

DNO INTERNATIONAL ASA

FINANCIAL MATTERS

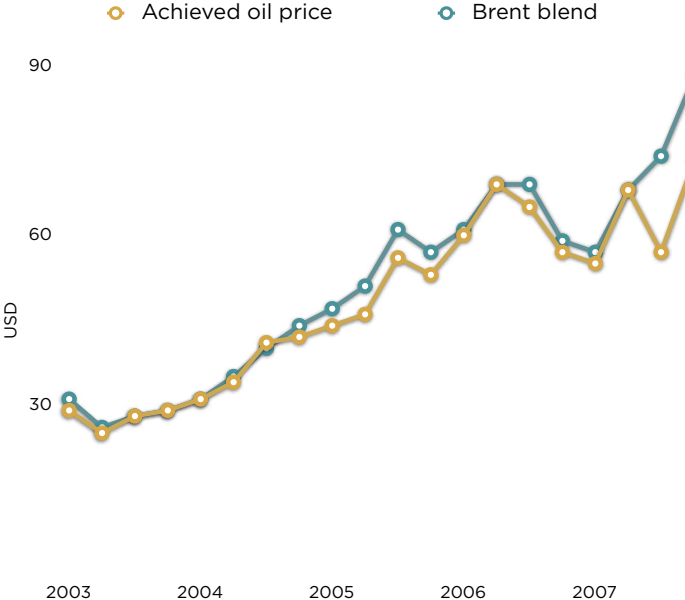


VALUE CREATION

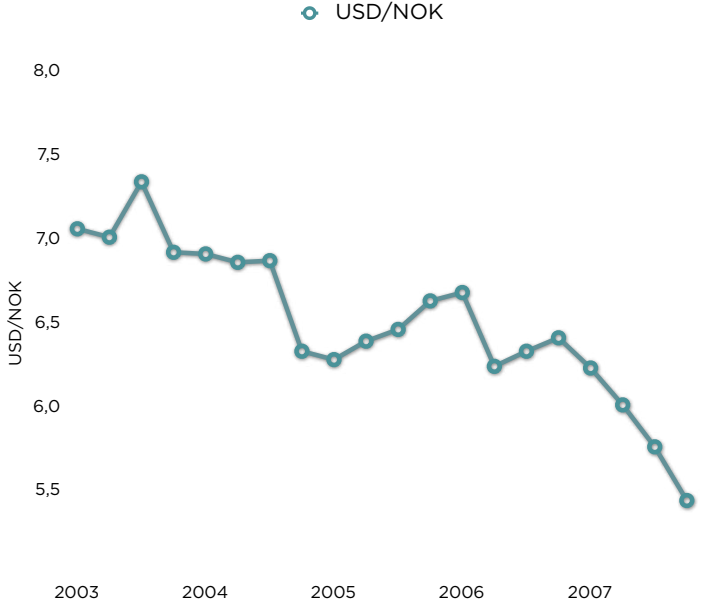


OUR FINANCIAL ENVIRONMENT

OIL PRICES

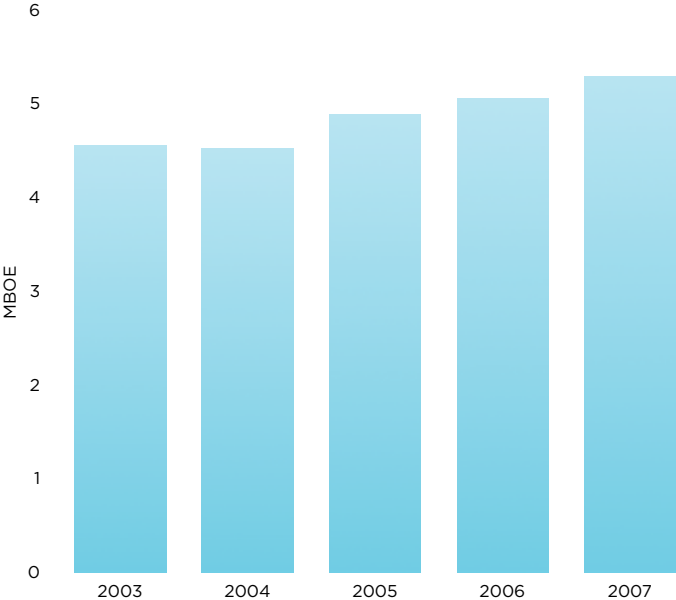


EXCHANGE RATES

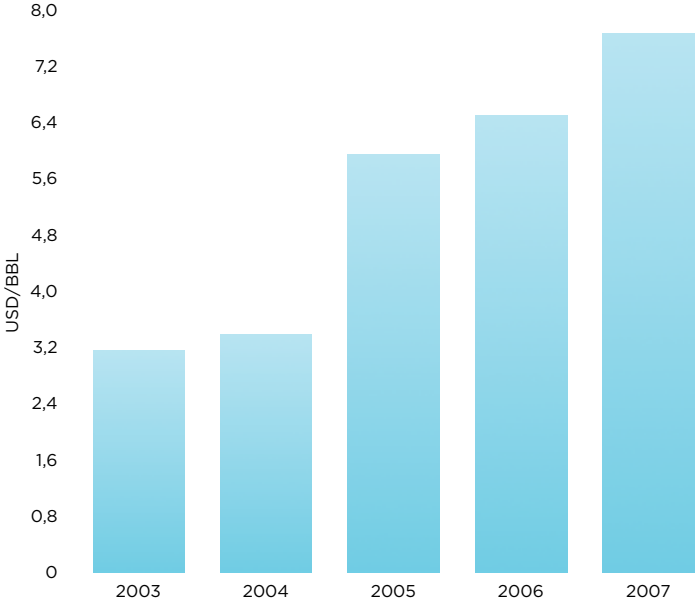


STABLE, HIGH MARGIN PRODUCTION

PRODUCTION

