

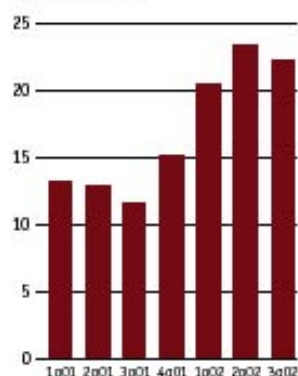
dno asa | 3rd quarter 2002

# 3rd quarter 2002

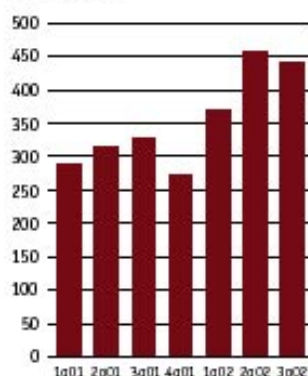
## headlines

- DNO's results from its oil and gas activities for the 3<sup>rd</sup> quarter of 2002 are its best ever.
- Oil production for the 3<sup>rd</sup> quarter averaged 22,176 barrels per day, with the average for the period January – September being 22,119 barrels per day. This is higher than expected.
- Total operating revenues for the 3<sup>rd</sup> quarter of 2002 were NOK 440 million. Cash flow from operations (EBITDA) was NOK 277 million, and net profit was NOK 46 million.
- Shareholders' equity at the end of the 3<sup>rd</sup> quarter of 2002 was NOK 959 million, with total assets amounting to NOK 2,330 million. The equity ratio at the end of the 3<sup>rd</sup> quarter of 2002 was 41 per cent.
- DNO's drilling results from the UK and Yemen were positive. Oil reserves in the Tasour field in Yemen have been upgraded and are now twice as large as previously estimated.
- Agreements were reached in the 3<sup>rd</sup> quarter for the acquisition of interests in two new licences the Irish Seven Heads gas field and the Thistle field in the UK.

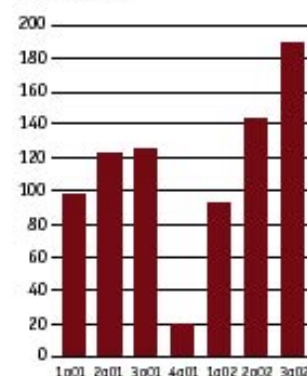
**PRODUCTION**  
1000 bbl/day



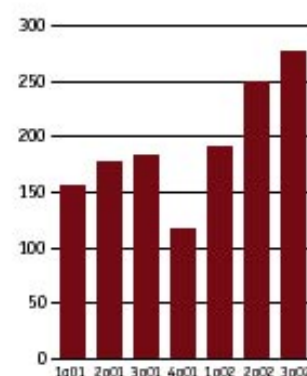
**OPERATING REVENUES**  
NOK million



**OPERATING PROFIT**  
NOK million



**EBITDA**  
NOK million



## key figures

NOK million	2002		2001		2002		2001		2001	
	Per 3 <sup>rd</sup> q	Per 3 <sup>rd</sup> q	1 <sup>st</sup> q	2 <sup>nd</sup> q	3 <sup>rd</sup> q	1 <sup>st</sup> q	2 <sup>nd</sup> q	3 <sup>rd</sup> q	4 <sup>th</sup> q	Profit (loss)
Avg. prod oil & gas, bbl/d	22.119	12.398	20.637	23.491	22.176	13.174	12.881	11.722	15.158	13.255
Operating revenues	1,265.7	928.0	368.4	457.1	440.2	286.9	314.0	327.2	271.0	1,199.0
Operating profit	425.8	346.6	92.7	144.1	189.0	98.6	122.7	125.3	20.2	366.8
Profit before tax	233.9	305.0	75.5	-7.2	165.7	100.5	93.0	111.6	2.8	307.8
EBITDA (1)	716.4	517.8	190.7	249.2	276.6	157.1	177.9	182.8	117.9	635.7
Equity ratio in %	41%	39%	39%	40%	41%	43%	38%	39%	40%	40%

