Report for the second quarter 2009

Norwegian Energy Company ASA

English version

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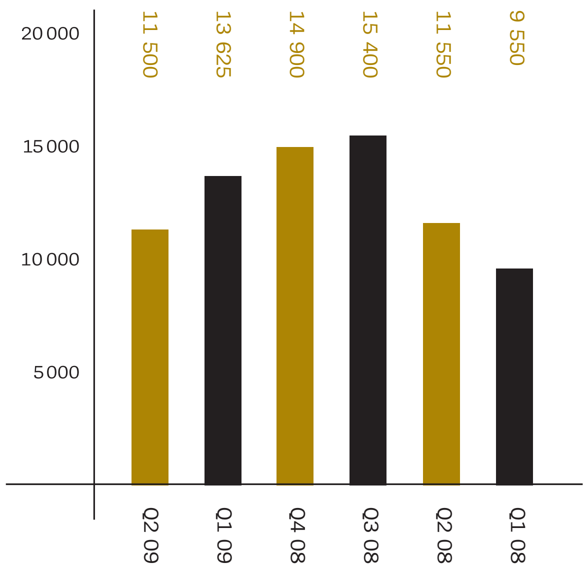
HIGHLIGHTS

- Hydrocarbon discoveries at Gita, Gygrid and Grosbeak; 12 out of 15 exploration and appraisal wells to date have been successful
- 5 awards in the 20th licensing round in Norway
- Important milestones for Oselvar and Nini East developments met
- Production of 11 500 barrels of oil equivalents (boe) per day.
- Oil price realized at 60 US$/boe, including 7 US$/boe from the company's oil price hedging program
- Operating revenues of NOK 401 million, EBITDA of NOK 85 million and a net result of NOK -101 million
- Improved financial capacity through equity issue of NOK 214 million and extension and increase of exploration loan facility

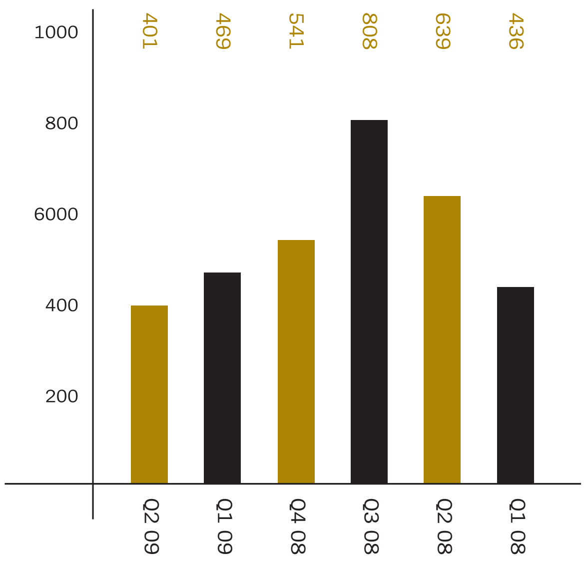
KEY FIGURES

	Q209	Q109	Q408	Q308	Q208	Q108
Net realised oil price *(US$/boe)*	60	55	58	104	120	91
EBITDA *(NOK million)*	85	116	221	580	466	273
Net results *(NOK million)*	-101	-46	-25	135	39	-28
Total assets *(NOK billion)*	12.2	11.9	12.3	12.5	12.2	10.4

Production *(boed)*



Revenues *(NOK million)*



GROUP FINANCIALS

The Noreco Group had operating revenues of NOK 401 million in Q2 2009, a decrease of 37% compared to Q2 2008. The decrease was primarily driven by the change in achieved oil price. The achieved oil, gas and NGL prices adjusted for the cost and income from the put options expiring in Q2 2009 was US$ 60 per barrel of oil equivalent, which was half of the achieved price in Q2 2008. EBITDA (earnings before interests, tax, depreciation and amortization) for Q2 2009 was NOK 85 million, compared to NOK 466 million in Q2 2008. Net result after finance and tax was NOK -101 million for the quarter, compared to NOK 39 million in Q2 2008. Noreco has oil price put options in place, which secure a significant part of after tax expected production volume against oil prices below USD 75 and USD 50 per barrel. The fair value of these put options as of 30 June 2009 was assessed to NOK 160 million, and is accounted for under other current receivables. The producing assets were depreciated with NOK 156 million in Q2 2009. Exploration costs were directly expensed with NOK 139 million. This includes approximately NOK 110 milllion related to seismic surveys on licenses PL411, PL451, PL 453, PL 455 and PL490 in Norway. Net financials in Q2 2009 was NOK –107 million, a 37% decrease compared to Q2 2008. The reduction in financial expenses is a result of the capital restructuring in the Group over the last 18 months, where current interest costs have been significantly reduced.

Fixed intangible assets have been written down by NOK 126 million in Q2 2009. The write down is related to excess values allocated to two licenses that have subsequently been relinquished. The net impact on the income statement is NOK -28 million, comprising a write down of NOK 126 million and a NOK 98 million deferred tax reversal.

