

Noreco is an oil and gas
company in the
North Sea

North Sea

Report for second quarter
and half year 2008

HIGHLIGHTS

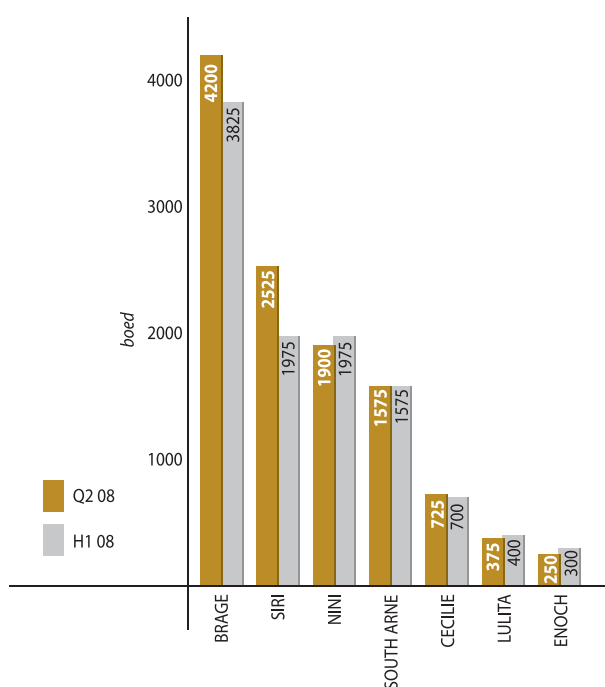
- Strongest quarterly results so far, with operating revenues of NOK 639 million, EBITDA of NOK 466 million and a positive net result after finance and tax of NOK 39 million
- Successful infill drilling contributed to an increased production in the quarter to 11,550 barrels of oil equivalents per day
- Acquisition of Talisman Oil Denmark Limited supported Noreco's strategy to build a leading independent oil and gas company in the North Sea
- Restructuring of debt portfolio decreased annual interest cost by approximately NOK 60 million
- Strong track record to date on the ongoing exploration and appraisal drilling program, seven out of eight wells have been successful

OPERATIONS

Key figures	2Q 08	1Q 08	4Q 07	3Q 07
Production (boed)	11 550	9 950	10 500	10 350
Net realised oil price (US\$/boe)	120	91	83	72
Operating income (NOK million)	639	436	448	392
EBITDA (NOK million)	466	273	278	120
Net results	39	-28	-77	-100
Total assets (NOK million)	12 215	10 427	10 342	9 016
Employees (number)	72	72	61	54

Production and fields

The Noreco Group's production for Q2 2008 was on average 11,550 barrels of oil equivalents per day (boed), whereas average production in the first half of the year was 10,750 boed.



The Brage production has been stable in 2Q. In June, the Brage field was shut down for 6 days for planned maintenance. The shut down was executed to plan. There was also a short shut down of less than one day on Brage in June due to a fire on Oseberg. The A-28B well continues to perform much better than anticipated and is sustaining a production of more than 12,500 boed. Drilling of well A-35A was successfully completed in 2Q. The A-35A well was drilled as a gas injector to the Sognefjord Formation and will help improve rate and recovery from existing Sognefjord wells. Currently, drilling of the A-01A Tallisker/Knockandoo exploration prospects located on the north flank of the Brage field is ongoing. If a discovery is made, Tallisker/Knockandoo can give incremental reserves and production to the Brage field in late 4Q.

The Enoch field was shut down in 2Q as a result of the shut-down of the Forties pipeline due to a labor strike on the on-shore terminal. An engineering feed study is ongoing to define the scope and cost of implementing Enoch low pressure production for implementation in 2009.

On the South Arne field the SA-19 well is still producing from an uncompleted wellbore, where the broken drill string serves as a production liner. Final completion which includes perforation and stimulation is expected in Q4 2008. Further infill drilling on the main crest of South Arne is currently under evaluation with possible sanctioning late 2008 and drilling start late 2009. Sixteen days of planned maintenance on the South Arne field is scheduled in August/September.

On the Siri field, the Ensco 70 rig has finalized drilling of two infill wells, SCA-12 and SCA-3, according to plan. The wells have provided increased production at the Siri field. Six days of planned maintenance on the Siri field is scheduled in October

On the Nini field the production from the new well to the Ty reservoir is still water free in excess of 5,000 boed, significantly above pre-drill expectations.

