DNO INTERNATIONAL ASA

INTERIM REPORT THIRD QUARTER 2011

Photo: Hans Fredrik Asbjørnsen

Highlights

- DNO achieved a working interest production (including export from the Tawke field) of 36,773 bopd in the third quarter versus 24,956 bopd in the same quarter last year. The third quarter year-to-date working interest production was 41,755 bopd versus 17,761 bopd last year.

- The operating revenues for the third quarter were NOK 152 million (excluding export payment) versus NOK 407 million last year. The third quarter year-to-date operating revenues were NOK 1,166 million versus NOK 950 million last year.

- The net profit was NOK 299 million versus a loss of NOK 146 million last year, mainly due to gain on divestment of DNO's shareholding in Det norske oljeselskap AS (DETNOR). The net profit third quarter year-to-date was NOK 450 million versus a loss of NOK 252 million last year.

- In September, DNO received the second payment (USD 60 million) related to exports from the Tawke field in the Kurdistan region of Iraq. The payment has not been recognized as revenue, but booked as a prepayment, because the IFSR revenue recognition requirements are not fulfilled.

- The cash position increased to NOK 1,969 million at the end of the third quarter.

- On 3 September, the boards of directors of DNO and RAK Petroleum agreed to merge RAK's operating companies into DNO International. The merger has now been approved by the shareholders of both companies.

Key figures

						Year-to-date	
NOK million	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q3 2011**	**Q3 2010**
Key financials [1]							
Sales	152.4	732.0	281.2	302.0	406.6	1,165.7	949.8
Gross profit	52.3	431.3	141.0	157.3	221.4	624.7	475.8
Profit/-loss from operating activities	17.4	355.2	74.2	86.8	-123.5	446.9	70.0
Net profit/-loss	299.3	216.1	-65.4	-30.9	-145.7	450.1	-252.0
EBITDA	44.5	564.9	146.3	159.3	-12.3	755.7	314.5
Netback	7.8	547.6	117.0	139.9	-39.6	672.3	239.7
Acquisition and development cost	94.1	94.8	70.4	54.3	-8.8	259.3	97.3
Exploration cost expensed	6.4	39.8	49.2	25.3	3.1	95.4	30.8
Production and price							
Working interest production including export (bopd)	36,773	48,582	39,945	16,252	24,956	41,775	17,761
Working interest production excluding export (bopd)	5,870	6,251	15,743	16,252	24,956	9,252	17,761
Net entitlement production excluding export (bopd)	3,118	3,352	10,514	10,602	16,161	5,634	11,441
Achieved sales price, (USD/bbl) net entitlement	102.96	107.79	53.21	53.54	44.99	72.89	50.85
Key performance indicators							
Lifting cost (USD/bbl)	26.40	22.25	8.66	8.36	5.31	15.36	7.95
DD&A (USD/bbl)	17.89	17.89	13.61	12.75	12.25	15.38	13.02
Netback (USD/bbl)	2.82	3.42	14.88	16.20	-2.84	10.07	8.31

[1] Sales revenues in Q2 2011 include cash advance of USD 104 million received related to Q1 export production from the Tawke field in Kurdistan. Cash advance of USD 60 million received in September has not been recorded as revenues because revenue recognition criterias according to IFRS are not fulfilled.

The key performance indicators exclude exported volumes and payment received.

Operational review

HSE

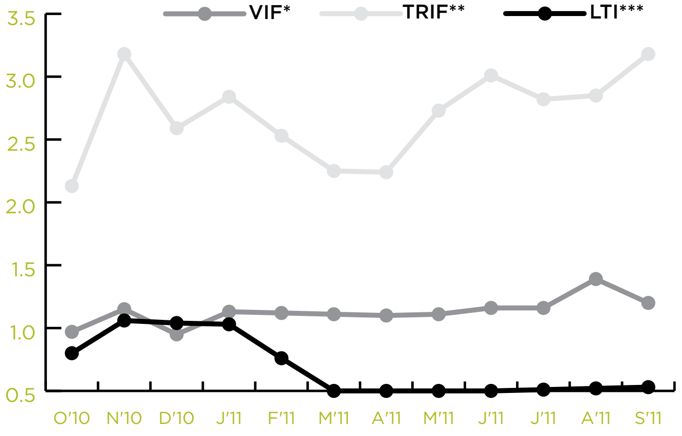
Two out of three KPIs are within the target in the third quarter. The TRIF (Total Recordable Incident Frequency) was above the target due to a decrease in the total number of headcounts in Kurdistan.

The security situation in Yemen is still challenging, but our Quality and HSE program continue to run as scheduled.

In Kurdistan, four incidents were reported in the quarter.

By 30 September, the HSE performance was as follows (incident frequency per one million man hours):
Vehicle incident frequency: 1.2
Total Recordable Incident Frequency: 3.2
Lost Time Incident Frequency: 0.5

HSE Performance Trends (October 2010–September 2011)



PRODUCTION

In the third quarter, DNO's working interest production was 36,773 bopd, of which Tawke export amounted to 30,903 bopd.

In Kurdistan, gross production from the Tawke field was 52,235 bopd in the third quarter, of which 49,753 bopd was delivered for export and 2,300 bopd were delivered to the Tawke refinery.

In Yemen the working interest production was 4,439 bopd and the NE production 2,661 bopd in the third quarter. The production was lower than expected, mainly due to temporary shut-in of three wells in Block 53 because of failure of down-hole pumps. A work over campaign to replace the down-hole pumps in the wells has now commenced.

Working interest production (Production figures include diesel)

All volumes exported from Tawke during 2011 are shown in the working interest volumes below. The Tawke WI production is allocated as described in the 2010 Annual Statement of Reserves and is estimated to vary between 62% and 64% over field life.

						Year-to-date	
mboe	**Q3 '11**	**Q2 '11**	**Q1 '11**	**Q4 '10**	**Q3 '10**	**Q3 '11**	**Q3 '10**
Yemen	0.408	0.491	0.529	0.566	0.597	1.428	1.886
Kurdistan local prod	0.132	0.078	0.888	0.929	1.699	1.098	2.962
Kurdistan export	2.843	3.852	2.178	-	-	8.873	-
Total	**3.383**	**4.421**	**3.595**	**1.495**	**2.296**	**11.399**	**4.849**

						Year-to-date	
bopd	**Q3 '11**	**Q2 '11**	**Q1 '11**	**Q4 '10**	**Q3 '10**	**Q3 '11**	**Q3 '10**
Yemen	4,439	5,390	5,881	6,156	6,494	5,231	6,909
Kurdistan local prod	1,431	861	9,863	10,095	18,462	4,021	10,852
Kurdistan export	30,903	42,331	24,201	-	-	32,503	-
Total	**36,773**	**48,582**	**39,945**	**16,252**	**24,956**	**41,755**	**17,761**

Production net entitlement (Production figures include diesel)

DNO does not report net entitlement production from the exported Tawke crude volumes until further information is made available.

						Year-to-date	
bopd	**Q3 '11**	**Q2 '11**	**Q1 '11**	**Q4 '10**	**Q3 '10**	**Q3 '11**	**Q3 '10**
Yemen	2,661	2,869	3,939	3,872	3,852	3,152	4,206
Kurdistan local prod	457	483	6,575	6,730	12,308	2,483	7,234
Total	**3,118**	**3,352**	**10,514**	**10,602**	**16,161**	**5,634**	**11,441**

APPRAISAL AND FIELD DEVELOPMENT

There has been no significant appraisal and development work during the third quarter.

The planned appraisal and development wells in Yemen have been postponed into 2012, and the Yaalen development in Block 47 has been further delayed with the first oil now estimated in the second quarter 2013.

In Kurdistan, test production at Bastora-1A at the Erbil PSC is continuing. Artificial lift will be used in order to test produce at higher sustainable rates. Produced crude oil from Bastora-1A is currently delivered to the local market in Kurdistan. The plan for the combined Benenan and Bastora development will be filed before the end of 2011.