Capitalized exploration for Q2 2009 of NOK 145 million includes the successful exploration at Gita, Grosbeak and Gygrid. NOK 335 million is invested in in-field wells and the Nini East development during Q2 2009.

The Group continued to improve its financial capacity in 2Q 2009, i.e. through an equity issue of NOK 214 million in May and an extended and increased exploration loan facility in June.

Total equity and liabilities as at 30 June 2009 was NOK 12,211 million with equity of NOK 2,789 million. At 30 June 2009, the Group's net interest bearing debt was NOK 4,309 million.

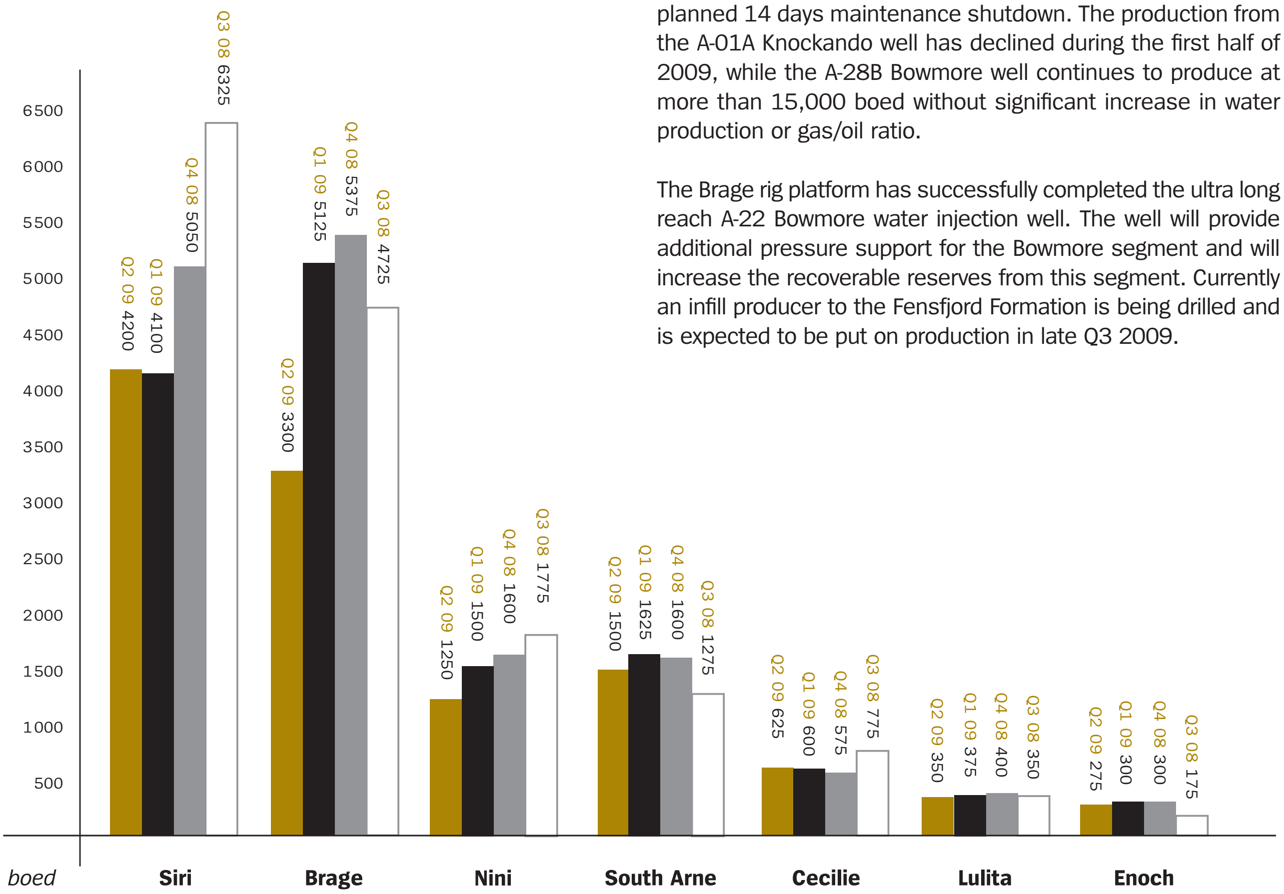
OPERATIONS

Production and Fields

The Noreco Group's production for Q2 2009 was on average 11,500 barrels of oil equivalents per day (boed). The graph below shows the net production to Noreco from each of the seven producing fields in the portfolio. The Siri production includes the acquisition of Talisman Oil Denmark from 18 June 2008.

The average gross production from the **Brage Field** in Q2 was approximately 26,000 boed. The reduction from 1Q production is caused by expected production decline, less gas export following start of gas injection into the Sognefjord Formation and significantly reduced production in June resulting from the planned 14 days maintenance shutdown. The production from the A-01A Knockando well has declined during the first half of 2009, while the A-28B Bowmore well continues to produce at more than 15,000 boed without significant increase in water production or gas/oil ratio.

