



# THIRD INTERIM REPORT

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

## INTERIM REPORT THIRD QUARTER 2004

DNO achieved an operating profit of NOK 121.0 million and a net profit of NOK -96.7 million in the third quarter. Successful drilling and exploration in Yemen contributed to an increase in both production and reserves for the quarter. High exploration expenses and unfavourable development in foreign exchange rates contributed to negative net profit in the quarter.

### Highlights for the quarter

- 6 million bbls reserve increase from successful drilling campaign on Block 43 in Yemen, possible first-oil in the 2<sup>nd</sup> quarter 2005 based on revised development plan
- Successful drilling of new production wells contributed to higher production on both the Tasour and Sharyoof fields in Yemen in the third quarter
- A new production well on the Glitne field was put on stream during the third quarter, but the lock-out situation contributed to lower production from the field in the quarter
- Revenues from sale of petroleum products increased from last quarter, partly offset by an increase in oil price hedging losses
- Further reduction in lifting cost per bbl, mainly contributed by higher production in the quarter
- Higher tax expense from Yemen activities mainly contributed by higher production / revenues
- NOK 212 mill. in cash dividends were paid to the company's shareholders in the third quarter. Additional dividends of NOK 63 million were distributed to the shareholders as treasury shares.

### Key Financial Data

NOK million	Quarterly Results					01.01 – 30.09		Full Year	
	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	2004	2003	2003	2002
Operating revenues	314,8	278,6	369,2	484,7	466,6	962,6	1 523,9	2 008,6	1 691,0
Gain on sale of assets	-	100,0	209,5	-	-	309,5	-	-	-
Total revenues	314,8	378,6	578,7	484,7	466,6	1 272,1	1 523,9	2 008,6	1 691,0
EBIT	121,0	203,5	339,9	140,7	127,6	664,5	614,6	755,3	528,3
Net profit	-96,7	108,9	175,2	12,3	-41,8	187,3	121,8	134,1	-64,7
Investments in oil and gas properties	51,7	93,3	79,5	179,0	211,4	224,6	520,8	699,7	442,0
Exploration expenses	74,4	52,7	67,0	28,4	30,9	194,1	65,1	93,5	120,5
EBITDA (excluding asset sale gain)	166,9	150,2	179,0	226,7	207,0	496,2	839,1	1 065,8	872,2
Netback (excluding asset sale gain)	-32,5	-13,3	76,2	76,1	72,0	30,5	378,4	454,6	456,9
EBITDA, including asset sale proceeds	166,9	562,5	1 242,4	226,7	207,0	1 971,9	839,1	1 065,8	872,2
Netback, including asset sale proceeds	-32,5	399,0	1 139,6	76,1	72,0	1 506,2	378,4	454,6	456,9

### Key Operational Data

Boel / per bbl	Quarterly Results					01.01 – 30.09		Full Year	
	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	2004	2003	2003	2002
Production (MBoe)	1, 239	1,218	1,709	2,276	2,293	4,167	7,492	9,768	8,176
Production per day (boe)	13 469	13 387	18 785	24 736	24 919	15 208	27 443	26 761	22 399
Achieved sales prices (USD/bbl)	41,33	34,58	31,81	30,02	27,71	35,48	28,13	28,58	24,31
Lifting cost (USD/bbl)	4,77	5,44	7,78	10,61	10,11	6,22	8,83	9,24	6,86
EBITDA, incl asset sale proceeds (USD/bbl)	19,68	67,64	104,34	14,40	12,30	68,88	15,70	15,41	13,35
Netback, incl asset sale proceeds (USD/bbl)	-3,83	47,98	95,71	4,84	4,28	52,55	7,08	6,57	6,99



## MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

The Management Discussion and Analysis should be read in conjunction with the annual report for 2003 and the unaudited consolidated interim financial statements of the Company for the six months ended 30 June 2004 and nine months ended 30 September 2003.

### Business structure and organisation

In order to monitor and assess performance based on differences in risk and geography, as well as securing management focus, DNO's petroleum activities, with effect from 1<sup>st</sup> of January 2004, are organised in the segments Northern Europe, Middle East, Africa and Other International Activities (OIA),

		Oil and Gas				Offshore and Services	
Northern Europe		Middle East		Africa		Other International Act.	
NCS		Yemen		Equatorial Guinea		Northern Iraq	
Glitne	10,00%	Tasour	38,95%	Block P	5,00%	TBA	IOT AS 100,00%
PI 305	60,00%	Sharyoof	24,45%	<b>Mozambique</b>			PDR ASA 23,6 %
PI 229	15,00%	Block 43	56,67%	Inhaminga	80,00%		
				Block			
PI 035/272	25,00%	Block 44	65,10%				
		Block 72*	34,00%				

\* Subject to final PSA terms and ratification by the Yemen authorities

The sale of certain Norwegian assets to Lundin Petroleum AB was completed in the second quarter 2004. Revenues and expenses for the period April and May for the sold Norwegian assets are included in the second quarter 2004 consolidated accounts. The first quarter 2004 and first half-year consolidated accounts also include revenues and expenses from UK and Ireland operations for January 2004.

***For more detailed information on performance of continued operations, see last section of the interim report.***

## Accounting principles

### International Financial Reporting Standards (IFRS)

In 2001 the EU Commission resolved that all listed companies within the European Union must apply International Financial Reporting Standards (IFRS) in their consolidated accounts by 1<sup>st</sup> of January 2005. Under the European Economic Area (EEA) agreement, this change will also apply to Norwegian companies listed at Oslo Stock Exchange.

DNO is currently preparing for the 2005 International Financial Reporting Standard (IFRS) transition. DNO plans to present its balance sheets and 2004 interim income statements under IFRS in connection with the reporting of the fourth quarter results.

To reduce the number of differences between N Gaap and IFRS, DNO has changed the method applied for translation of foreign subsidiary accounts. This change has been made with effect from 1st January 2004. Profit and loss accounts of foreign subsidiaries are now translated into Norwegian kroner (NOK) using average exchange rates for the reporting period. The balance sheets of foreign subsidiaries are translated to NOK at balance sheet date exchange rates. Translation differences arising from varying rates of exchange compared to exchange rates at the balance sheet date are taken to reserves. Comparable numbers for 2003 have been changed accordingly. The effect of the change (NOK 38,8 million) in accounting principle is recorded against equity at 1<sup>st</sup> January 2004. For more information on previous treatment, see accounting principles described in prior years annual reports.

Except for the change in accounting principle described above, the interim report has been prepared on basis of the same accounting principles applied in the consolidated accounts 2003. For more details on accounting principles applied by the DNO Group in general, see the annual report for 2003.

DNO has changed the EBITDA definition in 2004. EBITDA is now calculated as EBIT adjusted for gain on sale of fixed assets, ordinary depreciation and goodwill amortisation. Comparable numbers for 2003 have been changed accordingly.

### Third quarter and year to date variances

The significant variances from second to third quarter 2004 as summarized in the Net Back variance table are:

- Higher achieved oilprice
- Reduction in asset sale proceeds, transaction with Lundin completed in second quarter
- Increase in exploration expenses
- Higher taxes paid mainly contributed by higher production / revenues from Yemen operations

#### Net Back variance table (Net Back includes proceeds from sale of assets to Lundin Petroleum AB)

NOK million	Variation	NOK million	Variation
<b>Net Back second quarter 2004</b>	<b>399,0</b>	<b>Net Back 01.01.2003 – 30.09.2003</b>	<b>378,4</b>
<i>Favourable (unfavourable)</i>		<i>Favourable (unfavourable)</i>	
<b>Operating revenues:</b>		<b>Operating revenues:</b>	
Production	4,9	Production	-667,4
Oil price	57,1	Oil price	218,4
Exchange rates	0,8	Exchange rates	-37,9
Offshore & services	-5,6	Offshore & services	-5,1
Other rev, incl asset sale proceeds	-412,6	Other rev, incl asset sale proceeds	1 475,4
Crude oil hedging activities	-20,8	Crude oil hedging activities	-69,1
<b>Expenses and taxes paid</b>		<b>Expenses and taxes paid</b>	
Exploration and Impairment	-21,7	Exploration and Impairment	-129,0
Operating expenses, cash items	2,2	Operating expenses, cash items	347,5
Taxes paid for the period	-35,8	Taxes paid for the period	-5,0
<b>Net Back third quarter 2004</b>	<b>-32,5</b>	<b>Net Back 01.01.2004 – 30.09.2004</b>	<b>1 506,2</b>

## Operating revenues

Revenues from sale of petroleum products increased in third quarter 2004 compared to last quarter. The increase is a result of successful drilling and well intervention activities in Yemen during the quarter.

