

DNO ASA
Interim Results

Second Quarter 2022



Key figures

USD million	Quarters			First Half-Year	Full-Year	
	Q2 2022	Q1 2022	Q2 2021	2022	2021	
Key financials						
Revenues	360.6	339.4	184.3	700.0	354.1	1,004.1
EBITDAX	303.8	293.6	149.1	597.4	278.8	739.3
EBITDA	256.1	287.7	122.2	543.8	241.5	606.9
Operating profit/-loss	80.8	236.2	60.9	317.0	127.3	320.9
Net profit/-loss	72.3	140.5	56.7	212.8	108.1	203.9
Netback	231.6	275.4	153.4	507.0	287.9	781.6
Free cash flow	166.5	151.6	79.5	318.2	80.5	362.0
Operational spend	197.4	159.4	176.5	356.8	302.2	663.8
Net cash/- debt	129.5	-26.6	-396.2	129.5	-396.2	-153.4
Lifting costs (USD/boe)	5.7	6.1	5.7	5.9	5.3	5.3
Netback (USD/boe)	27.7	33.1	18.2	30.4	16.6	22.7
Key operational data						
Gross operated production (boepd)	107,178	106,465	110,304	106,823	111,140	108,713
Net production (boepd)	91,937	92,548	92,667	92,241	95,897	94,477
Sales volume (boepd)	39,276	37,359	34,946	38,326	37,233	42,171

For more information about key figures, see the section on alternative performance measures.

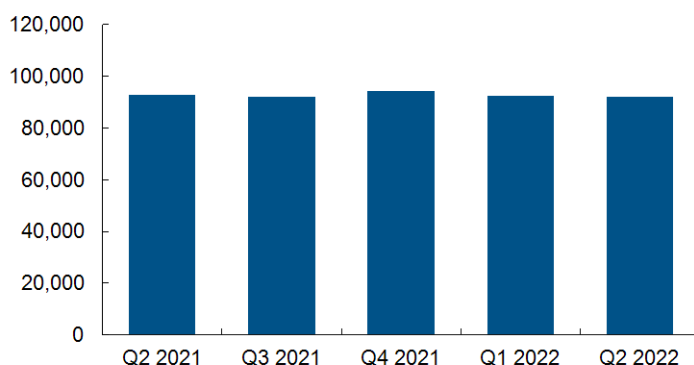
Q2 2022 highlights

- Strong operational and financial results and cash flow powered by high oil and gas prices
- Exited quarter in net cash position for first time since 2018
- Solid operated production in flagship Kurdistan Tawke license as natural field decline arrested and reversed, including at Tawke field
- Commenced trucking of production in mid-June from the Zartik-1 discovery well in the operated Baeshiqqa license for export
- In the North Sea, operated Brasse field development progressed into front end engineering and design phase ahead of planned project sanction by yearend 2022

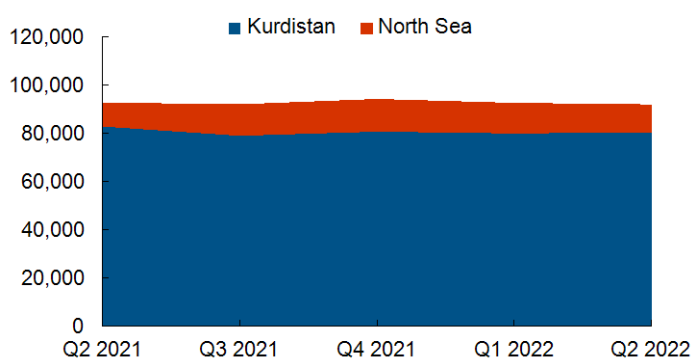
Operational review

Production

Quarterly net production (boepd)



Net production by segment (boepd)



Gross production from the Company's operated licenses in Kurdistan averaged 107,178 boepd during the second quarter, compared to 106,465 boepd in the previous quarter.

Net production during the second quarter stood at 91,937 boepd, compared to 92,548 boepd in the previous quarter. In Kurdistan, net production averaged 80,358 boepd, compared to 79,848 boepd in the previous quarter. Net production from the North Sea averaged 11,579 boepd, down from 12,700 boepd in the previous quarter. The decrease in the North Sea production compared to the previous quarter was driven by planned maintenance activities on Ula area resulting in a production shut-in from late May to late June, and less available gas capacity for Alve/Marulk on Norne host.

Net entitlement (NE) production averaged 38,261 boepd during the second quarter, down from 39,370 boepd in the previous quarter.

