



*Norwegian Energy Company ASA
(NORECO)*

2nd Quarter Report 2007

NORECO – 2nd Quarter Report 2007

Introduction

Norwegian Energy Company ASA (NORECO)'s vision is to establish the Company as the leading independent Exploration & Production company in Norway with a distinct profile as "the local energy company".

Since its formation, NORECO has built a portfolio of exploration, appraisal and development assets in Norway. This portfolio has been based on subsurface expertise and technology, innovative business and business relationships. The combination of Altinex and NORECO will allow the Company to pursue this vision of creating the leading independent oil and gas company based in Norway. NORECO will focus its activities in the North Sea (Norway, Denmark and United Kingdom) while exploiting the existing producing asset base, aggressively pursue developments and build and mature our exploration portfolio. NORECO will develop technical and commercial understanding in core areas on the North Sea, and will actively pursue growth in the core areas through licensing rounds and farms-ins.

NORECO will prioritize recruiting and maintaining a team of first class highly motivated oil and gas professionals. The Company will focus on subsurface and commercial excellence as our basis for developing the company, and will let the staff participate in the value creation in the Company.

Q2 Highlights

- NORECO major shareholder in Altinex ASA
- Success in the APA round, and is holding 21 licenses per 2 Q

Major shareholder - Mandatory offer and squeeze out by Noreco – Norwegian Energy Company ASA ("NORECO") has become the major shareholder in Altinex ASA during 2 Q and the company now hold more than 95 % of all shares in the company. NORECO has during 3 Q proceeded with a compulsory acquisition (squeeze out) of the remaining shares outstanding in Altinex. During 2 Q NORECO raised MNOK 1,195 in new equity, MNOK 440 in convertible bonds, and MNOK 506 in bank debt. In addition the company has during 3 Q raised another MNOK 2,300 to finance 100 per cent of the Altinex ASA shares.

IFRS Consolidated Figures

For the NORECO Group 2 Q 2007 is the first period reporting according to IFRS accounting principles. Reference is therefore also made to the transition part of this document showing the link between NGAAP and IFRS.

NORECO reported *operating results* for 2 Q 2007 of MNOK -48.4 compared to MNOK -26.2 in 2 Q 2006, reflecting the increased activity in exploration investments in 2007.

The 2Q 2007 reflect higher activity than in 2Q 2006 mainly due to an increased number of licenses held by NORECO (17 licenses in the beginning of 2007 compared to 3 licenses in the beginning of 2006). As per 30.06.2007 NORECO was holding 21 licenses in the NCS. This is in addition to the Altinex licenses.

The increased activity and spending reflects the investments in direct exploration. In addition the number of employees has increased as a result of these investments (from 8 employees as of 1 January 2006 to 20 employees in the beginning of 2007).

Since 2006, the company has also entered into several sales and purchase agreements regarding acquisition of production licenses. Most of the agreements are so called "carry – arrangements" where NORECO pay part of the future exploration drilling expenditures for the seller.

As per 30.06.2007 NORECO became the major shareholder in Altinex ASA and the company now hold more than 95 % of all shares in Altinex ASA. NORECO has before this report is presented proceeded with a compulsory acquisition (squeeze out) of the remaining shares outstanding in Altinex ASA.

The balance sheet include the consolidated balance for Altinex ASA Group and for Norwegian Energy Company ASA. In the consolidated opening balance the acquisition price for the shares have been eliminated and value has been allocated to the various assets according to IFRS accounting principles. Reference is made to the acquisition of Altinex ASA note to this quarterly report.

Cash flow

As mentioned above NORECO raised MNOK 1,195 in new equity, MNOK 440 in convertible bonds, and MNOK 506 in bank debt during 1 H to finance the acquisition of Altinex ASA.

