Noreco Annual report 2009

Insight changes reality*

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Noreco

Annual report 2009

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We operate in a world where reality changes rapidly – both above and below the water's surface.
New measurements produce new data, and new technology allows us to process this data ever faster. But the information is worth little without insight or knowledge. New calculations can then be done and resources can be reclassified.
In Noreco we nurture this knowledge. Knowledge of formations, hydrocarbons, technology, financial movements and how to achieve our goals.
As we say: Insight changes reality. We will be there to help define the future. We have the insight, and we know where we are going.

Noreco | This year

contents

Our corporate history

or how insight changes reality

- 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 per day
- Awarded first licenses in UK in January 2009
- Three significant discoveries at Gita, Grosbeak and Gygrid in Q2 2009
- First plan for development in Norway (Oselvar) approved 19 June 2009
- Noreco drills first operated well in Norway August 2009
- Noreco celebrates five year anniversary 28 January 2010.

Some might see a pesky garden pest in the spring...

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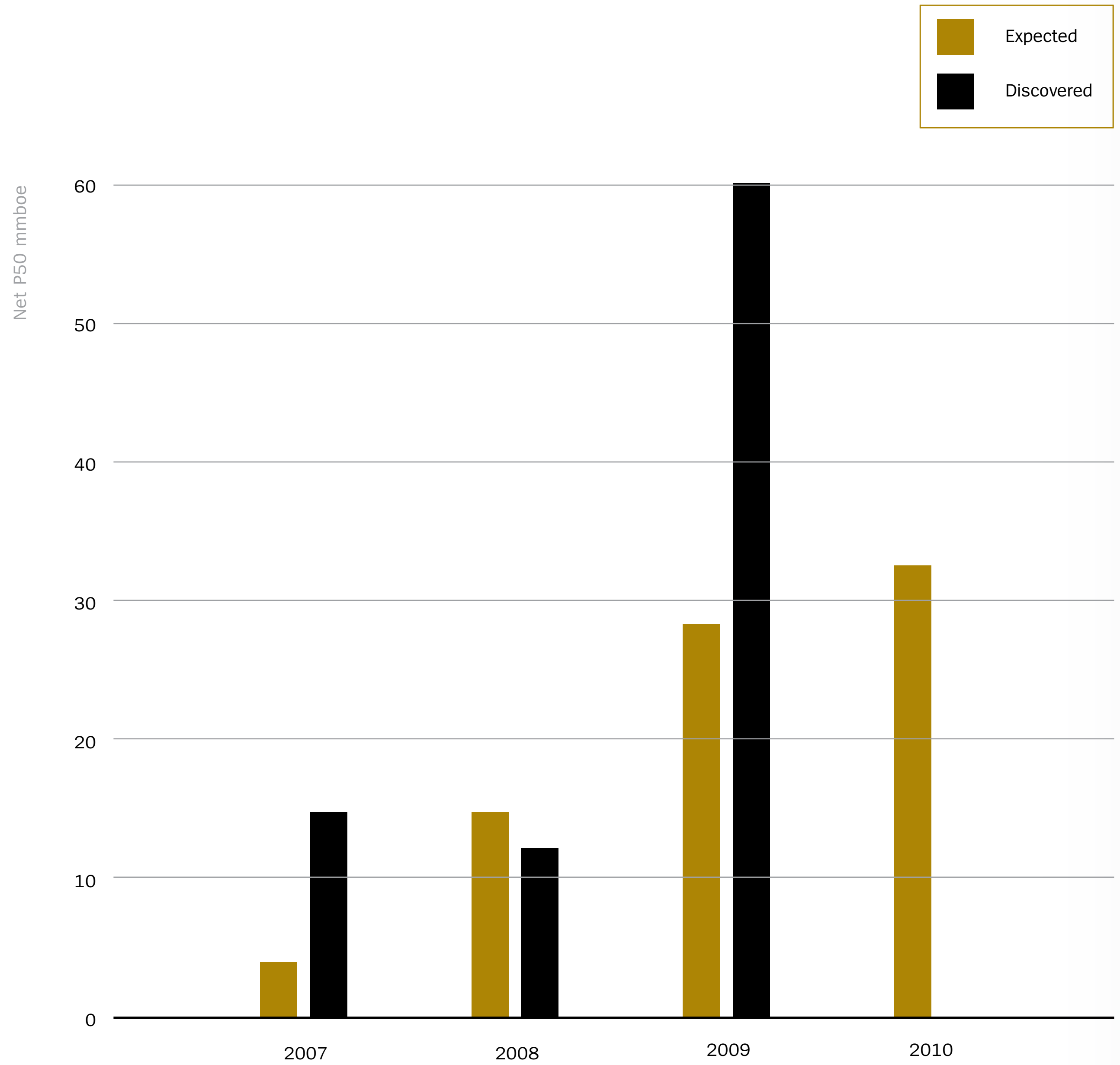
... others would analyse all available knowledge and determine that this is a Chinese Silkworm.

Spinning Moths – the name we give to a family of butterflies and moths (Order: Lepidoptera) – whose larvae typically spin a cocoon of silk before pupation. In the strictest sense, they are the Super-family Bombycoidea, which includes the Hawkmoths Sphingidae, Emperor Moths Saturniidae, and Silkworm Moths Bombycidae, the best-known species of which is Bombyx mori. It also includes a couple of closely related groups, like the Lasiocampidae family of large, hairy moths, which includes the following well-known subgroups: the Fox Moth Macrothylacia rubi, the Oak Eggar Lasiocampa quercus, and the Drinker Euthrix potatoria. In an older speciation the Spinning Moths also included a number of unrelated large nocturnal families, the Noctuids, quite a few of which bear moth-like names: the Garden Tiger Arctia caja, Brush-footed Moths (many types), White Prominents Leucodonta bicoloria and the Bagworms Psychidae.

Exploration track record

Net million discovered vs expected



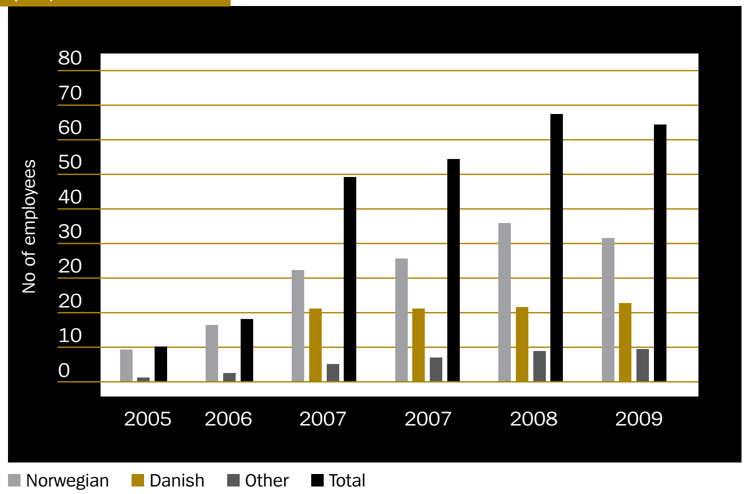
The Key Figures

to understand Noreco

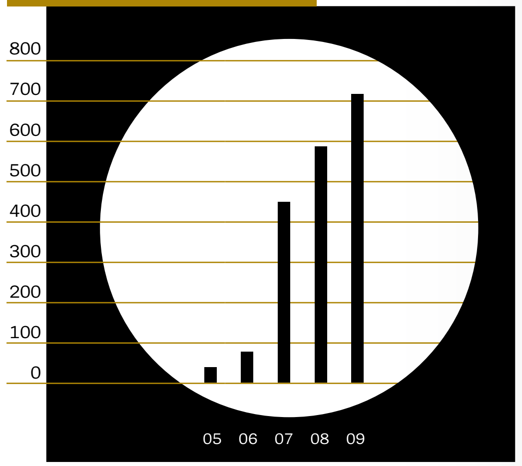
(NOK 1000)	2009	2008	2007
Profit & Loss			
Operating income	1 546 516	2 423 531	835 968
EBITDA	284 628	1 540 359	324 735
EBIT	-355 098	823 560	55 615
Profit before tax	-935 872	267 967	-208 209
Net result	**-367 989**	**120 213**	**-191 112**
Balance Sheet			
Non-current assets	9 919 260	9 908 989	8 842 302
Current assets	1 928 939	2 378 793	1 584 552
Total assets	**11 848 199**	**12 287 781**	**10 426 853**
Equity	3 722 223	2 996 486	1 784 257
Liabilities	8 125 975	9 291 295	8 642 596
Total equity and liabilities	**11 848 199**	**12 287 781**	**10 426 853**

2009 great
and small

Employees in Noreco

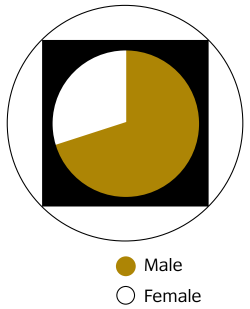


Reserves and resources

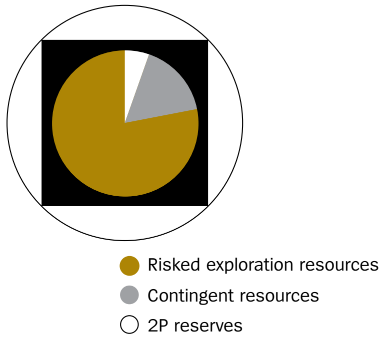


(million boe)

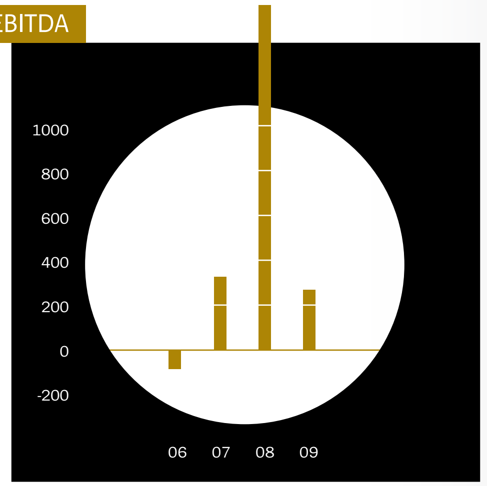
Female and male split:



Reserves and resource distribution:



EBITDA



(million NOK)

Important headlines
of 2009

Successfull Exploration
- Three discoveries (Gita, Gygrid, Grosbeak)
- Five licenses awarded in 20th licensing round in Norway
- Active highgrading of portfolio

Developments progressing towards production
- Nini East development completed
- Oselvar development approved by Norwegian authorities
- Huntington development concept selection progressed

Production of 10,125 barrels per day
- Siri, Nini and Cecilie Fields in Denmark shut down for five months
- Brage Field in Norway continues to produce well

Active management of capital structure
- NOK 1,499 million in new equity issued to fund the continued growth of the Company
- Successful refinancing of bond loans to better align maturities with protected cash flow from operations.

A stronger Noreco

CEO letter

Ever since Noreco was founded five years ago, our underlying business idea has been to create value through exploration.

Exploration is sometimes characterized as a lottery where the probability of success is easy to calculate but difficult to influence. We see it differently. We believe that it is possible to improve the understanding of the risks, and with that strengthen the odds, by applying competence and technology. Therefore we put a lot of effort into building a highly competent organisation.

So, how do we make sure we recruit and keep the best people? I believe Noreco provides a challenging, fun and exciting place to work and succeed. Our intention is to build and maintain a culture where active participation in the organisation is encouraged and where everybody can influence the company's strategy. We provide training and support to grow our employees' capabilities, and we offer attractive and competitive remuneration packages with performance driven rewards. Our employees are fully engaged in creating value for the company, our shareholders and for our community.

As we work our way through our exploration portfolio, we interpret, model and analyze all available data in order to understand the risks and make informed decisions on whether to drill a well or not. The intention is of course to maintain a high hit rate and to focus our time and money on the most valuable opportunities. We regularly refill our portfolio through licencing rounds and acquisitions, while we sell or relinquish the areas where we do not see sufficient value creation potential.

Our exploration track record is strong. Last year we participated in five exploration wells and made exciting discoveries in three of them. For 2010 we have planned six exploration and appraisal wells, and for 2011 we expect to further step up our activity. Our main exploration focus in this period will remain in Norway where we still see a lot of potential of finding more oil and gas, and where the fiscal system reduces financial risk and enables debt financing of the exploration cost. We will however also continue working with opportunities elsewhere in Western Europe and possibly Greenland in the years to come.

The value creation story does not end with a discovery. It is equally important to find a good way to monetize the discovery, either through an exit or a development. The exit option requires a functioning asset market, while developments require capital. In 2009 it was pretty clear that the asset market was not working. It was equally clear that Noreco was not sufficiently funded to commit to new development decisions. To protect the company's values we therefore chose to raise new equity and refinance our bond debt, enabling us to take part in the next wave of development projects.

Obviously a significant part of Noreco's enterprise value is related to our producing fields, and we actively seek to contribute in the joint ventures to find the best ways to optimize production. These fields represent an important source of funding for the company, and it is essential for us to protect these values. We therefore have an extensive insurance programme in place, for which the importance was demonstrated by the Siri shutdown last year.

While 2009 in many ways was a challenging year, it makes me proud to see how Noreco has come through. The world economy is recovering and energy demand is picking up. Meanwhile cost levels have normalized, thus improving the financial robustness of new field developments. This is an excellent time for Noreco to grow. We have an exciting exploration programme underway and we will continue to recruit first class professionals. Our production will increase as we develop and bring new fields on stream, and we do have the financial flexibility to deliver this growth. Noreco has definitely got interesting times ahead!

Best regards
Scott Kerr
CEO, Noreco

Our management team

Scott Kerr (52)
CEO

CEO of Noreco since July 2005. Holds over 30 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 (37)
Vice President Strategy & 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.
Holds a MSc in Business Administration, Strategic Management, a MSc, Chemical Engineering and is a level III candidate in the CFA program.

Jan Nagell (50)
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 (54)
Vice President Commercial

Vice President Commercial, since Jan 2006. Holds close to 30 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 (45)
COO

Joined Noreco as HSE and Engineering Manager in Dec 2005. Took over current position in Sept 2007. Has more than 20 years of experience from North Sea and Norwegian Sea E&P activities. Held various technical and business leadership positions in BP and Amoco, including Resource Manager for the Valhall field, Business, Analyst for BP's North Sea activities, and Chief Petroleum Engineer for BP Norway. Holds a MSc in Petroleum Engineering.

Birte N Borrevik (51)
Vice President Projects & Drilling

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

Lars Fosvold (48)
Vice President Exploration

Joined Noreco in December 2005. Has more than 23 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 (53)
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. Conducting an MBA with Oslo Business School/ Nanyang University, Singapore, and holds a Diploma in HSE from Loughborough University, a degree from the Norwegian Police University College and studies in Law from Bergen University.

Synnøve Røysland (43)
Vice President Southern North Sea

Joined Altinex in Sept 2006. Has 17 years of experience in drilling; 2 years as field manager for Oseberg Sør and for the last 2-3 years managing the activities at Noreco's Danish office. For more than ten 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 North West Europe.

The strategy to achieve this vision is threefold

- Create value thorugh exploration
- Monetize value thorugh development and sale
- 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 North West Europe, 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.

Some might see an entirely ordinary pigeon's egg...

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... others would analyse all available knowledge and reach the conclusion that this is the egg of an African Dwarf Crocodile.

Order: Crocodylia, Class: Reptilia.
The largest modern reptile, from 130 cm to 7-10 metres in length. An elongated body with bony plates along its back, and, in some varieties, also on the belly. Powerful, comparatively short limbs with five toes on the forepaws and four at the back. The paws are slightly webbed. The powerful, long, flat tail is designed for swimming. The head has a long snout with protruding eyes and nostrils, enabling the animal to lie in ambush below the water. The massive jaws have conical teeth set in bony sockets. New teeth form throughout the animal's lifetime, to replace those worn out. The inner palate in modern species forms a palatal valve, which closes off the inner nostrils in the back of the throat when the animal is underwater. The heart – unlike that of other modern reptiles – has four chambers. The brain – at least in reptilian terms – is relatively advanced.
Fertilisation in crocodiles is internal. The mother lays between 6 and 150 oval eggs with a hard carbonate shell, roughly the size of chicken's eggs. These eggs are buried in the sand and hatched by the heat of the sun, taking 10-12 weeks to develop. The sex of the baby crocodilian is determined by the temperature in the nest: low temperatures produce females. The mother usually keeps watch on the nest until the babies emerge, and in many species also protects her offspring.

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

Some might see a quite ordinary flower...

... others will analyse all available knowledge and reason that this is a potato, variety Jersey Royal.

The potato species, Solanum tuberosum, is a member of a family of flowering plants known as the Nightshades, or Solanaceae, which includes the tomato, aubergine and tobacco plant.
The potato plant grows to 50-75 cm in height. Its few branches carry alternate leaves. The pointy, oval leaves are about as unremarkable as any in the garden.
The flowers are typically conical or funnel in shape, with fused petals.
Although Solanum tuberosum is not found in the wild, two gene pools have been identified, one in central parts of Mexico, the other in the high-altitude meadows of the Peruvian, Bolivian and northwest Argentinean Andes.
About 100 tuber-forming species of Solanum are known in the wild, a handful of which are locally cultivated. Only S. tuberosum and its close relative S. andigenumhar are widely favoured.
Some varieties produce small green fruits that resemble cherry tomatoes, each containing up to 300 seeds, which seldom ripen in Norway. The fruits and all other green parts of the plant, including tubers that have been exposed to the light, contain toxic glycoalkaloids, notably solanine. These toxins are a characteristic of the Deadly Nightshade and other Solanaceae.
The potato tuber – the part we eat – is a swollen part of the stem containing ”eyes”, from which new stems and fibrous roots emerge.
Potatoes, besides being an old favourite of the domestic kitchen, can also be used for a wide range of popular industrial products like chips, potato crisps, instant mash flakes, potato flour, and animal feed.
Potatoes may even be fermented to produce alcohol.
Pre-boiled, sous vide potatoes, which have long been a staple of industrial catering, are now being found on convenience shelves at the local corner store.

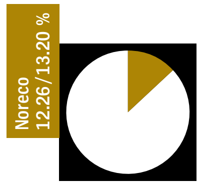
2009 in review
Operations review

PRODUCTION

Noreco has a portfolio of seven producing fields, which produced 10,125 barrels of oil equivalents per day (boepd) net to Noreco 2009.

Brage

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.

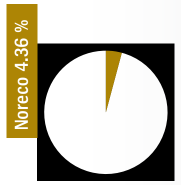


The field was discovered in 1980 and is operated by Statoil. Production started in 1993 and the maximum production rate of more than 120,000 boepd was achieved in 1996. The Brage production facilities consist of an integrated production, drilling and accommodation platform. The crude is exported to the 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.

The Bowmore well drilled in 2008 has produced consistently through 2009 with no signs of excessive pressure depletion and with low watercut. In 2009 two new wells were completed, an ultra long reach water injector drilled to the Bowmore segment. The well was completed in May 2009 and is currently on injection providing pressure support to the Bowmore producer. The other well was a producer drilled into the Fensfjord formation. By year-end 2009 Brage has also drilled a new production well into the Statfjord formation and this well be completed and opened up for production early 2010. The Brage drilling program continues through 2010 and continued drilling of new infill wells are planned for 2011.
The Brage Field produced 33,700 boepd gross in average in 2009.

Enoch

The Enoch Field is located in the central part of the Norwegian North Sea and came on stream in May 2007.



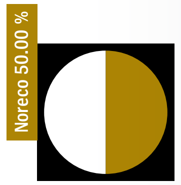
The field straddles the Norwegian/UK border and Talisman is operator for the unitised field. Enoch is developed as a single well subsea tie-back to the Brae A platform on the UKCS. Produced oil is transported in the Forties pipeline system to Cruden Bay in Scotland, and gas is delivered and sold at the Brae platform.