EXPLORATION

In Kurdistan, the Summail-1 exploration well in the Dohuk PSC has been drilled to a total well depth of 3,640 meter and is currently undergoing an extensive test program through several intervals. Five tests have been completed to date in the Triassic and Jurassic intervals, with no hydrocarbon being observed during the tests. The forward plan is to perform 4-5 additional tests in the Jurassic and Cretaceous intervals.

In the Tawke PSC, drilling of the Peskhabir-2 exploration well commenced on 4 September. Some problems with the foundation of the rig sub-structure in the early stage of the drilling have caused some delays, but the drilling is now progressing well.

On 20 October, DNO signed a prospecting concession with the Tunisian authorities for the Fkirine exploration license.

In the UK, the P1067 license was relinquished at the end of September as planned. The relinquishment report has been drafted and will be submitted to the authorities by the end of the year.

MERGER WITH RAK PETROLEUM MENA ASSETS

On 4 July, DNO announced that the Company and RAK Petroleum had signed a heads of agreement to merge RAK's Middle East and North African operating subsidiaries into DNO. The definitive agreements were approved by the Board on 3 September and in the Extraordinary General Meeting in DNO on 1 November and in RAK on 3 November. The financials for RAK is planned to be consolidated into DNO financials from 1 December.

Financial review

REVENUES, PROFITS AND CASHFLOW

The third quarter operating revenues were NOK 152 million (NOK 407 million). The USD 60 million received in September as advance payment related to Tawke export has not been recorded as revenue, but as prepayment because the IFRS revenue recognition criterias are not fulfilled.

The operating costs directly related to the remaining outstanding export payment have been capitalized (NOK 124 million in the third quarter and NOK 296 million year-to-date) in the balance sheet as other inventory in line with the accounting treatment in 2009.

The operating profit was NOK 17 million in the third quarter (NOK -124 million) and the net profit was NOK 299 million (NOK -146 million).

The net finance items in the third quarter were NOK 301 million including NOK 255 million in profit from the divestment of the shares in Det norske oljeselskap ASA (DETNOR).

The cash position increased to NOK 1,969 million at the end of the quarter due to sale of shares in DETNOR and payment from the KRG related to Tawke crude export volumes.

Netback Variance Analysis (NOK million)	Variation
Netback third quarter 2010	**-39.6**
Production	-331.8
Oil price	96.1
Exchange rates	-18.4
Operating expenses	311.0
Impairment charges	-
Taxes paid	-9.4
Netback third quarter 2011	**7.8**
Netback year to date 2010	**239.7**
Production	-450.2
Oil price	150.8
Export payment received	564.4
Exchange rates	-49.1
Operating expenses	249.9
Impairment charges	-24.5
Taxes paid	-8.6
Netback year to date 2011	**672.3**

Netback is calculated as EBITDA adjusted for paid taxes.

COSTS OF GOODS SOLD

In the third quarter, the total cost of goods sold were NOK 100 million compared to NOK 185 million in the same period last year.

Lifting costs

Lifting costs were NOK 73 million in the third quarter, compared to NOK 74 million in the same period last year. An amount of NOK 35 million in lifting costs for Tawke exports was capitalized in the third quarter. The lifting cost per barrel was USD 26.4 per barrel – an increase from USD 5.3 per barrel in the third quarter 2010. The increase in unit cost is due to low recorded volumes in Kurdistan (Tawke local sales only) and higher costs in Yemen (higher diesel purchase in Block 43 mainly). Including Tawke exports, group lifting cost amounted to USD 5,76 per barrel in the third quarter.

Lifting cost						Year-to-date	
NOK mill	**Q3 '11**	**Q2 '11**	**Q1 '11**	**Q4 '10**	**Q3 '10**	**Q3 '11**	**Q3 '10**
Yemen	66.9	57.5	56.0	48.3	54.5	180.4	168.7
Kurdistan	6.2	33.5	12.1	23.9	19.5	51.8	60.8
Total	**73.0**	**91.0**	**68.1**	**72.2**	**74.0**	**232.1**	**229.5**
USD/bbl	**Q3 '11**	**Q2 '11**	**Q1 '11**	**Q4 '10**	**Q3 '10**	**Q3 '11**	**Q3 '10**
Yemen	31.59	22.66	19.45	15.10	15.48	23.97	15.30
Kurdistan	9.50	19.34	2.43	4.39	1.87	4.28	3.41
Total	**26.40**	**22.25**	**8.66**	**8.36**	**5.31**	**15.36**	**7.95**

Proforma calculated lifting cost including export						Year-to-date	
USD/bbl	**Q3 '11**	**Q2 '11**	**Q1 '11**	**Q4 '10**	**Q3 '10**	**Q3 '11**	**Q3 '10**
Kurdistan incl. export	2.41	1.79	1.60	4.39	1.87	1.90	3.41
Total	**5.76**	**4.01**	**4.13**	**8.36**	**5.31**	**4.56**	**7.95**

Depreciation, Depletion and Amortisation (DD&A)

Total DD&A costs were NOK 27 million in the third quarter. Depreciation charges related to the Tawke export volumes in the third quarter have been capitalized as inventory with NOK 74 million. Depreciation charges for Tawke have been revised based on new reserve estimates and new investment forecasts.

Depreciation, Depletion and Amortisation (DD&A)						Year-to-date	
NOK mill	**Q3 '11**	**Q2 '11**	**Q1 '11**	**Q4 '10**	**Q3 '10**	**Q3 '11**	**Q3 '10**
Yemen	22.8	25.2	35.4	30.9	32.4	83.4	105.9
Kurdistan	3.6	184.0	36.2	41.0	78.3	223.8	136.4
Total	**26.5**	**209.2**	**71.5**	**71.9**	**110.6**	**307.2**	**242.3**
USD/bbl	**Q3 '11**	**Q2 '11**	**Q1 '11**	**Q4 '10**	**Q3 '10**	**Q3 '11**	**Q3 '10**
Yemen	17.96	18.52	18.30	15.35	15.45	18.34	15.74
Kurdistan	17.51	13.50	10.88	11.31	11.28	11.68	11.47
Total	**17.89**	**17.89**	**13.61**	**12.75**	**12.25**	**15.38**	**13.02**

EXPLORATION AND CAPITAL EXPENDITURE

Exploration cost expensed

Expensed exploration costs in the third quarter were NOK 6 million compared with NOK 3 million in the same period last year. There were no dry well costs in the quarter, but general geological and geophysical work in Kurdistan contributed with NOK 5 million.

Exploration cost expensed						Year-to-date	
NOK mill	**Q3 '11**	**Q2 '11**	**Q1 '11**	**Q4 '10**	**Q3 '10**	**Q3 '11**	**Q3 '10**
UK	1.0	3.1	1.8	1.8	2.0	5.9	2.9
Yemen	0.2	24.1	7.4	2.3	-8.6	31.7	5.4
Kurdistan	5.2	10.4	7.3	6.9	5.4	22.9	16.3
Africa	-	2.4	32.7	14.3	4.4	35.1	16.3
Other	-	-0.2	-	-	-	-0.2	-10.1
Total	**6.4**	**39.8**	**49.2**	**25.3**	**3.1**	**95.4**	**30.8**

Acquisition and Development costs (incl. intangible assets)

Total capital expenditure for the third quarter was NOK 94 million compared to NOK -9 million in the same period last year. The development costs in Yemen of NOK 6 million in the quarter consist mainly of facilities and infill well Bayoot-10 in Block 53 (NOK 5 million), and development activities in Block 47 (NOK 6 million) and adjustments in other blocks. In Kurdistan, accrued investments in the quarter were mainly related to testing of Bastora-1 in Erbil PSC (NOK 13 million), drilling of Summail-1 in Dohuk PSC (NOK 44 million), drilling of exploration well Peshkabir-1 in Tawke PSC (NOK 10 million) and drilling of Tawke-13 (NOK 17 million).