Total operating revenues in the third quarter have been reduced with NOK 49,5 million from oil price hedging activities, of which NOK 35,4 mill is related to the ANZ bank facility established in 2003 in connection with the development of the Broom field in UK. Loss from oil price hedging activities for the nine months ended September 2004 is NOK 103,0 mill, of which NOK 70,2 mill is related to the ANZ bank facility.

NOK million	Quarterly						01.01 – 30.09		
	Q3 2004	Q2 2004	Diff.	Q3 2004	Q3 2003	Diff.	2004	2003	Diff.
Sale of petroleum products	350,5	287,6	62,9	350,5	466,2	-115,7	1 016,8	1 503,6	-486,8
Op. rev. offshore and services	13,6	19,2	-5,6	13,6	16,5	-2,9	46,8	51,9	-5,1
Other operating revenues incl tariffs	0,2	0,5	-0,3	0,2	0,8	-0,6	2,0	2,3	-0,3
Gain on sale of assets	-	100,0	-100,0	-	-	-	309,5	-	309,5
Hedging activities	-49,5	-28,7	-20,8	-49,5	-16,8	-32,7	-103,0	-33,9	-69,1
<b>Total operating revenues</b>	<b>314,8</b>	<b>378,6</b>	<b>-63,8</b>	<b>314,8</b>	<b>466,6</b>	<b>-151,9</b>	<b>1 272,1</b>	<b>1 523,9</b>	<b>-251,8</b>

## Sale of petroleum products variance analysis

The table below describes variations in the factors that influence the development of DNO's revenues from sale of petroleum products.

NOK million	Variation	Variation	Variation
<i>Favourable (unfavourable)</i>	Q3 04 – Q2 04	Q3 04 – Q3 03	YTD 04 - YTD 03
<b>Sale of petroleum products</b>	<b>287,6</b>	<b>466,2</b>	<b>1 503,6</b>
Change in production volume	4,9	-214,2	-667,4
Change in crude oil price	57,1	123,8	218,4
Change USD/NOK	0,8	-25,3	-37,9
<b>Sale of petroleum products</b>	<b>350,5</b>	<b>350,5</b>	<b>1 016,8</b>

The production increase from second quarter 2004 represents a value of NOK 4,9 million. The production increase for the segment Middle East is mainly offset by reduced production for the segment Northern Europe caused by the lock-out situation affecting the Glitne field.

The change in crude oil prices and USD/NOK represents a total net positive value of NOK 57,9 million.

## Production of hydrocarbons

(MBoe)	Quarterly						01.01 – 30.09		
	Q3 2004	Q2 2004	Diff.	Q3 2004	Q3 2003	Diff.	2004	2003	Diff.
Northern Europe	0,135	0,225	-0,090	0,135	1,228	-1,093	0,984	4,002	-3,018
Middle East	1,104	0,993	0,111	1,104	1,065	0,039	3,183	3,490	-0,307
<b>Total oil production</b>	<b>1,239</b>	<b>1,218</b>	<b>0,021</b>	<b>1,239</b>	<b>2,293</b>	<b>-1,054</b>	<b>4,167</b>	<b>7,492</b>	<b>-3,325</b>



## Crude oil prices

DNO achieved an average sales price of USD 41,33 per bbl for the third quarter 2004. This is an increase of USD 6,75 per bbl from last quarter.

Average dated Brent for third and second quarter 2004 were USD 40,6 and USD 35,3 per bbl.

Average dated Brent for first nine months 2004 was USD 35,9 per bbl compared to achieved average sales price of USD 35,48 per bbl.

(MBoe)	Quarterly						01.01 – 30.09		
	Q3 2004	Q2 2004	Diff.	Q3 2004	Q3 2003	Diff.	2004	2003	Diff.
Northern Europe	40,43	33,79	6,64	40,43	27,62	12,81	34,30	28,42	5,88
Middle East	41,44	34,76	6,68	41,44	28,15	13,29	35,85	27,86	7,99
<b>Total average crude oil prices</b>	<b>41,33</b>	<b>34,58</b>	<b>6,75</b>	<b>41,33</b>	<b>27,71</b>	<b>13,62</b>	<b>35,48</b>	<b>28,13</b>	<b>7,35</b>

The average sales prices presented in the table above represent oilprices achieved from sale of petroleum products and subsequently have not been adjusted for results from oil price hedging activities.

## Foreign currencies

DNO's revenues are primarily in USD, whereas the company's financial statements are presented in NOK. The average NOK/USD exchange rate was 6,84 in third quarter 2004, compared with 6,83 in second quarter 2004. The impact of currency fluctuations on revenues from sale of petroleum products was NOK 0,8 million from last quarter.

## Operating expenses

Total operating expenses increased with NOK 18,7 million from second to third quarter 2004.

Exploration expenses amounted to NOK 74,4 million in the third quarter 2004, an increase of NOK 21,7 million.

Total operating expenses excluding expenses from exploration activities amounted to NOK 119,4 million, a reduction of NOK 3,0 million from last quarter.

NOK million	Quarterly						01.01 – 30.09		
	Q3 2004	Q2 2004	Diff.	Q3 2004	Q3 2003	Diff.	2004	2003	Diff.
Exploration expenses	74,4	52,7	21,7	74,4	30,9	43,5	194,1	65,1	129,0
Production and transportation cost	54,5	55,0	-0,5	54,5	185,5	-131,0	220,2	528,4	-308,2
Ordinary depreciation (DD&A)	45,9	46,7	-0,8	45,9	79,4	-33,5	141,2	224,6	-83,4
Decommissioning cost	0,9	1,3	-0,4	0,9	9,7	-8,8	4,3	15,8	-11,5
Impairment and write-downs	-	-	-	-	-	-	-	-	-
Payroll and payroll related expenses	1,5	5,4	-3,9	1,5	11,3	-9,8	14,7	24,6	-9,9
General and administration	16,6	14,0	2,6	16,6	22,2	-5,6	33,1	50,9	-17,8
<b>Total operating expenses</b>	<b>193,8</b>	<b>175,1</b>	<b>18,7</b>	<b>193,8</b>	<b>339,0</b>	<b>-145,2</b>	<b>607,6</b>	<b>909,4</b>	<b>-301,8</b>



## Exploration expenses

DNO applies the “successful efforts” method for accounting for its oil and gas activities. All exploration costs, with the exception of license acquisition costs and drilling costs of exploration wells, are expensed as incurred. Drilling costs of exploration wells are temporarily capitalised pending the evaluation of potential existence of commercial quantities of oil and gas reserves. If reserves are not found, or if discoveries are assessed not being technically or commercially recoverable, the drilling costs of exploration wells are expensed.

License acquisition costs are capitalised and periodically assessed for impairment. Other pre-production costs including seismic acquisitions and studies, general G&G and exploration related costs of own organisation are expensed as incurred.

NOK million	Quarterly						01.01 – 30.09		
	Q3 2004	Q2 2004	Diff.	Q3 2004	Q3 2003	Diff.	2004	2003	Diff.
Northern Europe	15,0	29,4	-14,4	15,0	28,4	-13,4	74,3	40,9	33,4
Middle East	14,2	11,0	3,2	14,2	2,5	11,7	46,9	24,2	22,7
Africa	41,6	7,5	34,1	41,6	-	41,6	64,5	-	64,5
Other International Activities	3,7	4,8	-1,1	3,7	-	3,7	8,5	-	8,5
<b>Exploration expenses</b>	<b>74,4</b>	<b>52,7</b>	<b>21,8</b>	<b>74,4</b>	<b>30,9</b>	<b>43,6</b>	<b>194,1</b>	<b>65,1</b>	<b>129,0</b>

In line with DNO’s revised strategy, exploration and development activity remained high also in the third quarter. During the third quarter proven and probable reserves were increased by 6 million bbls of oil from successful drilling activities.