The Brage rig platform has successfully completed the ultra long reach A-22 Bowmore water injection well. The well will provide additional pressure support for the Bowmore segment and will increase the recoverable reserves from this segment. Currently an infill producer to the Fensfjord Formation is being drilled and is expected to be put on production in late Q3 2009.



The **Enoch Field** average gross production in Q2 2009 was approximately 5,300 boed. Production regularity has been an issue, related to operations at the Brae platform. This has caused production downtime and insufficient gas lift gas to optimize Enoch production. The reservoir performance at Enoch continues to be strong, with very little decline in reservoir pressure and no significant increase in gas or water production.

On the **South Arne** Field the average gross production was approximately 22,600 boed gross in Q2 2009. The 2009 Field Development Plan (phase III) has been issued to the Danish Energy Authorities, and final approval is anticipated in Q3 2009. The FDP contains firm plans to drilling the two infill wells during 2010 and to conduct screening studies on the further development of the South Arne field including the northern segments as well as further infill drilling in the Tor and Ekofisk Chalk formations in the main producing area. Location and design of the two infill wells has been agreed by all partners. A comprehensive well intervention campaign kicked off in May has now been completed with positive results related to production as well as new ways of improving productivity from the existing well stock. The SA-12 well has improved performance after a water shut-off operation in early 2009.

On the **Lulita Field** production has been stable with only a few minor shut downs caused by maintenance on the downstream infrastructure. The average production in Q2 2009 was approximately 1,300 boed gross. It is the plan to shut in Lulita for approx. 2 months in July and August as a consequence of planned facility work on the Lulita processing and off take platform Harald.

On the **Siri Field** the production performance has been stable in Q2 2009, and the average gross production was 8,400 boed. The Siri production in June was reduced due to a 6 days planned maintenance shut down of the Siri facilities. This shutdown also caused lower production from the Nini and Cecilie field in June. The offshore oil off-loading system has been changed out in 2Q, without any loss of production.

On the **Nini Field** the average gross production in Q2 2009 was approximately 4,100 boed gross. The NA-8 well continues to be the dominant producer at Nini, and the well is still producing strongly in Q2. The drilling of the NA-9 water injector to support NA-8 has been delayed due to drilling technical problems and will not start injection until Q3 2009. Drilling of the NA-10 infill Ty producer has commenced, and the well is expected to start production in Q3 2009. Following drilling of NA-10 the rig will move to Nini East for drilling of the three initial development wells.

The gross average production from the Cecilie Field was 1,000 boed in Q2 2009 with continued stable production through the quarter.

DEVELOPMENTS

The **Nini East Development**, where Noreco owns 30%, is progressing according to plan. Production is expected to start in Q4 2009. Like the Nini and Cecilie platforms, Nini East is an unmanned satellite platform. From Nini East the oil will be sent via Nini to the Siri platform for further treatment and shipping. The Nini East platform was successfully installed according to plan in June at its location 7 kilometres north east of the existing Nini platform. The development drilling is planned to start following drilling of the NA-10 well on the Nini field.

Noreco is a 20% partner in the **Huntington Development** in UK. In Q2 2009 the license activities have been focused on maturing the field towards a development concept selection in 2H 2009, followed by preparation of a Field Development Plan in Q4 2009. The main development concepts are subsea tieback or FPSO standalone development.

On the **Oselvar Development** the plan for development and operation (PDO) was approved by the Norwegian authorities in June 2009. Noreco has a 15% interest in Oselvar. The development concept is three subsea wells tied back to the Ula processing platform where gas will be used for re-injection on Ula. Produced oil and excess gas will be exported via Ekofisk to the market. Activities leading to production start up in 2011 are progressing according to plan.

Following a successful appraisal well at the **Nemo** discovery in PL148 in 2008, the partners are currently evaluating alternative development concepts and export routes, and plans to determine the preferred development concept in Q4 2009. Noreco holds 20% of the field, Lundin Norway operates the discovery.

Noreco, as operator for the Danish license 7/06, is evaluating the development of the **Rau Field**, where oil discovery was made in May 2007. The discovery is located just 9 km south west of the Cecilie production platform.

Concerning the **Flyndre Development,** the PL018C license under the operatorship of Mærsk is in the process of finalizing a Joint Study agreement with the UK Licenses P255 and P079. The Flyndre Paleocene discovery straddles all three licenses. This study aims at clarifying the commercial potential of Flyndre and the preferred development scenario. Mærsk aims to submit a Field Development Plan to the UK authorities during 2H 2010.

EXPLORATION

Noreco runs a selective exploration program, with focus on exploration wells that have a high value creation potential. In 2009, Noreco will be involved in five exploration wells, already resulting in three discoveries announced in Q2 2009:

- The **Gita 1-X** well was drilled as a vertical well to a total depth of 5162 meters below sea level with the jack up rig Ensco 101. 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 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. The operator Mærsk and the partners are now working the appraisal plan for the Gita discovery.