The production performance from the Enoch reservoir has been better than anticipated, with very little pressure decline indicating good pressure support. The production regularity in 2009 has been lower than planned mainly due to technical problems at the host facility.

The Enoch Field produced 6,600 boepd gross in average in 2009. The production at year-end 2009 was 7,500 boepd gross.

Siri

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 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 field consists of three reservoirs. The field is operated by Dong Energy.

The Siri platform and facilities is serving the satellites Nini, Nini East and Cecilie. The Siri facilities provide processing, lift gas, injection water, power and oil export facilities for all of these fields.

The Siri Field has been produced with simultaneous water and gas injection for pressure support and optimized recovery This has during recent years changed to water alternate gas injection. Produced gas is injected into the reservoirs as no gas export is available. The Siri wells are produced with gas lift to ensure that the wells can be produced efficiently even at high watercuts.

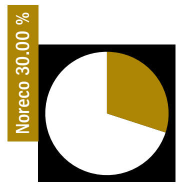
Two additional production wells were drilled in first half of 2008, to increase field production and reserves.

The production at the Siri platform was temporarily shutdown on 31 August 2009 as a routine inspection revealed cracks in a subsea water buffer tank connected to main storage tank. The production shutdown includes all production from the Siri, Nini and Cecilie Fields. A temporary solution to support the Siri platform has been installed, and production from the platform commenced on the 24 January 2010. A permanent solution to support the platform is planned to be installed in Q3 2010.

The Siri Field produced 8,090 boepd gross in average in 2009.

Nini

The Nini oil field is located in the Danish part of the North Sea, 32 km northeast of the Siri Field and is operated by Dong Energy.



The Nini Field was discovered in 2000, and production commenced in August 2003. The Nini Field is developed with an unmanned platform as a satellite to the Siri platform. Nini consists of three reservoirs.

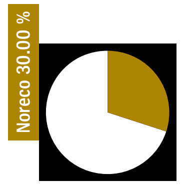
The Nini reservoirs are produced with water injection for pressure support and with gas lift to the producers. A water injection pipeline from Siri provides injection water, and a high pressure gas line is providing lifting gas to the producers.

Two additional wells were drilled in 2009, the water injection well NA-9 was completed in July. The producer NA 10 was completed in August, and it was brought on stream on 27 August 2009.

The Nini Field produced 2,520 boepd gross in average in 2009. The production from the Nini Field was temporarily stopped on 31 August 2009 due the shutdown of the Siri platform as described above.

Nini East

The Nini East reservor is located in the Danish part of the North Sea, some 7 km east of the producing Nini NA platform. It is operated by Dong Energy.

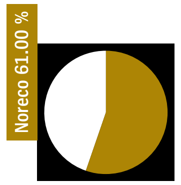


A successful appraisal well was drilled in June 2007, resulting in a significantly increased resource estimate for Nini East. The Plan for Development and Operations comprised of an unmanned wellhead platform tied back via Nini NA platform to the Siri platform was approved by the Danish Energy Agency in January 2008.

The Nini East facilities were successfully installed in July 2009, and the Phase 1 development drilling finished December 2009. The field started oil production 24 February 2010. The Phase 1 consisted of two oil producers and one water injector. A Phase 2 most likely covering two additional wells are being matured, with possible drilling in 2011.

Cecilie

The Cecilie Field is located in the Danish part of the North Sea, and was discovered in 2000. Production commenced in 2003, with Dong Energy as the operator.

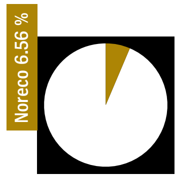


The Cecilie Field is a satellite to the Siri facilities platform, which provides injection water, lift gas, processing, storage, and export services for the Cecilie Field. The Cecilie Field consists of two reservoirs, Cecilie and Connie.

The Cecilie Field produced 1,020 boepd gross in average in 2009. The production from the Cecilie Field was temporarily stopped on 31 August 2009 due the shutdown of the Siri platform.

South Arne

The South Arne Field is located in the Danish part of the North Sea, and is operated by Hess Corporation.



Oil production from the field commenced in July 1999 and gas export commenced later in the year. The platform is an integrated production and accommodation platform, where the oil and gas from the South Arne reservoir are separated, processed and exported. The oil is stored in a subsea storage tank and transferred to shuttle tankers via an offshore loading system for onward transport to refineries in North West Europe.

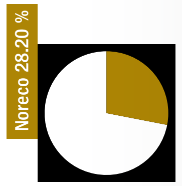
The field is developed with a total of 19 production/injection wells that are producing from a low permeability chalk reservoir. Two new infill wells are planned for early 2010.

The South Arne Field produced 23,900 boepd gross in average in 2009.

Further development of the South Arne field is planned through the South Arne Phase III development, which comprise further development of the Ekofisk Formation and of the Northern extension of the field. The reserves for this development have been proved by delineation drilling, and further information on the reserves base will be obtained by the two well drilling program planned for 2010. Concept for the Phase III development has been selected, and sanction of the project is expected in Q3 2010.

Lulita

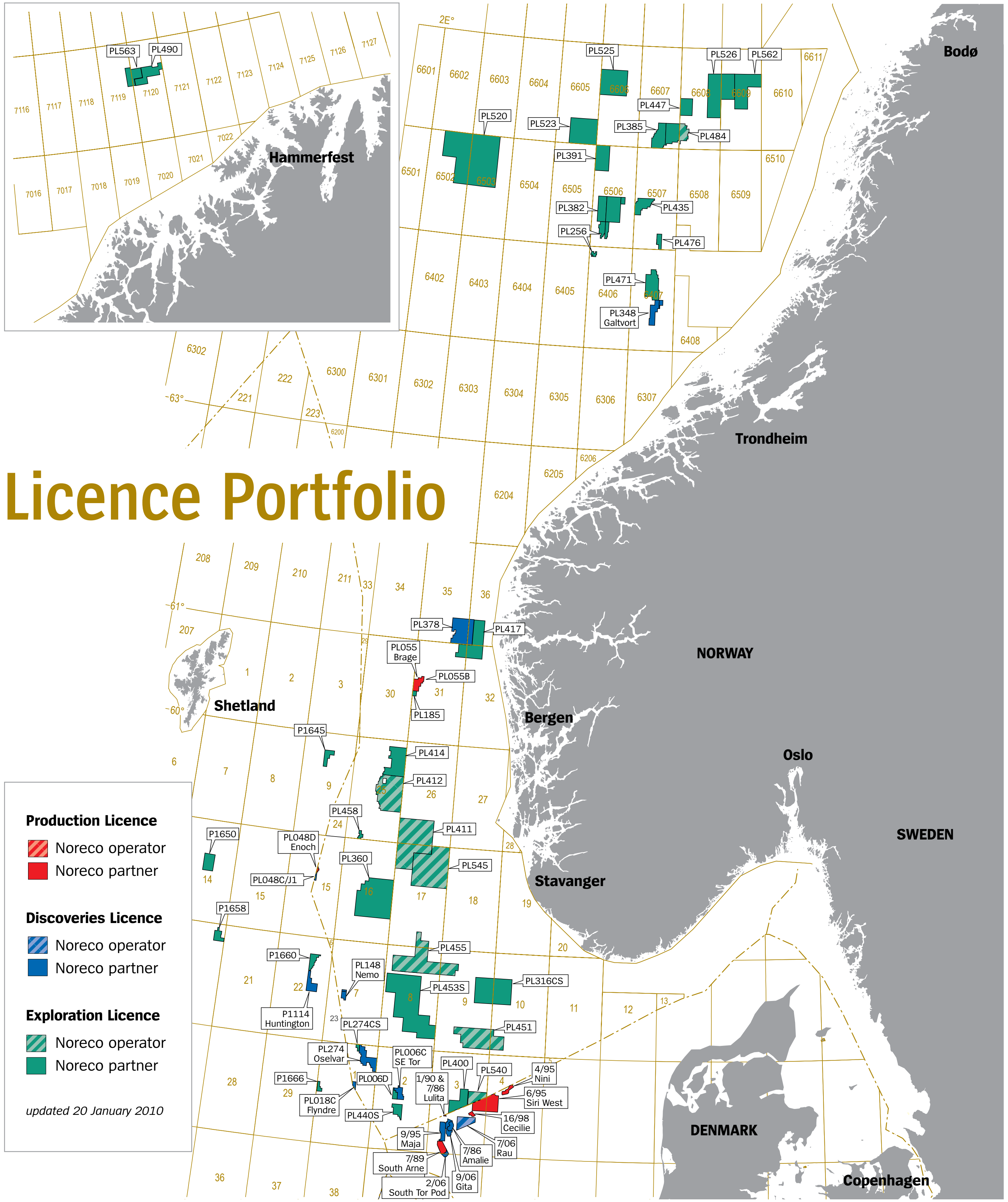
The Lulita oil and gas field is located in the Danish part of the North Sea, and was discovered in 1992.



The reservoir is located in Middle Jurassic sandstone and has been developed with two extended reach wells from the Harald platform. Following processing on Harald, oil/condensate is transported to Gorm via Tyra East. The gas is exported to Tyra East via a separate pipeline. The field is operated by Maersk Oil & Gas AS.

The Lulita Field produced 665 boepd gross in average in 2009. The field was shut in early July 2009 due to an extended Harald platform maintenance shutdown. Production restarted in February 2010.

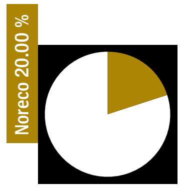
Licence Portfolio



DISCOVERIES

Huntington

The Huntington Field is located in the central part of the UK North Sea, with E.ON Ruhrgas as operator.



Three discoveries in three horizons have been made in the license; Forties Fm, Fulmar Fm and Triassic Skagerrak Fm.

The field lies in close proximity to existing infrastructure between the Nelson, Everest and Montrose Fields. Oil was discovered on the field by Royal Dutch 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 licensing round. 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 into the Triassic Smith Bank Formation. It was discovered oil in the Paleocene Forties Formation and the Upper Jurassic Fulmar Formation. Both Formations displayed good reservoir quality. The two discoveries were tested and flow rates of up to 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 of the Forties Formation was completed in 2008 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 Formation 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 unitization of the field in parallel with the development activities.

In January 2009, Oilexco North Sea Ltd was put under administration and creditor protection after having failed to refinance its debt facility. As a consequence, the Huntington partnership elected E.ON Ruhrgas UK as new operator of the Huntington license from February 2009. The transfer of the operatorship was completed in Q1 2009 and the activities in the license have continued with business as usual in the following period.

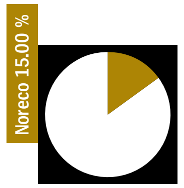
Premier Oil has since then acquired Oilexco North Sea Ltd and by that also Oilexco's 40 % interest in the Huntington license 22/14b and an interest in license 22/14a.

The current plan is to select development concept in first half of 2010, followed by filing of a development plan and project sanction in second half of 2010. The timing of first oil for the Forties development will depend on the selected development concept, including time for modification of host facilities and timing of when dedicated infrastructure can be available. Based on the current evaluation of the development concepts available for Huntington first oil is expexcted in 2012.

Further appraisal of the Fulmar reservoir is being planned by the Huntington license partners. New seismic data is currently being interpreted and the recommendation for the next Fulmar appraisal well is expected in late 2010.

Oselvar

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.



The field is operated by Dong Energy with 55 % of the interest. The first appraisal well, 1/3-7, was drilled in 1995, encountering oil downdip of the initial gas discovery.

A second appraisal well was successfully completed in Q1 2008, confirming the pre-drill resource estimates of the Oselvar discovery as well as the reservoir quality.

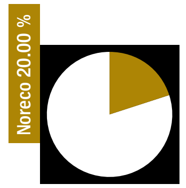
The field development plan for the Oselvar Field was approved in June 2009, and development activities are currently ongoing. All major contracts were in place by the end of 2009.

The Oselvar Field will be developed with 3 production wells drilled from a 4 slot subsea template tied back to the Ula platform for processing via a 10" multiphase pipeline. The oil will be exported through the existing Ula facilities, while the gas will be injected into the Ula reservoir to enhance recovery. Planned production start of the Oselvar Field is Q4 2011.

In addition to the Oselvar Field, the PL274 and PL274CS also contain the Ipswich discovery and further exploration prospectivity. The P50 PDO reserves estimate for Oselvar is 52 mmboe gross.

Nemo

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 licence is now operated by Lundin Petroleum with 50 % of the interest.

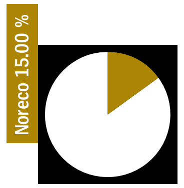
The main plan for the license in 2007 was to drill an appraisal well to the north of the discovery well to prove up the resource base estimate of 22 mmboe. Well 7/4-2 was drilled, and completed in February 2008, confirming the Nemo discovery with resource base of 20-30 mmboe, and at the same time it strengthened the case for an upside potential.

The subsurface models were updated through 2008, and screening of development options was conducted in early 2009.

The license partners are currently performing pre-FEED engineering to improve the definition the preferred development options including host. Concept selection and Plan for Development and Operations is expected to be completed during 2010.

Start of production under the most likely concepts is estimated to be late 2012.

South East Tor



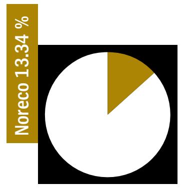
Noreco acquired a working interest in this license from the field operator, Lundin Petroleum, in 2006.

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. Further appraisal drilling is required to delineate the reservoir and to better define the reserve base for development.

An appraisal well was drilled on the South East Tor structure in 2009. The well was aimed at appraising the west flank in hopes of encountering upside potential. In addition, a sidetrack was planned to appraise the main South East Tor structure to the north.

The well did not encounter hydrocarbons on the west flank of South East Tor, and due to operational problems the wellbore to the north flank was not completed. The operator will, following further technical and economic analysis, recommend forward development plan for the South East Tor structure, including the delineation of the north flank of the structure.

Flyndre

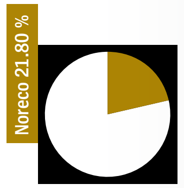


The Flyndre Field was discovered in 1974, and has proven hydrocarbons in Paleocene sandstones and in Cretaceous chalk straddling the UK/Norway border.

Several production tests with good oil rates have been carried out, and further field evaluation is underway prior to making a development decision.

The operator, Maersk Oil, is currently working on plans for development of the Paleocene Balmoral formation, concept selection is expected to take place in the first half of 2010.

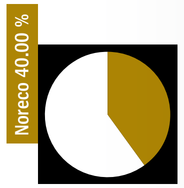
J1



The J1 discovery is a gas/condensate discovery located 15 km from the Sleipner West Field in the central part of the Norwegian North Sea.

The J1 discovery is being evaluated for further appraisal and development, with Statoil as operator.

Rau



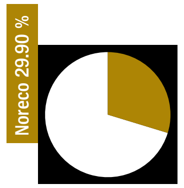
The Rau discovery is located in the Danish part of the North Sea and is operated by Noreco.

During Q2 2007 a successful exploration well, including three side-tracks, was drilled. The exploration well discovered oil in Paleocene sandstone reservoirs, while the three subsequent 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.

A development report was filed on the 14 December 2007 Rau and development screening studies have been conducted during 2008 and 2009. 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 and export of the hydrocarbons.

Further development decisions on the Rau discovery have been deferred, as there is limited system capacity in the Siri area following the Nini East development.

Amalie



The Amalie discovery is located 20 km North East of the South Arne Field in the Danish part of the North Sea, and was discovered in 1991.

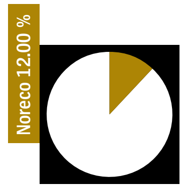
Since the Amalie discovery several gas fields have been discovered in the area, forming the basis for a possible area development of the resources.

A development plan for the field was submitted to the Danish Energy Authority (DEA) in December 2001. The plan depends on a tie-in to infrastructure and given the low prices for products during the 1990s as well as the cost for access to the infrastructure the development plan was never executed. Recent drilling on the Gita/Maja prospect has indicated that the Amalie Field and the Gita/Maja Fields are connected and the appraisal of the Gita/Maya discovery will have an impact on the Amalie development plan.

EXPLORATION

Noreco has a portfolio of more than 55 exploration and production licenses. Noreco runs a selective exploration program, with focus on exploration wells that have a high value creation potential. In 2009 Noreco has been involved in a total of five exploration wells, resulting in three discoveries. Below is a description of the recent exploration activities and the upcoming wells planned for the near future. A description of all exploration licenses in Noreco's portfolio is available on the Company's website *www.noreco.com*.

Gita/Maja (9/06 & 9/95)

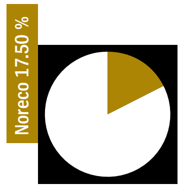


In 2007 Noreco entered into an agreement with Chevron Denmark to farm into licences 9/06 and 9/95 – the Gita/Maja licences operated by Maersk Oil & Gas AS.

The HPHT Gita-1X well was the first well in the 9/95 licence. The main target was gas/condensate in Upper Jurassic basin-floor sandstone reservoirs, but a potential upside was identified in Middle Jurassic shoreface and fluvial sands formations. The Gita 1-X well was drilled as a vertical well to a total depth of 5,162 meters below sea level with the jack up rig Ensco 101. The well discovered sands but no hydrocarbons in the primary target. However, the well encountered a 190 meter thick Middle Jurassic reservoir column, with no water encountered in the reservoir zone. A number of measurements were carried out for further evaluation of the result of the well. Log interpretation shows gas in reservoir quality rock. Noreco holds a 12 % interest in Gita and 29.9 % in the neighbouring Amalie discovery. The Gita well indicates significant potential, and is closely correlated with reservoir proven and tested in the Amalie well. Noreco's resource estimate for the area is 250 million barrels gross recoverable oil equivalents with a substantial upside. Further drilling is needed to define vertical and lateral extent of the accumulation, both of which can be significant. Noreco's subsurface team has worked on describing the reservoir and analyzing potential appraisal targets.

This work has been well received in the license group. A seismic re-processing campaign is planned for 2010 involving four different surveys and aiming at pre-stack depth migration to improve depth imaging. This will reduce depth uncertainty and give a better foundation for placing appraisal wells. Noreco's target is to continue planning appraisal wells and drill at least one appraisal well in 2011.

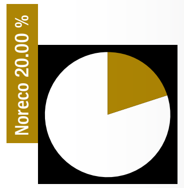
Gygrid (PL348)



The license was purchased from Talisman in 2006, and is located in the Norwegian Sea between the Draugen and Njord producing fields.

Statoil is the operator of the field. The license covers the fault-zone between the Halten Terrace and the Trøndelag Platform and has a string of prospects reaching northwards from the Njord Field. Three discoveries have been made to date – the Tau oil and gas discovery, the Galtvort gas/condensate discovery and the recent Gygrid oil discovery. Well 6407/8-5 S drilled the Gygrid prospect and made a light oil discovery in the Tilje Formation in a good quality reservoir. A sidetrack well, 6407/8-5 A, gave additional information on the Tilje discovery and also found additional volumes in the overlying Ile formation. The recoverable volume in Gygrid is preliminary estimated to be 19-31 million barrels recoverable oil equivalents, but there is additional upside. There are several additional prospects and leads identified, and the total potential is estimated by Noreco to be up to 25 million barrels of oil equivalents net to Noreco in the license. Seismic re-processing is under way to improve reservoir mapping and to prepare for development planning of primarily the Gygrid light oil discovery. Currently the license is looking at possible tie-backs to Njord or alternatively Draugen for this discovery. In addition, Noreco will also work towards maturing the gas potential in the license, as seen in the Galtvort discovery and the remaining prospectivity.

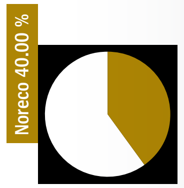
Grosbeak (PL378)



Well 35/12-2 discovered oil and gas in the Grosbeak prospect in PL378, North of the Troll Field. Noreco holds a 20 % interest in PL378, which is operated by Wintershall.