NOK 41,6 million in exploration expenses for the Segment Africa was mainly contributed by DNO’s two well drilling campaign in the Inhaminga Block in Mozambique. Electrical logs indicated that the presence of hydrocarbons was not sufficient to carry out any well tests. The wells have been plugged and abandoned.





## Production and transportation expenses

Lifting cost oil and gas decreased further during the third quarter of 2004.

As shown in the next table, DNO's total production and transportation expenses can be split between the following elements:

NOK million	Quarterly						01.01 – 30.09		
	Q3 2004	Q2 2004	Diff.	Q3 2004	Q3 2003	Diff.	2004	2003	Diff.
Lifting cost oil and gas	40,4	45,2	-4,8	40,4	170,0	-129,6	178,3	472,2	-293,9
Transportation	9,5	5,5	4,0	9,5	12,1	-2,6	29,0	45,1	-16,1
Production exp. offshore and services	4,6	4,2	0,4	4,6	3,4	1,2	12,9	11,2	1,7
<b>Total prod. and transp. expenses</b>	<b>54,5</b>	<b>54,9</b>	<b>-0,4</b>	<b>54,5</b>	<b>185,5</b>	<b>-131,0</b>	<b>220,2</b>	<b>528,5</b>	<b>-308,3</b>

The next table shows a geographic split of lifting cost for segments holding producing activities.

NOK million	Quarterly						01.01 – 30.09		
	Q3 2004	Q2 2004	Diff.	Q3 2004	Q3 2003	Diff.	2004	2003	Diff.
Northern Europe	15,4	20,2	-4,8	15,4	152,9	-137,5	105,1	424,5	-319,4
Middle East	25,0	25,0	-	25,0	17,1	7,9	73,2	47,6	25,6
<b>Total lifting cost per segment</b>	<b>40,4</b>	<b>45,2</b>	<b>-4,8</b>	<b>40,4</b>	<b>170,0</b>	<b>-129,6</b>	<b>178,3</b>	<b>472,2</b>	<b>-293,8</b>

The next table shows a geographic split of lifting cost per bbl for segments holding producing activities.

USD/bbl	Quarterly						01.01 – 30.09		
	Q3 2004	Q2 2004	Diff.	Q3 2004	Q3 2003	Diff.	2004	2003	Diff.
Northern Europe	16,63	13,15	3,48	16,63	16,97	-0,34	15,53	14,87	0,66
Middle East	3,32	3,69	-0,37	3,32	2,19	1,13	3,34	1,91	1,43
<b>Total lifting cost per segment</b>	<b>4,77</b>	<b>5,44</b>	<b>-0,67</b>	<b>4,77</b>	<b>10,11</b>	<b>-5,34</b>	<b>6,22</b>	<b>8,83</b>	<b>-2,61</b>

Total average lifting cost decreased further during third quarter 2004, from USD 5,44 per bbl in the second quarter to USD 4,77 per bbl in the third quarter.

For the segment Northern Europe, the increase in lifting cost per bbl was mainly contributed by lower production caused by the lock-out situation on the Glitne field.

The decrease for Middle East in third quarter 2004 as compared to last quarter is mainly contributed by an increase in oil production for the period.

## Net financial items

NOK million	Quarterly						01.01 – 30.09		
	Q3 2004	Q2 2004	Diff.	Q3 2004	Q3 2003	Diff.	2004	2003	Diff.
Share associated companies	-	-	-	-	-10,0	10,0	15,6	-10,0	25,6
Net other financial items	-38,3	13,0	-51,3	-38,3	-44,3	6,0	-18,7	-23,1	4,4
<b>Total net financial items</b>	<b>-38,3</b>	<b>13,0</b>	<b>-51,3</b>	<b>-38,3</b>	<b>-54,3</b>	<b>16,0</b>	<b>-3,1</b>	<b>-33,1</b>	<b>30,0</b>

### Share associated companies / net other financial items

Net other financial items have been negatively impacted by the reduction in the USD/NOK rate from NOK 6,94 at the end of the second quarter to NOK 6,72 at the end of third quarter 2004. Total unrealised currency loss contributed by the reduction in the USD/NOK rate was NOK 29,2 million for the third quarter. The unrealised disagio was primarily related to cash balances in USD.

## Taxes

NOK million	Quarterly						01.01 – 30.09		
	Q3 2004	Q2 2004	Diff.	Q3 2004	Q3 2003	Diff.	2004	2003	Diff.
Taxes payable	-7,0	6,7	-13,7	-7,0	15,9	-22,9	3,1	101,1	-98,0
Deferred taxes	-4,1	-21,8	17,7	-4,1	-27,6	23,5	34,4	15,2	19,2
Taxes paid in kind (Yemen)	190,6	122,8	67,8	190,6	126,7	63,9	436,7	343,5	93,2
<b>Total income tax expense</b>	<b>179,5</b>	<b>107,7</b>	<b>71,8</b>	<b>179,5</b>	<b>115,1</b>	<b>64,5</b>	<b>474,1</b>	<b>459,7</b>	<b>14,4</b>

Tax expenses for the third quarter amounted to NOK 179,5 million, an increase of NOK 71,8 million from last quarter.

The increase in the third quarter was mainly contributed by higher production and consequently higher revenues from sale of petroleum products for the segment Middle East in the third quarter. Middle East revenues for the second quarter were NOK 235,6 million and NOK 313,1 million in the third quarter, an increase of NOK 77,5 million.



## Liquidity and Capital Resources

### Liquidity / condensed cash flow statement

DNO's total cash position as of 30<sup>th</sup> of September was NOK 786,7 million, a decrease of NOK 313,5 million from end of last quarter.

The cash decrease was primarily due to payment of NOK 212 mill. in cash dividends in the third quarter. Additional dividends of NOK 62,9 million were distributed to the company's shareholders as treasury shares.

NOK 277,7 million has been deposited as security for DNO's crude oil price hedging contracts with ANZ bank. This is an increase of approximately NOK 47 million from last quarter contributed by higher oilprices.

Net cash flow from investing activities in the third quarter was NOK 85,4 million. Total investments in oil and gas properties in third quarter amounted to NOK 51,7 million. For more details on investment activities, see cash flow statement and split between segments provided in table below (investments in O&G properties).

NOK million	Quarterly					01.01 – 30.09		Full Year	
	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	2004	2003	2003	2002
<b>Cash flow from op. activities</b>	<b>-93,5</b>	<b>-47,1</b>	<b>70,9</b>	<b>42,0</b>	<b>-12,7</b>	<b>-69,6</b>	<b>459,6</b>	<b>501,7</b>	<b>424,0</b>
<b>Cash flow from inv. activities</b>	<b>-85,4</b>	<b>293,6</b>	<b>798,3</b>	<b>-207,6</b>	<b>-195,4</b>	<b>1 006,5</b>	<b>-508,9</b>	<b>-716,4</b>	<b>-460,8</b>
<b>Cash flow from fin. activities</b>	<b>-134,7</b>	<b>-111,8</b>	<b>-41,4</b>	<b>130,3</b>	<b>158,4</b>	<b>-287,9</b>	<b>138,4</b>	<b>268,8</b>	<b>-43,2</b>
Cash and cash equiv. beginning of period	1 100,2	965,5	137,7	172,9	222,7	137,7	83,7	83,7	163,7
Net change in cash and cash equivalents	-313,6	134,8	827,8	-35,2	-49,8	648,9	89,2	54,0	-79,9
<b>Cash and cash equiv. end of period</b>	<b>786,7</b>	<b>1 100,2</b>	<b>965,5</b>	<b>137,7</b>	<b>172,9</b>	<b>786,7</b>	<b>172,9</b>	<b>137,7</b>	<b>83,8</b>

### Investments in oil and gas properties

USD/bbl	Quarterly						01.01 – 30.09		
	Q3 2004	Q2 2004	Diff.	Q3 2004	Q3 2003	Diff.	2004	2003	Diff.
Northern Europe	13,7	51,0	-37,3	13,7	195,2	-181,5	120,4	452,0	-331,6
Middle East	42,6	34,6	8,0	42,6	16,2	26,4	101,0	68,8	32,2
Africa	-4,5	7,7	-12,2	-4,5	-	-4,5	3,2	-	3,2
Other International Activities	-	-	-	-	-	-	-	-	-
<b>Investments in oil and gas props.</b>	<b>51,7</b>	<b>93,3</b>	<b>-41,5</b>	<b>51,7</b>	<b>211,4</b>	<b>-159,6</b>	<b>224,6</b>	<b>520,8</b>	<b>-296,2</b>
Offshore and services, other	0,7	3,0	-2,3	0,7	0,2	0,5	15,7	1,1	14,6
<b>Total investments in PP&amp;E</b>	<b>52,4</b>	<b>96,3</b>	<b>-43,8</b>	<b>52,4</b>	<b>211,5</b>	<b>-159,1</b>	<b>240,3</b>	<b>521,9</b>	<b>-281,6</b>



## Long-term liabilities

The NOK 60.8 mill. increase in interest-bearing long-term debt in the third quarter is due to higher debt funding under DNO's two outstanding bond loan facilities.

