



**dno asa**

**1st half and  
2nd quarter 2003**

## DNO - overall objective and main strategy

The company's overall objective is to create long-term value for its shareholders through profitable investments in small and mature petroleum fields.

## Headlines

DNO achieved strong operational and financial results for the 1st half of 2003.

In the 2nd quarter, the field development plan for the Broom field on the UK shelf was completed and submitted to the authorities for approval.

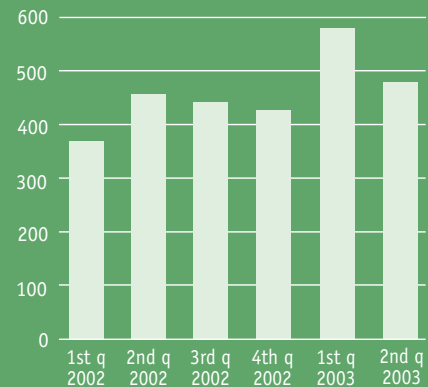
Three wells were drilled in the PL 203 area in the 1st half of the year, two of which discovered commercial oil and gas resources.

Oil production for the 1st half of 2003 averaged 28,726 barrels per day, resulting in total operating revenues of NOK 1,057.3 million and an EBITDA of NOK 649 million. Netback (EBITDA less taxes paid) in the period was NOK 323 million and net profit was NOK 161.8 million.

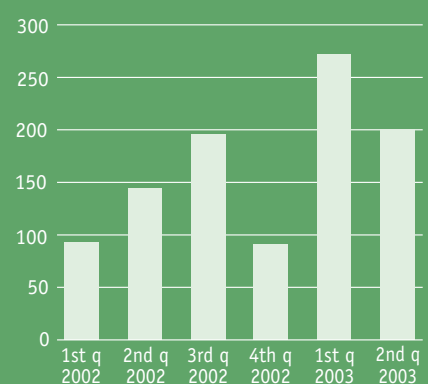
Shareholders' equity increased to NOK 1,121.1 million in the 2nd quarter of 2003, and total assets rose to NOK 2,435.6 million.

The equity ratio at the end of the 2nd quarter of 2003 was 46 per cent.

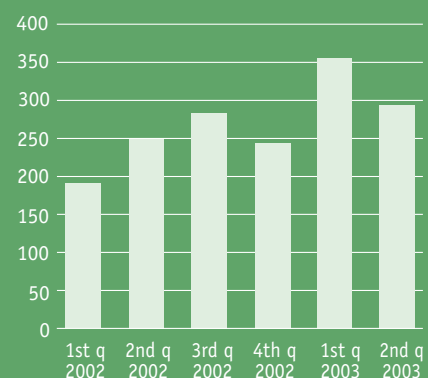
Operating revenues, NOK million



Operating profit, NOK million



EBITDA, NOK million



## Key figures

NOK million	2003		2002		2003		2002		2002
	1st half	1st half	1st q	2nd q	1st q	2nd q	3rd q	4th q	year
Average oil & gas production, bbl/d	28,726	22,072	29,306	28.153	20,637	23,491	21,928	23,513	22,399
Operating revenues	1,057.3	825.5	579.7	477.6	368.4	457.1	440.2	425.3	1,691.0
Operating profit	472.4	236.8	271.9	200.5	92.7	144.1	195.5	90.8	523.1
Profit before taxes	506.4	68.2	299.0	207.4	75.5	-7.2	165.7	53.5	287.5
Net profit	161.8	-43.2	108.4	53.4	24.5	-67.7	46.0	-79.4	-76.6
EBITDA <sup>1)</sup>	649.0	439.9	354.9	294.1	190.7	249.2	283.1	244.1	967.1
EBITDA margin	61.4%	53.3%	61.2%	61.6%	51.8%	54.5%	64.3%	57.4%	57.2%
Netback <sup>2)</sup>	323.0	278.0	236.0	87.0	146.0	132.0	186.0	88.0	552.0
Equity ratio in %	46%	40%	43%	46%	39%	40%	41%	44%	44%

<sup>1)</sup> EBIT adjusted for depreciation/impairment and losses for abandonment costs

<sup>2)</sup> EBITDA less taxes paid in the period

## Results for the 1st half and 2nd quarter 2003

(figures for the corresponding periods in 2002 in brackets)

### Results for the 1st half of 2003

The group's total operating revenues for the 1st half of 2003 were NOK 1,057.3 million (825.5). The group's operating profit was NOK 472.4 million (236.8). Its EBITDA was NOK 649.0 million (439.9) and its Netback NOK 323 million (278).