The well found hydrocarbons in two targets, oil and gas in the Sognefjord Formation and oil in the Brent Group. The preliminary volume estimate for the discovery is between 35 and 190 million barrels gross. The successful result from the Grosbeak well has increased the likelihood of additional discoveries on the license. In addition to Grosbeak, there are four main prospects and seven smaller prospects in the license. The volume potential in the remaining four other main prospects is substantial and estimated to be up to 375 million barrels of oil equivalents gross. The total resources in the license could be over 100 million barrels net to Noreco. The license is close to existing infrastructure. Noreco also holds a 20 % interest in the neighbouring license PL417 and is well positioned in this prospective area. In 2010 two wells are planned on this license, an appraisal well on Grosbeak and an exploration well on the Gnatcatcher project. Given success in this drilling programme, the next phase in this license will be to accelerate development planning.

Tasta (PL412)



Noreco, as operator for PL412, completed the drilling of the exploration well 25/9-3 (Tasta) in Q3. The well was drilled 15 km east of the Jotun Field.

The objective of the well was to prove hydrocarbons in the Middle Jurrasic reservoir rocks. No hydrocarbons were found. Reservoir rocks of predicted thickness and quality were encountered. This is the first well in PL412, which was awarded in February 2007 (APA 2006). The well was drilled to a vertical depth of 2,249 m below sea level, and was completed in the Statfjord Formation. The license is currently working to mature potential Paleocene prospectivity in consideration of the recent dry Eitri well in block 25/8.

NCS 20th licensing round

In May 2009, Noreco was awarded 5 of the total of 21 licenses awarded in the 20th licensing round on the Norwegian continental shelf. The 20th licensing round comes three years after the last licensing round in unexplored areas on the NCS. The licenses Noreco were offered are all in the Norwegian Sea, and provide new, high impact drilling targets to Noreco's portfolio. The award has increased the risked prospective resources in the Company by about 200 mmboe. A seismic survey was shot on PL523 last summer, and interpretation work is expected to commence in first half of 2010. Additional seismic surveys are planned on PL520 and PL525 this summer. On PL519 and PL526 geoscience interpretation work is ongoing, and this will possibly result in exploration drilling on these licenses in 2011.

UK 25th Seaward Licensing Round

The 5 awards in November 2008 strengthened Noreco's position in the UK and provided future drilling targets. There are no drilling commitments on the licenses offered to Noreco. The prospectivity in the awarded licenses is classical Paleocene, Cretaceous, and Jurassic Central North Sea petroleum systems. Geoscience interpretation work is ongoing in all licences to mature potential exploration drilling targets.

APA 2009 awards

Noreco was awarded four licenses in the Awards in Predefined Areas (APA) in Norway in 2009. The awards include two licenses in the North Sea, one licenses in the Norwegian Sea, and one license in the Barents Sea, and added to Noreco's exploration portfolio. The awarded licenses are close to existing Noreco acreage. A well is planned drilled in 2010 on one of the licenses awarded (PL545).

Seismic data acquisition and processing activity

In Q2 2009, Noreco participated in several multi-client seismic surveys which in addition to other blocks cover Noreco licenses PL453, PL451 and PL411. In the latter two Noreco is operator. The data is being processed and will be ready for interpretation end of the year. With these acquisitions and subsequent processing, the work commitment on these licenses will be fulfilled. The licenses will subsequently enter into an intense period of subsurface work and prospect mapping. On PL523, a NCS 20th round award, a seismic survey was acquired in the summer of 2009, demonstrating the Company's determination to mature quickly even recent additions to its portfolio when the opportunity arises.

Exploration portfolio activity

In 2009 PL271/302, PL398S, PL446, and PL361 was relinquished by the partnerships due to low potential. Noreco's equity in PL408 was deemed to be of low materiality and subsequently handed over to a remaining partner that wished to drill the main target in the license. Noreco's equity in PL442 was sold prior to the drilling of an appraisal well, again as a consequence of a conclusion of low materiality in the license.

Greenland

In 2009, Noreco pre-qualified as an exploration operator for the Greenland 2010 Baffin Bay Licensing Round. Greenland's Baffin Bay basin is considered one of the world's largest remaining hydrocarbon provinces and the USGS has estimated technically recoverable hydrocarbons to around 18 billion barrels of oil equivalents in the region. The potential remains to be confirmed as there has not yet been any drilling activity in the area. An important part of Noreco's strategy is to create value through exploration. The geographical focus area is North West Europe. Greenland shares many of the same characteristics both with regards to geology and business conditions, and is therefore considered to represent a good strategic fit which in the longer term could give the Company access to new high-impact exploration opportunities.

Some might see an utterly ordinary onion...

... others will analyse all available knowledge and conclude that this is a member of the Lily family – specifically a Tulip.

Tulips – more properly known as Tulipa – form a huge and decorative subfamily of the Lilies – Liliaceae – a family which features linear leaves with parallel veins. Often they grow from the bulbs we know so well, and often the flowers are beautifully bell-shaped. About 80 varieties still grow wild in Western and Central Asia and in the Eastern Mediterranean region.

The Tulip family contains many thousands of species, cross-species, varieties and – as the horticulturalists say – cultivars. Tulips may be tall or short, with attractive cup-shaped flowers in many colours, described as striped, feathered, flamed or variegated.

The original Wild Tulips feature starry, yellow, curtseying flowers.

Garden tulips include a wealth of hybrids treasured for their fantastic colours. Examples include the Red Emperor, or Emperor Tulip Tulipa fosteriana, Greig's Tulip Tulipa greigii (with striped or spotted leaves), and the Waterlily Tulip Tulipa kaufmanniana, whose names commemorate botanists of the day.

The popular Tulipa Eichleri and Tulipa Linifolia sport striking flowers of brilliant red.

Multiple flowers feature in the Tarda Tulip Dasystemon Tarda and Fusilier Tulip Tulipa Praestans. The Fusilier cultivar is known for its 3-5 orange-red blooms on each stem, the Tarda for its multiple white blossoms. Even more prolific is the pinkish-red Turkestan Tulip Tulipa turkestanica which has up to 9 flowers on each stem.

What we shall build on

Annual Reserves Statement 2009

Noreco's classification of reserves is based on the Society of Petroleum Engineers' (SPE) Petroleum Resource Management System published in 2007. The system is a recognized resource classification system in accordance to the Oslo Børs Circular 9/2009 "Listing and disclosure requirements for oil and natural gas companies".

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

RESERVES

Noreco reserves are only those resources we consider to fulfill the maturity requirement proposed in the SPE classification system. Reserves are typically those volumes of hydrocarbons that can be expected to be produced from a known accumulation with a development plan that is approved or is likely to be approved in the near future. Reserves include 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. Reserves justified for development are reserves 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 – Proven 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 1P reserves should be a realistic/conservative expectation of the producible volumes without being too conservative or too optimistic.

2P – Proven + Probable 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.

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

Reserves are also divided into two categories based on the status of the reserves. Developed reserves are those volumes of hydrocarbons that can be produced from a 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.

Noreco conducts an annual independent competent person report or reserves verification report on the booked reserves. This service is currently provided by Degolyor and MacNaughton and the resulting report is completed as part of the annual reserves review and is reported with the annual report. Degolyor and MacNaughton completed such review for the producing assets for the 2009 annual report.

Noreco is reporting in-house estimates for the reserves reporting. Degolyor and MacNaughton are used for verification of the reserves in the Company based on an assessment of each individual field. Both the in-house and the 3rd party verification are performed to the SPE Resource Classification Standard, and are comparable both in terms of scope and results. The year reserves at 31.12.2009 have been verified for all fields except for the Oselvar Field. The verified proved reserves deviates less than 5 % from Noreco's reserves estimate. For the Oselvar Field, the operators estimates as included in the field development plan has been used as the best estimate for field reserves. These estimates will be verified during 2010, in preparation for year end 2010 reserves reporting.

Contingent reserves have not been verified by a 3rd party. The contingent resource consist of a number of potential developments and discoveries, and it has not been practical to achieve verification of these for the year end 2009 reserves statement.

Reserves Portfolio

Noreco has producing reserves from a total of eight fields. Five fields on the Danish Continental Shelf (DCS) and two fields on the Norwegian Continental Shelf (NCS). In additional Noreco holds reserves in a development on the NCS.

More general information on the fields is available on Noreco's homepage *www.noreco.com* and in the 2009 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 2009 2P reserves evaluation of the Cecilie reserves has not resulted in any significant reserves revision. The year end 2009 reserves are therefore in line with the year end 2008 estimate adjusted for 2009 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.

The Lulita production was shut-in from July 2009 to February 2010 due to field maintenance at the Harald host facilities. The production performance on Lulita prior to the shutdown was in line with expectations, and the field is currently back in production at expected production rates. In the 2008 Annual Reserves Report, additional infill drilling on Lulita was expected and included in the reserves projections. The drilling plans have now been deferred and are not included in Lulita reserves at year end 2009.

Nini main, DCS, operated by Dong, Noreco 30 %
The reserves assessment of the Nini Field is based on decline analysis of existing wells and detailed reservoir modeling of the Ty formation, including the results of the two new wells drilled to the Ty formation in 2009.

Nini East, DCS, operated by Dong, Noreco 30 %
The reserves assessment of the Nini East Field is based on detailed reservoir modeling calibrated to the results of the 3 Nini East wells drilled during 2009. The reserve estimate includes two additional wells to be drilled in a second drilling phase in 2011. 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 sharing of 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. No additional drilling is planned on Siri.

South Arne, DCS, operated by Hess, Noreco 6.56 %
The reserves assessment of the South Arne Field is based on performance assessment of the field's production performance and review of reservoir modeling results from the South Arne Field. The reserves include remedial well activity to restore and improve production from existing wells, as well as drilling of one Tor Fm and one Ekofisk Fm producer in 2010.

The South Arne Phase III project is not included in the year end 2009 reserves estimate. The project is expected to be sanctioned late 2010, and will be bookable as reserves at year end 2010. The volumes are currently included in the contingent resources.

Brage, NCS, operated by Statoil, Noreco 12.26 % in Brage Unit, 13.2 % in Sognefjord
The reserves assessment for the Brage Field is based on detailed decline analysis for most wells. For the Brent Knockando producer and future infill wells, detailed reservoir models have been used to estimate reserves. The reserves are based on continued drilling on Brage into 2011, with drilling of two Statfjord, one Fensfjord and one Sognefjord infill producers. Excellent production performance from the infill wells drilled during 2008 and 2009 has resulted in added reserves on Brage at year end 2010, corresponding to a 60 % reserves replacement on the 2009 production.

FIELD	EQUITY	ULTIMATE RECOVERY		TOTAL PRODUCTION		PROVEN RESERVES (1P)		PROVEN + PROBABLE (2P)		
	(%)	Oil mmstb	Gas bcf	Oil mmstb	Gas bcf	Oil mmstb	Gas bcf	Oil mmstb	Gas bcf	BOE mmstb
Cecilie	61.00 %	4.6	0.0	3.7	0.0	0.5	0.0	0.9	0.0	**0.9**
Nini	30.00 %	9.1	0.0	7.0	0.0	1.4	0.0	2.1	0.0	**2.1**
Nini East	30.00 %	5.6	0.0	0.0	0.0	4.0	0.0	5.6	0.0	**5.6**
Siri	50.00 %	41.9	0.0	35.6	0.0	3.5	0.0	6.3	0.0	**6.3**
Lulita	28.20 %	1.8	6.6	1.6	5.7	0.2	0.6	0.2	0.9	**0.4**
South Arne	6.56 %	12.6	21.6	8.3	10.3	2.9	4.4	4.3	11.4	**6.4**
Brage	~12.45 % (1)	47.5	17.2	40.9	13.1	4.5	2.6	6.6	4.2	**7.4**
Enoch	4.36 %	0.7	0.1	0.3	0.0	0.3	0.0	0.4	0.1	**0.4**
Oselvar	15.00 %	3.7	23.0	0.0	0.1	2.6	14.7	3.7	23.0	**7.8**
Total		127.5	68.5	97.4	29.2	19.9	22.4	30.2	39.4	**37.2**

1) based on 13.20 % in Sognefjord and 12.26 % equity in Brage Unit

Enoch, NCS, operated by Talisman, Noreco 4.36 %
The Enoch Field reserves are calculated from the expected production performance for the Enoch development with the existing development and assessment of various production scenarios based on reservoir modeling.

The 2009 2P reserves evaluation of the Enoch reserves has not resulted in any significant reserves revision. The year end 2009 reserves are therefore in line with the year end 2008 estimate adjusted for 2009 production.

Oselvar, NCS, operated by Dong, Noreco 15 %
The reserves assessment of the Oselvar development is based on detailed reservoir modeling performed in conjunction with the development planning in 2009. During 2009 the Oselvar Field development has been sanctioned by the partners and approved by the authorities. Hence the Oselvar volumes have been reclassified from contingent resources to reserves.

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

The reporting of contingent resources is changed from last year, reflecting the requirements in Oslo Børs Circular 9/2009 “Listing and disclosure requirements for oil and natural gas companies”. This report focuses on the changes since the last report. Also note that the resource estimates quoted below are considered to be representative of a 2C resource estimate. This differs from the annual reserve statement report from 2009, where 3C was included for some fields, including Huntington.

The main changes from the contingent resources from last year are:

- *Promotion of Oselvar from contingent resources to 2P reserves*
- *New contingent resources through the new discoveries Grosbeak, Gygrid and Gita*
- *Sale of Gamma*
- *Huntington Forties revised to 11.8 million boe to reflect contingent resources in category 2C.*

These changes are commented below. The remaining contingent resources are unchanged from the last report.

9/95 9/06 Gita (DCS), operated by Mærsk, Noreco 12 %
Contingent net resources are 28.7 million boe, based on substantial Noreco subsurface work that has been performed after discovery in 2009. The neighboring Amalie discovery holds contingent net resources of 10.5 million boe. Amalie and Gita may be connected.

PL348 Gygrid (NCS), operated by Statoil, Noreco 17.5 %
Contingent net resources are 7.3 million boe. The discovery well was drilled in 2009 and encountered light oil in both the Ile and Tilje Formations of the Fangst Group. Statoil as operator is planning a fast-track subsea tieback development of the discovery with projected start up in 2012/2013.

PL378 Grosbeak (NCS), operated by Wintershall, Noreco 20 %
Contingent net resources are 6.8 million boe, The discovery well was drilled in 2009 and encountered stacked hydrocarbon intervals in the Upper Jurassic Sognefjord and Fensfjord formations and the Middel Jurassic Brent Formation.

P1114 Huntington Forties (UKCS), operated by Eon Ruhrgas UK, Noreco 20 %
Contingent net resources are 11.8 million boe. The estimate is technical resource estimate and is based on Noreco's interpretation and evaluation of all available subsurface data and tests from the Forties discovery and appraisal wells from 2007 and 2008. The operators resource base for concept select and field development plan is expected to be lower than Noreco's estimate, mainly due to different interpretations of the reservoir characteristics of the lower reservoir zone in the Forties Formation. Selection of the developmenet concept for Huntington Forties development is planned for Q2 2010. There are no new data or reports for the deeper Huntington discoveries, and hence the reported resource potential is unchanged from last year's report (21,8 mmboe).

MANAGEMENT'S DISCUSSION AND ANALYSIS

The reported reserves estimates for the Noreco 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 modeling and geological and geophysical analysis. The evaluations and assessments have been performed by engineers with 10-20 years of industry experience, and the methodology and results have been discussed with Noreco management.

A third party independent assessment has been performed by Degolyer and MacNaughton on the producing fields (including Nini East). The assessment is based on input data provided by Noreco, as well as full access to subsurface data and license documentation. Degolyor and MacNaughton forms an independent view on reserves on this basis. The independent review concludes with an estimate of net Noreco reserves that is within 5 % of Noreco's own estimate and hence serves as verification of the Noreco reserves estimate.

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 23.8 million boe, compared to 22.2 million boe at year end 2008, representing an increase in 1P reserves of 5.4 million boe adjusted for 2009 production. The main addition is from the Oselvar development. The increase in 1P reserves represents a 143 % 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 licenses. The 2P reserve estimate for the Noreco portfolio is 37.2 million boe compared to 32.6 million boe in the year end 2008 reserves statement. Adjusted for 2009 production this represents an increase in 2P reserves of more than 8.4 million boe in 2008, and a 2P reserves replacement ratio of 222 %.

The increase in 2P reserves is dominated by the booking of the Oselvar resources from contingent resources to reserves of 7.8 million boe. The reserves additions in the producing fields is dominated by the reserves additions on the Brage Field, resulting from the strong production performance resulting from successful infill drilling campaign during 2008 and 2009.

The discoveries in contingent resources are at various stages of maturity and materiality.

The total contingent resources have increased to 125 million boe net to Noreco, up from 100 million boe in the last annual reserve report. The increase is mainly driven by exploration success in 2009.

Through the reserves and contingent resource basis described above, Noreco is well positioned to growth production and reserves from it's own portfolio over the next 3-5 years.

Scott Kerr
CEO, 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 (HSE), recognising that our people represent the cornerstone of delivering Noreco's vision and strategy. We will strive towards our 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 requirements and run our business efficiently. To prepare for future growth and advanced operational activities, Noreco has through 2009 updated and further developed the Management System from a procedure based system to a process oriented Management System, using a special designed IT-solution called Soludyne.

The whole organisation has contributed through the process we have built a strong common understanding 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 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. On a yearly base the consortium develops a common HSE activity plan.

Noreco's first operated well in Norway was drilled in 2009 using Seadrill's West Alpha rig. Noreco's well planning team is using a stage-gate work process for well delivery which is part of the Noreco Management System. The planning included 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 consent to drill, workshops and team buildings with the onshore and offshore crew.

Noreco aim for zero discharge of environmentally harmful chemicals. The PL412 operation was conducted in line with this due to a low quantity of chemicals and only using chemicals classified to be in the green or yellow NPCA-category. Norecos in house emergency preparedness organisation was on duty during this operation and several extended drills were accomplished to prepare the organisation for handling possible emergency situations.

Noreco's application for consent to the Petroleum Safety Authorities and the Discharge Application to the Norwegian Pollution Control Authority was accepted as scheduled and the consents were given without any condition. The drilling operation was conducted between 28 August and 7 September, ahead of plan and with no HSE incident.

Drilling activity operated by our partners:
On 15 November 2009 a fatality occurred on the drilling rig Maersk Resolute, operated by Dong. The rig drilled development wells at Nini East. The fatality has been investigated by the operator, the rig owner and Danish authorities. Actions are now being discussed in the License and followed up and implemented by Dong.

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. Noreco was audited on "The operator's engagement in reducing Major accident risk", by the Petroleum Safety Authorises during spring 2009. Norecos was given positive feedback on the approach towards this area, and Noreco will work continuously to increase risk knowledge as basis for decisions at all levels.

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 We will strive towards our vision by avoiding long term impact to the environment and by preventing and minimising occurrence of damage, harm or pollution from our activities.

In the Siri, Nini and Cecilie licenses an agreement regarding "Volatile Organic Compounds" (VOC) has been entered into. Under this agreement all ships loading crude oil off the Siri platform are committed to have VOC system installed. This system reduces the emissions of oil vapour from crude oil with up to 80 %. To further ensure a proper tracing of the chemical's eco-toxicological properties, Noreco has signed up as KPD-member (Chemical Product Data).

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 was a key collaborator when drilling the PL412 well. Operative personnel from Noreco participated in NOFO-seminars to obtain the latest competency within the area, and we also participated and supported NOFO in the evaluations in connection with white papers to 'Oljevern 2010'.

An excellent working environment is of high importance for individuals and essential in order for Noreco to achieve its goals. 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.

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 2009 we among others focused on Security related to IT-systems. Our main Application Service Provider and their deliveries were audited towards our internal Security requirements. The need for external HSE assistance is at all time evaluated and Noreco has established long term relationship with highly qualified HSE professionals.

HUMAN RESOURCES

Noreco is built around a core asset; its people. The credit for Noreco's 2009 performance goes to the efforts of more than 77 employees and 25 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 2009 with solid results and prepare Noreco for future growth. During 2009 we have integrated new top tier talent, by adding 4 new hires.

