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SECOND INTERIM REPORT
FOR THE SIX MONTHS ENDED JUNE 30, 2005



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INTERIM REPORT SECOND QUARTER 2005

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

- **168 % in reserve growth through successful exploration and development**
 - Revised Nabrajah reserves, further increasing DNO's proven and probable reserves by 33,2 mboe to 74,7 mboe at the end of June 2005.
 - Continued successful drilling on the Tasour and Sharyoof fields in Yemen.
- **Expansion of international license portfolio**
 - Re-entry on the UK Continental Shelf as Operator with a 60% WI in Jaguar Prospect.
 - Ratification of Block 72 Production Sharing Agreement in Yemen.
- **Excellent reserve economics**
 - Continued favorable development in reserve replacement ratio and FD&A cost.
- **Delivering value to shareholders**
 - Dividend of NOK 231,8 mill comprising of NOK 0,5 per share and one DNO share per twenty seven shares owned
- **Financial strength supporting growth strategy**
 - Signing of new USD 100 mill bond loan agreement

Successful implementation of DNO's revised strategy has contributed to a further increase in the company's proven and probable reserves during the second quarter of 2005. DNO has increased its reserve base in Yemen following the basement oil discovery in the Nabrajah area. The achievements confirm the reserve growth potential in DNO's risk balanced portfolio of both exploration and producing assets.

Key Operational and Financial Data

NOK million, boe, boe/bbl	Quarterly Results				Year to date		Full Year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	2005	2004	2004	
Production (mboe)	1,212	1,266	1,448	1,239	1,132	2,479	2,430	5,117
Production per day (boe)	13 322	14 070	15 741	13 469	12 435	13 694	13 351	13 982
Achieved sales prices (USD/bbl)	48,70	43,81	42,27	41,33	34,52	46,21	32,99	36,90
Achieved sales prices (USD/bbl) net of loss on hedging contracts	41,13	37,68	38,05	35,49	30,80	39,38	29,76	32,83
Lifting cost (USD/bbl)	5,80	6,49	5,10	4,76	5,28	6,15	5,07	4,92
DD&A (USD/bbl)	3,93	3,88	3,56	4,42	3,57	3,91	3,07	3,48
EBITDA *	198,9	244,3	235,5	164,3	552,1	443,2	1 346,2	2 158,4
Netback *	-0,1	108,3	16,0	-35,0	265,0	108,2	1 082,8	1 476,1
EBITDA *, (USD/bbl)	25,67	30,7	26,5	19,4	71,5	28,21	81,16	62,6
Netback *, (USD/bbl)	-0,01	13,6	1,8	-4,1	34,3	6,89	65,28	42,8
Acquisitions and development cost	128,5	66,6	81,0	51,8	67,3	195,1	95,7	228,5
Exploration cost expensed	44,6	21,0	32,2	74,4	39,8	65,6	90,9	197,4

* including asset sale proceeds



Condensed Tables

Income Statements

NOK million	Quarterly				Year to date		Full Year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2005	2004	2004
Sales	318,8	299,8	338,0	301,0	237,9	618,6	493,7	1 132,7
Cost of goods sold	- 76,0	- 83,2	- 77,2	- 79,4	- 70,4	- 159,2	- 139,6	- 296,2
Gross margin	242,8	216,7	260,8	221,6	167,6	459,4	354,2	836,5
Gross margin %	76,2 %	72,3 %	77,2 %	73,6 %	70,4 %	74,3 %	71,7 %	73,9 %
Profit / (loss) from operating activities	167,4	212,8	203,7	126,7	111,6	380,2	230,3	560,6
Profit / (loss) before income tax expenses	187,8	268,1	117,8	86,6	123,9	455,9	276,6	481,0
Net profit / (loss) before disc. operations	- 23,7	143,8	- 30,0	- 92,7	16,5	120,1	35,8	- 86,9
Net profit / (loss)	- 23,7	143,8	10,3	- 94,4	107,1	120,1	127,2	43,1

Balance Sheet Statements

NOK million	Quarterly				Year to date		Full Year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2005	2004	2004
Non-current assets	790,5	686,9	490,1	405,1	364,9	790,5	364,9	490,1
Current assets	1 296,1	1 063,2	854,8	980,3	1 252,2	1 296,1	1 252,2	854,8
Net assets discontinued operations	-	-	-	107,6	109,3	-	109,3	-
Total assets	2 086,6	1 750,0	1 344,9	1 493,0	1 726,4	2 086,6	1 726,4	1 344,9
Equity	602,1	567,3	666,7	850,1	1 148,7	602,1	1 148,7	666,7
Non-current liabilities	924,0	523,3	493,5	400,4	331,4	924,0	331,4	493,5
Current liabilities	560,5	659,5	184,6	242,4	246,3	560,5	246,3	184,6
Equity and liabilities	2 086,6	1 750,0	1 344,9	1 493,0	1 726,4	2 086,6	1 726,4	1 344,9

Cash Flow Statements

NOK million	Quarterly				Year to date		Full Year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2005	2004	2004
Net cash from operating activities	- 14,8	18,2	23,4	- 68,6	- 49,1	3,4	47,8	2,5
Net cash used in investing activities	- 94,8	- 40,5	- 92,4	- 88,0	296,3	- 135,3	1 061,8	881,4
Net cash (used in) / from financing acts	316,7	138,0	132,0	- 130,1	- 107,6	454,7	-151,6	- 149,6
Net increase / (decrease) in cash	207,0	115,7	63,0	- 286,7	139,5	322,7	958,0	734,3
Cash at beginning of period	894,6	747,8	777,8	1 092,4	949,3	747,8	119,6	119,6
Exchange gain / (losses) on cash	34,3	31,1	- 93,0	- 27,9	3,5	65,4	14,8	- 106,0
Cash at end of period	1 135,9	894,6	747,8	777,8	1 092,4	1 135,9	1 092,4	747,8



General Information

International Financial Reporting Standards (IFRS)

In 2001 the EU Commission resolved that all listed companies within the European Union must apply International Financial Reporting Standards (IFRS) in their consolidated accounts with effect from January 1, 2005. Under the European Economic Area (EEA) agreement, this change also applies to Norwegian companies listed at Oslo Stock Exchange.

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

Descriptions of changes in accounting principles and required reconciliation tables are presented in the updated version of "DNO IFRS Transition Report" published on DNO's web site on May 11, 2005. For equity and income statement reconciliations between N GAAP and IFRS for the first half of 2004, see note 18 to the financial accounts.

The second quarter 2005 interim report has been prepared in accordance with IAS 34 (Interim Financial Reporting) and IFRS standards issued and effective at date of reporting.

The IFRS accounting policies have been applied consistently in 2005 and for the 2004 comparative figures, except for those related to classification and measurement of financial instruments (IAS 39 and IAS 32). DNO has implemented IAS 39 and IAS 32 with effect from January 1, 2005. The impact on equity from implementing IAS 39 and IAS 32 is described in the IFRS Transition Report.

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, Africa and Other International Activities (OIA).

With effect from January 1, 2005, DNO will present its activities in Northern Iraq and Syria under the segment Middle East. Comparative figures for 2004 have been changed accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

The Management Discussion and Analysis should be read in conjunction with the DNO IFRS Transition Report and the consolidated interim financial statements for the three months ended March 31, 2005, six months ended June 30, 2004 and twelve months ended December 31, 2004.

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 (see also illustration below);

- Exploration and discovery
- Development
- 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.

1) Operational Information

1a) 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. They do 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 consolidated profit after tax.

Second Quarter Highlights - Result of Operations Producing Assets

- Increase in revenues from sale of petroleum products contributed by higher oil prices and favourable USD/NOK
- EBITDA and Netback from producing assets maintained at high levels

Result of operations producing assets

NOK million	Quarterly					Year to date		Full Year
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2005	2004	2004
Sale of petroleum products	377,4	348,6	375,3	350,5	266,6	726,0	547,2	1 273,0
Lifting costs	- 44,9	- 51,7	- 45,3	- 40,4	- 40,8	- 96,6	- 84,2	- 169,8
DD&A	- 30,5	- 30,9	- 31,6	- 37,5	- 27,6	- 61,4	- 51,0	- 120,1
Transportation and other	- 9,5	- 9,1	- 7,1	- 9,5	- 5,5	- 18,5	- 18,0	- 34,5
Exploration costs	0,2	- 1,2	- 1,5	1,6	- 0,1	- 1,0	- 3,0	- 2,9
Result of operations before taxes	292,8	255,8	289,8	264,6	192,7	548,5	391,1	945,6
Income tax expense	- 214,7	- 194,6	- 222,5	- 201,1	- 127,1	- 409,3	- 268,6	- 692,2
Result of operations after taxes	78,1	61,2	67,3	63,6	65,5	139,2	122,5	253,4

Other key result of operations data

	Quarterly					Year to date		Full Year
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2005	2004	2004
Production (mboe)	1,212	1,266	1,448	1,239	1,132	2,479	2,430	5,117
Achieved sales prices (USD/bbl)	48,70	43,81	42,27	41,33	34,52	46,21	32,99	36,90
Average lifting cost (USD/bbl)	5,80	6,49	5,10	4,76	5,28	6,15	5,07	4,92
Average DD&A (USD / bbl)	3,93	3,88	3,56	4,42	3,57	3,91	3,07	3,48
EBITDA producing assets	323,3	286,7	321,3	302,1	220,3	609,9	442,1	1 065,7
Netback producing assets	108,6	92,1	98,9	101,1	93,1	200,6	173,5	373,5



Sale of Petroleum Products

NOK million	Quarterly					Year to date		Full Year
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2005	2004	2004
Northern Europe	45,3	40,0	25,8	37,4	31,0	85,3	75,6	138,8
Middle East	332,1	308,6	349,5	313,1	235,6	640,7	471,6	1 134,2
Sale of petroleum products	377,4	348,6	375,3	350,5	266,6	726,0	547,2	1 273,0

Increase in revenues from sale of petroleum products is mainly contributed by higher achieved oil prices and favourable development in USD/NOK exchange rates (see table below).