Acquisition and Development cost

						Year-to-date	
NOK mill	**Q3 '11**	**Q2 '11**	**Q1 '11**	**Q4 '10**	**Q3 '10**	**Q3 '11**	**Q3 '10**
UK	0.1	1.3	0.8	-	-	2.3	-
Yemen	6.4	28.1	28.1	22.2	33.0	62.6	108.4
Kurdistan	86.8	65.3	43.0	30.9	-43.1	195.1	-13.1
Africa	0.8	0.1	-1.5	1.2	1.4	-0.6	1.9
Total	**94.1**	**94.8**	**70.4**	**54.3**	**-8.8**	**259.3**	**97.3**

Outlook

Production from Tawke going forward is expected to continue at current levels. In Yemen, the production is expected to be in line with the current forecast, which shows a decline until new production is added from the Yaalen development. The production start is now expected in the second quarter 2013. Additional infill wells at the producing fields in Yemen have been postponed until 2012 due to the current unrest. Drilling operations are expected to resume once the situation is stabilized.

Subject to export payment clarification, DNO will commence the work to upgrade the capacity of the Tawke facilities to around 100,000 bopd.

Testing of the Summail-1 well in the Dohuk PSC is expected to continue towards the end of the year with additional 4-5 tests in the Jurassic and Triassic intervals. Thereafter the rig will move to the Tawke field to drill Tawke-16 to test the possible potential of the northern flank of the field.

The drilling operations of the Peshkhabir-1 exploration well in the Tawke PSC will continue into the fourth quarter, and subject to positive results, testing will be undertaken in the first quarter 2012.

The Benenan and Bastora development plan will be filed before year-end 2011, and if approved, development work is expected to commence in 2012.

Both companies' shareholders have now approved the merger of RAK MENA operating subsidiaries into DNO. The process of integrating the two organizations will now commence with the view to have the combined and integrated organization in place as soon as possible.

The merger of RAK MENA assets into DNO will immediately add 7,000 boepd in additional production and 52 million barrels of reserves (2P) to the Company.

Work will also commence to prepare for the planned London listing, and subject to market conditions, a dual listing in Oslo/London could be achievable around mid 2012.

DNO is now entering a new era with exciting opportunities ahead. We will expand and grow the Company in the Middle East and North Africa region (MENA) with the vision to become a significantly larger player in the region. The merger marks our first step in this growth plan.

United, our two organizations will represent a stronger team in the region, which is needed to achieve our ambitions for continued growth and value creation.

The enlarged enterprise will also be in a position to offer new and exciting career opportunities for the combined organization. In sum this will put the Company in a stronger position, both to extract more values from the enlarged portfolio, but also to seek new entries in the MENA region going forward.

Consolidated Statements of Comprehensive Income

							Year-to-date		Full year	
NOK mill	**Note**	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q3 2011**	**Q3 2010**	**2010**	**2009**
Sales	2, 3	152.4	732.0	281.2	302.0	406.6	1,165.7	949.8	1,251.8	869.0
Cost of goods sold	4	-100.1	-174.5	-140.2	-144.7	-185.1	-414.7	-474.0	-618.7	-659.3
Expensing of capitalized 2009 production costs	4	-	-126.2	-	-	-	-126.2	-	-	-
Gross profit		**52.3**	**431.3**	**141.0**	**157.3**	**221.4**	**624.7**	**475.8**	**633.1**	**209.7**
Other operating income		3.1	4.6	0.9	0.9	5.8	8.6	8.0	8.9	8.1
Tariffs and transportation		-1.4	-2.1	-2.7	-1.7	-5.2	-6.2	-21.0	-22.8	-36.9
Administrative expense/ Other operating expenses	5	-30.2	-14.3	-15.8	-44.3	-342.4	-60.1	-361.8	-406.3	-204.3
Impairment oil and gas assets	9	-	-24.5	-	-	-	-24.5	-	-	-
Exploration cost expensed	6	-6.4	-39.8	-49.2	-25.3	-3.1	-95.4	-30.8	-56.2	-155.8
Net gain/-loss from sale of PP&E		-	-	-	-	-	-	0.1	0.1	-
Profit/-loss from operating activities		**17.4**	**355.2**	**74.2**	**86.8**	**-123.5**	**446.9**	**70.0**	**156.8**	**-179.1**
Share of profit/-loss associates	7	-	-	-	-	-	-	-	-	-62.9
Financial income	7	339.0	14.8	6.5	11.6	45.8	360.3	56.1	44.7	522.3
Financial expenses	7	-37.8	-129.5	-103.2	-138.4	-40.5	-270.5	-292.3	-407.7	-252.4
Profit/-loss before income tax		**318.6**	**240.6**	**-22.5**	**-40.0**	**-118.2**	**536.7**	**-166.2**	**-206.2**	**28.0**
Income tax expense	8	-19.3	-24.4	-42.9	9.1	-27.4	-86.6	-85.8	-76.6	-297.6
Net profit/-loss		**299.3**	**216.1**	**-65.4**	**-30.9**	**-145.7**	**450.1**	**-252.0**	**-282.9**	**-269.6**
Other comprehensive income										
Currency translation differences	13	88.4	-20.9	-58.8	10.0	-118.5	8.7	-9.2	0.8	-289.8
Fair value changes available-for-sale financial assets	10	-140.2	28.9	24.9	57.2	29.3	-86.4	39.5	96.8	-10.3
Total other comprehensive income, net of tax	8	**-51.8**	**8.0**	**-33.9**	**67.3**	**-89.2**	**-77.7**	**30.3**	**97.6**	**-300.2**
Total comprehensive income, net of tax		**247.5**	**224.1**	**-99.2**	**36.4**	**-234.9**	**372.4**	**-221.7**	**-185.2**	**-569.8**
Net profit/-loss attributable to:										
Equity holders of the parent		299.3	216.1	-65.4	-30.9	-145.7	450.1	-252.0	-282.9	-269.6
Total comprehensive income attributable to:										
Equity holders of the parent		247.5	224.1	-99.2	36.4	-234.9	372.4	-221.7	-185.2	-569.8
Earnings per share, basic		0.32	0.23	-0.07	-0.03	-0.16	0.47	-0.28	-0.31	-0.31
Earnings per share, diluted		0.32	0.23	-0.07	-0.03	-0.16	0.47	-0.28	-0.31	-0.31

Condensed Consolidated Statements of Financial Position

Assets

							Full year	
NOK mill	**Note**	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**2010**	**2009**
Non-current assets								
Other intangible assets	9	611.8	782.2	885.1	930.7	892.9	930.7	851.0
Property, plant and equipment	9	2,339.0	1,944.3	1,991.0	2,212.8	2,257.3	2,212.8	2,402.4
Available for sale investments	10	-	409.4	397.8	360.0	308.8	360.0	478.4
Derivative financial instruments	7	-	-	-	-	-	-	0.8
Total non-current assets		**2,950.8**	**3,135.9**	**3,273.8**	**3,503.5**	**3,459.1**	**3,503.5**	**3,732.6**
Current assets								
Inventories	4	374.4	253.1	306.4	211.6	202.8	211.6	157.4
Trade and other receivables	11	214.6	195.9	243.7	290.3	311.7	290.3	197.2
Other financial assets at fair value through P&L	7	-	2.2	4.1	2.6	2.8	2.6	1.8
Cash and cash equivalents	12	1,969.4	1,244.8	983.7	1,384.7	936.2	1,384.7	303.4
Total current assets		**2,558.3**	**1,696.0**	**1,537.9**	**1,889.2**	**1,453.4**	**1,889.2**	**659.8**
TOTAL ASSETS		**5,509.1**	**4,832.0**	**4,811.6**	**5,392.7**	**4,912.5**	**5,392.7**	**4,392.4**

