DNO ASA
Annual Report 2000

VISION
DNO aims to be a leading, international niche player engaged in both the development of small petroleum fields in the extended production and increased recovery from mature petroleum fields

Overall objective and main strategies

DNO's overall objective is to create long-term value for its shareholders through profitable investment in petroleum activity.

The following strategies will be pursued in order to reach this objective:

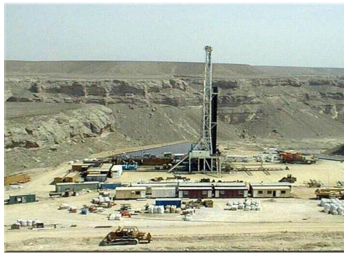
- Operatorship or active participation in petroleum licences within the company's niche
- Establishment of an organisational structure based on an operational, project-oriented network
- Investments in offshore petroleum service activities
- Optimisation of the company's financial structure

Highlights 2000

- Production in 2000 more than doubled from 1999
- Operations showed good cash flow
- Positive results from the drilling campaign in the Heather field
- Successful development and start of production in Yemen, block 32
- New oil discovery in Yemen, block 53
- Approval of DNO as a new player on the Norwegian shelf
- Further increase in core competence
- High level of HSE related to drilling and production

The Heather platform in the UK North Sea

The Jotun platform in the Norwegian North Sea



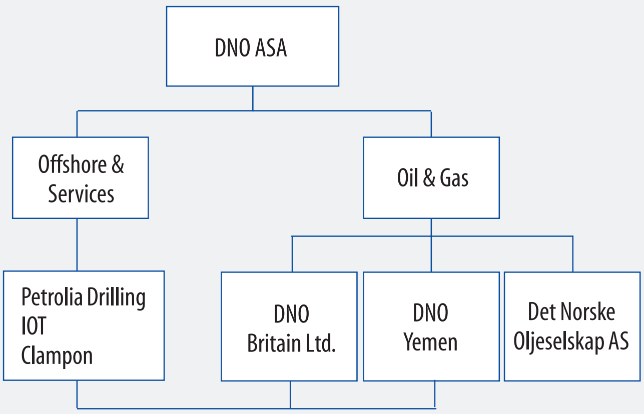
The Tasour field in Yemen

CONTENTS

FINANCIAL CALENDARDAR FOR 2001/2002

22 May - Interim Report, 1st quarter
20 June - Annual General Meeting
20 Aug. - Interim Report, 2nd quarter
19 Nov. - Intrim Reoprt, 3rd quarter
18 Feb. - Interim Report, 4th quarter

GROUP STRUCTURE



The board notes that the goals for the last five years (1996-2000); under a new major shareholder, a new board and a new strategy, have been achieved, and refers to the development in key figures, as shown below.

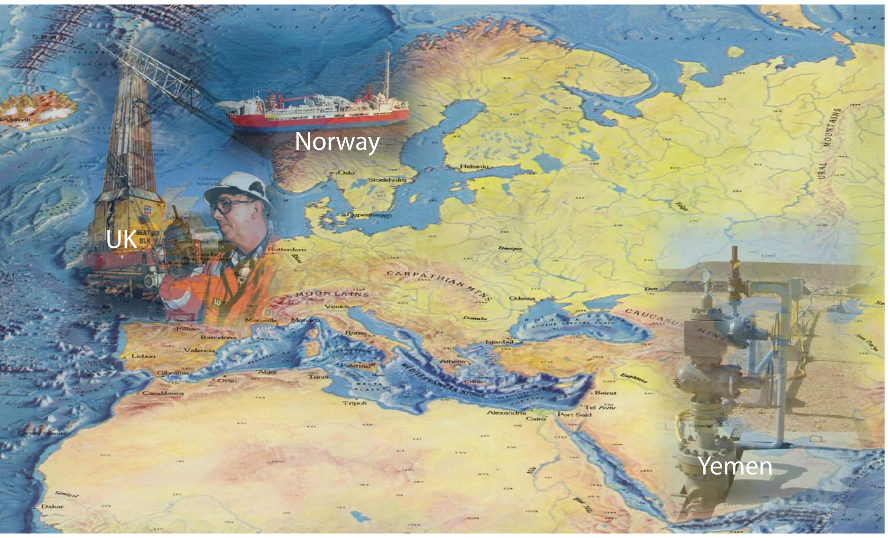
Key figures (Group)

Unless otherwise is stated, all figures are given in NOK million

RESULT	2000	1999	1998	1997	1996	1995
Operating revenues	666	207	263	278	61	54
Operating profit (loss)	114	(8)	(13)	105	(3)	(56)
Annual profit (loss)	50	(26)	1	92	4	(71)
CASH FLOW						
Cash flow from operating activities	150	50	(19)	15	(1)	(9)
EBITDA *	286	42	70	174	25	(19)
BALANCE SHEET						
Total assets	1597	914	798	658	177	140
Fixed assets	1254	751	652	292	125	113
Current assets	343	163	146	366	52	26
Shareholders' equity	797	421	374	312	29	9
Provisions for liabilities and charges	328	235	227	219	35	30
Long-term liabilities	146	104	65	23	49	22
Current liabilities	326	154	131	105	64	80
YIELD AND OPERATIONS						
Return on total assets	14%	5%	7%	38%	8%	(32%)
Annual production (mill. barrels)	2.5	1.1	0.9	0.9	0.3	0.6
Average production (1000 b/d)	6.9	2.9	2.4	2.6	0.8	1.6
FINANCIAL STRENGHT AND LIQUIDITY						
Equity ratio	50%	46%	46%	47%	16%	6%
Current ratio	105%	106%	111%	349%	81%	33%
SHARE-RELATED DATA						
Market price at 31 December	19.2	25.5	7.6	29.7	15.5	2.20
Number of shares (million)	50.2	35.1	29.3	26.9	19.9	15.6
Market capitalisation	964.0	895.0	223.0	799.0	308.0	34.3
PERSONNEL						
Number of employees	105**	68	71	90	3	4

* Annual profit (loss) adjusted for tax, certain financial items, profit (loss) relating to associated companies, depreciation/impairment and losses and provisions made in the accont.
** In all, approximately 200 years' work carried out by employees, including network and project employees.

Board of Directors' Report



Licence portfolio

UK

Licence	Interest	Operator
Heather	100.00%	DNO
W. Heather	100.00%	DNO
P. 250	100.00%	DNO
Claymore	1.00%	Talisman
Solan	3.70%	Amerada Hess

NORWAY

Licence	Interest	Operator
Jotun	3.25%	Exxon/Mobil
Glitne	10.00%	Statoil
PL 203	15.00%	N. Hydro
Tyr	10.00%	Amerada Hess
PL 148	30.00%	Amerada Hess

YEMEN

Licence	Interest	Operator
Tasour	41.00%	DNO
Sharyoof	24.45%	Dove E.

Board of Directors' report for 2000

DNO's primary activity is increased oil recovery and extended production from mature oil fields as well as development of small oil fields. The company also participates in offshore and petroleum service activities in support of its core activity.

DNO participates in 12 petroleum licences, four with producing fields. The company is the operator of three licences in the UK and one in Yemen.

The Group's activities are run from its head office in Oslo, Norway, and its branch offices in Aberdeen, Scotland and Sana'a, Yemen.

Increased operating revenues and cash flow

During the last three years, DNO has made considerable investments. This has resulted in a significant increase in the company's oil production, which toghether with the development in the oil price and favourable exhange rates has more than tripled the Group's operating revenues in 2000 compared to 1999. The Group's cash flow (EBITDA) in 2000 was NOK 286 million (NOK 42 million in 1999).

Increased oil production

At the end of 2000, the Group's oil production was just over 10,000 barrels per day, in keeping with the company's target, and twice as high as at the end of 1999.

Positive results from drilling in the Heather field

DNO, in its capacity as operator, drilled a number of advanced sidetrack wells in the Heather field in 2000. Results were positive, and production from the field increased by a little over 1,000 barrels per day from the third to the fourth quarter.

Field development and a new oil discovery in Yemen

During the year, the company completed its first field development as operator, at the Tasour field in Yemen. The project was finished in nine months, at a total cost of approximately USD 16 million (100%), which was about 10 per cent below budget. Oil production from the field started in November.

DNO also participates in block 53 in Yemen, where a new oil discovery was proven in 2000. Reserves in the licence are estimated to be some 25 million barrels, of which DNO's share is approximately 6 million barrels.

The new oil field, named Sharyoof, will be developed using the same concept as was used for the Tasour field. Start of production is scheduled for the fourth quarter of 2001.

DNO re-established its activity on the Norwegian shelf in 2000. An organisation consisting of highly qualified employees has been set up in Norway, and the Norwegian authorities have approved DNO as a licensee on the Norwegian shelf. During the year, the company acquired four licence interests in Norway, of which one was producing throughout year 2000 (Jotun), and another will come on stream in 2001 (Glitne).

DNO focuses on health, safety and the environment (HSE), and the Board of Directors is pleased to state that the company achieved a high HSE level relating to drilling and production in 2000.

DNO expects the offshore and petroleum services market to considerably increase in the years to come and therefore acquired 100 percent of the shares in Independent Oil Tools AS in January 2000.

The Board of Directors wishes to thank the Group's employees for their excellent contribution throughout the year.

Oil production

The DNO Group's oil production in 2000 came from the Heather (100 %) and Claymore (1 %) fields in the UK, from the Jotun field (1.25 %) in the Norwegian North Sea, and from November 2000, from the Tasour field in Yemen (41 %).

DNO's net oil production in 2000 totalled approximately 2.5 million barrels. This corresponds to an average of some 6,900 barrels per day (at year-end, production was approximately 10,000 barrels per day).

The average oil price achieved by the Group in 2000 was USD 25.95 per barrel.

Financial performance 2000 (1999 figures in brackets)

The DNO Group's profit before tax of NOK 86.8 million for the year is a significant improvement from 1999.