Production from the Cecilie field has been fairly stable during the quarter. On the Lulita field, there has been some shut downs caused by maintenance on the downstream infrastructure.

Developments and discoveries

The Nini East development, where Noreco owns 30%, is progressing according to plan. Production is expected to start at the end of 2009. The development was approved by the Danish Energy Authority in February and sanctioned by the license partners in May 2008. Contracts with Acergy regarding pipelines and with Bladt Industries regarding the construction and installation of the platform are in place. Like the Nini and Cecilie platforms, Nini East will be an unmanned satellite platform. From Nini East the oil is sent via Nini to the Siri platform for further treatment and shipping. The new production platform will be located 7 kilometers northeast of the existing platform Nini.

Noreco is a 20% partner in the discovery 22/14b-5 Hunting-

ton in UK license P1114 operated by Oilexco. Following extensive appraisal drilling in the Forties Formation in 2007, the partnership is preparing a phased development plan for the Forties. The development plan will be submitted in the second half of 2008 and phase one of the development is planned to be on line in late 2009/beginning 2010. In parallel, the appraisal program for the deeper horizons (Fulmar/Triassic) is being developed.

The Oselvar discovery (1/3-6) has been appraised with wells 1/3-10S and 10SA. Noreco acquired 15% of this PL 274 from Revus in 2007. The operator plans to submit a Plan for Development and Operation in early 2009, and all supporting activities are well underway.

Noreco, as operator for the Danish license 7/06, continues according to schedule to evaluate the development of the Rau oil discovery appraised in 2007. The discovery is located 9 km southwest of the Cecilie production platform.

The PL14 Nemo 7/7-3 appraisal well was spudded in December 2007. Noreco holds 20% of the field, Lundin Norway operates the discovery. The well was completed in early March and the operator is currently updating the subsurface understanding of the discovery based on the well results. A decision to continue towards a PDO for the discovery is expected by the end of 2008.

On the South Arne Northern Extension development a project sanction is targeted by end 2009.

Exploration

Two discoveries were made in the second quarter (Galtvort and Ipswich), and one dry well (Yoda). To date, seven of eight of Noreco's exploration and appraisal wells have been successful.

Gas was discovered in good reservoir of Jurassic age on both the southern and the northern segment on the Galtvort prospect in license 348 in Norway. There are now three discovery wells on the license, and another exploration well at the Gygrid prospect is to be planned drilled in Q1 2009. Noreco has a 17.5% interest in the license.

Following the successful appraisal of Oselvar in February, an exploration well on the Ipswich prospect in the same license was spudded in late May. The well has shown indications of hydrocarbons. The well is still in operation and further data will have to be collected before any conclusions regarding the economics of developing the hydrocarbons can be made. Results from the well are expected in July. Noreco has a 15 % interest in the license.

The Yoda well on license 271 in Norway was completed in May. The well found good reservoir, but was water wet. The remaining potential of the license is currently being evaluated. Following a farm-out to Faroe Petroleum against a full carry of Noreco's costs related to the Yoda well, Noreco owns 15 % of the license.

On the South Tor Pod prospect, south of the South Arne Field in Denmark, an exploration well was spudded in late June to evaluate the chalk potential. The results from this well are

expected in July.

The PL 9/95 in Denmark was renewed for one year in June. An exploration well, Siri West, will be drilled on this acreage end 2008 or early 2009.

Applications for the UK 25th licensing round was submitted in May. Awards are expected late 2008.

Preparations for the two licensing rounds in Norway this year, APA2008 and the 20th licensing round, are well underway. Awards are expected early in 2009.

GROWTH AND BUSINESS DEVELOPMENT

Noreco believes that significant value can be generated through inorganic activity, and plans to continue its active approach to acquisitions and divestures. In the first half of 2008, Noreco has done one company acquisition, one license acquisition, two farm-outs and completed four transactions.

The largest transaction was the acquisition of all the shares in Talisman Oil Denmark, which was announced on 25 April 2008. The transaction included an additional 30% of the producing Siri field in the Danish sector of the North Sea, and will increase Noreco's daily production by more than 20% and add 4.35 million barrels of oil to the company's proven and probable (2P) reserves. Noreco owns a 20% interest in the Siri field, and will after the transaction hold a 50% share in the field. The Siri platform is an important hub for other fields and discoveries in the area. Noreco holds significant interests in the area, including the Cecilie, Nini, Nini East and Rau fields, and this transaction will create synergies for Noreco in the area. The transaction was completed on 18 June, and the acquisition takes economic effect from 1 January 2008 and is for a consideration of USD 83 million which adjusted for working capital and interest totals USD 94 million.