DNO's core activity, oil and gas, accounted for NOK 1,018.7 million (769.4) of the group's total operating revenues for the 1st half of the year. Operating profit from oil and gas activity was NOK 483.4 million (228) for the period.

Since DNO's book value of its investment in Petrolia Drilling ASA was fully written down in the 4th quarter of 2002, Petrolia Drilling ASA's results did not have any impact on DNO's net profit for the 1st half of 2003.

Profit before taxes was NOK 506.4 million (68.2), and the net profit was NOK 161.8 million (-43.2).

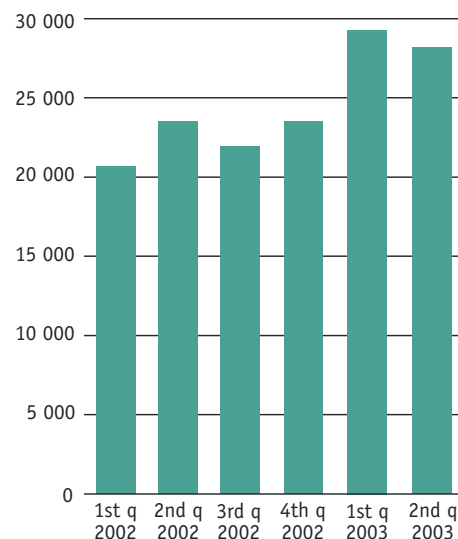
The financial statements for the 1st half of 2003 have been prepared according to NGAAP.

### Results for the 2nd quarter of 2003

The group's total operating revenues for the 2nd quarter of 2003 were NOK 477.6 million (457.1). The group's operating profit was NOK 200.5 million (144.1). Its EBITDA was NOK 294.1 million (249.2) and its Netback NOK 87 million (132).

DNO's core activity, oil and gas, accounted for NOK 457.6 million (431.7) of the group's total operating revenues for the 2nd quarter of 2003.

### Average oil production, bbl/day



Operating profit from oil and gas activity was NOK 205.4 million (139.4) for the period.

Since DNO's book value of its investment in Petrolia Drilling ASA was fully written down in the 4th quarter of 2002, Petrolia Drilling ASA's results did not have any impact on DNO's net profit for the 2nd quarter of 2003.

Profit before taxes was NOK 207.4 million (-7.2), and the net profit was NOK 53.4 million (-67.7).

The financial statements for the 2nd quarter of 2003 have been prepared according to NGAAP.

### Oil production

The DNO group's average oil production for the 2nd quarter and 1st half of 2003 was 28,153 barrels per day (23,491) and 28,726 barrels per day (22,072), respectively. The increase in production

from 2002 is due to the take-over of the Thistle field and higher production in Yemen.

### Licences in the UK

DNO's oil production from the UK shelf (Heather and Thistle fields) averaged 9,058 barrels per day in the 2nd quarter (4,985). DNO's oil production from the UK shelf for the 1st half of 2003 averaged 9,067 barrels per day (5,212). The increase in production from 2002 is due to the take-over of the Thistle field at the turn of the year.

DNO has implemented cost savings measures at the Thistle field, reducing operating expenses for the 1st half of 2003 by approximately 23 per cent compared with the corresponding period of 2002.

The company's two fields on the UK shelf contributed NOK 147.1 million in operating revenues and a total opera-

ting profit of NOK 7.9 million for the 2nd quarter. Corresponding figures for the 1st half of the year were NOK 326.9 million and NOK 60.1 million, respectively.

The field development plan for Broom was presented to UK authorities in the 2nd quarter. Approval is expected in the near future, and start of production is scheduled for the summer of 2004.