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	Variation
	Q1 2005 – Q2 2005	Q2 2004 – Q2 2005
Sale of petroleum products	348,6	266,6
Change in production volume	- 14,9	-1,3
Change in crude oil price	37,3	137,8
Change in USD/NOK	6,4	- 25,7
Sale of petroleum products	377,4	377,4



Production

(Mboe)	Quarterly					Year to date		Full Year
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2005	2004	2004
Northern Europe	0,152	0,142	0,122	0,135	0,139	0,294	0,351	0,608
Middle East	1,060	1,124	1,326	1,104	0,993	2,184	2,079	4,509
Total production	1,212	1,266	1,448	1,239	1,132	2,479	2,430	5,117

Crude Oil Prices

(USD/tbl)	Quarterly					Year to date		Full Year
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2005	2004	2004
Northern Europe	46,60	44,77	34,46	40,43	32,70	45,74	31,54	33,87
Middle East	49,01	43,68	42,99	41,44	34,76	46,28	33,23	37,32
Total achieved sales prices	48,70	43,81	42,27	41,33	34,51	46,21	32,99	36,91
Achieved sales prices net of oil price hedging contracts	41,13	37,68	38,05	35,49	30,80	39,38	29,76	32,83
Europe Brent Spot Prices	51,56	47,38	44,26	40,60	35,30	49,47	33,54	37,99
OPEC Countries Spot Price	46,40	42,61	38,83	37,15	32,99	44,57	31,20	34,60

Lifting Cost

NOK million	Quarterly				Year to date		Full Year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2005	2004	2004
Northern Europe	13,9	13,7	15,8	15,4	15,8	27,7	36,0	67,2
Middle East	30,9	38,0	29,5	25,0	25,0	68,9	48,1	102,7
Total lifting cost	44,9	51,7	45,3	40,4	40,8	96,6	84,2	169,9

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

(USD/bbl)	Quarterly				Year to date		Full Year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2005	2004	2004
Northern Europe	14,34	15,34	21,11	16,58	16,68	14,83	15,04	16,40
Middle East	4,56	5,38	3,63	3,32	3,69	4,98	3,39	3,38
Total lifting cost per bbl	5,80	6,49	5,10	4,76	5,28	6,15	5,07	4,92

For the segment Northern Europe, the increase in lifting cost per bbl in Q4 2004 was mainly contributed by lower production caused by the lock-out situation on the Glitne field from mid September to the end of October 2004.

Depreciation, Depletion and Amortisation

NOK million	Quarterly				Year to date		Full Year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2005	2004	2004
Northern Europe	6,9	6,3	5,8	9,5	12,7	13,9	18,2	32,3
Middle East	23,6	24,6	25,8	28,0	14,9	48,3	34,0	87,8
Total DD&A	30,5	30,9	31,6	37,5	27,6	62,2	52,2	120,1

(USD/bbl)	Quarterly				Year to date		Full Year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2005	2004	2004
Northern Europe	7,44	7,49	7,76	10,22	13,77	7,47	7,60	8,17
Middle East	3,50	3,48	3,18	3,71	2,20	3,49	2,39	2,89
Total DD&A per bbl	3,93	3,88	3,56	4,42	3,57	3,91	3,07	3,48

Result of Operations Producing Assets – Netback Variance Analysis

Netback * variance table

NOK million	Variation	NOK million	Variation
Netback first quarter 2005	92,1	Netback second quarter 2004	93,1
<i>Favourable (unfavourable)</i>		<i>Favourable (unfavourable)</i>	
Sale of petroleum products:		Sale of petroleum products:	
Production	- 14,9	Production	- 1,3
Oil price	37,3	Oil price	137,8
Exchange rates	6,4	Exchange rates	- 25,7
Expenses and taxes paid:		Expenses and taxes paid:	
Operating expenses, cash items	7,9	Operating expenses, cash items	-7,8
Taxes paid for the period	-20,1	Taxes paid for the period	-87,6
Netback second quarter 2005	108,6	Netback second quarter 2005	108,6

* Netback from producing assets is calculated as EBITDA from producing assets adjusted for tax expenses.

1b) 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 risked 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 costs, 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

- Netback from operations covered 62,7 % of total investments in the second quarter 2005
- Acquisition of new exploration assets on the Norwegian Continental Shelf
- Development of the Nabrajah field in Yemen continued in the second quarter 2005.
- Exploration activities in all geographical areas

Total Investments Incurred

NOK million	Quarterly					Year to date		Full Year
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2005	2004	2004
Acquisition and development cost	128,5	66,6	81,0	51,8	67,3	195,1	95,7	228,5
Exploration costs expensed	44,6	21,0	32,2	74,4	39,8	65,6	90,9	197,4
Total investments incurred	173,1	87,6	75,4	173,6	104,8	260,7	186,6	425,9

Acquisition and Development Cost

NOK million	Quarterly					Year to date		Full Year
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2005	2004	2004
Northern Europe	42,6	0,7	2,1	13,7	28,9	43,3	33,4	49,2
Middle East	85,7	61,2	81,8	42,6	30,7	146,9	54,5	178,9
Africa	0,1	4,7	-3,1	-4,5	7,7	4,8	7,7	-
Shared Services / unallocated	0,1	-	0,2	-	-	0,1	0,1	0,4
Total acquisition and development cost	128,5	66,6	81,0	51,8	67,3	195,1	95,7	228,5

Exploration Cost Expensed

NOK million	Quarterly				Year to date		Full Year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2005	2004	2004
Northern Europe	22,2	8,2	24,4	15,0	16,4	30,3	30,5	69,8
Middle East	19,8	10,5	0,6	17,8	15,8	30,3	37,5	56,0
Africa	2,6	2,3	7,2	41,6	7,5	5,0	22,9	71,6
Other International Activities	-	-	-	-	-	-	-	-
Total exploration cost expensed	44,6	21,0	32,2	74,4	39,8	65,6	90,9	197,4

Netback Producing Activities to Total Investments Coverage

NOK million	Quarterly				Year to date		Full Year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2005	2004	2004
Netback producing activities	108,6	92,0	98,8	101,1	93,1	200,6	173,5	373,5
Total investments incurred *	173,1	87,6	75,4	173,6	104,8	260,7	186,6	425,9
Coverage %	62,7	105,0	131,0	58,2	88,8	77,0	93,0	87,7

* Total investments in the second quarter include development of the Nabrajah field.

1c) 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

- Reserves increased further by 33,2 mboe to 74,7 mboe at the end of June 2005.
- High reserve replacement.
- Low finding, development and acquisition cost (FD&A).
- Efficient reinvestment program through strong Netback from producing fields combined with favourable FD&A cost (recycle ratio).

Reserve Economics Table

All figures are prepared on the basis of proven and probable reserves.

	Ytd 2005	2004	2003	2002	2001
Reserves (mboe)	74,7	28,4	143,4	125,4	85,5
Gross Reserve Growth (mboe)	48,8	19,1	27,9	48,0	27,0
Reserve Life Index (years)	15,1	5,6	14,5	15,3	17,8
Reserve Replacement Ratio (X)	19,7	3,7	2,8	5,9	5,6
Finding, Development and Acquisition Cost (USD/bbl)	0,8	3,3	3,9	1,4	3,5
Recycle Ratio (X)	15,2	3,6	2,4	4,4	3,0

3 Year Average Reserve Economics Table

	2002-2005*	2002-2004	2001-2003	2000-2002	1999-2001
Reserve Replacement Ratio (X)	5,6	4,1	4,5	6,9	9,4
Finding, Development and Acquisition Cost (USD/bbl)	1,9	2,5	2,6	2,0	2,1
Recycle Ratio (X)	4,7	3,5	3,2	3,9	4,5

* includes year to date 2005

Continuity of Proven and Probable Reserves by Segment

The table below shows DNO's estimated proven and probable reserves of oil and gas and the changes in reserves for the years 2001-2004 and year-to-date 2005. 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.

Million bbls	Northern Europe	Middle East	Africa	OIA	DNO Group
Proven and probable reserves at 31.12.2000	54,9	9,4	-	-	64,3
Discoveries, additions and extensions	20,1	1,4	-	-	21,5
Acquisitions of reserves	5,5	-	-	-	5,5
Divestment of reserves	-1,0	-	-	-	-1,0
Year 2001 production	-3,6	-1,2	-	-	-4,8
Proven and probable reserves at 31.12.2001	75,9	9,6	-	-	85,5
Discoveries, additions and extensions	29,5	7,7	-	-	37,2
Acquisitions of reserves	10,8	-	-	-	10,8
Divestment of reserves	-	-	-	-	-
Year 2002 production	-4,2	-3,9	-	-	-8,1
Proven and probable reserves at 31.12.2002	112,0	13,4	-	-	125,4
Discoveries, additions and extensions	24,7	3,2	-	-	27,9
Acquisitions of reserves	-	-	-	-	-
Divestment of reserves	-	-	-	-	-
Year 2003 production	-5,2	-4,7	-	-	-9,9
Proven and probable reserves at 31.12.2003	131,5	11,9	-	-	143,4
Discoveries, additions and extensions	6,3	12,2	-	-	18,5
Acquisitions of reserves	7,5	-	-	-	7,5
Divestment of reserves	-135,9	-	-	-	-135,9
Year 2004 production	-0,6	-4,5	-	-	-5,1
Proven and probable reserves at 31.12.2004	8,8	19,6	-	-	28,4
Discoveries, additions and extensions	-	38,8	-	-	38,8
Acquisitions of reserves	10,0	-	-	-	10,0
Divestment of reserves	-	-	-	-	-
Year to date 2005 production	-0,3	-2,2	-	-	-2,5
Proven and probable reserves at 30.06.2005	18,5	56,2	-	-	74,7



2) 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.

As required under the previous credit facility with ANZ Investment Bank, DNO has hedged 1,3 million barrels (3 600 bbls / day) for 2005 through oil price swap contracts with an average fixed oil price of 23,67 USD / bbl.

During second quarter 2005, NOK 58,7 million has been realized and booked as a reduction of sales (see note 2 to the financial accounts). The remaining commitment (NOK 142,7 million - 0,66 million barrels) at the end of second quarter has been booked as a liability with a corresponding entry against equity (see note 11 and note 14).

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.