Equity and liabilities

							Full year	
NOK mill	**Note**	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**2010**	**2009**
Equity								
Share capital	13	233.2	237.5	237.5	237.5	226.2	237.5	213.7
Other reserves	13	704.7	844.3	836.4	870.1	435.2	870.1	80.6
Retained earnings		1,451.7	1,152.4	936.2	1,001.6	1,062.8	1,001.6	1,284.4
Total equity		**2,389.7**	**2,234.1**	**2,010.1**	**2,109.1**	**1,724.2**	**2,109.1**	**1,578.7**
Non-current liabilities								
Interest-bearing liabilities	14	1,616.4	1,544.1	1,493.0	1,555.5	1,547.4	1,555.5	1,785.3
Deferred income tax liabilities		69.8	68.2	78.4	65.5	99.5	65.5	94.2
Provisions for other liabilities and charges	15	115.4	93.1	314.6	403.2	740.1	403.2	685.8
Total non-current liabilities		**1,801.7**	**1,705.5**	**1,885.9**	**2,024.2**	**2,386.9**	**2,024.2**	**2,565.3**
Current liabilities								
Trade and other payables	16	458.8	71.0	377.1	552.2	471.4	552.2	191.0
Income taxes payable		11.9	25.8	10.0	13.9	7.3	13.9	-
Current interest-bearing liabilities	14	-	-	-	257.5	256.8	257.5	-
Provisions for other liabilities and charges	15	847.1	795.6	528.5	435.8	66.0	435.8	57.3
Total current liabilities		**1,317.8**	**892.4**	**915.6**	**1,259.4**	**801.5**	**1,259.4**	**248.4**
TOTAL EQUITY AND LIABILITIES		**5,509.1**	**4,832.0**	**4,811.6**	**5,392.7**	**4,912.5**	**5,392.7**	**4,392.4**

Condensed Consolidated Cash Flow Statements

							Year-to-date		Full year	
NOK mill	**Note**	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q3 2011**	**Q3 2010**	**2010**	**2009**
Operating activities										
Profit/loss before income tax		318.6	240.6	-22.5	-40.0	-118.2	536.7	-166.1	-206.2	28.0
Adjustments to add (deduct) non-cash items:										
+/- Net interest expense (-income)		21.0	31.4	25.2	21.2	24.5	77.6	74.0	95.2	106.0
Previously capitalised exploration and evaluation expenses	6	-0.9	24.1	28.6	9.2	-3.1	51.8	8.0	17.2	56.2
Depreciation of PP&E	4	27.1	209.7	72.1	72.5	111.2	308.9	244.5	317.0	300.9
Impairment loss on PP&E	9	-	24.5	-	-	-	24.5	-	-	-
(Gain)/loss on PP&E		-	-	-	-	-	-	-0.1	-0.1	-
(Gain)/loss on shares		-253.4	-5.0	-1.1	-7.0	-0.5	-259.5	-1.3	-8.3	-3.0
Impairment/Reversal of impairment of financial assets		-	0.3	-	1.3	4.5	0.3	203.3	204.6	-400.4
Other		-100.5	35.8	-18.4	44.1	37.0	-83.1	46.5	90.6	270.4
Changes in working capital:										
- Inventories		-51.5	-1.3	-9.2	-16.9	-29.4	-62.0	-37.3	-54.2	20.9
- Trade and other receivables		-18.7	47.7	46.7	21.4	-67.7	75.7	-114.6	-93.2	-23.1
- Other fin assets at fair value through P&L		2.2	1.9	-1.5	0.2	-0.5	2.6	-1.0	-0.8	-0.7
- Trade and other payables		387.8	-306.2	-175.1	80.9	239.7	-93.5	280.4	361.3	-197.9
- Provisions for other liabilities and charges		13.0	43.8	41.1	-4.5	-2.8	97.9	8.7	4.2	-5.2
Cash generated from operations		344.7	347.2	-14.0	182.4	194.7	677.9	544.9	727.2	152.1
Income taxes paid		-37.0	-17.1	-29.3	-19.3	-27.3	-83.4	-74.7	-94.0	-92.2
Interest paid		-25.3	-36.8	-30.6	-25.8	-27.8	-92.7	-82.5	-108.3	-113.1
Net cash (used in)/from operating activities		**282.4**	**293.3**	**-74.0**	**137.3**	**139.6**	**501.7**	**387.7**	**524.9**	**-53.3**
Investing activities										
Purchases of intangible assets	9	-56.8	-40.0	-25.0	-41.4	-20.2	-121.8	-53.7	-95.1	-
Proceeds from sale of intangible assets		-	-	-	-	-	-	-	-	-
Purchases of tangible assets	9	-37.0	-54.8	-45.4	-13.0	-29.4	-137.2	-102.0	-115.0	-215.7
Proceeds from sale of tangible assets		-	-	-	-	-	-	0.1	0.1	-
Purchases of available-for-sale financial assets	10	-	-	-13.8	-5.8	-1.5	-13.8	-1.5	-7.3	-
Proceeds from sale of available-for-sale financial assets	10	524.2	23.4	2.0	17.3	3.8	549.6	8.6	25.9	600.8
Interest received		4.3	5.3	5.4	4.6	3.3	15.0	8.5	13.1	7.2
Net cash (used in)/from investing activities		**434.7**	**-66.0**	**-76.9**	**-38.3**	**-44.0**	**291.7**	**-140.0**	**-178.3**	**392.1**
Financing activities										
Proceeds from borrowings		-	1,309.1	-	-	-	1,309.1	-	-	-
Repayment of borrowings	14	-1.6	-1,268.3	-257.5	-	-	-1,527.4	-1.4	-1.4	-55.9
Purchase of treasury shares, including options	13	-10.7	-	-	-	-	-10.7	-	-	-127.5
Proceeds from sale of treasury shares		-	-	-	-	-	-	367.1	367.1	-
Proceeds from issuance of shares	13	-	-	-	348.6	-	-	-	348.6	-
Net cash (used in)/from financing activities		**-12.3**	**40.8**	**-257.5**	**348.6**	**-**	**-229.0**	**365.8**	**714.3**	**-183.5**
Net increase/(decrease) in cash and cash equivalents		**704.8**	**268.1**	**-408.3**	**447.6**	**95.6**	**564.5**	**613.5**	**1,061.1**	**155.5**
Cash and cash equivalents at beginning of the period		1,244.8	983.7	1,384.7	936.2	821.6	1,384.7	303.4	303.4	176.1
Exchange gain/-losses on cash and cash equivalents		19.8	-7.0	7.4	0.9	19.0	20.2	19.3	20.2	-28.2
Cash and cash equivalents at end of the period		**1,969.4**	**1,244.8**	**983.7**	**1,384.7**	**936.2**	**1,969.4**	**936.2**	**1,384.7**	**303.4**

Condensed Consolidated Statements of Changes in Equity

NOK mill	Note	Share Capital	Other Reserves	Retained Earnings	Total Equity
Balance at 1 January 2010		**213.7**	**80.6**	**1,284.4**	**1,578.7**
Fair value gains, net of tax:					
- available-for-sale financial assets		-	-	39.5	39.5
Currency translation differences		-	-	-9.2	-9.2
Other comprehensive income/-loss		-	-	30.3	30.3
Loss for the period		-	-	-252.0	-252.0
Total comprehensive income		-	-	-221.7	-221.7
Share option scheme:					
- value of services provided		-	-	-	-
- proceeds from shares issued		-	-	-	-
Issue of share capital		-	-	-	-
Purchase of treasury shares		-	-	-	-
Sale of treasury shares		12.5	354.6	-	367.1
		12.5	354.6	-	367.1
Balance at 30 September 2010	13	**226.2**	**435.2**	**1,062.8**	**1,724.2**

NOK mill	Note	Share Capital	Other Reserves	Retained Earnings	Total Equity
Balance at 1 January 2011		**237.5**	**870.1**	**1,001.6**	**2,109.1**
Fair value gains, net of tax:					
- available-for-sale financial assets		-	-86.4	-	-86.4
Currency translation differences		-	8.7	-	8.7
Other comprehensive income/-loss		-	-77.7	-	-77.7
Profit for the period		-	-	450.1	450.1
Total comprehensive income		-	-77.7	450.1	372.4
Share option scheme:					
- value of services provided		-	-	-	-
- proceeds from shares issued		-	-	-	-
Issue of share capital		-	0.2	-	0.2
Purchase of treasury shares		-4.3	-87.8	-	-92.0
Sale of treasury shares		-	-	-	-
		-4.3	-87.6	-	-91.9
Balance at 30 September 2011	13	**233.2**	**704.7**	**1,451.7**	**2,389.7**

Notes to the Interim Condensed Consolidated Financial Accounts

Note 1 || Basis of Preparation and Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting and IFRS standards issued and effective at date of reporting as adopted by the EU. The interim report has also been prepared in accordance with Stock Exchange regulations.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010. The interim financial information for 2011 and 2010 is unaudited.