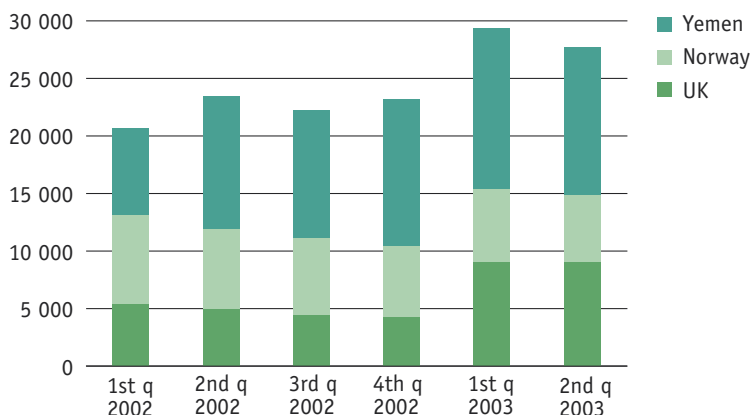
### Licences in Norway

DNO's oil production from the Norwegian shelf averaged 6,258 barrels per day (6,934) in the 2nd quarter. DNO's oil production from the Norwegian shelf for the 1st half of 2003 averaged 6,262 barrels per day (7,305).

Production from the Jotun field increased during the 1st half of the year after new production wells came onstream. At the end of the six-month period, production from the field averaged approximately 45,000 barrels per day. The Glitne field is past plateau, and was at the end of the period producing about 28,000 barrels per day. A new production well will be drilled in Glitne in the 3rd quarter with expected start of production in September.

Three wells were drilled in PL 203 in the 1st half of 2003. The first well encountered the "Kneler" structure, while the second well found oil and gas in another structure called "BOA". The third and last well in this drilling programme, drilled in the "Gekko" structure, only encountered small hydrocarbon quantities. Results from Kneler, BOA and the earlier oil and gas discovery in the Kameleon structure form the basis for assessment of new development concepts. DNO now owns 15 per cent of

Oil production from 1st quarter 2002 to 2nd quarter 2003, bbl/day



the resources in the PL 203 area after the company acquired interests in PL 088BS and PL 036C. In addition, DNO owns 35 per cent in the adjacent PL 150 licence, which contains the so-called Grieg discovery.

A well drilled in the PL 167 prospect in the 2nd quarter, proved small quantities of oil and gas. Drilling results are now being assessed. Statoil is the operator of the licence in which DNO holds 20 per cent.

The company's activities on the Norwegian shelf contributed total operating revenues of NOK 106.0 million and a total operating result of NOK 43.5 million for the 2nd quarter of 2003. Corresponding figures for the 1st half of the year were NOK 229.5 million and NOK 102.1

### International

DNO's oil production from Yemen in the 2nd quarter of 2003 was record-high, amounting to 12,837 barrels per day (11,572). The company's oil production from Yemen for the 1st half of the year averaged 13,397 barrels per day (9,555). All production figures for Yemen are before tax.

The positive development in oil production from Yemen is due to increased oil production from the Tasour field, resulting from the successful drilling programme which the company has undertaken in the area. Production from the Sharyoof field also exceeded expectations, with total production from the field averaging approximately 18,700 barrels per day at the end of the period.

A well was spudded in the western flank of the Tasour field in the 2nd quarter,

encountering oil in an area that has previously not been a part of the field. The well came onstream in July, resulting in record-high production figures of 19,030 barrels per day for the Tasour field for July. An additional three to four wells are scheduled to be drilled in the company's licences in Yemen during the 2nd half of 2003.

The development of the Seven Heads gas field in Ireland is progressing according to plan. According to the field's operator, Ramco, production from the field is scheduled to start in October. The four production wells that have been completed, have confirmed a better-than-expected production potential. DNO has concluded its negotiations for sale of the company's share of the gas production to Innogy, which will also purchase gas from Ramco. Under the agreement, DNO will sell up to 11.25 million standard cubic feet per day of the produced gas to Innogy during the first seven years.

In the 1st half of 2003, DNO was awarded a 5 % interest in Block P, an offshore licence in Equatorial Guinea. The company was also awarded an 80% interest in and the operatorship of the Inhaminga Block onshore Mozambique. These are the company's first licences in Africa.

The company's activities in its International segment generated NOK 204.5 million in total operating revenues for the 2nd quarter of 2003, its total operating result being NOK 154.0 million. Corresponding figures for the 1st half of the year were NOK 462.3 million and NOK 321.2 million, respectively.