NOK million	Quarterly						Year end		
	Q3 2004	Q2 2004	Diff.	Q3 2004	Q3 2003	Diff.	2003	2002	Diff.
Abandonment, other liabilities	28,0	27,5	0,5	28,0	278,6	-250,6	305,4	252,3	53,1
Deferred taxes	18,4	14,8	3,6	18,4	90,3	-71,9	84,6	70,1	14,5
<b>Provisions for liabilities and charges</b>	<b>46,3</b>	<b>42,2</b>	<b>4,1</b>	<b>46,3</b>	<b>368,9</b>	<b>-322,5</b>	<b>390,0</b>	<b>322,4</b>	<b>67,6</b>
Interest-bearing long-term debt	381,8	321,0	60,8	381,8	616,5	-234,7	781,8	552,5	229,3
<b>Total long-term liabilities</b>	<b>428,1</b>	<b>363,2</b>	<b>64,9</b>	<b>428,1</b>	<b>985,4</b>	<b>-557,2</b>	<b>1 171,8</b>	<b>874,9</b>	<b>296,9</b>

## Long-term interest-bearing debt

NOK million	Curr.	Amount	Interest	Maturity	Balance	
					30.09.04	30.09.03
Foreign currency loan	USD	62,0	Libor + 1.4%	31.12.2009	-	415,4
Bond Loan (ISIN NO0010096126)	NOK	325,0	Nibor + 4,0%	01.06.2004	-	325,0
Bond Loan (ISIN NO0010096134)	NOK	9,5	Nibor + 3,0%	01.06.2004	-	10,8
Bond Loan (ISIN NO0010226574)	NOK	257,5	Nibor + 3,5%	27.05.2009	257,5	-
Bond Loan (ISIN NO0010226582)	NOK	100,0	Fixed 7,9%	27.05.2009	100,0	-
Financial leases and other <sup>1</sup>	USD	4,6	3.5%–8.5%	2003–2006	24,3	30,6
<b>Total Outstanding</b>					<b>381,8</b>	<b>781,8</b>

<sup>1)</sup> Consists mainly of several lease agreements with varying terms and maturities

## Maturity of long-term interest-bearing debt

Of NOK 381,8 million in total interest-bearing long-term debt, NOK 357,5 million matures in May 2009.



## **CONTINGENCIES AND EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

DNO's Norwegian Bond loans have been increased with NOK 100 million in the fourth quarter 2004.

NOK 45 million in interest-bearing short-term debt due on November 3, 2004 has been extended with 6 months. In addition DNO has increased interest-bearing short-term debt with NOK 55 million with maturity November 3, 2005.

The Board of Directors of DNO ASA will call an extraordinary shareholders' meeting and propose to distribute approx. NOK 168 million in extraordinary dividend to its shareholders in the fourth quarter 2004. The proposed dividend consists of approx. NOK 28 million in cash corresponding to NOK 0.5 per DNO share, and approx. NOK 140 million in the form of shares in Independent Oil Tools AS, corresponding to an approximate value of NOK 2.48 per DNO share. Distributing the shares in IOT will make the underlying value more visible and DNO's shareholders may select to keep or to realize these values, as IOT will seek to be listed during 2005. The extraordinary shareholders' meeting will be convened on 1 December 2004. By distributing the shares in IOT AS, which holds a significant ownership position in Petrolia Drilling ASA, DNO will be reducing its activity within offshore and services. This is in line with the company's revised strategy of focusing on exploration and production of oil and gas.



## TABLES

### Result of operations for producing activities

NOK million	Quarterly						01.01 – 30.09		
	Q3 2004	Q2 2004	Diff.	Q3 2004	Q3 2003	Diff.	2004	2003	Diff.
Revenues from sale of oil and natural gas	350,5	287,6	62,9	350,5	466,2	-115,7	1 016,9	1 503,7	-486,8
Lifting costs	-40,4	-45,2	4,8	-40,4	-170,0	129,6	-178,2	-472,2	294,0
Exploration costs	1,6	-0,1	1,7	1,6	-1,4	3,0	-1,4	-4,7	3,3
DD&A	-37,1	-37,2	0,1	-37,1	-67,5	30,4	-113,3	-188,9	75,6
Transportation and other	-9,5	-5,5	-4,0	-9,5	-12,1	2,6	-29,0	-45,1	16,1
<b>Results of operations before taxes</b>	<b>265,0</b>	<b>199,7</b>	<b>65,5</b>	<b>265,0</b>	<b>215,2</b>	<b>49,9</b>	<b>695,0</b>	<b>792,7</b>	<b>-97,8</b>
Income tax expense	-201,4	-133,8	-67,6	-201,4	-163,4	-38,0	-495,5	-507,9	12,4
<b>Results of operations after taxes</b>	<b>63,7</b>	<b>65,8</b>	<b>-2,1</b>	<b>63,7</b>	<b>51,8</b>	<b>11,9</b>	<b>199,5</b>	<b>284,8</b>	<b>85,4</b>

### Other key data for result of operations (producing activities)

	Quarterly						01.01 – 30.09		
	Q3 2004	Q2 2004	Diff.	Q3 2004	Q3 2003	Diff.	2004	2003	Diff.
Production (Mboe)	1,239	1,218	0,021	1,239	2,293	-1,054	4,167	7,492	-3,325
Average sales prices (USD/bbl)	41,33	34,58	6,75	41,33	27,72	13,61	35,48	28,13	7,35
Average lifting cost (USD/bbl)	4,77	5,44	-0,67	4,77	10,11	-5,34	6,22	8,84	-2,62
Average DD&A (USD / bbl)	4,37	4,46	-0,09	4,37	4,01	0,36	3,95	3,53	0,42
EBITDA producing activities	302,1	236,9	65,2	302,1	282,7	19,4	808,3	981,6	-173,3

Result of operations is a measure of the efficiency of the company's producing assets. Results of operations include revenues and expenses associated directly with DNO's crude oil and natural gas exploration and producing activities. They do not include profit or loss from hedging activities, interest expense and income, corporate administration expenses, or their associated tax effects. Due to the exclusions referred to above, the result of operations are not necessarily indicative of the contribution to consolidated profit after tax of these activities.