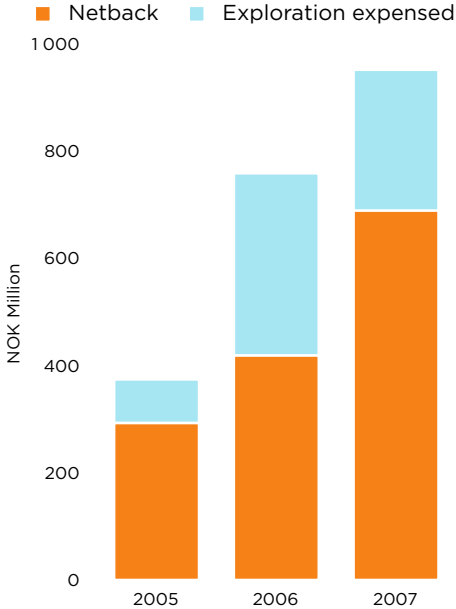


LIFTING COST

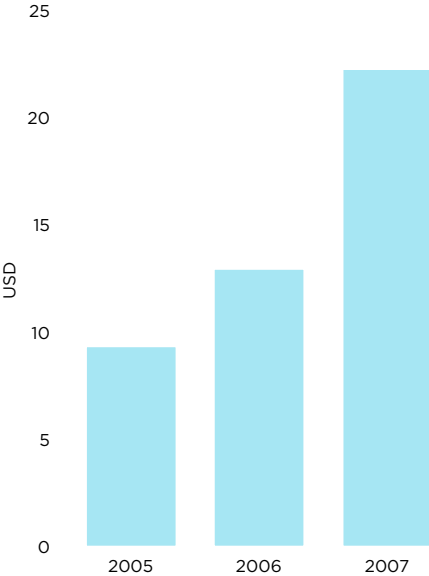


STRONG CASH FLOW GENERATION

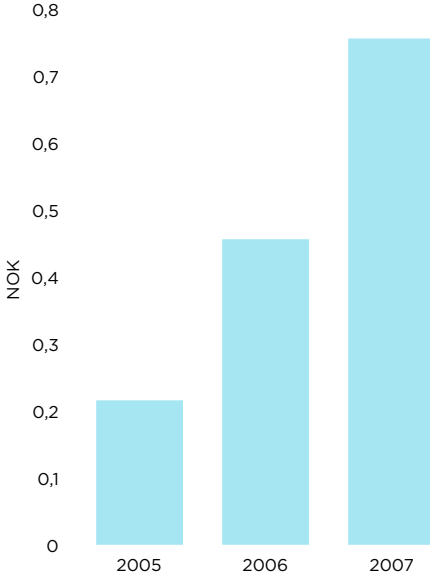
NETBACK



NETBACK PER BARREL

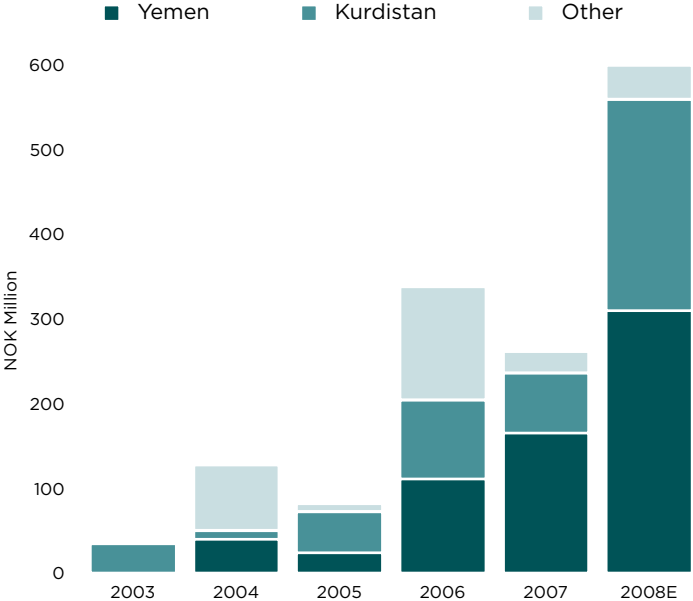


NETBACK PER SHARE

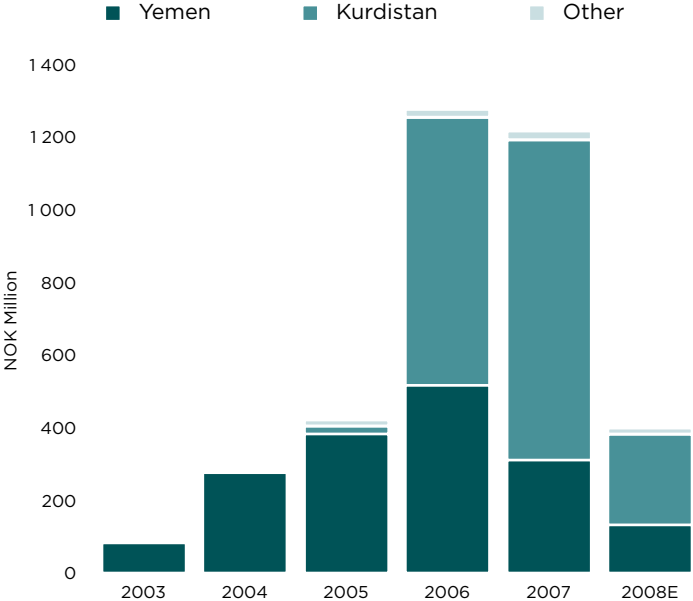


TRANSFORMING RESOURCES TO RESERVES