(1) EBIT adjusted for depreciation/impairment and losses and other activities

## accounts

NOK million	2002		2001		2002		2001		2001	
	Per 3 <sup>rd</sup> q	Per 3 <sup>rd</sup> q	1 <sup>st</sup> q	2 <sup>nd</sup> q	3 <sup>rd</sup> q	1 <sup>st</sup> q	2 <sup>nd</sup> q	3 <sup>rd</sup> q	4 <sup>th</sup> q	Profit (loss)
<b>PROFIT AND LOSS STATEMENT</b>										
Operating revenues	1,265.7	928.0	368.4	457.1	440.2	286.9	314.0	327.2	271.0	1 199.0
Operating expenses	459.6	358.0	153.6	180.1	125.9	108.6	122.1	127.3	127.9	485.9
Depr., write-downs, abandonment	290.6	171.2	98.0	105.0	87.6	58.5	55.2	57.5	97.4	268.6
Payroll and other operating expenses	89.7	52.2	24.1	27.9	37.7	21.2	13.9	17.1	25.5	77.7
<b>Operating profit</b>	<b>425.8</b>	<b>346.6</b>	<b>92.7</b>	<b>144.1</b>	<b>189.0</b>	<b>98.6</b>	<b>122.7</b>	<b>125.3</b>	<b>20.2</b>	<b>366.8</b>
Interests in associated companies	-145.6	-20.0	-3.9	-121.8	-19.9	-6.9	-13.0	-0.1	-13.4	-33.4
Financial revenues	56.8	54.7	25.3	27.1	4.4	21.4	11.5	21.8	13.9	68.6
Financial expenses	-103.1	-76.2	-38.6	-56.6	-7.9	-12.6	-28.2	-35.4	-18.1	-94.2
<b>Profit before tax</b>	<b>233.9</b>	<b>305.0</b>	<b>75.5</b>	<b>-7.2</b>	<b>165.7</b>	<b>100.5</b>	<b>93.0</b>	<b>111.6</b>	<b>2.8</b>	<b>307.8</b>
Taxes	-231.2	-202.3	-51.0	-60.5	-119.7	-63.2	-69.7	-69.4	28.6	-173.6
<b>Net profit</b>	<b>2.8</b>	<b>102.8</b>	<b>24.5</b>	<b>-67.7</b>	<b>46.0</b>	<b>37.3</b>	<b>23.3</b>	<b>42.1</b>	<b>31.4</b>	<b>134.2</b>
Basic earnings per share	0.05	2.03	0.49	-1.34	0.91	0.74	0.46	0.83	0.61	2.64
Diluted earnings per share	0.05	2.03	0.49	-1.34	0.91	0.73	0.48	0.82	0.61	2.64

REPORTING BY SEGMENT	2002		2001		2002		2001		2001	
	Per 3 <sup>rd</sup> q	Per 3 <sup>rd</sup> q	1 <sup>st</sup> q	2 <sup>nd</sup> q	3 <sup>rd</sup> q	1 <sup>st</sup> q	2 <sup>nd</sup> q	3 <sup>rd</sup> q	4 <sup>th</sup> q	Profit (loss)
Operating revenues Oil & Gas	1,188.8	847.7	337.7	431.7	419.4	262.7	288.1	297.0	240.0	1,087.7
Operating revenues Offshore & Services	76.9	80.3	30.7	25.4	20.8	24.2	25.9	30.2	31.0	111.3
<b>Total operating revenues</b>	<b>1,265.7</b>	<b>928.0</b>	<b>368.4</b>	<b>457.1</b>	<b>440.2</b>	<b>286.9</b>	<b>314.0</b>	<b>327.2</b>	<b>271.0</b>	<b>1,199.0</b>
Operating profit Oil & Gas	417.4	329.6	88.6	139.4	189.4	93.6	118.4	117.6	18.4	348.0
Operating profit Offshore & Services	8.4	17.0	4.1	4.7	-0.4	5.0	4.3	7.7	1.8	18.8
<b>Total operating profit</b>	<b>425.8</b>	<b>346.6</b>	<b>92.7</b>	<b>144.1</b>	<b>189.0</b>	<b>98.6</b>	<b>122.7</b>	<b>125.3</b>	<b>20.2</b>	<b>366.8</b>