We have an experienced but relatively young workforce as the average age in Noreco is 42 years old. Today, operational units account for 64 % of employees while support units account for 36 %. 30 % of our employees are female and we have nine nationalities represented (Norway, Denmark, USA, England, Scotland, Finland, France, Mexico and Turkey).

24 June 2010 Noreco received the award as the best employer among Norwegian start-up companies on the Norwegian Continental Shelf. Scouting's Annual Employer Brand Survey 2009 for Operators & Licensees is a survey answered by experienced professionals and executives of oil and gas companies in Norway.

Participation and Engagement
Engaging employees is a top organisational priority. We aim at being 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 Noreco'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 proactive and 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. 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 2009 a substantial 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 as a 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 2009 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 from physiotherapist and by health checks from our company doctor, and in 2009 we started planning a new health profile which will encourage our employees to lead a healthy lifestyle. These are agreements that we will continue to use and build throughout 2010. Noreco Bedriftsidrettslag (Noreco Sports Club) is financially supported by the Company to support an active and healthy lifestyle.

investor information

The value creation story does not end with a discovery. It is equally important to find a good way to monetize the discovery!

Scott Kerr
CEO

Dear shareholder

Information 2009

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

Noreco's share price increased from NOK 13.60 at the end of 2008 to NOK 17.90 at the end of 2009. Earnings per share amounted to NOK 2,98 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, 0.26 million Noreco shares were traded on the Oslo Børs every day in 2009. Liquidity increased significant in the fourth quarter 2009 to over 1 million shares per day.

As of 31 December 2009 Noreco's share capital was NOK 751,544,674.60, divided on 242,433,766 shares, each with a nominal value of NOK 3.10. As at 31 December 2009 Noreco had a total of 2,630 shareholders divided into 2,415 Norwegian and 215 foreign owners. The shareholders as of the end of 2008 are shown in note 22 to the accounts. Noreco has a convertible loan of NOK 218.5 million outstanding held by 6 investors.

The Company issued 131. 019, 408 million shares in 2009, primarily to finance capital expenditures related to development of oil and gas discoveries in the portfolio.

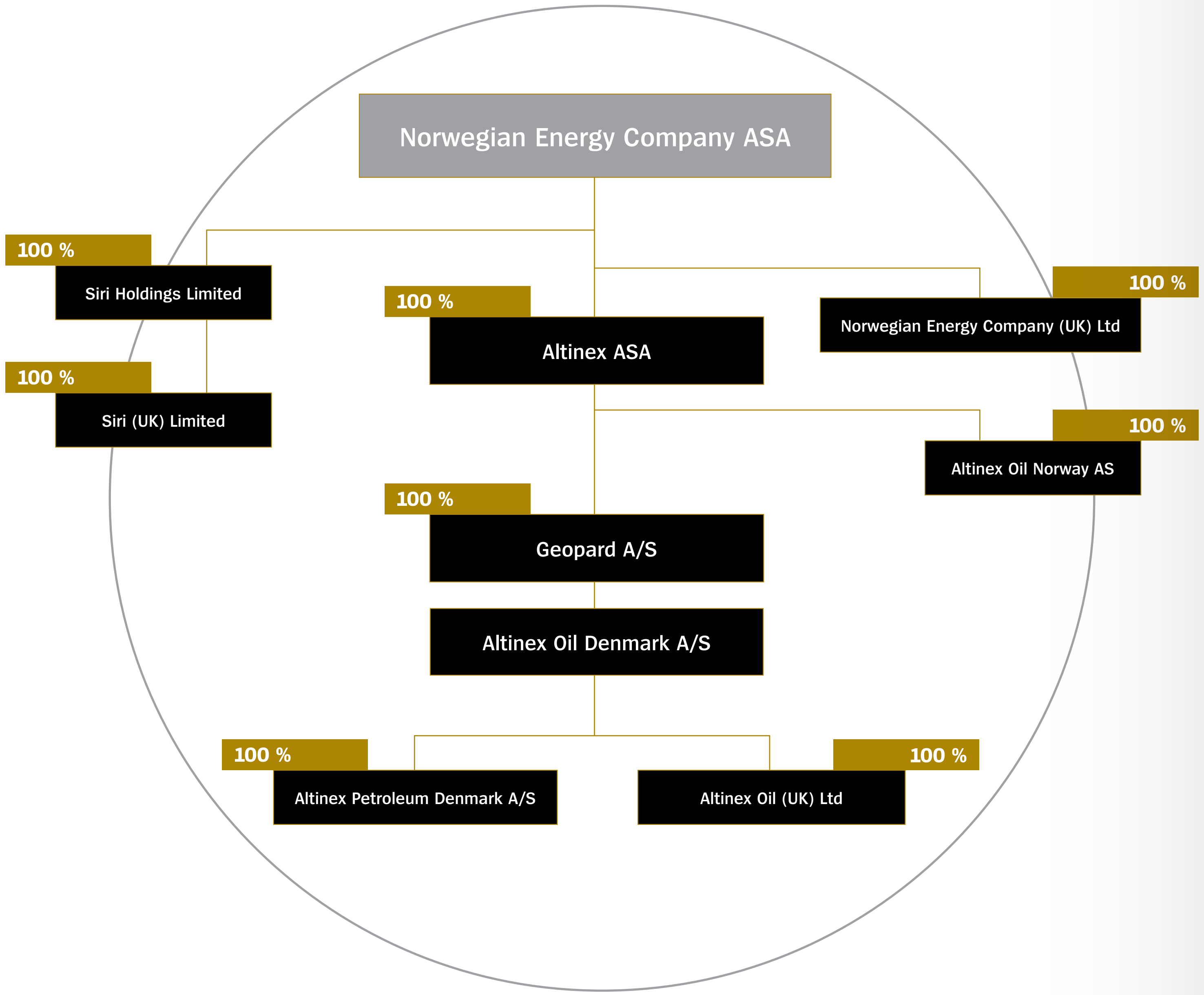
A number of research analysts follow the Company. An updated list of analysts can be found on *www.noreco.com*.

Top 20 shareholders

per 24 March 2010

Investor	No of shares	% of top 20	% of total
Goldman Sachs Int. - Security Client Segregation	28 828 628	20.0 %	11.9 %
Lyse Energi AS	23 647 460	16.4 %	9.7 %
IKM Industri-Invest	12 647 604	8.8 %	5.2 %
UBS AG, London Branc S/A LPB Segregated Client Account	11 948 367	8.3 %	4.9 %
Folketrygdfondet	11 500 000	8.0 %	4.7 %
Credit Suisse AS Nominee	10 081 957	7.0 %	4.1 %
Awilco Invest AS C/P A Wilhelmsen Management AS	6 901 178	4.8 %	2.8 %
Skagen Vekst	5 000 000	3.5 %	2.1 %
Nordea Bank Norge AS Securities Operation	4 356 357	3.0 %	1.8 %
JP Morgan Chase Bank Nordea Treaty Account	3 367 384	2.3 %	1.4 %
Bank Of New York Mellon	3 014 497	2.1 %	1.2 %
Bnp Paribas Secs Services Paris	2 804 136	1.9 %	1.2 %
Frode Teigen	2 800 000	1.9 %	1.2 %
OM Holding AS	2 645 300	1.8 %	1.1 %
Avanse Norden, Nor v/DnB NOR Kapitalforvaltning AS	2 589 928	1.8 %	1.1 %
Bank Of New York Mellon	2 584 673	1.8 %	1.1 %
Odin Norge	2 479 900	1.7 %	1.0 %
BNP Paribas Secs Services Paris	2 364 009	1.6 %	1.0 %
KLP LK Aksjer	2 326 000	1.6 %	1.0 %
Euroclear Bank	2 263 472	1.6 %	0.9 %
Total number owned by top 20	**144 150 850**	**100.0 %**	**59.3 %**
Total number of shares	243 038 047		100.0 %

Noreco Group



Corporate governance

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

Noreco endeavours to exercise a corporate governance policy built on Norwegian corporate law, and that follows the Norwegian Code of Practice for Corporate Governance of 21 October 2009 (hereinafter the 'Code'). However, as of the date of this annual report, the Company is not in full compliance with the Code. The Company is deviating from the Code in the following matters:

- not all members of the Board of Directors, all members of the nomination committee or the auditor will normally attend the general meeting; and
- the chairman of the Board of Directors is a member of the nomination committee.

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 endeavours 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 one authorisation to undertake an increase of the Company's share capital. The authorisation may only be used in connection with Noreco's current incentive programs for employees in the Group. The authorisation is valid until and including 1 June 2010.

The Board of Directors is authorised to acquire shares in the Company at market terms. The authorisation is valid until and including 1 June 2010.

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 authorisation 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 2009 there have been no significant transactions with closely related parties.

If the Company should enter into a not immaterial 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 as soon as possible publicly disclosed to the market.

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
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. Due to the need of making the necessary assessments, the nomination committee's recommendation were made public one week before the General Meeting held 27 May 2009. Noreco endeavours in general to make the calling notice and detailed support information, the resolutions to be considered at the General Meeting and the nomination committee's recommendations and report, 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 21 days before the General Meeting, cf. the Company's Articles of Association section 10. The notice includes a reference to Noreco's website where the notice calling the meeting and other supporting documents are made available. As the supporting documents are made accessible for the shareholders on the Company's web-pages, the documents will not be enclosed to the calling notice sent to the shareholders, cf. Noreco's Articles of Association section 13. 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, and a person who will be available to vote on behalf of shareholders as their proxy will be nominated. Such proxy which allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election 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.

The Board of Directors may decide to allow electronic participation in general meetings, and will consider this before each general meeting.

Noreco will endeavour to 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 four meetings in 2009. 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 current shareholder elected directors were appointed at the General Meeting held on 27 May 2009. One director and one deputy, both representing the employees of the Company, were elected during 2008 as representatives for the employees. 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 shareholder elected 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.

One director and one deputy, both representing the employees of the Company, have options to buy or subscribe for shares in the Company. No decision to issue options to the directors has been made.

The work of the Board of Directors

In 2009 the Board of Directors held 22 board meetings. During 2009, an average of 5.6 directors participated in the 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. In order to ensure an independent approach by the Board of Directors when considering matters of a material nature in which the chairman has, or has had, an active involvement, some other director will take the chair in such matters.

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 personnel. 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 Aasulv Tveitereid 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 Rebekka Glasser Herlofsen are currently the members of the committee. The remuneration and corporate governance committee charter states, inter alia, that the remuneration and corporate governance committee shall act as preparatory body in connection with the supervisory role of the Board of Directors with respect to remuneration compensation and other benefits of Noreco's CEO and other senior executives and make proposals for long-term incentive schemes applicable to the Company's CEO and other senior executives.

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

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 of Director'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 personnel
The remuneration committee reviews and advises on proposals made by the CEO with regard to the remuneration payable to executive personnel, and presents it to the Board of Directors.

The remuneration payable to executive personnel 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 personnel, 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 executive personnel 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 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 to a take-over attempt after the listing of the Company on Oslo Stock Exchange.

Auditor
Year-end accounts are audited. The audit committee receives a report from the auditor after year-end audits for the year concerned, and the auditor presents to the audit committee a review of the Company's internal control procedures. 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 Board of Directors regularly reviews the 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.

A leading independent oil and gas company in the North Sea

Directors’ report 2009

Noreco
Noreco (the “Company”) is a Norwegian independent oil and gas company. The Company’s vision is to become a leading independent oil and gas company in North West Europe. Noreco’s strategy is driven by exploration for oil and gas, as most of the value creation in the industry is generated through finding hydrocarbons. Noreco believes that a balanced portfolio of exploration, development and producing assets increases the value creation over time. This is why the Company also has activities related to production and development of oil and gas fields. Noreco is solely focusing on North West Europe, and currently has activities in Norway, Denmark, UK and Greenland. The Company has offices in Stavanger (head office), Oslo and Copenhagen.

Key developments
The Company has made significant progress towards its vision during 2009, and closed the year with a stronger strategic and financial position. However, 2009 was also a challenging year for Noreco.

Structural integrity issues at the Siri field in Denmark led to a five month shut down of a majority of the Company’s production from 31 August 2009 and through the rest of the year. Production from the fields in the Siri area (Siri, Nini and Cecilie) was stopped from 31 August 2009 as a routine inspection revealed cracks in steel plates on a subsea water buffer tank connected to the main storage tank. Production took longer than expected to resume, and finally restarted on 24 January 2010. The shut down had an adverse impact on production and revenues in 2009, but the impact is expected to be mitigated by the Company’s insurance package which covers repair and partial loss of production. The likely coverage under the insurance policy is reflected in the 2009 accounts with NOK 210 million. There will be uncertainty related to such insurance claims until the claim is settled. The amount reflects the board and management current best estimate The shutdown has not had any adverse effect on the reservoir or field reserves in the Siri area.

The continued uncertainty in the world economy led to oil prices that at the lowest were more than 100 USD below the peak in 2008. Noreco’s oil price put options at 50 and 75 USD/barrel helped mitigate the impact of the decline in oil prices. The finance markets were not functioning normally for parts of the year and credit facilities were difficult to obtain. Noreco’s strong relationships with its creditors enabled the Company to maintain the reserve based lending facility and to extend its exploration loan facility. The Company successfully refinanced its two largest bonds loans (NOR01 and NOR02) by issuing new bonds totaling NOK 2 billion NOK with maturities which are better aligned with projected cash flow from operations. The Company also issued new equity with net proceeds of NOK 1,427 million to fund the continued growth of the Company. As a result of these efforts, the Company improved its capital structure in 2009.

Noreco’s has continued to build on its successful exploration track record in 2009. The Company took in three hydrocarbon discoveries in 2009; a gas discovery at Gita, an oil and gas discovery at Grosbeak and a light oil discovery at Gygrid. All three discoveries have commercial potential and demonstrate Noreco’s solid exploration track record. In the 20th licensing round in previously unlicensed acreage in Norway, Noreco received a very good award of five licenses, second only to Statoil in terms of number of awards.

Lars Takla (66)
Chairman

Takla is one of the founders of Noreco, and the chairman of Noreco’s Board of Directors since the start of the company. He has 40 years of industry experience. He was Region Manager of Phillips Operations in Texas and New Mexico from 1993-1997 and Managing Director of Phillips and ConocoPhillips from 1997-2005. In 2005 he became Commander of the Royal St Olav order for his long and dedicated effort for the oil and gas industry in Norway.

Aasulv Tveitereid (36)
Board member

Tveitereid is educated at NHH (Norwegian School of Economics and Business Administration). He was until 2008 working as oil & offshore analyst in SEB Enskilda. Currently he is owner of an investment company, AAT Invest AS, in which he also works. Tveitereid is also a member of the board of Odim ASA.

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 and Geoscience Manager in Noreco.

Rebekka Glasser Herlofsen (39)
Board member

Glasser Herlofsen holds a Master of Science in Economics and Business Administration from NHH (Norwegian School of Economics and Business Administration). She works as an independent consultant and professional board member. Herlofsen was the Director Business Development Division and a member of the management team in BW Gas ASA from 2005 to 2009 and held various leading positions in the same company from 1999 to 2005. Herlofsen also has experience from the corporate finance department of Enskilda Securities in Oslo and London. She is also a member of the boards of Cermaq ASA, Odim ASA and the T. Klaveness Group ASA.

John Hogan (56)
Deputy Chairman

Hogan has over 30 years international experience in the O&G industry, including extensive experience at board level. Following an early career with Shell, Britoil and Elf Acquitaine, he joined LASMO plc in 1981. He ran their US business for 5 years; was Managing Director of LASMO North Sea for 4 years; and was appointed to the main board as Chief Operating Officer between 1993 and -99. Since then he has worked at board level in a number of international companies in the energy sector.

Therese Log Bergjord (43)
Board member

Log Bergjord is Managing Director ESS-Support Services. From 2007 – 2009 she was Global Sales Director in Skretting. From 2004 until 2007, she was Vice President Commercial in the Pan Fish group, after serving as Vice President Finance in the same group since 2003. Log Bergjord started her career in ConocoPhillips where she held various leading positions during her 16 years with the company. Log Bergjord has a degree in finance/marketing from the University of Stavanger and BI.

Malin E. Flor Helgesen (37)
Deputy Employee Representative

Joined Noreco in December 2005. Holds 10 years of E&P experience preliminary within Well Placement and Drilling Optimisation in the North Sea working with Schlumberger before joining Noreco in the current position. Holds a Master of Science degree in Petroleum Geosciences from the Norwegian University of Science and Technology in Trondheim, Norway. Helgesen is currently holding the position as Senior Geologist in Noreco.

During 2009 the Company's development projects have progressed towards production. The Nini East development in Denmark was completed in Q4 2009, and started production on 24 February 2010. Noreco also decided to continue to own and develop the Oselvar, Huntington and Nemo discoveries. The board made its decision to invest in these fields and issue equity to fund the investments based on a thorough assessment of the investment propositions, an assessment of the secondary asset market and the share price. The Oselvar development in Norway was approved by Norwegian authorities in 2009, and the project plan that will lead to production start in 2011 is being executed. The Huntington development in the UK suffered a delay in 2009 as the operator, Oilexco went into administration. The development is now back on track following the replacement of Oilexco by E.ON Ruhrgas as operator, and the plan is to select the field development concept and submit a field development plan in 2010. The evaluation of the Nemo discovery in Norway has also progressed well in 2009, and a field development plan is expected to be filed in 2010.

Financial results for 2009
The financial performance in 2009 was negatively impacted by the production shut down in the Siri area in Denmark and reduced oil prices compared to 2008. The effect of the production shut down was partially mitigated by the expected insurance coverage which is reflected in the accounts. At the same time successful exploration and refinancing of the Company helped improve the balance sheet.

Production from Noreco's seven producing fields for the year averaged 10,125 barrels of oil equivalents per day for 2009, down from 12,950 barrels in 2008. Realized oil price was 61 dollars per barrel in 2009, down 29 dollars from 2008, leading to an operating income of NOK 1,431 million for the year (2,424 in 2008). Other income of NOK 115 million in 2009 is related mainly to expected insurance coverage for the loss of oil production from the Siri area fields for the period from 1 November until 31 December. A successful exploration drilling programm led to only two exploration wells being expensed in 2009 (Tasta and Hyme in Norway). Operating results (EBIT) for 2009 was NOK -355 million, significantly down from NOK 824 million in 2008. The Company's ordinary result before tax (EBT) was NOK -936 million compared to NOK 268 million for 2008. Net result for 2009 was NOK -368 million compared to NOK 120 million for 2008.

Net cash flow from operating activities decreased from NOK 1,378 million in 2008 to NOK 18 million in 2009. Net cash flow used in investing activities in 2009 was NOK -962 million, compared with NOK -1,199 million the year before. Interest bearing debt amounted to NOK 4,391 million at the end of 2009, compared with NOK 4,715 million the year before. Total bank deposits amounted to NOK 660 million at the end of 2009 compared to NOK 867 million in 2008.

The Company strengthened its financial position in 2009 through new equity of NOK 1,499 million in total and by increasing the exploration financing for the Company from NOK 800 million to NOK 1,050 million. In addition in the fourth quarter the NOR01 and NOR02 bonds amounting to NOK 2,240 million were repaid and two new bonds totaling 2,000 were issued.

It is the board's opinion that the Company has sufficient liquidity in the form of cash at hand, existing bank facilities and operating cash flow to meet its current liquidity requirements. As required by section 3-3 a) of the Norwegian Accounting Act, the board confirms thatin its view the going concern assumption is fulfilled. The accounts for 2009 have been prepared on that basis.

The board believes that accounts give an accurate picture of the Company's assets, liabilities, financial position and financial performance.

Markets
The board is of the opinion that due to fundamental factors the oil demand is likely to pick up, which combined with a shortage of production capacity to meet that demand will lead to an increase in oil prices. The board recognizes that there continues to be significant uncertainty in the pace and timing of the pick-up in demand.

