates. A change of +/- 1 per cent will cause in a change in profit or loss of +/- TNOK 15,700 for the Group and TNOK 3,500 for the Parent company. For further information about the Group's interest-bearing debt see note 25 Long-term liabilities. The Group considers that a good balance between fixed and floating interest rates on its debt portfolio has been achieved.

Capital risk management
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company sets the amount of capital in proportion to risk. The management of the capital structure involves active monitoring and adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Company may refinance its debt, buy or issue new shares or debt instruments, sell assets or return capital to shareholders.

The Company monitors debt on the basis of the leverage ratio. This ratio is calculated as gross debt divided by EBITDA. In addition the Company monitor a leverage ratio based on net debt. Net debt is calculated as total indebtedness (including "current and long-term debt" as shown in the consolidated balance sheets) less cash and cash equivalents.

04 Changes in the Group structure

Acquisitions
On 18 June 2008, Noreco ASA acquired 100% of the shares in Talisman Oil Denmark Limited for TNOK 489,044. The Company is included in the Group financial statements from this date. The ownership share is equal to the voting rights. The purchase price was settled in its entirety with cash. Consultancy and legal costs of TNOK 3,860 are recognised as part of the purchase price. The Company changed its name to Siri UK Limited following the acquisition.
Siri UK Ltd owns a 30% share in the Siri Field where Noreco already own a 20% share through its wholly-owned subsidiary Altinex Oil Denmark A/S.

Explanantion of acquired net assets and goodwill is as follows:	**(NOK 1 000)**
Acquistion cost	
Cash settlement	485 184
Direct costs related to the acquisition	3 860
Total acquisition cost	489 044
Fair value of acquired assets	434 741
Goodwill (1)	54 303

Specification of acquired assets and liabilities	**Fair value (2)**	**Book value (3)**
Production facility	668 626	474 685
Accounts receivable	67 146	67 146
Other receivables	93 717	93 717
Removal liabilities	-235 202	-235 202
Deferred tax liabilities	-54 303	0
Current liabilities	-105 243	-105 243
Net assets	434 741	295 103

Acquisition cost	489 044
Cash in the acquired company	85 746
Net cash outflow	403 298

(1) Goodwill arises from the fact that the transaction is accounted for in accordance with IFRS 3 Business Combinations. Differences between the fair value of assets and the taxable value at the date of acquisition results in a change in deferred tax liabilities. Goodwill recognised at acquisition is closely related to the change in deferred tax liabilities. The cash-generating unit for this goodwill is Siri UK Ltd.

(2) A number of estimates have been used in the calculation and allocation of acquisition cost to assets and liabilities in the acquired company. The most significant estimates are explained in brief below.

The production facility consists of a 30% owner's share of the Siri Field. Fair value is estimated based on future cash flow estimates from the production licence. The significant assumptions made in the calculation of the estimate are related to reserves, future operational and investment costs, the hydrocarbon price, the USD exhange rate, and the discount rate. Changes in the assumptions may result in changes in the fair value.
For other balance sheet items there are no adjustments relating to the original book value.

(3) The exchange rate as at 18 June 2008, 5.1898, is used for conversion from USD to NOK. The translation of the income statement from USD to NOK for the period 18 June - 31 December 2008 has been based on an average exchange rate of 5.9456.

Siri UK had a profit before tax of TNOK 161,655 in the period 18 June - 31 December 2008.

Notes

05 Overview of subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	**Country**	**Ownership share**	**Voting share**
Norwegian Energy Company UK Ltd	U.K	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	U.K	100%	100%
Siri Holding UK Ltd	U.K	100%	100%
Siri UK Ltd	U.K	100%	100%

Siri Holding UK Ltd and Siri UK Ltd are recognised in the consolidated financial statements from 18 June 2008.
The remaining subsidiaries are acquired and recognised in the consolidated financial statements from 1 July 2007, with the exception of Norwegian Energy Company UK Ltd.

Noreco ASA owns the following shares in subsidiaries:

(NOK 1 000) Company	**Registered business office**	**Ownership share**	**Voting share**	**Result 2008**	**Equity 31.12.08**	**Book value**
Altinex ASA	Stavanger	100%	100%	102 367	1 177 829	4 345 862
Siri Holding Limited	Stavanger	100%	100%	-3 917	-3 917	4 699
Norwegian Energy Company IK Ltd	Stavanger	100%	100%	-3 081	-3 081	0

06 Exchange rates

The following exchange rates are used in the consolidated financial statements:

	Exchange rate 1.1.2008	**Average exchange rate 2008**	**Exchange rate 31.12.2008**
Norwegian kroner (NOK)	1.00	1.00	1.00
Danish kroner (DKK)	106.75	110.24	132.38
USA dollar (USD)	5.41	5.64	7.00
Euro (EUR)	7.96	8.22	9.87
British pound (GBP)	10.81	10.33	10.12

07 Revenue

Specification of operating revenue:

	Noreco Group		**Norwegian Energy Company ASA**	
(NOK 1 000)	**2008**	**2007**	**2008**	**2007**
Sales of oil	2 292 866	804 884	0	0
Sales of gas and NGL	103 930	38 283	0	0
Revenue from oil price hedging	58 485	0	0	0
Costs from oil price hedging	-31 750	-7 199	0	0
Total revenue	2 423 531	835 968	0	0

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

08 Production costs

Production costs consist of the following:

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	**2008**	**2007**	**2008**	**2007**
Direct production costs	268 429	147 748	0	0
Duties, tariffs, royalties	125 247	48 793	0	0
Other costs	21 217	17 594	0	0
Total production costs	414 893	214 135	0	0

Production costs are related to production/extraction of oil, gas and NGL.

09 Exploration and evaluation costs

Specification of exploration and evaluation costs expensed in the year:

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	**2008**	**2007**	**2008**	**2007**
Acquisition of seismic data, analysis and general G&G costs	156 490	146 577	142 706	93 132
Exploration wells capitalised in previous years	23 821	0	12 409	0
Dry exploration wells this year	40 889	0	0	0
Other exploration and evaluation costs	37 465	0	33 808	0
Total exploration and evaluation costs	258 664	146 577	188 923	93 132

Specification of cashflows relating to exploration and evaluation costs.

(NOK 1 000)	**2008**	**2007**	**2008**	**2007**
Exploration and evaluation cost capitalised as intangible assets this year	380 259	198 367	316 335	150 117
Exploration and evaluation costs directly expensed this year	234 843	146 577	176 514	93 132
Amount invested in exploration and evaluation this year	615 103	344 944	492 849	243 249

10 Employee benefits

Employee benefits consist of the following:

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	**2008**	**2007**	**2008**	**2007**
Salaries	84 492	77 792	63 670	42 328
Social security tax	14 736	9 364	14 285	5 783
Pensions costs (Note 23)	7 433	3 343	4 965	3 343
Costs relating to share-based payments	2 129	0	1 807	0
Salaries from other group companies	0	0	5 096	0
Other benefits	5 345	12 753	4 042	1 382
Total employee benefits	114 135	103 252	93 866	52 836

Average number of man-years	**2008**	**2007**	**2008**	**2007**
Norway	41.5	30.0	41.5	22.0
Denmark	28.0	11.0	-	-
Total	69.5	41.0	41.5	22.0

11 Related-party transactions

Compensation to key management

(NOK 1 000)	**Director's fees**	**Remune-ration**	**(1) Bonus**	**Pension**	**(2) Other remuner-ation**	**Total compen-sation**	**(8) No. of shares**	**(3) No. of options**	**(4) Shares purchased in 2009**	**(5) Options granted in 2009**
Senior executives										
Scott Kerr (6)		2428	1283	121	1625	5457	1645084	98390	49256	230971
CEO										
Jan Nagell		1688	867	127	937	3618	34433	59290	25117	131593
CFO										
Einar Gjelsvik		1266	670	77	176	2189	77320	43477	7885	96494
VP, Investor/External Relations										
Thor Arne Olsen		2077	1069	129	1408	4683	1245441	50456	39293	153981
VP, Commercial										
Rune Martinsen		1786	943	100	562	3391	964833	44520	23252	135865
VP, Northern North Sea										
Synnøve Røysland		1729	827	-	40	2595	15948	55802	-	133747
VP, Southern North Sea										
Reinert Seland		1667	880	135	1228	3910	1114534	41552	29997	126808
VP, Exploration										
Birte N. Borrevik		1665	880	132	839	3517	120334	55576	25728	126808
VP, Drilling and Projects										
Stig Frøysland		1672	645	136	1023	3475	34474	55100	22545	122885
VP, HSE / HR										
	Director's fees	**Remune-ration**	**(1) Bonus**	**Pension**	**(2) Other remuner-ation**	**Total compen-sation**	**(8) No. of shares**	**(3) No. of options**	**(4) Shares purchased in 2009**	**(5) Options granted in 2009**
Board of Directors										
Lars Takla (7)	650					650	1511436			
Chairman of the Board										
John Hogan	450					450	354528			
Board member										
Roger O'Neill	400					400	289444			
Board member										
Heidi M. Petersen	400					400	2004			
Board member										
Therese Log Bergjord	400					400	9000			
Board member										
Søren Poulsen		1105	397	-	45	1547	-	14348	-	60776
Board member, staff representative										
Total compensation 2008	**2300**	**17082**	**8462**	**956**	**7883**	**36683**	**7418813**	**518511**	**223073**	**1319928**
Total compensation 2007	1260	9762	1986	717	3021	16746				

(1) Bonus related to the years 2007 and 2008
(2) Other remuneration include pension exceeding 12G, telephone, ADSL and other minor remunerations
(3) The number of options includes bonus shares according to the Company's incentive arrangement
(4) The Shares are purchased in January 2009 in connection with the incentive arrangements related to pension benefit for 2009
(5) Options granted in connection with the Company's option program
(6) CEO Scott Kerr owns convertible bonds in Noreco at nominal value TNOK 4,000. A conversion of these bonds will result in 179.775 shares in Noreco ASA.
(7) Chairman of the Board Lars Takla owns 2 bonds in Noreco at nominal value TNOK 500
(8) The number of shares owned by key management is allocated between private shareholding and shareholding through companies controlled by key management.