CASH FLOW	2002		2001		2001	
	Per 3 <sup>rd</sup> q	Per 3 <sup>rd</sup> q	Per 3 <sup>rd</sup> q	Per 3 <sup>rd</sup> q	Per 3 <sup>rd</sup> q	Profit (loss)
Net cash flow from operating activities	261	525	525	525	634	634
Net cash flow from investing activities	-206	-749	-749	-749	-884	-884
Net cash flow from financing activities	-9	358	358	358	325	325
<b>Net change in cash and cash equiv.</b>	<b>46</b>	<b>134</b>	<b>134</b>	<b>134</b>	<b>76</b>	<b>76</b>
Cash and cash equivalents at 1 January	164	88	88	88	88	88
<b>Cash and cash equivalents <sup>(1)</sup></b>	<b>210</b>	<b>222</b>	<b>222</b>	<b>222</b>	<b>164</b>	<b>164</b>

(1) In addition, the Company has NOK 265 million in long-term bank deposits for future platform abandonment

### Results for the 3<sup>rd</sup> quarter and for the first nine months of 2002

(figures for 2001 in brackets)

The group's total operating revenues for the first nine months of 2002 were NOK 1 265.7 million (928.0). The group's operating profit was NOK 425.8 million (346.6), and its EBITDA was NOK 716.4 million (517.8).

Of DNO's total operating revenues for the first nine months of 2002, its core activity, oil and gas, accounted for NOK 1 188.8 million (847.7). The oil and gas activity's operating profit for the period was NOK 417.4 million (329.6). The operating profit for the first nine months of 2002 was negatively affected by NOK 16.2 million in expenses relating to the implementation of an amortisation plan for DNO's project in Russia. The remaining book value of this project is NOK 47.3 million. The operating profit for the first nine months of the year was also reduced by NOK 80 million in impairment and exploration expenses relating to the Norwegian shelf (Tyr).

Write-downs and net results from associated companies for the period amounted to NOK -145.6 million (-20.0). This has been accounted for using the equity method, and neither affects the company's operating profit nor its liquidity.

Profit before tax for the first nine months of the year was NOK 233.9 million (NOK 305.0 million). The net result for the period was NOK 2.8 million (102.8 ) after write-downs and net result from the investment in Petrolia Drilling ASA and after the negative after-tax effect of approximately NOK 23 million relating to impairment and exploration expenses on the Norwegian shelf (Tyr).

The financial statements for the first nine months of 2002 have been prepared according to the same accounting principles used for the annual financial statements for 2001.

### Results for the 3<sup>rd</sup> quarter of 2002

The group's total operating revenues for the 3<sup>rd</sup> quarter of 2002 were NOK 440.2 million (327.2). The group's operating profit was NOK 189.0 million (125.3), and its EBITDA was NOK 276.6 million (182.8).

Of DNO's total operating revenues for the 3<sup>rd</sup> quarter, its core activity, oil and gas, accounted for NOK 419.4 million (296.9). The oil and gas activity's operating profit for the period was NOK 189.4 million (117.6) The operating profit for the 3<sup>rd</sup> quarter of 2002 was negatively affected by NOK 5.4 million in expenses relating to the implementation of an amortisation plan for the company's project in Russia.

Write-downs and net results from associated companies for the quarter amounted to NOK -19.9 million (-0.1). This has been accounted for using the equity method, and neither affects the company's operating profit nor its liquidity.

Profit before tax for the 3<sup>rd</sup> quarter was NOK 165.7 million (111.6 ). The net result for the period was NOK 46.0 million (42.1 ).

The financial statements for the 3<sup>rd</sup> quarter of 2002 have been prepared according to the same accounting principles used for the annual financial statements for 2001.

### Oil production

The Group's average oil production was 22,176 barrels per day (11,722 barrels per day) for the 3<sup>rd</sup> quarter and 22,119 barrels per day (12,398 barrels per day) for the first nine months of 2002. This exceeded expectations.