The recent market turmoil has 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, however Noreco continues to be competitive in the market. The secondary asset market was relatively illiquid in 2009, with few transactions, and a number of sellers marketing their assets were in distress. However, 2009 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 business in a profitable way.

The capital markets were challenging throughout 2009 in the wake of the global financial crisis. Equity indices have improved from the historic lows in 2009, but continue to be volatile.

Financial risk
Risks related to oil price, production interruption, currency and interest rates and debt service represent the main financial risks to the Company. Financial risk management is carried out by a central finance and accounting function and the risk management program seeks to minimize the potential adverse effects on the Company'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 75 per barrel is guaranteed for a significant part of the expected oil production through the first quarter of 2011. In addition, the Company has purchased put options at USD 50 per barrel for parts of the production into 2012. This secures the Company's ability to carry out the planned work program for 2010, even if the oil price should decline.

Furthermore, a part of the Company's exposure to foreign currencies is secured through forward contracts. A part of the Company's exposure to changes in interest rates is hedged through swaps. For further information about the financial risk management objectives and policies see the notes to the accounts.

The structural integrity issues at Siri in 2009 illustrate the risk of production interruption. While this was an unusual event, production interruption is a risk for Noreco. This is mitigated by inspection and maintenance programs.The Company also maintains an extensive insurance package that covers physical damage (installations), wells (well out of control), third party liability, pollution, removal of debris and business interruption.

Health, Safety, Security and Environment
Noreco will conduct all its activities with great respect for people and the environment we are in, and will at all times have a strong focus on health, safety and work environment. The staff represents 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, which 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. The staff is challenged to intervene to stop unsafe actions and are active in driving an HSE culture in the Company.

Noreco drilled the Tasta well on license PL412 in 2009. Tasta was Noreco's first operated exploration well in Norway, and the operation was safely executed, with no HSE incidents. The well was drilled in 22 days, which was 9 days ahead of plan and well within budget.

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 2009. In the non-operated activities there was one fatality, which occurred on the drilling rig Maersk Resolute while drilling at the Nini East Field. The fatality has been investigated by the operator, the rig owner and Danish authorities. Actions are now being followed up by the operator. All incidents in non-operated licenses are followed up by the Noreco representative in the license.

Exploration, development and production of oil and gas can lead to discharges to sea and air emissions. Noreco operates within all statutory requirements. There have not been any breaches of these requirements in 2009 in licenses operated by Noreco.

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

People are key to Noreco's success. During 2009 the Company has continued to strengthen the organization by recruiting new staff. As at 31 December 2009 Noreco had 77 employees. Nine different nationalities are represented in the workforce, and 26 employees (32 %) were female. Two of five board members elected by the shareholders are female. Two out of the nine members of the executive management team are female. The Noreco workforce is experienced but relatively young, with an average age of 43 years. 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. During 2009 employee absence due to sickness in Noreco remained very low at 1.3 % (1.4 % in 2008).

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 commercialization of these efforts.

Corporate governance

Good corporate governance is the board's most important tool for ensuring that the Company's resources are managed in the best possible way and contribute to long term value creation for shareholders. Corporate governance in Noreco is based on equal treatment of all shareholders exercised through the Board of Directors and the General Meeting. The Board of Directors held 22 meetings in 2009. A key focus area for the board in 2009 was to set the strategy for the Company in light of the challenging and uncertain business environment. There were two changes to the board in 2009. At the annual general meeting on 27 May 2009, the following directors were elected: Lars Takla (chairperson), Rebekka Glasser Herlofsen, Aasulv Tveitereid, John Hogan (deputy chairperson) and Therese Log Bergjord. Roger O'Neil and Heidi Pettersen stepped down from the board after the election. Further information on corporate governance in Noreco is detailed in the separate section on corporate governance in the annual report and in the notes to the accounts.

Allocations

The result for the year for Norwegian Energy Company ASA in 2009 was NOK –506,297 million. The board proposed the following allocations to cover the loss for 2009:
Transferred from share premium fund: NOK 506,297 million
The Parent company's total equity as at 31.12.2009 was NOK 3,271,609 of which NOK 0 is free equity.

Outlook

The Board of Directors have a positive view on the market fundamentals for the upstream oil and gas industry. The uncertain markets may still create challenges in the short term, but the board believes that the oil price will continue to strengthen in the medium to long term.

The Company has a balance sheet with capacity to deliver organic growth from its balanced portfolio of oil and gas assets. The future value for producing fields will gradually decrease as the remaining reserves are produced. As goodwill is not depreciated, it has to be written down at some point in time. A write down of goodwill is expected in 2010. Refer to note 17 in the annual accounts for further details.

Noreco's production from eight fields, which is expected to be in the range of 13,000-14,000 boe per day in 2010 provides significant cash flow from operations. 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 as well as investments in ongoing developments will deliver very good shareholder returns in the long run. Noreco plans to invest NOK 1,100 million (before tax) in exploration and appraisal in 2010, and expects to take part in six exploration and appraisal wells through the year. The Company plans to invest NOK 700 million in producing fields and developments. A number of the Company's discoveries are progressing to development decisions, which will increase the reserve base of the Company around the time a plan of development is submitted. In 2010 the Company will continue to market assets, and will execute sales if the offered price is deemed satisfactory 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 Company is committed to delivering the vision of creating a leading independent oil and gas company in North West Europe.

These forward-looking statements in this section and the rest of the Director's report 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.

Declaration in accordance with § 5-5 of the Securities Trading Act

We hereby confirm that, to the best of our knowledge and belief, the Company financial statements for 2009 have been prepared in compliance with current accounting standards, and that the information in the accounts gives a true and fair view of the Company and Company assets, liabilities and financial position, as well as the results of their operations in their entirety.

24 March 2010

Lars Takla **John Hogan** **Therese L Bergjord**

Aasulv Tveitereid **Rebekka Glasser Herlofsen** **Søren Poulsen**

Scott Kerr
CEO

annual accounts

Our own

Consolidated Statement of comprehensive income for the year ended 31 December

		NORECO GROUP		NORWEGIAN ENERGY COMPANY ASA	
(NOK 1000)	Note	2009	2008	2009	2008
Revenue	7	1 431 203	2 423 531	0	0
Other revenue	7	115 313	0	0	0
Total revenues	**7**	**1 546 516**	**2 423 531**	**0**	**0**
Production expenses	8	451 981	414 893	0	0
Exploration and evaluation expenses	9	525 054	258 664	504 007	188 923
Payroll expenses	10, 11	125 687	114 135	86 339	93 866
Depreciation and write-down	17, 18	639 726	716 799	792	1 138
Other operating expenses	12, 13	103 572	95 480	83 082	68 060
Loss on sale of licenses		55 594	0	0	0
Total operating expenses		**1 901 613**	**1 599 970**	**674 218**	**351 987**
Net operating result		**(355 098)**	**823 560**	**(674 218)**	**(351 987)**
Financial income	14	151 872	161 680	218 067	384 885
Financial expenses	14	732 645	717 274	644 568	637 857
Net financial items		**(580 774)**	**(555 594)**	**(426 501)**	**(252 972)**
Ordinary result before tax		**(935 872)**	**267 967**	**(1 100 720)**	**(604 960)**
Income tax expense	15	(567 883)	147 754	(594 424)	(407 012)
Net result for the period		**(367 989)**	**120 213**	**(506 297)**	**(197 948)**
Net result for the period		(367 989)	120 213	(506 297)	(197 948)
Other comprehensive income:					
Value adjusted financial instruments		(285 913)	388 516	0	0
Currency translation difference		(55 505)	18 889	0	0
Total comprehensive net result for the period		**(709 407)**	**527 618**	**(506 297)**	**(197 948)**
Net result attributable to:					
Shareholders		(367 989)	120 213	(506 297)	(197 948)
Total comprehensive net result attributable to:					
Shareholders		(709 407)	527 618	(506 297)	(197 948)
Earnings per share					
Basic	16	(2.17)	0,92	(2.98)	(1.52)
Diluted	16	(2.17)	0,93	(2.98)	(1.52)

And this our

Consolidated Statement of financial position as at 31 December

		NORECO GROUP		NORWEGIAN ENERGY COMPANY ASA	
(NOK 1000)	Note	2009	2008	2009	2008
ASSETS					
Non-current assets					
Intangible non-current assets					
Licences and capitalised exploration expenses	17	3 849 233	4 595 387	402 549	519 239
Deferred tax asset	15, 34	429 521	230 421	310 162	177 340
Goodwill	17	1 540 798	1 540 798	0	0
Total intangible non-current assets		5 819 552	6 366 606	712 710	696 579
Tangible non-current assets					
Production facilities	18	4 099 058	3 538 789	332 247	0
Machinery and equipment	18	650	3 594	263	1 055
Total tangible non-current assets		**4 099 708**	**3 542 383**	**332 510**	**1 055**
Financial non-current assets					
Investments in subsidiaries	5	0	0	4 319 473	4 350 561
Loan to group companies		0	0	366 032	487 384
Total financial non-current assets		**0**	**0**	**4 685 505**	**4 837 945**
Total non-current assets		**9 919 260**	**9 908 988**	**5 730 725**	**5 535 579**
Current assets					
Receivables					
Accounts receivable	19	133 619	219 488	2 819	25 052
Tax refund	15, 19	631 261	542 644	584 735	542 644
Receivables from group companies	19	0	0	77 864	99 378
Other current receivables	19	446 020	202 642	43 846	94 115
Total receivables		**1 210 900**	**964 774**	**709 264**	**761 189**
Financial current assets					
Financial instruments	20	58 227	546 670	0	0
Bank deposits, cash and cash equivalents	21	659 812	867 349	575 405	583 743
Total financial current assets		**718 039**	**1 414 019**	**575 405**	**583 743**
Total current assets		**1 928 939**	**2 378 793**	**1 284 669**	**1 344 932**
Total assets		**11 848 199**	**12 287 781**	**7 015 394**	**6 880 510**

		NORECO GROUP		NORWEGIAN ENERGY COMPANY ASA	
(NOK 1000)	Note	2009	2008	2009	2008
EQUITY AND LIABILITIES					
Equity					
Share capital	22	751 545	444 428	751 545	444 428
Share premium fund	22	2 483 054	1 869 200	2 483 054	1 869 200
Other equity		487 624	682 858	37 010	29 155
Total equity		**3 722 223**	**2 996 486**	**3 271 609**	**2 342 783**
LIABILITIES					
Provisions					
Pension liabilities	23	4 360	812	4 360	812
Deferred tax	15, 33	2 495 232	2 725 879	456 647	356 907
Abandonment provisions	24	734 842	852 039	0	0
Total provisions		**3 234 434**	**3 578 730**	**461 008**	**357 719**
Other non-current liabilities					
Convertible bond loan	25	196 539	187 127	196 539	187 127
Bond loan	25	2 261 391	2 530 982	1 963 122	2 184 501
Other interest bearing debt	25	1 026 595	1 463 722	0	0
Other interest bearing debt to group companies		0	0	482 122	988 402
Total other non-current liabilities		**3 484 525**	**4 181 831**	**2 641 784**	**3 360 030**
Current liabilities					
Other interest-bearing debt	26	906 957	533 371	524 484	533 371
Trade payables	26	35 943	138 058	32 918	73 640
Current tax payable	15, 26	208 543	564 911	0	0
Public duties payable	26	34 285	29 365	5 326	9 924
Debt to group companies	26	0	0	7 253	23 101
Other current liabilities	26	221 288	265 029	71 013	179 942
Total current liabilities		**1 407 016**	**1 530 734**	**640 993**	**819 978**
Total liabilities		**8 125 975**	**9 291 295**	**3 743 785**	**4 537 727**
Total equity and liabilities		**11 848 199**	**12 287 781**	**7 015 394**	**6 880 510**

Stavanger, 24 March 2010

Lars Takla Chairman · **Rebekka Glasser Herlofsen** · **Aasulv Tveitereid** · **Therese L Bergjord** · **Søren Poulsen** · **John Hogan** · **Scott Kerr** CEO

Consolidated statement of changes in equity

NORECO GROUP (NOK 1000)	Share capital	Share premium fund	Foreign exchange translation fund	Hedging fund reserver	Other	Total equity
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**
Equity at 1 January 2009	**444 428**	**1 869 200**	**30 030**	**345 105**	**307 723**	**2 996 486**
Capital increase 2009	307 117	1 191 625				1 498 741
Share issue cost		(71 475)				(71 475)
Share-based incentive program					7 855	7 855
Value-adjusted financial instruments				(285 913)		(285 913)
Translation differences - foreign exchange			(55 485)			(55 485)
Net result					(367 989)	(367 989)
Coverage of loss		(506 297)			506 297	0
Equity at 31 December 2009	**751 545**	**2 483 054**	**(25 455)**	**59 192**	**453 886**	**3 722 223**

Statement of changes in equity

NORWEGIAN ENERGY COMPANY ASA (NOK 1000)	Share capital	Share premium fund	Other equity	Total equity
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 2008	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**
Equity at 1 January 2009	444 428	1 869 200	29 155	2 342 783
Capital increase January 2009	1 566	5 303		6 869
Capital increase May 2009	41 540	172 860		214 400
Capital increase October 2009	248 000	952 000		1 200 000
Capital increase November 2009	16 011	61 461		77 472
Share issue cost		(71 475)		(71 475)
Share-based incentive program			7 855	7 855
Net result			(506 297)	(506 297)
Coverage of loss		(506 297)	506 297	0
Equity at 31 December 2009	**751 545**	**2 483 054**	**37 010**	**3 271 609**

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Consolidated Statement of cash flow

		NORECO GROUP		NORWEGIAN ENERGY COMPANY ASA	
(NOK 1000)	Note	2009	2008	2009	2008
Ordinary result before tax		(935 872)	267 967	(1 100 720)	(604 960)
Depreciation and write-downs	17, 18	639 726	716 799	792	1 138
Tax refund/paid	15	(121 615)	675	519 251	273 783
Loss on sale of fixed assets		55 594	0	0	0
Effect of changes in exchange rates/other effects equity		(519 931)	570 557	0	0
Financial instruments at fair value	20	488 443	(495 927)	0	0
Amortisation of borrowing expenses	14	95 512	61 077	86 385	41 899
Calculated interest on abandonment provisions	24	66 997	43 782	0	0
Other items with no cash impact		3 548	58 963	9 743	22 596
Change in trade receivable	19	85 869	(129 642)	22 233	(25 052)
Change in trade payables	26	(102 115)	69 075	(40 722)	46 798
Changes in other current balance sheet items		262 250	214 728	(19 524)	636 887
Net cash flow from (used in) operations		18 407	1 378 052	(522 562)	393 089
Cash flows from investing activities					
Proceeds from sale of intangible fixed assets		27 272	0	0	0
Purchase of tangible assets	18	(799 645)	(414 996)	(85 136)	0
Purchase of intangible assets	17	(189 683)	(380 258)	(130 420)	(316 335)
Net purchase of subsidiaries	4, 5	0	(403 298)	(14 039)	(7 690)
Net cash flow used in investing activities		**(962 056)**	**(1 198 552)**	**(229 595)**	**(324 025)**
Cash flows from financing activities					
Issue of share capital	22	1 427 268	499 262	1 427 267	499 262
Proceeds from issuance of long term debt	25	2 109 160	633 412	1 948 629	0
Repayment of long term debt	25	(2 240 000)	(1 241 000)	(2 240 000)	(581 000)
Proceeds from issuance of short term debt	26	519 104	531 771	519 104	531 771
Repayment of short term debt	26	(534 971)	(222 000)	(534 971)	(222 000)
Group contributions received		0	0	65 000	0
Interest paid		(521 154)	(564 725)	(441 210)	(379 878)
Net cash flow from (used in) financing activities		**759 407**	**(363 280)**	**743 819**	**(151 845)**
Net change in cash and cash equivalents		**(184 242)**	**(183 780)**	**(8 338)**	**(82 781)**
Cash and cash equivalents at start of the year	21	867 349	973 661	583 743	666 524
Effects of changes in exchange rates on cash and cash equivalents		(23 295)	77 467	0	0
Cash and cash equivalents at end of the year	21	**659 812**	**867 349**	**575 405**	**583 743**

notes

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 U.K. For complete address details see the Annual Report for 2009.

The activities of Noreco are exploration and production of crude oil and natural gas.

The financial statements were approved by the Board of Directors on 24 March 2010.

02 Accounting principles

Basis of preparation
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 accompanying interpretations to be used as of 31.12.2009, 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. Proposed consolidated financial statements were authorised for issue by the Board of Directors and the General Manager at the date given by the dated and signed balance sheet. The consolidated financial statements will be processed at the general assembly, on the 6th of May 2010, for final approval.

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 amortised 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.

Changes in accounting principles
Effective as of 1 January 2009 the Group has changed the accounting principle concerning the accounting for borrowing costs. Borrowing costs that are directly attributable to acquisition, manufacturing, or production of qualified asset, is capitalised as a part of the acquisition cost of the respective asset. Previously the borrowing costs were included as interest expenses. This change occurred as a result of the implementation of IAS 23 Borrowing Costs. In accordance with the interim provisions comparative figures have not been revised.

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. The consolidated financial statements are presented in Norwegian kroner (NOK) which is the Parent Company's functional currency.

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
In order for a business combination to exist, the acquired asset or the group of assets must constitute a business. A business is an integrated set of activities and assets managed for the purpose of providing a return to investors. This requires judgment to be applied on a case by case basis as to whether the acquisition meets the definition of a business combination. 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 acquisition.

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 use cash.

Transactions in a currency different from the functional currency of the entity 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. The difference between the exchange rate on the transaction date and the exchange rate at the balance sheet date results in agio or diagio. Agio or disagio regarding hedging of future cash flows are included in the same account and at the same time as the hedged cash flow.

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 as a separate component of equity in the statement of recognised income and expense.

Financial instruments
Financial instruments are recognised initially at fair value and any changes to fair value prior to settlement is recognised in the income statement and balance sheet 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.

Financial assets and liabilities are set off when there is a legal right to do this, and there is an intention to settle on a net basis. Net amounts are then presented in the balance sheet.

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 "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
The group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses.

The Group's business segment is fully related to exploration and production of hydrocarbons. The Group therefore only has one operational segment which are followed up and reported on within three geographical segments: Norway, Denmark and the United Kingdom.

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 expenses
Production expenses 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 expenses
Oil and gas exploration and evaluation expenses are recognised in accordance with the "successful effort" (SE) method.
Exploration expenses will i.e. include the expenses of topographical and geophysical (G&G) studies, expenses relating to undeveloped areas, costs relating to the drilling of exploration/appraisal wells, and evaluation expenses etc. The basic rule of SE is that exploration and evaluation expenses are expensed as they incur, with the exception of costs incurred during exploratory drilling which are recognised in the balance sheet until it is evaluated whether proved reserves have been found. For further details, see the section on the treatment of intangible and tangible assets.

Exploration and evaluation asset acquisitions (farm-in arrangements) in which the Company has agreed to cover a portion of the selling partners' (farmor's) expenses, are expensed in the same way as exploration and evaluation expenses as they incur in line with the Groups policy.

Unproved oil and gas properties are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount, and at least once a year. Exploratory wells that have found reserves, may remain capitalized for more than one year. The main conditions are that either firm plans exist for future drilling in the licence, or a development decision is planned in the near future. Impairment of unsuccessful wells is reversed, as applicable, to the extent that conditions for impairment are no longer present.

Corporation tax
The tax expense in the income statement comprises current and deferred tax. Income tax expense is recognised in Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax 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 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 estimated 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.

Companies engaged in petroleum production and pipeline transportation on the Norwegian continental shelf are subject to a special petroleum tax on profits derived from these activities. The special petroleum tax is currently levied at 50 %. The special tax is applied to relevant income in addition to the standard 28 % income tax, resulting in a 78 % marginal tax rate on income subject to petroleum tax. The basis for computing the special petroleum tax is the same as for subject to ordinary income tax, except that onshore losses are not deductible against the special petroleum tax, and a tax-free allowance, or uplift, is granted at 7.5 % per year. The uplift is computed on the basis of the original capitalised cost of offshore production installations. The uplift may be deducted from taxable income for a period of four years, starting in the year in which the capital expenditures are incurred. Uplift benefit is recorded when the deduction is included in the current year tax return and impacts taxes payable. Unused uplift may be carried forward indefinitely.

