INTERIM REPORT SECOND QUARTER

2006

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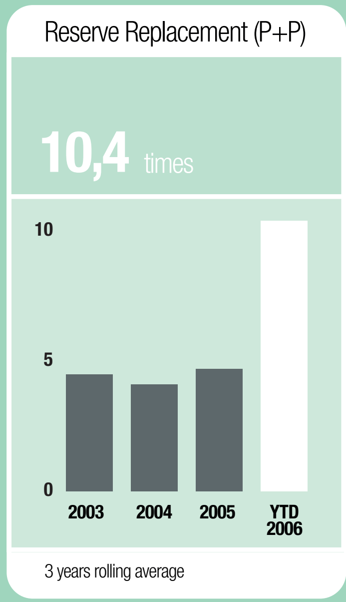
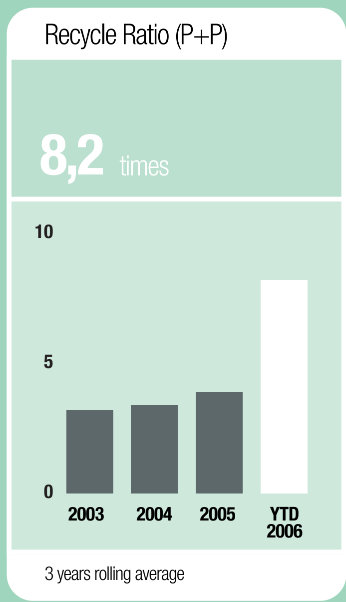
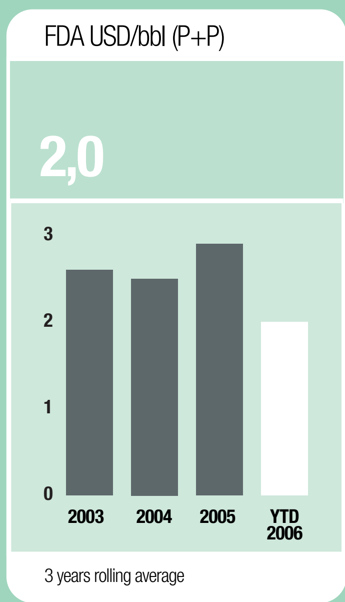


Reserve Replacement (P+P)
10,4 times
10
5
0
2003
2004
2005
YTD 2006
3 years rolling average



Recycle Ratio (P+P)
8,2 times
10
5
0
2003
2004
2005
YTD 2006
3 years rolling average



FDA USD/bbl (P+P)
2,0
3
2
1
0
2003
2004
2005
YTD 2006
3 years rolling average

INTERIM REPORT SECOND QUARTER 2006

DNO is an independent international upstream oil and gas company. DNO's main objective is sustainable growth and value creation through smart exploration, cost effective field development and high margin production. DNO's current license portfolio is located in three geographic segments: Northern Europe, Middle East and Africa. DNO is committed to conduct its activities in a socially, environmentally and economically responsible manner.

Highlights for the Second Quarter 2006

During the second quarter, DNO's exploration led strategy again provided significant organic reserve growth as our proven and probable reserves (working interest) increased by 40 percent. Since year-end 2005, successful exploration and appraisal drilling has increased these reserves by close to 100 percent. We had high exploration activity in the second quarter, both through seismic data acquisition and an extensive drilling program, in accordance with our stated strategy of continued low cost, focused exploration.

Financials

DNO continued its solid financial performance and generated a strong operating profit and netback in the second quarter of 2006.

The operating revenues increased to NOK 359 million in the second quarter 2006, up from NOK 163 million in the second quarter of 2005. In the first six months, the operating revenues were NOK 774 million, an increase of more than 141 percent compared to the same period of 2005.

Netback from producing assets remains strong, somewhat offset by lower production in the second quarter compared to the first quarter of 2006. In the second quarter 2006, DNO's netback from producing assets was NOK 217 million compared with NOK 106 million in the second quarter 2005. Netback from producing assets increased to NOK 495 million in the first six months of 2006, increasing 105 percent from the first half of 2005

After NOK 111 million in exploration was expensed, DNO achieved an operating profit of NOK 132 million in the second quarter, compared with NOK 12 million in the same period in 2005. In the same period DNO delivered net profit of NOK 75 million, up from a loss of NOK 22 million in the second quarter of 2005.

Year to date the operating profit increased to NOK 197 million, from NOK 82 million in the first half of 2005. Net profit in the same period was NOK 46 million compared to NOK 129 million in the first six months of 2005. The total exploration cost year to date was NOK 328 million of which NOK 182 million was expensed as dry well costs.

Operations

Building on early success in Northern Iraq
- successfull testing of first exploration well
Preliminary evaluation of the positive test results on Tawke #1 indicates gross recoverable oil reserves of approximately 100 million barrels for the shallower Tawke reservoir intervals, hereof 40 millions to DNO. Tawke #1 has now been suspended and preserved as a potential future oil producer.

Both Tawke #1 and Tawke #1A each confirmed an oil flow of 5,000 barrels per day in one of the shallower resevoirs. Based on these positive results, DNO is currently preparing a fast-track development for test production commencing first quarter of 2007.

High exploration and development activity in Yemen
DNO's extensive exploration and development program in Yemen continued in the second quarter, including drilling of several exploration and appraisal wells and acquisition of seismic data.

In Block 32, the Godah #2 appraisal well was successfully drilled and tested to evaluate the extent of the oil accumulation found at the Godah #1 exploration well. The discovery has confirmed the presence of oil at commercial rates and the field will be tied back to Tasour main facilities in the fourth quarter of 2006.

In Block 43, initial testing of Nabrajah #9 and #10 has been completed, commercial flow rates were however not confirmed. The test results will be further evaluated and additional testing may be undertaken at a later stage. The drilling of the appraisal well Nabrajah #11 was completed. Testing of the well is ongoing.

Preparing for increased exploration
and appraisal drilling in Norway
In the second quarter, the main focus in the North Sea has been on preparation for drilling of three exploration wells operated by DNO, starting early 2007. A DNO operated, 500 km2, seismic 3D acquisition in PL356 was finalised, and DNO participated in 3D acquisition operations in PL332 and PL334. DNO finalised one and initiated two EM - SBL (Sea Bed Logging Surveys).

Outlook

The estimated daily production for 2006 has been revised to 15 000 boe per day, mainly due to lack of new production from Nabrajah basement. DNO estimates that the exit rate of production at the end of the year will be approximately 15 000 boe per day.

DNO expects to participate in a total of 28 wells in 2006, of which 17 are exploration wells. The reduction of exploration wells from the previous estimate of 22, is due to reclassification from exploration to appraisal wells (mainly in Yemen).

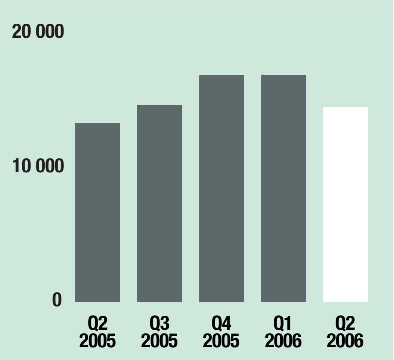
KEY OPERATIONAL AND FINANCIAL DATA

	Quarterly Results					Year to date	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**
Working Interest [1)]							
Working interest production (mboe)	1,317	1,520	1,552	1,350	1,212	2,837	2,479
Working interest production per day (boe)	14 470	16 893	16 870	14 672	13 322	15 675	13 694
EBITDA *	375,5	303,5	310,9	275,4	198,9	679,0	443,2
EBITDA *, (USD/bbl)	45,72	29,90	30,22	31,56	25,67	37,07	28,21
Net Entitlement [2)]							
Net entitlement production (mboe)	0,834	1,033	0,890	0,817	0,712	1,865	1,461
Net entitlement production per day (boe)	9 163	11 481	9 679	8 879	7 819	10 303	8 074
EBITDA *	167,6	107,8	76,0	72,7	43,0	275,4	145,3
EBITDA *, (USD/bbl)	32,23	15,63	12,87	13,76	9,45	22,87	15,68
Key Figures Independent of Presentation Method							
Achieved sales price, (USD/bbl)	69,01	60,17	53,55	58,84	48,70	64,28	46,21
Lifting cost, (USD/bbl)	7,61	7,80	7,20	8,29	5,79	7,74	6,15
DD&A, (USD/bbl)	4,29	4,16	4,34	4,00	3,98	4,23	3,95
Netback *	78,4	79,2	73,4	-17,2	-0,1	157,6	108,2
Acquisitions and development cost	174,8	149,5	158,6	192,1	128,5	324,3	195,1
Exploration cost expensed	110,8	216,8	50,2	44,7	44,6	327,6	65,6

* Including asset sale proceeds

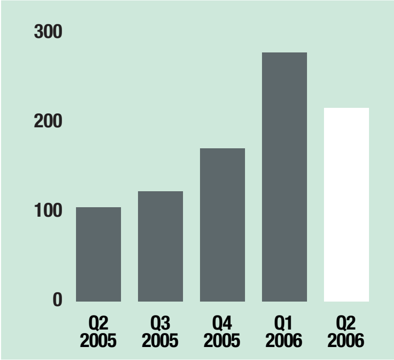
1) Key data calculated on the basis of Working Interest method
2) Key data calculated on the basis of Net Entitlement method

Working Interest Production



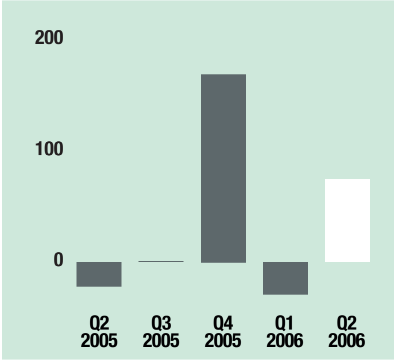
per day (boe)

Netback Producing Assets



NOK million

Net Profit / (Loss)



NOK million

CONDENSED TABLES

In the financial statements, DNO presents its operations governed by Production Sharing Agreements (PSAs) according to the net entitlement method. The Result of Operations table and related tables in the MD&A part of the interim report are based on the working interest method.

For a full discussion on PSAs, net entitlement and working interest, see the interim report for fourth quarter and full year 2005.