Sales volume averaged 39,267 boepd during the second quarter, up from 37,359 boepd in the previous quarter. The increase in sales volume was mainly due to higher lifting from the Vilje field (lifted semi-annually). The net underlift position was 0.21 million barrels of oil equivalent (MMboe) as of Q2 2022 (0.30 MMboe as of Q1 2022).

Gross operated production

boepd	Q2 2022	Quarters Q1 2022	Q2 2021	First Half-Year 2022	2021	Full-Year 2021
Kurdistan	107,178	106,465	110,304	106,823	111,140	108,713
North Sea	-	-	-	-	-	-
Total	107,178	106,465	110,304	106,823	111,140	108,713

Table above shows gross operated production from the Group's operated licenses.

Net production

boepd	Q2 2022	Quarters Q1 2022	Q2 2021	First Half-Year 2022	2021	Full-Year 2021
Kurdistan	80,358	79,848	82,728	80,105	83,355	81,535
North Sea	11,579	12,700	9,939	12,136	12,542	12,942
Total	91,937	92,548	92,667	92,241	95,897	94,477

Net production is based on DNO's percentage ownership in the licenses.

Net entitlement (NE) production

boepd	Q2 2022	Quarters Q1 2022	Q2 2021	First Half-Year 2022	2021	Full-Year 2021
Kurdistan	26,682	26,670	27,661	26,679	28,124	28,091
North Sea	11,579	12,700	9,939	12,136	12,542	12,942
Total	38,261	39,370	37,600	38,815	40,666	41,033

NE production from the North Sea equals the segment's net production.

Sales volume

boepd	Q2 2022	Quarters Q1 2022	Q2 2021	First Half-Year 2022	2021	Full-Year 2021
Kurdistan	26,682	26,670	27,661	26,679	28,124	28,091
North Sea	12,594	10,689	7,285	11,647	9,109	14,080
Total	39,276	37,359	34,946	38,326	37,233	42,171

Sales volume reflect North Sea lifted volumes and NE for Kurdistan.

Activity overview

Kurdistan region of Iraq

Tawke license

Gross production from the Tawke license, containing the Tawke and Peshkabir fields, averaged 106,948 bopd during the second quarter of 2022 (106,465 bopd in Q1 2022). The Peshkabir field contributed 62,348 bopd (64,493 in Q1 2022) and the Tawke field contributed 44,600 bopd (41,972 in Q1 2022) during this period, the latter representing the first quarterly production increase since 2015 at this legacy field as new wells are drilled, workovers conducted on existing ones and gas injection continued.

In the second quarter, four new production wells were brought onstream in the Tawke license with three at Tawke and one at Peshkabir. Together with wells drilled in the first quarter, natural field decline has been arrested and reversed, including at Tawke, raising the Company's full-year projection to 107,000-109,000 bopd (from 105,000 bopd).

DNO holds a 75 percent operated interest in the Tawke and Peshkabir fields with partner Genel Energy plc (25 percent).

Baeshiqa license

Following government approvals, DNO commenced trucking of production in mid-June from the Zartik-1 discovery well in the operated Baeshiqa license for export at an average rate of 600 bopd. Production from the well has been choked back as the Company targets zones with lower gas-to-oil ratios to avoid flaring. Development of the license continues with the drilling of Zartik-2 and Zartik-3, to be followed by Baeshiqa-3 in the fourth quarter.

DNO holds a 64 percent operated interest in the license (80 percent paying interest) with partners being TEC with a 16 percent interest (20 percent paying interest) and the KRG with a 20 percent carried interest.

Table below shows the net production (bopd) per field in Kurdistan.

bopd	Q2 2022	Quarters		First Half-Year		Full-Year
		Q1 2022	Q2 2021	2022	2021	2021
Tawke	33,450	31,479	35,491	32,470	36,727	35,199
Peshkabir	46,761	48,370	47,237	47,561	46,628	46,335
Baeshiqa	147	-	-	74	-	-
Total	80,358	79,848	82,728	80,105	83,355	81,535

North Sea

Net production averaged 11,579 boepd in the North Sea during the second quarter of 2022 (12,700 boepd in Q1 2022), of which 11,411 boepd was in Norway and 168 boepd in the UK (12,567 boepd and 133 boepd in Q1 2022).

In the North Sea, operated Brasse field development progressed into front end engineering and design ahead of planned project sanction by yearend 2022.

The Company remains an active North Sea explorer with three more exploration wells to be drilled this year in addition to the four already drilled in the first half of 2022, one of which, Kveikje (DNO 29 percent), is considered a likely commercial discovery, as previously reported.