NORWEGIAN ENERGY COMPANY ASA
(NORECO)

CONSOLIDATED INCOME STATEMENT -
IFRS

All figures in tNOK	2. quarter - 07	2. quarter - 06	YTD 2007	YTD 2006	2006
Operating income	-	-	-	-	-
Production cost	-	-	-	-	-
Exploration costs expensed	34 490	9 875	43 182	11 451	25 735
Other operating expenses	13 880	16 327	27 512	26 021	60 806
Operating results before depreciation and amortisation (EBITDA)	(48 370)	(26 202)	(70 694)	(37 471)	(86 541)
Depreciation and amortisation	233	225	454	338	694
Operating result (EBIT)	(48 604)	(26 427)	(71 148)	(37 808)	(87 235)
Financial items, net	(6 577)	(76)	(7 450)	82	(830)
Profit before tax (EBT)	(55 181)	(26 503)	(78 598)	(37 726)	(88 064)
Tax	39 054	20 671	57 192	29 426	68 205
Net results	(16 127)	(5 832)	(21 406)	(8 299)	(19 859)

BALANCE SHEET - IFRS	Noreco consolidated	Noreco ASA	Noreco ASA	Noreco ASA
All figures in tNOK	30.06.2007	30.06.07	30.06.06	31.12.06
Non-Current assets				
Goodwill	813 938	-	-	-
Deferred tax assets	47 154	5 147	1 212	5 147
License interests, exploration assets	3 788 367	8 882	5 940	8 882
Production facilities	3 013 948	-	-	-
Other machinery and equipment	5 847	1 387	2 084	1 804
Long term financial assets	13 994	2 033 820	-	-
Total asset held for sale	43 645	-	-	-
Total non-current assets	7 726 892	2 049 236	9 236	15 832
Current assets				
Inventory, including underlift	71 767	-	-	-
Account receivables and other current receivables	146 562	30 156	2 640	4 841
Tax receivables	134 032	134 032	48 868	77 464
Bank deposits, cash in hand, etc.	420 445	194 514	12 798	11 970
Total current assets	772 806	358 702	64 306	94 276
Total assets	8 499 699	2 407 938	73 541	110 108
Equity				
Share capital	33 634	33 634	30 654	31 422
Other equity	2 996 666	1 309 258	34 427	24 302
Total equity	3 030 300	1 342 892	65 081	55 724
Liabilities				
Deferred tax liabilities	2 128 138	20 903	-	-
Provisions for other liabilities and charges	363 033	252	-	252
Convertible loan	395 085	347 648	-	-
Bond issue	930 931	-	-	-
Other long-term liabilities 1)	565 774	39 000	-	-
Other short-term interest bearing debt	565 500	565 500	-	35 000
Current income taxes payable	219 417	-	-	-
Other current liabilities	256 453	91 743	8 460	19 133
Total liabilities held for sale	45 067	-	-	-
Total liabilities	5 469 398	1 065 046	8 460	54 384
Total equity and liabilities	8 499 699	2 407 938	73 541	110 108

1) As a consequence of NORECO having obtained control over Altinex ASA as of 30.06.2007, Altinex was in breach of a covenant in the reserve based loan of MNOK 550 with BNP Paribas. According to IFRS this loan therefore should have been classified as short term. However, a waiver has been obtained for this loan and therefore the classification remain as long term.

NORWEGIAN ENERGY COMPANY ASA
(NORECO)

NORECO ASA CONSOLIDATED CASH FLOW
STATEMENT

	<i>For the period</i>	<i>For the period</i>	<i>For the period</i>
<u>All figures in tNOK</u>	<u>30.06.07</u>	<u>30.06.06</u>	<u>2 006</u>
Net cash from operating activities	(65 928)	(55 401)	(79 889)
Net cash from investing activities	(3 518 986)	(958)	(10 400)
Net cash from financing activities	3 993 388	27 541	60 643
Net change in cash and cash equivalents	408 475	(28 818)	(29 646)
Cash and cash equivalents at the beginning of period	11 970	41 616	41 616
Cash and cash equivalents at the end of period	420 445	12 798	11 970

NORECO ASA CONSOLIDATED STATEMENT
AND CHANGES IN EQUITY

	<i>share capital</i>	<i>Share premium reserve</i>	<i>Not registered capital increase</i>	<i>Other equity</i>	<i>Total</i>
<u>All figures in tNOK</u>					
Total equity as per 01.01.06	2 135	-	51 905	(4 100)	49 940
Paid in equity	20 341	31 564	(51 905)		-
Share issue	8 946	16 697			25 643
Loss for the year				(19 859)	(19 859)
Total equity as per 31.12.06	31 422	48 261	-	(23 959)	55 724