INCOME STATEMENTS - NET ENTITLEMENT

	Quarterly Results					Year to date	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**
Sales *	359,0	415,1	242,6	229,5	162,8	774,0	320,6
Cost of goods sold	-98,3	-122,0	-119,6	-107,5	-76,0	-220,3	-159,2
Gross profit	260,6	293,1	123,0	122,0	86,9	553,8	161,4
Gross margin %	72,6 %	70,6 %	50,7 %	53,2 %	53,3 %	71,5 %	50,4 %
Profit / (loss) from operating activities	131,5	65,3	36,8	37,7	11,5	196,8	82,2
Profit / (loss) before income tax expenses	112,5	-1,3	84,4	43,2	31,9	111,1	157,9
Income tax expenses	-37,4	-27,8	84,6	-42,4	-53,6	-65,2	-28,7
Net profit/ (loss)	75,0	-29,1	169,0	0,8	-21,7	45,9	129,2

* Sales based on net entitlement, for more details see the general description of MD&A

RESULT OF OPERATIONS

	Quarterly Results					Year to date	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**
Sale of petroleum products *	566,9	610,8	551,1	513,4	377,4	1 177,6	726,0
Net profit - Result of Operations	181,4	236,3	126,8	88,2	74,7	417,7	179,1
EBITDA producing assets	491,8	519,0	463,2	430,8	323,3	1 010,8	609,9
Netback producing assets	216,7	278,5	171,4	123,1	105,5	495,2	241,2

* Sales based on working interest

BALANCE SHEET STATEMENTS

	Quarterly Results					Year to date	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**
Non-current assets	1 552,8	1 453,0	1 299,4	1 062,1	820,1	1 552,8	820,1
Current assets	1 347,5	1 480,6	1 680,4	1 235,8	1 296,1	1 347,5	1 296,1
Net assets discontinued operations	-	-	-	-	-	-	-
Total assets	**2 900,4**	**2 933,7**	**2 979,8**	**2 297,9**	**2 116,2**	**2 900,4**	**2 116,2**
Equity	773,8	787,4	967,4	691,9	584,6	773,8	584,6
Non-current liabilities	1 702,2	1 697,8	1 537,4	1 000,8	971,0	1 702,2	971,0
Current liabilities	424,4	448,5	475,0	605,2	560,5	424,4	560,5
Equity and liabilities	**2 900,4**	**2 933,7**	**2 979,8**	**2 297,9**	**2 116,2**	**2 900,4**	**2 116,2**

CASH FLOW STATEMENTS

	Quarterly Results					Year to date	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**
Net cash from operating activities	50,1	106,7	44,1	51,5	-14,8	156,8	3,4
Net cash used in investing activities *	39,1	-329,1	-452,4	-219,2	-94,9	-290,0	-135,4
Net cash (used in)/ from financing acts	0,8	-54,5	432,7	94,8	316,7	-53,7	454,7
Net increase/ (decrease) in cash	**90,1**	**-276,9**	**24,5**	**-72,9**	**207,0**	**-186,8**	**322,7**
Cash at beginning of period	783,6	1 081,5	1 056,4	1 135,9	894,6	1 081,5	747,8
Exchange gain/ (losses) on cash	-43,9	-21,0	0,5	-6,6	34,3	-64,9	65,4
Cash at end of period	**829,8**	**783,6**	**1 081,5**	**1 056,4**	**1 135,9**	**829,8**	**1 135,9**

* Sale of financial assets (money market funds) in Q2 2006 contributed with NOK 217 million in proceeds.

GENERAL INFORMATION

International Financial Reporting Standards (IFRS)
DNO's financial accounts are with effect from January 1, 2005 prepared in accordance with International Financial Reporting Standards.

The second quarter 2006 interim report has been prepared in accordance with IAS 34 (Interim Financial Reporting) and IFRS standards issued and effective at date of reporting.

Working Interest / Net Entitlement Presentation
The working interest method is used in the MD&A and in the operational reviews (Result of Operations). The net entitlement method is for the mandatory financial statements only, including the explanatory notes. For further descriptions, see Interim Report Fourth Quarter and full year 2005.

Business Structure
In order to monitor and assess performance based on differences in risk and geography, as well as securing management focus, DNO's petroleum activities are organized in the geographic segments Northern Europe, Middle East and Africa.

As per May 2006

Managing Director Helge Eide

CFO Haakon Sandborg
Number of staff: 8

QHSE Manager:
Ole-Andreas Isdahl

Northern Europe
EVP Roar Tessem
Number of staff: 30

Yemen
EVP Sven-Erik Lie
Number of staff: 160

Northern Iraq
EVP Magne Normann
Number of staff: 25

Africa
EVP Ole Nygaard
Number of staff: 2

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Analysis and tables included in the MD&A section of this report are based on the working interest method. For more details, see General Information Section.

The MD&A is split in two main sections; 1) Operational Information and 2) Corporate Financial Information.

Operational Information covers the following analysis:
· Result of Operations Producing Assets
· Investments Incurred in Oil and Gas Activities
· Investment Efficiency and Reserve Economics

The analysis of operational information in the MD&A provides details on DNO's performance within the following key value chain activities: Exploration and Discovery, Development and Production.

The section on result of operations provides information on performance of DNO's assets in production, whereas the sections on investments and reserve economics provides details on value creation generated from exploration and investment activities.

Corporate Financial Information covers other information relevant to the Group's accounts that is not covered in the analysis of operational information.

SUMMARY PER SEGMENT

Middle East

Northern Iraq

The testing of the first well in Northern Iraq confirmed the reserves in the Tawke area, and we have increased our gross recoverable oil reserves by 40 million barrels in the second quarter. A second exploration well named Tawke #1A has also been drilled and testing of Tawke #1A will be undertaken in all shallower reservoir intervals.

Both Tawke #1 and Tawke #1A each confirmed an oil flow of 5,000 barrels per day in one of the shallower resevoirs. Based on these positive results, DNO is currently preparing a fast-track development for test production commencing first quarter of 2007.

Further exploration and appraisal drilling is required to determine the full potential of the Tawke structure, and a 3D seismic campaign has been carried out in the second quarter. Our plan is now to complete the testing of Tawke #1A, drill Tawke #2 appraisal well and Tawke #3 exploration welll in another area of the licence. We have also started drilling of Khanke #1 on another prospect, and we will continue further exploration drilling in other areas of the PSAs.

Yemen

The production in the first six months of 2006 increased by 21 percent compared to the same period in 2005. The increase in production is lower than expected, primarily due to lack of new production from Nabrajah basement (Block 43). Commissioning of increased water handling capacity and gas injection facilities is currently ongoing.

In Block 32, the Godah #2 appraisal well was successfully drilled and tested to evaluate the extent of the oil accumulation found at the Godah #1 exploration well. The discovery has confirmed the presence of oil at commercial rates. The first oil production from Godah (Block 32) is expected in the fourth quarter. The Godah reserves will be reported based on new 3D seismic data, new wells and production information.

The Tasour #21 delineation well was also drilled and completed as a production well. In addition to development/appraisal drilling at Godah and Tasour, the Block 32 Joint Venture Group plans to drill additional infill and exploration wells during the second half of 2006.

Drilling of the first exploration well Alkhoon #1 in Block 44 encountered minor oil shows in the Qishn sandstone reservoir, which could indicate the basin to work as a hydrocarbon system. DNO is close to completing the acquisition and processing of 258 km of 2D seismic to upgrade the mapping of several prospects and leads in this area. Further exploration drilling in Block 44 is planned for the first quarter of 2007.

Drilling is ongoing in Block 53 at the Bayoot prospect close to Sharyoof, and pending the result of the testing, a future drilling programme will be decided.

On Block 43, drilling of the appraisal well Nabrajah #11 was completed. Testing of the well is ongoing. In addition, 3D seismic has been collected and the new data will be evaluated in preparation for further drilling. DNO will drill one exploration well on another part of Block 43, before new wells will be drilled within Nabrajah.
Following the results of the Nabrajah #5 well, the gross combined reserves for Nabrajah Field were estimated to 68 million barrels, equivalent to 44 million barrels net to DNO (working interest). DNO's partner Oil Search Ltd. has published reserve figures substantially lower than DNO's figures, based on independent engineering report commissioned by Oil Search. Reserve estimates undertaken by independent engineers on behalf of DNO do not deviate materially from DNO's figures applying a recovery factor of 35 % for Basement. Based on more production history, drilling results and the seismic evaluation, DNO will revise the Nabrajah reserves by year-end 2006.

Total exploration cost expensed for the Middle East business segment was NOK 67 million in the second quarter, compared to NOK 18 million in the previous quarter. The increase is due to preparation for drilling and acquisition of seismic data in Yemen.

Northern Europe

Norway

The production from the Glitne field has been fairly stable in the second quarter of 2006 without major interruptions. Startup of the Enoch field where DNO has an interest of 10 %, has been delayed from fourth quarter 2006 until first quarter 2007.

The main focus in the North Sea during the second quarter of 2006 has been on preparation for drilling of three exploration wells starting early 2007 in PL305 (Lie), PL341(Thorkildsen) and PL001. A DNO operated 3D seismic acquisition in PL356 was finalised, and DNO participated in 3D acquisition operations in PL332 and PL334. In addition, DNO finalised one and initiated two Electro Magnetic and Sea Bed Logging Surveys in the second quarter. DNO will participate in drilling of exploration wells on Goliat and Zita in the second half of 2006.

The total exploration cost expensed for the Northern Europe business segment was NOK 40 million in the second quarter, compared to NOK 197 million in the first quarter (dry wells at Jaguar(UK) and Hummer(PL143)), and NOK 22 million in the second quarter of 2005.

Africa

Equatorial Guinea

At Block P in Equatorial Guinea preparations have started for the third well in the block. The second well proved hydrocarbons and the plan is to drill two appraisal wells in the near future. The result of these two wells will indicate if the prospect is commercial.

OPERATIONAL INFORMATION

Result of Operations (RoO) Producing Assets

Result of operations is a measure of the efficiency of the company's producing assets. Result of operations include revenues and expenses associated directly with the Group's crude oil and natural gas producing activities. Taxes paid is calculated on a field by field basis, based on the effective tax rate for the operations on the NCS, and based on actual tax payments for the operations in Yemen. Result of operations does 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 is not necessarily comparable to the consolidated profit after tax.

Second Quarter Highlights - Result of Operations Producing Assets

- Continued strong EBITDA and Netback from DNOs operations.
- The higher oilprice contributed to increased sales revenues but was offset by reduced production and strengthening of NOK vs. USD.
- The increase in production is lower than expected, primarily due to lack of new production from Nabrajah basement (Block 43).

RESULT OF OPERATIONS PRODUCING ASSETS

	Quarterly Results					Year to date	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**
Sale of petroleum products	566,9	610,8	551,1	513,4	377,4	1 177,6	726,0
Lifting costs	-62,5	-79,2	-74,1	-72,3	-44,9	-141,7	-96,6
DD&A	-35,3	-42,2	-44,6	-34,9	-30,8	-77,5	-62,0
Transportation and other	-12,5	-12,5	-13,9	-11,3	-9,5	-25,1	-18,5
Exploration costs	-	-	-	1,0	0,2	-	-1,0
Result of operations before taxes	**456,5**	**476,9**	**418,5**	**395,9**	**292,5**	**933,4**	**547,9**
Taxes paid	-275,1	-240,5	-291,7	-307,6	-217,8	-515,7	-368,8
Result of operations after taxes	**181,4**	**236,3**	**126,8**	**88,2**	**74,7**	**417,7**	**179,1**

OTHER KEY RESULT OF OPERATIONS DATA

	Quarterly Results					Year to date	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**
Working interest production (mboe)	1,317	1,520	1,552	1,350	1,212	2,837	2,479
Achieved sales price (USD/bbl)	69,01	60,17	53,55	58,84	48,70	64,28	46,21
Average lifting cost (USD/bbl)	7,61	7,80	7,20	8,29	5,79	7,74	6,15
Average DD&A (USD/bbl)	4,29	4,16	4,34	4,00	3,98	4,23	3,95
EBITDA producing assets	491,8	519,0	463,2	430,8	323,3	1 010,8	609,9
Netback producing assets	216,7	278,5	171,4	123,1	105,5	495,2	241,2
RoO tax rate (%)	60,3	50,4	69,7	77,7	74,5	55,2	67,3

SALE OF PETROLEUM PRODUCTS

Sale of petroleum products is calculated on the basis of working interest production.

	Quarterly Results					Year to date	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**
Northern Europe	40,9	37,0	42,5	39,2	45,3	77,9	85,3
Middle East	526,0	573,7	508,6	474,2	332,1	1 099,7	640,7
Sale of Petroleum Products	**566,9**	**610,8**	**551,1**	**513,4**	**377,4**	**1 177,6**	**726,0**

The decrease in revenues from sale of petroleum products in the second quarter is mainly due to lower production and unfavourable development in the USD/NOK exchange rate, somewhat offset by higher oilprices (see details in sales variance analysis table below) compared to the first quarter.

SALES 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 Q1 2006 - Q2 2006	Variation Q2 2005 - Q2 2006
Sale of Petroleum Products	**610,8**	**377,4**
Change in production volume	-81,8	32,5
Change in crude oil price	77,7	170,9
Change in USD/NOK	-39,8	-14,0
Sale of Petroleum Products	**566,9**	**566,9**

PRODUCTION

The table reflects DNO's working interest production.