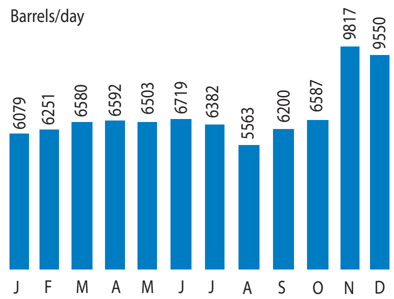
The key figures for 2000 (1999) are as follows:

- EBITDA for the year was NOK 286 million (NOK 42 million)
- Total operating revenues were NOK 665.8 million (NOK 206.9 million), of which NOK 570 million (NOK 179 million) related to the oil and gas activity.
- The operating profit was NOK 113.8 million (minus NOK 7.6 million) after depreciation, provision for abandonment costs and impairment and losses of in all NOK 124.3 million (NOK 16.8 million)
- Profit before tax was NOK 86.8 million (minus NOK 24.9 million), and annual profit was NOK 49.7 million (minus NOK 26.3 million)

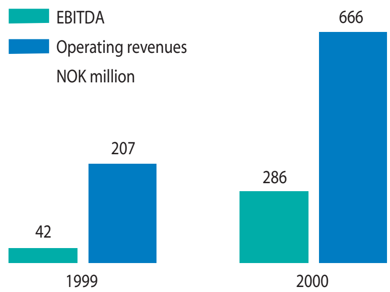
■ **Re-entry on the Norwegian shelf**

■ **High health, safety and environment level**

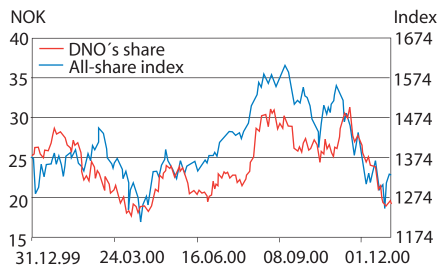
■ **Improved offshore and oil services market**



Monthly oil production in 2000



EBITDA and operating revenues



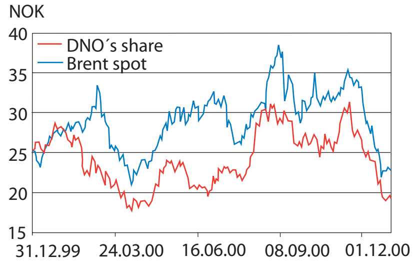
Share price versus all-share index, Oslo Stock Exchange 2000

- At 31 December, 2000 the equity amounted to 50 per cent of book total assets (46 %).

The profit for 2000 was influenced by the following special conditions:

A loss of NOK 31 million from associated companies, NOK 22.4 million in exploration costs carried to expense, a provision of NOK 7.3 million for salaries relating to the issue of options at a discount, a provision of NOK 13 million in connection with the Wesselius case, a NOK 26.1 million write-down of the book value of Timan Pechora, NOK 17.2 million in foreign exchange gain and NOK 30 million in revenues relating to the re-estimate of deferred tax benefit. The Timan Pechora investment was restructured in 2001, and a listed Canadian company with production in Russia now participates together with DNO in the development of the project.

In all, the above-mentioned conditions negatively affected the profit for 2000 by NOK 52.6 million, the negative effect on liquidity being NOK 5.2 million net.

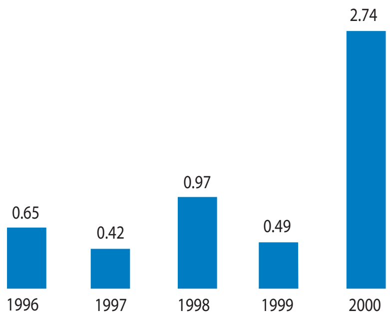


Share price versus oil price 2000

Share price in 2000 in NOK

30 December 1999	25.50
High	31.40
Low	17.70
29 December 2000	19.20

The DNO share is listed on the Oslo Stock Exchange. The total turnover in 2000 was almost 137 million shares, which is close to 2.74 times the number of outstanding shares. This is a significant improvement of the share's liquidity from the preceding year.



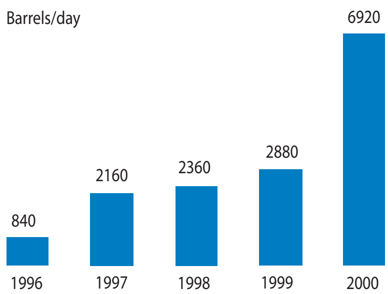
DNO's liquidity

At 31 December 2000, DNO had 42,600 shareholders, as compared with 41,600 one year earlier. At the end of the year, 6 per cent of the shares were held by foreign investors, which is the same ratio as at the beginning of the year.

At the end of 2000, the DNO share was quoted at NOK 19.20. The market capitalisation was NOK 964 million, which is NOK 69 million higher than at 31 December 1999.

Value added 1996 – 2000

The aim of the Board of Directors is that the company's activities will contribute to long-term profitability and increased value for the company and its shareholders.



Average oil production

In 1996, when the present strategy was established, ambitious goals were defined for the company's development and growth. With the positive results achieved in 2000, the Board of Directors is pleased to state that the goals for the first five years with the new strategy have been achieved.

During this five-year period, the Group's oil production increased from approximately 800 to some 10,000 barrels per day. Operating revenues rose from NOK 54 million to NOK 666 million, EBITDA increased from minus NOK 19 million to NOK 286 million, and book equity increased from NOK 9 million (31 Dec., 1995) to NOK 797 million (31 Dec., 2000).

The company faced considerable challenges in 1996. Its take-over of the operatorship of the Heather field in 1997 marked the first important milestone in DNO's new strategy. Field operations were restructured, resulting in a 25 per cent reduction in operating expenses.

This later proved to be of great significance when the oil price fell in 1998. During the subsequent period of low oil prices, the company invested in platform drilling facilities and thus was prepared and able to drill new wells in the field in 2000 when oil prices rose again.

The second operatorship to be awarded to the company was block 32 in Yemen. As operator of this licence, DNO in the course of two years has drilled six wells and completed its first oil field development.

The measures carried out at the Heather field and the decision to invest in Yemen, where development costs and operating expenses are low, have been important in the company's strategy to be counter-cyclical and demonstrates the company's ability to adapt to low oil prices in price cycles.

The ability to foresee changes is central to this strategy, in order that the right measures can be implemented at the right time. The company's organisational structure with its decision-making ability and extensive use of project-oriented networks, have been of great significance in this context.

The company's participation in rig and oil services has been a success. Gains from rig interests in connection with the establishment of Petrolia Drilling ASA in 1996/97 have strongly contributed to the increased capitalisation of the company, and enabled it to invest in petroleum licences.

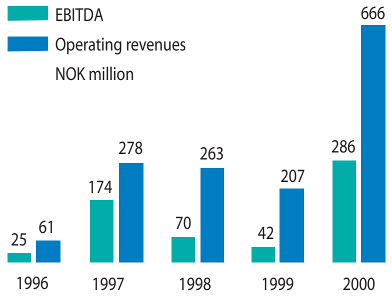
In view of the overall objective of "long-term added value and profitability", the Board of Directors is pleased to state that the market value of the company's shares has increased almost ten-fold during the first five years with the present strategy.

At the beginning of 1996, companies controlled by the present group chief executive assumed control of DNO by acquiring close to 40 per cent of the company's shares. The present strategy was developed by the group chief executive and his Norwegian and international network. Interests in rig projects and petroleum licences were also acquired and during the last five years these have ensured a significant added value.

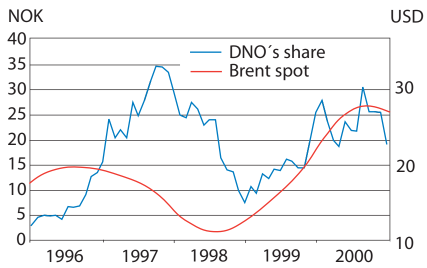
During periods of fluctuating oil prices in a cyclical industry where the company alters strategies and undergoes major changes, a stable and long-term ownership structure is important. Of the company's ten largest present shareholders, companies controlled by the group chief executive are the only ones that have remained shareholders since 1996, and the group chief executive is still the company's largest shareholder. The success achieved by the company during the last five years, therefore, can largely be ascribed to the company's largest shareholder and his network.

Outlook

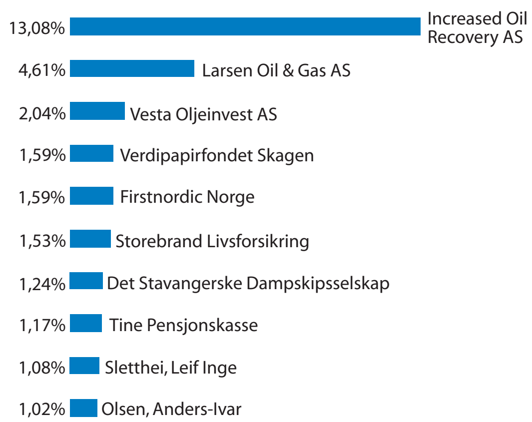
The positive results achieved during the period 1996 – 2000 provide the basis for the company's activities in the years ahead.



EBITDA and operating revenues



DNO's share price development versus oil price



10 major shareholders at 2 April, 2001

The Heather area will be further developed, and its satellite fields will be developed step by step, ensuring a low risk profile. In this way, production from the Heather area may continue until 2010 or beyond.

The start of production from the Tasour field marks the beginning of a long-term involvement in Yemen and the Middle East, where already in 2001, the company will participate in its second field development, the Sharyoof field in block 53 (Yemen).

The five licence interests acquired on the Norwegian shelf in 2000 mark the company's entry into an area offering exciting opportunities within its niche.

The company's operatorships and existing licence portfolio provide a good basis for further growth. Investments in new licence interests that fit the company's main strategy will be continuously evaluated.

It is the Board of Directors' goal to achieve a production level of 30,000 barrels per day during the next five-year period.

In order to provide the company with the necessary financial strength and flexibility for future investments, DNO is planning to launch a bond issue to be listed on the Oslo Stock Exchange.

The growth in the offshore and oil services market was substantial in 2000, and this development is expected to continue in the years to come. This will contribute to increasing the value of the company's investments in this sector.

Other conditions

The working environment in the company is good. DNO aims to carry out its activities without injury to people or damage to the environment and without loss of property. The Board of Directors is pleased to state that no serious injuries were suffered in 2000. The company's activities satisfied all official environmental requirements. A new HSE management system was implemented in the Group in 2000.

Absence due to illness in the DNO Group in 2000 was 247 days (approx. 1 %).

Allocations

At 31 December 2000, the Group's book equity was NOK 797 million, and the parent company's book equity was NOK 803 million. The parent company in 2000 experienced a negative result of NOK 21 million. The Board of Directors proposes that this be covered by other equity. Of the book equity at 31 December 2000 of NOK 803 million (NOK 797 million for the Group), NOK 205 million (NOK 199 million for the Group) relate to other equity.

The Board of Directors confirms that the annual financial statements are prepared based on the condition of a going concern, and that this condition is still met according to Section 3-3 of the Accounting Act.

Oslo, 4 May 2001

The Board of Directors of DNO ASA

Jan M. Drange	Anders Farestveit	Helge Eide	Farouk Al-Kasim	Berge G. Larsen
Chairman	Deputy Chairman	Managing Director		CEO

Areas of activity

From the Heather platform

Tasour processing facilities

PetroJarl 1, Glitne

Areas of activity

Oil and gas

A survey of DNO's licence portfolio is given in note 18.

DNO's net oil production from the individual fields was as follows:

	Interest	Total barrels	Barrels/d (aver.)
Heather	100.00 %	1,733,130	4,748
Claymore	1.00 %	113,478	311
Jotun	1.15 %	555,387	1,522
Tasour	41.00 %	158,460	434
Total		**2,525,671**	**6,920**

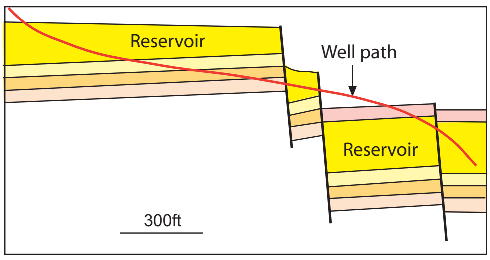
Licences – UK

In 2000 DNO carried out measures to increase production from Heather, including drilling new sidetrack wells from the platform at the field. This gave a rise in production from the field in the fourth quarter of 2000, and for a short period it was over 7,000 barrels per day. Towards the end of the year, however, the daily production dropped to some 5,200 barrels. The reasons were a drop in production from the new well, shutdown of the water injection at the field during drilling, and the need for intervention in some wells.