■ Well 6407/8-5 S drilled the **Gygrid** prospect in PL348 in the Norwegian Sea and made a light oil discovery in the Tilje Formation in a good quality reservoir. A sidetrack, 6407/8-5 A, gave additional information on the Tilje discovery and also found additional volumes in the overlying Ile formation. This is the third exploration well in the license, which is operated by Statoil, and Noreco holds a 17.5% interest. The recoverable volume in Gygrid is preliminary estimated to be 19-31 million barrels recoverable oil equivalents. The license also comprises the discoveries Galtvort, which was drilled last year, and Tau. There are several additional prospects and leads identified, and the total potential is estimated by Noreco to be up to 25 million recoverable barrels oil equivalents net to Noreco.

■ 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. The well found hydrocarbons in two targets; oil and gas in the Sognefjord Formation and oil in the Brent Group. The preliminary volume for the discovery is estimated to be between 35 and 190 million barrels of recoverable oil equivalents gross. The successful results from the Grosbeak well has increased the likelihood of additional discoveries on the license. In addition to Grosbeak, there are 4 main prospects and 7 smaller prospects in the license. The volume potential in the remaining 4 main prospects is substantial and estimated to be up to 375 million barrels of recoverable oil equivalents gross. The total resources in the license could be over 100 million barrels net to Noreco. Noreco also owns 20% of the neighbouring license PL417 and is well positioned in this prospective area. The license is close to existing infrastructure.

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 Norwegian continental shelf. The licenses Noreco were offered are all in the Norwegian Sea, and provide new, high impact drilling targets to Noreco's portfolio and will increase the risked exploration resources in the company by about 200 million barrels oil equivalents. Noreco has met with its new license groups, and the license work has commenced. On some of the licenses seismic surveys will be acquired this year.

Noreco has in Q2 2009 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 with this acquisition and 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.

GROWTH AND BUSINESS DEVELOPMENT

The active high grading of the exploration portfolio continues to be a key part of Noreco's strategy. Noreco's view is that to run a successful exploration programme, it is important to select carefully which wells to drill and which opportunities not to pursue. This high grading is made on the basis of thorough geoscience work and economic evaluations. In Q2 2009, Noreco decided to make four changes to the portfolio:

■ Noreco entered in July 2009 into an agreement to acquire a 30% interest in license **PL471** in Norway from Sagex Petroleum Norge AS. The license is located just north of license PL348 where Noreco recently announced the Gygrid oil discovery; the third discovery on that license. There is significant prospectiviety in Cretaceous and Middle Jurassic sandstones in license PL471, and the license has a potential of over 300 million barrels of recoverable hydrocarbons. An exploration well is planned to be drilled on the license in 2010 or 2011.

■ Noreco entered in July 2009 into an agreement to sell a 20% interest in **PL442** in Norway to Svenska Petroleum Exploration AS. Noreco will not have an interest in the license following the transaction, and will as such not participate in the planned well in the license in 2009.

■ Noreco decided to relinquish the Norwegian exploration licenses **PL361** and **PL446**.

Noreco believes that significant value can be generated through inorganic activity, and plans to continue its active approach to acquisitions, mergers and divestures. Noreco continued this programme in the first half of 2009. Transactions will be considered provided that they support the strategic direction and create value for the company's shareholders.

HEALTH, SAFETY AND ENVIRONMENT

There were no incidents in Noreco operated activities in Q2 2009. There was one lost time accident on installations where Noreco is a partner. The incident has been appropriately followed up by the operator.

Ongoing Health, Safety and Environment (HSE) activities continues according to plan. This includes preparations for the first Noreco operated drilling in Norway, where the Tasta well will be drilled with the rig West Alpha in 2009. Extensive verification activities have taken place and the necessary approvals to drill the Tasta well has been granted by the Norwegian Petroleum Safety Authority and Norwegian Petroleum Directorate. During 2009 Noreco has established its own emergency response organization and an emergency centre as part of the preparation for operated drilling activities.

HUMAN RESOURCES

Noreco has 76 employees whereof 32% are female. Noreco has staff members from nine different nations.

The annual work environment survey has been conducted in the organisation and the results are very positive. Noreco employees are proud of being a part of the organisation and feel they are influencing the projects and value creation in Noreco.

Absence due to illness continues to be very low with an average of less than 1 % year to date.

HALF YEAR REPORT 2009

Key events

Noreco has continued to make significant progress towards the company's vision to become a leading independent oil and gas company in the North Sea region in the first half of 2009. The same period has seen great uncertainty in the world economy, which also has impacted Noreco.

Noreco has made three hydrocarbon discoveries so far in 2009; a gas discovery at Gita, an oil and gas discovery at Grosbeak and a light oil discovery at Gygrid. These discoveries demonstrate Noreco's solid exploration track record. Further details on the discoveries are given in the Q2 report. In the 20th licensing round in previously unlicensed acreage in Norway, Noreco received a very good award of 5 licenses, second only to Statoil in terms of number of awards.

