



dno asa | 1st quarter 2003

DNO - overall objective and main strategy

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

Headlines

DNO had record high oil production in the 1st quarter of 2003. Increased production combined with high oil prices ensured good results for the three-month period.

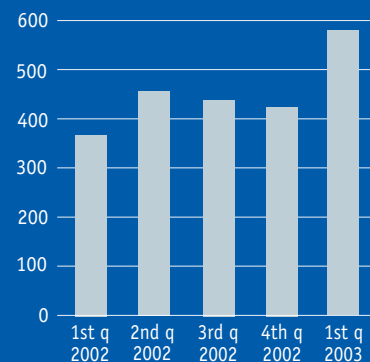
The takeover of 99 per cent of the Thistle field and the positive results of the company's drilling programme in Yemen contributed to a 42 per cent increase in production in the 1st quarter of 2003 compared with the corresponding period last year.

Oil production during the 1st quarter of 2003 averaged 29 306 barrels per day, resulting in total operating revenues of NOK 579.7 million and an EBITDA of NOK 354.9 million. EBITDA after taxes paid in the period (Netback) was NOK 236 million and net profit was NOK 108.4 million.

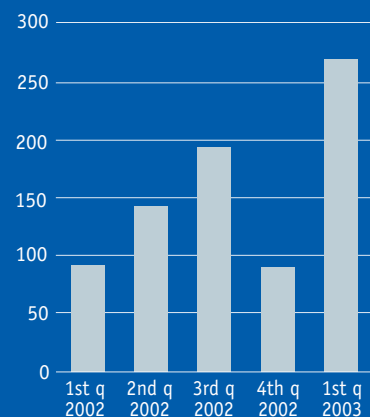
Shareholders' equity increased to NOK 1 020.7 million during the 1st quarter of 2003, and total assets rose to NOK 2,371.5 million.

The equity ratio at the end of the 1st quarter of 2003 was 43 per cent.

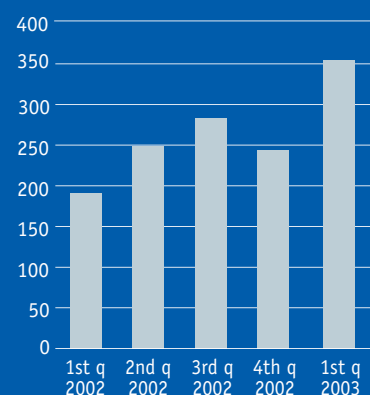
Operating revenue NOK million



Operating profit NOK million



EBITDA NOK million



Key figures

NOK million	2003 1st q	1st q	2nd q	2002 3rd q	4th q	2002 year
Average oil & gas production, bbl/d	29,306	20,637	23,491	21,928	23,513	22,399
Operating revenues	579.7	368.4	457.1	440.2	425.3	1,691.0
Operating profit	271.9	92.7	144.1	195.5	90.8	523.1
Profit before taxes	299.0	75.5	-7.2	165.7	53.5	287.5
Net profit	108.4	24.5	-67.7	46.0	-79.4	-76.6
EBITDA	354.9	190.7	249.2	283.1	244.1	967.1
EBITDA margin	61.2%	51.8%	54.5%	64.3%	57.4%	57.2%
Equity ratio in %	43%	39%	40%	41%	44%	44%

Results for the 1st quarter of 2003

(figures for the 1st quarter of 2002 in brackets)

The group's total operating revenues for the 1st quarter of 2003 were NOK 579.7 million (368.4). The group's operating profit was NOK 271.9 million (92.7). Its EBITDA was NOK 354.9 million (190.7), and its Netback NOK 236.0 million (146).

DNO's core activity, oil and gas, accounted for NOK 561.1 million (337.7) of the group's total operating revenues for the 1st quarter. Operating profit from oil and gas activity for the period was NOK 278.0 million (88.6).

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 effect on DNO's net profit for the quarter.