Drilling activities at the field will now be suspended in order to resume water injection and implement measures to improve production from the existing wells at the field. Production from the last sidetrack well to date started in March 2001, and in April 2001 production from the field averaged 7,000 barrels per day.

DNO intends to begin drilling the Heather satellites in 2001, and a letter of intent has been signed for use of the SS Petrolia drilling rig. DNO is considering including another oil company as partner in the development of the Heather satellite fields. Current plans indicate production from these fields from 2002, at the earliest.

Advanced drilling in the Heather field



Schematic profile of advanced drilling in the Heather field

DNO's share of production from the Claymore field, in which DNO has a 1.0 % interest, was 311 barrels per day in 2000. There were no significant activities in DNO's other licence interests in the UK in 2000.

Licences – Norway

In November 2000, DNO was approved as licensee on the Norwegian shelf in the following licence interests:

PL 103B – Jotun (1.25 %)
PL 203 (14 %)
PL 148 (30 %)

In addition, approval is expected in 2001 for DNO to assume the following interests:

PL 103B – Jotun (2 %)
PL 048B – Glitne (10 %)
PL 006C (10 %)

The Exxon/Mobil operated Jotun field came on stream towards the end of 1999, with production in 2000 exceeding expectations at approximately 122,000 barrels per day (DNO's share was 1,522 b/d) as compared with the 90,000 barrels per day that had been estimated in the plan for development and operation (PDO) of the field. Production in April 2001 was approximately 116,000 barrels per day (DNO's share: 3,770 barrels per day).

Drilling of production wells in the Glitne field began in the second quarter of 2000 and was completed in the first quarter of 2001. Production from the field is scheduled to start in July 2001. Petrojarl I will be used as mobile production unit on the field, and initially, production is expected to be some 40,000 barrels per day (DNO's share: 4,000 barrels per day).

An appraisal well was drilled in the Norsk Hydro-operated production licence PL203 during 2000. No hydrocarbons were proven. Oil and gas have previously been proven in the licence, and the operator is expected to present a proposal for commercial development for the licence during the second half of 2001.

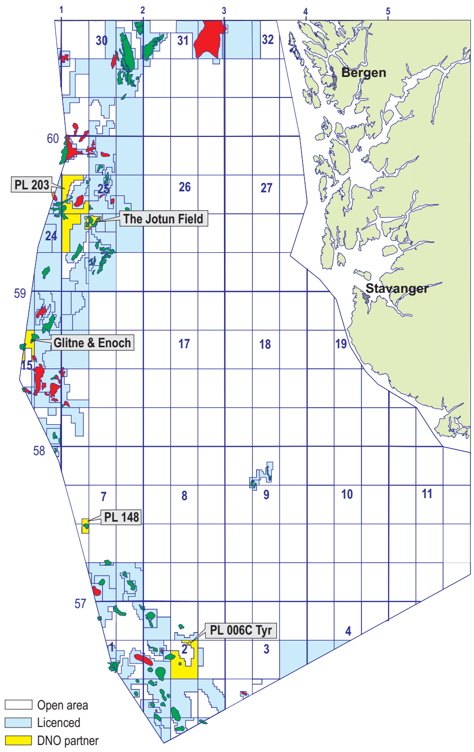
Licences – Yemen

As operator, DNO completed the development of the Tasour field in 2000, and the field came on stream in November. Total field development costs were approximately USD 16 million, which was 16 per cent below budget. So far, production from the field has been according to schedule, and at the end of 2000, oil production from the field amounted to some 7,000 barrels per day, of which DNO's share was approximately 2,730 barrels per day.

A new production well was completed in February 2001. In April 2001, production from the field averaged 8,750 barrels per day (DNO's share: 3,408 barrels per day). Drilling of additional wells in the field or in surrounding structures in the second half of 2001 is being evaluated.

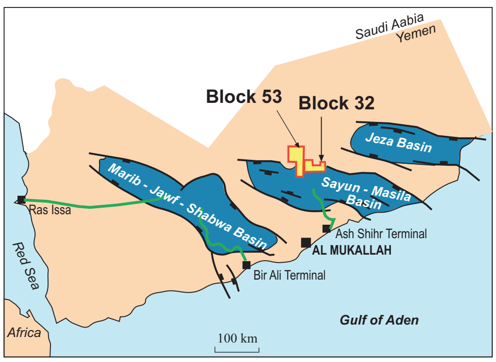
Oil was discovered in block 53 in 2000. Two wells were drilled, which together tested 20,000 barrels of oil per day. The reserves in the new discovery, named Sharyoof, are estimated at 25 million barrels, of which DNO's share is some 6 million barrels.

Approval of DNO on the Norwegian shelf



DNO's licences in Norway

Field development and new oil discovery in Yemen



DNO's licences in Yemen

The plan for development and operation of the field was submitted to the authorities in Yemen in December 2000, and approved in February 2001. Start of production is scheduled for the fourth quarter of 2001. The development concept is expected to correspond to that of the Tasour field in block 32. DNO has a 24.45 % interest in the licence.

Construction work, Tasour processing facilities

Licences – Timan Pechora

DNO continued negotiations with its Russian partner in 2000 concerning the future development and production of the oil fields in Timan Pechora. Otherwise there were no further activities related to DNO's investment in Timan Pechora during 2000.

In the first quarter of 2001, DNO entered into a cooperation agreement with the Canadian listed company Bitech Petroleum Company. The first phase of this cooperation will concern further negotiations with the Russian partner about conditions for the development and operation of the fields, and feasibility studies will also be carried out. Bitech is currently involved in oil production in the Komi region south of Timan Pechora.

Offshore services

DNO has been involved in offshore services since 1996, not least through its interests in drilling rigs. Accumulated operating revenues from these activities for the years 1999 – 2000 are approximately NOK 503 million, with an accumulated operating profit of approximately NOK 221 million.

Upswing of offshore services market

DNO's involvement in this area has contributed significantly to increasing the company's financial ability to make acquisitions and investments in licences in the company's core activity.

The development in offshore services operations was positive in 2000, and this business area contributed NOK 16.6 million to the DNO Group's overall operating profit for the year.

The *Valentin Shashin* deep water drill ship

DNO's largest commitment in offshore services today is its ownership interest of approximately 37 per cent in Petrolia Drilling ASA (PDR). PDR's loss in 2000 resulted in DNO's accounts being charged with an overall expense of NOK 31.0 million. This did not, however affect the company's liquidity.

The Valentine Shashin drilling unit was contracted to Petrobras in Brazil throughout the year, contributing to a positive cash flow for PDR.

DNO will require a drilling rig in order to drill subsea wells in the Heather satellites, and has signed a letter of intent for the use of SS Petrolia for this purpose.

The increase in demand for drilling rigs in 2000 was significant, and the market outlook for the coming years is positive. The prospects for future assignments for PDR's drilling units in the years ahead are good.

Annual Accounts and notes to the acconts

Profit and loss account 1 January - 31 December (NOK 1000)

PARENT COMPANY				GROUP		
1999	**2000**	**OPERATING REVENUES**	**Note**	**2000**	**1999**	**1998**
7 299	38 018	Operating revenues, oil and gas	3	566 942	178 122	90 670
27 933	30 195	Operating revenues, offshore	3	95 769	27 933	-
890	625	Other operating revenues		3 131	890	172 755
36 122	**68 838**	**Total operating revenues**		**665 842**	**206 945**	**263 425**
		OPERATING EXPENSES				
6 000	7 014	Exploration costs		22 448	7 465	2 281
2 046	13 760	Operating expenses, oil and gas		294 769	142 736	112 527
15 042	20 546	Operating expenses, offshore		44 615	15 042	-
1 268	8 789	Ordinary depreciation, abandonment costs	7	93 934	16 755	29 850
-	28 818	Impairment and losses	5,8	28 818	-	-
2 889	5 565	Payroll expenses	4	20 337	6 625	5 400
17 053	24 318	Other operating expenses		47 176	25 969	126 139
44 298	**108 810**	**Total operating expenses**		**552 097**	**214 592**	**276 197**
-8 176	**-39 972**	**OPERATING PROFIT (LOSS)**		**113 745**	**-7 647**	**-12 772**
-42 355	-32 045	Depeciation, interests in associated companies	9	-	-	-
-	-	Interests in associated companies	9	-30 975	-42 355	-9 098
9 835	21 336	Net financial items	6	4 056	25 069	45 670
-40 696	**-50 681**	**PROFIT (LOSS) BEFORE TAX**		**86 826**	**-24 933**	**23 800**
-794	29 288	Taxes	14	-37 103	-1 337	-23 211
-41 490	**-21 392**	**ANNUAL PROFIT (LOSS)**		**49 723**	**-26 270**	**589**
		Basic earnings per share	19	1,15	-0,82	0,02
		Diluted earnings per share	19	1,10	-0,76	0,02

Balance sheet (NOK 1000)

PARENT COMPANY				GROUP	
31.12.99	**31.12.00**	**ASSETS**	**Note**	**31.12.00**	**31.12.99**
		FIXED ASSETS			
		Intangible assets			
-	-	Goodwill	7	71 915	-
25 000	55 000	Deferred tax asset	14	55 776	25 000
25 000	**55 000**	**Total intangible assets**		**127 691**	**25 000**
		Tangible assets			
93 488	178 942	Oil and gas fields	7, 18	515 818	145 208
111 142	85 000	Other fixed assets	5, 8	85 000	111 142
520	431	Machinery, equipment, etc.	7	30 894	520
205 150	**264 373**	**Total tangible assets**		**631 712**	**256 870**
		Fixed asset investments			
21 949	185 420	Shares in subsidiaries	9	-	-
8 385	43 918	Intercompany receivables	10	-	-
210 536	175 269	Investment in associated companies	9	175 611	210 536
26	7 672	Other receivables	4, 16	129 676	101 512
156 670	189 682	Restricted bank deposits	11	189 682	156 670
397 566	**601 961**	**Total fixed asset investments**		**494 969**	**468 718**
627 716	**921 334**	**Total fixed assets**		**1 254 372**	**750 588**
		CURRENT ASSETS			
-	2 198	Inventory and accrued revenues		34 094	8 899
-	90 885	Intercompany balance	10	-	-
17 143	94 005	Other receivables	10	215 161	52 663
-	5 339	Financial assets		5 339	-
26 910	53 447	Cash and cash equivalents	11	88 026	101 469
44 053	**245 874**	**Total current assets**		**342 620**	**163 031**
671 769	**1 167 208**	**TOTAL ASSETS**		**1 596 992**	**913 619**

Balance sheet (NOK 1000)