Noreco entered on 23 May 2008 into an agreement with Endeavour Energy Norge AS (Endeavour), whereby Endeavour transfers a 5% interest in license 453S in Norway to Noreco. The transaction followed an agreement between the two parties in the awards in predefined areas in 2007. Noreco's ownership in the license after the transaction will be 25%.

Noreco entered on 27 February 2008 into an agreement with Faroe Petroleum to farm-out of exploration licenses PL271 and PL302 on the Norwegian Continental Shelf. Faroe Petroleum earned a 15% interest in the licenses by carrying Noreco's part of the costs up to the drilling budget level associated with the Yoda well that was completed in May. The transaction was completed in April.

Noreco entered on 14 April 2008 into an agreement to farm-down in the South East Tor discovery in Norway. Faroe Petroleum will earn a 10% interest in the discovery by carrying 140 mill NOK of Noreco's costs. The transaction was completed in June, and Noreco's interest after the transaction is 15%.

Noreco completed the acquisition of a 12% interest in licence 9/06 (Gita) and licence 9/95 (Maja) in Denmark from Chevron. An exploration well targeting two potential plays

with a total gross estimate of 493 mmbœ is scheduled to start in late August/beginning September 2008 with the rig Ensco 101.

HEALTH, SAFETY AND ENVIRONMENT

There has been one lost time accident, but no spill to sea from Noreco's non-operated activities in Q2 2008. The lost time accident happened on the Ipswich well, operated by Dong.

A regular information meeting with the Norwegian Petroleum Safety Authorities Norway was held in May, with focus on the Noreco's organizational capability, capacity and future plans.

Ongoing Health, Safety and Environment activities include development planning of the Huntington discovery in UK and the Rau discovery in Denmark and preparation for Noreco operated drilling with the rig West Alpha in 2009. Furthermore, preparations for the seismic activities on PL 412 is underway, where an emergency preparedness plan has been established and training has been conducted.

The absence due to sickness percentage is very low at approximately 1.2%.

HALF YEAR REPORT 2008

Key events

The first half of 2008 has been a good period for Noreco, with both positive operational and financial developments.

Successful infill drilling and the acquisition of all the shares in Talisman Oil Denmark Limited has increased production from the Group's seven producing fields for the first half of 2008 to 10,750 barrels of oil equivalents per day. Together with a sustained high oil price this has led to record operating income for the first half of 2008 of NOK 1,075 million. The acquisition of Talisman Oil Denmark Limited is included in the income statement from the 18 June, when the transaction was formally completed. The acquisition has cash and tax impact from the effective date 1 January 2008.

Development of the Nini East field has commenced, while development planning for Huntington, Oselvar, Nemo, Rau, South Arne Northern Extension is ongoing. The hit rate on the Group's exploration program to date has been outstanding, with seven out of eight successful wells. In the APA 2007 license awards announced in February 2008, Noreco was one of the most successful companies with 9 awards.

Financially, the company has secured important loan agreements, started restructuring the debt portfolio and strengthened the balance sheet in the first half of 2008.

In February 2008, Noreco signed a NOK 800 million loan facility agreement with Sparebank1 SR-Bank and DnB NOR. The facility enables Noreco with cost-effective financing of up to 70% of its exploration and appraisal activities on the Norwegian Continental Shelf in 2008 and 2009. In June, the Group entered into a loan agreement for a restated and amended reserve based borrowing base facility with a group of international banks led by BNP Paribas. The new agreement increased the facility from 155 mill US\$ to up to 325 mill US\$, and can be further increased to 350 mill US\$. The interest coupon of the new facility is floating, currently at around 5%.

The increased capacity on the reserve based borrowing facility was used to refinance the 12% Geopard A/S Callable Bond Issue 2006/2012. The 5% call premium on the bond has led to an increase in the financial expenses in the Q2 2008, but will reduce interest payments in the second half of 2008 and onwards.

In July 2008, Noreco completed an offer to the owners of the 6% Norwegian Energy Company ASA Senior Unsecured Convertible Bond Issue 2007/12 to convert their bonds to shares whereby accepting bondholders would receive a fixed premium of 7.0% to par value plus accrued interest in cash. NOK 211.5 million of the outstanding NOK 430 million were converted, which in Q3 2008 will increase Noreco's market capitalization, reduce debt, reduce future interest costs and support increased liquidity in the Noreco shares.