Table below shows the net production (boepd) per field in the North Sea.

boepd	Q2 2022	Quarters		First Half-Year		Full-Year
		Q1 2022	Q2 2021	2022	2021	2021
Alve/Marulik	5,711	6,415	2,726	6,061	4,561	5,024
Ula area	2,485	3,194	4,043	2,837	4,602	4,635
Vilje	1,283	1,276	1,458	1,279	1,570	1,613
Brage	1,200	1,255	1,265	1,227	1,299	1,218
Ringhorne	796	412	328	605	293	286
Other	103	149	119	126	217	165
Total	11,579	12,700	9,939	12,136	12,542	12,942

Ula area comprises Ula, Tambar, Oda and Blane (UK) fields.

Financial review

Revenues, operating profit and cash

Revenues in the second quarter stood at USD 360.6 million, up from USD 339.4 million in the previous quarter. Kurdistan generated revenues of USD 239.5 million (Q1: USD 208.6 million), while the North Sea generated revenues of USD 121.1 million (Q1: USD 130.8 million). The increase in Kurdistan revenues was driven by higher oil price and higher cost oil, while the decrease in North Sea revenues was mainly driven by lower achieved gas price at Alve/Marulk partly offset by higher crude lifting from the Vilje field on the back of higher oil price.

The Group reported an operating profit of USD 80.8 million in the second quarter, down from USD 236.2 million in the previous quarter mainly due to impairments and expensing of exploration wells, partly offset by higher revenues.

The Group ended the quarter with a cash balance of USD 800.6 million and USD 129.5 million in net cash position, compared to a cash balance of USD 736.6 million and USD 153.4 million in net interest-nearing debt at yearend 2021.

Cost of goods sold

In the second quarter, the cost of goods sold amounted to USD 103.7 million, up from USD 94.9 million in the previous quarter. The increase in cost of goods sold was due to North Sea overlifting in the quarter compared to an underlifting in the previous quarter.

Lifting costs

Lifting costs stood at USD 47.7 million in the second quarter, compared to USD 50.8 million in the previous quarter. In Kurdistan, the average lifting cost during the second quarter was USD 3.4 per barrel (Q1: USD 3.9 per barrel). In the North Sea, the average lifting cost during the second quarter stood at USD 21.9 per barrel of oil equivalent (boe) (Q1: USD 19.9 per boe). The increase in the North Sea average lifting cost per boe compared to the previous quarter was mainly due to lower production from the Ula area driven by planned maintenance activities.

USD million	Q2 2022	Quarters		First Half-Year		Full-Year 2021
		Q1 2022	Q2 2021	2022	2021	
Kurdistan	24.6	28.1	26.5	52.7	48.5	99.6
North Sea	23.1	22.7	21.6	45.7	43.5	84.6
Total	47.7	50.8	48.1	98.5	92.0	184.2

(USD/boe)	Q2 2022	Quarters		First Half-Year		Full-Year 2021
		Q1 2022	Q2 2021	2022	2021	
Kurdistan	3.4	3.9	3.5	3.6	3.2	3.3
North Sea	21.9	19.9	23.9	20.8	19.2	17.9
Average	5.7	6.1	5.7	5.9	5.3	5.3

Depreciation, depletion and amortization (DD&A)

DD&A related to the Group's oil and gas production assets amounted to USD 46.8 million in the second quarter, compared to USD 50.1 million in the previous quarter. The decrease in the North Sea DD&A/boe was mainly due to an update in reserves basis for the Ringhorne East field following sanction of a well, reflected prospectively.

USD million	Q2 2022	Quarters		First Half-Year		Full-Year 2021
		Q1 2022	Q2 2021	2022	2021	
Kurdistan	32.3	31.8	29.7	64.0	60.0	120.8
North Sea	14.5	18.3	17.5	32.8	38.5	79.2
Total	46.8	50.1	47.2	96.9	98.5	200.1

(USD/boe)	Q2 2022	Quarters		First Half-Year		Full-Year 2021
		Q1 2022	Q2 2021	2022	2021	
Kurdistan	13.3	13.2	11.8	13.3	11.8	11.8
North Sea	13.8	16.0	19.4	14.9	17.0	16.8
Average	13.4	14.1	13.8	13.8	13.4	13.4

Exploration costs expensed

Exploration costs expensed in the second quarter amounted to USD 47.7 million, up from USD 5.8 million in the previous quarter. The increase in exploration costs expensed was primarily due to expensing of the Overly and Edinburgh exploration wells compared to capitalization of successful drilling of the Kveikje prospect in Q1.