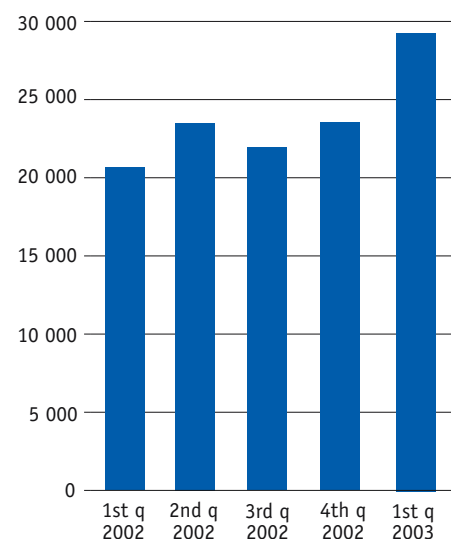
Profit before taxes was NOK 299.0 million (75.5), and the net profit was NOK 108.4 million (24.5).

The financial statements for the 1st quarter of 2003 have been prepared according to the same accounting principles that were used for the annual financial statements for 2002.

Oil production

The group's average oil production for the 1st quarter of 2003 was 29 306 barrels per day (20 637).

The group's average oil production, bbl/day



Licences in the UK

DNO's oil production from the UK shelf (Heather and Thistle fields) averaged 9 077 barrels per day in the 1st quarter (5 443).

The agreement for DNO's takeover of 99 per cent and the operatorship of the Thistle field was finalised at the end of 2002, contributing to a significant increase in the company's oil production from the UK shelf in the 1st quarter of 2003 compared with the same period last year. Thistle field operating expenses have now been reduced as planned, and in the 1st quarter the company's two fields on the UK shelf (Heather and Thistle) contributed NOK 179.8 million in operating revenues and a total operating profit of NOK 52.2 million.

The two Heather satellites, West Heather and North Terrace have now been defined as a separate field under

the name of "Broom". DNO as operator, has drilled three subsea wells in the Broom field, two of which were drilled in the autumn of 2002 as part of the company's farm-out of 45 per cent of the field. The field development plan for Broom was prepared in the 1st quarter of 2003 and will be presented to UK authorities in the near future. Start of production is scheduled for the summer of 2004.

Licences in Norway

DNO's oil production from the Norwegian shelf averaged 6 267 barrels per day (7 680) in the 1st quarter of 2003.

Two new production wells have been drilled in the Jotun field, contributing to an increase in production. The Glitne field is past plateau, but is still producing over 30 000 barrels of oil per day. Total recoverable reserves in Glitne have increased to 38 million barrels, of

which 50 per cent has been produced to date. A new production well will be drilled in Glitne in the summer of 2003.

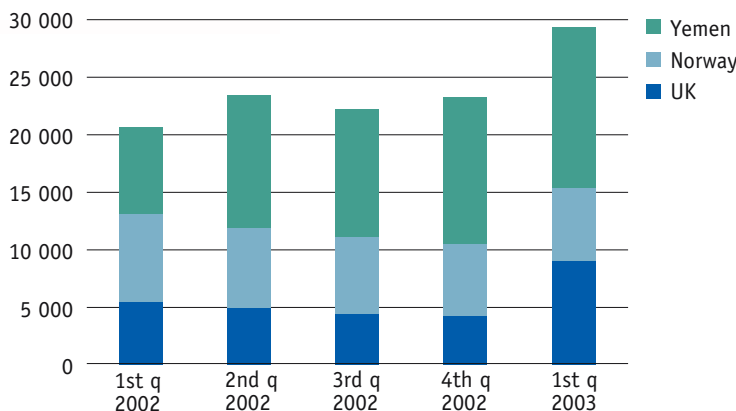
During the 1st quarter of 2003 an exploration/appraisal well was spudded in the "Kneler structure" in PL 203. The well encountered approximately 50 metre thick oil bearing zone. Drilling results are now being assessed and analysed. Reserves estimates will probably be upgraded based on the positive results from this well. Two additional wells will be drilled in the licence in 2003, and a development plan is expected to be submitted to Norwegian authorities towards the end of the year. DNO now owns about 15 per cent of the area's resources after the company acquired interests in PL 088BS and PL 036C.