Income Tax Expenses

In the second quarter 2005, income tax expenses for the Group amounted to NOK 211,5, an increase of NOK 87,2 million from last quarter. During the fourth quarter of 2004 a deferred tax asset was recognised to reflect the taxable losses for the Norwegian operations following the Glitne lock-out situation. During first quarter 2005, DNO also reassessed the probability for the parent company to utilise its positions of unused tax losses and other tax credits and thereby recognised a deferred tax asset in the balance sheet (NOK 117 million). See also note 7 to the financial accounts.

Taxes paid in kind for the Yemen operations are presented gross in the income statements. For more information, see DNO's IFRS Transition Report.

Treasury shares

At the end of second quarter 2005, DNO holds 12.240.500 treasury shares with an average cost of 7,33 per share, thereby reducing equity by NOK 89,8 million. As part of the dividend approved by the General Assembly in June 2005, 7,4 million shares have been distributed to the shareholders in July 2005

In addition, the Group has also entered into several derivative contracts on own shares, further reducing equity at the end of June 2005 by NOK 277,9 million.

Contingencies and Events Occurring after the Balance Sheet Date

The Nabrahjah Field commenced oil production on the 12th of July 2005.

Other

The dispute with Cambridge Securities PLC was settled during the second quarter of 2005.



FINANCIAL ACCOUNTS WITH NOTE DISCLOSURES

The financial accounts of DNO ASA are from January 1, 2005 presented in accordance with International Financial Reporting Standards (IFRS). The interim accounts are presented in accordance with IAS 34, Interim Financial Reporting and have been prepared in accordance with IFRS. The IFRS accounting policies have been applied consistently in 2005 and for the 2004 comparative figures, except for those related to classification and measurement of financial instruments (IAS 39 and IAS 32). DNO has implemented IAS 39 and IAS 32 with effect from January 1, 2005.

For more information on the transition from N GAAP to IFRS, see the DNO IFRS Transition Report published on DNO's web page (www.dno.no).

This section of the report includes the financial accounts and note disclosures.

In addition convenience tables are presented at the end of the section.

FINANCIAL ACCOUNTS WITH NOTE DISCLOSURES

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Result of Operations Producing Assets
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Consolidated Income Statements (NOK mill)

	Note	Quarter				Year to date		Full year 2004	
		Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005		
Sales	1, 2	318,8	299,8	338,0	301,0	237,9	618,6	493,7	1 132,7
Cost of goods sold	3	-76,0	-83,2	-77,2	-79,4	-70,4	-159,2	-139,6	-296,2
Gross profit		242,8	216,7	260,8	221,6	167,6	459,4	354,2	836,5
Other operating income		2,5	1,2	0,4	0,2	0,2	3,7	0,4	1,0
Tariffs and transportation		-9,5	-9,1	-7,1	-9,5	-5,5	-18,5	-18,0	-34,6
Administrative expense	4	-23,5	-5,9	-15,0	-10,4	-10,8	-29,4	-16,2	-41,6
Other operating expenses	4	0,1	0,8	-3,3	-0,8	0,0	0,9	0,8	-3,3
Exploration cost expensed	5	-44,6	-21,0	-32,2	-74,4	-39,8	-65,6	-90,9	-197,4
Net gain / (loss) from sale of PP&E	9	-0,3	30,1	-	-	-	29,8	-	-
Profit / (loss) from operating activities		167,4	212,8	203,7	126,7	111,6	380,2	230,3	560,6
Share of profit / (loss) associates		-	-	-	-	-	-	15,6	15,6
Finance costs - net	6	20,4	55,3	-85,9	-40,1	12,2	75,7	30,7	-95,2
Profit / (loss) before income tax		187,8	268,1	117,8	86,6	123,9	455,9	276,6	481,0
Income tax expense	7	-211,5	-124,3	-147,8	-179,3	-107,4	-335,8	-240,8	-567,9
Net profit / (loss) before disc. operations		-23,7	143,8	-30,0	-92,7	16,5	120,1	35,8	-86,9
Net profit discontinued operations	8	-	-	40,3	-1,7	90,6	-	91,4	130,0
Net profit / (loss)	19	-23,7	143,8	10,3	-94,4	107,1	120,1	127,2	43,1

Consolidated Balance sheets (NOK mill)

	Note	Quarter				Full year	
		Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2004
ASSETS							
Non-current assets							
Deferred income tax assets		197,5	210,1	113,8	60,0	60,0	113,8
Property, plant and equipment	9	461,4	353,1	306,9	285,0	278,0	306,9
Investment in associates		-	-	-	4,4	4,4	-
Available for sale investments	10	130,8	95,5	38,1	36,7	3,4	38,1
Derivative financial instruments	11	0,7	2,0	-	-	-	-
Non-current receivables		-	26,2	31,3	19,0	19,2	31,3
Total non-current assets		790,5	686,9	490,1	405,1	364,9	490,1
Current assets							
Inventories		-	-	11,1	7,2	4,2	11,1
Trade and other receivables	12	156,3	162,4	95,8	195,3	155,6	95,8
Derivative financial instruments	11	3,9	6,2	-	-	-	-
Cash and cash equivalents	13	1 135,9	894,6	747,8	777,8	1 092,4	747,8
Total current assets		1 296,1	1 063,2	854,8	980,3	1 252,2	854,8
Net assets discontinued operations	8	-	-	-	107,6	109,3	-
TOTAL ASSETS		2 086,6	1 750,0	1 344,9	1 493,0	1 726,4	1 344,9
EQUITY AND LIABILITIES							
	Note	Quarter				Full year	
		Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	2004
Equity							
Share capital		214,0	217,1	222,2	223,3	210,4	222,2
Other reserves		-46,6	-135,0	117,7	310,3	309,6	117,7
Retained earnings		434,7	485,2	326,8	316,5	628,7	326,8
Total equity	14	602,1	567,3	666,7	850,1	1 148,7	666,7
Non-current liabilities							
Interest-bearing liabilities	15	882,2	500,0	469,5	357,5	292,0	469,5
Deferred income tax liabilities		-	-	1,4	20,0	16,6	1,4
Provisions for other liabilities and charges	16	41,8	23,3	22,6	23,0	22,8	22,6
Total non-current liabilities		924,0	523,3	493,5	400,4	331,4	493,5
Current liabilities							
Trade and other payables	17	30,1	36,3	42,5	150,6	150,7	42,5
Income taxes payable		40,1	43,4	-	0,5	16,2	-
Current interest-bearing liabilities	15	155,0	200,0	100,0	45,0	45,0	100,0
Derivative financial instruments	11	142,9	193,0	1,7	6,0	1,6	1,7
Provisions for other liabilities and charges	16	192,5	186,7	40,3	40,3	32,8	40,3
Total current liabilities		560,5	659,5	184,6	242,4	246,3	184,6
TOTAL EQUITY AND LIABILITIES		2 086,6	1 750,0	1 344,9	1 493,0	1 726,4	1 344,9

Consolidated Cash Flow Statements (NOK mill)

	Note	Quarter				Year to date		Full year	
		Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2004		
Operating activities									
Profit / (loss) from operations before exploration expenses		212,1	233,8	235,8	201,1	151,4	445,9	321,1	758,0
- Exploration cost expensed		-44,6	-21,0	-32,2	-74,4	-39,8	-65,6	-90,9	-197,4
Profit / (loss) from operations		167,5	212,8	203,6	126,7	111,6	380,3	230,2	560,6
Adjustments for:									
Income taxes paid		-199,0	-136,0	-229,4	-199,4	-163,5	-335,0	-263,4	-692,2
Depreciation of PP&E		31,1	31,5	31,9	37,6	28,2	62,6	52,6	122,1
Impairment loss on PP&E		-	-	-	-	-	-	-	-
Amortisation of intangibles and goodwill (Gain) / loss on sale of PP&E		0,3	-30,1	-0,8	-	-	-29,8	-	-0,8
Fair value gain / (loss) on financial assets		-3,7	-3,1	-	-	-	-6,8	-	-
Other financial income / (expenses)		-0,7	-2,3	0,4	-2,5	1,1	-3,0	12,4	10,3
Share of profit / (loss) from associates		-	-	-	-	-	-	-	-
Exchange gains / (losses)		-4,8	24,3	5,6	-1,6	3,0	19,5	19,6	23,6
Interest paid		-20,1	-9,8	-13,4	-7,0	-8,6	-29,9	-18,5	-38,9
Changes in working capital:									
- Inventories		-	11,1	-3,9	-3,0	1,7	11,1	-2,8	-9,8
- Trade and other receivables		6,2	-66,7	-14,9	9,1	37,1	-60,5	9,1	3,3
- Other fin assets at fair value through P&L		-20,3	-0,4	-	-	-	-20,7	-	-
- Trade and other payables		-6,3	-6,2	5,7	-36,9	-63,2	-12,5	15,0	-16,2
Other		35,0	-6,9	38,5	8,4	3,5	28,1	-6,3	40,5
Net cash from operating activities		-14,8	18,2	23,3	-68,6	-49,1	3,4	47,9	2,5
Investing activities									
Acq. of subsidiary, net of cash acquired		-	-	-	-	-	-	-	-
Proceeds from sale of subsidiary / ops		-	-	-	-	412,4	-	1 301,8	1 301,9
Purchases of PP&E		-128,5	-66,6	-91,8	-51,8	-71,5	-195,1	-99,9	-243,5
Proceeds from sale of PP&E		0,2	30,1	-	-	0,2	30,3	0,5	0,6
Purchases of available-for-sale fin. assets		-	-20,4	-	-33,3	-25,4	-20,4	-25,4	-58,7
Proceeds from sale of available-for-sale financial assets		0,1	12,4	1,6	-	-	12,5	-	1,6
Interest received		13,0	7,0	-	-	-	20,0	-	-
Dividends received		-	-	-	-	-	-	-	-
Net cashflow from disc. operations		-	-	10,6	-3,2	-22,1	-	-117,9	-110,6
Other investing activities, net		20,3	-3,0	-12,8	0,3	2,6	17,3	2,6	-9,9
Net cash used in investing activities		-94,9	-40,5	-92,4	-88,0	296,2	-135,4	1 061,7	881,4
Financing activities									
Proceeds from borrowings		377,0	129,5	211,4	65,5	336,7	506,5	336,7	613,6
Repayment of borrowings		-45,0	-	-45,0	-	-379,5	-45,0	-390,8	-435,8
Repaym. of oblig. under finance leases		-	-	-	-	-	-	-	-
Proceeds from issuance of ord. shares		-	-	-	-	-	-	7,6	7,6
Purchase of treasury shares, including options		-60,3	-247,2	-7,3	17,3	-64,8	-307,6	-105,1	-95,2
Proceeds from sale of treasury shares		45,0	255,7	-	-	-	300,7	-	-
Dividends paid		-	-	-27,0	-212,9	-	-	-	-239,9
Net cash (used in) / from financing activities		316,7	138,0	132,1	-130,1	-107,6	454,7	-151,6	-149,7
Net increase / (decrease) in cash and cash equivalents		207,0	115,7	63,0	-286,7	139,5	322,7	958,0	734,2
Cash and cash equivalents at beginning of the period		894,6	747,8	777,8	1 092,4	949,3	747,8	119,6	119,6
Exchange gain / (losses) on cash and cash equivalents		34,3	31,1	-93,0	-27,9	3,5	65,4	14,8	-106,0
Cash and cash equivalents at end of the period		1 135,9	894,6	747,8	777,8	1 092,3	1 135,9	1 092,4	747,8