EXPLORATION EXPENDITURE



CAPEX

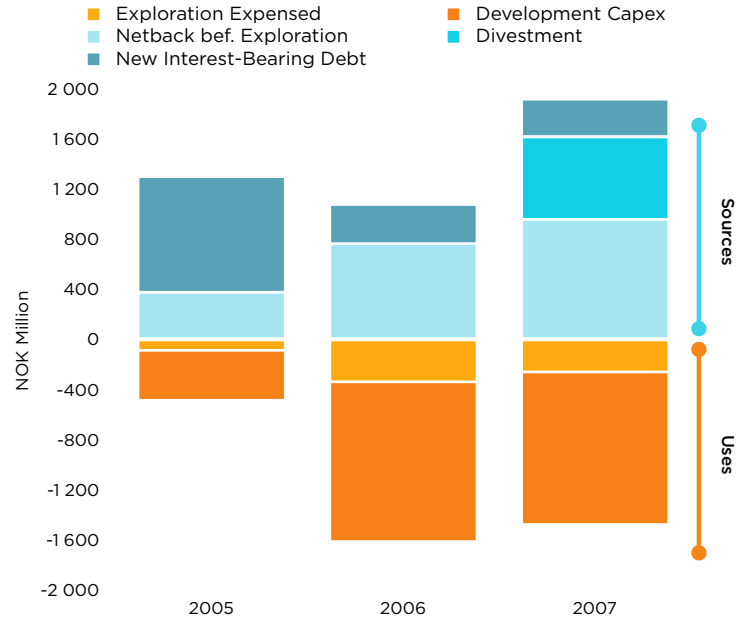


CASH FLOW FUNDING

GROWTH IN NETBACK SUPPORTS INVESTMENT PROGRAM

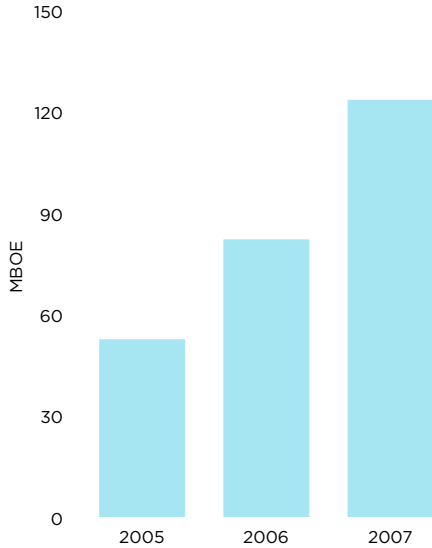
- Netback before exploration covered 64% of total 2007 investments
- Netback before exploration covered expensed exploration by 3,6x in 2007