The Group's developments have progressed towards production in the first half of 2009. The Nini East development in Denmark is progressing according to plan, and is scheduled to start production in Q4 2009. The Oselvar development in Norway has been approved by Norwegian authorities, and the project plan that will lead to production start in 2011 is being executed. The Huntington development in the UK is back on track following the replacement of Oilexco by E.ON Ruhrgas as operator, and the plan is to submit a field development plan in 2009.

The production from the Group's seven producing fields in the first half of 2009 was 12,550 barrels of oil equivalents per day, up from 10,750 for the same period in 2008. The achieved oil price for the first half of 2009 was 58 US$ per barrel, leading to an operating income of NOK 869 million for the period (NOK 1075 in 1H 2008).

Financially, the Group has continued the efforts to improve its capital structure and reduce the cost of capital in the first half of 2009. In March 2009, the Company completed a refinancing of the NOR01 and NOR02 bonds, which entails a new repayment schedule. The previous loan agreement required payment of NOK 2,240 million by July 2010. The new amortisation profile entails that NOK 1,000 million is repaid within the previous maturity date of July 2010 through two NOK 500 million instalments in December 2009 and July 2010, 50 per cent of the remaining loan outstanding in July 2010 is to be repaid in July 2011 and the remaining loan in April 2012. In May 2009, Noreco completed an equity placement of NOK 214 million which strengthened the Group's balance sheet. In June 2009, Noreco entered into a NOK 1050 million loan facility agreement with Sparebank 1 SR-Bank (lead), DnB NOR and BNP Paribas which will finance up to 70 % of Noreco's exploration and appraisal activities in Norway in 2009 and 2010. This agreement replaces the previous exploration facility agreement of NOK 800 million. It is the board's opinion that these efforts to improve the capital structure and Noreco's strong portfolio of 7 producing fields, over 20 discoveries and over 50 exploration licenses gives the group flexibility and sufficient liquidity from cash in hand, existing bank facilities, operating cash flow and active portfolio management to meet its liquidity requirements.

Risk and uncertainty

Investing in Noreco involves inherent risk and uncertainty, detailed in the annual report for 2008. Risks related to oil price, currency and interest rates and debt service 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 50 US$ and 75 US$ per barrel for a significant part of the expected oil production.

Related parties

Note 11 in the Group's annual report for 2008 provides details of transactions with closely related parties. During the first half of 2009 there have not been any changes or transactions that significantly impact the Group's financial position or the result for the period.

Outlook

The board believes that the market fundamentals for the upstream oil and gas industry will be challenging for the best part of 2009 as there is still significant uncertainty about future economic developments. There are however several signs that the negative trend may be about to reverse, but it is in the board's opinion too early to conclude that the markets are functioning fully efficiently again. The board are of the opinion that the mid to long term prospects for the oil and gas industry remain strong.

An extensive work program is planned for the second half of 2009, focusing on exploration and developments. Noreco will be operating its first well in Norway in Q3 2009, and will also progress the ongoing developments safely towards first production. The Nini East field in Denmark is scheduled to start production in Q4 2009, and will add in excess of 3,000 barrels per day to the Group's production.

The oil and gas asset market is recovering, and Noreco will be marketing assets and execute sales if the offered price is deemed to create value for Noreco's shareholders. Acquisitions and mergers will be proactively considered provided that they support the strategy of the Group and create long term value for shareholders. The Noreco team is determined to continue to strive towards the vision of creating a leading independent oil and gas company in the North Sea region.

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

Stavanger, 22 July 2009
The Board of Directors and Chief Executive Officer
Norwegian Energy Company ASA

Lars Takla	*Rebekka Herlofsen*	*Therese Log Bergjord*	*John Hogan*	*Aasulv Tvetereid*	*Søren Poulsen*	*Scott Kerr*
Chairman	*Board Member*	*Board Member*	*Board Member*	*Board Member*	*Board Member*	*CEO*