In conjunction with the acquisition of Talisman Oil Denmark Limited, a private placement of 19.1 million new shares to a subscription price of NOK 23.50 per share was conducted on 25 April 2008. A subsequent offering of 2.5 million new

shares at the same subscription price as the private placement was completed in June 2008. The gross proceeds from the offerings were approximately NOK 508 million, and strengthened the Group's balance sheet.

Outlook

The board believes that the market fundamentals for the upstream oil and gas industry will remain strong, with oil prices at a high level. An extensive work program is planned for the second half of 2008, including exploration wells and important development planning of discoveries. Production for the full year 2008 is expected to be 11.500 - 12.000 barrels of oil equivalents per day. Acquisitions and mergers will be considered provided that they support the strategy of the Group and create long term value for shareholders.

Risk and uncertainty

Investing in Noreco involves inherent risk and uncertainty, detailed in the annual report for 2007 and Prospectus dated 28 May 2008. Risks related to oil price, currency and interest rates and debt covenant compliance remain the main financial risks to the Group. Financial risk management is carried out by a central finance and accounting function and the risk management program seeks to minimize the potential adverse effects on the Group's financial performance. Derivative financial instruments are used to hedge certain risk exposures. Noreco has inter alia ensured through purchase of put options that a minimum sales price of 75 US\$ per barrel for the majority of the Group's after tax production is guaranteed for a significant part of the expected oil production for the period April 2008 to and including March 2011.

Related Parties

Note 11 in the Group's annual report for 2007 provides details of transactions with closely related parties. During the first half of 2008 there have not been any changes or transactions that significantly impacts the Group's financial position or the result for the period.

23 July 2008

The Board of Directors of Norwegian Energy Company ASA

Lars Takla

Chairperson

Roger O'Neil

Board Member

John Hogan

Board Member

Scott Kerr

CEO

Therese Log Bergjord

Board Member

Heidi Marie Petersen

Board Member

IFRS CONSOLIDATED INTERIM ACCOUNTS (UNAUDITED)

The Noreco Group had 2Q 2008 operating revenues of NOK 639 million and earnings before interest, tax, depreciation and amortization (EBITDA) of NOK 466 million. Net result after finance and tax was NOK 39 million. The achieved oil, gas and NGL prices adjusted for the cost of put-options expiring in the same period was US\$ 120 per barrel of oil equivalent.

The producing assets are depreciated with NOK 161 million. Exploration costs are directly expensed with NOK 25 million. Net financials in the second quarter was NOK – 171 million and includes NOK 33 million in premium to the bondholders in connection with repayment of the Geopard bond.

Noreco has oil price hedging instruments in place, which secure a major part of expected production volume against oil prices below USD 75 per barrel through Q1 2011. In Q2, the company extended the protection and acquired put options with strike price 75 \$ per barrel for the period Q2 2009 to Q1 2011 for a total quantity of 2.4 mill barrels. The average premium was approximately 2 \$/barrel.

Total equity and liabilities as at 30 June 2008 were NOK 12,215 million with equity of NOK 2,315 million. At 30 June 2008 the Group's net interest bearing debt was NOK 4,329 million and the Group held NOK 1,036 million in cash.

Income statement

Consolidated

All figures in NOK 1000	Note	Pro forma		Pro forma	
		Q2-08	Q2-08	Q2-07	Q2-07
Operating income		639 492	795 848	0	935 855
Production cost	1	87 805	117 589	0	115 699
Exploration costs expensed	2	25 341	25 341	34 490	34 606
Salary expenses		31 520	31 520	8 784	39 152
Other operating expenses		28 468	28 468	5 096	31 726
Operating results before depreciation and amortisation (EBITDA)		466 358	592 929	-48 370	714 672
Depreciation and amortisation		161 395	202 065	233	170 150
Operating result (EBIT)		304 963	390 865	-48 603	544 523
Net financial items	3	-170 829	-173 576	-6 577	-168 117
Profit before tax (EBT)		134 134	217 289	-55 180	376 405
Tax		95 262	123 452	-39 054	183 761
Net results		38 872	93 837	-16 128	192 643