Consolidated statement of changes in equity (NOK mill)

	Note	Share Capital	Other Reserves	Retained Earnings	Total Equity
Balance at 31 December 2003		223,0	364,7	335,9	923,5
Changes in accounting policy	-	-	-	-	-
Effect of implementing IFRS	-	-	-	165,6	165,6
Balance at 1 January 2004		223,0	364,7	501,5	1 089,1
Fair value gains, net of tax:					
- available-for-sale financial assets	-	-	-	-	-
Cash flow hedges, net of tax	-	-	-	-	-
Currency translation differences	-	-	29,9	-	29,9
Net income / (expense) recognised directly in equity	-	-	29,9	-	29,9
Profit for the period	-	-	-	127,2	127,2
Total recognised income for the period	-	-	29,9	127,2	157,1
<i>Share option scheme:</i>					
- value of services provided	-	-	-	-	-
- proceeds from shares issued	1,5	6,1	-	-	7,6
Issue of share capital	-	-	-	-	-
Purchase of treasury shares	-40,5	-226,7	-	-	-267,1
Sale of treasury shares	26,4	144,1	-	-	170,6
Derivative contracts own shares	-	-	-8,6	-	-8,6
Dividends	-	-	-	-	-
	-12,6	-85,0	-	-	-97,6

Balance at 30 June 2004 14 **210,4** **309,6** **628,7** **1 148,7**

	Note	Share Capital	Other Reserves	Retained Earnings	Total Equity
Balance at 31 December 2004		222,2	117,6	326,8	666,7
Changes in accounting policy	-	-	-	-	-
Effect of implementing IAS 32/39	-	-	-242,4	15,5	-226,9
Balance at 1 January 2005		222,2	-124,8	342,3	439,8
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	-	-	3,7	-	3,7
Net income / (expense) recognised directly in equity	-	-	82,4	-	82,4
Profit for the period	-	-	-	120,1	120,1
Total recognised income for the period	-	-	82,4	120,1	202,5
<i>Share option scheme:</i>					
- value of services provided	-	-	5,7	-	5,7
- proceeds from shares issued	-	-	-	-	-
Issue of share capital	-	-	-	-	-
Purchase of treasury shares	-36,3	-209,8	-	-	-246,1
Sale of treasury shares	26,0	272,2	-	-	298,2
Derivative contracts own shares	-	-	-78,4	-	-78,4
Dividends *	-	-	-	-27,7	-27,7
	-8,3	-4,2	-27,7	-40,2	-79,9

Balance at 30 June 2005 14 **214,0** **-46,6** **434,7** **602,1**

* On June 22, 2005, the General Assembly approved dividend payments of NOK 0,5 per share and one DNO share per twentyseven shares owned in the company. At the end of June 2005, provisions have been made for the cash element.

Own shares that will be distributed as dividends, have not been reclassified in equity.

Notes to the consolidated financial statements
1. Segment information

	Note	NE	ME	AFR	Other	Total report. segm.	Unalloc. / elimin.	GROUP
Three months ended 30.06.2005								
Income statement information								
External sales	2	45,3	332,1	-	-	377,4	-58,7	318,8
Inter-segment sales		5,7	2,1	-	-	7,8	-7,8	-
Cost of goods sold	3	-21,2	-54,6	-	-	-75,8	-0,2	-76,0
Gross profit		29,8	279,6	-	-	309,4	-66,6	242,8
Other operating income		1,3	-	1,2	-	2,5	-	2,5
Tariffs and transportation		-0,3	-9,2	-	-	-9,5	-	-9,5
Administrative expense	4	-4,0	-	-	-	-4,0	-19,5	-23,5
Other operating expenses	4	0,0	0,1	-0,0	-	0,1	-	0,1
Exploration cost expensed	5	-22,2	-19,8	-2,6	-	-44,6	-	-44,6
Net gain / (loss) from sale of PP&E		-0,6	-	0,3	-	-0,3	-	-0,3
Finance costs - net (excl. interest, gain / (loss) on sale of shares)		13,1	12,5	-	-	25,7	-1,0	24,7
Segment result before disc. operations		17,2	263,2	-1,2	-	279,2	-87,1	192,1
Net profit discontinued operations		-	-	-	-	-	-	-
Segment result after disc. operations		17,2	263,2	-1,2	-	279,2	-87,1	192,1
Share of profit / (loss) associates		-	-	-	-	-	-	-
Interest - net		-	-	-	-	-	-	-7,1
Gain / (loss) on sale of shares		-	-	-	-	-	-	2,8
Income tax expense		-	-	-	-	-	-	-211,5
Net profit / (loss)								-23,7
Balance sheet information								
Capital expenditures		42,6	85,7	0,1	-	128,4	0,2	128,5
Property, plant and equipment		86,0	362,8	11,5	-	460,2	1,2	461,4
Total segment assets (excl. tax assets, interest-bearing receivables)		474,1	471,9	13,5	-	959,5	929,6	1 889,0
Net assets, discontinued operations		-	-	-	-	-	-	-
Total segment assets including discontinued operations		474,1	471,9	13,5	-	959,5	929,6	1 889,0
Unallocated corporate assets		-	-	-	-	-	-	197,5
Consolidated total assets								2 086,6
Total segment liabilities (excl. tax liabilities, interest-bearing liabilities)		40,0	13,5	0,1	-	53,5	353,7	407,3
Unallocated corporate liabilities		-	-	-	-	-	-	1 077,3
Consolidated total liabilities								1 484,5
Other segment information								
Production		152,1	1 060,2	-	-	1 212,3	-	1 212,3
Sale of oil		45,3	332,1	-	-	377,4	-	377,4
Allocated profit / (loss) on oilprice hedging contracts		-	-	-	-	-	-58,7	-58,7
Achieved oilprices before profit / loss on hedging contracts		46,6	49,0	-	-	95,6	-	48,7
Lifting cost		-13,9	-30,9	-	-	-44,9	-	-44,9
Lifting cost per bbl		-14,3	-4,6	-	-	-18,9	-	-18,9
Amortisation and depreciation		-7,2	-23,7	-	-	-30,9	-0,2	-31,1
Taxes paid in kind		-	-195,6	-	-	-195,6	-	-195,6
EBITDA		11,9	274,4	-1,4	-	284,8	-85,9	198,9
Netback		11,9	75,4	-1,4	-	85,9	-85,9	-0,1

Three months ended 30.06.2004	Note	NE	ME	AFR	Other	Total report. segm.	Unalloc. / elimin.	GROUP
Income statement information								
External sales	2	8,7	229,3	-	-	237,9	-	237,9
Inter-segment sales		1,0	-	-	-	1,0	-1,0	-
Cost of goods sold	3	-28,9	-39,9	-	-	-68,8	-1,6	-70,4
Gross profit		-19,2	189,4	-	-	170,1	-2,6	167,6
Other operating income		0,2	-	-	-	0,2	-	0,2
Tariffs and transportation		-0,3	-5,3	-	-	-5,5	-	-5,5
Administrative expense	4	0,5	-0,0	-	-	0,4	-11,3	-10,8
Other operating expenses	4	0,0	-	-	-	0,0	-0,0	0,0
Exploration cost expensed	5	-16,4	-15,8	-7,5	-	-39,8	-	-39,8
Net gain / (loss) from sale of PP&E		-	-	-	-	-	-	-
Finance costs - net (excl. interest, gain / (loss) on sale of shares)		0,3	-0,1	-	-	0,2	18,8	19,0
Segment result before disc. operations		-35,0	168,2	-7,5	-	125,7	4,9	130,6
Net profit discontinued operations		89,1	-	-	-	89,1	1,6	90,6
Segment result after disc. operations		54,1	168,2	-7,5	-	214,8	6,5	221,3
Share of profit / (loss) associates		-	-	-	-	-	-	-
Interest - net		-	-	-	-	-	-	-6,8
Gain / (loss) on sale of shares		-	-	-	-	-	-	11,4
Income tax expense		-	-	-	-	-	-	-107,4
Net profit / (loss)								107,1
Balance sheet information								
Capital expenditures		28,9	30,7	7,7	-	67,3	0,1	67,3
Property, plant and equipment		56,1	275,2	14,6	-	345,9	-67,9	278,0
Total segment assets (excl. tax assets, interest-bearing receivables)		499,7	419,4	15,4	-	934,5	622,7	1 557,2
Net assets, discontinued operations		-	-	-	-	-	109,3	109,3
Total segment assets including discontinued operations		499,7	419,4	15,4	-	934,5	732,0	1 666,5
Unallocated corporate assets		-	-	-	-	-	-	60,0
Consolidated total assets								1 726,4
Total segment liabilities (excl. tax liabilities, interest-bearing liabilities)		118,5	123,8	1,3	-	243,5	-35,6	207,9
Unallocated corporate liabilities		-	-	-	-	-	-	369,8
Consolidated total liabilities								577,7
Other segment information								
Production		225,4	992,9	-	-	1 218,3	-	1 218,3
Sale of oil		31,0	235,6	-	-	266,6	-	266,6
Allocated profit / (loss) on oilprice hedging contracts		-22,4	-6,3	-	-	-28,7	-	-28,7
Achieved oilprices before profit / loss on hedging contracts		20,2	34,8	-	-	32,1	-	32,1
Lifting cost		-12,0	-25,0	-	-	-37,1	-	-37,1
Lifting cost per bbl		-7,8	-3,7	-	-	-4,5	-	-4,5
Amortisation and depreciation		-13,1	-14,9	-	-	-28,0	-0,2	-28,2
Taxes paid in kind		-	-122,8	-	-	-122,8	-	-122,8
EBITDA		-22,2	183,2	-7,5	-	153,5	-13,7	139,8
Netback		-48,3	45,8	-7,5	-	-10,0	-13,7	-23,7