NORECO ASA CONSOLIDATED STATEMENT
AND CHANGES IN EQUITY

	<i>share capital</i>	<i>Share premium reserve</i>	<i>Not registered capital increase</i>	<i>Other equity</i>	<i>Total</i>
<u>All figures in tNOK</u>					
Total equity as per 01.01.07	31 422	48 261	-	(23 959)	55 724
Minority interests				1 687 408	1 687 408
Share issue	2 212	5 227			7 439
Share issue (not registered)			1 286 986		1 286 986
Financing of equity raise				(39 600)	(39 600)
Transfer fraom convertible bond				53 750	53 750
Loss for the year				(21 406)	(21 406)
Total equity as per 30.06.07	33 634	53 488	1 286 986	1 656 193	3 030 300

Explanations of the transition from N-GAAP to IFRS

	01.01.06		31.12.06	
	NGAAP	IFRS adjustments I)	NGAAP	IFRS adjustments I)
CONSOLIDATED BALANCE SHEET				
All figures in tNOK				
Non-Current assets				
Goodwill	1 212	-	5 147	5 147
Deferred tax assets		1 212		
License interests, exploration assets		-	90 472	(81 590)
Other machinery and equipment	1 464	1 464	1 804	1 804
Total non-current assets	2 675	-	97 422	(81 590)
Current assets				
Account receivables and other current receivables	1 911	1 911	4 842	4 842
Tax receivables	19 442	19 442	77 464	77 464
Bank deposits, cash in hand, etc.	41 616	41 616	11 970	11 970
Total current assets	62 969	-	94 276	-
Total assets	65 644	-	191 698	(81 590)
Equity				
Share capital	2 135	2 135	31 422	31 422
Other equity	47 805	47 805	24 786	(484)
Total equity	49 940	-	56 208	(484)
Liabilities				
Provisions for other liabilities and charges			81 358	(81 106)
Other short-term interest bearing debt			35 000	35 000
Other current liabilities	15 704	15 704	19 132	19 132
Total liabilities	15 704	-	135 490	(81 106)
Total equity and liabilities	65 644	-	191 698	(81 590)

NORWEGIAN ENERGY COMPANY ASA (NORECO)

NOTES

1) Basis for preparation

The consolidated interim financial statements for the second quarter of 2007 comprises Norwegian Energy Company ASA (NORECO) and its subsidiaries. The consolidated interim financial statements for the second quarter of 2007 has been prepared in accordance with the regulations of Oslo Stock Exchange and IAS 34 "The interim financial statements". 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 2006 consolidated financial statement and Altinex ASA annual report for 2006. 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).

(2) Share capital

There have been several capital increases during 1.H. To finance the acquisition of Altinex ASA the company raised MNOK 1,195 in new equity in May 2007. This new equity was paid in May 2007. The share capital was raised from MNOK 31,4 as per 31.12.2006 to MNOK 275,7 as per 30.06.2007. As of 30.06.2007 MNOK 33,6 was registered.

(3) Share options and share based payments

Noreco has for the moment no option agreement with the employees, management or the board.

(4) 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.

NORWEGIAN ENERGY COMPANY ASA (NORECO)

NOTES (Cont..)

(5) Depreciation and amortization

Depreciation of production equipment is calculated in accordance with the unit of production method. The acquisition cost for Altinex is shared between debt and equity in accordance with IFRS principles. The added values which are allocated to producing fields will be amortized in accordance with the unit of production method.

(6) Taxes

Income tax expenses for the period is 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 subsidiary will not be in a position where they have to pay the extra petroleum tax.

The deferred tax and tax advantage is based on the difference between book value and fiscal value of assets and liabilities.

(7) Goodwill – Deferred tax liabilities

The acquisitions of Altinex ASA 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 will be subject to impairment testing.

(8) Borrowings and subsequent event

Reference is made to the balance sheet showing total borrowings of MNOK 2,458 consisting of reserve based financing (RBL), unsecured bonds, convertible bonds and bankloan.

In 3 Q NORECO has raised additional funding to finance 100 per cent of all shares in Altinex ASA through an additional MNOK 2,300 in unsecured bonds.

NOTES (Cont.)