PARENT COMPANY 31.12.99	31.12.00	SHAREHOLDERS' EQUITY AND LIABILITIES	Note	GROUP 31.12.00	31.12.99
		SHAREHOLDER'S EQUITY			
		Called-up and fully paid share capital			
140 228	200 669	Share capital		200 669	140 228
-60	-60	Treasure shares		-60	-60
123 402	389 882	Share premium account		389 882	123 402
-	7 314	Other equity, paid in		7 314	-
263 570	**597 805**	**Total calld-up and fully paid share capital**		**597 805**	**263 570**
		Retained earnings			
226 460	205 067	Other reserves		198 923	157 200
226 460	**205 067**	**Total shareholders' earnings**		**198 923**	**157 200**
490 030	**802 872**	**Total shareholders' equity**	12	**796 728**	**420 770**
		LIABILITIES			
		Provisions for liabilities and changes			
-	-	Abandonment	16	250 924	234 291
325	-	Pensions	4	-	325
-	12 314	Other provisions for liabilities and charges	22	12 314	-
-	-	Deferred tax liabilities	14	64 365	-
325	**12 314**	**Total provisions for liabilities and charges**		**327 603**	**234 616**
		Other long-terms liabilities			
-	55 786	Long-term intercompany liabilities	10	-	-
12 300	300	Convertible bond loan	15	300	12 300
91 998	115 031	Amounts owned to financial institutions	15	145 885	91 998
104 298	**171 117**	**Total other long-term liabilities**		**146 185**	**104 298**
		Current liabilities			
36 000	103 810	Interest-bearing current liabilities	15	103 810	36 000
41 116	77 095	Other current liabilities	13	222 666	117 935
77 116	**180 905**	**Total current liabilities**		**326 476**	**153 935**
181 739	**364 336**	**Total liabilities**		**800 264**	**492 849**
671 769	**1 167 208**	**TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES**		**1 596 992**	**913 619**

Guarantee liabilities	16
Financial instruments	17
Collaterals	15

Jan M. Drange
Chairman

Anders Farestveit
Deputy Chairman

Helge Eide
Managing Director

Farouk Al-Kasim

Berge G. Larsen
CEO

Cash flow statement (NOK 1000)

PARENT COMPANY 1999	PARENT COMPANY 2000		Note	GROUP 2000	GROUP 1999	GROUP 1998
		Operating activities				
-40 696	-53 357	Profit before tax		86 826	-24 933	23 800
-794	-	Taxes paid for the period	14	-4 812	-1 337	-211
1 268	34 932	Depreciation and write-downs	5	103 590	16 986	29 850
42 355	32 045	Write-downs of shares	9	-	-	-
-2 859	-	(Gain) / loss on sale of capital assets		-482	-2 859	-
-	21 390	(Gain) / loss on sale of securities and interests	6	21 390	-	-54 175
-	-	Share of profit (loss) in affiliated companies	9	30 975	42 355	9 098
-192	-	Pensions		-	-192	-282
-8 104	62 669	Other items		8 533	-8 104	-5 673
		Changes in operating assets and liabilities				
712	-2 198	- Changes in inventory		-25 195	-5 899	513
55 892	-170 996	- Changes in current receivables		-162 497	-15 405	-38 801
-58 830	34 013	- Changes in other current assets and other current liabilities		91 283	48 538	17 220
-11 248	**-41 502**	**Net cash flow from operating activities**		**149 611**	**49 150**	**-18 661**
		Investing activities				
-	-13 836	Paid for purchse of IOT, exclusive of cash (Group)	2	-5 883	-	-
8 017	-	Received from sale of fixed assets		4 397	8 017	-
-69 186	-94 155	Paid for purchase of fixed assets		-409 385	-76 474	-88 783
-	2 655	Received from sale of securities and interests		2 655	-	101 774
-54 297	-24 031	Paid for purchase of securities and interests		-24 031	-54 297	-173 381
703	-43 134	Other investments		-28 119	-493	-
-	-55 450	Payment for issuance of share capital in subsidiaries		-	-	-
-114 763	**-227 951**	**Net cash flow from investing activities**		**-460 366**	**-123 247**	**-160 390**
		Financing activities				
36 000	127 451	Received from the issuance of interests-bearing debt		127 451	36 000	104 739
-22 661	-43 617	Payment of interests-baring debt		-42 295	-22 661	-25 721
72 852	212 156	Shareholdrs‘ equity paid in		212 156	72 852	60 920
-6	-	Dividends paid		-	-6	-26 832
86 185	**295 990**	**Net cash flow from financing activities**		**297 312**	**86 185**	**113 106**
-39 826	26 537	**Net change in cash and cash equivalents**		-13 443	12 088	-65 945
66 736	26 910	**Cash and cash equivalents at 1 January [1)]**		101 469	89 381	155 326
26 910	53 447	**Cash and cash equivalents at 31 December**		88 026	101 469	89 381

[1)] Restricted bank deposits relating to abandonment are not regarded as cash and cash equivalents

1) Accounting principles

The financial statements are presented in accordance with the Norwegian Accounting Act of 1998 and Norwegian generally accepted accounting principles. In preparing the statements, the management has to use as its basis conditions and estimates which will have an effect on certain assets and liabilities items. Actual figures may deviate from these estimates. The accompanying notes are an integral part of the financial statements for the parent company and of the consolidated financial statements.

General
The consolidated financial statements present the financial position, result of operations and cash flows of the group, and include the parent company DNO ASA and the companies in which DNO ASA has a controlling interest. Where subsidiaries are not wholly owned, the minority interests are entered as separate items in the profit and loss account and the balance sheet.

Interests in oil and gas licenses are proportionally consolidated in the group's financial statements. Given that the company has significant influence from the date of the agreement, the company meets the government's conditions for approval, and the approval of the Norwegian Ministry of Petroleum and Energy is granted by the end of the accounting year, the date of the agreement is regarded as the date of the transaction.

Associated companies in which the company has strategic interests and a significant influence (20-50 per cent interest) are accounted for by the equity method. All significant intercompany transactions and balances have been eliminated.

Basis of consolidation
All consolidated company financial statements are presented according to uniform accounting principles.

Interests in subsidiaries have been eliminated, and the cost price of the shares has been replaced by the companies' assets and liabilities, stated at the group's cost price. The difference between the purchase price of the shares and the group's share of the acquired company's equity at the date of acquisition is primarily included in those of the company's tangible assets (or incurred obligations) with values differing from book values. Any added value is classified as oil and gas field or goodwill in the consolidated accounts. Deferred taxes relating to acquisitions on the Norwegian continental shelf are included net.

Associated companies are accounted for by the equity method, and the group's share of the associated company's net profit for the year after depreciation of added value is offset against the cost price of the share. Added value in associated companies are accounted for using the same principles as for subsidiaries.

The balance sheets of foreign companies are translated, using exchange rates at 31 December with the exception of oil and gas fields which are translated using exchange rates at the date of acquisition. The profit and loss accounts are translated using average exchange rates for the year. Translation differences are entered as a financial item in the profit and loss account as the foreign subsidiaries are regarded as integrated.

Accruals and valuation principles
In accordance with generally accepted accounting principles, the financial statements are based on the transaction, accruals, classification, prudence and congruence concepts. Hedging is taken account of.

Classification
Assets relating to the circular flow of goods, receivables payable within one year, and assets not intended for permanent ownership or use in the activity are classified as current assets. Other assets are classified as fixed assets. Current liabilities fall due within one year. Long-term liabilities fall due after more than one year. First year's instalments on long-term liabilities are not reclassified as current liabilities. Cash and cash equivalents include cash, bank deposits and other liquid funds as well as capital investments maturing within three months from the date of acquisition.

Revenue recognition, including conditional outcome
Sales revenues from the petroleum activity are recognised based on produced volumes of oil and gas (the entitlement method). Revenues from other activities are recognised at the date of delivery. Recognition of expenses is based on the matching principle. In case of uncertainty, probable and quantifiable losses are expensed while conditional gains are postponed.

Investments
Shares, bonds, certificates, etc. classified as current assets, are valued at the lower of their historical cost and market value. Shares in subsidiary companies and associated companies are recorded at the lower of their cost price and market value. Other shares, classified as fixed assets, are valued at the lower of their cost price and market value and depreciated in case of permanent and significant shortfall in market value.

Exploration costs
Exploration costs are accounted for using the "Successful efforts" method. All exploration costs, with the exception of drilling costs of exploration wells, are charged to expense as incurred. Drilling costs of exploration wells are temporarily capitalised pending the evaluation of possible discoveries of oil and gas reserves. If such a discovery is assessed not to be technically and commercially recoverable, the drilling costs of exploration wells are charged to expense.

Development costs
All costs of developing commercial oil and/or gas fields, including the costs of the plan for development and operation, are capitalised. Development costs are capitalised once the implementation of the development has been adopted by the licensees or is assessed as highly probable.

Interest expenses and own expenses relating to development projects
Interest expenses and own expenses relating to development projects are capitalised and depreciated.

Maintenance and repairs
Costs of maintenance and repairs are expensed when incurred. Significant costs which increase the production capacity or useful economic life of the facilities, are capitalised.

Tangible assets
Petroleum fields and transportation systems under development and in operation, buildings and property, equipment, furniture and fixtures, etc. are recorded at their historical cost, net of depreciation and valuation allowances. The company records impairment when the book value of oil and gas fields or other assets where separate cash flows can be identified exceeds undiscounted future expected cash flows. The impairment amount is the difference between the book value and the fair value of the asset. Capitalised costs relating to production are depreciated using the unit-of-production method.

The basis for calculation of such depreciation according to the unit-of-production method is proved and probable, developed reserves. The purchase price of licence interests is depreciated based on proved and probable, developed and not developed reserves. Office buildings, equipment, furniture and fixtures are depreciated on a straight-line basis over their expected useful economic life.

Intangible assets including goodwill
Intangible assets including goodwill are depreciated over their useful economic life. Goodwill as at 31 December, 2000 is depreciated over 10 years.

Leases
Leases are regarded as financial or operational leases according to a concrete evaluation of the individual agreement. Tangible assets relating to financial leases are capitalised and depreciated as ordinary tangible assets. The instalment part of the lease obligation is reflected as long-term liabilities. The obligation is reduced by paid rent after the deduction of estimated interest expenses.

Inventories
Inventories of drilling equipment and spare parts are valued at the lower of purchase price and net realisable value.

Increased/reduced offtake of petroleum
Increased/reduced offtake of petroleum follows from the entitlement method and is valued at its net realisable value on the balance sheet date. Increased/reduced offtake is calculated as the difference between the company's share of production and its actual sales.
Increased/reduced offtake is classified as current liabilities/accrued revenues.

Provision for future abandonment obligations (including cost of shutdown)
Costs relating to the future removal of offshore petroleum installations are accrued using an assumed removal concept based on current technology and the current level of costs. Abandonment costs for the year are determined on a unit-of-production basis for field installations. The effect of changes in foreign exchange rates, like changes in reserves estimates, is distributed on the remaining production and thus provisions for abandonment obligations are not translated using exchange rates at the balance sheet dates. The provision for abandonment obligations is included in the balance sheet under provisions for obligations.