SOURCES AND USES OF CASH



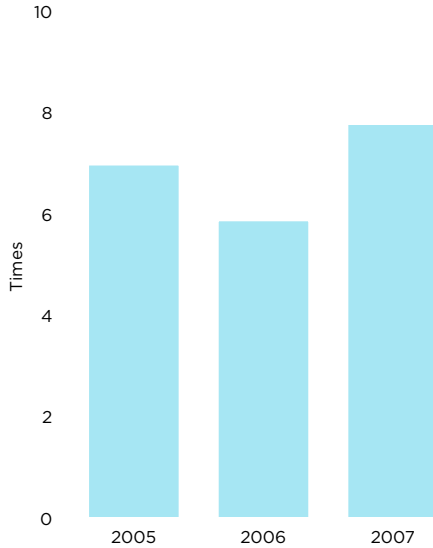
BUILDING VALUE THROUGH EXPLORATION

CLASS 1-5 RESERVES*

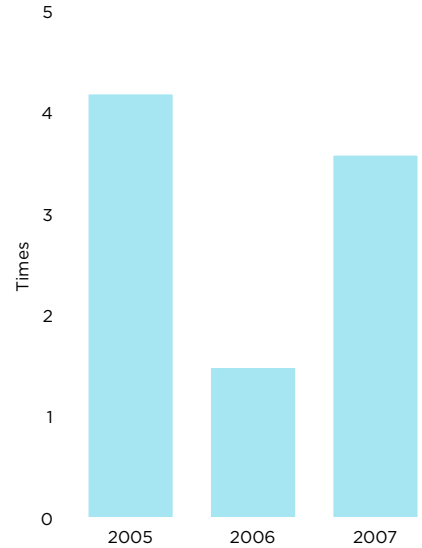


*Continued operations, excluding associated reserves

RESERVE REPLACEMENT



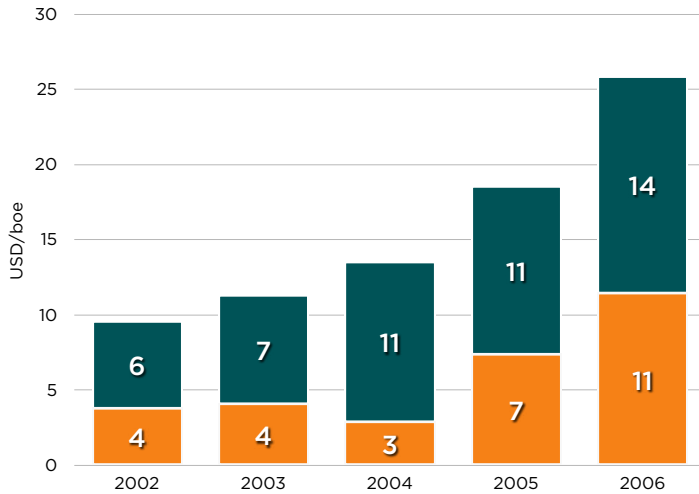
RECYCLE RATIO



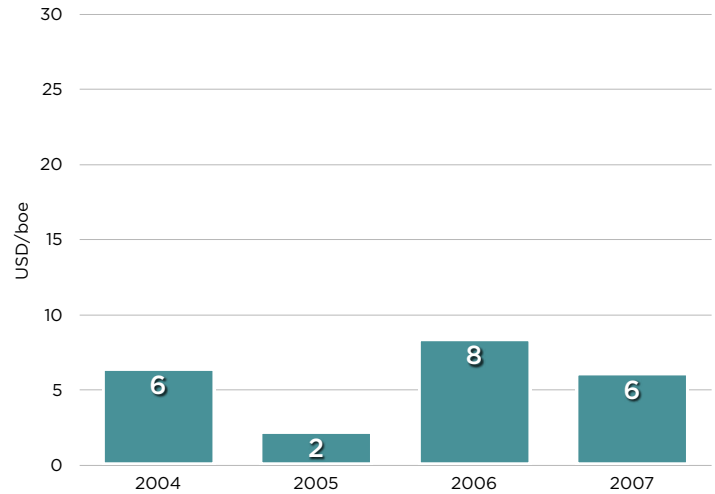