USD million	Q2 2022	Quarters		First Half-Year		Full-Year 2021
		Q1 2022	Q2 2021	2022	2021	
Kurdistan	-	-	0.4	-	0.7	2.8
North Sea	47.7	5.8	26.5	53.5	36.7	129.6
Total	47.7	5.8	26.9	53.5	37.4	132.3

Capital expenditures

Capital expenditures costs stood at USD 113.9 million in the second quarter, of which USD 56.4 million were in Kurdistan and USD 57.7 million in the North Sea.

USD million	Q2 2022	Quarters		First Half-Year		Full-Year 2021
		Q1 2022	Q2 2021	2022	2021	
Kurdistan	56.4	44.7	19.5	100.7	33.3	94.9
North Sea	57.7	36.9	40.9	94.6	77.7	185.1
Other	-0.2	-	-	0.3	0.1	0.7
Total	113.9	81.6	60.4	195.5	111.2	280.6

Risks and uncertainty

The Group is subject to a range of risks and uncertainties which may affect its business operations and financial condition. The description of key risks and uncertainties in the DNO ASA Annual Report and Accounts 2021 gives a fair description of key risks and uncertainties that may affect the Group in the second half of 2022 and we are not aware of any significant new risks or uncertainties or significant changes to those risks or uncertainties, except for those described herein.

Update regarding Federal Supreme Court of Iraq (FSCI) ruling

As reported in the DNO ASA Annual Report and Accounts 2021, DNO notes from public reports that on 15 February 2022, the Federal Supreme Court of Iraq (FSCI) ruled amongst other things that the Kurdistan Oil and Gas Law is unconstitutional, that the Kurdistan Regional Government (KRG) is to hand over all oil production from areas located in the Kurdistan region of Iraq (KRI) to the Federal Government of Iraq (FGI) and that the FGI has the right to pursue the nullity of the oil contracts concluded by the KRG. DNO was not a party to the FSCI legal proceedings, and it is unclear how the KRG and the FGI will ultimately follow up on the ruling.

Signals from Baghdad on any next steps are not clear; the Company has seen that the FGI's Minister of Oil has outlined various possible next steps in media. DNO has also learned via media reports that a commercial court in Baghdad has on 4 July 2022 ruled that Production Sharing Contracts (PSCs) signed between the KRG and four international oil companies including DNO should be voided. Nonetheless and importantly, KRG has issued repeated reassurances that the PSCs remain valid. The KRG has initiated legal proceedings against FGI in Erbil courts and there have been several rulings in Erbil courts affirming the validity of the PSCs. DNO also notes from public reports that there appears to be increased dialogue between KRG and FGI following a mid-July 2022 visit by the US president to the Middle East.

At present, normal operations are maintained at the Tawke and Baeshiqa licenses. The Company continues to monitor the situation. The outcome of KRG and FGI actions following the FSCI ruling cannot currently be estimated but they may impact the operations and financial performance of the Group.

DNO also notes the ongoing arbitration case, commenced in 2014, by the FGI against the Turkish Government and its state-owned pipeline operator BOTAS relating to the Iraq-Turkey Pipeline, which is being heard in the International Chamber of Commerce's International Court of Arbitration in Paris.

Responsibility statement

We confirm to the best of our knowledge that the Group's interim financial statements for the period 1 January to 30 June 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and give a fair view of the Group's assets, liabilities, financial position and results for the period viewed in their entirety, and that the interim management report

includes a fair review of any significant events that arose during the six-month period and their effect on the half-year financial report, any significant related-party transactions, and a description of the significant risks and uncertainties for the remaining six months of the year.