Foreign currency transactions
Cash items denominated in foreign currencies are translated using exchange rates at the balance sheet date. Realised and unrealised foreign currency gains and losses are included in the annual profit (loss).
Foreign currency transactions are recorded using exchange rates at the date of transaction.

Deferred taxes
Deferred taxes are computed according to the liability method. Deferred taxes are computed at enacted tax rates on the temporary differences between the carrying amount of the company's assets and liabilities in the financial statements and the carrying amount of the company's assets and liabilities for tax purposes. The effect of uplift, a special deduction available to reduce Norwegian petroleum tax, is recognised as earned at the time when investments are made in qualifying assets. Deferred tax benefits and deferred tax liabilities in the same tax regime are netted in the balance sheet. Capitalisation of deferred tax benefit presupposes that future application is rendered probable.

Pension obligations
Benefit plans are capitalised according to Norwegian accounting standards (NRS) for pension costs. Contribution plans imply that contributions paid in are expensed when the costs are incurred.

Options to directors of the board and management
Options granted below par are expensed when awarded and offset against other contributed equity. Outstanding options are recorded at their current value and provisions are made for employer's social security contributions.

Financial instruments, etc.
The company uses various financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity price risks. Instruments meeting hedging criteria are valued together with the hedged item. Instruments not meeting hedging criteria, are valued in separate portfolios at the lower of their historical cost and market value.

Cash flow statement
The cash flow statement is based on the indirect method.

Earnings per share
Earnings per share are based on time-weighed, average outstanding number of shares. Diluted earnings per share take account of outstanding options and convertible loans.

Changes in accounting principles
The accounting act was implemented in 1999, and comparable figures for 1999 have been translated.

Note 2 Significant transaction

The following significant transactions were conducted during the period 1 January,1998 to 31 December, 2000:

2000 Change in group structure

DNO in 2000 acquired 100 per cent of the shares in Independent Oil Tools AS (IOT AS) at a price of NOK 108 million, of which NOK 13.8 million was paid in cash.

2000 / 2001 Acquisition of licence interests on the Norwegian shelf (Det Norske Oljeselskap AS)

Acquisition of a 1.25% interest i Jotun (PL 103B), a 15% interest in PL 203 and a 10% interest in PL 148. The acquisitions were approved by the Norwegian Ministry of Petroleum and Energy on 23 November, 2000. Acquisition of a 10% interest in Glitne (PL 048B), approved by the Norwegian Ministry of Petroleum and Energy on 25 January, 2001. The obligation is not reflected in the balance sheet at 31 December, 2000, cf. the Group's accounting principles, note 1. Acquisition of 10% in Tyr (PL 006C), approved by the Norwegian Ministry of Petroleum and Energy on 2 February, 2001. The Norwegian Ministry of Finance has not finished considering the application. The acquisition is reflected in the financial statements at 31 December, 2000 as an advance payment. An agreement was moreover entered into in 2000 for the purchase of a 2 % interest in Jotun (PL 103B), effective from 1 January, 2001.

This acquisition was approved by the Norwegian Ministry of Petroleum and Energy on 6 February, 2001. The total cost of the interests mentioned above is NOK 290 million after tax.

2000 Acquisition of interests in Yemen

Acquisition of a 12% interest in the Tasour field in Yemen, block 32.

1999 Acquisition of interests in Yemen

Acquisition of 24.45% in Yemen, block 53. Cost: NOK 18.1 million in cash payment plus two million DNO shares.

1999 Acquisition of interests on the UK shelf

Transfer of the operatorship of the remaining 62.5% interest in the Heather area (Blocks 2/4 and 2/5). Transfer cost: OK 1.8 million. The sellers keep their abandonment obligation (62.5%) relating to the field.

1998 Acquisition of interests in Yemen

Acquisition of a 20% interest in the Tasour field in Yemen, block 32. Farm-in cost: NOK 24 million.

1998 Acquisition of interests in Russia

Acquisition of 8.5 % of the shares in Ocean Energy Ltd. 3 % participation in the MMT fields in Timan Pechora at a price of 2,125 million shares in DNO at NOK 30 each.

Note 3 Business areas

2000	Oil and gas	Offshore and services	Group
Operating revenues	570 072	95 770	665 842
Operating expenses	369 625	59 721	429 346
Depreciation (1)	103 214	19 538	122 752
Operating profit (loss)	97 233	16 511	113 744
Profit (loss) assoc. companies	-	-30 975	-30 975
EBITDA (2)	249 482	36 049	285 531
Total assets	1 457 517	139 475	1 596 992
Interest-free debt	526 698	11 212	537 910
Investments	428 432	125 830	554 262

1999	Oil and gas	Offshore and services	Group
Operating revenues	179 012	27 933	206 945
Operating expenses	182 795	15 042	197 837
Depreciation (1)	16 755	-	16 755
Operating profit (loss)	-20 537	12 890	-7 647
Profit (loss) assoc. companies	-	-42 355	-42 355
EBITDA (2)	29 475	12 890	42 365
Total assets	702 591	211 028	913 619
Interest-free debt	352 550	-	352 550
Investments	76 474	54 064	130 538

1998	Oil and gas	Offshore and services	Group
Operating revenues	90 995	172 430	263 425
Operating expenses	126 203	120 144	246 347
Depreciation (1)	29 850	-	29 850
Operating profit (loss)	-65 058	52 286	-12 772
Profit (loss) assoc. companies	-	-9 098	-9 098
EBITDA (2)	17 576	52 286	69 862
Total assets	599 232	198 826	798 058
Interest-free debt	296 677	-	296 677
Investments	88 783	179 356	268 139

(1) Includes depreciation and amortisation, provisions for abandonment and losses.
(2) Net profit (loss) adjusted for taxes, certain financial items, profit (loss) of associated companies, depreciation and amortisation and provisions for accounting purposes.

Of total operating investments in 2000, 63 % concerned the UK, 34 % concerned Norway and 3 % other regions.

Note 4 Information about remuneration, severance pay, salaries, shares, options and pensions

Remuneration of the directors of the Board amounted to NOK 525,000 for 2000, NOK 420,000 for 1999 and NOK 200,000 for 1998, respectively. The Chairman of the Board is engaged as consultant with the company and in 2000 received NOK 2,453,967 in remuneration for project-related, managerial and financial services (NOK 904,250 for 1999 and NOK 382,000 for 1998).

Auditors‘ fees

	Parent company		Group	
Amounts in NOK 1 000	**2000**	**1999**	**2000**	**1999**
Auditors‘ fees	**570**	362	**1 095**	804
Assistance and counselling, re-entry Norwegian shelf	-	-	**1 350**	-
Other assistance	**349**	415	**598**	554
Total	**919**	**777**	**3 043**	**1 358**

Salary and other remuneration of the Managing Director amounted to NOK 1,267,710 for 2000 and NOK 899,038 for 1999. On his retirement, the managing Director will be entitled to severance pay corresponding to two to three times his annual remuneration, depending on the circumstances. The General Manager of Det Norske Oljeselskap AS has a corresponding agreement. The Group Chief Executive has an engagement for which he is paid NOK 500,000 per year. The Group Chief Excutive does not have any agreement for severance pay.

According to a decision by the Annual General Meeting on 22 June, 2000, if rejected, the Chairman will be entitled to an annual remuneration of NOK 1,200,000 for each year served as Chairman, counting from 1 January, 1996, limited to maximum eight years. A corresponding agreement entitles two of the directors of the Board to an annual remuneration of NOK 600,000 for each year they have served as directors of the Board, counting from 1 June, 1996, limited to maximum eight years.

There are no loan agreements with the management, shareholders or directors of the Board.

	Group			Parent company	
NOK 1 000	**2000**	**1999**	**1998**	**2000**	**1999**
Salaries	**58 802**	19 288	19 896	**9 113**	2 182
National insurance contributions	**7 754**	1 305	1 917	**2 019**	370
Pensions	**564**	1 821	2 160	**354**	141
Other staff expenses	**1 155**	478	466	**420**	196
Elimin., salaries, national insurance and pensions	**-47 938**	-16 267	-19 039	**-6 341**	-
Total	**20 337**	6 625	5 400	**5 565**	2 889

The average number of employees in the Group during the financial year was 105, against 68 in 1999. The average number of employees in the parent company was 11, compared with five in 1999. Including network/project staff the total number of years worked was almost 200.

Salaries relating to participation in licences

Salaries relating to participation in licences of which DNO is not the operator, are classified as other operating expenses and are not included in the above table.

Survey of shares and options to directors and executives

The company’s operations model is based on active participation by its directors, and thus an options programme has been established for the Board of Directors, the management and other key personnel.

	No. of shares controlled	No. of options issued by the company (controlled)
Jan M. Drange, Chairman	15 500	350 000
Anders Farestveit, Vice-Chairman	-	237 500
Helge Eide, Managing Director	100 000	350 000
Farouk Al-Kasim, Director	-	237 500
Berge Gerdt Larsen, Group Chief Executive	9 915 790	4 000 000
Torstein Sannes, General Manager of Det Norske Oljeselskap AS	-	300 000
Other executives	-	1 200 000
Total shares/options	**10 031 290**	**6 675 000**

In all 7,610,000 options have been issued with an average exercise price of NOK 23. All options expire by the ordinary annual general meeting in 2002.

Pensions

DNO has a group pension scheme (benefit scheme) covering one employee (23 in the Group). The main condition is a service period of 30 years in relation to the base on 1 Janaury of the year in which the employee turns 67, plus spouse's pension and children's allowance.
All pension benefits are coordinated with expected National Insurance benefits.

Accrued pension commitments are included in the balance sheet under other long-term liabilities.

Amounts in NOK 1,000 at. 31 Dec.

Gruop	**2000**	**1999**	**1998**
Estimated pension commitments at 31 December	**-2 860**	-2 997	-3 551
Fair value of scheme from estimates, not recognised	**4 630**	3 109	2 607
Effect of deviations from estimates, not recognised	**-554**	-437	560
Employer's national insurance contributions	**165**	-	-133
Net scheme assets/ (-pension commitments)	**1 381**	**-325**	**-517**

Net pension costs for the period	**2000**	**1999**	**1998**
Present value of benefits earned during the year	**312**	327	36
Amortisation of deviations from estimates	**-18**	-15	29
Interest on incurred pension commitments	**164**	151	199
Expected return on scheme assets	**-310**	-189	-159
Employer's national insurance contributions	**73**	56	10
Net pension costs for the period	**221**	**330**	**115**

Actuarial assumptions are based on the conditions normally used in insurance for demographic factors and exit. In connection with the acquisition of Unocal Britain Ltd., the DNO Group paid approx. NOK 15 million into an Employee Benefit Trust. This is regarded as a contribution scheme and is carried at cost in the accounts under "Shares in subsidiaries". NOK 2.5 million was paid into the scheme in 1999. No further payments were made in 2000 and there will be no further payments in the future.

Note 5 Impairments and losses

		Group		**Parent company**	
NOK 1,000	**2000**	**1999**	**1998**	**2000**	**1999**
Whrite-down Timan Pechora (see also note 8)	**26 142**	-	-	**26 142**	-
Other losses (receivables)	**2 676**	-	-	**2 676**	-
Total impairments and losses	**28 818**	**-**	**-**	**28 818**	**-**

The investment in Timan Pechora was written down to reflect both delay in progress and uncertainty in the project.The investment was restructured in 2000, when a partnership agreement was signed with a Canadian company engaged in production operations in Russia, based on DNO's cost.