FINDING RESERVES AT LOW COST

INDUSTRY FD&A COST

■ Proved acquisition Cost ■ Finding and development cost



DNO ANNUAL AVERAGE FD&A COST

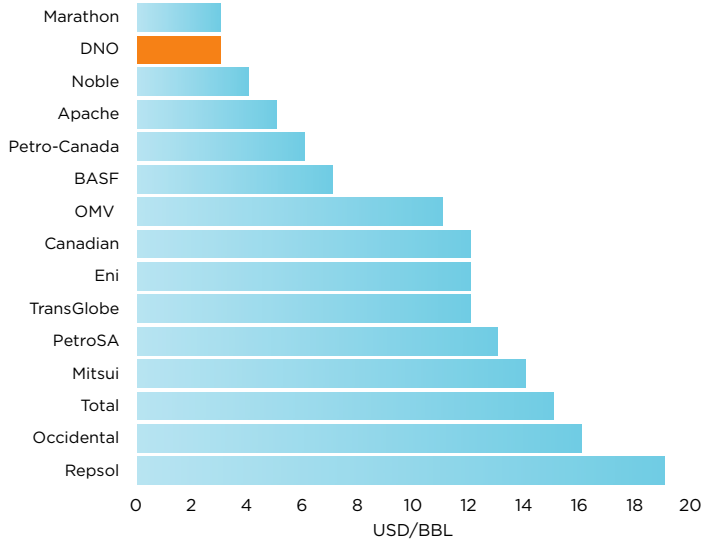


Source: J. S. Herold

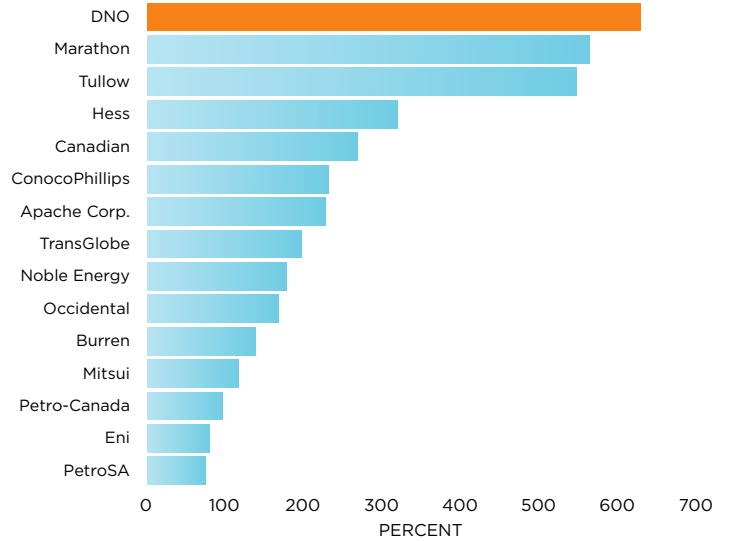


HIGHLY RANKED IN THE MIDDLE EAST

3-YEAR F&D COST (2004-06)