NORWEGIAN ENERGY COMPANY ASA
(NORECO)

9) Acquisition of Altinex ASA

As of 22 June, Noreco had acquired 48,8 per cent off the issued share capital of Altinex ASA. In addition Noreco held options and convertible bonds and thereby controlled 56,2 per cent of the shares. The total consideration for these shares was MNOK 1,754.5, of which MNOK 1,694.4 was paid in cash and MNOK 60.1 through issue of Noreco shares. In addition Noreco paid MNOK 264.4 in cash for convertible loan with a MNOK 215.5 par value and a cash payment of 14 MNOK was made in exchange for Altinex stock options.

This transaction has been accounted for using the purchase method of accounting.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

All figures in tNOK	Acquirees carrying amount before combination	Transferred to held for sale	Fair value adjustment	Fair value
Net assets acquired:				
Goodwill	583 817			583 817
Deferred tax assets	50 929	(8 922)		42 007
License interests, exploration assets	402 141	(356)	3 377 700	3 779 485
Production facilities	2 298 648		715 300	3 013 948
Other mashinery and equipment	21 184	(16 724)		4 460
Long term financial assets				-
Total assets held for sale		(1 422)		(1 422)
Inventory, including underlift	81 306	(9 539)		71 767
Account receivables and other current receivables	130 135	(13 729)		116 406
Tax receivables				-
Bank deposits, cash in hand, etc.	220 306	5 625		225 931
Minority interests			(1 687 408)	(1 687 408)
Deferred tax liabilities	(478 400)		(1 628 835)	(2 107 235)
Removal liabilities	(362 781)			(362 781)
Long term liabilities	(1 711 967)	23 500	(82 043)	(1 770 510)
Current liabilities	(405 694)	21 567		(384 127)
	829 624	-	694 714	1 524 338
Goodwill arising on acquisition				230 121
Total consideration, satisfied by cash and share issue				1 754 459

The result contributed by Altinex ASA in the period between the date of acquisition and the balance sheet date were not significant.

Noreco has decided to dispose of Altinex Services AS and Altinex Reservoir Technology AS.

If the acquisition had been completed on 1 January 2007, total group revenue for the 6 months ending 30 June 2007 would have been MNOK 634.5, and net loss for the period would have been MNOK 273.7.

10) Approval of interim financial statements

The interim financial statements were approved by the board of directors on 25 September 2007.

Explanations of the transition from N-GAAP to IFRS

NORECO ASA CONSOLIDATED INCOME All figures in tNOK	For the period 01.01.07 - 30.06.07	
	NGAAP For the period 01.01.07 - 30.06.07	IFRS adjustments I)
Operating income	-	NGAAP For the period 01.01.07 - 30.06.07
Production cost	-	-
Exploration costs expensed	43 183	10 748
Other operating expenses	16 763	16 763
Operating results before depreciation and amortisation (EBITDA)	(59 946)	(10 748)
Depreciation and amortisation	454	454
Operating result (EBIT)	(60 400)	(10 748)
Financial items, net	(7 450)	(7 450)
Profit before tax (EBT)	(67 850)	(10 748)
Tax	48 808	8 384
Net results	(19 042)	(2 364)

CONSOLIDATED BALANCE SHEET All figures in tNOK	01.01.07		30.06.07	
	NGAAP	IFRS adjustments I)	NGAAP	IFRS adjustments I)
Non-Current assets				
Goodwill	5 147	5 147	5 147	5 147
Deferred tax assets	90 472	8 882	90 472	(81 590)
License interests, exploration assets	1 804	1 804	1 387	-
Other machinery and equipment	-	-	2 033 820	-
Long term financial assets	-	-	-	2 033 820
Total non-current assets	97 422	(81 590)	2 130 825	(81 590)
Current assets				
Account receivables and other current receivables	4 842	4 842	30 156	-
Tax receivables	77 464	77 464	134 032	-
Bank deposits, cash in hand, etc.	11 970	11 970	194 514	-
Total current assets	94 276	-	358 702	-
Total assets	191 698	(81 590)	2 489 528	(81 590)