Note 6 Financial income and expenses

		Group		**Parent company**	
NOK 1,000	**2000**	**1999**	**1998**	**2000**	**1999**
Interest received	**19 582**	26 015	25 785	**3 515**	10 781
Interest reveived from group undertakings	-	-	-	**9 899**	-
Other financial income	-	520	1 472	**727**	520
Interest paid	**-17 243**	-8 188	-7 114	**-15 700**	-8 187
Interest paid to group undertakings	-	-	-	**-530**	-
Capitalised interest expenses	**12 262**	-	-	**10 664**	-
Net gain (loss) on sale of securities	**-22 508**	122	22 894	**-22 508**	122
Net foreign exchange gain (loss)	**24 963**	10 012	6 679	**31 003**	10 011
Other financial expenses, see note 16	**-13 000**	-3 412	-4 046	**-21 000**	-3 412
Group contribution received	**15 266**	-	-	-	-
Net financial items	**4 056**	25 069	45 670	**21 336**	9 835

Of the Group's interest charges, NOK 12.3 million was capitalised in 2000.

Note 7 Tangible assets

DNO - Group

NOK 1,000	Expl./licence costs	Fields under development	Field in production	Goodwill [1]	Machinery equipment, etc.[2]	Total
Cost 1 Jan., 2000	52 228	41 260	716 378	-	13 126	822 992
Additions	62 197	67 637	298 099	79 905	46 424	554 262
Disposals	-	-	-	-	-5 857	-5 857
Transfers	-78 247	-48 353	126 600	-	-	-
Cost 31 Dec., 2000	**36 178**	**60 544**	**1 141 077**	**79 905**	**53 693**	**1 371 397**
Acc. depreciation 1 Jan., 2000	-	-	-664 658	-	-12 606	-677 264
Depreciation 2000	-	-	-57 322	-7 990	-12 135	-77 447
Disposals 2000	-	-	-	-	1 942	1 942
Acc. depreciation 31 Jan., 2000	-	-	**-721 980**	**-7 990**	**-22 799**	**-752 769**
Book value 31 Dec., 2000	**36 178**	**60 544**	**419 097**	**71 915**	**30 894**	**618 628**
Book value 31 Dec., 1999	52 228	41 260	51 720	-	520	145 728

DNO ASA

NOK 1,000	Expl./licence costs	Fields under development	Field in production	Goodwill [1]	Machinery equipment, etc.[2]	Total
Cost 1 Jan., 2000	52 228	41 260	396 949	-	13 006	503 443
Additions	26 019	67 637	-	-	499	94 155
Disposals	-	-	-	-	-1 942	-1 942
Transfers	-78 247	-48 353	126 600	-	-	-
Cost 31 Dec., 2000	-	**60 544**	**523 549**	-	**11 563**	**595 656**
Acc. depreciation 1 Jan., 2000	-	-	-396 949	-	-12 486	-409 435
Depreciation 2000	-	-	-8 202	-	-588	-8 790
Disposals 2000	-	-	-	-	1 942	1 942
Acc. depreciation 31 Jan., 2000	-	**-**	**-405 151**	-	**-11 132**	**-416 283**
Book value 31 Dec., 2000	-	**60 544**	**118 398**	-	**431**	**179 373**
Book value 31 Dec., 1999	52 228	41 260	-	-	520	94 008

[1] Capitalised goodwill relating to the acquisition of Independent Oil Tools AS in 2000 is depreciated on a straight line basis by 10 per cent over its estimated useful economic life.

[2] Includes NOK 16.6 million in capitalised value of financial leases.

Note 8 Other fixed assets

The company's interest in the Timan Pechora project, through its 28.5 per cent interest in Ocean Energy Ltd (Cyprus), is included in the balance sheet under Other fixed assets with NOK 85 million. Following from the restructuring of the ownership, accounted for in more detail in notes 5 and 23, the Group's investment in Timan Pechora is no longer classified as oil and gas fields. Comparable figures have been changed correspondingly.

Note 9 Subsidiaries and associated companies

Subsidiaries of DNO ASA

Company name	Company's business address	Ownership and voting interest in percent	Company's share capital in NOK 1,000	Capitalised value in NOK million
Det Norske Oljeselskap AS	Oslo	100 %	10 500 NOK	55 500
Independent Oil Tools AS	Stavanger	100 %	660 NOK	108 021
DNO Britain Ltd.	Aberdeen	100 %	5 008 GBP	21 849
DNO Exploration Scandinavia AS	Oslo	100 %	50 NOK	50
Total 2000				**185 420**
Total 1999				21 949

Subsidiaries owned by other companies in the Group

DNO Heather Limited	Aberdeen	100 %
DNO (Heather Oilfield) Ltd.	Aberdeen	100 %
The Norwegian Oil Company Ltd.	London	100 %
DNO Limited	London	100 %

DNO ASA has an option for acquisition of the shares in DNO Production Ltd., which provides management services to DNO Heather Ltd.

Associated companies owned by DNO ASA

Company name	Company's business address	Ownership and voting interest in percent	Company's share capital in NOK 1,000	Book value in NOK 1,000 31 Dec. 2000	Book value in DNO ASA 31Dec. 2000
Petrolia Drilling ASA	Bergen	35,20 %	223 923 NOK	165 326	165 326
ClampOn AS	Bergen	24,25 %	171 500 NOK	10 285	9 942
Total 2000				**175 611**	**175 268**

Cost	**Petrolia Dr.**	**ClampOn**
Cost 1 Jan. 2000	258 492	9 942
Net additions/disposals in 2000	-3 222	-
Cost 31 Dec. 2000	**255 270**	**9 942**
Book value		
Share of the result for the year	-32 045	1 070
Dividends received in 2000	-	-727
Result previous years	-57 899	-
Book value 31 Dec. 2000 (1)	**165 326**	**10 285**
Excess value not depreciated	0	5 208

(1) At 2 Jan., 2001 the market value of Petrolia Drilling ASA was NOK 289 million (100%) and the market value of DNO's interest (35.2%) NOK 102 million.The company has obtained independent broker analyses showing that the net realisable value of the company's interest in PDR ASA at least corresponds to the capitalised value. In the parent company's accounts the shares in PDR ASA have been written down to consolidated value. DNO has a call option corresponding to 1,200,000 shares in PDR ASA (exercised 2001).

Note 10 Intercompany balances

Interest has been calculated on long-term intercompany receivables and current intercompany liabilities. No special repayment plan has been agreed for long-term intercompany receivables.

Note 11 Restricted bank deposits

DNO ASA has placed a bank deposit classified as fixed assets as security for abandonment obligations relating to the Heather field.
At 31 December 2000 and 31 December 2001 this amounted to NOK 189.7 million and NOK 156.7 million, respectively.
Other restricted bank deposits at 31 December 2000 and 31 December 1999 were NOK 2.2 million and NOK 1.2 million, respectively.

Note 12 Shareholders' equity

Movement in Group shareholders' equity

	Share capital	Own shares	Share premium account	Other called-up and fully paid share capital	Other equity	Total
Shareholders' equity 1 Jan. 2000	**140 228**	**-60**	**123 402**	**-**	**157 200**	**420 770**
Conversion, debentures	9 600	-	2 400	-	-	12 000
Issues	50 841	-	264 079	-	-	314 920
Options, employees	-	-	-	7 314	-	7 314
Adjustment previous years	-	-	-	-	-8 000	-8 000
Profit for the year	-	-	-	49 723	49 723	49 723
Shareholders' equity 31 Dec. 2000	**200 669**	**-60**	**389 881**	**7 314**	**198 923**	**796 728**

Adjustment in previous years relates to the reversal of dept relief.

Movement in DNO ASA shareholders' equity

	Share capital	Own shares	Share premium account	Other called-up and fully paid share capital	Other equity	Total
Shareholders' equity 1 Jan. 2000	**140 228**	**-60**	**123 402**	**-**	**226 460**	**490 030**
Conversion, debentures	9 600	-	2 400	-	-	12 000
Issues	50 841	-	264 079	-	-	314 920
Options, employees	-	-	-	7 314	-	7 314
Loss for the year	-	-	-	-	-21 392	-21 392
Shareholders' equity 31 Dec. 2000	**200 669**	**-60**	**389 881**	**7 314**	**205 068**	**802 872**

The company has acquired 15,000 own shares. The company's board of directors is authorised to acquire own shares pursuant to the Companies Act.

Share capital at 31 December	2000	1999	1998
Share capital, NOK	**200 668 788**	140 228 172	117 228 172
Number of shares	**50 167 197**	35 057 043	29 307 043
Nominal value per share, NOK	**4**	4	4

At 31 December 2000, the company had issued 6,675,000 options to its directors and executives, see note 4.

At 31 December 2000, the company had a debenture bond debt of NOK 0.3 million. The bondholders may at any given time before 1 September, 2001, exchange the bonds for shares at an issue price of NOK 5.- per share, which will imply the issue of 60,000 new shares at a par value of NOK 4.- per share. The shares are entitled to dividend from the year of conversion.

At 31 December 2000, the Board of Directors is authorised to issue new shares in the company as follows:

At the Annual General Meeting on 22 June 2000, the Board of Directors was authorised to issue up to 21.0 million shares at a par value of NOK 4 per share, of which up to five million shares or options may be granted to the company's Board of Directors, executive project employees or companies controlled by the above persons. Issue prices and other conditions are to be determined by the Board of Directors. The share issue may be implemented by payment other than cash payment, for example in connection with settlement relating to the merger with, or acquisition of, other companies. At 31 December 2000, the Board of Directors had issued 4,500,000 shares and 4,380,000 options under this authorisation which remains in force until 22 June, 2002.

At the Annual General Meeting on 22 June 2000, the Board of Directors was, on certain conditions, also authorised to take up a convertible loan, at a maximum value of NOK 100 million.

The company's shareholders at 2 April, 2001	Shares	Ownership interest
Increased Oil Recovery AS*	6 563 142	13,08%
Larsen Oil & Gas A/S*	2 315 148	4,61%
Vesta Oljeinvest AS	1 024 800	2,04%
Verdipapirfondet Skagen	800 000	1,59%
Firstnordic Norge	800 000	1,59%
Storebrand Livsforsikring, Aksjefondet	768 000	1,53%
Det Stavangerske Dampskipselskap	623 500	1,24%
Tine Pensjonskasse	590 500	1,17%
Leif Inge Sletthei	542 915	1,08%
Anders-Ivar Olsen	515 000	1,02%
Other shareholders	35 656 995	71,05%
Total	**50 200 000**	**100,00%**

The list shows shareholders owning more than 1% of outstanding shares.
* Companies controlled by the Group Chief Executive.