Income statement

Consolidated

All figures in tNOK	Note	Q2 - 09	Q2 - 08	YTD 2009	YTD 2008	2008
Revenues	1	400 648	639 492	869 472	1 075 255	2 423 531
Production expenses	2	116 614	87 805	230 757	168 687	414 893
Exploration and evaluation costs	3	139 234	25 341	310 824	55 156	258 664
Payroll expenses		36 117	31 520	73 019	63 475	114 135
Other operating expenses		23 566	28 468	53 777	48 751	95 480
Operating results before depreciation and amortization (EBITDA)		85 117	466 358	201 095	739 186	1 540 359
Depreciation and amortization	6	155 894	161 395	323 065	292 744	716 799
Write-downs	5	125 700	0	125 700	0	0
Operating result (EBIT)		-196 477	304 963	-247 670	446 442	823 560
Net financial items	4	-107 421	-170 829	-213 984	-309 198	-555 593
Ordinary result before tax (EBT)		-303 898	134 134	-461 654	137 244	267 967
Tax		-203 336	95 262	-314 616	126 731	147 754
Net result for the period		-100 562	38 872	-147 038	10 513	120 213
Net result for the period		-100 562	38 872	-147 038	10 513	120 213
Other comprehensive income:						
Value adjustment financial instruments		-169 819	2 127	-254 340	-770	388 516
Currency translation difference		-45 411	12 987	-66 998	24 941	18 889
Total comprehensive income for the period		**-315 792**	**53 986**	**-468 376**	**34 684**	**527 618**
Earnings per share						
Basic		(0,67)	0,31	(1,00)	0,09	0,92
Diluted		(0,67)	0,30	(1,00)	0,16	0,93

Balance sheet

Consolidated

All figures in tNOK	Note	30-06-2009	31-12-08	30-06-08
Non-current assets				
License and capitalised exploration expenses	5	4 463 860	4 595 387	4 692 462
Deferred tax assets		279 126	230 421	164 673
Goodwill	5	1 540 798	1 540 798	1 560 116
Production facilities	6	3 719 526	3 538 789	3 401 392
Machinery and equipment	6	1 981	3 594	5 016
Tax refund		420 365	0	294 952
Total non-current assets		**10 425 656**	**9 908 989**	**10 118 610**
Current assets				
Accounts receivables		174 154	219 488	378 856
Tax refund		542 644	542 644	265 866
Other current receivables	7	420 555	749 312	415 983
Bank deposits, cash in hand, etc.		648 377	867 349	1 035 981
Total current assets		**1 785 730**	**2 378 793**	**2 096 686**
Total assets		**12 211 386**	**12 287 781**	**12 215 295**
Equity				
Share capital		487 534	444 428	413 502
Other equity		2 301 784	2 552 058	1 901 302
Total equity		**2 789 318**	**2 996 486**	**2 314 804**
Provisions and other long-term liabilities				
Deferred tax		2 637 193	2 725 879	2 651 211
Provisions for other liabilities and charges		823 829	852 851	924 380
Convertible bond loan	8	191 833	187 127	358 865
Bond loan	8	2 046 713	2 530 982	3 097 272
Other interest bearing debt	8	1 745 025	1 463 722	1 670 416
Total provisions and other long-term liabilities		**7 444 593**	**7 760 561**	**8 702 144**
Current liabilities				
Other interest bearing debt		973 803	533 371	238 598
Trade payables		85 255	138 058	42 046
Current tax payable		431 674	564 911	347 310
Public duties payable		17 380	29 365	41 185
Other current liabilities	9	469 362	265 029	529 209
Total current liabilities		**1 977 474**	**1 530 734**	**1 198 348**
Total liabilities		**9 422 067**	**9 291 295**	**9 900 492**
Total equity and liabilities		**12 211 386**	**12 287 781**	**12 215 295**

Cash flow statement
Consolidated

(NOK 1000)	YTD 2009	YTD 2008
Ordinary result before tax	-461 654	137 245
Taxes paid	-253 154	-77 577
Depreciation and amortisation	323 065	292 743
Write-downs	125 700	0
Effect of changes in exchange rates	-415 708	92 556
Financial instruments at fair value	386 657	-68 946
Amortisation of borrowing expenses	30 614	36 452
Calculated interest on abandonment provision	35 076	17 063
Other items with no cash impact	2 000	35 883
Changes in accounts receivable	45 334	-289 010
Changes in trade payables	-52 803	-26 937
Changes in other current balance sheet items	349 499	206 924
Net cash flow from operations	**114 626**	**356 396**
Cash flow from investments activities		
Purchase of tangible assets	**-469 530**	**-215 127**
Purchase of intangible assets	-203 760	-311 335
Purchase of investment in shares	0	-437 846
Net cash flow from investments activities	-673 290	-964 308
Cash flow from financing activities		
Issue of share capital	211 050	494 862
Proceeds from issuance of long term debt	396 068	1 278 271
Repayment of long term debt	0	-792 698
Proceeds from issuance of short term debt	0	16 598
Repayment of short term debt	-52 374	0
Interest paid	-203 263	-315 747
Net cash flow from financing activities	**351 481**	**681 286**
Net change in cash and cash equivalents	-207 183	73 374
Cash and cash equivalents at start of the quarter	867 349	973 661
Effects of changes in exchange rates on cash and cash equivalents	-11 789	-11 054
Cash and cash equivalents at end of the quarter	**648 377**	**1 035 981**

Statement of equity
Consolidated

All figures in tNOK	YTD 2009	31-12-08	YTD 2008
Equity at the beginning of period	2 996 486	1 784 257	1 784 257
Issue of share capital	211 050	710 737	494 862
Transferred from convertible bonds	0	-27 088	0
Value of share-based incentive plans	3 681	963	1 000
Valueadjustment financial instruments	-254 340	388 516	-770
Currency translation differences	-66 998	18 889	24 941
Net results for the period	-100 562	120 211	10 514
Equity at the end of period	**2 789 318**	**2 996 486**	**2 314 804**

Notes

to the quarterly consolidated financial statements

ACCOUNTING PRINCIPLES

Basis for preparation

The consolidated interim financial statements for the second quarter of 2009 comprises Norwegian Energy Company ASA (NORECO) and its subsidiaries. These consolidated interim financial statements have been prepared in accordance with IAS 34 and The Norwegian 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 Norecos's 2008 annual report. 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).