	Quarterly Results					Year to date	
(Mboe)	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q2 2006	Q2 2005
Northern Europe	0,100	0,097	0,119	0,107	0,152	0,197	0,294
Middle East	1,217	1,423	1,433	1,243	1,060	2,641	2,184
Total production	**1,317**	**1,520**	**1,552**	**1,350**	**1,212**	**2,837**	**2,479**

In Yemen, the production in the second quarter was reduced compared with the first quarter. At Nabrajah, two wells have been shut down due to limitations in water handling capacity. Workover at a third well is ongoing. Limitation in water handling capacity has also been a constraining factor at the Tasour field due to pump availability.

The sale of oil is reduced by diesel consumption (approx 12,000 barrels of oil per month) at the Tasour field and has been adjusted in the second quarter. The cost of goods sold has been reduced accordingly.

CRUDE OIL PRICES

	Quarterly Results					Year to date	
(USD/bbl)	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q2 2006	Q2 2005
Northern Europe	65,76	57,21	53,66	56,46	46,60	61,38	45,74
Middle East	69,28	60,37	53,55	59,04	49,01	64,50	46,28
Total achieved sales prices	**69,01**	**60,17**	**53,55**	**58,84**	**48,70**	**64,28**	**46,21**
Achieved sales prices net of oil price hedging contracts	69,01	60,17	46,41	49,53	41,13	64,28	39,38
Europe Brent Spot Prices	**69,48**	**61,71**	**57,02**	**61,29**	**51,56**	**65,60**	**49,55**
OPEC Countries Spot Prices	**64,98**	**58,10**	**52,94**	**57,20**	**47,73**	**61,54**	**45,27**

LIFTING COST

NOK million	Quarterly Results Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Year to date Q2 2006	Q2 2005
Northern Europe	12,9	12,6	15,0	14,4	13,9	25,5	27,7
Middle East	49,7	66,6	59,1	58,0	30,9	116,2	68,9
Total lifting cost	**62,5**	**79,2**	**74,1**	**72,3**	**44,9**	**141,7**	**96,6**

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

(USD/bbl)	Quarterly Results Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Year to date Q2 2006	Q2 2005
Northern Europe	20,70	19,52	18,96	20,73	14,34	20,09	14,83
Middle East	6,54	7,00	6,22	7,21	4,56	6,82	4,98
Total lifting cost (USD/bbl)	**7,61**	**7,80**	**7,20**	**8,29**	**5,79**	**7,74**	**6,15**

The reduction in lifting costs per barrel in the Middle East segment is due to reduced leasing costs at Nabrajah, and reduced diesel consumption at the Tasour field.

DEPRECIATION, DEPLETION AND AMORTISATION (DD&A)

NOK million	Quarterly Results Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Year to date Q2 2006	Q2 2005
Northern Europe	3,6	3,4	5,7	5,1	7,2	7,0	13,9
Middle East	31,7	38,8	38,9	29,8	23,6	70,5	48,2
Total DD&A	**35,3**	**42,2**	**44,6**	**34,9**	**30,8**	**77,5**	**62,0**

(USD/bbl)	Quarterly Results Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Year to date Q2 2006	Q2 2005
Northern Europe	5,78	5,22	7,21	7,38	7,41	5,49	7,44
Middle East	4,17	4,08	4,10	3,71	3,49	4,13	3,48
Total DD&A (USD/bbl)	**4,29**	**4,16**	**4,34**	**4,00**	**3,98**	**4,23**	**3,95**

RESULT OF OPERATIONS PRODUCING ASSETS - NETBACK VARIANCE ANALYSIS

Netback* variance table

NOK million	Variation	NOK million	Variation
Netback first quarter 2006	**278,5**	**Netback second quarter 2005**	**105,5**
Sale of petroleum products:		**Sale of petroleum products:**	
Production	-81,8	Production	32,5
Oil price	77,7	Oil price	170,9
Exchange rates	-39,8	Exchange rates	-14,0
Expenses and taxes paid:		**Expenses and taxes paid:**	
Operating expenses, cash items	16,6	Operating expenses, cash items	-21,0
Taxes paid	-34,6	Taxes paid	-57,3
Netback second quarter 2006	**216,7**	**Netback second quarter 2006**	**216,7**

* Netback from producing assets is calculated as EBITDA from producing assets adjusted for paid taxes.

Investments Incurred in Oil and Gas Activities

DNO continuously invests in new and existing petroleum assets in order to create value for its shareholders, and is currently holding a risk balanced portfolio of assets with a substantial un-risked resource potential. Total investments incurred are presented in the table below.

DNO applies the "successful efforts" method of accounting for its oil and gas activities. All exploration investments, with the exception of license acquisition costs and drilling costs of exploration wells, are expensed as exploration costs when 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 as not being technically or commercially recoverable, the capitalised exploration wells are expensed.

License acquisition costs and development 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.

Highlights Investments Incurred

- The exploration costs for Q2 2006 are primarily related to preparation for drilling and acquisition of seismic data both in the North Sea and in Yemen. In addition, the Alkhoon well in Block 44 (Yemen) was plugged and abandoned as a dry well (DNO share NOK 13 million).
- Netback from operations covered 76 % of total investments in the second quarter 2006

TOTAL INVESTMENTS INCURRED

	Quarterly Results					Year to date	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**
Acquisition and development cost	174,8	149,5	158,6	192,1	128,5	324,3	195,1
Exploration costs expensed	110,8	216,8	50,2	44,7	44,6	327,6	65,6
Total investments incurred	**285,5**	**366,4**	**208,7**	**236,9**	**173,1**	**651,9**	**260,7**

ACQUISITION AND DEVELOPMENT COST

	Quarterly Results					Year to date	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**
Northern Europe	3,6	-17,5	92,6	8,4	42,6	-13,8	43,3
Middle East	170,4	166,4	62,9	176,8	85,7	336,8	146,9
Africa	0,7	0,3	2,6	7,0	0,1	1,1	4,8
Shared Services/ unallocated	-	0,3	0,5	-	0,2	0,3	0,2
Total acquisition and development cost	**174,8**	**149,5**	**158,6**	**192,1**	**128,5**	**324,3**	**195,1**

Investments in the second quarter for the segment Middle East relates primarely to high drilling activity and field development at Nabrajah.

EXPLORATION COST EXPENSED

	Quarterly Results					Year to date	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**
Northern Europe	39,5	196,8	29,9	18,5	22,2	236,3	30,3
Middle East	67,2	18,2	18,6	25,1	19,8	85,4	30,3
Africa	4,1	1,8	1,8	1,1	2,6	5,9	5,0
Total exploration cost expensed	**110,8**	**216,8**	**50,2**	**44,7**	**44,6**	**327,6**	**65,6**

NETBACK PRODUCING ACTIVITIES TO TOTAL INVESTMENT COVERAGE

	Quarterly Results					Year to date	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**
Netback producing activities	216,7	278,5	171,4	123,1	105,5	495,2	241,2
Total investments incurred	285,5	366,4	208,7	236,9	173,1	651,9	260,7
Coverage %	**75,9**	**76,0**	**82,1**	**52,0**	**60,9**	**76,0**	**92,5**

Investment Efficiency and Reserve Economics

A key value driver for DNO is to deliver profitable long-term growth through efficient investment programs and competitive reserve economics. In line with DNO's smart exploration strategy, cash flow generated from high margin production is reinvested in smart exploration aimed at increasing the reserve base at low cost. DNO measures performance on these critical activities based on the following key indicators:

- Reserve replacement ratio
- Finding, development and acquisition cost
- Recycle ratio

Due to long lead-times characterising the oil and gas industry, the key ratios on a 3 year average are better indicators of long-term ongoing sustainable value creation. Key ratios within one separate period could therefore be misleading.

Highlights Investment Efficiency and Reserve Economics

- Gross P+P reserves (WI) increased by 30 mboe in Q1 2006 (Goliat field) and 40 mboe in Q2 2006 (Northern Iraq)
- Further increase in reserve replacement ratio due to new discoveries
- Efficient reinvestment program through record Netback from producing fields combined with favourable FD&A cost (recycle ratio)
- The reserves will be revised and updated by year-end 2006. DNO reserve updates are done in accordance with standard guidelines adviced by Society of Petroleum Engineers (SPE).

RESERVE ECONOMICS TABLE

All reserve economic figures are prepared on the basis of working interest proven and probable reserves and include data both from continued and discontinued operations.

	Ytd 2006	2005	2004	2003	2002
Reserves (mboe)	139,0	71,8	28,4	143,4	125,4
Gross Reserve Growth (mboe)	70,0	48,8	19,1	27,9	48,0
Reserve Life Index (years)	24,5	13,3	5,6	14,5	15,3
Reserve Replacement Ratio (X)	24,7	9,1	3,7	2,8	5,9
Finding, Development and Acquisition Cost (USD/bbl)	1,4	2,2	3,3	3,9	1,4
Recycle Ratio (X)	18,7	7,0	3,2	2,4	4,4

3 YEAR AVERAGE RESERVE ECONOMICS TABLE

	2004-2006*	2003-2005	2002-2004	2001-2003	2000-2002
Reserve Replacement Ratio (X)	10,4	4,7	4,1	4,5	6,9
Finding, Development and Acquisition Cost (USD/bbl)	2,0	2,9	2,5	2,6	2,0
Recycle Ratio (X)	8,2	3,9	3,4	3,2	3,9

* Includes only ytd 2006

CONTINUITY OF PROVEN AND PROBABLE RESERVES BY SEGMENT

The following table shows DNO's estimated working interest proven and probable reserves of oil and gas and the changes in reserves for the years 2003-2006. The reserves are presented net of royalty. Net entitlement reserves are presented in a separate table below the working interest table.

See also description of working interest and net entitlement method in the General Information section.

Proven and probable reserves are prepared based on estimated volumes of oil, gas and NGL, which geological and technical data demonstrate with a reasonable degree of certainty, can be produced from known reservoirs in the future under current commercial and operational conditions.

DNO applies proven and probable reserves to calculate depreciation cost 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.

WORKING INTEREST PROVEN AND PROBABLE RESERVES, AFTER ROYALTY

All reserve economic figures are prepared on the basis of working interest proven and probable reserves and include data from both continued and discontinued operations.

Million bbls	Northern Europe	Middle East	DNO Group
31.12.2002	**112,0**	**13,4**	**125,4**
Discoveries, additions and extensions	24,7	3,2	**27,9**
Acquisition of reserves	-	-	**-**
Divestment of reserves	-	-	**-**
Year 2003 production	-5,2	-4,7	**-9,9**
31.12.2003	**131,5**	**11,9**	**143,4**
Discoveries, additions and extensions	13,8	12,2	**26,0**
Acquisition of reserves	-	-	**-**
Divestment of reserves	-135,9	-	**-135,9**
Year 2004 production	-0,6	-4,5	**-5,1**
31.12.2004	**8,8**	**19,6**	**28,4**
Discoveries, additions and extensions	-	38,8	**38,8**
Acquisition of reserves	10,0	-	**10,0**
Divestment of reserves	-	-	**-**
Year 2005 production	-0,5	-4,9	**-5,4**
31.12.2005	**18,3**	**53,5**	**71,8**
Discoveries, additions and extensions	30,0	40,0	**70,0**
Acquisition of reserves	-	-	**-**
Divestment of reserves	-	-	**-**
Year to date 2006 production	-0,2	-2,6	**-2,8**
30.06.2006	**48,1**	**90,9**	**139,0**

Divestment of reserves in 2004 is related to the Lundin Petroleum AB transaction.
Discoveries in 2005 relate to the successful drilling program on the Nabrajah field in Yemen.
Discoveries in 2006 relate to the Goliat field (NCS) and Northern Iraq.

NET ENTITLEMENT PROVEN AND PROBABLE RESERVES

The following table reflects DNO's net entitlement (after royalty) reserves.