VP Rune Martinsen has sold 300,000 shares subsequent to the balance sheet date. Group management has an arrangement of 12 months pay after termination of employment. The arrangement is applicable if the Company enters into a merger or an acquisition and the person concerned has to resign from his/hers position. The Company has not issued any loans or acted as a guarantor for directors or management.

Director's fees
The annual remuneration to board members is decided on by the Shareholder's Meeting. Current benefits are;
The COB is receiving an annual remuneration of TNOK 650. The vice president of the Board is receiving an annual remuneration of TNOK 450 and international and Norwegian members of the board are receiving an annual remuneration of TNOK 400. The remuneration is paid quarterly. None of the Board's members have entered into any agreement to provide services to the Company except for services following their duty as Board members.
The Board is not part of the Group's option program.
In addition to the above, Board members are reimbursed for travel expenses and other expenses in connection with company related activities.

Board of Directors' Statement on Remuneration to the CEO and the Executive Officers.
In accordance with §6-16a of the Norwegian Public Limited Liability 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 Annual General Meeting 27 May 2009.

Noreco is a Norwegian E&P company, and its activities are focused in the North Sea (mainly Norway, Denmark and the United Kingdom). Noreco is operating in an international recruiting market. The total compensation package for the CEO and other executive officers must 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 must be such that it will 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 elements consist 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 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 for pension above 12G.

The variable elements consist of an annual bonus, a deferred bonus and participation in a share option program.

The level of the annual cash bonus is determined based on the Company's performance. The annual cash bonus has a maximum payment of 30% of the base 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 held 14 January 2008 and the Annual General Meeting held 25 April 2008 approved the principles for a share option program for all employees. The purpose of the program is to establish a long-term incentive program 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 over time. Share options will be granted annually by the Board of Directors. For 2009, 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 five years. The calculation of the options' exercise price will be based on the average trading price of the Company's shares the first five trading days following announcement of the Company's 2008 results. For options issued in 2009, this entails an exercise price of NOK 11,01.

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 use this system for determining the level of annual cash and share bonus in the coming fiscal year.

The Company's management has an agreement entitling them to 12 months salary following termination of their employment. This agreement applies in a situation where the Company is merged into, or purchased by, another company and the relevant manager is forced to resign.

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 salaries and other benefits are kept, at all times, within the above guidelines and principles.

The guidelines described above have not been deviated from in 2008.

Notes

12 Other operating expenses

Spesification of other operating expenses (NOK 1 000)	Noreco Group 2008	Noreco Group 2007	Norwegian Energy Company ASA 2008	Norwegian Energy Company ASA 2007
Lease expense	8 680	3 144	4 106	1 978
IT expense	25 307	10 678	13 938	8 046
Travel expense	9 676	4 286	6 039	2 918
General and administrative costs	4 964	3 121	3 823	2 493
Consultant fees	39 102	16 075	37 022	12 391
Other operational expenses	7 751	9 965	3 132	339
Total other operating expenses	**95 480**	**47 269**	**68 060**	**28 165**

Auditor's fees (NOK 1 000)	Noreco Group 2008	Noreco Group 2007	Norwegian Energy Company ASA 2008	Norwegian Energy Company ASA 2007
Auditor's fees	1 315	1 558	360	135
Other audit related services	184	298	64	286
Tax advisory services	381	339	8	93
Other advisory services	1 164	611	313	255
Total fees	**3 044**	**2 806**	**745**	**769**
Total fees are distributed between the following;				
Deloitte AS	495	769	464	769
KPMG AS	1 828	1 595	281	-
PriceWaterhouseCoopers AS	721	241	-	-
McIntyre Hudson Ltd	-	202	-	-
Total distributed fees	**3 044**	**2 806**	**745**	**769**

13 Operating leases

Operating leases:

Annual lease costs related to lease agreements accounted for as operating leases (NOK 1 000)	Noreco Group 2008	Noreco Group 2007	Norwegian Energy Company ASA 2008	Norwegian Energy Company ASA 2007
Office	5 939	3 324	3 441	1 654
Other	2 560	844	1 889	844

Total minimum lease costs according to non-terminable lease agreements (NOK 1 000)	2008	2007	2008	2007
2009	10 579	8 755	9 135	2 906
2010	9 033	2 822	8 836	2 627
2011	8 078	2 098	7 931	2 098
2012	5 510	2 053	5 510	2 053
>2013	20 327	9 690	20 327	9 690
Total	53 527	25 418	51 739	19 374

The Group leases premises in all locations where they have operations. In addition some of the Group's IT-equipment and other office-related equipment are being leased.

14 Financial income and expense

(TNOK 1 000)		Noreco Group	Norwegian Energy Company ASA	
Financial income	**2008**	**2007**	**2008**	**2007**
Interest income	66 311	43 780	42 866	34 618
Other financial income	1 436	15 372	0	0
Interest income from other group companies	0	0	36 641	1 490
Group contribution	0	0	74 950	0
Exchange rate gains [1]	93 933	115 278	230 428	263
Total financial income	161 680	174 430	384 885	36 371

Financial expense	**2008**	**2008**	**2008**	**2007**
Interest expense from bond loans	412 292	168 649	303 279	124 870
Interest expense from convertible loans	33 771	17 502	33 771	16 396
Interest expense, other non-current liabilities	48 646	34 070	0	16 354
Interest expense from exploration loans	33 082	16 396	33 082	0
Amortisation of loan costs	61 077	27 927	41 899	20 987
Imputed interest from abandonment liabilties	43 782	9 901	0	0
Interest expense, current liabilities	9 533	33 942	2 841	25 502
Losses related to sales of assets held for sale	0	23 490	0	0
Interest expense to other group companies	0	0	37 132	0
Other financial expenses	5 052	3 669	1 014	68
Exchange rate losses [1]	70 039	102 709	184 838	233
Total financial expense	717 274	438 255	637 856	204 410
Net financial items	-555 593	-263 824	-252 972	-168 039

(1) There are considerable exchange rate gains/losses in the financial statements of Noreco ASA. These relate mainly to unrealised exchange rate gains/losses related to loans to/from group companies. The principal is in USD. These items are eliminated in the consolidated financial statements.

15 Tax

Tax expenses:		**Noreco Group**	**Norwegian Energy Company ASA**	
(NOK 1 000)	**2008**	**2007**	**2008**	**2007**
Tax payable	748 970	183 170	0	0
Tax refundable	-542 644	-265 866	-542 644	-265 866
Change in deferred tax	175 098	-145 735	259 659	-62 730
Change in deferred tax asset	-147 762	0	-109 448	0
Tax refundable regarding exploration costs	0	131 776	0	131 776
Deferred tax not previously recognised	-3 694	0	0	0
Tax related to equity transactions	0	21 751	0	21 751
Change regarding previous years	-32 748	0	-7 917	0
Other items	-49 466	57 807	-6 661	-2 831
Tax expense	**147 754**	**-17 097**	**-407 012**	**-177 901**
Tax expense domestic	1 395	-70 199	-407 012	-177 901
Tax expense foreign	146 360	53 102		

Specification of current tax payable:

(NOK 1 000)	**2008**	**2007**	**2008**	**2007**
Income (loss) before tax	**267 965**	**-208 209**	**-604 960**	**-343 027**
Permanent differences	114 261	111 152	1 884	2 456
Group contribution	0	0	-74 950	0
Change in temporary differences	-38 113	-200 125	-274 252	-168 322
Other items	-84 220	13 159	-33 643	-65 522
Uplift utilised this year	-22 429	-15 431	0	0
Utilised tax loss carried forward	-68 574	0	0	0
Finance items assigned to onshore activities	286 156	190 591	286 156	233 561
Total basis for current tax	**455 046**	**-108 863**	**-699 765**	**-340 854**

Reconciliation of nominal to actual tax rate:		**Noreco Group**	**Norwegian Energy Company ASA**	
(NOK 1 000)	**2008**	**2007**	**2008**	**2007**
Income (loss) before tax	**267 965**	**-208 209**	**-651 460**	**-343 027**
Corporation tax of income (loss) before tax	229 758	-58 298	-182 408	-96 047
Special offshore tax portion Petroleum sur-tax	-89 864	-26 638	-325 730	-87 494
Recognised change in deferred tax from previous years	-49 735	-13 261	-48 703	0
Utilised uplift	-11 214	-7 715	0	0
Effect financial items	160 234	106 731	167 650	0
Permanent differences	-44 729	36 147	1 469	5 640
Other items	-46 696	-54 063	-19 289	0
Tax expense	147 754	-17 097	-407 012	-177 901