### Offshore & Services

The total operating revenues of the Offshore & Services segment were NOK 20.0 million for the 2nd quarter of 2003, its total operating result being NOK -4.9 million.

### Investments

Total investments for the 2nd quarter of 2003 amounted to NOK 201.6 million, relating mainly to the company's exploration and drilling programmes in Norway and Yemen and the development of the Seven Heads gas field.

### Financial position

The group's cash position per 30 June 2003 was NOK 476.7 million, of which NOK 222.7 million was free cash. Restricted reserves of NOK 254.0 million consist of provisions for future abandonment costs relating to the Heather field.

Long-term interest-bearing liabilities at the end of the 2nd quarter of 2003 were NOK 456.1 million (624.9). The company aims to obtain long-term financing in the near future, which will be used to refinance existing liabilities and finance planned offshore developments in Norway and the UK.

Shareholders' equity per 30 June 2003 was NOK 1,121.1 million.

An extraordinary general meeting is planned to take place in September and will be convened by the end of August. The final date will appear from the notice.

## Interim Report 2003

### accounts NOK million

	2003		2002		2003				2002			
	1st half	1st half	1st q	2nd q	1st q	2nd q	3rd q	4th q	year			
<b>Profit and loss statement</b>												
Operating revenues	1,057.3	825.5	579.7	477.6	368.4	457.1	440.2	425.3	1,691.0			
Operating expenses	371.6	333.7	201.5	170.2	153.6	180.1	125.9	144.1	603.7			
Depreciation/amortisation/abandonment	165.8	203.0	78.1	87.8	98.0	105.0	87.6	140.2	430.8			
Payroll and other operating expenses	47.4	52.0	28.3	19.1	24.1	27.9	31.2	50.2	133.4			
<b>Operating profit</b>	<b>472.4</b>	<b>236.8</b>	<b>271.9</b>	<b>200.5</b>	<b>92.7</b>	<b>144.1</b>	<b>195.5</b>	<b>90.8</b>	<b>523.1</b>			
Income/loss from associated companies	0.0	-125.7	0.0	0.0	-3.9	-121.8	-19.9	-46.1	-191.7			
Financial revenues	32.5	52.4	24.9	7.6	25.3	27.1	4.4	52.7	109.4			
Financial expenses	1.5	-95.2	2.2	-0.7	-38.6	-56.6	-14.4	-43.8	-153.4			
<b>Profit before taxes</b>	<b>506.4</b>	<b>68.2</b>	<b>299.0</b>	<b>207.4</b>	<b>75.5</b>	<b>-7.2</b>	<b>165.7</b>	<b>53.5</b>	<b>287.5</b>			
Taxes	-344.6	-111.5	-190.6	-154.0	-51.0	-60.5	-119.7	-132.9	-364.1			
<b>Net profit</b>	<b>161.8</b>	<b>-43.2</b>	<b>108.4</b>	<b>53.4</b>	<b>24.5</b>	<b>-67.7</b>	<b>46.0</b>	<b>-79.4</b>	<b>-76.6</b>			
Basic earnings per share	3.01	-0.85	2.04	0.97	0.49	-1.34	0.91	-1.55	-1.50			
Diluted earnings per share	3.01	-0.85	2.04	0.97	0.49	-1.34	0.91	-1.55	-1.50			
<b>Reporting by segment</b>												
Operating revenues, oil & gas UK	326.9	179.5	179.8	147.1	85.0	94.5	81.5	72.9	333.9			
Operating revenues, oil & gas Norway	229.5	246.4	123.5	106.0	125.3	121.1	118.9	112.2	477.5			
Operating revenues, oil & gas International	462.3	343.5	257.8	204.5	127.4	216.1	219.0	216.3	778.8			
<b>Total operating revenues, oil &amp; gas <sup>1)</sup></b>	<b>1,018.7</b>	<b>769.4</b>	<b>561.1</b>	<b>457.6</b>	<b>337.7</b>	<b>431.7</b>	<b>419.4</b>	<b>401.4</b>	<b>1,590.2</b>			
Operating revenues, Offshore/Services	38.6	56.1	18.6	20.0	30.7	25.4	20.8	23.9	100.8			
<b>Total operating revenues</b>	<b>1,057.3</b>	<b>825.5</b>	<b>579.7</b>	<b>477.6</b>	<b>368.4</b>	<b>457.1</b>	<b>440.2</b>	<b>425.3</b>	<b>1,691.0</b>			
Operating profit, oil & gas UK	60.1	6.9	52.2	7.9	1.1	5.8	1.1	-12.0	-4.0			
Operating profit, oil & gas Norway	102.1	6.3	58.6	43.5	13.9	-7.6	36.1	28.9	71.3			
Operating profit, oil & gas International	321.2	214.8	167.2	154.0	73.6	141.2	158.7	84.7	458.2			
<b>Total operating profit, oil &amp; gas</b>	<b>483.4</b>	<b>278.0</b>	<b>278.0</b>	<b>205.4</b>	<b>88.6</b>	<b>139.4</b>	<b>195.9</b>	<b>101.6</b>	<b>525.5</b>			
Operating profit, Offshore/Services	-11.0	8.8	-6.1	-4.9	4.1	4.7	-0.4	-10.8	-2.4			
<b>Total operating profit</b>	<b>472.4</b>	<b>236.8</b>	<b>271.9</b>	<b>200.5</b>	<b>92.7</b>	<b>144.1</b>	<b>195.5</b>	<b>90.8</b>	<b>523.1</b>			