Million bbls	Northern Europe	Middle East	DNO Group
31.12.2002	112,0	7,5	119,5
31.12.2003	131,5	6,7	138,2
31.12.2004	8,8	10,7	19,5
31.12.2005	18,3	28,1	46,4
30.06.2006	**48,1**	**48,5**	**96,5**

Net entitlement reserves in Yemen are based on economic evaluations of the Production Sharing Contracts and include a volume related to the notional tax paid on behalf of the contractors by the Yemen Government.

CORPORATE FINANCIAL INFORMATION

FINANCIAL RISK MANAGEMENT AND OIL PRICE HEDGING

DNO is exposed to volatility in financial and commodity markets and seeks to reduce potential adverse effects on financial performance through the use of derivative contracts.

According to DNO's oil price hedging policy, put options are preferred to reduce commodity price volatility. For 2006, DNO has acquired a put option (floor) contract for approximately 1 million barrels with a strike price of 31 USD / bbl.

EXPLORATION COSTS

We continued our exploration led strategy with high activity both in the Middle East and North Sea during the second quarter.

A total of NOK 111 million was expensed as exploration costs, with main focus on seismic acqusitions and preparations for drilling of exploration wells in the second half of 2006. NOK 16 million of exploration costs were expensed as dry well costs mainly in connection with the non-commercial Alkhoon well in Block 44 in Yemen.

OTHER

As part of the acquisition of Unocal's 31,25% share in the West Heather / Broom field in 1997 (see note 17 g in the 2004 annual report), an agreement was entered into for the payment of royalties to Unocal according to certain criteria. The extent of the obligation to pay royalty is contingent on cumulative income exceeding cumulative expenditures on the Broom field. The total liability at 31 December 2005 is estimated to be USD 9,9 million dependent on future performance of the Broom field and development in oil prices. No further adjustments have been made in 2006.

CONDENSED FINANCIAL ACCOUNTS WITH NOTE DISCLOSURES

CONDENSED FINANCIAL ACCOUNTS

CONDENSED CONSOLIDATED INCOME STATEMENTS

				Quarter			Year to date		Full year	
NOK million	**NOTE**	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**	**2005**	**2004**
Sales	2, 3	359,0	415,1	242,6	229,5	162,8	774,0	320,6	792,7	620,1
Cost of goods sold	4	-98,3	-122,0	-119,6	-107,5	-76,0	-220,3	-159,2	-386,2	-296,2
Gross profit		**260,6**	**293,1**	**123,0**	**122,0**	**86,9**	**553,8**	**161,4**	**406,5**	**323,9**
Other operating income		3,0	4,5	7,0	1,4	2,5	7,5	3,7	12,0	1,0
Tariffs and transportation		-12,5	-12,5	-13,9	-11,3	-9,5	-25,1	-18,5	-43,7	-34,6
Administrative expense	5	-6,9	-3,0	-7,8	-10,1	-23,5	-9,9	-29,4	-47,4	-41,6
Other operating expenses	5	-1,5	-0,2	-27,6	-19,6	0,1	-1,8	0,9	-46,4	-3,3
Exploration cost expensed	6	-110,8	-216,8	-50,2	-44,7	-44,6	-327,6	-65,6	-160,6	-197,4
Net gain / (loss) from sale of PP&E		-0,3	0,2	6,3	0,2	-0,3	-0,1	29,8	36,2	-
Profit / (loss) from operating activities		**131,5**	**65,3**	**36,8**	**37,7**	**11,5**	**196,8**	**82,2**	**156,7**	**48,0**
Share of profit / (loss) associates		-	-	-	-	-	-	-	-	15,6
Net finance	7	-19,1	-66,6	47,6	5,5	20,4	-85,6	75,7	128,7	-95,2
Profit / (loss) before income tax		**112,5**	**-1,3**	**84,4**	**43,2**	**31,9**	**111,1**	**157,9**	**285,5**	**-31,6**
Income tax expense	8	-37,4	-27,8	84,6	-42,4	-53,6	-65,2	-28,7	13,5	-85,3
Net profit / (loss) before disc. operations		**75,0**	**-29,1**	**169,0**	**0,8**	**-21,7**	**45,9**	**129,2**	**299,0**	**-116,8**
Net profit discontinued operations	9	-	-	-	-	-	-	-	-	130,0
Net profit / (loss)		**75,0**	**-29,1**	**169,0**	**0,8**	**-21,7**	**45,9**	**129,2**	**299,0**	**13,2**
Earnings per share, basic	19	0,08	-0,03	0,19	0,00	-0,02	0,05	0,15	0,34	0,02
Earnings per share, diluted	19	0,08	-0,03	0,19	0,00	-0,02	0,05	0,15	0,34	0,02

CONDENSED CONSOLIDATED INCOME STATEMENTS

		Quarter					Full year	
NOK million	**Note**	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**2005**	**2004**
ASSETS								
Non-current assets								
Goodwill		-	-	-	-	-	-	
Deferred income tax assets		330,0	318,2	312,2	235,1	227,1	312,2	129,7
Other intangible assets		-	-	-	-	-	-	-
Property, plant and equipment	10	939,0	833,8	752,0	621,4	461,4	752,0	306,9
Investment in associates		-	-	-	-	-	-	-
Available for sale investments	11	178,2	218,6	187,7	203,8	130,8	187,7	38,1
Derivative financial instruments	12	3,7	3,8	2,8	1,8	0,7	2,8	-
Non-current receivables		102,0	78,7	44,7	-	-	44,7	31,3
Other non-current assets		-	-	-	-	-	-	-
Total non-current assets		**1 552,8**	**1 453,0**	**1 299,4**	**1 062,1**	**820,1**	**1 299,4**	**506,1**
Current assets								
Inventories		-	-	-	-	-	-	11,1
Trade and other receivables	13	324,1	298,0	285,0	163,0	156,3	285,0	95,8
Available for sale investments	10	-	-	-	-	-	-	-
Derivative financial instruments	12	-	-	45,7	16,4	3,9	45,7	-
Other fin assets at fair value through p&l	14	193,7	399,1	268,3	-	-	268,3	-
Cash and cash equivalents	14	829,8	783,6	1 081,5	1 056,4	1 135,9	1 081,5	747,8
Total current assets		**1 347,5**	**1 480,6**	**1 680,4**	**1 235,8**	**1 296,1**	**1 680,4**	**854,8**
Net assets discontinued operations	9	-	-	-	-	-	-	-
TOTAL ASSETS		**2 900,4**	**2 933,7**	**2 979,8**	**2 297,9**	**2 116,2**	**2 979,8**	**1 360,8**
EQUITY AND LIABILITIES								
Equity								
Share capital		222,0	221,6	223,8	221,2	214,0	223,8	222,2
Other reserves		-67,2	21,8	170,5	66,6	-45,2	170,5	120,7
Retained earnings		619,0	544,0	573,1	404,1	415,9	573,1	298,9
Total equity	**15**	**773,8**	**787,4**	**967,4**	**691,9**	**584,6**	**967,4**	**641,9**
Non-current liabilities								
Interest-bearing liabilities	16	1 511,1	1 530,9	1 396,5	882,4	882,2	1 396,5	469,5
Derivative financial instruments	11	-	-	-	-	-	-	-
Deferred income tax liabilities		120,7	89,6	55,8	62,1	47,1	55,8	42,2
Retirement benefit obligations		-	-	-	-	-	-	-
Provisions for other liabilities and charges	17	70,4	77,3	85,1	56,3	41,8	85,1	22,6
Total non-current liabilities		**1 702,2**	**1 697,8**	**1 537,4**	**1 000,8**	**971,0**	**1 537,4**	**534,3**
Current liabilities								
Trade and other payables	18	80,7	114,6	129,3	90,9	30,1	129,3	42,5
Income taxes payable		42,4	39,4	21,4	0,9	40,1	21,4	-
Current interest-bearing liabilities	16	25,8	-	100,0	155,0	155,0	100,0	100,0
Derivative financial instruments	12	-	-	-	88,5	142,9	-	1,7
Provisions for other liabilities and charges	17	275,6	294,5	224,3	269,9	192,5	224,3	40,3
Total current liabilities		**424,4**	**448,5**	**475,0**	**605,2**	**560,5**	**475,0**	**184,6**
TOTAL EQUITY AND LIABILITIES		**2 900,4**	**2 933,7**	**2 979,8**	**2 297,9**	**2 116,2**	**2 979,8**	**1 360,8**

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

		Quarter					Year to date		Full year	
NOK million	**Note**	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**	**2005**	**2004**
Operating activities										
Profit / (loss) from operations before exploration expenses		242,3	282,1	87,0	82,5	56,2	524,4	147,9	317,3	245,4
- Exploration cost expensed		-110,8	-216,8	-50,2	-44,7	-44,6	-327,6	-65,6	-160,6	-197,4
Profit / (loss) from operations		**131,5**	**65,3**	**36,8**	**37,8**	**11,6**	**196,8**	**82,3**	**156,7**	**48,0**
Adjustments for:										
Income taxes paid		-48,6	-28,6	-38,3	-89,9	-43,1	-77,2	-37,1	-165,2	-179,6
Depreciation of PP&E		35,8	42,8	45,5	35,2	31,1	78,6	62,6	143,3	122,1
Impairment loss on PP&E		-	-	-	-	-	-	-	-	-
Amortisation of intangibles and goodwill		-	-	-	-	-	-	-	-	-
(Gain) / loss on on sale of PP&E		0,3	-0,2	-6,3	-0,2	0,3	0,1	-29,8	-36,2	-0,8
Fair value gain / (loss) on financial assets		-0,1	5,9	30,5	13,6	-3,7	5,8	-6,8	37,2	-
Other financial income / (expenses)		-1,9	-33,8	-0,7	-0,6	-0,7	-35,7	-3,0	-4,3	10,3
Share of profit / (loss) from associates		-	-	-	-	-	-	-	-	-
Exchange gains / (losses)		-16,0	-3,9	28,2	5,7	-4,8	-19,9	19,5	53,3	23,6
Interest paid		-34,6	-24,6	-31,4	-20,3	-20,1	-59,2	-29,9	-81,6	-38,9
Changes in working capital:										
- Inventories		-	-	-	-	-	-	11,1	11,1	-9,8
- Trade and other receivables		0,3	32,3	-86,3	-6,7	6,2	32,6	-60,5	-153,5	3,3
- Other fin assets at fair value through P&L		-	-	4,9	15,8	-20,3	-	-20,7	-0,0	-
- Trade and other payables		-54,6	13,9	59,4	60,8	-6,3	-40,7	-12,5	107,8	-16,2
Other		38,0	37,8	1,8	0,3	35,0	75,8	28,1	30,4	40,5
Net cash from operating activities		**50,1**	**106,7**	**44,1**	**51,5**	**-14,8**	**156,8**	**3,3**	**98,9**	**2,5**
Investing activities										
Acq. of subsidiary, net of cash acquired		-	-	-	-	-	-	-	-	-
Proceeds from sale of subsidiary / ops		-	-	-	-	-	-	-	-	1 301,9
Purchases of PP&E		-173,1	-175,5	-158,6	-192,2	-128,5	-348,6	-195,1	-545,8	-243,5
Proceeds from sale of PP&E		-	-	-	-	0,2	-	30,3	30,3	0,6
Purchases of available-for-sale fin. assets		-	-130,8	-268,3	-41,1	-	-130,8	-20,4	-329,8	-58,7
Proceeds from sale of available-for-sale financial assets		217,2	-	2,1	2,7	0,1	217,2	12,5	17,2	1,6
Interest received		18,3	11,2	17,0	12,1	13,0	29,5	20,0	49,2	-
Dividends received		-	-	-	-	-	-	-	-	-
Net cashflow from disc. operations		-	-	-	-	-	-	-	-	-110,6
Other investing activities, net		-23,3	-34,0	-44,7	-0,7	20,3	-57,3	17,3	-28,0	-9,9
Net cash used in investing activities		**39,1**	**-329,1**	**-452,4**	**-219,2**	**-94,9**	**-290,0**	**-135,4**	**-806,9**	**881,4**
Financing activities										
Proceeds from borrowings		-	590,2	491,3	-	377,0	590,2	506,5	997,7	613,6
Repayment of borrowings		-	-576,5	-55,0	-	-45,0	-576,5	-45,0	-100,0	-435,8
Repaym. of oblig. under finance leases		-	-	-	-	-	-	-	-	-
Proceeds from issuance of ord. shares		-	-	-	-	-	-	-	-	7,6
Purchase of treasury shares, including options		-	-530,5	-390,8	-305,7	-60,3	-530,5	-307,6	-1 004,0	-95,2
Proceeds from sale of treasury shares		0,8	484,0	387,3	440,8	45,0	484,8	300,7	1 128,8	-
Dividends paid		-	-21,8	0,0	-40,3	-	-21,8	-	-40,3	-239,9
Net cash (used in) / from financing activities		**0,8**	**-54,5**	**432,7**	**94,8**	**316,7**	**-53,7**	**454,7**	**982,3**	**-149,7**
Net increase / (decrease) in cash and cash equivalents		**90,1**	**-276,9**	**24,5**	**-72,9**	**207,0**	**-186,9**	**322,6**	**274,3**	**734,2**
Cash and cash equivalents at beginning of the period		783,6	1 081,5	1 056,4	1 135,9	894,6	1 081,5	747,8	747,8	119,6
Exchange gain / (losses) on cash and cash equivalents		-43,9	-21,0	0,5	-6,6	34,3	-64,9	65,4	59,3	-106,0
Cash and cash equivalents at end of the period		**829,8**	**783,6**	**1 081,5**	**1 056,4**	**1 135,9**	**829,7**	**1 135,8**	**1 081,4**	**747,8**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK million	Note	Share Capital	Other Reserves	Retained Earnings	Total Equity
Balance at 31 December 2004		**222,2**	**120,7**	**298,9**	**641,9**
Changes in accounting policy		-	-	-	-
Effect of implementing IFRS		-	-242,4	15,5	-226,9
Balance at 1 January 2005		**222,2**	**-121,6**	**314,4**	**415,0**
Fair value gains, net of tax:					
- available-for-sale financial assets		-	51,4	-	51,4
Cash flow hedges, net of tax		-	27,4	-	27,4
Currency translation differences		-	1,9	-	1,9
Net income / (expense) recognised directly in equity		-	80,6	-	80,6
Profit for the period		-	-	129,2	129,2
Total recognised income for the period		-	80,6	129,2	209,9
Share option scheme:					
- value of services provided		-	5,7	-	5,7
- proceeds from shares issued		-	-	-	-
Issue of share capital		-	-	-	-
Purchase of treasury shares		-36,3	-203,8	-	-240,1
Sale of treasury shares		28,0	272,2	-	300,2
Derivative contracts treasury shares		-	-78,4	-	-78,4
Dividends		-	-	-27,7	-27,7
		-8,3	-4,2	-27,7	-40,2
Balance at 30 June 2005	**15**	**214,0**	**-45,2**	**415,9**	**584,6**