Produced, not sold, oil volumes for the 3<sup>rd</sup> quarter have been recognised using oil prices at 30 September 2002 (entitlement method).

### Licences in the UK

Oil production from the Heather field (DNO 100%) for the 3<sup>rd</sup> quarter of 2002 averaged 4,440 barrels per day (4,987 barrels per day), which is according to plan. The field was shut down for a brief period in August, due to work carried out on the pipeline to the Ninian field. Oil from Heather is transported through this pipeline.

DNO has entered into an agreement to farm out 45 per cent of P.242 (Block 2/5 minus Heather) and P.902 (Block 2/4a) to Challenger Minerals Inc., a subsidiary of Global Santa Fe Inc. and Palace Exploration Company. The farmed-out acreage includes the Heather satellites West Heather and North Terrace and other potential hydrocarbon discoveries in the UK. The new partners will contribute up to GBP 15 million (USD 23 million) towards the expense of drilling two wells in the West Heather structure, which is a significant share of the well costs. The first well was drilled in the 3<sup>rd</sup> quarter, using the drilling rig SS Glomar Arctic IV. Results proved better reservoir qualities than expected. The well was production tested to 6,000 barrels per day. Test results, however, indicate that the well's maximum production capacity will exceed 10,000 barrels of oil per day.

## 3rd quarter 2002

The second well has also been completed, with results confirming total recoverable reserves in the West Heather structure of approximately 35 million barrels, of which DNO's share is some 19 million barrels.

Total proved and probable oil reserves in the Heather area are currently estimated at approximately 65 million barrels, of which DNO's share amounts to some 45 million barrels. The reserves estimates were recently confirmed in a report prepared by independent engineers.

In the 3<sup>rd</sup> quarter of 2002, DNO signed an agreement for the temporary take-over (99 per cent and operator) of the Thistle field on the UK shelf. The agreement depends, among other things, on approval by UK authorities, and the take-over cannot be implemented until the end of 2002 at the earliest. DNO estimates that some 20 million barrels of oil may be produced from the field by means of increased oil recovery methods combined with cost-efficiency measures.

### Licences in Norway

In the 3<sup>rd</sup> quarter of 2002, oil production from the Norwegian shelf averaged 6,689 barrels per day (3,944 barrels per day). This is an increase from the 3<sup>rd</sup> quarter of 2001, due to production from the Glitne field and the increase in DNO's interest in the Jotun field from 3.75 to 7.0 per cent. The 3.75 per cent increase in the Jotun field, effective 1 January 2002, also meant that the company became the operator of licence 103B.

Two new Jotun wells were completed in the 3<sup>rd</sup> quarter. One of the wells came onstream, contributing to a more stable development in production in the third quarter.

The work of evaluating various development solutions for PL 203 continues, with focus on

a coordinated development of the entire area. The new operator, Marathon, has achieved a strong position in the area. A plan for development and operation (PDO) may be submitted to the Norwegian authorities in the course of 2003. DNO's share of proved and probable oil and gas reserves in the licensed field has been upgraded to over 20 million barrels of oil equivalents.

### Licences in Yemen

The 3<sup>rd</sup> quarter oil production from Yemen averaged 11,047 barrels per day (2,889 barrels). The significant production increase in Yemen is due to the Sharyoof field coming onstream towards the end of 2001. The development in production from both the company's fields in Yemen (Tasour and Sharyoof) has exceeded expectations, due to the positive results of new wells drilled in the fields.

Based on the positive development in production and new technical studies, estimated total recoverable reserves in the Tasour field have now been doubled, amounting to approximately 20 million barrels. Close to 7 million barrels have so far been produced, and thus remaining oil reserves are some 13 million barrels (DNO's share is approx. 5.3 million barrels – before tax). Remaining oil reserves in the Sharyoof field have been upgraded to some 30 million barrels, of which DNO's share is approximately 9 million barrels – before tax.