<sup>1)</sup> Direct items have been attributed to the relating segment. Indirect items have been allocated to the geographical areas of the Oil & Gas segment according to revenues

	2003	2002	2002
<b>Cash flow</b>	1st half	1st half	year
Net cash flow from operating activities	436	82	424
Net cash flow from investing activities	-339	-89	-461
Net cash flow from financing activities	42	-20	-43
<b>Net change in cash and cash equivalents</b>	<b>139</b>	<b>-27</b>	<b>-80</b>
Cash and cash equivalents, 1 January	84	164	164
<b>Cash and cash equivalents <sup>1)</sup></b>	<b>223</b>	<b>137</b>	<b>84</b>

<sup>1)</sup> In addition, the company has NOK 254 million in long-term bank deposits for future platform abandonment

## balance sheet NOK million

<b>Assets</b>	<b>30.06.2003</b>	<b>30.06.2002</b>	<b>31.12.2002</b>
Intangible assets	133.1	145.9	142.1
Tangible assets	1,538.6	1,331.5	1,379.5
Long-term investments	268.8	309.2	255.9
<b>Fixed assets</b>	<b>1,940.4</b>	<b>1,786.5</b>	<b>1,777.4</b>
Inventory	12.1	5.5	9.1
Receivables	235.1	289.1	171.1
Short-term investments	25.4	0.0	0.0
Cash and cash equivalents	222.7	136.9	83.8
<b>Current assets</b>	<b>495.2</b>	<b>431.5</b>	<b>263.9</b>
<b>Total assets</b>	<b>2,435.6</b>	<b>2,218.1</b>	<b>2,041.3</b>

## Shareholders' equity and liabilities

<b>Shareholders' equity</b>	<b>1,121.1</b>	<b>893.1</b>	<b>901.9</b>
Interest-bearing long-term liabilities	456.1	624.9	561.1
Provisions for liabilities and charges	394.8	554.8	345.8
<b>Total long-term liabilities</b>	<b>850.9</b>	<b>1,179.7</b>	<b>907.0</b>
Interest-bearing short-term liabilities	51.0	0.0	0.0
Other current liabilities	412.6	145.3	232.4
<b>Total current liabilities</b>	<b>463.6</b>	<b>145.3</b>	<b>232.4</b>
<b>Total shareholders' equity and liabilities</b>	<b>2,435.6</b>	<b>2,218.1</b>	<b>2,041.3</b>

<b>Changes in shareholders' equity Group</b>	<b>2003 01.01-30.06</b>	<b>2002 01.01-30.06</b>	<b>2002 01.01-31.12</b>
<b>Shareholders' equity 1 January</b>	<b>901.9</b>	<b>941.7</b>	<b>941.7</b>
Purchase/sale of treasury shares	27.8	-4.8	-0.7
Issuance of shares	34.3	-	33.9
Other	-	-0.6	0.3
Profit/loss for the period	161.8	-43.2	-76.6
Minority interests	-4.8	-	3.3
<b>Shareholders equity</b>	<b>1,121.1</b>	<b>893.1</b>	<b>901.9</b>



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