The condensed consolidated financial statements have been prepared on a historical cost basis, with the following excemption:

* All derivatives, all financial assets and liabilities held for trading, liabilities related to share-based payments and all financial assets that are classified as available-for-sale, are recognized at fair value.

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 2010.

Note 2 || Segment Information

Three months ended 30 September 2011 **NOK million**	**Note**	**NE**	**YEM**	**KUR**	**AFR**	**OTHER**	**Total report. segm.**	**Unalloc./ elimin.**	**GROUP**
Income statement information									
External sales	3	-	141.3	11.1	-	-	152.4	-	**152.4**
Inter-segment sales		-	0.9	4.3	-	-	5.2	-5.2	**-**
Cost of goods sold	4	-	-89.7	-10.1	-	-	-99.8	-0.3	**-100.1**
Gross profit		**-**	**52.5**	**5.3**	**-**	**-**	**57.7**	**-5.4**	**52.3**
Segment result		**-3.9**	**79.6**	**-5.1**	**-0.3**	**-1.9**	**68.4**	**17.8**	**86.3**
Interest - net									**-21.0**
Gain/-loss on sale of shares									**253.4**
Income tax expense		-	-19.3	-	-	-	-19.3	-	**-19.3**
Net profit/-loss									**299.3**
Segment assets		**22.2**	**609.5**	**2,895.3**	**32.3**	**1.4**	**3,560.7**	**1,948.4**	**5,509.1**

Note 2 || Segment Information continues

Three months ended 30 September 2010 **NOK million**	**Note**	**NE**	**YEM**	**KUR**	**AFR**	**OTHER**	**Total report. segm.**	**Unalloc./ elimin.**	**GROUP**
Income statement information									
External sales	3	-	143.7	244.4	-	-	406.6	-	**406.6**
Inter-segment sales		-	-1.0	0.1	0.1	-	-0.8	0.8	**-**
Cost of goods sold	4	-	-86.9	-98.0	-	-	-184.9	-0.2	**-185.0**
Gross profit		**-**	**74.3**	**146.5**	**0.1**	**-**	**220.9**	**0.6**	**221.4**
Segment result		**-2.4**	**39.3**	**-179.6**	**-4.3**	**-5.8**	**-152.8**	**60.3**	**-92.5**
Interest - net									**-26.3**
Gain/-loss on sale of shares									**0.5**
Income tax expense		-	-27.4	-	-	-	-27.4	-	**-27.4**
Net profit/-loss									**-145.7**
Segment assets		**18.5**	**671.4**	**2,862.5**	**180.1**	**-**	**3,732.4**	**1,180.1**	**4,912.5**

Nine months ended 30 September 2011 **NOK million**	**Note**	**NE**	**YEM**	**KUR**	**AFR**	**OTHER**	**Total report. segm.**	**Unalloc./ elimin.**	**GROUP**
Income statement information									
External sales	3	-	502.9	662.8	-	-	1,165.7	-	**1,165.7**
Inter-segment sales		-	10.1	13.2	1.9	-	25.2	-25.2	**-**
Cost of goods sold	4	-	-263.8	-150.2	-0.1	-	-414.0	-0.7	**-414.7**
Expensing of capitalized 2009 production costs	4	-	-	-126.2	-	-	-126.2	-	**-126.2**
Gross profit		**-**	**249.2**	**399.6**	**1.8**	**-**	**650.6**	**-25.9**	**624.7**
Segment result		**-13.3**	**202.3**	**364.0**	**-60.5**	**-10.0**	**482.6**	**-23.9**	**458.7**
Interest - net									**-181.4**
Gain/-loss on sale of shares									**259.4**
Income tax expense		-	-86.6	-	-	-	-86.6	-	**-86.6**
Net profit/-loss									**450,1**
Segment assets		**22.2**	**609.5**	**2,895.3**	**32.3**	**1.4**	**3,560.7**	**1,948.4**	**5,509.1**

Nine months ended 30 September 2010 **NOK million**	**Note**	**NE**	**YEM**	**KUR**	**AFR**	**OTHER**	**Total report. segm.**	**Unalloc./ elimin.**	**GROUP**
Income statement information									
External sales	3	-	527.6	422.2	-	-	949.8	-	**949.8**
Inter-segment sales		-	5.5	2.9	0.5	-	8.8	-8.8	**-**
Cost of goods sold	4	-0.6	-274.7	-198.2	-0.1	-	-473.5	-0.5	**-474.0**
Gross profit		**-0.6**	**258.4**	**226.9**	**0.4**	**-**	**485.1**	**-9.3**	**475.8**
Segment result		**-4.5**	**245.7**	**-110.5**	**-15.9**	**-5.8**	**108.9**	**-164.2**	**-55.3**
Interest - net									**-112.2**
Gain/-loss on sale of shares									**1.3**
Income tax expense			-85.8				-85.8		**-85.8**
Net profit/-loss									**-252.0**
Segment assets		**18.5**	**671.4**	**2,862.5**	**180.1**	**-**	**3,732.4**	**1,180.1**	**4,912.5**

Note 3 || Sales

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

						Year-to-date		Full year	
NOK mill	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q3 2011**	**Q3 2010**	**2010**	**2009**
Sale of petroleum products *	152.4	732.0	281.2	302.0	406.6	1,165.7	949.8	1,251.8	869.0
Other income	-	-	-	-	-	-	-	-	-
Total sales	**152.4**	**732.0**	**281.2**	**302.0**	**406.6**	**1,165.7**	**949.8**	**1,251.8**	**869.0**

DNO received USD 103.7 million (NOK 564.4 million) in June as partial payment for the oil export from the Tawke field in the period 2 February to 27 March 2011. The received amount was recognized as revenue in the second quarter as the criterias for revenue recognition were considered to be fulfilled in accordance with IAS 18 for that specific payment.

DNO received a second partial payment of USD 60 million (NOK 351 million) in September related to the Tawke export production. However, since the revenue recognition criterias have not been fulfilled for the second payment, this amount has been recorded as a prepayment in Q3 (See Note 16).