Note 13 Other current liabilities

	Group		Parent company	
NOK 1,000	**2000**	1999	**2000**	1999
Payable taxes	**287**	-	-	-
Accounts payable	**17 514**	7 257	**8 944**	7 257
Unpaid government charges and special taxes	**2 966**	489	**1 672**	489
Accrued interest	**4 751**	-	**4 751**	-
Accrued expenses and other current liabilities	**195 179**	110 189	**59 761**	33 370
Total, other current liabilities	**220 697**	117 935	**75 128**	41 116

Accrued expenses and other current liabilities relate essentially to the petroleum activity in Norway and the UK

Note 14 Taxes

a) Taxes	Group			Parent company	
NOK 1,000	**2000**	1999	1998	**2000**	1999
Payeble taxes	**10 222**	-	-	-	-
Deferred taxes	**26 881**	1 337	23 211	**-29 288**	791
Tax on group contribution	-	-	-	**-4 275**	-
Taxes	**37 103**	1 337	23 211	**-33 563**	791

b) Effective tax rate	Group			Parent company	
NOK 1,000	**2000**	**1999**	**1998**	**2000**	**1999**
Profit (loss) before taxes	**86 826**	-24 933	23 800	**-54 955**	-40 696
Expected income tax according to nom. tax rate	**-24 311**	6 981	-6 664	**15 387**	11 395
Expected petroleum tax	**-29 196**	-	-	-	-
Effect of uplift	**1 285**	-	-	-	-
Adjustment in previous years	**538**	-	-	-	-
Other	**14 581**	-8 318	-16 547	**13 901**	-12 189
Total taxes	**-37 103**	-1 337	-23 211	**29 288**	-794
Effective tax rate (including change in deferred tax)	**43%**	-5%	98%	**53%**	-2%

c) Deferred taxes

The effect on taxes of temporaty differences and losses carried forward is as follows:

NOK 1,000	**2000**	1999
Other current assets/current liabilities	**-15 594**	-
Tangible assets	**-64 352**	-
Uplift	**1 285**	-
Other fixed assets/long-term liabilities	**177 874**	137 207
Losses carried forward	**49 524**	24 656
Downward adjustment of tax asset	**-157 325**	-138 862
Total deferred tax assets	**-8 588**	25 000
Capitalised deferred assets	**55 777**	25 000
Capitalised deferred tax liabilities	**64 365**	-

Tax rates effective at 31 December, 2000 are used to calculate deferred taxes. The tax rates are 78 per cent for petroleum-related revenues, including a special petroleum tax of 50%, and 28% for other revenues. Uplift is earned as a percentage (30%) of total investments in qualifying petroleum assets on the Norwegian shelf. For tax purposes, uplift is amortisable on a straight-line basis over a six-year period from the date of investment to reduce the taxable income subject to special petroleum tax.The company has earned a future uplift of NOK 1.070. Unused uplift from any previous year can be carried forward without any limit in time, to reduce future special petroleum tax. At 31 December 2000, the company had unused uplift to carry forward amounting to NOK 215.

Total uplift amounts to NOK 1 285. In its financial statements, the company recognises the benefit of uplift as a reduction of deferred tax liabilities in the year earned through the qualifying investments.Capitalised deferred tax assets relate to the activity in Norway.Losses carried forward relating to the activity in Norway expire in 2005.Deferred tax assets and deferred tax liabilities within the same tax regime are capitalised net.

Note 15 Long-term debt and collaterals

Long-term debt

Amounts in NOK million	**Currency**	**Loan amount Currency**	**Interest rate**	**Maturity**	**Balance NOK 31 Dec. 2000**	Balance NOK 31Dec.1999
Convertible debentures [1]	NOK	300	5%	01 Sept. 2001	**300**	12 300
Foreign currency loan	USD	11 443	8%	01 June 2001	**101 256**	91 998
Foreign currency loan	USD	13 000	NIBOR + 2%	29 Aug. 2006	**115 031**	-
Financial leases	NOK	30 854	-	-	**30 854**	-
Total outstanding debt	-	-	-	-	**247 441**	104 298

[1] Convertible debentures at 31 December, 2000 may be exchanged for shares at a price of NOK 5 per share by 1 Sept. 2001

Maturities of the company's interest-bearing debt in NOK 1,000

Year	**Instalment**
2001	109 270
2002	7 714
2003	7 714
2004	7 714
2005	-
2006	115 031
Total	**247 441**

Collaterals (book value of assets offered as collateral)

	Parent comany	**Group**
Shares	165 326	165 326
Receivables and inventory	-	152 497
Oil and gas fields	-	336 877
Shares in subsidiaries	77 349	-

Loan terms

The company's loan agreements contain certain requirements for financial ratios. At the presentation of its annual report and accounts, the company meets these requirements. There are also certain requirements for assignment of cash flow from operations, insurance, as well as restrictions relating to the distribution of dividends and requirements for hedging.

Other conditions

The company is in a dialogue with a bank in order to convert a NOK 101 million bank loan into long-term financing. If this is not achieved with the bank in question, the company will ensure other long-time financing to prevent sale of mortgaged shares in today's market.

Note 16 Commitments and contingencies

a) Abandonment of field installations

According to the concession terms for production licences on the Norwegian continental shelf, upon termination of production or when the licence expires, the company has an obligation to remove the installations as required by the governmental authorities. Potential abandonment costs are to be shared between the Norwegian state and the individual licensee based on the tax paid by the licensee during the lifetime of the installation. The state has the option to take over the installation at no charge. The abandonment provision is made on the basis of an assumed removal concept, based on the Norwegian Petroleum Act of 1985, Section 30, the Act of 1996 relating to the allocation of removal costs for installations on the continental shelf, and on international regulations and guidelines. The abandonment is normally based on the following conditions:

- small, including mobile installations; full removal
- large installations; only partial removal of deck and equipment
- subsea installations and pipelines; cleaning and possible covering
- shutdown and disconnection of wells are included in ordinary operating costs

In the UK, petroleum legislation requires the licensees to bear the cost of abandonment based on an abandonment plan approved by the authorities. Provision for the company's share of such abandonment costs, determined on a unit-of-production basis, is reflected in the balance sheet under Provisions for liabilities and charges and amounted to NOK 250.9 million and NOK 234.3 million at 31 December, 2000 and 1999 respectively.

Specification of this year's change in abandonment obligations:

	UK	Norway	Group
1 Jan. 2000	234 290	-	234 290
This year's provisions	15 877	757	16 634
31 Dec. 2000	**250 167**	**757**	**250 924**

Total abandonment cost for the Heather field is estimated at GBP 67.9 mill (DNO Heather Ltd.'s share is 37.5%). The operator of the Claymore field estimates abandonment cost relating to this field at USD 135 million (DNO's share is 1%). As for the Heather field, former licensees will be responsible for 62.5 per cent of the abandonment obligations, for which guarantees have been provided.

The consolidated financial statements include a USD 15.3 million claim relating to the acquisition of Unocal Britain Ltd (DNO Heather Ltd). The claim matures in 2002 and has been discounted at 8 per cent. Interest is taken to income over the five-year period. The revenue resulting from the redemption of this claim (NOK 138 million) and restricted bank deposits of NOK 190 million (cf. Note 11) are to be regarded as part coverage of DNO's obligations relating to the possible future removal of the Heather platform.

c) Contractual obligations/licence commitments relating to future investments
Through its interests in own and partner-operated oil and gas fields, the company has the following obligations:

Amounts in NOK million	**2001**
Drilling and exploration commitments	38,5
Contractual obligations, projects under development	48,0

d) Lease obligations
The Group has the following operational lease obligations, mostly through ownership interests in company-operated and partner-operated oil and gas fields:

Calendar year	**NOK million**
2001	46,6
2002	46,6
2003	46,6
After 2003	-
Total minimum lease obligations	**140,0**

e) Liability for damages/insurance
As is the case for other licensees on the Norwegian continental shelf, the company has unlimited responsibility for damage, including pollution. The company has insured its pro rata responsibility in the Norwegian and international sectors at least on the same level as other oil companies. Installations and liability are covered by an operations insurance policy.

g) Legal disputes
Through its former subsidiary, Viking Petroleum AS, DNO has a legal dispute from 1994/95 with a Dutch broker firm. In the autumn of 2000, DNO was ordered to pay the Dutch broker firm NOK 21 million including interest. NOK 13 million has been included under Other financial items. The remaining amount, NOK 8 million, has been charged against the company's equity.
The court decision has been appealed.

h) Conditional obligations
Given that all or part of the company's interest in Yemen, block 53 is sold by the end of May, 2002, the DNO Group will give Independent Oilfield Rentals Ltd. 50 per cent of the gain, if any, after deduction of cost including interest.

i) Guarantees at 31 December, 2000 (NOK million)

Parent company's guarantees to group companies:	258
Other guarantees given by the parent company to external parties:	316
Other guarantees given by group companies to external parties:	20

Note 17 Financial instruments and risk management

DNO is exposed to changes in oil prices associated with the company's oil activity. The activity also involves exposure to market risks relating to changes in exchange rates. The company's exposure to risk is continously being monitored, and the company employs various financial instruments to reduce this risk. The company does not use financial instruments for speculation purposes.

DNO employs the following financial instruments:

a) Foreign currency risk management
DNO's revenues are mainly denominated in USD, while its disbursements relating to investments and operations are normally denominated in Norwegian kroner (NOK) and English pounds (GBP). A decline in the value of the USD reduces the funds obtained by a conversion to NOK/GBP. DNO is therefore exposed to changes in the value of the USD versus NOK and GBP. To reduce this risk, DNO sells USD forward against NOK and GBP.

Forward contracts and currency options
At 31 December 2000, forward contracts have been entered into with maturities in the period 2001 to 2002.
The company has a currency options portfolio with maturities in the period January,2001 to December,2002.
In all, the company has sold USD 102.3 million and bought GBP 40 million and NOK 400 million.
At 31 December 2000, the net market value of these contracts was NOK 17.5 million.

b) Interest rate risk management
DNO is exposed to interest rate fluctuations on all loans based on a floating interest rate, mainly, LIBOR (London Interbank Offered Rate). At 31 December, 2000, DNO had not entered into any agreements for interest rate swaps or other interest rate instruments.

c) Commodity price risk management
DNO is exposed to price risk related to fluctuations in crude oil prices, and the company uses commodities derivatives for hedging purposes.
At 31 December 2000, the company had an outstanding put option for sale of 4000 barrels of crude per day from 1 January, 2001 to 31 December, 2001 at a price of USD 21 per barrel.

d) Credit risk
In the agreements entered into for the financial instruments, DNO is exposed to credit risk in the event of non-performance by the counterparts to the agreements. In the event of a counterpart default, the risk of loss would be the difference between the prevailing market prices/exchange rates and the contracted interest and exchange rates. The credit risk of interest rate, currency and crude oil derivatives will be represented by market values of contracts with a positive value at the end of each accounting period, cf. Estimated market values in the table below.
Counterparts in the agreements are approved internally according to certain criteria. In DNO's opinion, the credit risk is acceptable.

e) Fair value of financial instruments
Fair values of the company's financial instruments are estimated based on market prices, and the valuation methodologies are described below.
However, prudence is recommended in interpreting market data to arrive at an estimated fair value.
Accordingly, the estimates presented herein may not necessarily be indicative of the amounts the company could realise.

f) Risk related to other items
DNO has a 35.2 % ownership interest in Petrolia Drilling ASA, a company listed on the Oslo Stock Exchange. DNO is exposed to a risk related to fluctuations in the share price of this investment, see also note 9.