Deferred tax and deferred tax asset related to ordinary company tax:

(NOK 1 000)	**2008**	**2007**	**2008**	**2007**
Net operating tax loss carried forward	956 819	634 720	646 700	229 506
Fixed assets	-6 142 053	-5 457 716	-458 433	-211 197
Current assets	-54 759	-63 328	0	0
Liabilities	-129 742	144 072	-12 482	-22 079
Basis for deferred tax/deferred tax asset	**-5 369 735**	**-4 742 252**	**175 784**	**-3 770**
Deferred tax/deferred tax asset (28%)	1 847 266	1 951 011	-49 220	1 056
Deferred tax/deferred tax asset Petroleum sur-tax [1]	613 234	456 552	228 786	81 019
Total deferred tax/deferred tax asset	**2 460 500**	**2 407 563**	**179 567**	**82 074**
Of which booked directly to equity	0	-52 718	0	-52 718
Unrecognised deferred tax asset	34 956	-59 349	0	0
Deferred tax/deferred tax asset recognised	**2 495 456**	**2 295 496**	**179 567**	**29 357**
Recognised deferred tax asset [1]	-230 421	-111 391	-177 340	-67 892
Recognised deferred tax [2]	2 725 879	2 406 885	356 907	97 248
Recognised deferred tax asset domestic	-215 415	-111 391	-177 340	-67 892
Recognised deferred tax asset abroad	-15 006	0		
Recognised deferred tax domestic	957 632	770 117	356 907	97 248
Recognised deferred tax abroad	1 768 246	1 636 769		

(1) Deferred tax asset relates to Norwegian and British tax jurisdiction
(2) Deferred tax relates to the petroleum sur-tax regime in norwegian tax legislation, deferred tax in subsidiaries abroad and deferred tax related to identified excess values at acquisition date.

The Group has in 2008 recognised deferred tax assets related to companies in Norway and the UK. This is based upon an assessment that the Group will generate taxable profits to utilise of the deferred tax asset. The assessment is based on the activity level in the Group and Managements expectations regarding future development and future prospects.
Based upon expected future income founded on realistic assumptions and the fact that the tax losses can now be carried forward indefinitely, management assesses that there are strong indications that sufficient taxable income will be earned in future periods in order to fully utilise the tax loss carry forwards in the onshore based business.

The Group has not recognised deferred tax assets related to net operating loss in the subsidiaries Geopard A/S, Siri Holding UK and Noreco UK. Unrecognised deferred tax asset in this respect amounts to (TNOK 34,956). These companies has currently no income and as such the deferred tax assets are not recognised.

16 Earnings per share

Earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during 2008.

	Noreco Group		Norwegian Energy Company ASA	
	2008	2007	2008	2007
Net profit attributable to ordinary shareholders	120 213	-191 112	-197 948	-165 126
Average number of ordinary shares	130 084 655	63 222 581	130 084 655	63 222 581
Average number of shares, diluted	139 377 375	63 222 581	139 377 375	63 222 581
Earnings per share	0.92	-3.02	-1.52	-2.61
Earnings per share, diluted	0.93	-3.02	-1.35	-2.61

The Company has implemented an option program which includes all employees in the Noreco Group. Total granted options as of 22 April 2009 are 4,630,713 of which 3,485,513 are granted to employees in the Parent company.
The employees have, in accordance with the Group's incentive agreements, 470,422 bonus shares outstanding as of 22 April 2009 of which 399,193 concerns employees in the Parent company. These options/bonus shares could result in a future dilutive effect.

17 Intangible assets

Noreco Group

2008 (NOK 1 000)	Capitalised exploration and evaluation costs	Other patents and licences	Goodwill	Total
Acquisition cost 01.01.	4 334 316	62 254	1 483 978	5 880 548
Additions	380 258	0	2 517	382 775
Additions through acquisitions of subsidiaries	0	0	54 303	54 303
Transferred to production facility	-195 992	0	0	-195 992
Disposals [1]	-17 881	-5 940	0	-23 821
Currency translations	38 372	0	0	38 372
Acquisition cost 31.12	**4 539 073**	**56 314**	**1 540 798**	**6 136 185**
Accumlumated amortisation and impairment				
Accumulated amortisation 01.01	0	0	0	0
Amortisation charge for the year	0	0	0	0
Impairment charge for the year	0	0	0	0
Currency translations	0	0	0	0
Accumlumated amortisation and impairment 31.12	**0**	**0**	**0**	**0**
Book value 31.12	**4 539 073**	**56 314**	**1 540 798**	**6 136 185**
Economic life	N/A	N/A	N/A	
Amortisation plan	N/A	N/A	N/A	

2007 (NOK 1 000)	Capitalised exploration and evaluation costs	Other patents and licences	Goodwill	Total
Additions	2 942	5 940	0	8 882
Additions	198 367	56 314	0	254 681
Additions through acquisitions of subsidiaries	4 161 706	0	1 483 978	5 645 684
Disposals [1]	-10 091	0	0	-10 091
Currency translations	-18 607	0	0	-18 607
Acquisition cost 31.12	**4 334 316**	**62 254**	**1 483 978**	**5 880 549**
Accumlumated amortisation and impairment				
Accumulated amortisation 01.01	0	0	0	0
Reversal of amortisation	10 091	0	0	10 091
Amortisation charge for the year	0	0	0	0
Impairment charge for the year	-10 091	0	0	-10 091
Currency translations	0	0	0	0
Accumlumated amortisation and impairment 31.12	**0**	**0**	**0**	**0**
Book value 31.12	**4 334 316**	**62 254**	**1 483 978**	**5 880 549**
Economic life	N/A	N/A	N/A	
Amortisation plan	N/A	N/A	N/A	

Norwegian Energy Company ASA

2008 (NOK 1 000)	Capitalised exploration and evaluation costs	Other patents and licences	Total
Acquisition cost 01.01	153 059	62 254	215 313
Additions	316 335	0	316 335
Disposals	-6 469	-5 940	-12 409
Acquisition cost 31.12	**462 925**	**56 314**	**519 239**
Accumlumated amortisation and impairment			
Accumulated amortisation 01.01	0	0	0
Amortisation charge for the year	0	0	0
Accumlumated amortisation and impairment 31.12	**0**	**0**	**0**
Book value 31.12	**462 925**	**56 314**	**519 239**
Economic life	N/A	N/A	
Amortisation plan	N/A	N/A	

2007 (NOK 1 000)	Capitalised exploration and evaluation costs	Other patents and licences	Total
Acquisition cost 01.01	2 942	5 940	8 882
Additions	150 117	56 314	206 431
Disposals	0	0	0
Acquisition cost 31.12	**153 059**	**62 254**	**215 313**
Accumlumated amortisation and impairment			
Accumulated amortisation 01.01	0		0
Amortisation charge for the year	0		0
Accumlumated amortisation and impairment 31.12	**0**	**0**	**0**
Book value 31.12	**153 059**	**62 254**	**215 313**
Economic life	N/A	N/A	
Amortisation plan	N/A	N/A	

(1) Impairment is recognised for capitalised exploration and evaluation costs related to drillings where the condusion of the evaluation of results is that development is not commercially viable. See accounting principle note for the accounting for exploration and evaluation costs.

Capitalised exploration and evaluation costs

Capitalised exploration and evaluation costs are accounted for in accordance with the “successful effort” method. Purchases of exploration licenses are capitalised as intangible assets. Exploration and evaluation costs incurred related to exploration drilling is capitalised pending a final evaluation of commercial discoveries. At subsequent evaluations the capitalised amount is evaluated according to IFRS requirements for the evaluation of intangible assets. If development the decision is made capitalised amount is transferred to production facility under construction. If commercial discoveries have not been made, the capitalised amount is expensed as exploration and evaluation costs. Capitalised exploration and evaluation costs are not subject to amortisation.

Overview of Goodwill

(NOK 1 000)	Currency	Exchange rate	Cost price currency	Acquired	Book value 31.12
Enoch	NOK	1.00	11 700	10.05.05	11 700
Brage	NOK	1.00	288 491	01.01.06	288 491
Altinex ASA (group)	NOK	1.00	1 186 304	01.07.07	1 186 304
Siri UK (Talisman Denmark Ltd)	NOK	1.00	54 303	18.06.08	54 303
Total			**1 540 798**		**1 540 798**

Impariment test for goodwill, licenses and production facilities

Goodwill is allocated to the Group’s cash-generating units identified by which acquisition the goodwill relates to and the allocation from each acquistion. Noreco Group uses the Groups segment reporting as a basis for cash-generating units for goodwill.
In accordance with the Group’s accounting policies, an impairment test for the Group’s goodwill, licenses and production facilities has been carried out at 31.12.2008. The impairment tests are carried out by the Company and are based on expected cash flows from relevant reserves. For licenses which still are considered to be in an exploration phase an average price multiple based on several analyst estimates have been used.
Expected cash flows from relevant reserves are derived from approved budgets.