Share capital/equity

There has been one capital increase during second quarter. As a result of this, 13 400 000 new shares were issued and the share capital has thereby been raised from NOK 446.0 million as per 31.03.2009 to NOK 487,5 million as per 30.06.2009.

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 and United Kingdom. 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 subsidiary will not be in a position where they have to pay the extra petroleum tax.

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 result 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 is subject to impairment testing.

1 Revenue

(NOK 1 000)	Q2 - 09	Q2 - 08	YTD 2009	YTD 2008
Sales of oil	366 746	621 450	711 436	1 039 282
Sales of gas and NGL	8 064	26 094	37 613	48 010
Revenue from oil price hedging	31 606	0	136 150	0
Costs from oil price hedging	-5 767	-8 052	(15 726)	-12 038
Total revenue	**400 648**	**639 492**	**869 472**	**1 075 255**

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

2 Production cost

(NOK 1 000)	Q2 - 09	Q2 - 08	YTD 2009	YTD 2008
Direct production expenses	88 375	53 236	175 232	106 273
Duties, tariffs, royalties	18 582	31 083	37 497	54 544
Other costs	9 657	3 485	18 028	7 869
Total production costs	**116 614**	**87 805**	**230 757**	**168 687**

3 Exploration and evaluation costs

(NOK 1 000)	Q2 - 09	Q2 - 08	YTD 2009	YTD 2008
Acquisition of seismic data, analysis and general G&G costs	125 593	23 115	290 294	50 043
Exploration wells capitalised in previous years	0	0	0	0
Other exploration and evaluation costs	13 641	2 225	20 530	5 113
Total exploration and evaluation costs	**139 234**	**25 341**	**310 824**	**55 156**

Specification of cash flow concerning exploration and evaluation activities

(NOK 1 000)	Q2 - 09	Q2 - 08	YTD 2009	YTD 2008
Exploration and evaluation costs capitalised as intangible assets this period	145 440	90 751	203 760	311 335
Exploration and evaluation costs directly expensed this period	139 234	25 341	310 824	55 156
Amount invested in exploration and evaluation this period	**284 674**	**116 092**	**514 585**	**366 491**

4 Financial income and expenses

(NOK 1 000)

Financial income	Q2 - 09	Q2 - 08	YTD 2009	YTD 2008
Interest income	2 348	10 017	5 603	18 351
Other financial income	24 821	23 523	75 054	41 437
Total financial income	**27 169**	**33 540**	**80 658**	**59 788**

Financial expenses	Q2 - 09	Q2 - 08	YTD 2009	YTD 2008
Interest expenses from bond loan	67 795	136 690	135 846	241 357
Interest expenses from convertible loan	3 277	6 521	6 555	13 043
Interest expenses from other non-current liabilities	12 563	9 280	25 935	13 886
Interest expenses from exploration loan	5 061	8 265	12 248	12 168
Amortisation from loan costs	16 167	23 373	30 614	36 452
Imputed interest from abandonment provisions	17 167	8 337	35 076	17 063
Interest expenses current liabilities	345	-3 528	1 176	747
Other financial expenses	12 215	15 431	47 192	34 270
Total financial expenses	**134 590**	**204 369**	**294 642**	**368 986**
Net financial items	**-107 421**	**-170 829**	**-213 984**	**-309 198**

5 Intangible fixed assets

(NOK 1000)	Capitalised exploration & evaluation cost	Other patents & licenses	Goodwill	Total
Acquisition cost at 01.01.09	4 539 073	56 314	1 540 798	6 136 185
Additions	203 760	0	0	203 760
Transfered to production facilities under construction	-154 216	-42 513	0	-196 729
Currency translations	-12 858	0	0	-12 858
Acquisition cost at 30.06.09	**4 575 759**	**13 801**	**1 540 798**	**6 130 358**
Accumulated depreciation				
Accumulated depreciation at 01.01.09	0	0	0	0
Depreciations	0	0	0	0
Write-downs	125 700	0	0	125 700
Accumulated depreciation at 30.06.09	**125 700**	**0**	**0**	**125 700**
Book value at 30.06.09	**4 450 059**	**13 801**	**1 540 798**	**6 004 658**