Estimated fair value of financial instruments at 31 December

	2000		1999	
Amounts in NOK 1,000	**Book value**	**Fair value**	Book value	Fair value
Financial assets				
Cash and cash equivalents	**88 026**	**88 026**	101 469	101 469
Financial obligations				
Long-term debt, including 1 st year's instalment	**247 441**	**247 441**	104 298	104 298
Instruments used to manage currency exposure				
Assets	-	**17 502**	-	-
Obligations	-	-	-	-
Instruments used to hedge crude oil prices				
Assets	**3 249**	**5 734**	-	-
Obligations	-	-	-	-

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and cash equivalents
The book values approximate fair values due to the short time to maturity of these instruments.

Long-term debt
For floating rate bank loans, fair values and book values are identical.

Crude options/commodities derivatives

The fair value of unlisted financial instruments is based on market quotations and estimates based on market rates at the balance sheet date.

Note 18 Proven crude oil and natural gas reserves

The table below shows current estimates of DNO's total proven and probable reserves at 1 January, 2001 for the individual fields.
The reserves in fields of which DNO is the operator, are based on DNO's own estimates, whereas the reserves in fields in partner-operated fields are based on the estimates of the respective operators.

Proven and probable reserves:

Country	Field	DNO's interest	Reserves in mill. barrels	
			Total	DNO
UK	Heather+satelliter	100,00%	50,70	**50,70**
	Claymore	1,00%	129,00	**1,29**
	Solan	3,70%	31,00	**1,15**
Norge	Jotun PL 103B	1,25%	145,70	**1,82**
	Glitne PL 048B	10,00%	25,90	**2,59**
	PL 203	15,00%	-	-*
	PL 148	10,00%	-	-*
	PL 006C	10,00%	-	-*
Yemen	Tasour	41,00%	8,00	**3,30**
	Sharyoof	24,45%	25,00	**6,10**
Total proven and probable reserves			**415,30**	**66,95**

*Official figures not received from the operator

Note 19 Earnings per share

Basic earnings per share is calculated by dividing Group profit by average number of shares (43 360 025).
Diluted earnings per share in 2000 take account of convertible debentures and outstanding options (45 099 962). Interest charges relating to convertible debentures are taken account of. Corrections have been made for the effect of new equity from options by assuming that the paid-up amount is used to buy ordinary shares in the market (treasury stock method).

Note 20 Other commitments

Other commitments relate to unpaid cost of acquired oil licences. The purchase price has been discounted (not interest-bearing) and will depend on actual production.

Note 21 Health, safety and environment

The company's activities were carried out according to official requirements relating to the natural environment.
No significant injury or damage occurred in 2000.

Note 22 Related parties

All transactions, agreements and business activities with related parties are conducted on normal business conditions.
DNO's activities are based on an operational and project-oriented, cost-effective network model,where projects are identified and implemented by DNO's own employees (informed buyers), project players, consultants and other companies in a network.

Companies controlled by related parties took over close to 40 per cent of the company's shares at the beginning of 1996, when the company only had three employees and almost no book assets.

Since 1 January 1996, the company's largest shareholders have mainly provided DNO with its current strategy, business model, network and significant assets, including rig contracts, rig interests and oil fields.

In connection with the refinancing of DNO 1996, the company's largest shareholders granted a NOK 12 million convertible loan, of in all NOK 24 million. The share price at that time was NOK 4.20 per share, and the conversion rate was set to NOK 5 per share. The loan was converted into shares in 2000.

During the period 1996 to 1998, Larsen Oil & Gas/Larsen Oil & Gas Drilling Ltd., companies controlled by network players, supplied DNO with SS Petrolia which had contracts in the UK. In connection with the listing of Petrolia Drilling ASA (PDR), DNO sold the rig at a significant gain. The rig had bareboat agreements between PDR/DNO ASA/Larsen Oil & Gas Drilling Ltd. Until 31 December, 1998. In 1998, DNO sold interests in KS Petrolia Shashin to the associated company PDR by issuing shares in PDR corresponding to NOK 39.8 million.

The DNO Group has also entered into a lease agreement for drilling equipment which has been re-rented to PDR.

In 1998, DNO acquired 8.5 per cent of the shares in Ocean Energy Ltd. from Increased Oil Recovery AS by issuing DNO shares corresponding to NOK 51 million.

In 1999, DNO acquired 24.45 per cent in Yemen, block 53, which contains approximately 25 million barrels of oil (DNO's share is approximately six million barrels), from Independent Oilfield Rentals (IOR) Ltd., a company controlled by network players, by issuing DNO shares corresponding to NOK 52.2 million. In addition to the sales price, the seller is entitled to profit-sharing, based on the cost with the addition of 12 per cent, provided that the sale is implemented by 2002. DNO has no intention of selling the interest to any third party before 2002.

According to the current agreement, Larsen Oil & Gas AS' actual administrative expenses, including office, secretary, travel expenses, etc. are covered. In relation to this agreement, NOK 1,475,000 was expensed in 2000, NOK 500,000 in 1999 and NOK 250,000 in 1998.

Note 23 Conditional obligations and events occuring after the balance sheet date

DNO ASA, DNO Explorations Scandinavia AS (the company) and Bitech Petroleum Corporation - the group (a Canadian listed company), in March 2001 entered into various agreements concerning the Timan Pechora project (Myadsey-, Medyn- and Toboy fields in Russia), whereby the project is transferred to DNO Exploration Scandinavia AS at cost. The DNO Group's ownership interest in DNO Explorations Scandinavia AS is is reduced to approximately 19 per cent and to approximately 25 per cent of the 40 per cent western interest in the project . The parties will cooperate about legal and commercial conditions with the aim to realise the values in the project in the course of an 18 month period. If this is not achieved, the agreement includes rights and obligations which may entail an increased ownership interest in DNO Explorations Scandinavia AS for both parties. The Bitech group will handle operations. In connection with the agreements, the DNO Group has given representations of historical accounts to the Bitech group.

A letter of intent was signed in 2001 for the use of the SS Petrolia drilling rig (owned by Petrolia Drilling ASA) fto further develop the Heather field.

In 2001 it has been clarified that DNO's interest in Yemen, block 32 will increase by 9 per cent to 41 per cent after redistribution of the interest acquired from Norsk Hydro. The effect will be included in the accounts for 2001.

ARTHUR ANDERSEN

TRANSLATION FROM NORWEGIAN

AUDITOR'S REPORT FOR 2000

Arthur Andersen & Co
Statsautoriserte revisorer

Drammensveien 165
Postboks 228 - Skøyen
0213 Oslo

Telefon 22 92 80 00
Telefaks 22 92 89 00
Org. nr. NO - 910 167 707

Medlemmer av
Den Norske Revisorforening

To the Annual Shareholders' Meeting of
DNO ASA

We have audited the annual financial statements of DNO ASA as of 31 December 2000, showing a loss of NOK 21.392.000 for the parent company and a profit of NOK 49.723.000 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the loss. The financial statements comprise the balance sheet, the profit and loss account, the cash flows statement, the accompanying notes and the consolidated accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 2000, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the loss is consistent with the financial statements and comply with law and regulations.

ARTHUR ANDERSEN & CO.

Asbjørn Rødal (sig)
State Authorised Public Accountant (Norway)

Oslo,
4 May, 2001

Klubbgata 1
4013 Stavanger
Telefon 51 84 12 00
Telefaks 51 53 69 95

Bradbenken 1
Postboks 4092 - Dreggen
5835 Bergen
Telefon 55 30 39 30
Telefaks 55 30 39 31

Kjøpmannsgata 52
Postboks 759
7408 Trondheim
Telefon 73 99 35 00
Telefaks 73 99 35 01

Andersens Revisjonsbyrå AS, Hamar
Bakke & Hjelmaas Larsen, Billingstad
Terje Bjerkan A.S, Stryn
Gulliksen & Holmen AS, Drammen
Jensen & Co. ans, Tromsø

Møller & Co as, Tønsberg
Dybwad Revisjon DA, Oslo
Revisjonsfirmaet Aage P. Danielsen, Kristiansand

Profit and loss account per quarter – Group (NOK 1000, unaudited)*

OPERATING REVENUES	1st quarter	2nd quarter	3rd quarter	4th quarter	2000
Operating revenues, oil and gas	124 000	178 122	139 800	167 600	570 200
Operating revenues, offshore	19 800	19 500	23 400	32 900	95 600
Total operating revenues	**143 800**	**158 300**	**163 200**	**200 500**	**665 800**
OPERATING EXPENSES					
Exploration costs	300	2 200	1 500	18 400	22 400
Operating expenses, oil and gas	62 800	66 100	85 200	80 700	294 800
Operating expenses, offshore	12 100	10 000	8 400	14 100	44 600
Ordinary depreciation, abandonment costs	15 000	15 900	26 900	36 200	94 000
Impairment and losses	0	0	0	28 800	28 800
Payroll expenses	4 100	3 700	5 700	6 800	20 300
Other operating costs	10 300	8 700	12 700	15 600	47 300
Total operating expenses	**104 600**	**106 600**	**140 400**	**200 600**	**552 200**
OPERATING PROFIT (LOSS)	**39 200**	**51 700**	**22 800**	**-100**	**113 700**
FINANCIAL INCOME AND EXPENSES					
Associated companies	8 800	-10 600	-13 900	-15 300	-31 000
Net financial items	9 700	- 300	7 400	-12 900	3 900
PROFIT (LOSS) BEFORE TAX	**54 700**	**40 800**	**16 300**	**-28 300**	**86 800**
Taxes	-9 900	-21 100	-29 100	23 000	-37 100
ANNUAL PROFIT (LOSS)	**47 800**	**19 700**	**-12 800**	**-5 300**	**49 700**

* The quarterly statements have been adjusted for the exercise of pre-emption to ownership interest in the Tor field, accrual of provisions for the Weselius case to the third quarter of 2000, accrual of deferred taxes, and capitalisation of interest (see note 1 concerning capitalisation of interest relating to development projects.)

VISITING ADDRESS UK
DNO Britain Ltd
Salvesen Tower, Blaikies Quay
Aberdeen AB 11 5pw
Scotland UK

Phone : +44 1224 57 3181
Fax : +44 1224 58 2946
E-mail : lynne.barclay@dnoheather.co.uk

VISITING ADDRESS NORWAY
DNO ASA
Stranden 1, Aker Brygge
N-0250 Oslo, NORWAY

POSTAL ADDRESS
P.O.B. 1345, Vika
N-0113 Oslo, NORWAY

Phone : +47 23 23 84 80
Fax : +47 23 23 84 81
E-mail : dno@dno.no

VISITING ADDRESS YEMEN
DNO ASA YEMEN
Diplomatic Area
Street 22C House no 10
Sanaa
Republic of Yemen

Phone : +96 71 24 33 88
Fax : +96 71 26 77 61
E-mail : dnoyem@y.net.ye