The impairment calculations are based on the following assumptions:

Prognosis period (1)	Estimated life time of the oil field
Cash flow	After tax
Discount rate (after tax)	7.60%
Oil price	The market’s forward curve for oil price for the period 2009 - 2017 is used. From 2018 the oil price is adjusted for inflation.
Exchange rate USD/NOK	The market’s annual average forward-rate for the period 2009 - 2013 is used. From 2014 the average rate for 2013 is used.
Reserves	Based on the Company's estimated reserves at 31.12.08
Inflation	2.5%

(1) In estimating the recoverable amount for fields an estimation period corresponding to the lifetime of the individual field is used. This is because the production profiles, investment costs, abandonment provisions and timing of abandonment significantly affect the value of future cash flows and can be reasonably estimated over the total lifetime of the field.

The carrying amount of goodwill, licenses and capitalised exploration costs and production facilities incl. removal asset are tested for impairment as of 31.12.2008. In the calculation the same assumptions as described above are used.

The calculations show that the recoverable amount is greater than the book value, given the assumptions that are used. A significant change in assumptions would have to occur before an impaiment would be the outcome with the exception of goodwill related to Brage where incremental changes in oil price, foreign exchange rate and expected future production may result in an impairment.

The calculations show that the recoverable amount for licenses and capitalised exploration costs is greater than the carrying amount, given the assumptions that are used. The calculated values are most sensitive to changes in the oil price, foreign exchange rate and expected future production. A significant change in assumptions would have to occur before an impaiment would be the outcome.

The calculations show that the recoverable amount for production facilities is greater than the carrying amount, given the assumptions that are used. The calculated values are most sensitive to changes in the oil price, foreign exchange rate and expected future production. A significant change in assumptions would have to occur before an impaiment would be the outcome.

18 Property, plant and equipment

Noreco Group

Acquisition cost 01.01.	Assets in operation	Fixtures	Total
Additions	3 096 991	8 133	3 105 124
Acquisitions through business combinations	414 962	34	414 996
Transfered from capitalised exploration costs	668 626	0	668 626
Disposals	195 992	0	195 992
Effect of movements in exchange rates	-328 045	0	-328 045
Acquisition cost 31.12.	584 889	145	585 034
Acquisition cost 31.12	**4 633 415**	**8 312**	**4 641 727**
Depreciation and impairment losses			
Accumulated depreciation 01.01	-253 279	-1 482	-254 761
Reversal of depreciations on disposals	0	0	0
Depreciation for the year	-713 444	-3 355	-716 799
Effect of movement in exchange rates	77 092	119	-127 783
Accumulated depreciation and impairment losses 31.12	**-1 094 625**	**-4 718**	**-1 099 344**
Balance at 31.12	**3 538 789**	**3 594**	**3 542 383**
Economic life	N/A	3-5 years	
Depreciation plan	Unit of production method	Linear	

2007 (NOK 1 000)	Assets in operation	Fixtures	Total
Acquisition cost 01.01.	0	2 555	2 555
Additions	555 891	2 382	558 274
Acquisitions through business combinations	2 641 176	4 462	2 645 638
Disposals	0	-1 165	-1 165
Effect of movements in exchange rates	-100 077	-100	-100 177
Acquisition cost 31.12.	**3 096 991**	**8 133**	**3 105 125**
Depreciation and impairment losses			
Accumulated depreciation 01.01	0	-751	-751
Reversal of depreciations on disposals	0	1 165	1 165
Depreciation for the year	-257 172	-1 859	-259 031
Effect of movement in exchange rates	3 893	-37	3 857
Accumulated depreciation and impairment losses 31.12	**-253 279**	**-1 482**	**-254 761**
Balance at 31.12	**2 843 712**	**6 652**	**2 850 364**
Economic life	N/A	3-5 years	
Depreciation plan	Unit of production method	Linear	

Norwegian Energy Company ASA

2008 (NOK 1 000)	Fixtures	Total
Acquisition cost 01.01	3 799	3 799
Additions	0	0
Disposals	0	0
Acquisition cost 31.12	**3 799**	**3 799**
Depreciation and impairment losses		
Accumulated depreciation 01.01	-1 606	-1 606
Depreciation for the year	-1 138	-1 138
Accumulated depreciation and impairment losses 31.12	**-2 744**	**-2 744**
Balance at 31.12	**1 055**	**1 055**
Economic life	3-5 år	
Depreciation plan	Lineær	

2007 (NOK 1 000)	Fixtures	Total
Acquisition cost 01.01	2 555	2 555
Additions	1 244	1 244
Disposals	0	0
Acquisition cost 31.12.	**3 799**	**3 799**
Depreciation and impairment losses		
Accumulated depreciation 01.01	-751	-751
Reversal of depreciations on disposals	0	0
Depreciation for the year	-855	-855
Accumulated depreciation and impairment losses 31.12	**-1 606**	**-1 606**
Balance at 31.12	**2 193**	**2 193**
Economic life	3-5 years	
Depreciation plan	Linear	

Property, plant and equipment is measured at historical cost. In connection with the purchase of Talisman Denmark Ltd the excess value on the investment is allocated to the identified assets. For further explanation, see note 4.

Production facilities are depreciated from the date operation starts. The facilities are depreciated using the unit of production method. The depreciations are calculated by multiplying depreciation basis with production in the period allocated over estimated proved reserves, see note 35. The basis for depreciation is allocated between investments in production facilities and infrastructure being used during the entire lifetime of the field and production facilities and infrastructure exclusively used in connection with developed reserves. The first mentioned uses total proved reserves (developed and non-developed) as allocation basis, and the last mentioned uses total proved developed reserves as basis for allocation.

Other tangible assets are depreciated on a straight line basis over estimated economic lifetime. Estimated economic lifetime is assessed to be between 3 and 5 years.

Reassessment of estimated economic lifetime are carried out annually. If changes in estimates are decided, depreciations are changes prospectively.

Production facilities are tested for impairment (see note 17).
Recoverable amount is higher than carrying amount and no impairment charge is recognised.

19 Trade and other receivables

Trade receivables and other short term receivables (NOK 1 000)	Noreco Group 2008	2007	Norwegian Energy Company ASA 2008	2007
Trade receivables	219 488	89 846	25 052	0
Tax receivable	542 644	265 866	542 644	265 866
Inter-company receivables	0	0	16 164	5 350
Other receivables	202 642	208 182	94 115	60 498
Total receivables	**964 774**	**563 894**	**677 975**	**331 714**

Other receivables (NOK 1 000)	Noreco Group 2008	2007	Norwegian Energy Company ASA 2008	2007
Receivables from operators relating to joint venture licences	124 148	76 254	86 123	44 628
Underlift oil/NGL (1)	60 992	110 573	0	0
Other receivables	17 502	21 356	7 992	15 870
Total other receivables	**202 642**	**208 182**	**94 115**	**60 498**

(1) Specification of underlift oil (2)	boe	USD/boe	Value (TNOK)
Underlift oil	219 915	36,21	55 730
Underlift NGL	35 953	20,91	5 262
Total	255 868	34,06	60 992

(2) Underlift and overlift of oil and NGL from the different fields are presented as gross amounts. For specification of overlift, see note 26 Trade and other payables

Trade and other receivables held in currency (NOK 1 000)	Noreco Group 2008	2007	Norwegian Energy Company ASA 2008	2007
NOK	661 823	339 805	677 975	331 714
DKK	22 222	27 756	0	0
USD	263 923	187 769	0	0
GBP	10 883	4 141	0	0
EUR	5 923	4 423	0	0
Total	964 774	563 894	677 975	331 714

Receivables are carried at amortised cost. Uncertain receivables are written down to estimated recoverable amount. Fair value is not considered to diverge from carrying amount.

The Group's trade receivables are mainly consisting of receivables related to sales/production of hydrocarbons. The debtors are major, established oil companies and the credit risk is considered to be low. The Group has not experience loss on receivables in 2007 and 2008.

Receivables in USD are mainly in subsidiaries which have USD as their functional currency. The Company has not hedged receivables against fluctuations in currency. The Company has operating costs in different currencies and receivables will hedge trade payables and other current liabilities in different currencies. The Company has not used hedge accounting in such instances.

20 Other financial instruments

Financial derivatives entered into to hedge future cash flows:
The Group's strategy is to hedge against fluctuations in the price of oil. This is carried out by the purchase of put options for a proportion of the estimated oil production. These options give the Company the right, but not the obligation, to the sale of oil at a minimum price. The options qualify as a hedging instrument because they ensure future cash inflows to the Company. Unrealised changes in the value of options entered into are accounted for as a separate item booked directly to equity. If realised gains/losses on the options are recognised as revenue increases/decreases in the income statement, and the element booked directly to equity is reversed.

At 31.12.08 the Group has the following option contracts:

	Cost (TUSD)	Book value (TUSD)	Book value/Fair value (TNOK)	Unrealised gains/losses directly against equity (TNOK)
Options expiring in 2009	4 451	42 902	300 265	269 115
Options expiring in 2010	3 781	29 599	207 162	180 701
Options expiring in 2011	894	5 607	39 243	32 986
Total	9 125	78 108	546 670	482 802

- Fair value of the options are collected from the financial institutions with which the Group have entered into the agreements.
- Options have been purchased in subsidiaries with a functional currency of USD and NOK. Currency translation to NOK is carried out using the exchange rate at the balance sheet date.
- Changes in value are recognised directly in equity in accordance with hedge accounting for future cash flows, see below.
- The Company hedges part of its oil production based on production estimates. Production can be estimated with a high degree of certainty, this means that there is high probability that future cash flows will occurr. In 2008, the Group has experienced situations where hedged oil sales have actually exceeded actual oil sales (see note 7 Revenue). Options with expiry date in 2009, 2010 and 2011 hedge a proportion of the expected cash flows based on expected production for 2009, 2010 and 2011 respectively.