## Consolidated Profit and Loss Statements

NOK million	Quarterly Results					01.01 – 30.09		Full Year	
	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	2004	2003	2003	2002
Operating revenues	314,6	278,1	368,2	484,0	466,5	960,9	1 523,5	2 007,5	1 685,1
Other operating revenues	0,2	0,5	1,0	0,7	0,1	1,7	0,4	1,1	6,0
Gain on sale of assets	-	100,0	209,5	-	-	309,5	-	-	-
<b>Total operating revenues</b>	<b>314,8</b>	<b>378,6</b>	<b>578,7</b>	<b>484,7</b>	<b>466,6</b>	<b>1 272,1</b>	<b>1 523,9</b>	<b>2 008,6</b>	<b>1 691,0</b>
Exploration expenses	74,4	52,7	67,0	28,4	30,9	194,1	65,1	93,5	120,5
Production and transportation expenses	54,5	55,0	110,7	190,6	185,5	220,2	528,4	719,0	505,8
Ordinary depreciation (DD&A)	45,9	46,7	48,6	86,0	79,4	141,2	224,6	310,5	343,9
Decommissioning cost	0,9	1,3	2,1	0,7	9,7	4,3	15,8	16,5	18,6
Impairment and write-downs	-	-	-	12,8	-	-	-	12,8	63,1
Payroll and payroll related exp.	1,5	5,4	7,9	17,0	11,3	14,7	24,6	41,6	35,5
General and administration expenses	16,6	14,0	2,4	8,5	22,2	33,1	50,9	59,4	75,3
<b>Total operating expenses</b>	<b>193,8</b>	<b>175,1</b>	<b>238,7</b>	<b>343,9</b>	<b>339,0</b>	<b>607,6</b>	<b>909,4</b>	<b>1 253,3</b>	<b>1 162,7</b>
<b>Operating profit (Loss)</b>	<b>121,0</b>	<b>203,5</b>	<b>339,9</b>	<b>140,7</b>	<b>127,6</b>	<b>664,5</b>	<b>614,6</b>	<b>755,3</b>	<b>528,3</b>
Interests in associated companies	-	-	15,6	-15,6	-10,0	15,6	-10,0	-25,6	-191,7
Net other financial items	-38,3	13,0	6,5	-4,1	-44,3	-18,7	-23,1	-27,1	-37,2
<b>Profit (Loss) before taxes</b>	<b>82,8</b>	<b>216,6</b>	<b>362,1</b>	<b>121,0</b>	<b>73,3</b>	<b>661,4</b>	<b>581,5</b>	<b>702,5</b>	<b>299,4</b>
Income tax expense	-179,5	-107,7	-186,9	-108,7	-115,1	-474,1	-459,7	-568,4	-364,1
<b>Profit (Loss)</b>	<b>-96,7</b>	<b>108,9</b>	<b>175,2</b>	<b>12,3</b>	<b>-41,8</b>	<b>187,3</b>	<b>121,8</b>	<b>134,1</b>	<b>-64,7</b>
<b>Basic earnings per share</b>	<b>-1,74</b>	<b>2,04</b>	<b>3,14</b>	<b>0,21</b>	<b>-0,81</b>	<b>3,44</b>	<b>2,23</b>	<b>2,45</b>	<b>-1,27</b>
<b>Diluted earnings per share</b>	<b>-1,74</b>	<b>2,04</b>	<b>3,13</b>	<b>0,21</b>	<b>-0,81</b>	<b>3,44</b>	<b>2,23</b>	<b>2,45</b>	<b>-1,27</b>

## Consolidated Balance Sheets – Assets

NOK million	30.09.04	30.06.04	31.03.04	31.12.03	30.09.03	30.06.03	31.03.03
Goodwill	41,9	43,9	45,9	47,9	49,9	51,9	53,9
Deferred tax assets	66,1	66,1	66,1	116,1	91,1	81,1	81,1
<b>Total intangible assets</b>	<b>108,1</b>	<b>110,1</b>	<b>112,1</b>	<b>164,1</b>	<b>141,1</b>	<b>133,1</b>	<b>135,1</b>
Oil and gas fields	280,4	273,2	583,7	1 634,1	1 479,4	1 369,0	1 230,6
Other tangible assets	30,8	55,8	60,6	57,9	81,4	89,0	95,6
<b>Total tangible assets</b>	<b>311,2</b>	<b>329,0</b>	<b>644,3</b>	<b>1 692,0</b>	<b>1 560,7</b>	<b>1 458,0</b>	<b>1 326,3</b>
Investments in ass. companies	25,4	25,4	-	-	-10,0	-	-
Other investments and receivables	73,9	23,9	16,4	26,4	30,1	14,7	14,8
Bank deposits (decommission)	-	-	-	233,6	245,8	254,0	253,8
<b>Total financial assets</b>	<b>99,2</b>	<b>49,3</b>	<b>16,4</b>	<b>260,1</b>	<b>266,0</b>	<b>268,8</b>	<b>268,5</b>
<b>Total fixed assets</b>	<b>518,6</b>	<b>488,4</b>	<b>772,8</b>	<b>2 116,1</b>	<b>1 967,8</b>	<b>1 859,9</b>	<b>1 729,9</b>
Inventories, other receivables	213,3	172,6	216,5	235,5	281,9	272,6	274,6
Cash and cash equivalents	786,7	1 100,2	965,5	137,7	172,9	222,7	266,6
<b>Total current assets</b>	<b>999,9</b>	<b>1 272,8</b>	<b>1 182,0</b>	<b>373,3</b>	<b>454,8</b>	<b>495,2</b>	<b>541,3</b>
<b>Total assets</b>	<b>1 518,5</b>	<b>1 761,2</b>	<b>1 954,8</b>	<b>2 489,4</b>	<b>2 422,6</b>	<b>2 355,1</b>	<b>2 271,2</b>

## Consolidated Balance Sheets – Equity and Liabilities

NOK million	30.09.04	30.06.04	31.03.04	31.12.03	30.09.03	30.06.03	31.03.03
Share capital	226,2	226,2	226,2	224,7	224,7	224,7	216,7
Treasury shares	-2,9	-15,8	-6,5	-1,8	-2,6	-1,2	-0,1
Other paid-in cap.	442,5	454,8	454,1	459,8	500,1	484,0	439,0
<b>Total paid-in capital</b>	<b>665,8</b>	<b>665,2</b>	<b>673,8</b>	<b>682,7</b>	<b>722,2</b>	<b>707,6</b>	<b>655,5</b>
Retained earnings	173,2	264,1	419,3	240,8	227,5	345,8	284,7
<b>Total retained earnings</b>	<b>173,2</b>	<b>264,1</b>	<b>419,3</b>	<b>240,8</b>	<b>227,5</b>	<b>345,8</b>	<b>284,7</b>
Minority interests	-	-	-	-	-	-	-
<b>Total shareholders' equity</b>	<b>839,0</b>	<b>929,3</b>	<b>1 093,0</b>	<b>923,5</b>	<b>949,7</b>	<b>1 053,3</b>	<b>940,3</b>
Abandonment and other liab.	28,0	27,5	41,5	305,4	278,6	274,2	260,5
Deferred tax liabilities	18,4	14,8	94,9	84,6	90,3	107,8	102,0
<b>Tot. provisions for liabilities</b>	<b>46,3</b>	<b>42,2</b>	<b>136,4</b>	<b>390,0</b>	<b>368,9</b>	<b>382,1</b>	<b>362,5</b>
Int.-bearing long-term debt	381,8	321,0	369,0	781,8	616,5	456,1	579,4
<b>Total other long-term liab.</b>	<b>381,8</b>	<b>321,0</b>	<b>369,0</b>	<b>781,8</b>	<b>616,5</b>	<b>456,1</b>	<b>579,4</b>
Interest-bearing short-term debt	45,0	45,0	45,0	45,0	51,0	51,0	-
Non-int.-bearing sh.-term debt	206,3	423,7	311,3	349,1	436,4	412,6	389,0
<b>Total current liabilities</b>	<b>251,3</b>	<b>468,7</b>	<b>356,3</b>	<b>394,1</b>	<b>487,4</b>	<b>463,6</b>	<b>389,0</b>
<b>Total liabilities</b>	<b>679,5</b>	<b>831,9</b>	<b>861,8</b>	<b>1 565,9</b>	<b>1 472,9</b>	<b>1 301,8</b>	<b>1 330,9</b>
<b>Total equity and liabilities</b>	<b>1 518,5</b>	<b>1 761,2</b>	<b>1 954,8</b>	<b>2 489,4</b>	<b>2 422,6</b>	<b>2 355,1</b>	<b>2 271,2</b>