All figures in NOK 1000	Note	Pro forma		Pro forma		Pro forma	
		YTD 08	YTD 08	YTD 07	YTD 07	2007	2007
Operating income		1 075 255	1 332 022	0	836 885	839 664	1 878 924
Production cost	1	168 687	208 990	0	182 014	214 830	444 941
Exploration costs expensed	2	55 156	55 156	43 182	63 801	145 543	166 291
Salary expenses		63 475	63 475	18 447	55 166	103 239	139 958
Other operating expenses		48 751	48 751	9 065	36 245	48 617	75 797
Operating results before depreciation and amortisation (EBITDA)		739 186	955 649	-70 694	499 659	327 436	1 051 938
Depreciation and amortisation		292 744	374 222	454	419 119	278 386	764 044
Operating result (EBIT)		446 442	581 428	-71 148	80 540	49 051	287 893
Net financial items	3	-309 198	-315 777	-7 450	-298 987	-298 210	-591 062
Profit before tax (EBT)		137 244	265 651	-78 598	-218 447	-249 159	-303 169
Tax		126 731	174 278	-57 192	-13 246	-50 469	13 405
Net results		10 513	91 373	-21 406	-205 201	-198 690	-316 574

Balance sheet

Consolidated

All figures in NOK 1000	Note	30.06.08	31.12.07	30.06.07
Fixed assets				
License interests, exploration assets	4	4 692 462	4 396 570	3 788 367
Deferred tax assets		164 673	111 391	47 154
Goodwill	4	1 560 116	1 483 978	813 938
Production facilities	5	3 401 392	2 843 712	3 013 948
Other machinery and equipment	5	5 016	6 652	5 847
Long term financial assets		0	0	13 994
Total asset held for sale		0	0	43 645
Total fixed assets		9 823 658	8 842 302	7 726 892
Current assets				
Accounts receivable		378 856	89 846	82 265
Tax receivables		560 818	265 866	134 032
Other current receivables	6	415 983	255 179	136 064
Bank deposits, cash in hand, etc.		1 035 981	973 661	420 445
Total current assets		2 391 638	1 584 552	772 806
Total assets		12 215 295	10 426 853	8 499 699
Equity				
Share capital		413 502	345 385	33 634
Other equity		1 901 302	1 438 872	2 996 666
Total equity		2 314 804	1 784 257	3 030 300
Provisions and other long-term liabilities				
Deferred tax liabilities		2 651 211	2 406 885	2 128 138
Provisions for other liabilities and charges		924 380	713 026	363 033
Convertible loan	7	358 865	349 232	395 085
Bond issue	7	3 097 272	3 730 872	930 931
Other long-term interest bearing debt	7	1 670 416	523 843	565 774
Total provisions and other long-term liabilities		8 702 144	7 723 858	4 382 962
Current liabilities				
Other short term interest bearing debt		238 598	222 000	565 500
Accounts payable		42 046	68 983	69 136
Current income taxes payable		347 310	69 847	219 417
Public duties payable		41 185	33 117	24 053
Other current liabilities	8	529 209	524 792	163 264
Total liabilities held for sale		0	0	45 067
Total current liabilities		1 198 347	918 738	1 086 436
Total liabilities		9 900 491	8 642 596	5 469 399
Total equity and liabilities		12 215 295	10 426 853	8 499 699

Cash flow statement

Consolidated

All figures in NOK 1000	Q2-08	Q2-07	YTD 08	YTD 07
Ordinary result before tax	134 134	-58 477	137 245	-78 598
Depreciation and write-down expenses	161 394	233	292 743	454
Taxes paid	-59 620	0	-77 577	0
Pension cost with no cash impact	714	0	1 428	0
Effect of changes in exchange rates	24 668	0	92 556	0
Financial items with no cash impact	-2 781	0	19 024	0
Change in accounts receivable	-186 723	0	-289 010	0
Change in accounts payables	-83 559	7 814	-26 937	6 708
Changes in other current balance sheet items	329 614	18 970	206 924	5 508
Net cash flow from operations	317 841	-31 460	356 396	-65 928
Cash flow from investments activities				
Purchase of tangible assets	-125 959	50	-215 127	-870
Purchase of intangible fixed assets	-90 751	0	-311 335	0
Purchase of investment in shares	-437 846	-3 518 116	-437 846	-3 518 116
Net cash flow from investments activities	-654 556	-3 518 066	-964 308	-3 518 986
Cash flow from financing activities				
Issue of share capital	485 174	3 071 690	494 862	3 076 240
Proceeds from issuance of long term debt	1 107 869	323 148	1 278 271	386 648
Repayment of long term debt	-660 000	0	-792 698	0
Proceeds from issuance of short term debt	0	530 500	16 598	530 500
Interest paid	-125 831	0	-315 747	0
Net cash flow from financing activities	807 212	3 925 338	681 286	3 993 388
Net change in cash and cash equivalents	470 497	375 812	73 374	408 474
Cash and cash equivalents at start of the year/quarter	558 845	44 632	973 661	11 970
Effects of changes in exchange rates on cash and cash equivalents	6 640	0	-11 054	0
Cash and cash equivalents at end of the year/quarter	1 035 981	420 444	1 035 981	420 444