Explanations of the transition from N-GAAP to IFRS

	01.01.07		30.06.07	
	NGAAP	IFRS adjustments 1)	NGAAP	IFRS adjustments 1)
Equity				
Share capital	31 422	-	33 634	-
Other equity	24 786	(484)	1 312 107	(2 849)
Total equity	56 208	(484)	1 345 741	(2 849)
Liabilities				
Deferred tax liabilities	-	-	20 902	-
Provisions for other liabilities and charges	81 358	(81 106)	78 993	(78 741)
Convertible loan	-	-	347 648	(0)
Bond issue	-	-	-	-
Other long-term liabilities	35 000	-	39 000	-
Other short-term interest bearing debt	19 132	-	578 060	-
Other current liabilities	-	-	79 183	-
Total liabilities	135 490	(81 106)	1 143 787	(78 742)
Total equity and liabilities	191 698	(81 590)	2 489 528	(81 590)

Explanation of material adjustments to the cash flow statement for 2006 and the for the period of 1 January - 30 June 2007

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

There are no material differences between the cash flow statement presented under IFRS and the cash flow statement presented under N-GAAP

NORWEGIAN ENERGY COMPANY ASA (NORECO)

Explanations of the transition from N-GAAP to IFRS

2007 is the first year NORECO present the financial statements in accordance with IFRS. To have comparable accounts the 2006 numbers have been restated in accordance with IFRS.

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

Reconciliation of IFRS adjustments Noreco

	2006 NGAAP	IFRS adjustments 1)	2006 IFRS
NORECO ASA CONSOLIDATED INCOME			
All figures in INOK			
Operating income	-	-	-
Production cost	-	-	-
Exploration costs expensed	23 540	2 195	25 735
Other operating expenses	60 806		60 806
Operating results before depreciation and amortisation (EBITDA)	(84 346)	(2 195)	(86 541)
Depreciation and amortisation	694		694
Operating result (EBIT)	(85 040)	(2 195)	(87 235)
Financial items, net	(830)		(830)
Profit before tax (EBT)	(85 869)	(2 195)	(88 064)
Tax	66 494	1 711	68 205
Net results	(19 375)	(484)	(19 859)



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To the Board of Directors of
Norwegian Energy Company ASA

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF NORWAY ENERGY COMPANY ASA.

We have reviewed the accompanying interim consolidated balance sheet of Norwegian Energy Company ASA as of 30 June 2007 and the related interim consolidated statements of income, changes in equity and cash flow statement for the six-month period then ended, the description of accounting principles and other notes related thereto. The Board of Directors and the Management are responsible for the preparation and presentation of these interim condensed consolidated financial statements and that such information gives a true and fair view in accordance with International Financial Reporting Standard as adopted by the EU. Our responsibility is to report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with SBR 2410 "Review of Interim Financial Information Performed by the independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Norwegian Standards on Auditing as adopted by Den norske Revisorforening. Consequently a review does not enable us to obtain assurance that we have become aware of all significant matters that might have been identified in an audit. We therefore do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not give a true and fair view of the financial position of the Company as of 30 June 2007, and the results of its operations and its cash flows and the changes in equity for the six month period then ended, in accordance with International Financial Reporting Standards as adopted by the EU.

Stavanger, 5 October 2007
Deloitte AS

Ommund Skailand
State Authorized Public Accountant (Norway)

Audit. Tax & Legal. Consulting. Financial Advisory.

Member of
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To the Board of Directors of
Norwegian Energy Company ASA

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF NORWAY ENERGY COMPANY ASA.

We have reviewed the accompanying interim consolidated balance sheet of Norwegian Energy Company ASA as of 30 June 2007 and the related interim consolidated statements of income, changes in equity and cash flow statement for the six-month period then ended, the description of accounting principles and other notes related thereto. The Board of Directors and the Management are responsible for the preparation and presentation of these interim condensed consolidated financial statements and that such information gives a true and fair view in accordance with International Financial Reporting Standard as adopted by the EU. Our responsibility is to report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with SBR 2410 "Review of Interim Financial Information Performed by the independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Norwegian Standards on Auditing as adopted by Den norske Revisorforening. Consequently a review does not enable us to obtain assurance that we have become aware of all significant matters that might have been identified in an audit. We therefore do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not give a true and fair view of the financial position of the Company as of 30 June 2007, and the results of its operations and its cash flows and the changes in equity for the six month period then ended, in accordance with International Financial Reporting Standards as adopted by the EU.

Stavanger, 5 October 2007
Deloitte AS

Ommund Skailand
State Authorized Public Accountant (Norway)

Audit. Tax & Legal. Consulting. Financial Advisory.

Member of
Deloitte Touche Tohmatsu