Interest expense on interest-bearing debts are distributed between onshore and offshore. The tax allowance for the offshore debt interests are calculated as interest expense multiplied with 50 % of the relationship between the tax value of the offshore-asset and average interest-bearing debt. The remaining net financial expenses are allocated onshore.

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 impairment losses.

Intangible assets with an infinite economic life are not amortised, but if recoverable amount of an asset is lower than its book value, 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. 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 expenses are classified as intangible assets until plan for development and operation has been approved. Capitalised amounts will be transferred to tangible fixed assets under development when approval is granted. When the asset is ready for its intended use, it will be classified as a production facility and depreciated in accordance with the unit of production method. When oil-related exploration licences are purchased, the cost price will be capitalised as an intangible asset. After initial recognition they will be treated in accordance with the general principles for intangible assets. Under the successful 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 expenses related to unsuccessful drilling that is considered not commercially recoverable are charged to expense. Capitalised exploration and evaluation expenses are transferred to tangible fixed assets, if it is decided to further develop the project.

Fixed assets
Tangible fixed assets include production facilities, asset under construction, fixtures, etc. Tangible fixed assets are measured at cost, less accumulated depreciation and impairment losses. Asset 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, including capitalisation of borrowing expenses, 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, such as repair and maintenance costs, are normally expensed. If it can be demonstrated that the repair/maintenance has led to increased earnings, the costs will be capitalised as additions to production facilities.

When assets are sold, disposed of or replaced, the cost price and accumulated depreciations are reversed, and any resulting losses or gains recognised in the Income Statement.

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 the Income Statement or as reversal of previous write-downs. However, a reversal can not result in the book value of the asset exceeding 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.

Trade receivable and other receivables
Trade receivable and other 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 current liabilities, under lifting of hydrocarbons is presented as a current 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, 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 subsidiaries 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.

Pensions
The employees in the Norwegian part of the Group have a collective (secured) pension scheme, classified as a defined-benefit plan. In Denmark, the Group has a defined contribution plan.

In the accounts pension liabilities and pension costs in the defined benefit plan 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 actuarial gains/losses if these exceed 10 per cent of the greater 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 current 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.

Capitalised 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 of current removal requirements and is discounted to present value. The discount rate 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. When a decommissioning liability is recognised or the estimate changed, a corresponding amount is recorded to increase or decrease the related asset and is depreciated, in line with the asset. Increase in the provision as a result of the time value of money is recognised in the Income Statement 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. Changes in accounting estimates are included in the period in which the changes occur and in all future affected periods.

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
- the valuation of goodwill, other intangible assets, property, plant and equipment and future decommissioning and removal liabilities (see Notes 17, 18 and 24)
- depreciation of property, plant and equipment (production equipment) (see Note 18).
- receivables related to insurance coverage from the shut-down on the Siri Field (see Note 19).

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 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 rates. 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 acquired in 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 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 rate. Changes in one or more of these factors could result in major changes in the decommissioning and removal liabilities.

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 considerations, and share- and debt issue costs. The Group will apply the revised standard prospectively from 1 January 2010.

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-sided 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 will apply the changes from 1 January 2010.

Per 31.12.2009 IFRS 9, Financial Instruments, IFRIC 14 (amendment), Prepayments of a minimum funding requirement, IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments and IAS 24 (revision) Related Party Disclosure have been published, but have not been approved by the EU. The Company has not yet considered the effect of these standards.

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.

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, means that the Group's financing of ongoing operations and future investments has been secured. See Note 13 Operating leases, Note 21 Cash and cash equivalents and Note 25 Non-current liabilities.

Market 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 Trade receivables and other receivables, Note 20 Financial Instruments, Note 21 Cash and cash equivalents, Note 25 Non-current liabilities and Note 26 Trade payable and other current liabilities.

A change in the average exchange rate related to USD with +/- 10 % would have changed revenue with MNOK 155. Net result for the period would have changed with MNOK 83.

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 a 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.

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 4,490,153 in interest-bearing debt (nominal value), of which TNOK 917,787 is short-term debt. The Parent Company has a total of TNOK 2,753,745 in interest-bearing debt (nominal value), of which TNOK 535,245 is short-term debt. Of the Group's debt TNOK 1,818,500 are loans with a fixed interest rate. The remaining, TNOK 2,671,653, are loans with a floating interest rate. The Parent Company has a total debt of TNOK 1,468,500 at a fixed interest rate and TNOK 1,285,245 at a floating interest rate.

All bank deposits (TNOK 659,812 for the Group and TNOK 575,405 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 20,100 for the Group and TNOK 7,100 for the Parent Company. For further information about the Group's interest-bearing debt see Note 25 Non-current liabilities. The Group considers that a good balance between fixed and floating interest rates on its debt portfolio has been achieved.

Credit risk
Credit risk arises principally from recognized 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 Trade receivable and other receivables that also gives an overview of the maximum credit risk the Company is subject to.

The counterparty in derivatives is large banks whose credit risk is considered as low.

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

In 2009 Altinex International AS merged with Altinex ASA. The accounting and tax effect of the merger occurred on 1 January 2009.

2008 - 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 owner's 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 recognized in the purchase price. The Company changed its name to Siri UK Limited following the acquisition.

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	533 167	339 226
Removal asset	135 459	135 459
Accounts receivable	67 146	67 146
Other receivables	93 717	93 717
Removal provision	(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.

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 %
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 2009	Equity 31.12.09	Book value
Altinex ASA	Stavanger	100 %	100 %	34 974	1 101 971	4 301 127
Siri Holding Limited	Stavanger	100 %	100 %	(29 101)	(50 615)	4 308
Norwegian Energy Company UK Ltd	U.K	100 %	100 %	(14 212)	(2 365)	14 039

06 Exchange rates

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

	Exchange rate 1.1.2009	Exchange rate 31.12.2009
Norwegian kroner (NOK)	1.00	1.00
Danish kroner (DKK)	132.38	111.73
USA dollar (USD)	7.00	5.78
Euro (EUR)	9.87	8.32
British pound (GBP)	10.12	9.32

When translating items in the consolidated statement of comprehensive income, quarterly average exchange rates are used as basis.

07 Revenue

Specification of total revenue:

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	**2009**	**2008**	**2009**	**2008**
Sales of oil	1 247 859	2 292 866	0	0
Sales of gas and NGL	61 825	103 930	0	0
Revenue from oil price hedging	150 166	58 485	0	0
Costs from oil price hedging [1]	(28 646)	(31 750)	0	0
Other revenue [2]	115 312	0	0	0
Total revenue	1 546 516	2 423 531	0	0

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

(2) Other revenue is related to expected insurance coverage for the loss of oil production from the Siri area fields for the period from 1 November 2009 until 31 December 2009.

08 Production expenses

Production costs consist of the following:

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	**2009**	**2008**	**2009**	**2008**
Direct production costs	362 528	268 429	0	0
Duties, tariffs, royalties	60 105	125 247	0	0
Other costs	29 347	21 217	0	0
Total production costs	451 981	414 893	0	0

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

Notes

09 Exploration and evaluation expenses

Specification of exploration and evaluation costs expensed in the year:

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	**2009**	**2008**	**2009**	**2008**
Acquisition of seismic data, analysis and general G&G costs	254 374	156 490	245 913	142 706
Exploration wells capitalised in previous years	6 537	23 821	6 537	12 409
Dry exploration wells this year	194 792	40 889	194 792	0
Other exploration and evaluation costs	69 352	37 465	56 765	33 808
Total exploration and evaluation costs	525 054	258 664	504 007	188 923

Specification of cash outflows relating to exploration and evaluation activities:

(NOK 1 000)	**2009**	**2008**	**2009**	**2008**
Exploration and evaluation cost capitalised as intangible assets this year	189 683	380 259	130 420	316 335
Exploration and evaluation costs directly expensed this year	518 519	234 843	497 470	176 514
Amount invested in exploration and evaluation activities this year	708 203	615 103	627 890	492 849

10 Personnel expenses

Personnel expenses consist of the following:

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	**2009**	**2008**	**2009**	**2008**
Salaries	87 379	84 492	57 939	63 670
Social security tax	12 732	14 736	12 732	14 285
Pensions costs (note 23)	12 514	7 433	9 896	4 965
Costs relating to share-based payments (note 27)	7 855	2 129	6 196	1 807
Salaries from other group companies	0	0	(3 974)	5 096
Other personnel expenses	5 206	5 345	3 550	4 042
Total personnel expenses	125 687	114 135	86 339	93 866

Average number of man-years	**2009**	**2008**	**2009**	**2008**
Norway	50.0	41.5	50.0	41.5
Denmark	27.0	28.0	-	-
Total	77.0	69.5	50.0	41.5

11 Related-party transactions

Compensation to key management:

(NOK 1 000)	Director's fees	Remuneration	[1] Bonus	Pension	[2] Other remuneration	Total compensation	[8] No. of shares	[3] No. of options	[4] Shares purchased in 2009	[5] Options granted in 2009
Senior executives										
Scott Kerr [6] CEO		2 476	-	141	1 505	4 121	1 695 288	329 361	50 338	119 670
Jan Nagell CFO		1 779	-	142	772	2 693	62 050	190 883	27 913	70 226
Einar Gjelsvik VP, Strategy & Investor Relations		1 430	-	91	283	1 804	87 205	139 971	12 978	52 995
Thor Arne Olsen VP, Commercial		2 015	-	153	1 268	3 436	1 284 734	204 437	42 394	82 174
Rune Martinsen VP, Northern North Sea		1 814	-	123	735	2 672	688 085	180 385	27 254	72 506
Synnøve Røysland VP, Southern North Sea		1 866	-	207	119	2 192	16 948	189 549	-	65 727
Lars Fosvold VP, Exploration		1 350	-	135	618	2 103	102 205	81 343	22 862	61 907
Birte N. Borrevik VP, Drilling and Projects		1 654	-	156	838	2 647	152 729	182 384	29 266	67 673
Stig Frøysland VP, HSE / HR		1 627	-	152	748	2 527	63 519	177 985	26 641	65 579

	Director's fees	Remuneration	[1] Bonus	Pension	[2] Other remuneration	Total compensation	[8] No. of shares	[3] No. of options	[4] Shares purchased in 2009	[5] Options granted in 2009
Board of Directors										
Lars Takla [7] Chairman of the Board	650					650	1 578 207			
John Hogan Board member	450					450	421 195			
Aasulv Tveitereid [9] Board member	238					238	343 333			
Rebekka Glasser Herlofsen [9] Board member	238					238	30 000			
Therese Log Bergjord Board member	400					400	24 000			
Søren Poulsen Board member, staff representative		1 309	-	145	96	1 550	667	75 124	-	23 481
Total compensation 2009	**1 975**	**17 320**	**-**	**1 445**	**6 981**	**27 721**	**6 550 165**	**1 751 422**	**239 646**	**681 938**
Total compensation 2008	2 300	17 082	8 462	956	7 883	36 683				

(1) Bonuses for 2008 were paid out in 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 2010 in connection with the incentive arrangements
(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
(9) From 27 May 2009.

VP Lars Fosvold has sold 15,000 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.

Directors' fees
The annual remuneration to board members is decided on by the Shareholder's Meeting. Current benefits are;
The chairman of the Board 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 6 May 2010.

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 2010, the award will be 80 % of base salary for the CEO, 64 % of base salary for other executive officers and 32 % 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 volum weighted average trading price of the Company's shares the first five trading days following announcement of the Company's Q4 results for 2009. For options issued in February 2010, this entails an exercise price of NOK 17,00.

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 2009.

12 Other operating expenses

Specification of other operating expenses (NOK 1 000)	Noreco Group 2009	2008	Norwegian Energy Company ASA 2009	2008
Lease expenses	11 264	8 680	8 901	4 106
IT expenses	38 541	25 307	28 113	13 938
Travel expenses	9 154	9 676	5 852	6 039
General and administrative costs	6 074	4 964	4 642	3 823
Consultant fees	35 058	39 102	30 172	37 022
Other operational expenses	3 482	7 751	5 402	3 132
Total other operating expenses	**103 572**	**95 480**	**83 082**	**68 060**

Auditor's fees (NOK 1 000)	Noreco Group 2009	2008	Norwegian Energy Company ASA 2009	2008
Auditor's fees	2 131	1 315	632	360
Other audit related services	125	184	125	64
Tax advisory services	0	0	0	8
Other advisory services	1 260	824	772	313
Total fees	**3 516**	**2 323**	**1 528**	**745**
Total fees are distributed between the following;				
Deloitte AS	-	495	-	464
KPMG AS	3 067	1 828	1 528	281
McIntyre Hudson Ltd	449	-	-	-
Total distributed fees	**3 516**	**2 323**	**1 528**	**745**

13 Operating leases

Operating leases:

Annual lease costs related to lease agreements accounted for as operating leases (NOK 1 000)	Noreco Group 2009	2008	Norwegian Energy Company ASA 2009	2008
Office	7 933	5 939	5 568	3 441
Other	6 209	2 560	5 479	1 889

Future minimum lease payments under non-cancellable lease agreements (NOK 1 000)	2009	2008	2009	2008
2010	15 455	9 033	13 788	8 836
2011	13 228	8 078	12 901	7 931
2012	9 115	5 510	9 109	5 510
2013	5 632	20 327	5 632	20 327
>2014	16 370	0	16 370	0
Total	59 800	42 948	57 800	42 604

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) Financial income	Noreco Group 2009	2008	Norwegian Energy Company ASA 2009	2008
Interest income	28 309	66 311	7 643	42 866
Other financial income	12 957	1 436	25 399	0
Interest income from other group companies	0	0	30 862	36 641
Group contribution	0	0	0	74 950
Currency translation (1)	110 607	93 933	154 162	230 428
Total financial income	151 872	161 680	218 067	384 885
Financial expense	**2009**	**2008**	**2009**	**2008**
Interest expense from bond loans (2)	339 809	412 292	307 059	303 279
Interest expense from convertible loans	13 110	33 771	13 110	33 771
Interest expense, other non-current liabilities	50 198	48 646	0	0
Interest expense from exploration loans	32 586	33 082	32 586	33 082
Amortisation of loan costs (3)	95 512	61 077	86 385	41 899
Imputed interest from abandonment provisions	66 997	43 782	0	0
Interest expense, current liabilities	12 591	9 533	56	2 841
Interest expense to other group companies	0	0	73 307	37 132
Capitalised interest expenses	(2 136)	0	-2 136	0
Other financial expenses	13 712	5 052	7 756	1 014
Currency translation (1)	110 267	70 039	126 445	184 838
Total financial expense	732 645	717 274	644 568	637 857
Net financial items	(580 774)	(555 594)	(426 501)	(252 972)

(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 where the principal is in USD. These items are eliminated in the consolidated financial statements

(2) Figures for 2009 includes TNOK 67,200 in call premium regarding redemption of the bond loan NOR 01 and NOR 02 at 103 % of par.

(3) Figures for 2009 includes TNOK 37,553 in amortiztion of capitalized borrowing expenses regarding redemption of bond loan NOR 01 and NOR 02.

15 Tax

Tax expenses:

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	**2009**	**2008**	**2009**	**2008**
Tax payable	299 776	748 970	0	0
Tax refundable	(584 735)	(542 644)	(584 735)	(542 644)
Change in deferred tax	(230 647)	175 098	99 740	259 659
Change in deferred tax asset	(113 354)	(147 762)	(132 822)	(109 448)
Deferred tax not previously recognised	(85 746)	(3 694)	0	0
Change regarding previous years	5 666	(32 748)	23 393	(7 917)
Other items	141 158	(49 466)	0	(6 661)
Tax expense	**(567 882)**	**147 754**	**(594 424)**	**(407 012)**
Tax expense domestic	(547 227)	1 395	(594 424)	(407 012)
Tax expense foreign	(20 655)	146 360		

Specification of tax payable:

(NOK 1 000)	**2009**	**2008**	**2009**	**2008**
Income (loss) before tax	**(935 871)**	**267 965**	**(1 100 720)**	**(604 960)**
Permanent differences	(14 792)	114 261	(67 350)	1 884
Group contribution	0	0	0	(74 950)
Change in temporary differences	(25 559)	(38 113)	(109 000)	(274 252)
Other items	(29 107)	(84 220)	0	(33 643)
Uplift utilised this year	(36 163)	(22 429)	(6 225)	0
Utilised net operating loss	(30 394)	(68 574)	0	0
Finance items related to countries	405 614	286 156	409 764	286 156
Total basis of payable tax	**(666 272)**	**455 046**	**(873 531)**	**(699 765)**

Reconciliation of nominal to actual tax rate:

(NOK 1 000)	**2009**	**2008**	**2009**	**2008**
Income (loss) before tax	**(935 871)**	**267 965**	**(1 100 720)**	**(651 460)**
Company tax portion of income (loss) before tax	(273 578)	229 758	(308 202)	(182 408)
Special offshore tax portion	(543 792)	(89 864)	(550 360)	(325 730)
Recognised change deferred tax from previous years	(76 176)	(49 735)	0	(48 703)
Utilised uplift	(14 969)	(11 214)	0	0
Effect financial items	214 396	160 234	214 319	167 650
Permanent differences	108 673	(44 729)	37 879	1 469
Other items	17 564	(46 696)	11 941	(19 289)
Tax expense	**(567 882)**	**147 754**	**(594 424)**	**(407 012)**

Deferred tax and deferred tax asset:

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	**2009**	**2008**	**2009**	**2008**
Net operating loss deductable	1 613 986	956 819	1 102 190	646 700
Fixed assets	(5 767 728)	(6 142 053)	(590 934)	(458 433)
Current assets	(248 189)	(54 759)	0	0
Liabilities	141 067	(129 742)	11 019	(12 482)
Other	459 167	0	0	0
Basis of deferred tax/deferred tax asset	**(3 801 697)**	**(5 369 735)**	**522 275**	**175 784**
Net deferred tax/deferred tax asset	**2 046 697**	**2 460 500**	**146 487**	**179 567**
Unrecognised deferred tax asset	19 014	34 956	0	0
Deferred tax/deferred tax asset recognised	**2 065 711**	**2 495 456**	**146 487**	**179 567**
Recognised deferred tax asset (1)	(429 521)	(230 421)	(310 162)	(177 340)
Recognised deferred tax (2)	2 495 232	2 725 879	456 647	356 907
Recognised deferred tax asset domestic	(338 342)	(215 415)	(310 162)	(177 340)
Recognised deferred tax asset foreign	(91 179)	(15 006)		
Recognised deferred tax domestic	790 756	957 632	456 647	356 907
Recognised deferred tax foreign	1 704 476	1 768 246		

(1) Deferred tax asset relates to norwegian and english tax jurisdiction
(2) Deferred tax related to special offshore tax in norwegian tax legislation, deferred tax in foreign subsidiaries and deferred tax related to identified excess values on acquisition date.

The Group has in 2009 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 Siri Holding UK and Noreco UK. Unrecognised deferred tax asset in this respect amounts to (TNOK 19,014). 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 2009.

	Noreco Group		Norwegian Energy Company ASA	
	2009	2008	2009	2008
Net profit attributable to ordinary shareholders	(367 989)	120 213	(506 297)	(197 948)
Average number of ordinary shares	169 720 800	130 084 655	169 720 800	130 084 655
Average number of shares, diluted	179 541 025	139 377 375	179 541 025	139 377 375
Earnings per share	(2.17)	0.92	(2.98)	(1.52)
Earnings per share, diluted	(2.17)	0.93	(2.98)	(1.52)

The Company has implemented an option program which includes all employees in the Noreco Group. Total granted options as of 24 March 2010 is 6,370,650 of which 4,848,979 is granted employees in the Parent Company.
The employees have, in accordance with the Group's incentive agreements, 717,092 bonus shares outstanding as of 24 March 2010 of which 592,239 concerns employees in the Parent Company. These options/bonus shares could result in a future dilution effect.