6 Tangible non-current assets

(NOK 1000)	Production facilities under construction	Production facilities	Office equipment	Total
Acquisition cost at 01.01.09	176 666	4 564 679	10 160	4 751 505
Additions	184 923	284 607	0	469 530
Transferred from capitalised exploration	196 729	0	0	196 729
Currency translations	-18 588	-211 686	-57	-230 331
Acquisition cost at 30.06.09	**539 730**	**4 637 600**	**10 103**	**5 187 433**
Accumulated depreciation				
Accumulated depreciation at 01.01.09	0	1 202 557	6 561	1 209 118
Depreciation	0	321 522	1 543	323 065
Currency translations	0	-66 275	18	-66 257
Accumulated depreciation at 30.06.09	**0**	**1 457 804**	**8 122**	**1 465 925**
Book value at 30.06.09	**539 730**	**3 179 796**	**1 981**	**3 721 507**

7 Other current receivables

(NOK 1 000)	Q2 - 09	Q2 - 08
Receivables from operators relating to joint venture licenses	175 849	144 663
Underlift of oil/NGL	29 527	143 514
Financial instruments	160 013	81 488
Other receivables	55 166	46 318
Total other current receivables	**420 555**	**415 983**

8 Long-term loan

(NOK 1000)	Nominal value	Book value at 30.06.09
Bond loan Noreco ASA	1 840 000	1 308 713
Bond loan Noreco ASA	400 000	390 660
Convertible bond loan Noreco ASA	218 500	191 833
Exploration loan Noreco ASA	295 374	279 524
Bond loan Altinex Oil Norway AS	300 000	297 490
Bond loan Altinex Oil Norway AS	50 000	49 851
Reserve-based loan Altinex Oil Denmark A/S	1 499 394	1 465 501
Total long-term loan	**4 603 268**	**3 983 571**

9 Other current liabilities

(NOK 1 000)	Q2 - 09	Q2 - 08
Liabilities from operators relating to joint venture licenses	248 136	260 886
Overlift of oil	4 090	4 857
Accrued interests	127 827	169 359
Other current liabilities	89 309	94 107
Total other current liabilities	**469 362**	**529 209**

10 Segment reporting

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

The Group's geographical segment is consisting of Norway, Denmark and Great Britain. In each of these countries, the Group has established subsidiaries.

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

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

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

Geographically distribution as of 30.06.2009

(NOK 1000)	Norway	Denmark	England	Other/ elimination	Group
Total revenue	**278 172**	**438 573**	**152 727**		**869 472**
Operating result	(389 674)	117 058	24 948		(247 670)
Net financial items					(213 984)
Profit before tax					(461 654)
Tax					(314 616)
Profit after tax					(147 038)
Assets	4 952 305	5 127 885	3 950 366	(1 819 170)	12 211 386
Liabilities	6 027 672	3 113 732	2 099 834	(1 819 170)	9 422 067
Capital expenditures	199 771	435 548	37 971	-	673 290
Depreciations and write-downs	197 720	179 664	71 381	-	448 765

STATEMENT PURSUANT TO SECTION 5-6 OF THE SECURITIES TRADING ACT

We hereby confirm that the half-yearly financial statements for the Group for the period 1 January through 30 June 2009 to the best of our knowledge have been prepared in accordance with IAS 34 Interim Financial Reporting, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group taken as a whole.

To the best of our knowledge, the half-yearly report gives a true and fair:

- overview of important events that occurred during the accounting period and their impact on the half-yearly financial statements
- description of the principal risks and uncertainties facing the Group over the next accounting period
- description of major transactions with related parties.

Stavanger, 22 July 2009
The Board of Directors and Chief Executive Officer
Norwegian Energy Company ASA

Lars Takla
Chairman

Rebekka Herlofsen	*Therese Log Bergjord*	*John Hogan*	*Aasulv Tvetereid*	*Søren Poulsen*
Board Member	*Board Member*	*Board Member*	*Board Member*	*Board Member*

Scott Kerr
CEO

INFORMATION ABOUT NORECO GROUP

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Aasulv Tveitereid
Rebekka Herlofsen
John Hogan
Therese Log Bergjord
Søren Poulsen
Malin Flor Helgesen, deputy employee representative

Noreco Group management

Scott Kerr	CEO
Rune Martinsen	COO
Jan Nagell	CFO
Einar Gjelsvik	Vice president, IR
Thor Arne Olsen	Vice president, Commercial
Lars Fosvold	Vice president, Exploration
Stig Frøysland	Vice president, HSE/HR
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Financial calendar 2009

19.02.09	Presentation of Q4 2008 report
30.04.09	Presentation of Q1 2009 report
27.05.09	Annual General Meeting, Stavanger
23.07.09	Presentation of Q2 2009 report
22.10.09	Presentation of Q3 2009 report

Other sources of information

Annual reports
Annual reports for the Noreco Group are available on noreco.com.

Quarterly publications

Quarterly reports and supplementary information for investors and analysts are available on noreco.com.
The publications can be ordered by sending an e-mail to tks@noreco.com

News releases

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