## Consolidated Cash Flow Statements

NOK million	Quarterly Results					01.01 – 30.09		Full Year	
	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	2004	2003	2003	2002
Profit before tax	82,8	216,6	362,1	121,0	73,3	661,4	581,5	702,5	299,4
Taxes paid	-199,4	-163,5	-102,8	-150,5	-135,0	-465,7	-460,7	-611,3	-415,3
DD&A fixed assets	45,9	46,7	48,6	98,7	79,4	141,2	224,6	323,3	407,4
Write-down financial assets	-	-	-	-	-	-	-	-	17,6
(Gain)/loss sale of op. assets	-	-100,0	-209,5	-	-	309,5	-	-	-1,8
Profit / (loss) from ass. comps.	-	-	-15,6	-	-	-15,6	-	-	191,7
Changes in net current assets and other accruals	-22,7	-46,9	-11,9	-27,2	-30,4	-81,4	114,3	87,1	-75,0
<b>Cash flow from op. activities</b>	<b>-93,5</b>	<b>-47,1</b>	<b>70,9</b>	<b>42,0</b>	<b>-12,7</b>	<b>-69,7</b>	<b>459,6</b>	<b>501,7</b>	<b>424,0</b>
Acquisition of subsidiaries	-	-	-	-	-	-	-0,4	-0,4	-0,2
Inv. in fixed assets, incl oil and gas props	-52,4	-96,2	-91,5	-179,7	-211,5	-240,1	-521,7	-701,4	-465,8
Sale of tangible assets	-	412,7	889,8 *	-	0,1	1 302,4	0,1	0,1	1,9
Other investments and sales	-33,0	-22,8	-	-27,9	16,0	-55,8	13,1	-14,8	3,3
<b>Cash flow from inv. activities</b>	<b>-85,4</b>	<b>293,7</b>	<b>798,3</b>	<b>-207,6</b>	<b>-195,4</b>	<b>1 006,5</b>	<b>-508,9</b>	<b>-716,4</b>	<b>-460,8</b>
New interest-bearing debt	65,5	331,7	5,0	248,3	251,1	402,2	349,6	597,9	107,9
Repayment of in.-bearing debt	-4,7	-378,7	-13,7 *	-55,3	-94,3	-397,1	-245,1	-300,4	-156,8
Paid-in share capital / premium	-	-	7,6	-	-	7,6	34,3	34,3	33,9
Treasury shares / options	17,3	-64,8	-40,3	-7,2	1,7	-87,9	-0,4	-7,6	-28,1
Dividend paid in cash	-212,9	-	-	-55,5	-	-212,9	-	-55,5	-
<b>Cash flow from fin. activities</b>	<b>-134,7</b>	<b>-111,8</b>	<b>-41,4</b>	<b>130,3</b>	<b>158,4</b>	<b>-287,9</b>	<b>138,4</b>	<b>268,8</b>	<b>-43,2</b>
Cash and cash equiv. beginning of period	1 100,2	965,5	137,7	172,9	222,7	137,7	83,8	83,7	163,7
Net change in cash and cash equivalents	-313,6	134,8	827,7	-35,2	-49,8	648,9	89,2	54,0	-79,9
<b>Cash and cash equiv. end of period</b>	<b>786,7</b>	<b>1 100,2</b>	<b>965,5</b>	<b>137,7</b>	<b>172,9</b>	<b>786,7</b>	<b>172,9</b>	<b>137,7</b>	<b>83,8</b>

### \* Sale of tangible assets:

As a result of the sale of UK and Ireland operations, DNO was released from abandonment liabilities in relation to the Heather field. Thereby an abandonment security of NOK 241,4 million was released to DNO. In the cash flow statement, the total amount of proceeds and release of abandonment security has been presented net of cash payments made directly to ANZ Bank and transaction costs.



## Segment - Three months ended September 30, 2004

NOK million	Oil and Gas										Other					
	Northern Europe		Middle East		Africa		Other International		Total O&G		Offshore & Services		Shared services, adjustments and eliminations		Group Consolidation	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
<b>Operating revenues</b>																
Operating revenues	40,6	251,1	313,1	220,0	-	-	-	-	353,7	471,1	16,1	17,6	-5,4	-5,3	364,3	483,4
Loss on oil price hedging act's *	-37,7	-6,5	-11,8	-5,7	-	-	-	-	-49,5	-12,2	-	-	-	-4,6	-49,5	-16,8
Gain on sale of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Operating expenses</b>																
Exploration expenses	-15,0	-28,4	-14,2	-2,5	-41,6	-	-3,7	-	-74,4	-30,9	-	-	-	-	-74,4	-30,9
Lifting cost / production cost	-15,3	-152,9	-25,0	-17,1	-	-	-	-	-40,4	-170,0	-4,6	-3,4	-	-	-45,0	-173,4
Transportation	-0,2	-1,3	-9,3	-10,9	-	-	-	-	-9,5	-12,2	-	-	-	-	-9,5	-12,1
DD&A	-9,1	-34,3	-28,0	-33,7	-	-	-	-	-37,1	-68,0	-6,8	-12,1	-2,0	0,7	-45,9	-79,4
Decomm cost, write-down	-0,5	-8,6	-0,4	-1,2	-	-	-	-	-0,9	-9,8	-	-	-	-	-0,9	-9,7
Payroll and payroll rel exp	1,4	-4,1	-	-	-	-	-	-	1,4	-4,1	-2,6	-3,1	-0,3	-4,2	-1,5	-11,3
G&A and other expenses	-6,2	-7,4	-	-	-	-	-	-	-6,2	-7,4	-4,3	-11,9	-6,2	-3,0	-16,6	-22,2
<b>Operating Profit</b>	<b>-42,0</b>	<b>7,7</b>	<b>224,3</b>	<b>148,9</b>	<b>-41,6</b>	<b>-</b>	<b>-3,7</b>	<b>-</b>	<b>137,1</b>	<b>156,6</b>	<b>-2,2</b>	<b>-12,9</b>	<b>-13,8</b>	<b>-16,1</b>	<b>121,0</b>	<b>127,6</b>
Interests in ass. companies	-	-	-	-	-	-	-	-	-	-	-	-10,0	-	-	-	-10,0
Net financial items	-17,8	-7,1	-	-0,1	-	-	-	-	-17,8	-7,3	1,5	-2,7	-21,9	-34,3	-38,3	-44,3
<b>Profit before taxes</b>	<b>-59,8</b>	<b>0,6</b>	<b>224,3</b>	<b>148,8</b>	<b>-41,6</b>	<b>-</b>	<b>-3,7</b>	<b>-</b>	<b>119,3</b>	<b>149,4</b>	<b>-0,7</b>	<b>-25,7</b>	<b>-35,8</b>	<b>-50,4</b>	<b>82,8</b>	<b>73,3</b>
Income taxes	11,1	1,8	-190,6	-128,2	-	-	-	-	-179,5	-126,3	-	-	-	11,2	-179,5	-115,1
<b>Profit</b>	<b>-48,7</b>	<b>2,4</b>	<b>33,7</b>	<b>20,7</b>	<b>-41,6</b>	<b>-</b>	<b>-3,7</b>	<b>-</b>	<b>-60,3</b>	<b>23,0</b>	<b>-0,7</b>	<b>-25,7</b>	<b>-35,8</b>	<b>-39,2</b>	<b>-96,7</b>	<b>-41,8</b>
<b>Other key figures:</b>																
Production (mboe)	0,135	1,228	1,104	1,065	-	-	-	-	1,239	2,293	-	-	-	-	1,239	2,293
EBITDA	-32,9	42,0	252,4	182,6	-41,6	-	-3,7	-	174,2	224,6	4,6	-0,8	-11,8	-16,9	166,9	207,0
Total assets	456,9	1 550,0	495,7	501,2	-	-	-	-	888,3	2 051,1	125,6	100,6	-	-	1 518,5	2 422,6
Total liabilities and debt	301,0	1 491,3	417,6	51,4	-	-	-	-	734,1	1 542,7	40,2	41,1	-	-	679,5	1 472,9
Non int.-bearing liabilities	113,4	328,6	160,2	38,0	-	-	-	-	288,2	366,6	2,4	6,2	-	-	206,3	436,4

\* Loss from hedging activities has been allocated to the segments holding producing assets. Comparative numbers have been changed accordingly