17 Intangible assets

Noreco Group

2009 (NOK 1 000)	Capitalised exploration and evaluation expenses	Other patents and licences	Goodwill	Total
Acquisition cost 01.01	4 539 073	56 314	1 540 798	6 136 185
Additions	185 683	4 000	0	189 683
Transferred to assets under construction	(630 797)	(42 513)	0	(673 310)
Disposals [1]	(82 866)	0	0	(82 866)
Currency translations	(53 960)	0	0	(53 960)
Acquisition cost 31.12	**3 957 132**	**17 801**	**1 540 798**	**5 515 731**
Accumlumated depreciation and write-downs				
Accumulated depreciation and write-downs 01.01	0	0	0	0
Depreciation	0	0	0	0
Write-downs	125 700	0	0	125 700
Currency translations	0	0	0	0
Accumlumated depreciation and write-downs 31.12	**125 700**	**0**	**0**	**125 700**
Book value 31.12	**3 831 432**	**17 801**	**1 540 798**	**5 390 031**
Economic life	N/A	N/A	N/A	
Amortisation plan	N/A	N/A	N/A	

2008 (NOK 1 000)	Capitalised exploration and evaluation expenses	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 depreciation and write-downs				
Accumulated depreciation and write-downs 01.01	0	0	0	0
Depreciation	0	0	0	0
Write-downs	0	0	0	0
Currency translations	0	0	0	0
Accumlumated depreciation and write-downs 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	

Norwegian Energy Company ASA

2009 (NOK 1 000)	Capitalised exploration and evaluation expenses	Other patents and licences	Total
Acquisition cost 01.01	462 925	56 314	519 239
Additions	126 420	4 000	130 420
Transferred to assets under construction	(204 598)	(42 513)	(247 111)
Disposals	0	0	0
Acquisition cost 31.12	**384 748**	**17 801**	**402 549**
Accumlumated depreciation and write-downs			
Accumulated depreciation and write-downs 01.01	0	0	0
Depreciation	0	0	0
Accumlumated depreciation and write-downs 31.12	**0**	**0**	**0**
Book value 31.12	**384 748**	**17 801**	**402 549**
Economic life	N/A	N/A	
Amortisation plan	N/A	N/A	

2008 (NOK 1 000)	Capitalised exploration and evaluation expenses	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 depreciation and write-downs			
Accumulated depreciation and write-downs 01.01	0		0
Depreciation	0		0
Accumlumated depreciation and write-downs 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	

(1) Impairment is recognised for capitalised exploration and evaluation expenses 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 expenses.

Capitalised exploration and evaluation expenses

Capitalised exploration and evaluation expenses are accounted for in accordance with the "successful effort" method. Purchases of exploration licenses are capitalized as intangible assets. Exploration and evaluation expenses 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 a development decision is made the capitalised amount is transferred to asset under construction. If commercial discoveries have not been made, the capitalised amount is expensed as exploration and evaluation expenses. Capitalised exploration and evaluation expenses are not subject to amortisation.

Overview of Goodwill

(NOK 1 000)	Currency	Exchange rate	Cost price currency	Date of acquiring	Book value as of 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 Goodwill			**1 540 798**		**1 540 798**

Impairment 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 31.12.2009. 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)	9.00 %
Oil price	The market's forward curve for oil price for the period 2010–2017 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 2010–2013 is used. From 2014 the average rate for 2013 is used.
Reserves	Based on the Company's estimated reserves at 31.12.09
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 and evaluation expenses and production facilities incl. removal asset and assets under construction are tested for impairment as of 31.12.2009. In the calculation the same assumptions as described above are used.

The calculation shows that the recoverable amount of goodwill exceeds the carrying amount given the above assumptions. For the entities/units that have goodwill allocated to them the margin between the recoverable and carrying amount varies. The most sensitive assumption used in the calculation is the reserve estimate. The future value for producing fields will gradually decrease based on less remaining reserves. The lowest margin is currently related to Altinex Oil Norway AS and the Brage Field which is in the tail-end of its production cycle. Based on expected development of above mentioned assumptions it is likely that the goodwill related to Altinex Oil Norway AS and Brage unit will suffer impairment in the coming years. By assuming that the production for 2010 remains on today's levels and the other assumptions also remains constant, the goodwill on the Brage unit will have an impairment need of approximately MNOK 100–150 before tax for 2010.

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 Tangible assets

Noreco Group

2009 (NOK 1 000)	Assets under construction	Production facilities	Machinery and equipment	Total
Acquisition cost 01.01	176 666	4 456 749	8 312	4 641 727
Additions	434 733	364 912	0	799 645
Transfered from capitalised exploration expenses	673 310	0	0	673 310
Disposals	0	(51 201)	0	(51 201)
Currency translation	(52 486)	(440 197)	(112)	(492 795)
Acquisition cost 31.12.	**1 232 223**	**4 330 263**	**8 200**	**5 570 686**
Depreciation and write-downs				
Accumulated depreciation and write-downs 01.01	0	(1 094 625)	(4 718)	(1 099 343)
Depreciation	0	(511 193)	(2 833)	(514 026)
Currency translation	0	142 391	1	142 392
Accumulated depreciation and write-downs 31.12	**0**	**(1 463 427)**	**(7 550)**	**(1 470 978)**
Balance at 31.12	**1 232 223**	**2 866 835**	**650**	**4 099 708**
Economic life	N/A	N/A	3–5 years	
Depreciation plan	N/A	Unit of production method	Linear	

2008 (NOK 1 000)	Assets under construction	Production facilities	Machinery and equipment	Total
Acquisition cost 01.01.	0	3 096 991	8 133	3 105 124
Additions	176 666	238 296	34	414 996
Acquisitions through business combinations	0	668 626	0	668 626
Transfered from capitalised exploration costs	0	195 992	0	195 992
Disposals	0	(328 045)	0	(328 045)
Currency translation	0	584 889	145	585 034
Acquisition cost 31.12.	**176 666**	**4 456 749**	**8 312**	**4 641 727**
Depreciation and write-downs				
Accumulated depreciation and write-downs 01.01	0	(253 279)	(1 482)	(254 761)
Depreciation	0	(713 444)	(3 355)	(716 799)
Currency translation	0	(127 902)	119	(127 783)
Accumulated depreciation and write-downs 31.12	**0**	**(1 094 625)**	**(4 718)**	**(1 099 344)**
Balance at 31.12	**176 666**	**3 362 123**	**3 594**	**3 542 383**
Economic life	N/A	N/A	3–5 years	
Depreciation plan	N/A	Unit of production method	Linear	

Norwegian Energy Company ASA

2009 (NOK 1 000)	Assets under construction	Machinery and equipment	Total
Acquisition cost 01.01	0	3 799	3 799
Additions	85 136	0	85 136
Transfered from capitalised exploration expenses	247 111	0	247 111
Disposals	0	0	0
Acquisition cost 31.12	**332 247**	**3 799**	**336 046**
Depreciation and write-downs			
Accumulated depreciation and write-downs 01.01	0	(2 744)	(2 744)
Depreciation	0	(792)	(792)
Accumulated depreciation and write-downs 31.12	**0**	**(3 536)**	**(3 536)**
Balance at 31.12	**332 247**	**263**	**332 510**
Economic life	N/A	3–5 years	
Depreciation plan	N/A	Linear	

2008 (NOK 1 000)	Assets under construction	Machinery and equipment	Total
Acquisition cost 01.01	0	3 799	3 799
Additions	0	0	0
Disposals	0	0	0
Acquisition cost 31.12	**0**	**3 799**	**3 799**
Depreciation and write-downs			
Accumulated depreciation and write-downs 01.01	0	(1 606)	(1 606)
Depreciation	0	(1 138)	(1 138)
Accumulated depreciation and impairment losses 31.12	**0**	**(2 744)**	**(2 744)**
Balance at 31.12	**0**	**1 055**	**1 055**
Economic life	N/A	3–5 years	
Depreciation plan	N/A	Linear	

Tangible non-current assets 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 34. The basis for depreciation is allocated between investments in production facilities and infrastructure being used 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 straigh-line basis over estimated economic lifetime. Estimated economic lifetime is assumed to be between 3 and 5 years.

Reassessments of estimated economic lifetime are carried out annually. Changes in such estimates are accounted for prospectively.

Production facilities are tested for impairment (see note 17).
Recoverable amount exceeds the carrying amount, resulting in no impairment for 2009.

19 Trade receivables and other current receivables

Specification of current assets (NOK 1 000)	Noreco Group 2009	Noreco Group 2008	Norwegian Energy Company ASA 2009	Norwegian Energy Company ASA 2008
Trade receivables	133 619	219 488	2 819	25 052
Tax receivable (see note 15)	631 261	542 644	584 735	542 644
Receivables from group companies	0	0	77 864	99 378
Other receivables	446 020	202 642	43 846	94 115
Financial instruments	58 227	546 670	0	0
Bank deposit, cash and cash equivalents	659 812	867 349	575 405	583 743
Total current assets	**1 928 939**	**2 378 793**	**1 284 669**	**1 344 932**

The Groups maximum credit risk related to financial instruments equals total current assets. In a hypothetical and unlikely situation where no receivables are settled the maximum loss for the Group is illustrated in the table above.

The tax receivable in Norwegian Energy Company ASA relates to the reimbursement scheme of 78 % of exploration costs according to the Petroleum Tax Act. The tax receivable is to be collected simultaneously as the exploration loan is to be paid. In addition, we refer to note 26 for information on trade payable and other current liabilities. The remaining tax receivables are excess advance tax payments.

Other receivables (NOK 1 000)	Noreco Group 2009	Noreco Group 2008	Norwegian Energy Company ASA 2009	Norwegian Energy Company ASA 2008
Receivables from operators relating to joint venture licences	186 186	124 148	16 615	86 123
Underlift oil/NGL (1)	21 171	60 992	0	0
Other receivables	238 663	17 502	27 231	7 992
Total other receivables	**446 020**	**202 642**	**43 846**	**94 115**

(1) Specification of underlift oil (2)	**boe**	**USD/boe**	**Value (TNOK)**
Underlift oil	48 124	72.45	20 140
Underlift NGL	3 457	51.68	1 032
Total	51 581	71.05	21 171

(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 payables and other payables

Current assets exclusive bank deposit, cash and cash equivalents held in currency (NOK 1 000)	Noreco Group 2009	Noreco Group 2008	Norwegian Energy Company ASA 2009	Norwegian Energy Company ASA 2008
NOK	750 017	661 823	699 739	677 975
DKK	97 753	22 222	0	0
USD	337 966	263 923	2 657	0
GBP	83 390	557 553	6 868	0
EUR	0	5 923	0	0
Total	1 269 127	1 511 444	709 264	677 975

Receivables are valued at amortised cost. Uncertain receivables are written down to estimated recoverable amount. Fair value is not considered to diverge from booked amount.
Other receivables include 210 MNOK that relates to estimated insurance coverage from the shut down on the Siri Field. The amount covers repair costs and loss of production.

The Group's trade receivables are mainly consisting of receivables related to sales of hydrocarbons. The debtors are large established oil companies and the credit risk is considered to be low. The Group has not realised any losses on receivables in 2009 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 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 31.12.09 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 2010	3 781	6 607	38 165	16 325
Options expiring in 2011	2 582	3 335	19 265	4 350
Options expiring in 2012	165	138	797	(156)
Total value options contracts	6 528	10 080	58 227	20 519

- The financial derivatives is classified on level 2 in the fair value hierarchy and amounts to TNOK 58,227. There are no financial instruments that are accounted for under level 1 and level 3 in the fair value hierarchy.
- Fair values on the financial instruments are estimated by external financial institutions using the Black and Scholes Merton option pricing model combined with historic volatility.
- 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 both 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 of 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 be reached. In 2009, the Group has experienced situations where hedged oil sales have actually exceeded actual oil sales (see note 7 Revenue). Options with expiry date in 2010, 2011 and 2012 hedge a proportion of the expected cash flows based on expected production for 2010, 2011 and 2012 respectively.

Changes to equity relating to hedging of cash flows, during the year:

Fair value of cash flow hedging - opening balance	345 105
Amounts incorporated in equity	(285 913)
Amount deducted from equity	0
Fair value of cash flow hedging - closing balance	59 192

A significant part of the fair value of their cash flow hedges would by 2011 have matured and then be recognized in other comprehensive income.

Fair value and carrying amount of financial assets:

	31.12.09		31.12.08	
	Carrying amount	Fair value	Carrying amount	Fair value
Oil price hedging	58 227	58 227	546 670	546 670
Total financial assets	58 227	58 227	546 670	546 670

21 Cash and cash equivalents

Specification of cash and cash equivalents

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	2009	2008	2009	2008
Cash at bank and cash (free assets, non-restricted assets)	623 225	812 006	561 716	563 331
Cash at bank and cash (restricted)	36 587	55 343	13 689	20 412
Cash and cash equivalents in balance sheet	659 812	867 349	575 405	583 743

Restricted funds
The main part of the Group's restricted funds is related to guarantee for payments to Gassco. The payment relates to the use of pipeline capacity for transportation of gas and NGL, TNOK 22.600. (The guarantee is reduced to TNOK 5.000 from 15 March 2010). TNOK 3.799 ia related to withholding tax and TNOK 8.705 is a security on a claim related to a settlement for purchase of shares (see Note 31 Contingent liabilities). In the Parent Company, the main part of restricted funds is related to withholding tax and the claim.

Cash held in different currencies

		Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	Amount in currency	2009	2008	2009	2008
NOK	593 056	593 056	525 828	566 689	383 575
DKK	3 566	3 969	1 554	0	0
USD	6 254	36 127	335 709	161	200 167
EUR	1 621	13 428	4 243	0	0
GBP	1 426	13 232	16	8 555	1
Total		659 812	867 349	575 405	583 743

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)]	1 050 000	1 050 000	535 245	514 755
USD	5 000	28 884	14 725	14 159
USD (reserve based lending facilities, see note 25)	265 900	1 536 025	1 386 408	149 617
Total		2 619 909	1 936 378	683 531
Cash and cash equivalents				659 812
Accessible liquidity				1 343 343

1) Concerns Parent Company

22 Share capital and share premium reserve

	2009	2008
Ordinary shares	242 433 766	143 363 877
Total shares	**242 433 766**	**143 363 877**

The Company's share capital is TNOK 751,545 and consists of 242,433,766 shares with a face value of 3.10. 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 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**
Equity at 1 Januar 2009	**143 363 877**	**444 428**	**1 869 200**
Share issue January 2009	505 060	1 566	5 303
Share issue May 2009	13 400 000	41 540	172 860
Share issue October 2009	80 000 000	248 000	952 000
Share issue November 2009	5 164 829	16 011	61 461
Share issue costs	0	0	(71 475)
Coverage of accumulated losses	0	0	(506 297)
Equity at 31 December 2009	**242 433 766**	**751 545**	**2 483 054**

In January 2010 a private placing was made to the Company's employees. The share issue was TNOK 1,873 and involved 604,281 shares at a face value of 3.10. The share premium reserve amounted to TNOK 10,001.

Existing mandates

The Board of Directors was granted a mandate by the General Meeting of 27 May 2009 to increase the share capital by up to TNOK 7,750 by issuing up to 2,500,000 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 Norwegian employees in the Noreco Group. The mandate is valid from the date which it is registered in the Register for Business Enterprises and until 1 June 2010. As at 24 March 2010, there are 1,895,719 remaining shares at a face value of 3.10.

The Board of Directors was granted a mandate by the General Meeting of 27 May 2009 to purchase own shares for up to TNOK 44,599. The share must be purchased either at fair value on a open and regulated market where the shares are normally traded or as a part of fulfilling an existing or future incentive program for their employees. The shares shall be disposed of either as part of fulfilling an existing or future incentive program for their employees; as a part of a settlement for an acquisition made by the Company; as a part of a settlement in a merger, de-merger or business combination involving the Company; by terminating shares fully or partly, or by raising capital for specific distinct investments. The mandate is valid for 1 year from the date which it is registered in the Register for Business Enterprises and until 1 June 2010. As at 24 March 2010, the remaining amount is TNOK 44,599.

The above-mentioned mandates replace all previously granted mandates relating to the issuing of shares.

Overview of shareholders at 31 December 2009:

Name	Shareholding	Ownership share	Voting share
Goldman Sachs Int	31 262 412	12.90 %	12.90 %
Lyse Energi AS	23 647 460	9.75 %	9.75 %
UBS AG, London Branch	13 980 466	5.77 %	5.77 %
IKM Industri-Invest AS	12 647 604	5.22 %	5.22 %
Folketrygdfondet	11 500 000	4.74 %	4.74 %
Credit Suisse Securities LLC	10 090 957	4.16 %	4.16 %
Awilco Invest AS	6 621 178	2.73 %	2.73 %
Skagen Invest	4 703 000	1.94 %	1.94 %
Nordea Bank Norge ASA	4 608 629	1.90 %	1.90 %
Morgan Stanley & Co Inc	4 396 049	1.81 %	1.81 %
Credit Suisse Securities Europe	4 199 300	1.73 %	1.73 %
Pictet & Cie Banquiers	4 139 009	1.71 %	1.71 %
BNP Paribas	3 361 884	1.39 %	1.39 %
JPMorgan Chase Bank	2 828 311	1.17 %	1.17 %
JP Morgan Chase Bank	2 399 500	0.99 %	0.99 %
KLP LK Aksjer	2 377 211	0.98 %	0.98 %
OM Holding AS	2 340 368	0.97 %	0.97 %
ODIN Norge	2 057 800	0.85 %	0.85 %
Frode Teigen	2 000 000	0.82 %	0.82 %
Avanse Norden	1 881 759	0.78 %	0.78 %
Total	**151 042 897**	**62.3 %**	**62.3 %**
Total other shareholders	**91 390 869**	**37.7 %**	**37.7 %**
Total number of shares at 31 December 2009	**242 433 766**	**100 %**	**100 %**

As at 24 March 2010, there are no major changes in the shareholder structure.

23 Employee benefits

Defined benefit plan
Employees in the Parent Company have a defined benefit group plan in a life assurance company. The plan comprises 50 persons as of 31 December 2009 and 49 persons as of 31 December 2008. The defined benefit plan for the Parent company was established in 2006. The employees located in Denmark are covered through a defined contribution plan.

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).

Demografical assumptions used are based on common used assumptions for insurance.

Net periodic pension cost:

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	**2009**	**2008**	**2009**	**2008**
Service cost	9 210	5 955	9 210	5 955
Interest cost	629	295	629	295
Expected return on plan assets	(711)	(412)	(711)	(412)
Administrational expenses	110	83	110	83
Amortisation of payroll tax	1 303	835	1 303	835
Amortisation of net actuarial losses (gains)	290	54	290	54
Total pension cost	**10 830**	**6 810**	**10 830**	**6 810**

Plan assets and DBO:

(NOK 1 000)	2009	2008	2009	2008
DBO at end of year	20 471	14 628	20 471	14 628
Fair value of plan assets at end of year	(13 862)	(8 144)	(13 862)	(8 144)
Funded status (underfunded) 31.12	6 610	6 483	6 610	6 483
Payroll tax of funded status	932	914	932	914
Unrecognised net actuarial loss (gain)	(3 181)	(6 586)	(3 181)	(6 586)
Net pension liability 31.12	**4 360**	**812**	**4 360**	**812**

Change in DBO:

	2009	2008	2009	2008
Balance sheet (provision)/ prepayment at beginning of year	812	659	812	659
Net periodic pension cost during year	10 830	6 810	10 830	6 810
Employer contributions/benefits incl. payroll	(6 382)	(5 834)	(6 382)	(5 834)
Other	(900)	(823)	(900)	(823)
Balance sheet (provision)/prepayment at end of year	**4 360**	**812**	**4 360**	**812**

Economic assumption used on DBO and assets:

	2009	2008	2009	2008
Discount rate	4.70 %	4.70 %	4.70 %	4.70 %
Expected return on assets	5.75 %	5.75 %	5.75 %	5.75 %
Rate of compensation increase	4.50 %	4.50 %	4.50 %	4.50 %
Increase of social security base amount (G)	4.00 %	4.25 %	4.00 %	4.25 %
Rate of pension increase	2.00 %	2.00 %	2.00 %	2.00 %
Payroll tax	14.10 %	14.10 %	14.10 %	14.10 %

Pension costs related to the Company's defined contribution plan amounts to TNOK 2,618 for 2009.
For 2008 the costs were TNOK 2,476.