Six months ended 30.06.2005	Note	NE	ME	AFR	Other	Total report. segm.	Unalloc. / elimin.	GROUP
Income statement information								
External sales	2	85,3	640,7	-	-	726,0	-107,4	618,6
Inter-segment sales		9,6	4,3	-	-	13,9	-13,9	-
Cost of goods sold	3	-41,6	-117,2	-	-	-158,8	-0,3	-159,2
Gross profit		53,3	527,8	-	-	581,1	-121,7	459,4
Other operating income		2,5	-	1,2	-	3,7	-	3,7
Tariffs and transportation		-0,5	-18,0	-	-	-18,5	-	-18,5
Administrative expense	4	-7,9	-	-	-	-7,9	-21,5	-29,4
Other operating expenses	4	-0,1	1,0	-0,0	-	0,9	-	0,9
Exploration cost expensed	5	-30,3	-30,3	-5,0	-	-65,6	-	-65,6
Net gain / (loss) from sale of PP&E		-0,6	-	30,4	-	29,8	-	29,8
Finance costs - net (excl. interest, gain / (loss) on sale of shares)		31,8	30,5	-	-	62,3	11,8	74,1
Segment result before disc. operations		48,2	510,9	26,6	-	585,7	-131,3	454,3
Net profit discontinued operations		-	-	-	-	-	-	-
Segment result after disc. operations		48,2	510,9	26,6	-	585,7	-131,3	454,3
Share of profit / (loss) associates		-	-	-	-	-	-	-
Interest - net		-	-	-	-	-	-	-9,9
Gain / (loss) on sale of shares		-	-	-	-	-	-	11,4
Income tax expense		-	-	-	-	-	-	-335,8
Net profit / (loss)								120,1
Balance sheet information								
Capital expenditures		43,3	146,9	4,8	-	194,9	0,2	195,1
Property, plant and equipment		86,0	362,8	11,5	-	460,2	1,2	461,4
Total segment assets (excl. tax assets, interest-bearing receivables)		474,1	471,9	13,5	-	959,5	929,6	1 889,0
Net assets, discontinued operations		-	-	-	-	-	-	-
Total segment assets including discontinued operations		474,1	471,9	13,5	-	959,5	929,6	1 889,0
Unallocated corporate assets		-	-	-	-	-	-	197,5
Consolidated total assets								2 086,6
Total segment liabilities (excl. tax liabilities, interest-bearing liabilities)		40,0	13,5	0,1	-	53,5	353,7	407,3
Unallocated corporate liabilities		-	-	-	-	-	-	1 077,3
Consolidated total liabilities								1 484,5
Other segment information								
Production		294,3	2 184,4	-	-	2 478,6	-	2 478,6
Sale of oil		85,3	640,7	-	-	726,0	-	726,0
Allocated profit / (loss) on oilprice hedging contracts		-	-	-	-	-	-107,4	-107,4
Achieved oilprices before profit / loss on hedging contracts		45,7	46,3	-	-	46,2	-	46,2
Lifting cost		-27,7	-68,9	-	-	-96,6	-	-96,6
Lifting cost per bbl		-14,8	-5,0	-	-	-6,1	-	-6,1
Amortisation and depreciation		-13,9	-48,3	-	-	-62,3	-0,3	-62,6
Taxes paid in kind		-	-375,1	-	-	-375,1	-	-375,1
EBITDA		30,8	528,8	-3,8	-	555,9	-142,9	413,0
Netback		30,8	193,8	-3,8	-	220,9	-142,9	78,0

Six months ended 30.06.2004	Note	NE	ME	AFR	Other	Total report. segm.	Unalloc. / elimin.	GROUP
Income statement information								
External sales	2	35,4	458,3	-	-	493,7	-	493,7
Inter-segment sales		5,8	-	-	-	5,8	-5,8	-
Cost of goods sold	3	-54,3	-82,1	-	-	-136,3	-3,2	-139,6
Gross profit		-13,1	376,2	-	-	363,1	-9,0	354,2
Other operating income		0,4	-	-	-	0,4	-	0,4
Tariffs and transportation		-0,6	-17,4	-	-	-18,0	-	-18,0
Administrative expense	4	0,4	-0,0	-	-	0,4	-16,6	-16,2
Other operating expenses	4	0,8	-	-	-	0,8	-0,0	0,8
Exploration cost expensed	5	-30,5	-37,5	-22,9	-	-90,9	-	-90,9
Net gain / (loss) from sale of PP&E		-	-	-	-	-	-	-
Finance costs - net (excl. interest, gain / (loss) on sale of shares)		13,6	-0,1	-	-	13,5	31,7	45,2
Segment result before disc. operations		-29,1	321,2	-22,9	-	269,3	6,1	275,5
Net profit discontinued operations		90,7	-	-	-	90,7	0,6	91,4
Segment result after disc. operations		61,7	321,2	-22,9	-	360,1	6,7	366,8
Share of profit / (loss) associates		-	-	-	-	-	15,6	15,6
Interest - net		-	-	-	-	-	-	-14,5
Gain / (loss) on sale of shares		-	-	-	-	-	-	-
Income tax expense		-	-	-	-	-	-	-240,8
Net profit / (loss)		-	-	-	-	-	-	127,2
Balance sheet information								
Capital expenditures		33,3	54,5	7,7	-	95,5	0,0	95,5
Property, plant and equipment		56,1	275,2	14,6	-	345,9	-67,9	278,0
Total segment assets (excl. tax assets, interest-bearing receivables)		499,7	419,4	15,4	-	934,5	622,7	1 557,2
Net assets, discontinued operations		-	-	-	-	-	109,3	109,3
Total segment assets including discontinued operations		499,7	419,4	15,4	-	934,5	732,0	1 666,5
Unallocated corporate assets		-	-	-	-	-	-	60,0
Consolidated total assets		-	-	-	-	-	-	1 726,4
Total segment liabilities (excl. tax liabilities, interest-bearing liabilities)		118,5	123,8	1,3	-	243,5	-35,6	207,9
Unallocated corporate liabilities		-	-	-	-	-	-	369,8
Consolidated total liabilities		-	-	-	-	-	-	577,7
Other segment information								
Production		848,8	2 078,9	-	-	2 927,7	-	2 927,7
Sale of oil		75,8	471,6	-	-	547,2	-	547,2
Allocated profit / (loss) on oilprice hedging contracts		-40,1	-13,3	-	-	-53,5	-	-53,5
Achieved oilprices before profit / loss on hedging contracts		12,9	33,0	-	-	27,2	-	27,2
Lifting cost		-26,5	-48,1	-	-	-74,6	-	-74,6
Lifting cost per bbl		-4,5	-3,4	-	-	-3,7	-	-3,7
Amortisation and depreciation		-18,2	-34,0	-	-	-52,2	-0,4	-52,6
Taxes paid in kind		-	-246,1	-	-	-246,1	-	-246,1
EBITDA		-24,4	355,3	-22,9	-	308,0	-25,2	282,8
Netback		-50,8	117,9	-22,9	-	44,3	-24,9	19,4

2. Sales

NOK mill	Quarter				Year to date		Full year 2004
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	
Sale of petroleum products before profit / (loss) from oilprice hedging contracts	377,4	348,6	375,4	350,5	266,6	726,0	1 273,1
Profit / (loss) from oilprice hedging contracts	-58,7	-48,8	-37,4	-49,5	-28,7	-107,4	-53,5
Total sales	318,8	299,8	338,0	301,0	237,9	618,6	1 132,7

3. Cost of goods sold

NOK mill	Quarter				Year to date		Full year 2004
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	
Lifting costs *	-44,9	-51,7	-45,3	-40,4	-40,8	-96,6	-84,2
Depreciation, depletion and amortisation	-31,1	-31,5	-31,9	-37,7	-28,2	-62,6	-52,6
Other cost of goods sold	-	-	-1,4	-1,4	-	-	-2,8
Total cost of goods sold	-76,0	-83,2	-77,2	-79,4	-70,4	-159,2	-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.

4. Administrative / other expenses

NOK mill	Quarter				Year to date		Full year 2004
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	
Salaries and social expenses *	-19,6	-3,0	-4,3	1,1	-3,6	-22,6	-8,2
General and administration expenses	-3,9	-3,0	-10,7	-11,5	-7,2	-6,8	-30,3
Other operating expenses	0,1	0,8	-3,3	-0,8	0,0	0,9	0,8
Total administrative / other expenses	-23,4	-5,1	-18,2	-11,2	-10,8	-28,5	-44,9

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

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 2005. See note 20 on Share Options and Share-Based Payments.