Changes to equity relating to hedging of cash flows, during the year:	
Fair value of cash flow hedging - opening balance	-43 411
Changes in value during the year	345 191
Gains recognised in the income statement	-34 918
Currency translations	78 243
Fair value of cash flow hedging - closing balance	345 105

Fair value and carrying amount of financial assets and liabilities:	31.12.08 Carrying amount	Fair value	31.12.07 Carrying amount	Fair value
Hedging of bond loans	-	-	41 598	41 598
Hedging of interest payments	-	-	3 345	3 345
Oil price hedging	546 670	546 670	2 054	2 054
Total financial assets	546 670	546 670	46 997	46 997

21 Cash and cash equivalents

Specification of cash and cash equivalents

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	**2008**	**2007**	**2008**	**2007**
Cash at bank and cash (free assets, non-restricted assets)	812 006	939 133	563 331	658 825
Cash at bank and cash (restricted)	55 343	34 527	20 412	7 699
Cash and cash equivalents in balance sheet	867 349	973 660	583 743	666 524

Restricted funds
The main part of the Group's restricted funds is related to guarantee for payments to Gassco. The payments relates to the use of pipeline capacity for transportation of gas and NGL, TNOK 22,600. TNOK 11,854 is related to withholding tax. In the Parent company, the main part of restricted funds is related to withholding tax.

Cash held in different currencies		Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	**Amount in currency**	**2008**	**2007**	**2008**	**2007**
NOK	525 828	525 828	751 187	383 575	666 524
DKK	1 174	1 554	617	0	0
USD	47 966	335 709	222 425	200 167	0
EUR	430	4 243	4 901	0	0
GBP	2	16	-5 469	1	0
Total		867 349	973 660	583 743	666 524

There are no differences between fair value and carrying amount for cash at bank.

Overdraft facilities

(NOK 1 000)	Amount in currency	NOK	Used	Unused
NOK	5 000	5 000	0	5 000
NOK (exploration loan) [1]	800 000	800 000	534 971	265 029
USD	5 000	34 995	12 402	22 593
USD (reserve based lending facilities, see note 25)	310 200	2 171 059	1 504 764	666 295
Total		3 011 054	2 052 137	958 917
Cash and cash equivalents				867 349
Accessible liquidity				1 826 266

1) Concerns Parent Company

22 Share capital and share premium reserve

	2008	2007
Ordinary shares	143 363 877	111 414 358
Total shares	**143 363 877**	**111 414 358**

The Company's share capital is TNOK 444,428 and consists of 143,363,877 shares with a face value of 3.10. In 2007, 2 share splits were carried out. The first share split resulted in the face value per share being reduced from NOK 1,000 to NOK 12.30. The second share split resulted in the face value per share being reduced from NOK 12.30 to NOK 3.10. In connection with the second share split, a fund emission was also carried out. The reduction in the face value per share has led to a corresponding increase in the number of shares. The Company does not own any of its own shares.

All shares have equal rights.

Changes in share capital and share premium reserve:	No. of shares	Share capital	Share Premium Reserve
Equity at 1 Januar 2007	**31 422**	**31 422**	**48 261**
Share issue April 2007	2 212	2 212	5 191
Share issue and share spilt May 2007	3 555 033	10 503	19 602
Share issue June 2007	19 230 257	236 513	1 018 803
Share issue August 2007	862 251	10 605	111 879
Share split and funds emission	71 043 525	2 392	-2 392
Share issue October 2007	16 670 131	51 677	498 453
Share issue December 2007	19 527	61	672
Share issue costs	0	0	-55 931
Coverage of accumulated losses	0	0	-189 085
Equity at 31 December 2007	**111 414 358**	**345 385**	**1 455 453**
Equity at 1 Januar 2008	**111 414 358**	**345 385**	**1 455 453**
Share issue February 2008	324 484	1 006	8 683
Share issue May 2008	19 149 000	59 362	390 640
Share issue June 2008	2 500 000	7 750	51 000
Share issue July 2008	9 505 613	29 467	182 033
Share issue November 2008	470 422	1 458	6 445
Share issue costs	0	0	-27 106
Coverage of accumulated losses	0	0	-197 948
Equity at 31 December 2008	**143 363 877**	**444 428**	**1 869 200**

In January 2009 a private placement was made to the Company's Norwegian employees. The share issue was for the amount TNOK 1,566 and for a total of 505,060 shares at a face value of 3.10. The share premium totalled TNOK 5,303.

Existing mandates
The Board of Directors was granted a mandate by the General Meeting of 25 April 2008 to increase the share capital by up to TNOK 3,100 by issuing up to 1,000,000 new shares at the face value of NOK 3.10. The offer price and further subscription conditions are determined by the board. Existing shareholders priority in terms of subscription can be departed from. The purpose of the mandate is to issue shares in connection with existing and future incentive programs for employees in the Noreco Group. The mandate is valid for 1 year from the date which it is registered in the Register for Business Enterprises. As at 22 April 2009, there are 24,518 remaining shares at a face value of 3.10.

The Board of Directors was granted a mandate by the General Meeting of 25 April 2008 to increase the share capital by up to TNOK 173,195 by issuing up to 55,869,420 shares at the face value of NOK 3.10. The offer price and further subscription conditions are determined by the board. Existing shareholders priority in terms of subscription can be departed from. The purpose of the mandate is to enable the carrying out of share issues directed towards existing share holders or to bring new investors into the Company, in connection with acquisitions in the oil and energy sector, or in connection with business combinations. The mandate is valid for 1 year from the date which it is registered in the Register for Business Enterprises. As at 22 April 2009, there are 24,714,807 remaining shares at a face value of 3.10.
The above-mentioned mandates replace all previously granted mandates relating to the issuing of shares.

Overview of shareholders at 31 December 2008:

Name	Shareholding	Ownership share	Voting share
Lyse Energi AS	18 583 127	12.96%	12.96%
Goldman Sachs Int	13 696 004	9.55%	9.55%
NEC Invest AS	11 236 257	7.84%	7.84%
IKM Industri-Invest AS	9 130 937	6.37%	6.37%
UBS AG, London Branch	9 095 779	6.34%	6.34%
Nordea Bank Norge ASA	7 458 217	5.20%	5.20%
Bank of New York, Brussels Branch	4 395 653	3.07%	3.07%
Folketrygdfondet	4 017 957	2.80%	2.80%
Morgan Stanley & Co Intl PLC	3 673 344	2.56%	2.56%
Morgan Stanley & Co Inc	3 663 521	2.56%	2.56%
KLP LK aksjer	3 232 311	2.25%	2.25%
Goldman Sachs INT.	3 191 011	2.23%	2.23%
Citibank - London Branch	1 733 500	1.21%	1.21%
Verdipapirfondet KLP Aksjenorge	1 656 287	1.16%	1.16%
JP Morgan Chase Bank	1 564 993	1.09%	1.09%
Takla Energy AS	1 461 436	1.02%	1.02%
Topas AS	1 364 204	0.95%	0.95%
DnB Nor SMB	1 300 000	0.91%	0.91%
TAO Invest AS	1 245 441	0.87%	0.87%
OM Holding AS	1 237 768	0.86%	0.86%
Total	**102 937 747**	**71.8%**	**71.8%**
Total other shareholders	**40 426 130**	**28.2%**	**28.2%**
Total number of shares at 31 December 2008	**143 363 877**	**100%**	**100%**

See Note 11, CEO Scott Kerr owns a total of 1 645 084 shares in the Company. The share ownership is divided between private ownership and companies controlled by him, and is therefore not included in the overview above.

As at 22 April 2009, there are no major changes in the shareholder structure.

23 Pensions

Defined benefit scheme
Employees in the Parent company have a defined Group benefit plan in a life assurance company. The liability comprises 49 persons as of December 31st 2008 and 32 persons as of December 31st 2007. The Defined pension plan for the Parent company was established in 2006.

The Norwegian companies are obliged to have occupational pension in accordance with the Norwegian act related to mandatory occupational pension. All companies meets the Norwegian requirements for mandatory occupational pension (obligatorisk tjenestepensjon).

Demographic assumptions used are based on common used assumptions.