## Segment - Nine months ended September 30, 2004

	Oil and Gas										Other				Group Consolidation	
	Northern Europe		Middle East		Africa		Other International		Total O&G		Offshore & Services		Shared services, adjustments and eliminations		2004	2003
NOK million	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
<b>Operating revenues</b>																
Operating revenues	242,8	819,0	784,7	693,7	-	-	-	-	1 027,5	1 512,7	54,0	55,1	-16,0	-10,0	1 065,6	1 557,8
Loss on oil price hedging act's *	-77,9	-15,6	-25,1	-13,6	-	-	-	-	-103,0	-29,3	-	-	-	-4,6	-103,0	-33,9
Gain on sale of assets	100,0	-	-	-	-	-	-	-	100,0	-	-	-	209,5	-	309,5	-
<b>Operating expenses</b>																
Exploration expenses	-74,3	-40,9	-46,9	-24,2	-64,5	-	-8,5	-	-194,1	-65,1	-	-	-	-	-194,1	-65,1
Lifting cost / production cost	-105,1	-424,5	-73,2	-47,6	-	-	-	-	-178,3	-472,1	-12,9	-11,2	-	-	-191,2	-483,4
Transportation	-2,4	-13,4	-26,7	-31,8	-	-	-	-	-29,0	-45,1	-	-	-	-	-29,0	-45,1
DD&A	-52,1	-102,8	-62,0	-87,3	-	-	-	-	-114,1	-190,1	-26,6	-36,7	-0,6	2,2	-141,2	-224,6
Decomm cost, write-down	-3,1	-12,3	-1,2	-3,6	-	-	-	-	-4,3	-15,8	-	-	-	-	-4,3	-15,8
Payroll and payroll rel exp	-1,4	-9,2	-	-	-	-	-	-	-1,4	-9,2	-7,1	-7,7	-6,2	-7,7	-14,7	-24,6
G&A and other expenses	-3,5	-13,1	-	-	-	-	-	-	-3,5	-13,1	-12,7	-25,5	-16,8	-12,2	-33,1	-50,8
<b>Operating Profit</b>	<b>23,1</b>	<b>187,3</b>	<b>549,6</b>	<b>485,6</b>	<b>-64,5</b>	<b>-</b>	<b>-8,5</b>	<b>-</b>	<b>499,8</b>	<b>672,9</b>	<b>-5,2</b>	<b>-26,0</b>	<b>169,9</b>	<b>-32,4</b>	<b>664,5</b>	<b>614,6</b>
Interests in ass. companies	-	-	-	-	-	-	-	-	-	-	-	-10,0	15,6	-	15,6	-10,0
Net financial items	-25,7	-28,4	-0,1	-0,1	-	-	-	-	-25,7	-28,4	1,3	-2,6	5,8	7,9	-18,7	-23,1
<b>Profit before taxes</b>	<b>-2,6</b>	<b>158,9</b>	<b>549,6</b>	<b>485,6</b>	<b>-64,5</b>	<b>-</b>	<b>-8,5</b>	<b>-</b>	<b>474,0</b>	<b>644,5</b>	<b>-3,9</b>	<b>-38,5</b>	<b>191,3</b>	<b>-24,5</b>	<b>661,4</b>	<b>581,5</b>
Income taxes	12,6	-120,3	-436,7	-345,1	-	-	-	-	-424,1	-465,4	-	-	-50,0	5,7	-474,1	-459,7
<b>Profit</b>	<b>10,0</b>	<b>38,6</b>	<b>112,9</b>	<b>140,4</b>	<b>-64,5</b>	<b>-</b>	<b>-8,5</b>	<b>-</b>	<b>49,9</b>	<b>179,0</b>	<b>-3,9</b>	<b>-38,5</b>	<b>141,3</b>	<b>-18,8</b>	<b>187,3</b>	<b>121,8</b>
<b>Other key figures:</b>																
Production (mboe)	0,984	4,002	3,183	3,490	-	-	-	-	4,167	7,492	-	-	-	-	4,167	7,492
EBITDA (excl asset sale gain)	-24,9	290,1	611,6	572,9	-64,5	-	-8,5	-	513,8	863,0	21,4	10,7	-39,0	-34,6	496,2	839,1
Total assets	456,9	1 550,0	495,7	501,2	-	-	-	-	888,3	2 051,1	125,6	100,6	-	-	1 518,5	2 422,6
Total liabilities and debt	301,0	1 491,3	417,6	51,4	-	-	-	-	734,1	1 542,7	40,2	41,1	-	-	679,5	1 472,9
Non int.-bearing liabilities	113,4	328,6	160,2	38,0	-	-	-	-	288,2	366,6	2,4	6,2	-	-	206,3	436,4

\* Loss from hedging activities has been allocated to the segments holding producing assets. Comparative numbers have been changed accordingly



## Consolidated Property, Plant and Equipment

NOK million	Oil and Gas Properties					Other tangible assets	Total tangible assets	Goodwill
	License interests	Exploration costs	Fields in development	Fields in operations	Total oil and gas properties			
Cost - opening balance	75,5	321,9	41,6	2 006,3	2 445,3	192,5	2 637,7	79,9
Additions this year	6,4	82,2	-	131,2	219,8	16,1	235,9	-
Disposals this year	-68,9	-384,2	-41,6	-1 442,3	-1 936,9	-53,3	-1 990,3	-
Transfers this year	-	-	-	-	-	-	-	-
Translation difference	-	20,5	-	66,8	87,3	0,3	87,6	-
<b>Accumulated cost - closing balance</b>	<b>13,1</b>	<b>40,5</b>	<b>-</b>	<b>761,9</b>	<b>815,5</b>	<b>155,6</b>	<b>971,1</b>	<b>79,9</b>
Accumulated DD&A - opening balance	-	-	-	-811,2	-811,2	-134,6	-945,8	-31,9
DD&A this year	-	-	-	-113,3	-113,3	-21,9	-135,2	-6,0
Disposals and transfers this year	-	-	-	403,1	403,1	31,9	435,1	-
Translation difference	-	-	-	-13,8	-13,8	-0,2	-13,9	-
<b>Accumulated DD&amp;A - closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-535,1</b>	<b>-535,1</b>	<b>-124,8</b>	<b>-659,8</b>	<b>-37,9</b>
<b>Book value - closing balance</b>	<b>13,1</b>	<b>40,5</b>	<b>-</b>	<b>226,9</b>	<b>280,4</b>	<b>30,8</b>	<b>311,2</b>	<b>41,9</b>

## Consolidated Changes in Shareholders' Equity

NOK million	Quarterly changes in shareholder's equity						
	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Q1 2003
<b>Shareholder's equity – opening balance</b>			<b>980,0</b>	<b>1 039,9</b>	<b>1 121,1</b>	<b>1 020,7</b>	<b>901,9</b>
Accumulated translation difference prior periods			-95,2	-94,0	-81,4	-91,8	-103,7
Effect from change in accounting principle			38,8	3,8	13,7	11,4	11,9
<b>Shareholders equity – adjusted for change in accounting principle</b>	<b>929,3</b>	<b>1 093,0</b>	<b>923,5</b>	<b>949,7</b>	<b>1 053,3</b>	<b>940,3</b>	<b>810,1</b>
Purchase / sale of treasury shares	77,8	-64,8	-40,3	-37,3	6,3	12,5	15,3
Issuance of shares	-	-	7,6	-	-	34,3	-
Dividend	-62,9	-210,5	-	-	-55,5	-	-
Profit / loss for the period	-96,7	108,9	175,2	12,3	-41,8	55,7	107,9
Translation difference	-8,4	2,7	27,0	-1,2	-12,6	10,4	11,9
Other	-	-	-	-	-	-	-
Minority interests	-	-	-	-	-	-	-4,9
<b>Shareholder's equity – closing balance</b>	<b>839,0</b>	<b>929,3</b>	<b>1 093,0</b>	<b>923,5</b>	<b>949,7</b>	<b>1 053,3</b>	<b>940,3</b>

## CONTINUED OPERATIONS

This section contains detailed and comparable information on continued operations, excluding assets sold to Lundin Petroleum AB. The tables in this section should also be read in conjunction with tables and comments provided in other parts of the report.

### Result of operations for continued producing activities

NOK million	Quarterly						Full Year
	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	2003
Revenues from sale of oil and natural gas	350,5	266,7	280,6	264,5	263,6	256,6	1 109,1
Lifting costs	-40,4	-42,5	-45,9	-32,8	-36,1	-29,3	-137,1
Exploration costs	1,6	-0,1	-2,9	-0,9	-1,4	3,8	-7,3
DD&A	-37,1	-27,6	-22,8	-44,7	-51,1	-39,9	-171,3
Transportation and other	-9,5	-5,5	-12,4	-9,7	-10,6	-10,5	-41,6
<b>Results of operations before taxes</b>	<b>265,0</b>	<b>191,1</b>	<b>196,5</b>	<b>176,4</b>	<b>164,3</b>	<b>180,8</b>	<b>751,8</b>
Income tax expense	-201,4	-127,1	-142,0	-146,4	-136,8	-124,8	-541,6
<b>Results of operations after taxes</b>	<b>63,7</b>	<b>63,9</b>	<b>54,6</b>	<b>30,0</b>	<b>27,6</b>	<b>56,0</b>	<b>210,2</b>

### Other key data for result of continued operations

NOK million	Quarterly						Full Year
	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	2003
Production (Mboe)	1,239	1,132	1,298	1,326	1,307	1,441	5,653
EBITDA producing activities	302,1	218,7	219,3	221,1	215,4	220,7	923,2

Result of operations is a measure of the efficiency of the company's producing assets. Results of operations include revenues and expenses associated directly with DNO's crude oil and natural gas exploration and producing activities. They do not include results from hedging activities, interest expense or income or corporate administration expenses, or their associated tax effects. Due to the exclusions referred to above, the result of operations is not necessarily indicative of the contribution to consolidated profit after tax of these activities.