5. Exploration cost expensed

NOK mill	Quarter				Year to date		Full year 2004
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	
Seismic acquisitions, analysis and general G&G	-28,3	-11,9	0,5	-23,8	-4,7	-40,2	-44,1
Exploration costs capitalised in previous years carried to cost	-	-	0,1	0,0	0,0	-	-4,1
Exploration costs capitalised this year carried to cost	-0,0	2,1	-14,9	-40,7	-26,6	2,1	-27,8
Impairment of capitalised exploration costs	-	-	-	-	-	-	-
Other exploration cost expensed	-16,3	-11,2	-17,8	-10,0	-8,5	-27,6	-14,8
Total exploration cost expensed *	-44,6	-21,0	-32,2	-74,4	-39,8	-65,6	-90,9

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

6. Finance costs - net

NOK mill	Quarter				Year to date		Full year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	Q2 2004	2004
Interest received	13,0	7,0	9,5	3,2	1,8	20,1	4,0	16,8
Fair value gain on financial instruments ¹⁾	-	0,8	-	-	-	0,8	-	-
Other financial income	2,8	8,7	0,8	0,0	3,4	11,4	3,4	4,2
Financial income	15,8	16,5	10,3	3,3	5,2	32,3	7,4	20,9
Interest expense	-22,9	-11,7	-13,4	-7,0	-8,6	-34,6	-18,5	-38,9
Capitalised interest	2,8	1,8	-	-	-	4,6	-	-
Exchange rate gain / loss, realized items	0,4	-0,9	12,8	-14,0	1,3	-0,4	-3,6	-4,8
Exchange rate gain / loss, unrealized items	29,0	56,2	-100,2	-15,4	5,2	85,2	38,0	-77,7
Fair value loss on financial instruments ¹⁾	-3,7	-3,9	4,3	-4,4	11,4	-7,7	-1,6	-1,7
Other financial expenses	-1,1	-2,7	0,4	-2,5	-2,2	-3,8	9,1	6,9
Financial expenses	4,6	38,8	-96,1	-43,4	7,1	43,4	23,3	-116,2
Finance costs - net	20,4	55,3	-85,9	-40,1	12,2	75,7	30,7	-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.

NOK mill	Quarter				Year to date		Full year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	Q2 2004	2004
Interest rate derivatives	-0,7	2,6	4,3	-4,4	11,4	1,8	-1,6	-1,7
Oilprice derivatives	-0,7	-8,4	-	-	-	-9,1	-	-
Foreign exchange derivatives	-	-	-	-	-	-	-	-
Other derivative financial instruments	-2,3	1,9	-	-	-	-0,4	-	-
Cash flow hedges	-	-	-	-	-	-	-	-
- Part of cash flow hedge charged to P&L according to IAS 39.96	-	0,8	-	-	-	0,8	-	-
Other financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Fair value gain / (loss) on financial instruments, net	-3,7	-3,1	4,3	-4,4	11,4	-6,9	-1,6	-1,7

7. Taxes

Income tax expense

NOK mill	Quarter				Year to date		Full year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	Q2 2004	2004
Taxes payable	-	-	0,4	7,0	-6,7	-	-7,1	0,4
Deferred taxes	-15,9	55,2	71,2	4,3	22,2	39,3	12,4	87,8
Taxes paid in kind under production sharing agreements (PSAs)	-195,6	-179,5	-219,5	-190,6	-122,8	-375,1	-246,1	-656,2
Total income tax expense	-211,5	-124,3	-147,8	-179,3	-107,4	-335,8	-240,8	-567,9
Effective income tax rate	112,6 %	46,4 %	125,5 %	207,1 %	86,7 %	73,7 %	87,0 %	118,1 %

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

During the first quarter of 2005, DNO reassessed the probability for the parent company to utilise its positions of unused tax losses and other tax credits, and thereby recognised a deferred tax asset of NOK 117 million in the balance sheet. Of the NOK 117 million, NOK 39,9 million were credited directly to equity since adjustments related to unrealised hedging losses (IAS 39) are charged directly to equity. The remaining NOK 77,1 million were credited to deferred tax in the income statement.

8. Discontinued operations

NOK mill	Quarter				Year to date		Full year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	Q2 2004	2004
Net profit discontinued operations	-	-	-10,2	-1,7	-3,3	-	-47,9	-59,8
Net gain / (loss) from sale of operations	-	-	50,5	-	93,9	-	139,3	169,8
Net profit discontinued operations	-	-	40,3	-1,7	90,6	-	91,4	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.

9. Property, plant and equipment

Three months ended 30.06.05, NOK mill	License interest	Explor. assets	Develop. assets	Asset in operatn.	Total oil & gas prop.	Other PP&E	Total
	At 1 April 2004						
Cost or valuation	11,6	7,9	-	699,8	719,3	6,2	725,6
Accumulated depreciation	-	-	-	-487,5	-487,5	-4,7	-492,2
Net book amount	11,6	7,9	-	212,3	231,8	1,6	233,4
Period ended 30 June 2004							
Opening net book amount	11,6	7,9	-	212,3	231,8	1,6	233,4
Exchange differences	0,0	0,2	-	1,1	1,3	-0,2	1,2
Additions	1,6	16,7	-	48,6	67,0	0,7	67,7
Transfers	-	-	-	-	-	-	-
Disposals	-	4,1	-	-	4,1	-0,2	3,9
Depreciation charge	-	-	-	-28,0	-28,0	-0,2	-28,2
Closing net book amount	13,3	29,0	-	234,0	276,3	1,7	278,0
At 30 June 2004							
Cost or valuation	13,3	29,0	-	751,3	793,6	6,6	800,2
Accumulated depreciation	-	-	-	-517,3	-517,3	-4,9	-522,2
Net book amount	13,3	29,0	-	234,0	276,3	1,7	278,0
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
Six months ended 30.06.05, NOK mill							
At 1 January 2004							
Cost or valuation	6,6	4,0	-	669,8	680,4	6,0	686,4
Accumulated depreciation	-	-	-	-455,5	-455,5	-3,6	-459,2
Net book amount	6,6	4,0	-	214,3	224,9	2,4	227,3
Period ended 30 June 2004							
Opening net book amount	6,6	4,0	-	214,3	224,9	2,4	227,3
Exchange differences	0,3	0,4	-	6,9	7,6	-0,0	7,5
Additions	6,4	24,6	-	64,2	95,3	1,1	96,3
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-0,5	-0,5
Depreciation charge	-	-	-	-51,4	-51,4	-1,2	-52,6
Closing net book amount	13,3	29,0	-	234,0	276,3	1,7	278,0
At 30 June 2004							
Cost or valuation	13,3	29,0	-	751,3	793,6	6,6	800,2
Accumulated depreciation	-	-	-	-517,3	-517,3	-4,9	-522,2
Net book amount	13,3	29,0	-	234,0	276,3	1,7	278,0
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

10. 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.

NOK mill	Quarter				Year to date		Full year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	Q2 2004	2004
Beginning of the period	95,5	58,5	36,7	3,4	3,4	58,5	3,4	3,4
Additions *	4,2	20,4	1,5	33,3	-	24,6	-	34,7
Sales **	-	-5,5	-	-	-	-5,5	-	-
Revaluation surplus transfer to equity	31,3	21,9	-	-	-	53,1	-	-
Exchange differences	-0,1	0,2	-	-	-	0,1	-	-
End of the period ¹⁾	130,8	95,5	38,1	36,7	3,4	130,8	3,4	38,1
Non-current portion	130,8	95,5	38,1	36,7	3,4	130,8	3,4	38,1
Current portion	-	-	-	-	-	-	-	-

* Additions in Q1 and Q2 2005 relates to Independent Oil Tools ASA.

** Sales in Q1 2005 relates to sale of shares in Rocksource ASA.

NOK 31,3 million in revaluation surplus to equity in the second quarter is mainly contributed by an increase in value of shares in Rocksource ASA.

Available-for-sale financial assets include the following:

NOK mill	Quarter				Year to date		Full year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	Q2 2004	2004
Listed securities:								
- Petrolia Drilling ASA	6,1	4,8	3,5	3,7	3,3	6,1	3,3	3,5
- International Oil Tools ASA	19,0	12,4	1,6	-	-	19,0	-	1,6
- Rocksource ASA	97,6	70,1	29,6	29,6	-	97,6	-	29,6
Equity securities - Norway	122,7	87,3	34,7	33,3	3,3	122,7	3,3	34,7
- Sterling Energy Ltd.	8,2	8,2	3,3	3,3	-	8,2	-	3,3
Equity securities - UK	8,2	8,2	3,3	3,3	-	8,2	-	3,3
Unlisted securities:								
- NOS AS	-	-	0,1	0,1	0,1	-	0,1	0,1
Equity securities - Norway	-	-	0,1	0,1	0,1	-	0,1	0,1
¹⁾ Total available-for-sale financial assets	130,8	95,5	38,1	36,7	3,4	130,8	3,4	38,1

11. Derivative financial instruments

All derivative instruments are carried at fair value in the balance sheet. 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. Changes in fair value for other derivatives are charged to the income statement.

NOK mill	Quarter				Year to date		Full year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	Q2 2004	2004
Non-current assets:								
- Oil-price swaps/options	0,5	1,1	-	-	-	0,5	-	-
- Interest-rate swaps	0,2	0,8	-	-	-	0,2	-	-
- Other derivative financial instruments	-	-	-	-	-	-	-	-
Total non-current assets	0,7	2,0	-	-	-	0,7	-	-
Current assets:								
- Oil-price swaps/options	-	-	-	-	-	-	-	-
- Interest-rate swaps	-	-	-	-	-	-	-	-
- Other derivative financial instruments *	3,9	6,2	-	-	-	3,9	-	-
Total current assets	3,9	6,2	-	-	-	3,9	-	-
Total assets	4,6	8,1	-	-	-	4,6	-	-
Non-current liabilities:								
- Oil-price swaps/options	-	-	-	-	-	-	-	-
- Interest-rate swaps	-	-	-	-	-	-	-	-
Total non-current liabilities	-	-	-	-	-	-	-	-
Current liabilities:								
- Oil-price swaps/options **	142,7	193,0	-	-	-	142,7	-	-
- Interest-rate swaps	0,2	-	1,7	6,0	1,6	0,2	1,6	1,7
Total current liabilities	142,9	193,0	1,7	6,0	1,6	142,9	1,6	1,7
Total liabilities	142,9	193,0	1,7	6,0	1,6	142,9	1,6	1,7

* Other current derivative financial instruments consists of convertible options related to Petrolia Drilling ASA convertible bonds.

** Liability for settlement of oil price swap contracts with an average fixed oil price of 23,67 USD/bbl. The liability will be released by the end of 2005.