Net periodic pension cost:

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	**2008**	**2007**	**2008**	**2007**
Service cost	5 955	2 847	5 955	2 847
Interest cost	295	117	295	117
Expected return on plan assets	-412	-152	-412	-152
Administrational expenses	83	52	83	52
Amortisation of payroll tax	835	413	835	413
Amortisation of net actuarial losses (gains)	54	66	54	66
Total pension cost	**6 810**	**3 343**	**6 810**	**3 343**

Plan assets and DBO:

(NOK 1 000)	**2008**	**2007**	**2008**	**2007**
DBO at end of year	14 628	6 278	14 628	6 278
Fair value of plan assets at end of year	-8 144	-4 288	-8 144	-4 288
Funded status (underfunded) 31.12	6 483	1 991	6 483	1 991
Payroll tax of funded status	914	81	914	81
Unrecognised net actuarial loss (gain)	-6 586	-1 413	-6 586	-1 413
Net pension liability 31.12	**812**	**659**	**812**	**659**

Change in DBO:

	2008	**2007**	**2008**	**2007**
Balance sheet (provision)/ prepayment at beginning of year	659	252	659	252
Net periodic pension cost during year	6 810	3 343	6 810	3 343
Employer contributions/benefits incl. payroll	-6 657	-2 936	-6 657	-2 936
Balance sheet (provision)/prepayment at end of year	**812**	**659**	**812**	**659**

Economic assumption used on DBO and assets:

	2008	**2007**	**2008**	**2007**
Discount rate	4.70%	4.35%	4.70%	4.35%
Expected return on assets	5.75%	5.40%	5.75%	5.40%
Rate of compensation increase	4.50%	4.50%	4.50%	4.50%
Increase of social security base amount (G)	4.25%	4.25%	4.25%	4.25%
Rate of pension increase	2.00%	1.60%	2.00%	1.60%
Payroll tax	14.10%	14.10%	14.10%	14.10%

24 Provisions

Specitication of abandonment provision

		Noreco Group	Norwegian Energy Company ASA	
(NOK 1 000)	**2008**	**2007**	**2008**	**2007**
Balance at 1.1	712 367	0	0	0
Additions through acquisitions of subsidiaries	235 202	362 548	0	0
Provisions made during the year	-328 585	369 963	0	0
Time value/calculatory interest	43 782	9 901	0	0
Effect of exchange rate changes	189 273	-30 045	0	0
Provision made for abandonment provision at 31.12	**852 039**	**712 367**	**0**	**0**

Provisions made for abandonment provision concern future expected costs for dismantling and removal of oil equipment and production facilities used in hydrocarbon activities. The provision made is discounted to a net present value with a discount rate of 7.6%. Inflation is assumed to be 2.5%. The contra entry of changes in estimates/provisions is recognised in the balance sheet as a abandonment asset and is amortised in accordance with the unit-of-production method.

Expected maturity

		Noreco Group	Norwegian Energy Company ASA	
(NOK 1 000)	**2008**	**2007**	**2008**	**2007**
1-5 years	0	0	0	0
6-10 years	227 839	207 437	0	0
over 10 years	624 200	504 930	0	0
Provision made for abandonment provision at 31.12	**852 039**	**712 367**	**0**	**0**

25 Non-current liabilities

(NOK 1 000)	Currency	Nominal rate	Loan maturity	First due date, interest	Face value 2008	Carrying amount (b) 2008	Market value (c) 2008	Face value 2007	Carrying amount (b) 2007
Bond loans									
Noreco ASA (1)	NOK	11.00%	13.07.10	13.01.09	1840000	1794349	1196000	2300000	2250557
Bond loans		Nibor 6. mths							
Noreco ASA (2)	NOK	+ 5.25%	13.07.10	13.01.09	400000	390152	252000	500000	489252
Convertible loans									
Noreco ASA (3)	NOK	6.00%	11.05.12	11.05.09	218500	187127	218500	430000	349232
Total Norwegian Energy Company ASA					**2458500**	**2371628**	**1666500**	**3230000**	**3089041**
Bond loans									
Altinex Oil Norway AS (4)	NOK	8.50%	07.06.10	07.06.09	100000	49772	80000	100000	49611
Bond loans									
Altinex Oil Norway AS (5)	NOK	9.50%	09.02.11	09.02.09	300000	296709	240000	300000	295149
Bond loans									
Geopard A/S (6)	NOK	12.00%			0	0	0	660000	646303
Reserve- based loan		Libor +							
Altinex Oil Denmark A/S (7)	USD	margin (a)	31.12.13	16.01.09	1504764	1463722	1504764	541100	523843
Total Remaining group companies					**1904764**	**1810203**	**1824764**	**1601100**	**1514906**
Total non-current liabilities Noreco Group					**4363264**	**4181831**	**3491264**	**4831100**	**4603947**

(a) The interest rate margin will vary according to use of the loan facility. The interest rate margin will vary between 1.8% and 2.0%

(b) All non-current liabilities are recognised at amortised cost.

(c) Market value is equal to the rate the bond is priced in the market at year end.

(1) The bond loan was entered into in July 2007 with a face value of TNOK 2,300,000. In November 2008, an extraordinary installment of TNOK 460,000 was paid. The loan cost is amortised and expensed through the income statement over the term of the loan. The loan has a fixed coupon rate of 11% p.a. Interest is paid in arrears semi-annually. Remaining amortisation at 31.12.08 is TNOK 45,651. The loan is listed on the Oslo Stock Exchange with the ticker NOR01. The loan is issued against pledged collateral, see note 29.

(2) The bond loan was entered into in July 2007 with a face value of TNOK 500,000. In November 2008, an extraordinary installment of TNOK 100,000 was paid. The loan cost is amortised and expensed through the income statement over the term of the loan. The interest rate is set at NIBOR 6 mths rate + a margin of 5.25% p.a. Interest is paid in arrears semi-annually. Remaining amortisation at 31.12.08 is TNOK 9,848. The loan is listed on the Oslo Stock Exchange with the ticker NOR02. The loan is issued against pledged collateral, see note 29.

For the above mentioned loans, the Company can at any time buy back the bonds at a rate of 1.03.
The loans have the following 2 conditions. The Group shall maintain an equity to capital employed ratio of minimum 20%. The Group shall maintain an EBITDA-ratio of less than 8.0. In connection with the payment of the extraordinary installment in November 2008, the conditions relating to the Group's/Parent company's market-adjusted equity ratio were negociated and removed from the loan agreement. The Group is not in breach of the conditions of the loan agreement.

(3) The convertible loan was entered into in May 2007 with a face value of TNOK 440,000. TNOK 10,000 was converted in August 2007 and TNOK 211,500 was converted in July 2008, such that the liability at the end of 2008 has a face value of TNOK 218,500. The fixed interest rate is 6% and is paid in arrears semi-annually. The bond owners have an unconditional right to demand the issuance of shares in the Company at any time during the term of the loan. When conversion takes place, NOK 22.25 per share shall be paid as a counter-claim to the receivable. Loans with accompanying rights to demand issuance of shares are free to be sold. The new shares give dividend rights as from the financial year in which the right to demand shares is exercised.

(4) The bond loan was entered into in June 2005 with a face value of TNOK 500,000 of which TNOK 100,000 has been drawn. Altinex ASA has drawn 50% of the loan. The loan cost is amortised and expensed through the income statement to cost over the term of the loan. The loan has a fixed coupon rate of 8.50% p.a. Interest is paid in arrears annually. Remaining amotisation at 31.12.08 is TNOK 228. The loan is listed on the Oslo Stock Exchange with the ticker ALX01. The Company can buy back the bonds at a rate of 1.01

(5) The bond loan was entered into in February 2006 with a face value of TNOK 300,000. The loan cost is amortised and expensed through the income statement over the term of the loan. The loan has a fixed coupon rate of 9.50%. Interest is paid in arrears semi-annually. Remaining amortisation at 31.12.08 is TNOK 3,291. The loan is listed on the Oslo Stock Exchange with the ticker ALX02. The loan is issued against pledged collateral, see note 29.

The Company can buy back the bonds to following rates: 2009; 1.06, 2010; 1.03 og 2011; 1.00.

The above mentioned loans of TNOK 100,000 og TNOK 300,000 require a minimum equity ratio of 25% in the financial statements of Altinex Oil Norway AS. Equity ratio is calculated as the book value of equity divided by net interest-bearing debt. Net interest-bearing debt is calculated as interest-bearing debt with cash and cash equivalents deducted. The Company is not in breach of the conditions of the loan agreement.

(6) The bond loan was entered into in June 2006 with a face value of TNOK 660,000. The loan cost is amortised and expensed through the income statement over the term of the loan. The loan has a fixed coupon rate of 12.00%. Interest is paid in arrears annually. Remaining amortisation at 31.12.08 is TNOK 0. The loan was taken up by Geopard A/S. The loan was redeemed in June 2008 at a rate of 1.07.

(7) The reserve-based loan is recognised at amortised cost. The banks have made a commitment to a maximum frame of TUSD 325,000, which will be reduced to TUSD 310,000 at the end of 2009, TUSD 276,000 as of the end of 2010 and then a gradual reduction to TUSD 0 as of December 2013 when the loan expires. Available loan facility as of 31.12.2008 is TUSD 310,200 and the loan drawn up as of 31.12.2008 is TUSD 215,000. Available loan facility is regulated quarterly and is based upon expected reserve base, costs and oil price. The loan has a floating rate of LIBOR + a margin of 1.80% p.a to 2.00% p.a. The margin is dependent upon how much of the facility which is drawn up. The loan has financial covenants related to liquidity ratio and debt ratio and is secured with mortgage in shares in the Group as well as major assets. The loan terms also includes a requirment to hedge a part of future oil production for two years ahead. Estimated downpayment is as follows: 2009 - TUSD 0, 2010 TUSD - 51,600, 2011 - TUSD 71,200, 2012 - TUSD 50,000 og 2013 TUSD 42,200. Remaining amortisation is TNOK 17,256.