Reconciliation sales - working interest/net entitlement

						Year-to-date		Full year	
NOK mill	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q3 2011**	**Q3 2010**	**2010**	**2009**
Sale of petroleum products working interest	265.4	875.8	417.8	464.9	634.6	1,559.0	1,489.0	1,953.8	1,293.1
Government share of production before income tax payable	-113.0	-143.8	-136.6	-162.9	-228.0	-393.3	-539.1	-702.0	-424.1
Sale of petroleum products net entitlement	**152.4**	**732.0**	**281.2**	**302.0**	**406.6**	**1,165.7**	**949.8**	**1,251.8**	**869.0**

Note 4 || Cost of Goods Sold

						Year-to-date		Full year	
NOK mill	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q3 2011**	**Q3 2010**	**2010**	**2009**
Lifting costs *	-73.0	-91.0	-68.1	-72.2	-74.0	-232.1	-229.5	-301.7	-358.3
Depreciation, depletion and amortisation	-27.1	-209.7	-72.1	-72.5	-111.2	-308.8	-244.5	-317.0	-300.9
Total cost of goods sold	**-100.1**	**-300.7**	**-140.2**	**-144.7**	**-185.1**	**-541.0**	**-474.0**	**-618.7**	**-659.3**

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

Lifting costs and depreciation, depletion and amortisation related to the exported volumes in Kurdistan are capitalized as inventory in line with the accounting treatment in 2009. See Q4 2009 report for further information. Total capitalized production costs as of 30 September 2011 are NOK 295.8 million (NOK 224.8 million in depreciation and NOK 71 million in lifting costs), whereof NOK 123.5 million has been capitalized in the third quarter.

As a result of the recognition of the partial payment from the Q1 Tawke export production, the accompanying lifting costs and depreciation were moved from inventory to profit or loss in Q2. This amounted to NOK 68.6 million in depreciation and NOK 13.2 million in lifting costs.

The capitalized production costs from 2009 related to the export production from Tawke were expensed in Q2 2011 (DD&A of NOK 112.7 million and lifting cost of NOK 13.5 million). The expense was due to the fact that DNO had not received any payment for the 2009 export sale, while a part-payment for the Q1 export sale had been received. Due to the uncertainty related to export payment, DNO expensed the capitalized production costs in Q2 2011. See Q2 report for further details.

The depreciation related to the Water Purification Project (WPP) in Kurdistan in Q3 amounts to NOK 2 million.

Note 5 || Administrative/Other Expenses

						Year-to-date		Full year	
NOK mill	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q3 2011**	**Q3 2010**	**2010**	**2009**
Salaries and social expenses *	-8.2	-0.9	8.1	-23.0	-2.9	-1.0	-6.6	-29.6	-12.7
General and administration expenses **	-21.9	-13.4	-23.9	-21.3	-339.5	-59.2	-355.4	-376.7	-187.2
Other operating expenses	-0.1	-	-	-	-	-0.1	-	-	-4.3
Total administrative/other expenses	**-30.1**	**-14.3**	**-15.8**	**-44.3**	**-342.4**	**-60.2**	**-361.8**	**-406.3**	**-204.3**

* Salaries and social expenses directly attributable to operations are reclassified to lifting cost and exploration cost in profit or loss.
** The increase in general and administration expenses in Q3 2010 was mainly related to a provision for claims and legal costs in connection with the arbitration process. For further details, reference is made to Note 16 and Q1 2011 report.

Note 6 || Exploration Cost Expensed

						Year-to-date		Full year	
NOK mill	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q3 2011**	**Q3 2010**	**2010**	**2009**
Exploration expenses (G&G and field surveys)	-6.2	-13.9	-17.9	-9.0	-6.8	-38.0	-28.7	-37.7	-52.9
Seismic costs	-0.1	0.1	0.3	-3.5	-3.0	0.3	-5.9	-9.4	-32.6
Exploration costs capitalised in previous years carried to cost	-	-	-2.0	-	-	-2.0	-	-	-
Exploration costs capitalised this year carried to cost	0.9	-24.1	-26.6	-9.2	3.1	-49.8	-8.0	-17.2	-56.2
Other exploration cost expensed	-1.1	-1.8	-3.0	-3.6	3.6	-5.9	11.8	8.1	-14.1
Total exploration cost expensed *	**-6.4**	**-39.8**	**-49.2**	**-25.3**	**-3.1**	**-95.4**	**-30.8**	**-56.2**	**-155.8**

* For details on geographic spread of exploration cost expensed, see the Financial review section.

Note 7 || Net Finance

						Year-to-date		Full year	
NOK mill	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q3 2011**	**Q3 2010**	**2010**	**2009**
Share of profit/-loss associates	-	-	-	-	-	-	-	-	-62.9
Interest received	4.3	5.3	5.4	4.6	3.3	15.0	8.5	13.1	7.1
Exchange rate gain/-loss, unrealised items	70.7	-	-	-	-	70.7	-	-	-
Other financial income *	255.9	5.3	1.1	7.0	0.5	262.3	1.9	9.1	59.5
Capitalised interest	8.1	2.3	-	-	-	10.4	-	-	-
Reversal impairment of financial assets	-	1.8	-	-	-	1.9	0.1	-	409.2
Financial income	339.0	14.8	6.5	11.6	3.8	360.3	10.5	22.1	475.7
Interest expense	-35.5	-39.1	-30.1	-25.8	-27.8	-104.7	-82.5	-108.3	-113.1
Exchange rate gain/-loss, realised items	0.8	-2.9	2.0	-0.4	-3.9	-	-9.5	-9.9	-2.3
Exchange rate gain/-loss, unrealised items	-	-14.7	-24.6	-71.5	41.5	-39.3	94.1	22.6	39.1
Fair value gain/-loss on financial instruments ¹⁾	-0.3	-0.6	1.5	-0.2	0.5	0.6	0.2	-	-12.4
Impairment of financial assets	-	-0.3	-	-1.3	-4.5	-0.3	-203.3	-204.6	-8.7
Other financial expenses *	-2.8	-72.0	-52.0	-39.3	-4.2	-126.8	-45.6	-84.9	-108.4
Financial expenses	-37.8	-129.5	-103.2	-138.4	1.4	-270.5	-246.7	-385.1	-205.8
Net finance	**301.2**	**-114.7**	**-96.7**	**-126.8**	**5.3**	**89.8**	**-236.2**	**-363.0**	**207.1**

* Included in Other financial income is gain on sale of shares in Det norske oljeselskap ASA of NOK 255 million in Q3.

¹⁾ Fair value gain/-loss on financial instruments

						Year-to-date		Full year	
NOK mill	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q3 2011**	**Q3 2010**	**2010**	**2009**
Interest rate derivatives	-	-	-	-	-	-	-	-	6.3
Oilprice derivatives	-	-	-	-	-0.1	-	-0.8	-0.8	-19.4
Other financial assets at fair value through profit or loss	-0.3	-0.6	1.5	-0.2	0.5	0.6	1.0	0.8	0.7
Fair value gain/-loss on financial instruments, net	**-0.3**	**-0.6**	**1.5**	**-0.2**	**0.5**	**0.6**	**0.2**	**-**	**-12.4**

The oil price derivatives matured at 31 December 2010 and the carrying value was zero. Interest rate derivatives were settled in the second quarter of 2009. Other financial assets at fair value through profit or loss relate to the shares in Nordic Mining ASA, which have been sold in Q3.

Note 8 || Taxes

						Year-to-date		Full year	
NOK mill	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q3 2011**	**Q3 2010**	**2010**	**2009**
Taxes payable	-	-	-	-	-	-	-	-	-
Deferred taxes	3.8	8.5	-17.4	35.1	-0.6	-5.1	-3.7	31.3	-212.7
Income taxes payable related to production sharing agreements (PSAs)	-23.1	-32.9	-25.4	-25.9	-26.9	-81.4	-82.0	-108.0	-84.9
Total income tax expense	**-19.3**	**-24.4**	**-42.9**	**9.1**	**-27.4**	**-86.6**	**-85.8**	**-76.6**	**-297.6**

The interim period income tax expense is calculated by applying the tax rate appliccable to the expected total annual earnings.

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

The positive income tax expense for the fourth quarter 2010 was due to adjustment of deferred tax liability in Yemen as a result of higher utilization of cost oil in Block 43.

There are no tax consequences attached to items recorded in other comprehensive income.

DNO has applied for credit deduction (kreditfradrag) for the operations in the Kurdistan region of Iraq similar as for the operations in Yemen. When the application for credit deduction is finally approved, the recorded revenues will be higher with a corresponding income tax expense (corporate tax) and a deferred tax liability.