Statement of equity

Consolidated

All figures in NOK 1000	YTD 08	YTD 07
Balance at the beginning of period	1 784 257	55 724
Minority interests	0	1 687 408
Issue of share capital	494 862	1 254 825
Transferred from convertible bonds	0	53 750
Value of share-based incentive plans	1 000	0
Value adjustment financial instruments	-770	0
Currency translation differences	24 941	0
Net results for the period	10 514	-21 406
Balance at the end of period	2 314 804	3 030 300

Notes

to the consolidated financial statements

Basis for preparation

The consolidated interim financial statements for the second quarter and first half year of 2008 comprises Norwegian Energy Company ASA (Noreco) and its subsidiaries.

These consolidated interim financial statements have been prepared in accordance with IAS 34 and The Norwegians Securities Trading Act § 5 – 6.

The interim financial statements do not include all information required for annual financial statements and should for this reason be read in conjunction with Noreco's 2007 annual report. New approved standards and interpretations yet to come into effect is amendments to IFRS 2 Share-based payment – Vesting Conditions and Cancellations, amendments to IAS 12 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements and IFRIC 16 Hedges of a Net Investment. The accounting principles applied are prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union and interpretations by the International Accounting Standard Board (IASB).

Basis for preparation of the pro forma figures

The unaudited pro forma financial information has been compiled in connection with the acquisition of Altinex ASA and Talisman Oil Denmark Limited, to illustrate the main effects the acquisitions of Altinex and Talisman Oil Denmark ("the transactions") would have had on the consolidated profit and loss statement for Noreco.

The unaudited pro forma condensed profit and loss statement for the year 2007 and the six months ended 30 June 2008 is showing the effect off the acquisitions as if the transactions had occurred on 1 January 2007.

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

Share capital/equity

There have been two capital increases during second quarter. The company raised NOK 450 million gross in equity in May 2008 and NOK 58 million gross in equity in June 2008. The share capital has thereby been raised from NOK 346.4 million as per 31.03.2008 to NOK 413.5 million as per 30.06.2008.

Share options and share based payments

NORECO has in January 2008 established an incentive scheme for the management and other employees under which

options exercisable into ordinary shares in the Company ar

granted. As of 30 June 2008 a total of 1 049 617 options had been issued to Noreco Group employees.

Exploration and development costs for oil and gas assets

Exploration costs are accounted for in accordance with the successful effort method. This means that all exploration costs including pre-operating costs (seismic acquisitions, seismic studies, internal man hours, etc.) are expensed as incurred. Exceptions are costs related to acquisition of licenses and drilling of exploration wells. These costs are temporarily capitalized pending an evaluation of the economics of the exploration drilling findings. If hydrocarbons are discovered, the costs remain capitalized. If no hydrocarbons are found or if the discoveries are not commercially profitable, the drilling costs are expensed. All costs of developing oil and gas fields are capitalized.

Depreciation and amortization

Depreciation of production equipment is calculated in accordance with the unit of production method. The excess value allocated to producing fields arising from recent acquisitions will be amortized in accordance with the unit of production method.

Taxes

Income tax expenses for the period are calculated based on the tax rate applicable to the expected total annual earnings. The ordinary income tax is 25% in Denmark and 28 % in Norway. In addition, there is an extra petroleum tax of 50% related to exploration and production on the Norwegian Continental Shelf. In Denmark there is a petroleum tax of 70%, but at current oil price levels the Danish subsidiaries will not be in a position where the petroleum tax is payable.

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

Goodwill – Deferred tax liabilities

The acquisitions of Altinex ASA and Talisman Oil Denmark AS has been treated in accordance with IFRS 3 – Business Combinations. The acquisition prices are allocated to assets and liabilities at the estimated fair values at the acquisition dates. The tax base of the acquired assets and liabilities is not affected by the acquisitions. As all acquisitions are treated as Business Combinations, the difference between new fair values and booked values prior to the acquisitions results in a change in the deferred tax liability. The change in deferred tax liability in turn affects Goodwill. Goodwill is, according to IFRS, not amortized, but will be subject to impairment testing.