12. Trade and other receivables

Current assets

NOK mill	Quarter				Year to date		Full year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	Q2 2004	2004
Trade receivables	67,0	72,4	46,7	31,8	40,8	67,0	40,8	46,7
Less: provisions for impairment of receivables	-	-	-	-	-	-	-	-
Trade receivables - net	67,0	72,4	46,7	31,8	40,8	67,0	40,8	46,7
Prepayments	7,1	7,9	9,8	3,9	1,4	7,1	1,4	9,8
Receivables from related parties	-	-	-	-	-	-	-	-
Underlift, entitlement method	4,6	8,5	3,2	2,6	2,8	4,6	2,8	3,2
VAT receivable	2,8	2,8	3,3	2,2	1,7	2,8	1,7	3,3
Amortised short-term receivables	9,0	14,5	3,7	-	-	9,0	-	3,7
Other short-term receivables	65,8	56,2	29,2	154,7	108,9	65,8	108,9	29,2
Total trade and other receivables	156,3	162,5	95,8	195,3	155,6	156,3	155,6	95,8

13. Cash and cash equivalents

NOK mill	Quarter				Year to date		Full year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	Q2 2004	2004
Cash and cash equivalents , non-restricted	880,1	585,8	488,6	496,4	857,1	880,1	857,1	488,6
Cash and cash equivalents , restricted	255,9	308,8	259,2	281,4	235,2	255,9	235,2	259,2
Total cash and cash equivalents	1 135,9	894,6	747,8	777,8	1 092,4	1 135,9	1 092,4	747,8

Of restricted cash, MNOK 251,7 relates to a deposit with ANZ Investment Bank as collateral for oil price swaps. The deposit will be released by the end of year 2005.

14. Equity

Share capital

	Number of shares (1000) *	Ordinary shares	Treasury shares	Total
NOK mill				
At 1 January 2004	224 729	224,7	-1,8	223,0
Share option scheme:				
- value of services provided	-	-	-	-
- proceeds from shares issued	1 485	1,5	-	1,5
Treasury shares purchased / sold	-	-	-14,1	-14,1
Share issues	-	-	-	-
At 30 June 2004	226 214	226,2	-15,8	210,4
At 1 January 2005	226 214	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	226 214	226,2	-12,2	214,0

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

The total number of ordinary shares is 226 214 228 shares with a par value of NOK 1 per share. All issued shares are fully paid.

See note 20 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 1 January 2004	62,0	-	-	397,9	-95,3	364,7
Revaluation, net of tax	-	-	-	-	-	-
Premium, paid in capital	6,1	-	-	-	-	6,1
Treasury shares:						
- Paid in capital	-2,3	-	-	-	-	-2,3
- Excess of nominal capital	-80,2	-	-	-	-	-80,2
Other paid in capital	-	-	-	-	-	-
Derivative contracts own shares	-	-	-	-8,6	-	-8,6
Cash flow hedges: *						
- Fair value gains / (losses), net of tax	-	-	-	-	-	-
- Transfers to net profit, net of tax	-	-	-	-	-	-
Currency translation differences:						
- Group	-	-	-	-	29,9	29,9
- Associates	-	-	-	-	-	-
Balance at 30 June 2004	-14,4	-	-	389,3	-65,3	309,6
Balance at 31 December 2004	56,4	-	-	155,9	-94,7	117,6
Adjustments IAS 32/39 01.01.2005	-	-130,2	20,4	-132,6	-	-242,4
Balance at 1 January 2005	56,4	-130,2	20,4	23,3	-94,7	-124,8
Revaluation, net of tax	-	-	51,4	-	-	51,4
Premium, paid in capital	0,0	-	-	-	-	0,0
Treasury shares:						
- Paid in capital	121,9	-	-	-	-	121,9
- Excess of nominal capital	-53,4	-	-	-	-	-53,4
Other paid in capital	-	-	-	-	-	-
Options granted	-	-	-	5,7	-	5,7
Derivative contracts own shares ¹⁾	-	-	-	-78,3	-	-78,3
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	-	-	-	-	3,7	3,7
- Associates	-	-	-	-	-	-
Balance at 30 June 2005	124,9	-102,8	71,8	-49,3	-91,1	-46,5
Changes in derivative contracts own shares:						
Premium, purchase of call option	-133,8	-	-	-	-	-133,8
Reclassification of premium call options exercised	66,9	-	-	-	-	66,9
Reversal of provision, written put options not exercised	75,8	-	-	-	-	75,8
Provision, written put option	-88,6	-	-	-	-	-88,6
Reclassification of settled forward contracts	44,9	-	-	-	-	44,9
Additional forward contracts purchased	-43,5	-	-	-	-	-43,5
¹⁾ Total changes in derivative contracts own shares	-78,3	-	-	-	-	-78,3

* 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.

15. Interest-bearing liabilities

NOK mill	Quarter					Year to date		Full year 2004
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	Q2 2004	
Non-current								
Convertible loans	-	-	-	-	-	-	-	-
Bonds	882,2	500,0	469,5	357,5	292,0	882,2	292,0	469,5
Liabilities to financial institutions	-	-	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-	-	-
Total non-current interest-bearing liabilities	882,2	500,0	469,5	357,5	292,0	882,2	292,0	469,5
Current								
Current portion of bonds	-	-	-	-	-	-	-	-
Liabilities to financial institutions	155,0	200,0	100,0	45,0	45,0	155,0	45,0	100,0
Total current interest-bearing liabilities	155,0	200,0	100,0	45,0	45,0	155,0	45,0	100,0
Total interest-bearing liabilities	1 037,2	700,0	569,5	402,5	337,0	1 037,2	337,0	569,5

On June 3, 2005, DNO signed a loan agreement for a new bond loan facility for an amount up to USD 100 million. The initial issue under the loan facility is for an amount of USD 60 with funding on June 6, 2005. The loan is issued at par (100%). DNO has a call option after three years at 103%. During second quarter, a short-term loan of NOK 45 million was repaid.

Non-current interest-bearing liabilities:

NOK mill	Curr	Amount	Interest	Maturity	Balance	
					Q2 2005	Q2 2004
Bond loan (ISIN NO0010226574)	NOK	300,0	Nibor + 3,5%	01.06.2009	300,0	196,0
Bond loan (ISIN NO0010226582)	NOK	200,0	Fixed 7,9%	01.06.2009	200,0	96,0
Bond loan (ISIN NO001027052.3)	USD	60,0	Libor + 3,5%	06.06.2012	392,8	-
Borrowing issue costs					-10,6	-
Total non-current interest-bearing liabilities					882,2	292,0

The maturity of interest-bearing liabilities is as follows:

NOK mill	Quarter					Year to date		Full year 2004
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	Q2 2004	
0 - 12 months	155,0	200,0	100,0	45,0	45,0	155,0	45,0	100,0
Between 1 and 2 years	-	-	-	-	-	-	-	-
Between 2 and 5 years	500,0	500,0	469,5	357,5	292,0	500,0	292,0	469,5
Over 5 years	382,2	-	-	-	-	382,2	-	-
Total interest-bearing liabilities	1 037,2	700,0	569,5	402,5	337,0	1 037,2	337,0	569,5

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

NOK mill	Quarter					Year to date		Full year 2004
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	Q2 2004	
Norwegian kroner	655,0	700,0	569,5	402,5	337,0	655,0	337,0	569,5
US dollar	382,2	-	-	-	-	382,2	-	-
Total interest-bearing liabilities	1 037,2	700,0	569,5	402,5	337,0	1 037,2	337,0	569,5

16. Provisions for other liabilities and charges

NOK mill	Quarter				Year to date		Full year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	Q2 2004	2004
Non-current								
Asset retirement obligations	17,3	16,9	16,6	16,2	15,9	17,3	15,9	16,6
Other long-term obligations	24,5	6,3	6,0	6,7	6,9	24,5	6,9	6,0
Total non-current provisions for other liabilities and charges	41,8	23,3	22,6	23,0	22,8	41,8	22,8	22,6
Current								
Dividends payable	26,8	0,0	-	-	-	26,8	-	-
Provisions, derivative contracts own shares*	146,0	146,8	-	-	-	146,0	-	-
Other provisions and charges	19,7	40,0	40,3	40,3	32,8	19,7	32,8	40,3
Total current provisions for other liabilities and charges	192,5	186,7	40,3	40,3	32,8	192,5	32,8	40,3
Total provisions for other liabilities and charges	234,3	210,0	63,0	63,3	55,6	234,3	55,6	63,0

NOK mill	Asset retirem. oblig.	Other non-current	Prov. own shares *	Other current	Total
Balance at 31 December 2004	16,6	6,0	-	40,3	63,0
Adjustments IAS 32/39 01.01.2005	-	-	133,3	-	133,3
Balance at 1 January 2005	16,6	6,0	133,3	40,3	196,3
Charged to consolidated income statement:					
- Additional provisions	0,7	-	1,1	24,5	26,3
- Unused amounts reversed or reclassified	-	18,4	-1,1	-18,4	-1,1
Charged to equity:					
- Additional provisions	-	-	133,3	-	133,3
- Unused amounts reversed	-	-	-75,3	-	-75,3
- Contracts exercised	-	-	-45,4	-	-45,4
Exchange differences	-	-	-	-	-
Used during the period	-	-	-	-	-
Balance at 30 June 2005	17,3	24,5	146,0	46,5	234,3

Derivative contracts on own 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 own shares (NOK mill):

Forward contracts, own shares	56,6
Written put options, own shares	89,4
Total provisions own shares	146,0

17. Trade and other payables

NOK mill	Quarter				Year to date		Full year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	Q2 2004	2004
Trade creditors	5,6	3,9	9,0	-0,2	8,9	5,6	8,9	9,0
Public duties payable	7,2	1,4	4,4	0,9	4,3	7,2	4,3	4,4
Prepayment from customers	-	-	-	-	-	-	-	-
Debt to employees and shareholders	-	-	-	-	-	-	-	-
Other accrued expenses	17,3	31,1	29,1	149,9	137,6	17,3	137,6	29,1
Overlift, entitlement method	-	-	-	-	-	-	-	-
Total trade and other payables	30,1	36,3	42,5	150,6	150,7	30,1	150,7	42,5

18. Reconciliation NGAAP / IFRS

NOK mill	30.06.04
NGAAP equity	929,3
IFRS adjustments:	
PP&E	3,1
Other non-current assets	-1,1
Other current assets	-
Net assets discontinued operations	4,0
Interest-bearing liabilities	-
Deferred income tax liabilities	-1,8
Provisions for other liabilities and charges	4,7
Other current liabilities	210,5
Total IFRS adjustments	219,4
IFRS equity	1 148,7
NOK mill	Q2 2004
NGAAP net profit / (loss)	108,9
IFRS adjustments:	
Cost of goods sold	0,4
Administrative expenses	1,3
Other operating expenses	-1,3
Finance costs - net	-0,5
Income tax expense	0,3
Net profit discontinued operations	4,1
Gain from sale of operations	-6,1
Total IFRS adjustments	-1,8
IFRS net profit / (loss)	107,1

For more information, see the DNO IFRS Transition Report published on www.dno.no.