	Note	Share Capital	Other Reserves	Retained Earnings	Total Equity
Balance at 31 December 2005		**223,8**	**170,5**	**573,1**	**967,4**
Changes in accounting policy		-	-	-	-
Balance at 1 January 2006		**223,8**	**170,5**	**573,1**	**967,4**
Fair value gains, net of tax:					
- available-for-sale financial assets		-	-56,8	-	-56,8
Cash flow hedges, net of tax		-	-	-	-
Currency translation differences		-	-72,8	-	-72,8
Net income / (expense) recognised directly in equity		-	-129,6	-	-129,6
Profit for the period		-	-	45,9	45,9
Total recognised income for the period		-	-129,6	45,9	-83,6
Share option scheme:					
- value of services provided		-	-	-	-
- proceeds from shares issued		-	-	-	-
Issue of share capital		-	-	-	-
Purchase of treasury shares		-12,2	-509,5	-	-521,7
Sale of treasury shares		10,4	469,5	-	479,9
Derivative contracts treasury shares		-	-68,1	-	-68,1
Dividends		-	-	-	-
		-1,8	-108,1	-	-109,9
Balance at 30 June 2006	**15**	**222,0**	**-67,2**	**619,1**	**773,8**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL ACCOUNTS

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting

The condensed consolidated financial statements have been prepared on a historical cost basis, with the exception of revaluation of certain properties and financial instruments.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005, and complies with International Financial Reporting Standards (IFRS) as adopted by the EU.

2. Segment Information

Three months ended 30 June 2006	Note	Northern Europe	Middle East *	Africa	Total report. segm.	Unalloc./ elimin.	GROUP
Income statement information							
External sales	3	40,9	318,1	-	359,0	-	**359,0**
Inter-segment sales		9,1	1,7	-	10,7	-10,7	**-**
Cost of goods sold	4	-16,6	-81,6	-	-98,2	-0,2	**-98,3**
Gross profit		**33,4**	**238,1**	**-**	**271,5**	**-10,9**	**260,6**
Segment result before disc. operations		**-39,9**	**165,8**	**-4,1**	**121,8**	**6,9**	**128,7**
Net profit discontinued operations		-	-	-	-	-	**-**
Segment result after disc. operations		**-39,9**	**165,8**	**-4,1**	**121,8**	**6,9**	**128,7**
Share of profit / (loss) associates		-	-	-	-	-	**-**
Interest - net							**-16,2**
Gain / (loss) on sale of shares							**-**
Income tax expense							**-37,4**
Net profit / (loss)							**75,0**
Other segment information							
Net entitlement production		99,7	734,1	-	833,9	-	**833,9**
Capital expenditures this period		3,6	170,4	0,7	174,8	-	**174,8**
Netback, including asset sale proceeds		-52,7	141,1	-4,1	84,3	-5,9	78,4

* Middle East is presented using net entitlement method.

Three months ended 30 June 2005	Note	Northern Europe	Middle East *	Africa	Total report. segm.	Unalloc./ elimin.	GROUP
Income statement information							
External sales	3	45,3	176,2	-	221,5	-58,7	**162,8**
Inter-segment sales		5,7	2,1	-	7,8	-7,8	**-**
Cost of goods sold	4	-21,2	-54,6	-	-75,8	-0,2	**-76,0**
Gross profit		**29,8**	**123,7**	**-**	**153,5**	**-66,6**	**86,9**
Segment result before disc. operations		**17,2**	**107,3**	**-1,2**	**123,3**	**-87,1**	**36,2**
Net profit discontinued operations		-	-	-	-	-	**-**
Segment result after disc. operations		**17,2**	**107,3**	**-1,2**	**123,3**	**-87,1**	**36,2**
Share of profit / (loss) associates		-	-	-	-	-	**-**
Interest - net							**-7,1**
Gain / (loss) on sale of shares							**2,8**
Income tax expense							**-53,6**
Net profit / (loss)							**-21,7**
Other segment information							
Net entitlement production		152,1	559,4	-	711,5	-	**711,5**
Capital expenditures this period		42,6	85,7	0,1	128,4	0,2	**128,5**
Netback, including asset sale proceeds		11,9	75,4	-1,4	85,9	-85,9	**-0,1**

* Middle East is presented using net entitlement method.

Six months ended 30 June 2006	Note	Northern Europe	Middle East *	Africa	Total report. segm.	Unalloc./ elimin.	GROUP
Income statement information							
External sales	3	77,9	696,1	-	774,0	-	**774,0**
Inter-segment sales		19,4	3,4	-	22,8	-22,8	**-**
Cost of goods sold	4	-32,7	-187,3	-	-219,9	-0,4	**-220,3**
Gross profit		**64,6**	**512,3**	**-**	**576,9**	**-23,2**	**553,8**
Segment result before disc. operations		**-226,4**	**400,3**	**-5,9**	**168,0**	**-27,3**	**140,7**
Net profit discontinued operations		-	-	-	-	-	**-**
Segment result after disc. operations		**-226,4**	**400,3**	**-5,9**	**168,0**	**-27,3**	**140,7**
Share of profit / (loss) associates		-	-	-	-	-	**-**
Interest - net							**-29,6**
Gain / (loss) on sale of shares							**-**
Income tax expense							**-65,2**
Net profit / (loss)							**45,9**
Other segment information							
Net entitlement production		196,6	1 668,2	-	1 864,8	-	**1 864,8**
Capital expenditures this period		-13,8	336,8	1,1	324,0	0,3	**324,3**
Netback, including asset sale proceeds		-221,1	397,4	-5,9	170,5	-12,9	**157,6**

* Middle East is presented using net entitlement method.

Six months ended 30 June 2005	Note	Northern Europe	Middle East *	Africa	Total report. segm.	Unalloc./ elimin.	GROUP
Income statement information							
External sales	3	85,3	342,7	-	428,0	-107,4	**320,6**
Inter-segment sales		9,6	4,3	-	13,9	-13,9	**-**
Cost of goods sold	4	-41,6	-117,2	-	-158,8	-0,3	**-159,2**
Gross profit		**53,3**	**229,8**	**-**	**283,1**	**-121,7**	**161,4**
Segment result before disc. operations		**48,2**	**213,0**	**26,6**	**287,7**	**-131,3**	**156,4**
Net profit discontinued operations		-	-	-	-	-	-
Segment result after disc. operations		**48,2**	**213,0**	**26,6**	**287,7**	**-131,3**	**156,4**
Share of profit / (loss) associates		-	-	-	-	-	-
Interest - net							**-9,9**
Gain / (loss) on sale of shares							**11,4**
Income tax expense							**-28,7**
Net profit / (loss)		**-**	**-**	**-**	**-**	**-**	**129,2**
Other segment information							
Net entitlement production		294,3	1 167,1	-	1 461,3	-	**1 461,3**
Capital expenditures this period		43,3	146,9	4,8	194,9	0,2	**195,1**
Netback, including asset sale proceeds		61,0	193,8	-3,8	251,1	-142,9	**108,2**

* Middle East is presented using net entitlement method.

3. Sales

DNO is presenting its operations governed by production sharing agreements according to the net entitlement method. A reconciliation between working interest (gross) and net entitlement presentation is shown in a separate table below.

For more details, see description in the General Information section of the MD&A.

	Quarter					Year to date		Full year	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**	**2005**	**2004**
Sale of petroleum products before profit / (loss) from oilprice hedging contracts	359,0	415,1	316,2	310,7	221,5	774,0	428,0	1 054,9	760,5
Sales offshore and services	-	-	-	-	-	-	-	-	-
Profit / (loss) from oilprice hedging contracts	-	-	-73,6	-81,2	-58,7	-	-107,4	-262,2	-140,4
Total sales	**359,0**	**415,1**	**242,6**	**229,5**	**162,8**	**774,0**	**320,6**	**792,7**	**620,1**
Reconciliation sales - working interest/net entitlement									
Sale of petroleum products working interest	566,9	610,8	551,1	513,4	377,4	1 177,6	726,0	1 790,5	1 273,1
Government share of production before income tax payable	-207,9	-195,7	-234,9	-202,7	-155,9	-403,6	-298,0	-735,6	-512,6
Sale of petroleum products net entitlement	**359,0**	**415,1**	**316,2**	**310,7**	**221,5**	**774,0**	**428,0**	**1 054,9**	**760,5**

4. Cost of Goods Sold

NOK million	Q2 2006	Q1 2006	Quarter Q4 2005	Q3 2005	Q2 2005	Year to date Q2 2006	Q2 2005	Full year 2005	2004
Lifting costs *	-62,5	-79,2	-74,1	-72,3	-44,9	-141,7	-96,6	-243,0	-169,9
Depreciation, depletion and amortisation	-35,8	-42,8	-45,5	-35,2	-31,1	-78,6	-62,6	-143,3	-122,1
Shut down operating assets	-	-	-	-	-	-	-	-	-
Other cost of goods sold	-	-	-	-	-	-	-	-	-4,2
Total cost of goods sold	**-98,3**	**-122,0**	**-119,6**	**-107,5**	**-76,0**	**-220,3**	**-159,2**	**-386,2**	**-296,2**

* Lifting costs consist of expenses relating to the production of oil and gas, including operation and maintenance of installations, well intervention and workover activities, insurances, CO2 taxes, royalties to the state and costs in own organisation.