3-YEAR RESERVE REPLACEMENT (2004-06)



Source: J. S. Herold



TAXATION AND PSA'S



HOW PSA'S WORK

PRODUCTION SHARING

- Royalty
 - A fixed percentage
- Cost oil (Cost recovery)
 - All recoverable cost is allocated to the cost oil
 - Cost oil shared among the paying partners
- Production Sharing Oil - Profit oil
 - Profit oil is shared between the ministry and the partners
 - Production - Royalty - Cost oil = Profit oil
 - Government take share of oil going to MOM & TYC in Yemen (KRG in Kurdistan)
- Portion of non recoverable cost may vary

EXAMPLE YEMEN PSA

Total production of oil							
100 %							
Net production of oil			Royalty				
1-X %			X %				
Cost oil		Profit oil					
Maximum 50 %		Net production of oil - Cost oil					
Other	DNO	MOM	Partner				
33.33 %	66.66 %	70 %	30 %				
<table border="1"> <tr> <td>TYC</td> <td>Contractors</td> </tr> <tr> <td>15 %</td> <td>85 %</td> </tr> </table>				TYC	Contractors	15 %	85 %
TYC	Contractors						
15 %	85 %						
<table border="1"> <tr> <td>Other</td> <td>DNO</td> </tr> <tr> <td>33.33 %</td> <td>66.66 %</td> </tr> </table>				Other	DNO	33.33 %	66.66 %
Other	DNO						
33.33 %	66.66 %						

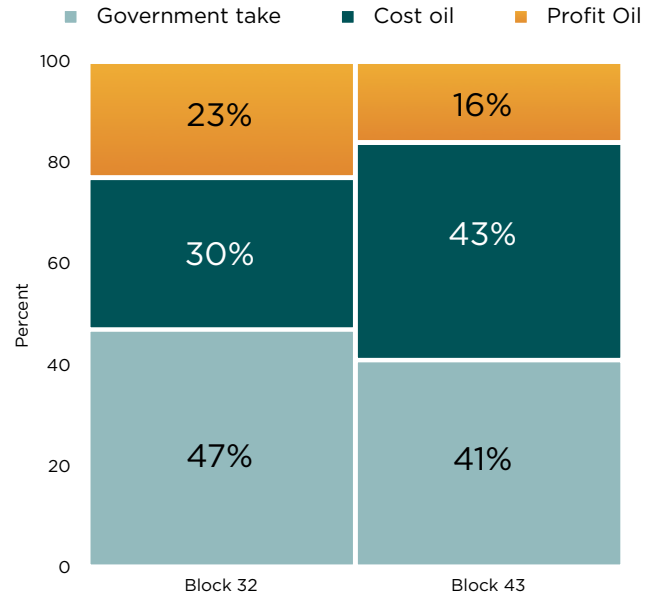


PSA EXAMPLE

PRODUCTION SHARING

Distribution of production		Contractors	DNO's share
Production	100 %	100,00	
- Royalty	3 %		
= Net production of oil	97 %		
Cost oil to contractors	50 %	48,50	32,33
Profit oil (100 %-3 %-cost oil)	50 %	48,50	
- MOM	70 %	33,95	
= Profit to oil partners		14,55	
- TYC	15 %	2,18	
Profit oil to contractors		12,37	8,25
Total to partners/DNO		60,87	40,58