Drilling activity is also being planned in a promising prospect in PL 167 in the summer of 2003. Statoil is the operator of the licence in which DNO holds 20 per cent. In the most recent licensing round, DNO was also awarded a 20 per cent interest in the adjacent PL 167B licence.

DNO has taken over 100 per cent and the operatorship of PL 148 and PL 006C. Both licences contain small oil discoveries, and DNO will undertake various studies to evaluate whether or not these discoveries are commercial.

In the most recent licensing round DNO was also awarded a 100 per cent interest in PL 292.

Oil production from 1st q 2002 to 1st q 2003, bbl/day



The company's activities on the Norwegian shelf contributed total operating revenues of NOK 123.5 million and a total operating profit of NOK 58.6 million for the 1st quarter of 2003.

International

DNO's oil production from Yemen in the 1st quarter of 2003 was record-high, amounting to 13 963 barrels per day (7 515).

The considerable increase in oil production from the Tasour field is a result of 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 still averaging more than 20 000 barrels per day. The oil reserves of both Yemen fields were upgraded in 2002 and 2003, and at the end of the 1st quarter of 2003, the company's remaining reserves in Yemen were about 11 million barrels (before tax).

Several wells are scheduled to be drilled in Yemen during 2003. The first well, in block 43, has been spudded. It will be followed by a well in the western flank of the Tasour field. During 2003, a well will also be drilled in the Sharyoof satellite in block 53. A successful drilling programme this year may further increase the company's reserves base.

The development plan for the Seven Heads gas field in Ireland was approved by Irish authorities in the 1st quarter of

2003. The first production well has been completed, and according to the field operator, Ramco, test results exceeded expectations. Start of production from the field is scheduled for the 4th quarter of 2003.

In the 1st quarter of 2003, DNO was awarded a small interest in an offshore licence in Equatorial Guinea. This is the company's first licence in West-Africa.

The company's activities in its International segment generated NOK 257.8 million in total operating revenues for the 1st quarter of 2003. This segment's total operating profit for the quarter was NOK 167.2 million.

Offshore & Services

The total operating revenues of the Offshore & Services segment were NOK 18.6 for the 1st quarter of 2003, its total operating result being NOK -6.1 million.

Investments

Total investments for the 1st quarter of 2003 amounted to NOK 118.6 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 31 March 2003 was NOK 520.4 million, of which NOK 266.6 million was free cash. Restricted reserves of NOK 253.8 million consist of provisions for future aban-

donment costs relating to the Heather field.

Long-term interest-bearing liabilities at the end of the 1st quarter of 2003 were NOK 579.4 million (738.2).

Shareholders' equity per 31 March 2003 was NOK 1 020.7 million.

Corporate governance

OECD, LSE, OSE and others are in the process of developing guidelines and recommendations for corporate governance. The guidelines and recommendations concern the capital market's requirements for external reporting, documentation, management and internal control, transparency, responsibility, equal treatment and independence in roles and decisions. In order to meet new requirements and demands made on the company, DNO will continuously develop its routines and systems to ensure observance with recommended corporate governance principles.

Aim listing

Pending the results and conclusions of the company's licence portfolio evaluation which is carried out in cooperation with Lehman Brothers, and in consideration of the current general market conditions, it has been decided to postpone the AIM listing on the London Stock Exchange. As described under corporate governance above, this decision will not affect the processes initiated to adapt to current corporate governance guidelines and requirements.