Note 9 || Property, Plant and Equipment/Intangible Assets

						Year-to-date		Full year	
NOK mill	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q3 2011**	**Q3 2010**	**2010**	**2009**
Acquisitions of PP&E *	37.0	54.8	45.4	13.0	-29.0	137.2	43.6	56.5	215.7
Acquisitions of Intangible assets **	56.8	40.0	25.0	41.4	20.2	121.8	53.7	95.0	457.2
Net book amount PP&E	**2,339.0**	**1,944.3**	**1,991.0**	**2,212.8**	**2,257.3**	**2,339.0**	**2,257.3**	**2,212.8**	**2,402.4**
Net book amount Intangible assets	**611.8**	**782.2**	**885.1**	**930.7**	**892.9**	**611.8**	**892.9**	**930.7**	**851.0**
Sale of PP&E									
Proceeds	-	-	-	-	-	-	-	-	-
Carrying value	-	-	-	-	-	-	-	-	-
Net gain/-loss									
Impairment/reversal of impairment of PP&E	-	24.5	-	-	-	24.5	-	-	-

* Acquisitions related to development assets, assets in operation and other PP&E
** Acquisitions related to capitalised exploration costs and license interest

Total capital expenditure for the third quarter was NOK 93.8 million. The acquisitions of PP&E of NOK 37 million consist of development costs in Yemen of NOK 6 million related to facilities and infill well Bayoot-10 in Block 53, drilling of development well Tawke- 13 (NOK 17 million) and drilling of sidetrack and testing of Bastora-1 (NOK 13 million) in the Kurdistan region of Iraq. Acquisition of intangible assets in the quarter of NOK 56.8 million were mainly related to the drilling of exploration wells Peshkabir-1 in the Tawke PSC (NOK 10 million) and the Summail-1 well in the Dohuk PSC (NOK 44 million).

Impairment of NOK 24.5 million in Q2 2011 was related to DNO's license interest in Block P in Equatorial Guinea.

Note 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 to other comprehensive income. Impairment will be charged to profit or loss, while reversal of impairment will be taken through other comprehensive income.

						Year-to-date		Full year	
NOK mill	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q3 2011**	**Q3 2010**	**2010**	**2009**
Beginning of the period	409.4	397.8	360.0	308.8	285.9	360.0	478.4	478.4	36.8
Additions *	-	-	13.8	5.8	1.5	13.8	1.5	7.3	460.6
Sales **	-269.2	-17.0	-0.9	-10.5	-3.3	-287.1	-7.3	-17.9	-
Revaluation surplus/deficit transfer to equity	-140.2	28.9	24.9	57.3	29.3	-86.4	39.5	96.8	-10.3
Impairment ***	-	-0.3	-	-1.3	-4.5	-0.3	-203.3	-204.6	-8.7
End of the period ¹⁾	**-**	**409.4**	**397.8**	**360.0**	**308.8**	**-**	**308.8**	**360.0**	**478.4**
Non-current portion	-	409.4	397.8	360.0	308.8	-	308.8	360.0	478.4
Current portion	-	-	-	-	-			-	-

* Additions in Q1 and Q4 2010 and Q3 2010 relate to the investment in Rocksource ASA. Additions in 2009 related to the investment in Det norske oljeselskap (DETNOR), which previously was classified as investment in associated company. After DETNOR merged with Aker Exploration in December 2009, DNO's shareholding in DETNOR was 11.66% and thereby classified as Available-for-sale investment.

** Sales in Q3 relate to sale of the remaining shares in Petrolia ASA and DETNOR. Sales in Q2 relate to sale of shares in Petrolia ASA and the remaining shares in Rocksource ASA. Sales in Q1 and in 2010 relate to sale of shares in Rocksource ASA.

*** Impairment of NOK 204.6 million in 2010 was related to the shares in Petrolia ASA (NOK 6.2 million), Rocksource ASA (NOK 3.3 million) and DETNOR (NOK 195.1 million). Impairment of NOK 0.3 million in Q2 2011 was related to the shares in Petrolia ASA.

¹⁾ Available-for-sale financial assets include the following:

						Full year	
NOK mill	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**2010**	**2009**
– Det norske oljeselskap ASA	-	408.1	373.1	349.8	294.1	349.8	437.9
– Petrolia ASA	-	1.3	3.3	2.4	3.7	2.4	8.9
– Rocksource ASA	-	-	21.3	7.8	11.0	7.8	31.6
¹⁾ Total available-for-sale financial assets	**-**	**409.4**	**397.8**	**360.0**	**308.8**	**360.0**	**478.4**

Note 11 || Trade and Other Receivables

						Full year	
NOK mill	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**2010**	**2009**
Trade receivables	63.2	64.2	71.5	84.3	96.0	84.3	68.1
Less: provisions for impairment of receivables	-	-	-	-	-	-	-
Trade receivables - net	63.2	64.2	71.5	84.3	96.0	84.3	68.1
Prepayments	13.5	16.4	55.0	7.4	9.0	7.4	9.4
Underlift, entitlement method	24.0	32.6	24.7	83.0	27.8	83.0	8.1
VAT receivable	4.9	4.0	5.2	3.6	3.3	3.6	3.0
Other short-term receivables *	109.1	78.4	87.3	112.1	175.5	112.1	108.6
Total trade and other receivables	**214.6**	**195.9**	**243.7**	**290.3**	**311.7**	**290.3**	**197.2**

* Included in Other short-term receivables is working capital related to the participation in oil and gas licenses.

Note 12 || Cash and Cash Equivalents

						Full year	
NOK mill	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**2010**	**2009**
Cash and cash equivalents , non-restricted	1,965.1	1,238.2	978.9	1,377.5	931.7	1,377.5	297.2
Cash and cash equivalents , restricted	4.3	6.6	4.9	7.2	4.5	7.2	6.2
Total cash and cash equivalents	**1,969.4**	**1,244.8**	**983.7**	**1,384.7**	**936.2**	**1,384.7**	**303.4**

Note 13 || Equity

Share capital

NOK million	Number of shares (1000)	Ordinary shares	Treasury shares	Total
At 1 January 2010	**904,856**	**226.2**	**-12.5**	**213.7**
Share option scheme:				
- value of services provided	-	-	-	**-**
- proceeds from shares issued	-	-	-	**-**
Treasury shares purchased/sold	-	-	12.5	**12.5**
Share issues	45,000	11.3	-	**11.3**
At 31 December 2010	**949,856**	**237.5**	**-**	**237.5**
At 1 January 2011	**949,856**	**237.5**	**-**	**237.5**
Share option scheme:				
- value of services provided	-	-	-	**-**
- proceeds from shares issued	-	-	-	**-**
Treasury shares purchased/sold	-	-	-4.3	**-4.3**
Share issues	-	-	-	**-**
At 30 September 2011	**949,856**	**237.5**	**-4.3**	**233.2**

In November 2010, DNO made a private placement of 45 million shares to a subscription price of NOK 8 per share. Total proceeds from the private placement were approximately NOK 360 million. The total number of ordinary shares is 949 856 912 shares with a par value of NOK 0,25 per share. All issued shares are fully paid.

DNO has bought treasury shares as part of the share buy back program announced on 10 August. As of 30 September, DNO holds 17 million treasury shares.