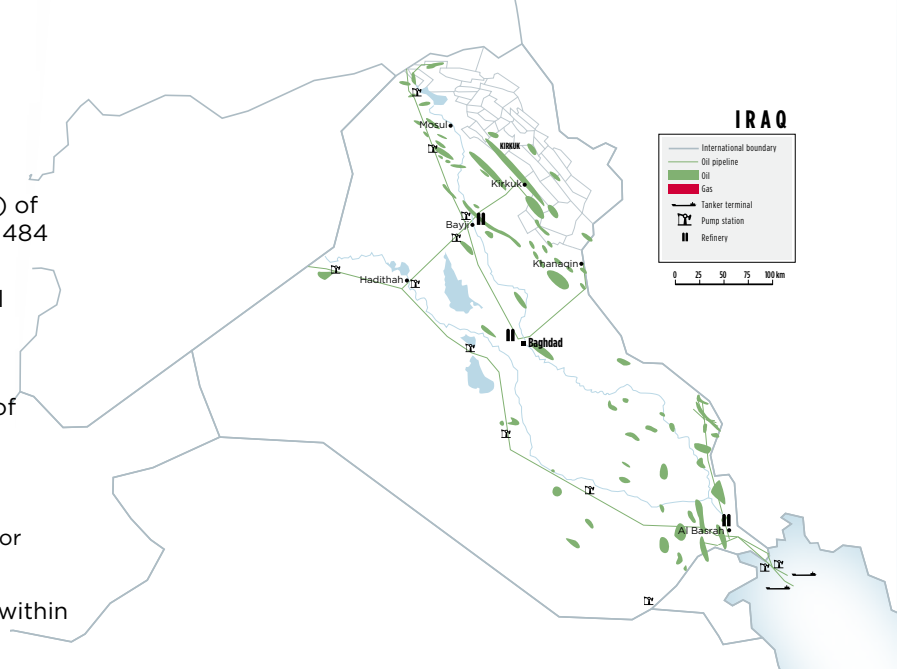
COST OIL AND PROFIT OIL IN YEMEN



DNO PSA'S IN THE KURDISTAN REGION OF IRAQ

PRODUCTION SHARING AGREEMENTS

- Royalty
 - Royalty rate at 10%
- Cost oil (Cost recovery)
 - DNO will be entitled to 60% (net of royalty) of the revenues up to a gross revenue of USD 484 million from the Tawke oil field
 - Thereafter standard cost recovery rates will apply
- Profit Oil
 - "R" Factor applied to determine the share of profit crude oil to which the contractor is entitled.
 - "R" Factor calculated as $R=X/Y$
 - X: Cumulative revenues received by contractor
 - Y: Cumulative costs incurred by contractor
 - Contractor share of profit crude oil ranges within defined "R" Factor levels



WORKING INTEREST AND NET ENTITLEMENT

WORKING INTEREST AND NET ENTITLEMENT

- Working interest
 - Working interest of total oil produced (net of royalty) presented as revenue, and the corresponding government take presented as income tax expense
- Net entitlement
 - Only working interest of oil produced, after deduction of government take, is presented as revenue
 - The part of the government take assigned to cover DNO's corporate tax, is not deducted from revenue

WORKING INTEREST VS. NET ENTITLEMENT

- Working interest provides a more complete view of the economic flows in total production under a PSA
- Working interest provides better comparability between different fiscal regimes

WORKING INTEREST VS NET ENTITLEMENT

Working Interest	Contractors	DNO's share
Profit oil + Cost oil	60.87	40.58
+ Government take	36.13	24.09
= WI Income	97.00	64.67
- Cost oil	48.50	32.33
= WI P&L before tax	48.50	32.33
- Tax (Government take)	36.13	24.09
Profit	12.37	8.25

Net entitlement	Contractors	DNO's share
Profit oil + Cost oil	60.87	40.58
+ Company tax	6.66	4.44
= NE Income	67.53	45.02
- Cost oil	48.50	32.33
= NE P&L before tax	19.03	12.69
- Company tax	6.66	4.44
Profit	12.37	8.25



SUMMARY

BUILDING VALUE THROUGH EXPLORATION AND DEVELOPMENT

- Strong organic growth in reserves and production capacity
- Sector leading reserve economics
- Continuing extensive exploration program

SOLID FINANCIAL PERFORMANCE

- High margin production providing increasing cash flow



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