DNO has identified a number of interesting prospects in the new licence, block 43, which was granted in the autumn of 2001. Drilling in block 43 will begin in the 1<sup>st</sup> quarter of 2003. Like the Tasour and Sharyoof fields, block 43 also borders on block 14, where Nexen is the operator. Block 14 is producing approximately 230,000 barrels per day.

### Offshore and Services

DNO owns approximately 39 per cent of Petroliia Drilling ASA (PDR). DNO has recognised a loss of NOK 20 million for the 3<sup>rd</sup> quarter of 2002 and NOK 145.6 million for the first nine months of the year, relating to its interest in PDR. This neither affects the company's operating profit nor its liquidity. DNO granted PDR a short-term bridge loan of an additional USD 1.7 million in the 3<sup>rd</sup> quarter, secured against a receivable from Petrobras to PDR.

The Offshore and Services segment had an operating profit of NOK 8.4 million for the first nine months of 2002.

### Investments

Total investments for the 3<sup>rd</sup> quarter amounted to NOK 108.0 million, relating mainly to investments in West Heather and Yemen.

### Financial position

The group's cash position at 30 September 2002 was NOK 474.8 million, of which NOK 209.5 million was free cash. Restricted reserves consist of provisions for future abandonment costs relating to the Heather field.

Long-term interest-bearing debt at the end of the 3<sup>rd</sup> quarter of 2002 was NOK 617.9 million (NOK 650.1 million).

Shareholders' equity at 30 September 2002 was NOK 959.1 million. The movement in shareholders' equity during the period 1 January to 30 September relates to the results for the period, issuing of new shares, and to purchases of treasury shares.



## balance sheet

NOK million	30.09.2002	30.09.2001	31.12.2001
<b>ASSETS</b>			
Intangible assets	143.9	121.8	149.8
Tangible assets	1,348.6	1,204.5	1,371.7
Financial fixed assets	299.0	501.9	484.6
<b>Total fixed assets</b>	<b>1,791.5</b>	<b>1,828.2</b>	<b>2,006.1</b>
Inventory	6.2	10.3	10.9
Accounts receivable	322.1	264.1	172.5
Short-term financial assets	0.0	2.1	0.2
Cash and cash equivalents	209.8	222.3	163.7
<b>Total current assets</b>	<b>538.1</b>	<b>498.7</b>	<b>347.2</b>
<b>Total assets</b>	<b>2,329.6</b>	<b>2,327.0</b>	<b>2,353.4</b>
<b>DEBT AND SHAREHOLDERS' FUNDS</b>			
Shareholders' funds	959.1	915.9	941.7
Interest-bearing long-term debt	617.9	650.1	651.1
Provisions for liabilities and charges	478.8	391.5	440.6
<b>Total long-term liabilities</b>	<b>1,096.6</b>	<b>1,041.6</b>	<b>1,091.7</b>
Other short-term debt	273.9	369.5	320.0
<b>Total short-term debt</b>	<b>273.9</b>	<b>369.5</b>	<b>320.0</b>
<b>Total debt and shareholders' funds</b>	<b>2,329.6</b>	<b>2,327.0</b>	<b>2,353.4</b>
<b>CHANGES IN SHAREHOLDERS' FUNDS (GROUP)</b>			
	2002	2001	2001
	01.01-30.09	01.01-30.09	01.01-31.12
Shareholders' funds at 1 January 2002	941.7	796.7	796.7
Conversion debentures	0.0	0.3	0.3
Purchase of treasury shares	-19.2	-6.8	-12.9
Issues	33.9	0.0	0.0
Options, employees and key personnel	0.0	22.9	23.4
Other	0.0	0.0	0.0
Profit for the period	2.8	102.8	134.2
<b>Shareholders' funds</b>	<b>959.1</b>	<b>915.9</b>	<b>941.7</b>

## address

**DNO ASA**  
Stranden 1, Aker Brygge  
P.O.Box 1345, Vikta  
NO-1250 Oslo  
Norway

Phone: +47 23 23 84 80  
Fax: +47 23 23 84 81  
Email: [dno@dno.no](mailto:dno@dno.no)