5. Administrative / Other Expenses

NOK million	Q2 2006	Q1 2006	Quarter Q4 2005	Q3 2005	Q2 2005	Year to date Q2 2006	Q2 2005	Full year 2005	2004
Salaries and social expenses *	-6,4	-4,4	-10,2	-9,6	-19,6	-10,7	-22,6	-42,4	-11,3
General and administration expenses	-0,6	1,4	2,4	-0,6	-3,9	0,8	-6,8	-5,0	-30,3
Abandonment provisions, impairments	-	-	-	-	-	-	-	-	-
Other operating expenses **	-1,5	-0,2	-27,6	-19,6	0,1	-1,8	0,9	-46,4	-3,3
Total administrative / other expenses	**-8,5**	**-3,2**	**-35,4**	**-29,8**	**-23,4**	**-11,7**	**-28,5**	**-93,7**	**-44,9**

* Salaries and social expenses directly attributable to operations are reclassified to lifting cost and exploration cost in the income statement.

** Unocal Royalty. For more information see section 2 of the MD&A.

Salaries and social expenses in second quarter 2005 include NOK 13,2 million related to a share option program granted to the Board and an incentive programme introduced for employees and key personell in June 2005. See note 21 on Share Options and Share-Based Payments.

6. Exploration Cost Expensed

NOK million	Q2 2006	Q1 2006	Quarter Q4 2005	Q3 2005	Q2 2005	Year to date Q2 2006	Q2 2005	Full year 2005	2004
Seismic acquisitions, analysis and general G&G	-80,4	-34,7	-41,9	-24,3	-28,3	-115,1	-40,2	-106,3	-67,4
Exploration costs capitalised in previous years carried to cost	0,1	-29,4	-	-	-	-29,3	-	-	-4,0
Exploration costs capitalised this year carried to cost	-16,4	-137,3	0,0	-0,0	-0,0	-153,7	2,1	2,1	-83,4
Impairment of capitalised exploration costs	-	-	-	-	-	-	-	-	-
Other exploration cost expensed	-14,0	-15,4	-8,3	-20,4	-16,3	-29,4	-27,6	-56,3	-42,6
Total exploration cost expensed *	**-110,8**	**-216,8**	**-50,2**	**-44,7**	**-44,6**	**-327,6**	**-65,6**	**-160,6**	**-197,4**

* For details on geographic spread of exploration cost expensed, see section 1b) of the MD&A.

The increase in exploration costs for Q1 2006 is mainly due to expensing of exploration costs related to the non-commerciable wells on Hummer and Jaguar.
Continued high exploration costs for Q2 2006 is due to dry well cost and seismic activities at block 44 in Yemen, as well as increased seismic on the Norwegian Continental Shelf.

7. Net Finance

NOK million	Q2 2006	Q1 2006	Quarter Q4 2005	Q3 2005	Q2 2005	Year to date Q2 2006	Q2 2005	Full year 2005	2004
Interest received	18,3	11,2	17,0	12,1	13,0	29,6	20,1	49,2	16,8
Other financial income	1,1	0,5	4,1	1,9	2,8	1,6	11,4	17,5	4,2
Interest expense	-34,6	-24,5	-31,0	-20,9	-22,9	-59,1	-34,6	-86,4	-38,9
Capitalised interest	-	-0,1	-0,4	0,6	2,8	-0,1	4,6	4,8	-
Exchange rate gain / (loss), realised items	9,2	-14,0	1,5	0,2	0,4	-4,7	-0,4	1,3	-4,8
Exchange rate gain / (loss), unrealised items	-9,6	-11,0	27,2	-1,1	29,0	-20,6	85,2	111,3	-77,7
Fair value gain / (loss) on financial instruments [1)]	-0,1	5,9	30,5	13,6	-3,7	5,8	-6,9	37,2	-1,7
Impairment of financial assets	-	-	-	-	-	-	-	-	-
Other financial expenses	-3,4	-34,7	-1,4	-1,0	-1,1	-38,1	-3,8	-6,1	6,9
Net finance	**-19,1**	**-66,6**	**47,6**	**5,5**	**20,4**	**-85,6**	**75,7**	**128,7**	**-95,2**

1) Fair value gain / (loss) on financial instruments

DNO adopted IAS 32/39 as of 1 January 2005, and no comparative figures have been prepared for previous periods.

	Quarter					Year to date		Full year	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**	**2005**	**2004**
Interest rate derivatives	-0,1	1,0	1,2	1,6	-0,7	0,9	1,8	4,5	-1,7
Oilprice derivatives	-	-0,0	-0,2	-0,3	-0,7	-0,0	-9,1	-9,6	-
Foreign exchange derivatives	-	-	-	-	-	-	-	-	-
Other derivative financial instruments *	-	5,0	29,3	12,5	-2,3	5,0	-0,4	41,4	-
Cash flow hedges									
- Part of cash flow hedge charged to P&L according to IAS 39.96	-	-	0,1	-0,1	-	-	0,8	0,8	-
Other financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-
Fair value gain / (loss) on financial instruments, net	**-0,1**	**5,9**	**30,5**	**13,6**	**-3,7**	**5,8**	**-6,9**	**37,2**	**-1,7**

* Fair value gain on other derivative financial instruments is a result of convertible options related to Petrolia Drilling ASA convertible bonds. The bonds were converted into 16.545.455 PDR shares in February 2006 with a total gain of NOK 50,6 mill.

8. Taxes

Income tax expense

	Quarter					Year to date		Full year	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**	**2005**	**2004**
Taxes payable	26,3	45,3	35,7	-	-	71,6	-	35,7	0,4
Deferred taxes	-12,3	-26,5	107,7	8,3	-13,9	-38,8	48,4	164,4	57,9
Income taxes payable related to production sharing agreements (PSAs)	-51,4	-46,6	-58,8	-50,7	-39,7	-98,0	-77,1	-186,6	-143,6
Total income tax expense	**-37,4**	**-27,8**	**84,6**	**-42,4**	**-53,6**	**-65,2**	**-28,7**	**13,5**	**-85,3**

Interim period income tax expense is calculated by applying the tax rate applicable to the expected total annual earnings.

As of 2005, oil-exploration companies operating in Norway, that are not in a tax position, will get a 78% refund of their exploration costs. This is limited to the taxable losses for the year. For DNO this could mean a positive taxes payable in interim periods, and in Q2 2006 this amounted to NOK 26,3 mill.

According to the net entitlement method, income taxes payable related to PSA's consist of the corporate tax rate applicable under the agreements.

9. Discontinued Operations

	Quarter					Year to date		Full year	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**	**2005**	**2004**
Net profit discontinued operations	-	-	-	-	-	-	-	-	-59,8
Net gain / (loss) from sale of operations	-	-	-	-	-	-	-	-	189,8
Net profit discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**130,0**

Net profit discontinued operations relates to sale of assets to Lundin Petroleum AB and divestment of shares in Independent Oil Tools ASA (dividend) during 2004.

10. Property, Plant and Equipment

Three months ended 30 June 2005, NOK million	License interest	Explor. assets	Develop. assets	Asset in operatn.	Total oil & gas prop.	Other PP&E	Total
At 1 April 2005							
Cost or valuation	8,6	11,8	125,8	794,4	940,7	7,6	**948,3**
Accumulated depreciation	-	-	-	-590,1	-590,1	-5,1	**-595,2**
Net book amount	**8,6**	**11,8**	**125,8**	**204,3**	**350,6**	**2,5**	**353,1**
Period ended 30 June 2005							
Opening net book amount	8,6	11,8	125,8	204,3	350,6	2,5	**353,1**
Exchange differences	0,4	0,2	5,6	4,7	10,9	0,0	**10,9**
Additions	49,3	-3,2	58,0	24,1	128,3	0,3	**128,5**
Transfers	6,5	-6,5	-	-	-	-	**-**
Disposals	-	-	-	-	-	-	**-**
Depreciation charge	-	-	-	-30,8	-30,8	-0,3	**-31,1**
Closing net book amount	**64,8**	**2,3**	**189,5**	**202,3**	**458,9**	**2,5**	**461,4**
At 30 June 2005							
Cost or valuation	64,8	2,3	189,5	836,5	1 093,1	8,0	**1 101,1**
Accumulated depreciation	-	-	-	-634,2	-634,2	-5,4	**-639,7**
Net book amount	**64,8**	**2,3**	**189,5**	**202,3**	**458,9**	**2,5**	**461,4**

Three months ended 30 June 2006, NOK million	License interest	Explor. assets	Develop. assets	Asset in operatn.	Total oil & gas prop.	Other PP&E	Total
At 1 January 2006							
Cost or valuation	66,1	136,2	5,0	1 375,5	1 582,8	14,4	**1 597,1**
Accumulated depreciation	-	-	-	-756,1	-756,1	-7,2	**-763,3**
Net book amount	**66,1**	**136,2**	**5,0**	**619,3**	**826,6**	**7,2**	**833,8**
Period ended 30 June 2006							
Opening net book amount	66,1	136,2	5,0	619,3	826,6	7,2	**833,8**
Exchange differences	1,2	-2,3	-0,7	-31,7	-33,6	-0,3	**-33,8**
Additions	1,9	4,4	22,4	145,5	174,2	0,5	**174,8**
Transfers	-	-	-	-	-	-	**-**
Disposals	-	-	-	-	-	-	**-**
Depreciation charge	-	-	-	-35,3	-35,3	-0,5	**-35,8**
Closing net book amount	**69,1**	**138,3**	**26,8**	**697,8**	**932,0**	**6,9**	**939,0**
At 30 June 2006							
Cost or valuation	69,1	138,3	26,8	1 463,9	1 698,1	14,5	**1 712,6**
Accumulated depreciation	-	-	-	-766,1	-766,1	-7,6	**-773,7**
Net book amount	**69,1**	**138,3**	**26,8**	**697,8**	**932,0**	**6,9**	**939,0**

Six months ended 30 June 2005, NOK million	License interest	Explor. assets	Develop. assets	Asset in operatn.	Total oil & gas prop.	Other PP&E	Total
At 1 January 2005							
Cost or valuation	8,5	6,4	78,9	753,4	847,2	7,1	**854,3**
Accumulated depreciation	-	-	-	-542,7	-542,7	-4,7	**-547,4**
Net book amount	**8,5**	**6,4**	**78,9**	**210,7**	**304,5**	**2,3**	**306,9**
Period ended 30 June 2005							
Opening net book amount	8,5	6,4	78,9	210,7	304,5	2,3	**306,9**
Exchange differences	0,5	0,5	9,7	11,3	22,0	0,1	**22,0**
Additions	49,3	1,8	100,9	42,4	194,4	0,7	**195,1**
Transfers	6,5	-6,5	-	-	-	-	**-**
Disposals	-	-	-	-	-	-	**-**
Depreciation charge	-	-	-	-62,0	-62,0	-0,6	**-62,6**
Closing net book amount	**64,8**	**2,3**	**189,5**	**202,3**	**458,9**	**2,5**	**461,4**
At 30 June 2005							
Cost or valuation	64,8	2,3	189,5	836,5	1 093,1	8,0	**1 101,1**
Accumulated depreciation	-	-	-	-634,2	-634,2	-5,4	**-639,7**
Net book amount	**64,8**	**2,3**	**189,5**	**202,3**	**458,9**	**2,5**	**461,4**

Six months ended 30 June 2006, NOK million	License interest	Explor. assets	Develop. assets	Asset in operatn.	Total oil & gas prop.	Other PP&E	Total
At 1 January 2006							
Cost or valuation	95,9	96,4	4,4	1 275,1	1 471,8	14,2	**1 486,1**
Accumulated depreciation	-	-	-	-727,4	-727,4	-6,7	**-734,0**
Net book amount	**95,9**	**96,4**	**4,4**	**547,8**	**744,5**	**7,5**	**752,0**
Period ended 30 June 2006							
Opening net book amount	95,9	96,4	4,4	547,8	744,5	7,5	**752,0**
Exchange differences	-1,7	-3,6	-0,7	-47,4	-53,3	-0,4	**-53,7**
Additions	2,2	49,2	23,1	274,9	349,4	0,9	**350,3**
Transfers	-	-	-	-	-	-	**-**
Disposals	-27,3	-3,8	-	-	-31,1	-	**-31,1**
Depreciation charge	-	-	-	-77,5	-77,5	-1,1	**-78,6**
Closing net book amount	**69,1**	**138,3**	**26,8**	**697,8**	**932,0**	**6,9**	**939,0**
At 30 June 2006							
Cost or valuation	69,1	138,3	26,8	1 463,9	1 698,1	14,5	**1 712,6**
Accumulated depreciation	-	-	-	-766,1	-766,1	-7,6	**-773,7**
Net book amount	**69,1**	**138,3**	**26,8**	**697,8**	**932,0**	**6,9**	**939,0**

11. Available-for-Sale Financial Assets

Available-for-sale financial assets are revalued at fair value (market price, where available) at the end of each period, with changes charged directly to equity. Impairment will be charged to the income statement, while reversal of impairment will be charged directly to equity.