accounts NOK million

	2003 1st q	2002				2002 year
		1st q	2nd q	3rd q	4th q	
Profit and loss statement						
Operating revenues	579.7	368.4	457.1	440.2	425.3	1,691.0
Operating expenses	201.5	153.6	180.1	125.9	144.1	603.7
Depreciation/amortisation/abandonment	78.1	98.0	105.0	87.6	140.2	430.8
Payroll and other operating expenses	28.3	24.1	27.9	31.2	50.2	133.4
Operating profit	271.9	92.7	144.1	195.5	90.8	523.1
Income, associated companies	0.0	-3.9	-121.8	-19.9	-46.1	-191.7
Financial revenues	24.9	25.3	27.1	4.4	52.7	109.4
Financial expenses	2.2	-38.6	-56.6	-14.4	-43.8	-153.4
Profit before taxes	299.0	75.5	-7.2	165.7	53.5	287.5
Taxes *)	-190.6	-51.0	-60.5	-119.7	-132.9	-364.1
Net profit	108.4	24.5	-67.7	46.0	-79.4	-76.6
Basic earnings per share	2.04	0.49	-1.34	0.91	-1.55	-1.50
Diluted earnings per share	2.04	0.49	-1.34	0.91	-1.55	-1.50
*) Taxes mainly relate to activities in Yemen and Norway						
Reporting by segment						
Operating revenues, oil & gas UK	179.8	85.0	94.5	81.5	72.9	333.9
Operating revenues, oil & gas Norway	123.5	125.3	121.1	118.9	112.2	477.5
Operating revenues, oil & gas International	257.8	127.4	216.1	219.0	216.3	778.8
Total operating revenues, oil & gas	561.1	337.7	431.7	419.4	401.4	1,590.2
Operating revenues, Offshore/Services	18.6	30.7	25.4	20.8	23.9	100.8
Total operating revenues	579.7	368.4	457.1	440.2	425.3	1,691.0
Operating profit, oil & gas UK	52.2	1.1	5.8	1.1	-12.0	-4.0
Operating profit, oil & gas Norway	58.6	13.9	-7.6	36.1	28.9	71.3
Operating profit, oil & gas International	167.2	73.6	141.2	158.7	84.7	458.2
Total operating profit, oil & gas	278.0	88.6	139.4	195.9	101.6	525.5
Operating profit, Offshore/Services	-6.1	4.1	4.7	-0.4	-10.8	-2.4
Total operating profit	271.9	92.7	144.1	195.5	90.8	523.1
Cash flow						
	2003 1st q	2002 1st q	2002 year			
Net cash flow from operating activities	292	-17	424			
Net cash flow from investing activities	-141	-66	-461			
Net cash flow from financing activities	32	75	-43			
Net change in cash and cash equivalents	183	-8	-80			
Cash and cash equivalents, 1 January	84	164	164			
Cash and cash equivalents *)	267	156	84			

*) In addition, the company has NOK 254 million in long-term bank deposits for future platform abandonment

balance sheet NOK million

Assets	31.03.2003	31.03.2002	31.12.2002
Intangible assets	135.1	147.9	142.1
Tangible assets	1,426.6	1,453.4	1,379.5
Long-term investments	268.5	474.8	255.9
Fixed assets	1,830.2	2,076.1	1,777.4
Inventory	7.7	11.9	9.1
Receivables	252.1	232.6	171.1
Short-term investments	14.8	0.1	0.0
Cash and cash equivalents	266.6	155.9	83.8
Current assets	541.3	400.5	263.9
Total assets	2,371.5	2,476.5	2,041.3

Shareholders' equity and liabilities

Shareholders' equity	1,020.7	961.6	901.9
Interest-bearing long-term liabilities	579.4	738.2	561.1
Provisions for liabilities and charges	382.3	553.3	345.8
Total long-term liabilities	961.7	1,291.5	907.0
Other current liabilities	389.0	223.4	232.4
Total current liabilities	389.0	223.4	232.4
Total shareholders' equity and liabilities	2,371.5	2,476.5	2,041.3

Changes in shareholders' equity Group	2003 01.01-31.03	2002 01.01-31.03	2002 01.01-31.12
Shareholders' equity 1 January	901.9	941.7	941.7
Conversion, bond loan	-	-	-
Purchase/sale of treasury shares	15.3	-4.5	-0.7
Issuance of shares	-	-	33.9
Options, employees and key personnel	-	-	-
Other	-1.5	-	0.3
Profit/loss for the period	108.4	24.5	-76.6
Minority interests	-3.3	-	3.3
Shareholders equity	1,020.7	961.6	901.9



address

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

Phone: +47 23 23 84 80
Fax: +47 23 23 84 81
Email: dno@dno.no