## Consolidated Profit & Loss Statements – Continued Operations

In this table, discontinued operations sold assets and gain from sale of operations to Lundin Petroleum have been presented as separate components in the profit and loss statements (after profit after taxes and before net profit) and balance sheets.

Profit and Loss Statements	Quarterly						Full Year
	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	2003
NOK million							
Operating revenues	314,6	257,2	258,6	275,3	263,2	270,1	1 138,0
Other operating revenues	0,2	0,2	-	-	-	-	-
<b>Total operating revenues</b>	<b>314,8</b>	<b>257,3</b>	<b>258,6</b>	<b>275,3</b>	<b>263,2</b>	<b>270,1</b>	<b>1 138,0</b>
Exploration expenses	-74,4	-39,8	-44,0	-14,2	-2,8	4,0	-40,1
Production and transportation expenses	-54,5	-50,6	-57,2	-46,8	-48,9	-41,4	-187,6
Ordinary depreciation	-45,9	-37,1	-26,6	-59,6	-62,6	-50,1	-220,9
Abandonment and decommissioning cost	-0,9	-0,7	-0,6	2,8	-3,0	-1,6	-3,5
Impairment, amortisation and losses	-	-	-	-12,8	-	-	-12,8
Payroll and related expenses	-1,5	-5,4	-7,3	-15,2	-9,3	-3,3	-34,3
General and administrative expenses	-16,6	-14,0	-1,2	-8,4	-19,0	-10,4	-51,3
<b>Total operating expenses</b>	<b>-193,8</b>	<b>-147,5</b>	<b>-136,9</b>	<b>-154,2</b>	<b>-145,6</b>	<b>-102,6</b>	<b>-550,5</b>
<b>Operating profit (Loss)</b>	<b>121,0</b>	<b>109,9</b>	<b>121,7</b>	<b>121,1</b>	<b>117,6</b>	<b>167,4</b>	<b>587,5</b>
Interests in associated companies	-	-	15,6	-15,6	-10,0	-	-25,6
Net other financial items	-38,3	13,0	23,1	-8,4	-11,4	10,9	19,2
<b>Profit (Loss) before taxes</b>	<b>82,8</b>	<b>122,9</b>	<b>160,4</b>	<b>97,0</b>	<b>96,2</b>	<b>178,4</b>	<b>581,0</b>
Income tax expense	-179,5	-111,1	-131,7	-98,6	-116,8	-121,4	-475,2
<b>Profit (Loss) after taxes continued operations</b>	<b>-96,7</b>	<b>11,8</b>	<b>28,6</b>	<b>-1,6</b>	<b>-20,6</b>	<b>57,0</b>	<b>105,8</b>
<i>Net profit from discontinued operations</i>	-	-2,9	-62,9	13,9	-21,2	-1,3	28,2
<i>Gain from sale of operations</i>	-	100,0	209,5	-	-	-	-
<b>Net profit (loss)</b>	<b>-96,7</b>	<b>108,9</b>	<b>175,2</b>	<b>12,3</b>	<b>-41,8</b>	<b>55,7</b>	<b>134,1</b>

### Other key data continued operations

Other key data continued operations	Quarterly						Full Year
	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	2003
NOK million							
Production Mboe	1,239	1,132	1,298	1,326	1,307	1,441	5,653
EBITDA	166,9	147,0	148,3	180,7	180,2	217,5	808,4
EBITDAX	241,3	186,8	192,3	194,9	183,0	213,5	848,5
Lifting cost	40,4	40,8	40,7	30,9	34,3	26,4	126,8
Lifting cost per bbl	4,77	5,28	4,50	3,26	3,58	2,61	3,17

## Continued operations (continued from last page)

Balance Sheets	Quarterly						Full Year
	NOK million	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
Intangible assets	108,1	110,1	112,1	164,1	141,1	133,1	164,1
Tangible assets	311,2	329,0	272,3	306,0	341,7	377,1	306,0
<i>Net assets discontinued operations</i>	-	-	349,9	987,7	843,9	698,7	987,7
Financial fixed assets	99,2	49,3	16,4	260,1	266,0	268,8	260,1
Current assets	999,9	1 272,8	1 162,2	189,4	280,5	301,9	189,4
<b>Total assets</b>	<b>1 518,5</b>	<b>1 761,2</b>	<b>1 912,9</b>	<b>1 907,3</b>	<b>1 873,2</b>	<b>1 779,6</b>	<b>1 907,3</b>
Shareholder's equity	839,0	929,3	1 093,0	923,5	949,7	1 053,3	923,5
Provisions for liabilities and charges	46,3	42,2	121,3	41,2	37,3	42,1	41,2
Other long-term liabilities	381,8	321,0	369,0	781,8	616,5	456,1	781,8
Current liab., short-term int-bearing debt	251,3	468,7	329,6	160,8	269,7	228,1	160,8
<b>Total equity and liabilities</b>	<b>1 518,5</b>	<b>1 761,2</b>	<b>1 912,9</b>	<b>1 907,3</b>	<b>1 873,2</b>	<b>1 779,6</b>	<b>1 907,3</b>



## Continuity of Proven and Probable Reserves by Segment

Million bbls	Northern Europe	Middle East	Africa	OIA	DNO Group
<b>Proven and Probable reserves at 31.12.2000</b>	<b>54,9</b>	<b>9,4</b>	-	-	<b>64,3</b>
Discoveries, additions and extensions	20,1	1,4	-	-	21,5
Acquisitions of reserves	5,5	-	-	-	5,5
Divestment of reserves	-1,0	-	-	-	-1,0
Year 2001 production	-3,6	-1,2	-	-	-4,8
<b>Proven and Probable reserves at 31.12.2001</b>	<b>75,9</b>	<b>9,6</b>	-	-	<b>85,5</b>
Discoveries, additions and extensions	29,5	7,7	-	-	37,2
Acquisitions of reserves	10,8	-	-	-	10,8
Divestment of reserves	-	-	-	-	-
Year 2002 production	-4,2	-3,9	-	-	-8,1
<b>Proven and Probable reserves at 31.12.2002</b>	<b>112,0</b>	<b>13,4</b>	-	-	<b>125,4</b>
Discoveries, additions and extensions	24,7	3,2	-	-	27,9
Acquisitions of reserves	-	-	-	-	-
Divestment of reserves	-129,0	-	-	-	-129,0
Year 2003 production	-5,2	-4,7	-	-	-9,9
<b>Proven and Probable reserves at 31.12.2003</b>	<b>2,5</b>	<b>11,9</b>	-	-	<b>14,4</b>
Discoveries, additions and extensions	-	11,2	-	-	11,2
Acquisitions of reserves	7,5	-	-	-	7,5
Divestment of reserves	-	-	-	-	-
Year to date 2004 production	-0,5	-3,2	-	-	-3,7
<b>Proven and Probable reserves at 30.09.2004</b>	<b>9,5</b>	<b>19,9</b>	-	-	<b>29,4</b>

The table shows DNO's estimated proven and probable reserves of oil and gas and the changes in reserves for the years 2001-2004.

DNO uses proved and probable reserves to calculate depreciation and abandonment provisions according to the unit-of-production method.

Because of the uncertainty and limitations associated with reserve data, reserve estimates will change as new information becomes available.

## Definitions and terminology:

<b>Lifting/production cost:</b>	Costs incurred to operate and maintain wells and related equipment and facilities. They become part of the cost of oil and gas produced.
<b>EBITDA:</b>	EBIT adjusted for gain on sale of fixed assets, ordinary depreciation and goodwill amortisation
<b>Netback:</b>	EBITDA minus paid taxes
<b>EBITDAX</b>	EBITDA adjusted for exploration expenses