IAS 39 was implemented as of 01.01.2005. Financial assets classified as available-for-sale under IAS 39 were in previous periods valued at cost less impairment.

	Quarter					Year to date		Full year	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**	**2005**	**2004**
Beginning of the period	218,6	187,7	203,8	130,8	95,5	187,7	58,5	58,5	3,4
Additions *	0,4	59,6	5,1	41,1	4,2	59,9	24,6	70,8	34,7
Sales/Reclassifications **	-12,6	-	-3,3	-0,8	-	-12,6	-3,7	-7,7	-
Revaluation surplus transfer to equity ***	-28,1	-28,6	-17,9	32,8	31,3	-56,7	51,4	66,2	-
Exchange differences	0,0	-0,1	0,1	-0,1	-0,1	-0,1	0,1	0,1	-
End of the period [1]	**178,2**	**218,6**	**187,7**	**203,8**	**130,8**	**178,2**	**130,8**	**187,7**	**38,1**
Non-current portion	178,2	218,6	187,7	203,8	130,8	178,2	130,8	187,7	38,1
Current portion	-	-	-	-	-	-	-	-	-

* Additions in Q1 2006 relates to a conversion of bonds into 16,5 million shares in Petrolia Drilling ASA.
** Through a demerger from Rocksource ASA i May 2006, DNO acquired shares in Nordic Mining ASA. This is not regarded as a long-term investment for DNO, and the shares have been reclassified as held-for-trading (see note 14)
*** NOK -28,1 million in revaluation surplus to equity in Q2 2006 is mainly contributed by a decrease in value of shares in Rocksource ASA and Petrolia Drilling ASA.

[1] Available-for-sale financial assets include the following:

	Quarter					Year to date		Full year	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**	**2005**	**2004**
Listed securities:									
- Petrolia Drilling ASA	*70,3*	*86,8*	*28,2*	*13,0*	*6,1*	*70,3*	*6,1*	*28,2*	*3,5*
- Independent Oil Tools ASA	*25,3*	*31,7*	*32,2*	*26,4*	*19,0*	*25,3*	*19,0*	*32,2*	*1,6*
- Rocksource ASA	*76,2*	*93,9*	*121,8*	*155,8*	*97,6*	*76,2*	*97,6*	*121,8*	*29,6*
Equity securities - Norway	**171,8**	**212,4**	**182,2**	**195,2**	**122,7**	**171,8**	**122,7**	**182,2**	**34,7**
- Sterling Energy Ltd.	-	-	-	*8,7*	*8,2*	-	*8,2*	-	*3,3*
- Premier Oil Plc.	*6,4*	*6,2*	*5,5*	-	-	*6,4*	-	*5,5*	-
Equity securities - UK	**6,4**	**6,2**	**5,5**	**8,7**	**8,2**	**6,4**	**8,2**	**5,5**	**3,3**
Unlisted securities:									
- NOS AS	-	-	-	-	-	-	-	-	*0,1*
Equity securities - Norway	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0,1**
[1] Total available-for-sale financial assets	**178,2**	**218,6**	**187,7**	**203,8**	**130,8**	**178,2**	**130,8**	**187,7**	**38,1**

12. Derivative Financial Instruments

All derivative instruments are carried at fair value in the balance sheet. Fair value of the company's financial instruments are estimated based on market prices. For derivatives that qualify as a cash flow hedge, changes in fair value are charged directly to equity. This is released to the income statement at the same time the hedged cash flow impacts the income statement. Assessment of hedging effectiveness is measured using a regression analysis between Platts Crude Oil Marketwire and actual achieved sales prices. Changes in fair value for other derivatives are charged to the income statement.

	Quarter					Year to date		Full year	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**	**2005**	**2004**
Non-current assets:									
- Oil-price swaps/options	-	-	0,0	0,2	0,5	-	0,5	0,0	-
- Interest-rate swaps	3,7	3,8	2,8	1,6	0,2	3,7	0,2	2,8	-
- Other derivative financial instruments	-	-	-	-	-	-	-	-	-
Total non-current assets	**3,7**	**3,8**	**2,8**	**1,8**	**0,7**	**3,7**	**0,7**	**2,8**	**-**
Current assets:									
- Oil-price swaps/options	-	-	-	-	-	-	-	-	-
- Interest-rate swaps	-	-	-	-	-	-	-	-	-
- Other derivative financial instruments *	-	-	45,7	16,4	3,9	-	3,9	45,7	-
Total current assets	**-**	**-**	**45,7**	**16,4**	**3,9**	**-**	**3,9**	**45,7**	**-**
Total assets	**3,7**	**3,8**	**48,5**	**18,1**	**4,6**	**3,7**	**4,6**	**48,5**	**-**
Non-current liabilities:									
- Oil-price swaps/options	-	-	-	-	-	-	-	-	-
- Interest-rate swaps	-	-	-	-	-	-	-	-	-
Total non-current liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Current liabilities:									
- Oil-price swaps/options **	-	-	-	88,5	142,7	-	142,7	-	-
- Interest-rate swaps	-	-	-	-	0,2	-	0,2	-	1,7
Total current liabilities	**-**	**-**	**-**	**88,5**	**142,9**	**-**	**142,9**	**-**	**1,7**
Total liabilities	**-**	**-**	**-**	**88,5**	**142,9**	**-**	**142,9**	**-**	**1,7**

* Other current derivative financial instruments consists of convertible options related to Petrolia Drilling ASA convertible bonds. These were converted into 16,5 million shares in February 2006.
** Liability for settlement of oil price swap contracts with an average fixed oil price of 23,67 USD/bbl.

13. Trade and Other Receivables

Current assets

	Quarter					Year to date		Full year	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**	**2005**	**2004**
Trade receivables	96,2	122,1	102,0	84,9	67,0	96,2	67,0	102,0	46,7
Less: provisions for impairment of receivables	-	-	-	-	-	-	-	-	-
Trade receivables - net	96,2	122,1	102,0	84,9	67,0	96,2	67,0	102,0	46,7
Prepayments	16,2	15,1	16,0	5,9	7,1	16,2	7,1	16,0	9,8
Receivables from related parties	-	-	-	-	-	-	-	-	-
Underlift, entitlement method	8,4	10,7	11,8	4,8	4,6	8,4	4,6	11,8	3,2
VAT receivable	1,9	4,8	2,8	3,2	2,8	1,9	2,8	2,8	3,3
Tax refund exploration costs *	112,3	45,3	35,7	-	-	112,3	-	-	-
Amortised short-term receivables	-	-	9,0	9,0	9,0	-	9,0	9,0	3,7
Other short-term receivables	89,1	100,1	107,7	55,1	65,8	89,1	65,8	143,4	29,2
Total trade and other receivables	**324,1**	**298,0**	**285,0**	**163,0**	**156,3**	**324,1**	**156,3**	**285,0**	**95,8**

* For further information, see note 8

14. Cash, Cash Equivalents and Other Short Term Financial Assets

	Quarter					Year to date		Full year	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**	**2005**	**2004**
Cash and cash equivalents , non-restricted	826,1	781,0	1 033,7	868,1	880,1	826,1	880,1	1 033,7	488,6
Cash and cash equivalents , restricted	3,7	2,6	47,8	188,3	255,9	3,7	255,9	47,8	259,2
Total cash and cash equivalents	**829,8**	**783,6**	**1 081,5**	**1 056,4**	**1 135,9**	**829,8**	**1 135,9**	**1 081,5**	**747,8**

Money Market Funds

DNO has placed surplus liquidity in money marked funds with an investment profile based on short-term interest certificates.

Shares held-for-trading

Through a demerger from Rocksource ASA in May 2006, DNO acquired shares in Nordic Mining ASA. This is not regarded as a long-term investment for DNO, and the shares have been classified as held-for-trading.

			Quarter					Full year	
NOK million	**Curr**	**Amount**	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**2005**	**2004**
Money marked funds									
Terra Sparebank	NOK	30,0	30,0	-	-	-	-	-	-
Storebrand Likviditet	NOK	50,0	50,0	-	-	-	-	-	-
Nordea Money Market	USD	10,0	-	66,6	67,9	-	-	67,9	-
Holberg Likviditet II	NOK	50,0	-	50,2	50,0	-	-	50,0	-
DnBNOR Likviditet 20 (V)	NOK	100,0	101,1	100,4	100,2	-	-	100,2	-
Terra Pengemarked II	NOK	50,0	-	50,2	50,1	-	-	50,1	-
DnBNOR Tidsinnskudd	USD	20,0	-	131,7	-	-	-	-	-
Shares held-for-trading									
Nordic Mining ASA			12,6	-	-	-	-	-	-
Other financial assets at fair value through profit or loss			**193,7**	**399,1**	**268,3**	**-**	**-**	**268,3**	**-**

15. Equity

Share capital

NOK million	**Number of shares (1000) ***	**Ordinary shares**	**Treasury shares**	**Total**
At 1 January 2005	**904 856**	**226,2**	**-4,0**	**222,2**
Share option scheme:				
- value of services provided	-	-	-	-
- proceeds from shares issued	-	-	-	-
Treasury shares purchased / sold	-	-	-8,3	-8,3
Share issues	-	-	-	-
At 30 June 2005	**904 856**	**226,2**	**-12,2**	**214,0**
At 1 January 2006	**904 856**	**226,2**	**-2,4**	**223,8**
Share option scheme:				
- value of services provided	-	-	-	-
- proceeds from shares issued	-	-	-	-
Treasury shares purchased / sold	-	-	-1,8	-1,8
Share issues	-	-	-	-
At 30 June 2006	**904 856**	**226,2**	**-4,2**	**222,0**

* Adjusted for share split approved by the General Assembly in June 2005 and share split approved by the General Assembly in June 2006.

The total number of ordinary shares is 904 856 912 shares with a par value of NOK 0,25 per share. All issued shares are fully paid.
See note 21 on Share Options and Share-Based Payments.