Subsequent events

On 30 June 2008, Noreco offered all owners of the 6% Norwegian Energy Company ASA Senior Unsecured Convertible Bond Issue 2007/12 (ISIN NO 001036883.0) to convert their bonds to shares whereby accepting bondholders would receive a fixed premium of 7% to par value plus accrued interest in cash. As the offer expired on 2 July 2008, Noreco had received acceptance from bondholders representing NOK 211.5 million of the outstanding NOK 430 million in bonds. As a result of this, 9,505,613 new shares in Noreco have been issued. The share capital increase was registered 9 July 2008, after which Noreco's share capital is NOK 443 million.

Comparatives figures / Functional currency

One of the companies in the Group, Altinex Oil Norway AS, has through 2007 prepared its accounts using US\$ as functional currency. After a thorough review, it has been decided that the functional currency for Altinex Oil Norway AS should be NOK. This has led to changes in the Group's balance sheet as per 31.12.2007. The main effect is that the Group's equity has increased by NOK 107 million from NOK 1,677 million to NOK 1,784 million as per 31.12.2007.

1 Production expenses

(NOK 1 000)	Q2 - 08	Q2 - 07	YTD 2008	YTD 2007
Direct production expenses	53 236	0	106 273	0
Duties, tariffs, royalties	31 083	0	54 544	0
Other expenses	3 485	0	7 869	0
Total production expenses	87 805	0	168 687	0

2 Exploration expenses

(NOK 1 000)	Q2 - 08	Q2 - 07	YTD - 08	YTD - 07
Expenses from operator	23 115	31 120	50 043	34 417
Other exploration and evaluation expenses	2 225	3 370	5 113	8 765
Total exploration and evaluation expenses	25 341	34 490	55 156	43 182

Specification of cash flow concerning exploration and evaluation activities

(NOK 1 000)	Q2 - 08	Q2 - 07	YTD - 08	YTD - 07
Accrued exploration and evaluation expenses capitalised as an intangible asset during the year	90 751	0	311 335	0
Accrued exploration and evaluation expenses directly recognised during the year	25 341	34 490	55 156	43 182
Exploration and evaluation investments during the year	116 092	34 490	366 491	43 182

3 Financial income and expenses

(NOK 1 000)

Financial income	Q2 - 08	Q2 - 07	YTD - 08	YTD - 07
Interest income	10 017	1 017	18 351	1 174
Other financial income	23 523	-18	41 437	39
Total financial income	33 540	999	59 788	1 213
Financial expenses	Q2 - 08	Q2 - 07	YTD - 08	YTD - 07
Interest expenses on bond loan 1)	136 690	0	241 357	0
Interest expenses on convertible loan	6 521	0	13 043	0
Interest expenses on other long-term liabilities	9 045	2 623	17 554	3 671
Amortisation of borrowing expenses	23 373	0	36 452	0
Calculated interest on abandonment liabilities	8 337	0	17 063	0
Interest expenses on short term liabilities	4 972	4 829	9 247	4 829
Other financial expenses	15 431	124	34 270	163
Total financial expenses	204 369	7 576	368 986	8 663
Net financial items	-170 828	-6 577	-309 198	-7 450

1) Figures for Q2 – 08 and YTD – 08 includes NOK 33 million in premium to the bondholders in connection with repayment of the Geopard Bond.

4 Intangible fixed assets

(NOK 1 000)	Capitalised exploration & evaluation cost	Other patents & licenses	Goodwill	Total
Acquisition cost at 01.01.08	4 334 316	62 254	1 534 799	5 931 369
Additions	311 335	0	0	311 335
Addition from acquisition of subsidiaries	0	0	76 138	76 138
Disposals	0	0	0	0
Translation differences	-15 442	0	0	-15 442
Acquisition cost at 30.06.08	4 630 209	62 254	1 610 937	6 303 400
Accumulated depreciation				
Accumulated depreciation at 01.01.08	0	0	50 821	50 821
Depreciations	0	0	0	0
Translation differences	0	0	0	0
Accumulated depreciation at 30.06.08	0	0	50 821	50 821
Book value at 30.06.08	4 630 209	62 254	1 560 116	6 252 579