Geopard A/S has an intercompany loan from Altinex ASA with a nominal value of TNOK 335,000. This loan can not be repaid without approval from the creditors of the reserve based loan in Altinex Oil Denmark A/S, or that this loan has been fully paid.

(NOK 1 000)	Noreco Group 2008	2007	Norwegian Energy Company ASA 2008	2007
Book value as of 01.01/initial recognition	349 232	346 875	349 232	346 875
Conversion	-221 500	-10 000	-221 500	-10 000
Interest expense	67 381	26 469	67 381	26 469
Paid interest	-19 842	-16 411	-19 842	-16 411
Amortisation of establishment costs	11 856	2 300	11 856	2 300
Liability component 31.12	187 127	349 232	187 127	349 233

Maturity structure of non-current liabilities (NOK 1 000):

Year	Noreco Group 2008	20.03.2009 (a)	Norwegian Energy Company ASA 2008	20.03.2009 (a)
2009	0	500 000	0	500 000
2010	2 651 143	911 143	2 240 000	500 000
2011	798 322	1 418 322	0	620 000
2012	568 445	1 188 445	218 500	838 500
>2013	295 354	295 354	0	0
Total	4 313 264	4 313 264	2 458 500	2 458 500

Estimates for installment payments have been made for the reserve-based loan.

(a) The schedule is showing the new maturity schedule for Noreco ASA and the Noreco Group's long term debt after the bond holders on the 20 March 2009 approved the suggested changes in the companies bond loan. (Further information see note 32.)

26 Trade and other payables

(NOK 1 000)	Noreco Group 2008	2007	Norwegian Energy Company ASA 2008	2007
Other interest-bearing debt	533 371	222 000	533 371	222 000
Trade payables	138 058	68 983	73 640	26 842
Tax payable (see note 15)	564 911	69 847	0	0
Public duties payable	29 365	33 117	9 924	9 658
Trade payables due to related parties	0	0	23 101	1 011
Other current liabilities [1]	265 029	524 488	179 942	333 382
Total	**1 530 733**	**918 435**	**819 978**	**592 893**

(1) Specification of other current liabilities (NOK 1 000)	2008	2007	2008	2007
Liabilities to operators relating to joint venture licence	77 637	92 395	41 935	27 444
Overlift oil	105	26 103	0	0
Accrued interest	148 249	181 298	120 450	148 164
Other current liabilities	39 143	224 692	17 557	157 774
Total other current liabilities	**265 134**	**524 488**	**179 942**	**333 382**

Trade and other payables held in currency (NOK 1 000)	Noreco Group 2008	2007	Norwegian Energy Company ASA 2008	2007
NOK	1 107 124	759 765	762 653	592 893
DKK	323 303	47 227	1 005	0
USD	70 076	84 905	53 721	0
GBP	30 231	25 927	2 599	0
EUR	0	611	0	0
Total	**1 530 734**	**918 435**	**819 978**	**592 893**

Debt is carried at amortised cost. Fair value is not considered to diverge from carried amount.

Payables in USD are mainly related to companies which have NOK as functional currency. The Company has covered its USD requirements, cf. note 21 Cash and cash equivalents. Payables in DKK are entirely in companies with USD as functional currency and the payable is mainly related to tax payable. To reduce currency risk related to tax payable, the Company is purchasing sufficient local currency. For currencies in which the Company has income, the revenue generating cash flows will hedge the Company's payables in corresponding currency. The Company has not used hedge accounting in such situations.

27 Options

Option program
The Group has an option program established in January 2008. The principles in this program were approved by the extra-ordinary general meeting in January 2008. The purpose of the program is to establish a long-term incentive program for employees. Share options are granted annually by the Board of Directors. The options will be fully vested after three years and expires after five years.

In addition, the Group has an agreement where employees have an option to purchase shares equivalent to up to 50% of their bonus at the payment date. Employees who retain these shares for two years, and are still employed in Noreco by the expiration of the two-year period, will receive additional shares at a one-to-one basis.
As of April 22nd 2009, 5,050,369 options are granted employees in the Group, of which 3,861,372 options are granted employees in the Parent Company.

Fair value of the option is calculated by external advisors using the Black and Scholes Merton option pricing model. Inputs to the option pricing modell is a.o. grant date, exercise price, expected exercise date, volatility and risk free rate.
As the Company does not have sufficient historical volatility for the share, volatility for comparable companies has been used in the volatility calculations.

Fair value of the options is measured at the grant date and is expensed linearly over the contribution time.

Payroll tax
Payroll tax is recognised continiuously provided that the shares marked rate at the reporting date is higher than the exercise price. Payroll tax is not applicable to options granted employees in Danish subsidiaries.
For 2008, a total of TNOK 48 has been expensed of which TNOK 48 concerns the Parent company.

Share options outstanding	Noreco Group	Norwegian Energy Company ASA
Granted options 2008	1 547 471	1 217 145
Forfeited options 2008	43 166	15 734
Total share options outstanding 31.12.2008	**1 504 305**	**1 201 411**

Outstanding options has the following conditions

Exercise price	Outstanding options per 31.12.2008	Average remaining contractual lifetime	Weighted average exercise price
0.00	470 422	2.01	0.00
33.00	1 033 883	5.00	33.00
Total	**1 504 305**	**4.07**	**22.68**

Effect of outstanding options in financial statements;

Unit/period	2008
Noreco Group	1 689
Parent company	1 347

For options granted March 2009 see note 32.

28 Segment reporting

The Group's activities are entirely related to exploration and development of oil, gas and NLG. The Group's activities are considered to have a homogenious risk and rate of return before tax, and are therefore considered as one operating segment. This segment is considered concurrent to the Group's consolidated income statement, balance sheet and statement of cash flows.

The Group's geographical segment consist of Norway, Denmark and the UK. In each of these countries, the Group has established subsidiaries.

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

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

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

Geographical segments 2008

(NOK 1000)	Norway	Denmark	UK	Other/ elimination	Group
Total revenues	787 822	1 262 059	373 651	-	2 423 531
Net operating result	133 765	528 201	161 593	-	823 558
Net financial items					-555 593
Ordinary result before tax					267 965
Tax					147 754
Net result for the year					120 211
Assets	5 091 137	5 159 889	3 987 923	-1 918 081	12 320 868
Liabilities	6 016 473	3 126 155	2 099 834	-1 918 081	9 324 381
Capital expenditures	518 559	332 671	550 941	-	1 402 171
Depreciations and amortisations	170 071	417 255	129 473	-	716 799

Geographical segments 2007

(NOK 1000)	Norway	Denmark	UK	Other/ elimination	Group
Revenues	289 527	546 442	-		835 968
Inter-company revenues	3 210			-3 210	-
Total revenues	292 737	546 442	-	-3 210	835 968
Net operating result	-103 791	168 354	-9 109	161	55 615
Net financial items					-263 824
Ordinary result before tax					-208 209
Tax					-17 097
Net result for the year					-191 112
Assets	3 503 433	3 701 543	2 400 257	821 621	10 426 853
Liabilities	5 208 035	2 575 638	1 202 229	-343 305	8 642 596
Capital expenditures	341 345	395 343	51 400	-	788 088
Depreciations and amortisations	76 897	201 489	-	-	278 386

29 Guaranties and assets pledged as securities

Guaranties and assets pledged as securities:

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	2008	2007	2008	2007
Collateralised debt				
Bond loan	2 540 000	2 800 000	2 240 000	2 800 000
Reserve based loan	1 504 764	0	0	0
Current interest-bearing debt	534 971	222 000	534 971	222 000
Total collateralised debt	4 579 735	3 022 000	2 774 971	3 022 000
Capitalised value of assets pledged as securities				
Shares in subsidiaries	0	0	4 304 061	4 351 135
Production facilities	3 319 468	2 363 184	0	0
Tax receivable	542 644	265 866	542 644	265 866
Cash at bank	22 600	22 600	0	0
Total capitalised value	3 884 712	2 651 650	4 846 705	4 617 001

Debt is measured at nominal value

30 Licenses and liabilities

Oil field	Owner	Owner's share
PL006C	Noreco ASA	15.0%
PL006D	Noreco ASA	15.0%
PL148	Noreco ASA	20.0%
PL256	Noreco ASA	10.0%
PL274	Noreco ASA	15.0%
PL274/CS	Noreco ASA	15.0%
PL316CS	Noreco ASA	35.0%
PL348	Noreco ASA	17.5%
PL378	Noreco ASA	20.0%
PL382	Noreco ASA	20.0%
PL385	Noreco ASA	20.0%
PL391	Noreco ASA	20.0%
PL400	Noreco ASA	30.0%
PL411 (O)	Noreco ASA	70.0%
PL412 (O)	Noreco ASA	40.0%
PL414	Noreco ASA	20.0%
PL417	Noreco ASA	20.0%
PL435	Noreco ASA	20.0%
PL440S	Noreco ASA	12.0%
PL446	Noreco ASA	40.0%
PL447	Noreco ASA	20.0%
PL451 (O)	Noreco ASA	40.0%
PL453S	Noreco ASA	25.0%
PL455 (O)	Noreco ASA	50.0%
PL458	Noreco ASA	30.0%
PL476	Noreco ASA	30.0%
PL484 (O)	Noreco ASA	40.0%
PL490	Noreco ASA	20.0%
PL018C	Altinex Norway	13.3%
PL048C	Altinex Norway	21.8%
PL048D	Altinex Norway	4.4%
PL053B	Altinex Norway	12.3%
PL055	Altinex Norway	13.2%
PL055B	Altinex Norway	13.2%
PL185	Altinex Norway	13.2%