Other reserves

NOK mill	Share premium	Other paid-in capital	Available-for-sale investm.	Other reserves	Translation	Total
Balance at 1 January 2010	**32.5**	**339.2**	**-**	**-133.2**	**-157.8**	**80.6**
Treasury shares:						
- Sale of treasury shares	-	8.2	-	346.4	-	354.6
- Purchase of treasury shares	-	-	-	-	-	-
Other paid in capital	-	-	-	-	-	-
Derivative contracts treasury shares	-	-	-	-	-	-
Share premium fund transfer	-	-	-	-	-	-
Balance at 30 September 2010	**32.5**	**347.4**	**-**	**213.2**	**-157.8**	**435.2**
Balance at 1 January 2011	**369.8**	**347.4**	**96.8**	**213.2**	**-157.0**	**870.1**
Revaluation, net of tax	-	-	-86.4	-	-	-86.4
Treasury shares:						
- Sale of treasury shares	-	-	-	-	-	-
- Purchase of treasury shares	-	-87.8	-	-	-	-87.8
Other paid in capital	-	-	-	-	-	-
Issue of share capital	0.2	-	-	-	-	0.2
Derivative contracts treasury shares	-	-	-	-	-	-
Transferred from retained earnings	-	-	-	-	-	-
Currency translation differences:						
- Group	-	-	-	-	8.7	8.7
- Associates	-	-	-	-	-	-
Balance at 30 September 2011	**370.0**	**259.6**	**10.3**	**213.2**	**-148.3**	**704.7**

Note 14 || Interest-Bearing Liabilities

NOK mill	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Full year 2010	2009
Non-current							
Bonds	1,616.4	1,544.1	1,493.0	1,555.5	1,547.4	1,555.5	1,785.3
Total non-current interest-bearing liabilities	**1,616.4**	**1,544.1**	**1,493.0**	**1,555.5**	**1,547.4**	**1,555.5**	**1,785.3**
Current							
Current portion of bonds	-	-	-	257.5	256.8	257.5	-
Liabilities to financial institutions	-	-	-	-	-	-	-
Total current interest-bearing liabilities	**-**	**-**	**-**	**257.5**	**256.8**	**257.5**	**-**
Total interest-bearing liabilities	**1,616.4**	**1,544.1**	**1,493.0**	**1,813.0**	**1,804.2**	**1,813.0**	**1,785.3**

NOK mill	Currency	Amount	Interest	Maturity	Balance Q3 2011	Q2 2011
Bond loan (ISIN NO0010606197)	NOK	560.0	Nibor + 7,5%	11/04/2016	560.0	560.0
Bond loan (ISIN NO0010606189)	USD	140.0	Libor + 7,5%	11/04/2016	817.8	754.3
Bond loan (ISIN NO0010270523)	USD	17.3	Libor + 3,5%	06/06/2012	101.1	93.2
Bond loan (ISIN NO0010283732)	NOK	48.0	Fixed 7,215%	12/10/2012	48.0	48.0
Bond loan (ISIN NO0010283724)	NOK	105.5	Nibor + 3,5%	12/10/2012	105.5	105.5
Bond loan (ISIN NO0010478027)	USD	0.3	Libor + 4%	12/10/2012	-	1.6
Bond loan (ISIN NO0010478019)	USD	1.3	Fixed 6,445%	12/10/2012	7.6	7.0
Borrowing issue costs					-23.6	-25.5
Total non-current interest-bearing liabilities					**1,616.4**	**1,544.1**

On 24 August, DNO bought back the outstanding bonds ISIN NO0010478027 of USD 300,000.

Note 15 || Provisions for Other Liabilities and Charges

NOK mill	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Full year 2010	2009
Non-current							
Asset retirement obligations	16.2	14.5	14.4	14.9	14.4	14.9	14.9
Other long-term obligations	99.2	78.6	300.1	388.3	725.6	388.3	670.9
Total non-current provisions for other liabilities and charges	**115.4**	**93.1**	**314.6**	**403.2**	**740.1**	**403.2**	**685.8**
Current							
Other provisions and charges	847.1	795.6	528.5	435.8	66.0	435.8	57.3
Total current provisions for other liabilities and charges	**847.1**	**795.6**	**528.5**	**435.8**	**66.0**	**435.8**	**57.3**
Total provisions for other liabilities and charges	**962.5**	**888.8**	**843.0**	**839.0**	**806.0**	**839.0**	**743.2**

NOK mill	Asset retirem. oblig.	Other non-current	Other current	Total
Balance at 31 December 2010	**14.9**	**388.3**	**435.8**	**839.0**
Charged to consolidated income statement:				
- Additional provisions	-	-	-	-
- Unused amounts reversed or reclassified	1.3	-289.1	411.3	123.5
Charged to equity:				
- Additional provisions	-	-	-	-
- Unused amounts reversed	-	-	-	-
- Contracts exercised	-	-	-	-
Exchange differences	-	-	-	-
Incurred and charged against the provision during the period	-	-	-	-
Balance at 30 September 2011	**16.2**	**99.2**	**847.1**	**962.5**

Included in Other long-term obligations is provision for the Water Purification Project (WPP) in Kurdistan. The WPP was capitalized in 2009 and is depreciated over the period of production. The WPP liability will not be payable until export revenues have been received by DNO. The monthly installments are contingent on defined gross revenue levels and will be fully recovered through cost oil. The WPP liability is recorded at net present value, where the unwinding of interest is charged to profit or loss. Part of the WPP liability has been classified as short-term at 30 September and included in Other provisions and charges (current).

Note 16 || Trade and Other Payables

NOK mill	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Full year 2010	2009
Trade creditors	13.9	14.7	6.7	6.6	12.6	6.6	8.2
Public duties payable	2.8	5.3	3.0	6.9	2.2	6.9	6.0
Prepayment from customers	351.0	2.4	0.5	42.7	0.7	42.7	0.9
Other accrued expenses	48.9	48.6	358.2	496.0	454.8	496.0	176.0
Overlift, entitlement method	42.1	-	8.7	-	1.0	-	-
Total trade and other payables	**458.8**	**71.0**	**377.1**	**552.2**	**471.4**	**552.2**	**191.0**

Prepayment from customers of NOK 351 millon in Q3 is related to the second partial payment from the KRG which has not been recognized as revenue. See Note 3 for further details. In Q4 2010 the prepayment was related to local sales contracts for Tawke field in Kurdistan.

Other accrued expenses in 2010 included provisions for claims and legal costs related to the arbitration proceedings. The arbitration was settled outside of the arbitration process in the beginning of 2011. See Q1 report for further details.

Note 17 || Events after the balance sheet date

Share buy-back

On 10 August DNO International ASA's Board of Directors announced a share buyback program following release of preliminary second quarter results. At the end of September, DNO held 17 million treasury shares. At the time of reporting, DNO has bought additional 51,066,173 own shares and now owns 68,066,173 treasury shares.

Merger with RAK Petroleum MENA assets

On 4 July, DNO announced that the Company and RAK Petroleum had signed a heads of agreement to merge RAK's Middle East and North African (MENA) operating subsidiaries into DNO. The definitive agreements were approved by the Board on 3 September and in the extraordinary general meetings in DNO on 1 November and in RAK on 3 November.

The transaction values RAK Petroleum's MENA operating subsidiaries at USD 250 million and DNO International at USD 1.64 billion, corresponding to NOK 9.50 per share. As RAK Petroleum already has a 30 percent stake in DNO, the additional 153,422,343 consideration shares will increase RAK Petroleum's holding in DNO to 42.8 percent. However, RAK Petroleum has agreed to return its holding to 30 percent in a manner at its discretion before the end of 2012.

Following a Norwegian creditor notification period of two months, the merger is expected to be completed in January 2012.

New license in Tunisia

On 20 October, DNO signed an agreement for the grant of a hydrocarbon exploration license permit called “FKIRINE”. The license is located onshore Tunisia and the permit covers an area of 2,064 km^2.

Sale of license interest in Equatorial Guinea

An Asset Purchase and Sale Agreement has been signed with a third party for the 5 percent interest in Block P in Equatorial Guinea. The Ministry has been notified and they will have a further 60 days to approve the assignment.

www.dno.no

DNO International ASA
Stranden 1, Aker Brygge
N-0250 Oslo

Phone: (+47) 23 23 84 80
Fax: (+47) 23 23 84 81