Other reserves

	Share premium / Other paid-in capital	Hedging reserve	Available-for-sale investm.	Other reserves	Translation	Total
Balance at 31 December 2004	**79,8**	**-**	**-**	**132,5**	**-91,6**	**120,8**
Adjustments IAS 32/39 1 January 2005	-	-130,2	20,4	-132,6	-	-242,4
Balance at 1 January 2005	**79,8**	**-130,2**	**20,4**	**-0,1**	**-91,6**	**-121,6**
Revaluation, net of tax	-	-	51,4	-	-	51,4
Premium, paid in capital	0,0	-	-	-	-	0,0
Treasury shares:						
- Sale of treasury shares	121,9	-	-	150,3	-	272,2
- Purchase of treasury shares	-	-	-	-203,8	-	-203,8
Other paid in capital	-	-	-	5,7	-	5,7
Derivative contracts treasury shares	-	-	-	-78,3	-	-78,3
Dividends	-	-	-	-	-	-
Cash flow hedges: *						
- Fair value gains / (losses), net of tax	-	-37,2	-	-	-	-37,2
- Transfers to net profit, net of tax	-	64,6	-	-	-	64,6
Currency translation differences:						
- Group	-	-	-	-	1,9	1,9
- Associates	-	-	-	-	-	-
Balance at 30 June 2005	**201,7**	**-102,8**	**71,8**	**-126,2**	**-89,7**	**-45,2**
Balance at 31 December 2005	**1 160,4**	**-**	**86,6**	**-999,7**	**-76,8**	**170,5**
Revaluation, net of tax	-	-	-56,9	-	-	-56,9
Premium, paid in capital	-	-	-	-	-	-
Treasury shares:						
- Sale of treasury shares	93,2	-	-	376,3	-	469,5
- Purchase of treasury shares	-	-	-	-509,5	-	-509,5
Other paid in capital	-	-	-	-	-	-
Options granted	-	-	-	-	-	-
Derivative contracts treasury shares [1)]	-	-	-	-68,1	-	-68,1
Dividends	-	-	-	-	-	-
Cash flow hedges: *						
- Fair value gains / (losses), net of tax	-	-	-	-	-	-
- Transfers to net profit, net of tax	-	-	-	-	-	-
Currency translation differences:						
- Group	-	-	-	-	-72,8	-72,8
- Associates	-	-	-	-	-	-
Balance at 30 June 2006	**1 253,6**	**-**	**29,7**	**-1 201,0**	**-149,5**	**-67,2**

Changes in derivative contracts treasury shares:	
Premium, purchase of call option	-266,8
Reclassification of premium call options exercised	258,0
Reversal of provision, written put options not exercised	161,4
Provision, written put option	-220,7
Reclassification of settled forward contracts	-
Additional forward contracts purchased	-
[1)] **Total changes in derivative contracts treasury shares**	**-68,1**

*** Cash flow hedges:**

Fair value gains / (losses) indicates the fair value adjustment charged directly to equity this period for the remaining balance at the end of the period.

Transfers to net profit indicates the opening balance adjustment for cash flow hedges realised in the period that has been transferred to the income statement.

16. Interest-Bearing Liabilities

NOK million	Q2 2006	Q1 2006	Quarter Q4 2005	Q3 2005	Q2 2005	Year to date Q2 2006	Q2 2005	Full year 2005	2004
Non-current									
Convertible loans	-	-	-	-	-	-	-	-	-
Bonds	1 511,1	1 530,9	1 396,5	882,4	882,2	1 511,1	882,2	1 396,5	469,5
Liabilities to financial institutions	-	-	-	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-	-	-	-
Financial leases	-	-	-	-	-	-	-	-	-
Total non-current interest-bearing liabilities	**1 511,1**	**1 530,9**	**1 396,5**	**882,4**	**882,2**	**1 511,1**	**882,2**	**1 396,5**	**469,5**
Current									
Current portion of bonds	-	-	-	-	-	-	-	-	-
Liabilities to financial institutions	25,8	-	100,0	155,0	155,0	25,8	155,0	100,0	100,0
Total current interest-bearing liabilities	**25,8**	**-**	**100,0**	**155,0**	**155,0**	**25,8**	**155,0**	**100,0**	**100,0**
Total interest-bearing liabilities	**1 536,9**	**1 530,9**	**1 496,5**	**1 037,4**	**1 037,2**	**1 536,9**	**1 037,2**	**1 496,5**	**569,5**

Non-current interest-bearing liabilities:

NOK million	Curr	Amount	Interest	Maturity	Balance Q2 2006	Q1 2006
Bond loan (ISIN NO0010226574)	NOK	25,5	Nibor + 3,5%	02-06-09	25,5	25,5
Bond loan (ISIN NO0010226582)	NOK	29,0	Fixed 7,915%	01-06-09	29,0	29,0
Bond loan (ISIN NO0010270523)	USD	60,0	Libor + 3,5%	06-06-12	374,5	395,0
Bond loan (ISIN NO0010283732)	NOK	315,5	Fixed 7,215%	12-10-12	315,5	315,5
Bond loan (ISIN NO0010283724)	NOK	580,0	Nibor + 3,5%	12-10-12	580,0	580,0
Bond loan (ISIN NO0010302649)	NOK	200,0	Nibor + 2,5%	02-03-11	200,0	200,0
Borrowing issue costs					-13,4	-14,0
Financial leases					-	-
Total non-current interest-bearing liabilities					**1 511,1**	**1 531,0**

The maturity of interest-bearing liabilities is as follows:

NOK million	Q2 2006	Q1 2006	Quarter Q4 2005	Q3 2005	Q2 2005	Year to date Q2 2006	Q2 2005	Full year 2005	2004
0 - 12 months	25,8	-	100,0	155,0	155,0	25,8	155,0	100,0	100,0
Between 1 and 2 years	-	-	-	-	-	-	-	-	-
Between 2 and 5 years	252,2	252,1	800,0	500,0	500,0	252,2	500,0	800,0	469,5
Over 5 years	1 258,9	1 278,8	596,5	382,4	382,2	1 258,9	382,2	596,5	-
Total interest-bearing liabilities	**1 536,9**	**1 530,9**	**1 496,5**	**1 037,4**	**1 037,2**	**1 536,9**	**1 037,2**	**1 496,5**	**569,5**

The carrying amounts of the Group's interest-bearing liabilities are denominated in the following currencies:

NOK million	Q2 2006	Q1 2006	Quarter Q4 2005	Q3 2005	Q2 2005	Year to date Q2 2006	Q2 2005	Full year 2005	2004
Norwegian kroner	1 140,0	1 136,0	1 100,0	655,0	655,0	1 140,0	655,0	1 100,0	569,5
US dollar	397,0	394,9	396,5	382,4	382,2	397,0	382,2	396,5	-
Total interest-bearing liabilities	**1 536,9**	**1 530,9**	**1 496,5**	**1 037,4**	**1 037,2**	**1 536,9**	**1 037,2**	**1 496,5**	**569,5**

17. Provisions for Other Liabilities and Charges

	Quarter					Year to date		Full year	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**	**2005**	**2004**
Non-current									
Abandonment provision	-	-	-	-	-	-	-	-	
Decommissioning provision	-	-	-	-	-	-	-	-	
Asset retirement obligations	18,9	18,5	18,1	17,7	17,3	18,9	17,3	18,1	16,6
Other long-term obligations	51,5	58,8	67,0	38,6	24,5	51,5	24,5	67,0	6,0
Total non-current provisions for other liabilities and charges	**70,4**	**77,3**	**85,1**	**56,3**	**41,8**	**70,4**	**41,8**	**85,1**	**22,6**
Current									
Dividends payable	-	-	21,8	-	26,8	-	26,8	21,8	-
Provisions, derivative contracts treasury shares*	228,1	226,3	163,0	234,5	146,0	228,1	146,0	163,0	-
Other provisions and charges	47,5	68,1	39,6	35,4	19,7	47,5	19,7	39,6	40,3
Total current provisions for other liabilities and charges	**275,6**	**294,5**	**224,3**	**269,9**	**192,5**	**275,6**	**192,5**	**224,3**	**40,3**
Total provisions for other liabilities and charges	**346,0**	**371,7**	**309,4**	**326,2**	**234,3**	**346,0**	**234,3**	**309,4**	**63,0**

NOK million	**Asset retirem. oblig.**	**Other non-current**	**Prov. treasury shares ***	**Other current**	**Total**
Balance at 31 December 2005	**18,1**	**67,0**	**163,0**	**61,3**	**309,4**
Charged to consolidated income statement:					
- Additional provisions	0,8	-	2,4	-	3,2
- Unused amounts reversed or reclassified	-	-	-1,6	-	-1,6
Charged to equity:					
- Additional provisions	-	-	225,7	-	225,7
- Unused amounts reversed	-	-	-161,4	-	-161,4
- Contracts exercised	-	-	-	-	-
Exchange differences	-	-	-	-	-
Used during the period	-	-15,5	-0,0	-13,9	-29,4
Balance at 30 June 2006	**18,9**	**51,5**	**228,1**	**47,5**	**346,0**

Derivative contracts on treasury shares are recognised as liabilities unless they qualify as equity (option premium). Forward contracts and written put options are recognised as liabilities with a corresponding adjustment to equity.

*** Provisions treasury shares (NOK million):**	
Forward contracts, treasury shares	-
Written put options, treasury shares	228,1
Total provisions treasury shares	**228,1**

18. Trade and Other Payables

	Quarter					Year to date		Full year	
NOK million	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q2 2006**	**Q2 2005**	**2005**	**2004**
Trade creditors	3,9	2,0	8,3	9,0	5,6	3,9	5,6	8,3	9,0
Public duties payable	10,5	8,2	16,3	6,7	7,2	10,5	7,2	16,3	4,4
Prepayment from customers	-	-	-	-	-	-	-	-	-
Debt to employees and shareholders	-	-	-	-	-	-	-	-	-
Other accrued expenses	66,3	104,4	104,7	75,2	17,3	66,3	17,3	104,7	29,1
Overlift, entitlement method	-	-	-	-	-	-	-	-	-
Total trade and other payables	**80,7**	**114,6**	**129,3**	**90,9**	**30,1**	**80,7**	**30,1**	**129,3**	**42,5**

19. Earnings per Share

NOK	Quarter Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Year to date Q2 2006	Q2 2005	Full year 2005	2004
Earnings per share, basic	0,08	-0,03	0,19	0,00	-0,02	0,05	0,15	0,34	0,02
Earnings per share, diluted	0,08	-0,03	0,19	0,00	-0,02	0,05	0,15	0,34	0,02

Earnings per share adjusted for share split as of 22 June 2005 and share split as of 15 June 2006.

Basic earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased and held as treasury shares.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. DNO has only one category of dilutive potential ordinary shares: share options.

20. Dividends

NOK	Quarter Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Year to date Q2 2006	Q2 2005	Full year 2005	2004
Dividends paid per share *	-	-	0,40	0,28	-	-	-	0,67	0,52

* Adjusted for share split approved by the General Assembly in June 2005 and share split approved by the General Assembly in June 2006.

21. Share Options and Share-Based Payments

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2006		2005	
NOK per share if not otherwise stated	**Avg exercise price**	**Options (1000) ***	**Avg exercise price**	**Options (1000) ***
At 1 January	**4,6**	**6 400,0**	**1,1**	**3 400,0**
Granted	-	-	6,1	4 800,0
Forfeited	-	-	-	-
Exercised	0,5	-1 600,0	1,1	-1 800,0
Lapsed	-	-	-	-
At 30 June	**5,9**	**4 800,0**	**4,8**	**6 400,0**

* Adjusted for share split approved by the General Assembly in June 2005 and share split approved by the General Assembly in June 2006.

A total of 1,2 million ordinary share options (4,8 million after share split in June 2006) were granted to Board members at the General Assembly in June 2005. The exercise price of the granted options is equal to the market price of the shares on the date of the grant (22 June 2005). The options expire 21 June 2007.

The fair value of the options granted to the Board has been determined using the Black-Scholes valuation model. The significant inputs in the model were share price at the grant date (adj for split and dividend), exercise price of NOK 24,41, historic volatility of 36,74% based on the last 20 trading days, risk-free interest rate 2,50%, and expected exercise after 18 months. Since the options granted have no vesting conditions, the fair value of the options granted, estimated to NOK 5,7 million, has been booked in full to equity with a corresponding entry to the income statement.

DNO ASA
Stranden 1, Aker Brygge
0113 Oslo, Norway

Phone: +47 23 23 84 80
Telefax: +47 23 23 84 81

www.dno.no