Oil field	Owner	Owner's share
PL360	Altinex Norway	15.0%
PL361	Altinex Norway	30.0%
PL442	Altinex Norway	20.0%
7/86	Altinex Denmark	29.9%
7/89	Altinex Denmark	6.6%
1/90	Altinex Denmark	56.4%
4/95	Altinex Denmark	30.0%
6/95	Altinex Denmark	20.0%
9/95	Altinex Denmark	12.0%
16/98	Altinex Denmark	61.0%
2/06	Altinex Denmark	6.6%
7/06 (0)	Altinex Denmark	40.0%
9/06	Altinex Denmark	12.0%
6/95	Siri UK	30.0%
P 1114	Altinex UK	20.0%
P 1645	Noreco UK	40.0%
P 1650	Noreco UK	50.0%
P 1658	Noreco UK	50.0%
P 1660	Noreco UK	30.0%
P 1666	Noreco UK	25.0%

(0) = A group company is the operator

In connection with the granting of new licenses for exploration and production of oil and gas, the participants are obliged to drill a certain number of oil wells. At year end, the Group has approved participation in nine such oil wells in the Norwegian continental shelf, of which eight in the Parent company. In addition, the Group has approved the purchase and reprocessing of seismic data for nine licenses all of which concern the Parent company. The Group's share of estimated costs for drilling the oil wells, including purchase and reprocessing of seismic data is approx. MNOK 800, of which MNOK 750 concerns the Parent company. Oil wells which the Group may potentially be obliged to participate in the drilling of depend on future results of certain licenses, and are not included in these costs. When purchasing a license, there is often an agreement to carry costs ("Carry agreement"). Such an agreement obliges the purchaser to pay the seller's share of exploration and/or development costs, up to an agreed limit. Such agreements are an alternative to cash settlement. At year end, the Company had entered into four such agreements.

31 Contingent liabilities

Litigations and claims in the Noreco Group
Noreco is indirectly involved in a Danish arbitration case through its wholly-owned subsidiary Altinex Oil Denmark's participation in the Syd Arne licence.

The arbitration case is against DONG Naturgas A/S in connection with sales of natural gas and the purchase agreement considering the Syd Arne Field. The participants in the licence, Hess, Danoil and Altinex claims professional misconduct, unjust contract pricing, curtailment of competition and discrimination of Dansk Naturgas A/S in connection with contracting and operation of the production- and gas sales agreement. The arbitration case is handled in Copenhagen and a final hearing is expected within 2010.

On behalf of the Cecilie licence, Noreco is through its wholly-owned subsidiary Altinex Oil Denmark involved in an administrative lawsuit against the Ministry's of Transportation- and Energy and the Danish Ministry of Energy regarding the last mentioned decision to deny an exception from the obligation to pay 5% pipeline tax.

In June 2006, a pipeline between the Siri and Nini platforms cracked. Noreco, through its wholly-owned subsidiary Altinex Oil Denmark A/S owns a 30% share in the Siri- and Nini- pipelines, which the case concerns. Noreco is in dialogue with the insurance company and is expecting that a main part of this loss will be covered by the insurance.

The Company has received an appraisal petition from two previous miniority shareholders of Altinex ASA. The petition relates to certain shares in Altinex ASA acquired by Noreco ASA from the previous shareholders, the purchase price for which the shareholders now petition to be determined through a legal appraisal process. Noreco disputes both the basis for the petition as well as any additional payments.

Except for the above, the Group has not been involved in claims from public authorities, legal claims or arbitrations the last 12 months that could have significant impact on the Company's or the Group's financial position or results.

Notes

32 Subsequent events

Share issues:
In connection with the Company's establishment of a pension scheme in 2009, a share issue for the Norwegian employees in Norwegian Energy Company ASA was carried out in January 2009. The share issue totaled 505,060 shares at NOK 13.60 which was the Company's share price as at 31 December 2008. In total, TNOK 6,870 has been paid in. Share capital is now TNOK 445,994 divided amongst 143,868,937 shares. The share has been registered in the Register of Business Enterprises. (See note 11.)

Options granted in March 2009:
In connection with the Company's establishment of an options program in March 2009, options were granted to company employees. In total, 3,553,664 options were granted of which 2,667,561 options were to employees in the Parent company. The strike price was set at NOK 11.01. As at 22 April 2009, there are in total 5,050,369 options that have not been exercised/outstanding of which 3,861,372 are to employees in the Parent company.

Change in repayment schedule regarding Bond loan NOR 01 and NOR 02
On 20 March 2009 Noreco received approval from the bondholders regarding a refinancing of the existing bond loans (NOR 01 and NOR 02) which in total has a nominal amount of MNOK 2.240. The refinancing entails a new repayment schedule (see note 25 for further details).

33 Proforma information

Noreco Group
Basis for preparation of proforma figures
The unaudited proforma information is prepared in connection with the acquisition of Talisman Denmark Limited (changed name to Siri UK Ltd). This is to illustrate the effect that the acquisition would have had on the consolidated financial statements for Noreco.

The unaudited proforma income statement for 2008 shows the effect the acquisition would have had if the acquisition had occured with effect from 1 January 2008. The result is not necessarily an indication of future results.
Proforma information shows, by its nature, a hypothetical situation and does not therefore represent the Company's actual financial results. This proforma information is therefore prepared as an illustration only.

Consolidated income statement proforma

(NOK 1 000)	2008	2008 Proforma
Total operating revenues	2 423 531	2 688 361
Ordinary result before tax	267 967	419 211
Result for the year	120 213	229 116
Earnings per share, Basic	0.92	1.76

34 Change of 4th quarter report and preliminary financial statements

On 19 February 2009 the Board of Directors approved the 4th quarter report for 2008 and preliminary financial statements for 2008. A reclassification was made to the final consolidated accounts, which resulted in a reduction of deferred tax asset and a corresponding reduction of deferred tax liability of TNOK 33,008.

35 Information regarding oil and gas (not audited)

The Group has reported oil, gas and NGL reserves according to the guidelines given in the Stock Exchange circular no. 2/2007. The report is included as a separate section in the annual report, see the section on annual review of reserves.

For the Group's exploration and evaluation costs, see note 9.

Statement on compliance

Board and management confirmation

Today, the Board of Directors, the Chief Executive Officer and the Chief Financial Officer reviewed and approved the Board of Directors' Report and the Norwegian Energy Company ASA consolidated and separate annual financial statements as of 31 December 2008.

To the best of our knowledge, we confirm that:

- the Norwegian Energy Company ASA consolidated annual financial statements for 2008 have been prepare in accordance with IFRSs and IFRICs as adopted by the European Union (EU), IFRSs as issued by the International accounting standards Board (IASB) and additional Norwegian disclosure requirements in the Norwegian Accounting Act, and that
- the financial statements for Norwegian Energy Company ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian Accounting Standards, and that
- the Board of Directors Report for the group and the parent company is in accordance with the requirements in the Norwegian Accounting Act and Norwegian Accounting Standard no 16, and that
- the information presented in the financial statements gives a true and fair view of the company's and the group's assets, liabilities, financial position and results for the period viewed in their entirety, and that
- the Board of Directors' report gives a true and fair view of the development, performance, financial position, principle risks and uncertainties of the company and the group.

Stavanger 22 April 2009

Lars Takla
Chairman of the board

John Hogan
Deputy Chairman of the Board

Therese L Bergjord
Boardmember

Roger O'Neil
Boardmember

Heidi M Petersen
Boardmember

Søren Poulsen
Boardmember

Scott Kerr
CEO

Jan Nagell
CFO

Auditors' report

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To the Annual Shareholders' Meeting of Norwegian Energy Company ASA

AUDITOR'S REPORT FOR 2008

Respective Responsibilities of Directors and Auditors
We have audited the annual financial statements of the Norwegian Energy Company ASA as of 31 December 2008, showing a loss of TNOK 197 948 for the parent company and a profit of TNOK 120 213 for the group. We have also audited the information in the Board of 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. The rules of the Norwegian accounting act and good accounting practice in Norway have been applied to prepare the parent company's financial statement. The rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts. These financial statements and the Board of Directors' report 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 the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Basis of Opinion
We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good 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 good 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.

Opinion
In our opinion,

- the parent company's financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the parent Company as of 31 December 2008, the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with the rules of the Norwegian accounting act and good accounting practice in Norway
- the group accounts are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Group as of 31 December 2008, the results of its operations, its cash flows and the changes in equity for the year then ended, in accordance with the rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information
- the information in the Board of 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 comply with the law and regulations.

Oslo, 22 April 2009
KPMG AS
Mona Irene Larsen
State Authorised Public Accountant
Note: This translation from Norwegian has been prepared for information purposes only

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Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo
Bodø, Alta, Arendal, Bergen, Elverum, Finnsnes, Hamar, Grimstad
Haugesund, Kristiansand, Larvik, Lillehammer, Mo i Rana, Molde, Narvik, Røros
Sandefjord, Sandnessjøen, Stavanger, Stord, Tromsø, Trondheim, Tønsberg, Ålesund

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.