24 Provisions

Specitication of abandonment provision:

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	**2009**	**2008**	**2009**	**2008**
Balance at 1.1	852 039	712 367	0	0
Additions through acquisitions of subsidiaries	0	235 202	0	0
Provisions made during the year	(51 201)	(328 585)	0	0
Time value/calculatory interest	66 997	43 782	0	0
Currency translation	(132 993)	189 273	0	0
Provision made for abandonment at 31.12	**734 842**	**852 039**	**0**	**0**

Provisions made for abandonment includes the future expected costs for close-down and removal of oil equipment and production facilities used in hydrocarbon activities. The estimated future provision is discounted using a discount rate of 9 % to calculate the net present value of the obligation. Inflation is assumed to be 2.5 %.

Expected maturity:

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	**2009**	**2008**	**2009**	**2008**
1–5 years	12 293	0	0	0
6–10 years	2 987	227 839	0	0
over 10 years	719 562	624 200	0	0
Provision made for abandonment at 31.12	**734 842**	**852 039**	**0**	**0**

25 Non-current liabilities

(NOK 1 000)	Currency	Nominal rate	Loan maturity	First due date, interest	Face value 2009	Carrying amount (b) 2009	Market value (c) 2009	Face value 2008	Carrying amount (b) 2008	Market value (c)
Bond loan Noreco ASA (1)	NOK	11.00 %						1 840 000	1 794 349	1 196 000
Bond loan Noreco ASA (2)	NOK	Nibor 6. mths + 5.25 %						400 000	390 152	252 000
Bond loan Noreco ASA (3)	NOK	12.90 %	20-11-14	22-02-10	1 250 000	1 226 820	1 268 750	0	0	0
Bond loan Noreco ASA (4)	NOK	Nibor 3. mths + 7.9 %	20-11-12	22-02-10	750 000	736 303	753 750	0	0	0
Convertible loan Noreco ASA (5)	NOK	6.00 %	11-05-12	11-05-10	218 500	196 539	218 500	218 500	187 127	218 500
Total Norwegian Energy Company ASA					**2 218 500**	**2 159 662**	**2 241 000**	**2 458 500**	**2 371 628**	**1 666 500**
Bond loan Altinex Oil Norway AS (6)	NOK	8.50 %	07-06-10	07-06-10	0	0	0	100 000	49 772	80 000
Bond loan Altinex Oil Norway AS (7)	NOK	9.50 %	09-02-11	09-02-10	300 000	298 269	302 250	300 000	296 709	240 000
Reservebased loan Altinex Oil Denmark A/S (9)	USD	Libor + margin (a)	31-03-14	16-01-10	1 053 866	1 026 595	1 053 866	1 504 764	1 463 722	1 504 764
Total Remaining group companies					**1 353 866**	**1 324 864**	**1 356 116**	**1 904 764**	**1 810 203**	**1 824 764**
Total non-current liabilities Noreco Group					**3 572 366**	**3 484 525**	**3 597 116**	**4 363 264**	**4 181 831**	**3 491 264**

(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. In November 2009 the bond loan in its entirety was paid off at a rate of 103 % by paying TNOK 1,895,200 in addition to the remaining capitalized borrowing costs being expensed with TNOK 30,891. The loan was listed on the Oslo Stock Exchange with the ticker NOR01. The loan was 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. In November 2009 the bond loan in its entirety was paid off at a rate of 103 % by paying TNOK 1,895,200 in addition to the remaining capitalized borrowing costs being expensed with TNOK 6,662. The loan was listed on the Oslo Stock Exchange with the ticker NOR02. The loan was issued against pledged collateral, see Note 29.

(3) The bond loan was entered into in November 2009 with a face value of TNOK 1,250,000. The borrowing cost is capitalized initially and amortized over the term of the loan. The interest is a fixed coupon rate set at 12.90 % annually. Interest is paid in arrears quarterly. Remaining amortisation at 31.12.09 is TNOK 23,180. The loan is listed on the Oslo Stock Exchange with the ticker NOR04. The loan is issued against pledged collateral, see Note 29.

(4) The bond loan was entered into in November 2009 with a face value of TNOK 750,000. The borrowing cost is capitalized initially and amortized over the term of the loan. The interest is NIBOR 3 month + a margin of 7.90 %. Interest is paid in arrears quarterly. Remaining amortisation at 31.12.09 is TNOK 13,697. The loan is listed on the Oslo Stock Exchange with the ticker NOR03. The loan is issued against pledged collateral, see Note 29.

The Company can for NOR04 redeem the bond loan at the following rates; before November 2011 – rate 108, November 2012 – rate 106, November 2013 – rate 105 and November 2015 – rate 103. For NOR03 the Company can redeem the bond loan at the following rates; before November 2011 – rate 108, November 2013 – rate 104

The loans have the following 2 conditions. The group shall maintain an equity to capital employed ratio of minimum 25 %. The group shall maintain an Gearing-ratio of less than 5.0. The group is not in breach of the conditions of the loan agreement.

(5) 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 2009 has a face value of TNOK 218,500. The fixed interest rate is 6 % and is paid in arrears semi-annually. The bond owner has 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, 22.25 NOK 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.

(6) 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 expense is amortised and carried 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 31.12.09 is TNOK 69. The bond loan matures in June 2010 and is classified as a current liability at 31 December 2009. The loan is listed on the Oslo Stock Exchange with the ticker ALX01.

(7) The bond loan was entered into in February 2006 with a face value of TNOK 300,000. The loan expense is amortised and carried to cost over the term of the loan. The loan has a fixed coupon rate of 9.50 %. Interest is paid in arrears semi-annually. Remaining amortization at 31.12.09 is TNOK 1,731. The loan is listed on the Oslo Stock Exchange with the ticker ALX02. The loan is issued against pledged collateral, see Note 29.
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.

(8) 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 182,400 as of the end of 2010 and then a gradual reduction to TUSD 0 as of March 2014 when the loan expires. Available loan facility as of 31.12.2009 is TUSD 265,900 and the loan drawn up as of 31.12.2009 is TUSD 240,000. 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: 2010 - TUSD 57,600, 2011 - TUSD 82,300, 2012 - TUSD 52,900, 2013 - TUSD 38,200 and 2014 - TUSD 9,000. Remaining amortisations is TNOK 27,271.

Geopard A/S has an intercompany loan from Altinex ASA with a nominal value of TNOK 160,000. 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.

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	2009	2008	2009	2008
Book value as of 01.01/initial recognition	349 232	349 232	349 232	349 232
Conversion	(221 500)	(221 500)	(221 500)	(221 500)
Interest expense	88 061	67 381	88 061	67 381
Paid interest	(32 952)	(19 842)	(32 952)	(19 842)
Amortisation of establishment costs	13 698	11 856	13 698	11 856
Liability component 31.12	196 539	187 126	196 539	187 127

Maturity structure of non-current liabilities:

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000) Year	2009	20.03.2009 (a)	2009	20.03.2009 (a)
2009	0	500 000	0	500 000
2010	0	911 143	0	500 000
2011	775 422	1 418 322	0	620 000
2012	1 274 087	1 188 445	968 500	838 500
2013	220 670	295 354	0	0
>2014	1 302 186	0	1 250 000	0
Total	3 572 366	4 313 264	2 218 500	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.

26 Trade payables and other payables

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	**2009**	**2008**	**2009**	**2008**
Other interest bearing debt	906 957	533 371	524 484	533 371
Trade payables	35 943	138 058	32 918	73 640
Tax payable (see note 15)	208 543	564 911	0	0
Public duties payable	34 285	29 365	5 326	9 924
Trade payables due to related parties	0	0	7 253	23 101
Other current liabilities [1]	221 288	265 029	71 013	179 942
Total trade payables and other payables	**1 407 016**	**1 530 734**	**640 993**	**819 978**

(1) Specification of other current liabilities				
(NOK 1 000)	**2009**	**2008**	**2009**	**2008**
Liabilities to operators relating to joint venture licence	88 461	77 637	15 388	41 935
Overlift oil	17 458	105	0	0
Accrued interest	61 301	148 249	31 995	120 450
Other current liabilities	54 069	39 038	23 631	17 557
Total other current liabilities	**221 288**	**265 029**	**71 013**	**179 942**

Other interest bearing debt includes the exploration loan in Noreco ASA. The loan matures simultaneously as the Company receives the tax refund, ref note 19 Trade receivable and other receivables. In addition, the installment maturing in 2010 of the Company's reserve based loan in Altinex Oil Denmark is classified as current liability. (See note 25 Non-current liabilities).

Trade and other payables held in currency	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	**2009**	**2008**	**2009**	**2008**
NOK	955 560	1 107 124	625 676	762 653
DKK	77 869	323 303	0	1 005
USD	366 279	70 076	15 287	53 721
GBP	7 209	30 231	29	2 599
EUR	98	0	0	0
Total	**1 407 016**	**1 530 734**	**640 992**	**819 978**

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

Payables in USD are mainly related to companies which have USD as functional currency. The Company has covered its USD requirements, cf. note 19 Trade receivables and other current receivables and note 21 Cash and cash equivalents. Payables in DKK are entirely in companies with USD as functional 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 extraordinary 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 24 March 2010, 7,087,742 options are granted employees in the Group, of which 5,441,218 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 2009, a total of TNOK 1,080 has been expensed of which TNOK 48 for 2008.

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**
Granted options 2009	3 553 664	2 667 561
Forfeited options 2009	28 959	28 959
Total share options outstanding 31.12.2009	**5 029 010**	**3 840 013**

Outstanding options has the following conditions:

Exercise price	Outstanding options per 31.12.2009	Average remaining contractual lifetime	Weighted average exercise price
0.00	449 063	1.01	0.00
11.01	3 553 664	4.17	11.01
33.00	1 026 283	4.00	33.00
Total	**5 029 010**	**3.86**	**14.51**

Effect of outstanding options in financial statements:

Unit/period	2009	2008
Noreco Group	7 855	1 689
Parent company	6 196	1 347

For options granted March 2010 see note 32.

28 Segment reporting

The Group's activities are entirely related to exploration and development and production 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.

In each of the geographical segments, Norway, Denmark and UK 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 reflecting balance sheet items for the Group entities in the 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 Statement of financial position.

Geographical segments 2009

(NOK 1000)	Norway	Denmark	UK	Other/ elimination	Group
Total revenues	595 366	951 150	-		1 546 516
Net operating result	(560 128)	219 320	(14 291)		(355 098)
Net financial items					(580 774)
Ordinary result before tax					(935 872)
Income tax expense					(567 883)
Net result for the period					(367 989)
Assets	4 350 998	5 325 815	3 141 794	(970 408)	11 848 199
Liabilities	4 529 629	2 878 880	1 687 875	(970 408)	8 125 975
Capital expenditures production facilities	107 273	257 639	-	-	364 912
Capital expenditures assets under construction	85 136	323 617	25 979	-	434 733
Capital expenditures exploration and evaluation	130 640	59 042	-	-	189 683
Depreciations and write-downs	286 841	352 886	-	-	639 727

Geographical segments 2008

(NOK 1000)	Norway	Denmark	UK	Other/ elimination	Group
Total revenues	787 822	1 635 710	-		2 423 531
Net operating result	133 765	696 858	(7 064)		823 558
Net financial items					(555 593)
Ordinary result before tax					267 965
Income tax expense					147 754
Net result for the period					120 211
Assets	5 058 049	6 030 502	3 117 310	(1 918 081)	12 287 781
Liabilities	5 983 385	3 538 347	1 687 642	(1 918 081)	9 291 295
Capital expenditures production facilities	201 469	643 777	-	-	845 247
Capital expenditures assets under construction	-	176 666	-	-	176 666
Capital expenditures exploration and evaluation	317 090	1 272	61 897	-	380 258
Depreciations and write-downs	170 071	417 255	129 473	-	716 799

29 Guaranties and assets pledged as securities

Guaranties and assets pledged as securities:

	Noreco Group		Norwegian Energy Company ASA	
(NOK 1 000)	2009	2008	2009	2008
Collateralised debt				
Bond loan	2 300 000	2 540 000	2 000 000	2 240 000
Reserve based loan	1 386 408	1 504 764	0	0
Current interest-bearing debt	535 245	534 971	535 245	534 971
Total collateralised debt	4 221 653	4 579 735	2 535 245	2 774 971
Capitalised value of assets pledged as securities				
Shares in subsidiaries	0	0	4 303 384	4 345 862
Production facilities	3 308 552	3 494 339	0	0
Tax receivable	584 735	542 644	584 735	542 644
Cash at bank	22 600	22 600	0	0
Total capitalised value	3 915 887	4 059 583	4 888 119	4 888 506

Debt is measured at nominal value

30 Licenses and liabilities

Oil field	Owner		Owner's share
PL 006C	Noreco ASA		15.0 %
PL 006D	Noreco ASA		15.0 %
PL 148	Noreco ASA		20.0 %
PL 256	Noreco ASA		10.0 %
PL 274	Noreco ASA		15.0 %
PL 274/CS	Noreco ASA		15.0 %
PL 316CS	Noreco ASA		35.0 %
PL 348	Noreco ASA		17.5 %
PL 378	Noreco ASA		20.0 %
PL 382	Noreco ASA		20.0 %
PL 385	Noreco ASA		20.0 %
PL 400	Noreco ASA		30.0 %
PL 411 (0)	Noreco ASA		70.0 %
PL 412 (0)	Noreco ASA		40.0 %
PL 414	Noreco ASA		20.0 %
PL 435	Noreco ASA		20.0 %
PL 440S	Noreco ASA		12.0 %
PL 447	Noreco ASA		20.0 %
PL 451 (0)	Noreco ASA		40.0 %
PL 453S	Noreco ASA		25.0 %
PL 455 (0)	Noreco ASA		50.0 %
PL 458	Noreco ASA		30.0 %
PL 471	Noreco ASA		30.0 %
PL 476	Noreco ASA		30.0 %
PL 484 (0)	Noreco ASA		40.0 %
PL 490	Noreco ASA		20.0 %
PL 519	Noreco ASA	Awarded - 20 licensround	20.0 %
PL 520	Noreco ASA	Awarded - 20 licensround	50.0 %
PL 523	Noreco ASA	Awarded - 20 licensround	20.0 %
PL 525	Noreco ASA	Awarded - 20 licensround	50.0 %
PL 526	Noreco ASA	Awarded - 20 licensround	20.0 %
PL 540 (0)	Noreco ASA	TFO 2009 (awarded januay 2010)	50.0 %
PL 545 (0)	Noreco ASA	TFO 2009 (awarded januay 2010)	50.0 %
PL 562	Noreco ASA	TFO 2009 (awarded januay 2010)	20.0 %
PL 563	Noreco ASA	TFO 2009 (awarded januay 2010)	20.0 %
PL 018C	Altinex Norway		13.3 %
PL 048C	Altinex Norway		21.8 %
PL 048D	Altinex Norway		4.4 %
PL 053B	Altinex Norway		12.3 %
PL 055	Altinex Norway		13.2 %
PL 055B	Altinex Norway		13.2 %
PL 185	Altinex Norway		13.2 %
PL 360	Altinex Norway		15.0 %
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 %

Oil field	Owner	Owner's share
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, Noreco Group has approved participation in ten such oil wells in the Norwegian continental shelf, and all wells concern the Parent Company. In addition, Noreco Group has approved the purchase and reprocessing of seismic data for seven licenses all of which concern the Parent Company. Noreco Group's share of estimated costs for drilling the oil wells, including purchase and reprocessing of seismic data is approx. NOK 1,100 million, of which NOK 300 million accrue in 2011. Oil wells which Noreco 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 after tax limit. Such agreements are an alternative to cash settlement. At year end, the Company had entered into two 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.

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 any additional payments.

Norsk Tillitsmann is the trustee for Noreco's NOK 218.5 million convertible bond loan, and is of the opinion that the conversion price should be adjusted from NOK 22,25 per share to NOK 16,00 per share as a result of a share issue in May 2009. This would increase the number of shares underlying the convertible bond by 3.8 million shares and represent a dilution of the existing shareholders by 1.6 % Noreco's opinion remains that an adjustment of the conversion price is not warranted under the loan agreement and should not take place.

The bond loan agreement states that disagreements between the parties shall be settled by the ordinary courts. However, in order to create clarity on the issue as soon as possible, Noreco and Norsk Tillitsmann have agreed that the matter shall be finally resolved by arbitration in accordance with the Norwegian Arbitration Act. It is currently anticipated that a final judgement from the arbitration panel can be expected within six months.

Noreco ASA is involved in an arbitration case with Farao Petroleum Norge AS and regarding a claim from Farao the settlement they have paid to Noreco for their acquisition of the shares in production licenses 006C and 006D on the Norwegian continental shelf. The dispute is how they should interpret the settlement clause in the agreement. The plaintiffs claim is on MNOK 140 before tax. The case is set down for trial the last week in March 2010. Noreco has not accrued for any costs related to the claim from Farao.

Except for the above mentioned issues, 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.

32 Subsequent events

Share issues:
In connection with the Company's established incentive program there has been a capital increase for the employees in January 2010. The share issue amounted 604,281 shares at NOK 19.65 which was equal to the Company's volum weighted average share price for the period of 6–12 January 2010. In total, TNOK 11,874 has been paid in. The share capital is now TNOK 753,418 divided by 243,038,047 shares. The share has been registered in the Register of Business Enterprises.

Options granted in march 2010
In connection with the Company's establishment of an options program in March 2010 options were granted to company employees. In total, 1,934,679 options were granted of which 1,488,058 options were to employees in the Parent Company. The strike price was set at NOK 17.00. As at 24 March 2010, there are in total 7,087,742 options that have not been exercised/ outstanding of which 5,441,218 are to employees in the Parent Company.

Dry well in the Norwegian Sea
Drilling of the exploration well Frusalen in licens 476 started in January 2010 and was completed in February 2010. The result from the drilling was that the well was dry. As of 31.12.2009 it was capitalized exploration and evaluation cost at a total of TNOK 7,516.

33 Change of 4th quarter report and preliminary financial statements

On 17 February 2010 the Board of Directors adopted the 4th quarter report for 2009 and preliminary financial statements for 2009. 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 58,196.

34 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 2009.

To the best of our knowledge, we confirm that:

- the Norwegian Energy Company ASA consolidated annual financial statements for 2009 have been prepared in accordance with IFRSs and IFRICs as adopted by the European Union (EU), and additional Norwegian disclosure requirements in the Norwegian Accounting Act, and
- hat 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.

24 March 2010

Lars Takla **Aasulv Tveitereid** **Rebekka Glasser Herlofsen**

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

Scott Kerr
CEO

Auditors' report

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To the Annual Shareholders' Meeting of Norwegian Energy Company ASA

AUDITOR'S REPORT FOR 2009

Respective Responsibilities of Directors and Auditors
We have audited the annual financial statements of Norwegian Energy Company ASA as of 31 December 2009, showing a loss of NOK 506 297 000 for the parent company and a total comprehensive income of NOK - 709 407 000 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 , the statements of income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the accompanying notes. The group accounts comprise the statement of comprehensive income, the statement of financial position, the statement of 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 2009, 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 2009, the total comprehensive income, 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, 24 March 2010
KPMG AS

Mona Irene Larsen
State Authorised Public Accountant
Note: This translation from Norwegian has been prepared for information purposes only

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
boepd	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
TNOK	Thousand Norwegian kroner
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

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