5 Tangible fixed assets

(NOK 1 000)	Production facilities	Abandonment assets	Office supplies & inventory	Total
Acquisition cost at 01.01.08	2 688 849	516 076	9 983	3 214 908
Additions	215 096	0	31	215 127
Addition from acquisition of subsidiaries	1 396 371	217 614	0	1 613 985
Disposals	0	0	0	0
Translation differences	-88 595	-25 459	-28	-114 082
Acquisition cost at 30.06.08	4 211 721	708 231	9 986	4 929 938
Accumulated depreciation				
Accumulated depreciation at 01.01.08	325 665	35 546	3 330	364 541
Addition from acquisition of subsidiaries	814 031	82 180	0	896 211
Depreciation	231 791	59 373	1 579	292 743
Translation differences	-27 064	-2 963	62	-29 965
Accumulated depreciation at 30.06.08	1 344 423	174 136	4 971	1 523 530
Book value at 30.06.08	2 867 297	534 095	5 016	3 406 408

6 Other current receivables

(NOK 1 000)	30.06.2008	30.06.2007
Cash call (overcall)	144 663	39 4086
Underlift of oil	143 514	71 768
Accrued interests	14 130	4 788
Financial instruments	81 488	0
Other receivables	32 188	20 100
Total other current receivables	415 983	136 064

7 Long-term liabilities

<u>(NOK 1 000)</u>	Nominal value	Book value at 30.06.08
Bond loan Noreco ASA	2 300 000	2 260 205
Bond loan Noreco ASA	500 000	491 445
Convertible loan Noreco ASA	430 000	358 865
Other long term debt Noreco ASA	173 602	298 502
Bond loan Altinex Oil Norway AS	300 000	295 930
Bond loan Altinex Oil Norway AS	100 000	49 692
Reserve-based debt Altinex Oil Denmark A/S	1 402 246	1 371 914
Total long-term liabilities	5 205 848	5 126 553

8 Other current liabilities

<u>(NOK 1 000)</u>	30.06.2008	30.06.2007
Working capital in the licenses	147 752	40 747
Overlift of Oil	4 857	-
Accruals in connection with buying licenses	-	-
Cash call (undercall)	113 134	69 686
Provisions for interests	169 359	23 948
Employee bonus/salary accruals	19 919	9 530
Other current liabilities	74 188	19 352
Total other current liabilities	529 209	163 264

9 Acquisition of Talisman Oil Denmark limited

As of 30 June 2008 Noreco had acquired 100 per cent off the issued share capital of Talisman Oil Denmark Limited. The total consideration for these shares was MNOK 505. Talisman Oil Holding holding 30 % interest in Siri Field. This transaction has been accounted for using the purchase method of accounting.

The acquisition has tax and cash effect from 1. January 2008 and was finally completed by 18 June 2008 and included in the Profit and Loss statement thereone.

The net assets acquired in the transaction are as follows:

All figures in (NOK 1 000)	Acquirees preliminary carrying amount	Fair value adjustment	Fair value
Net assets acquired:			
Production facilities	222 388	271 923	494 311
Removal asset	193 580		193 580
Account receivables	348 869		348 869
Other assets	115 322		115 322
Removal liabilities	(268 370)		(268 370)
Deferred tax liabilities	-	(76 138)	(76 138)
Dividende	(103 796)		(103 796)
Current liabilities	(274 494)		(274 494)
	233 499	195 785	429 284
Goodwill arising on acquisition			76 138
Total consideration, satisfied by cash			505 422

If the acquisition had been completed on 1 January 2007, total group revenue for 2007 would have been MNOK 1,879, and net loss for the period would have been MNOK 317.

Responsibility statement

We confirm to the best of our knowledge that the condensed set of interim consolidated financial statements as at 30 June 2008 and for the six month period 1 January to 30 June 2008 has been prepared in accordance with IAS 34 'Interim Financial Reporting' and give a true and fair view of the Group's assets, liabilities, financial position and the result for the period viewed in their entirety, and that the interim management report in accordance with the Norwegian Securities Trading Act includes a fair review of any of significant events that arose during the six-month period and their effect on the half-yearly financial report, and any significant related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the year.

Stavanger, 23 July 2008

The Board of Directors and Chief Executive Officer
Norwegian Energy Company ASA

Lars Takla

Chairperson

Roger O'Neil

Board Member

Therese Log Bergjord

Board Member

John Hogan

Board Member

Heidi Marie Petersen

Board Member

Scott Kerr

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