19. Earnings per share

NOK	Quarter				Year to date		Full year	
	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005	Q2 2004	2004
Earnings per share, basic	-0,10	0,65	0,05	-0,43	0,49	0,55	0,58	0,20
Earnings per share, diluted	-0,10	0,65	0,05	-0,43	0,49	0,55	0,58	0,20

Earnings per share adjusted for share split as of June 22, 2005.

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. Share options and Share-Based Payments

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

	2005		2004	
	Avg exercise price	Options (1000) *	Avg exercise price	Options (1000) *
NOK per share if not otherwise stated				
At 1 January	4,6	850,0	5,3	6 370,0
Granted	24,4	1 200,0	-	-
Forfeited	-	-	-	-
Exercised	4,4	-450,0	5,1	-3 720,0
Lapsed	-	-	-	-
At 30 June	19,2	1 600,0	5,4	2 650,0

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

A total of 1.2 million ordinary share options 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 (June 22, 2005). The options expire June 21, 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 m. 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.

Key tables listed in USD per barrel

Result of operations producing activities (USD/bbl)

		Quarter				Year to date		Full year 2004	
		Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005		
Total sale of oil and natural gas	USD/bbl	48,7	43,8	42,3	41,3	34,5	46,2	33,0	36,9
Lifting costs	USD/bbl	-5,8	-6,5	-5,1	-4,8	-5,3	-6,1	-5,1	-4,9
DD&A	USD/bbl	-3,9	-3,9	-3,6	-4,4	-3,6	-3,9	-3,1	-3,5
Tariff and transportation	USD/bbl	-1,2	-1,1	-0,8	-1,1	-0,7	-1,2	-1,1	-1,0
Exploration expenses	USD/bbl	0,0	-0,2	-0,2	0,2	-0,0	-0,1	-0,2	-0,1
Results of Operations before taxes	USD/bbl	37,8	32,1	32,6	31,2	24,9	34,9	23,6	27,4
Income taxes	USD/bbl	-27,7	-24,5	-25,1	-23,7	-16,5	-26,1	-16,2	-20,1
Result of Operations after taxes	USD/bbl	10,1	7,7	7,6	7,5	8,5	8,9	7,4	7,3

Other key data

Total oil and natural gas production (boe)		1 212,3	1 266,3	1 448,2	1 239,2	1 131,6	2 478,6	2 429,9	5 117,2
EBITDA	USD/bbl	41,7	36,0	36,2	35,6	28,5	38,8	26,7	30,9
Netback	USD/bbl	14,0	11,6	11,1	11,9	12,1	12,8	10,5	10,8

Consolidated Income Statements (USD/bbl)

		Quarter				Year to date		Full year 2004	
		Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005		
Sales	USD/bbl	41,1	37,7	38,1	35,5	30,8	39,4	29,8	32,8
Cost of goods sold	USD/bbl	-9,8	-10,5	-8,7	-9,4	-9,1	-10,1	-8,4	-8,6
Gross profit	USD/bbl	31,3	27,2	29,4	26,1	21,7	29,2	21,4	24,2
Other operating income	USD/bbl	0,3	0,2	0,0	0,0	0,0	0,2	0,0	0,0
Tariffs and transportation	USD/bbl	-1,2	-1,1	-0,8	-1,1	-0,7	-1,2	-1,1	-1,0
Administrative expense	USD/bbl	-3,0	-0,7	-1,7	-1,2	-1,4	-1,9	-1,0	-1,2
Other operating expenses	USD/bbl	0,0	0,1	-0,4	-0,1	0,0	0,1	0,0	-0,1
Exploration costs	USD/bbl	-5,8	-2,6	-3,6	-8,8	-5,1	-4,2	-5,5	-5,7
Net gain / (loss) from sale of PP&E	USD/bbl	-0,0	3,8	-	-	-	1,9	-	-
Profit / (loss) from operating activities	USD/bbl	21,6	26,7	22,9	14,9	14,5	24,2	13,9	16,3
Share of profit / (loss) associates	USD/bbl	-	-	-	-	-	-	0,9	0,5
Finance costs - net	USD/bbl	2,6	7,0	-9,7	-4,7	1,6	4,8	1,9	-2,8
Profit / (loss) before income tax	USD/bbl	24,2	33,7	13,3	10,2	16,0	29,0	16,7	13,9
Income tax expense	USD/bbl	-27,3	-15,6	-16,6	-21,1	-13,9	-21,4	-14,5	-16,5
Net profit / (loss) before disc operations	USD/bbl	-3,1	18,1	-3,4	-10,9	2,1	7,6	2,2	-2,5
Net profit discontinued operations	USD/bbl	-	-	4,5	-0,2	11,7	-	5,5	3,8
Net profit / (loss)	USD/bbl	-3,1	18,1	1,2	-11,1	13,9	7,6	7,7	1,3

Consolidated Cash Flow Statements (USD/bbl)

		Quarter				Year to date		Full year 2004	
		Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q2 2005		
Operating activities									
Profit / (loss) from operations before exploration expenses	USD/bbl	27,4	29,4	26,6	23,7	19,6	28,4	19,4	22,0
- Exploration expenses	USD/bbl	-5,8	-2,6	-3,6	-8,8	-5,2	-4,2	-5,5	-5,7
Profit / (loss) from operations	USD/bbl	21,6	26,7	22,9	14,9	14,4	24,2	13,9	16,3
Adjustments for:									
Income taxes paid	USD/bbl	-25,7	-17,1	-25,8	-23,5	-21,2	-21,3	-15,9	-20,1
Depreciation of property, plant and equipment	USD/bbl	4,0	4,0	3,6	4,4	3,7	4,0	3,2	3,5
(Gain) / loss on sale of property, plant and equipment	USD/bbl	0,0	-3,8	-0,1	-	-	-1,9	-	-0,0
Fair value gain / (loss) on financial assets	USD/bbl	-0,5	-0,4	-	-	-	-0,4	-	-
Other financial income / (expenses)	USD/bbl	-0,1	-0,3	0,0	-0,3	0,1	-0,2	0,7	0,3
Share of profit / (loss) from associates	USD/bbl	-	-	-	-	-	-	-	-
Exchange gains / (losses)	USD/bbl	-0,6	3,1	0,6	-0,2	0,4	1,2	1,2	0,7
Interest paid	USD/bbl	-2,6	-1,2	-1,5	-0,8	-1,1	-1,9	-1,1	-1,1
Changes in working capital:									
- Inventories	USD/bbl	-	1,4	-0,4	-0,4	0,2	0,7	-0,2	-0,3
- Trade and other receivables	USD/bbl	0,8	-8,4	-1,7	1,1	4,8	-3,9	0,5	0,1
- Other financial assets at fair value through profit and loss	USD/bbl	-2,6	-0,1	-	-	-	-1,3	-	-
- Trade and other payables	USD/bbl	-0,8	-0,8	0,6	-4,4	-8,2	-0,8	0,9	-0,5
Other	USD/bbl	4,5	-0,9	4,3	1,0	0,5	1,8	-0,4	1,2
Net cash from operating activities	USD/bbl	-1,9	2,3	2,6	-8,1	-6,4	0,2	2,9	0,1
Investing activities									
Proceeds from sale of subsidiary / operations	USD/bbl	-	-	-	-	53,4	-	78,5	37,7
Purchases of property, plant and equipment	USD/bbl	-16,6	-8,4	-10,3	-6,1	-9,3	-12,4	-6,0	-7,1
Proceeds from sale of property, plant and equipment	USD/bbl	0,0	3,8	-	-	0,0	1,9	0,0	0,0
Purchases of available-for-sale financial assets	USD/bbl	-	-2,6	-	-3,9	-3,3	-1,3	-1,5	-1,7
Proceeds from sale of available-for-sale financial assets	USD/bbl	0,0	1,6	0,2	-	-	0,8	-	0,0
Interest received	USD/bbl	1,7	0,9	-	-	-	1,3	-	-
Dividends received	USD/bbl	-	-	-	-	-	-	-	-
Net cashflow from discontinued operations	USD/bbl	-	-	1,2	-0,4	-2,9	-	-7,1	-3,2
Other investing activities, net	USD/bbl	2,6	-0,4	-1,4	0,0	0,3	1,1	0,2	-0,3
Net cash used in investing activities	USD/bbl	-12,2	-5,1	-10,4	-10,4	38,3	-8,6	64,0	25,6
Financing activities									
Proceeds from borrowings	USD/bbl	48,7	16,3	23,8	7,7	43,6	32,2	20,3	17,8
Repayment of borrowings	USD/bbl	-5,8	-	-5,1	-	-49,1	-2,9	-23,6	-12,6
Proceeds from issuance of ordinary shares	USD/bbl	-	-	-	-	-	-	0,5	0,2
Purchase of treasury shares	USD/bbl	-7,8	-31,1	-0,8	2,0	-8,4	-19,6	-6,3	-2,8
Proceeds from sale of treasury shares	USD/bbl	5,8	32,1	-	-	-	19,1	-	-
Dividends paid	USD/bbl	-	-	-3,0	-25,1	-	-	-	-7,0
Net cash (used in) / from financing activities	USD/bbl	40,9	17,3	14,9	-15,3	-13,9	28,9	-9,1	-4,3
Net increase / (decrease) in cash and cash equivalents	USD/bbl	26,7	14,5	7,1	(33,8)	18,1	20,5	57,8	21,3
Cash and cash equivalents at beginning of the period	USD/bbl	115,4	94,0	87,6	128,8	122,9	47,6	7,2	3,5
Exchange gain / (losses) on cash and cash equivalents	USD/bbl	4,4	3,9	-10,5	-3,3	0,5	4,2	0,9	-3,1
Cash and cash equivalents at end of the period	USD/bbl	146,6	112,4	84,2	91,7	141,4	72,3	65,9	21,7