Oslo, 10 August 2022

Bijan Mossavar-Rahmani
Executive Chairman

Gunnar Hirsti
Deputy Chairman

Elin Karfjell
Director

Anita Hjerkin Aarnæs
Director

Shelley Watson
Director

Bjørn Dale
Managing Director

Consolidated statements of comprehensive income

(unaudited, in USD million)	Note	Quarters		First Half-Year		Full-Year
		Q2 2022	Q2 2021	2022	2021	2021
Revenues	2,3	360.6	184.3	700.0	354.1	1,004.1
Cost of goods sold	4	-103.7	-86.6	-198.7	-172.4	-443.1
Gross profit		256.8	97.7	501.3	181.8	561.0
Other income/-expenses		0.3	-	0.9	-	0.5
Administrative expenses		-2.5	3.3	-5.2	-2.1	-16.2
Other operating expenses		1.1	-0.8	0.7	-2.6	-12.0
Impairment oil and gas assets	7	-127.2	-12.6	-127.2	-12.6	-80.1
Exploration expenses	5	-47.7	-26.9	-53.5	-37.4	-132.3
Operating profit/-loss		80.8	60.9	317.0	127.3	320.9
Financial income	9	0.8	10.1	1.0	17.9	26.0
Financial expenses	9,10	-31.6	-39.2	-60.7	-66.8	-126.7
Profit/-loss before income tax		50.0	31.9	257.4	78.3	220.1
Tax income/-expense	6	22.3	24.8	-44.6	29.8	-16.3
Net profit/-loss		72.3	56.7	212.8	108.1	203.9
Other comprehensive income						
Currency translation differences		-40.1	-4.2	-35.2	-0.3	-12.5
Items that may be reclassified to profit or loss in later periods		-40.1	-4.2	-35.2	-0.3	-12.5
Net fair value changes from financial instruments	8	-4.3	0.7	2.6	5.4	3.6
Items that are not reclassified to profit or loss in later periods		-4.3	0.7	2.6	5.4	3.6
Total other comprehensive income, net of tax		-44.4	-3.5	-32.6	5.1	-8.9
Total comprehensive income, net of tax		27.8	53.2	180.1	113.2	195.0
Net profit/-loss attributable to:						
Equity holders of the parent		72.3	56.7	212.8	108.1	203.9
Total comprehensive income attributable to:						
Equity holders of the parent		27.8	53.2	180.1	113.2	195.0
Earnings per share, basic (USD per share)		0.07	0.06	0.22	0.11	0.21
Earnings per share, diluted (USD per share)		0.07	0.06	0.22	0.11	0.21
Weighted average number of shares outstanding (millions)		975.43	975.43	975.43	975.43	975.43

Consolidated statements of financial position

ASSETS		At 30 Jun		At 31 Dec
(unaudited, in USD million)	Note	2022	2021	2021
Non-current assets				
Deferred tax assets	6	11.2	43.8	29.3
Goodwill	7	65.8	161.7	88.2
Other intangible assets	7	84.9	322.6	232.4
Property, plant and equipment	7	1,314.1	1,179.2	1,284.9
Financial investments	8	18.8	18.0	16.2
Other non-current receivables	9	0.2	111.2	19.4
Tax receivables	6	14.3	5.4	-
Total non-current assets		1,509.3	1,841.9	1,670.4
Current assets				
Inventories	4	40.4	32.3	35.8
Trade and other receivables	9	450.0	393.7	483.8
Tax receivables	6	19.0	105.0	21.1
Cash and cash equivalents		800.6	454.2	736.6
Total current assets		1,309.9	985.2	1,277.3
TOTAL ASSETS		2,819.2	2,827.1	2,947.8
EQUITY AND LIABILITIES				
(unaudited, in USD million)	Note	At 30 Jun		At 31 Dec
		2022	2021	2021
Equity				
Shareholders' equity		1,177.1	958.8	1,018.8
Total equity		1,177.1	958.8	1,018.8
Non-current liabilities				
Deferred tax liabilities	6	221.4	237.4	267.3
Interest-bearing liabilities	10	658.0	821.7	873.4
Provisions for other liabilities and charges	11	393.7	436.3	402.4
Total non-current liabilities		1,273.1	1,495.4	1,543.2
Current liabilities				
Trade and other payables	12	233.3	222.6	232.6
Income taxes payable	6	47.6	-	33.1
Current interest-bearing liabilities	10	-	19.1	-
Provisions for other liabilities and charges	11	88.1	131.1	120.1
Total current liabilities		369.0	372.8	385.8
Total liabilities		1,642.2	1,868.2	1,929.0
TOTAL EQUITY AND LIABILITIES		2,819.2	2,827.1	2,947.8

Consolidated cash flow statement

(unaudited, USD million)	Note	Quarters		First Half-Year		Full-Year
		Q2 2022	Q2 2021	2022	2021	2021
Operating activities						
Profit/-loss before income tax		50.0	31.9	257.4	78.3	220.1
Adjustments to add/-deduct non-cash items:						
Exploration cost previously capitalized carried to cost	5	39.5	-	38.5	-	54.1
Depreciation, depletion and amortization	4	48.1	48.8	99.6	101.7	206.0
Impairment oil and gas assets	7	127.2	12.6	127.2	12.6	80.1
Amortization of borrowing issue costs		2.2	4.3	3.3	5.8	9.4
Accretion expense on ARO provisions		3.8	4.6	7.8	9.1	17.7
Interest expense		16.2	18.6	33.1	37.4	74.2
Interest income		-1.3	-0.3	-1.0	-0.6	-1.7
Other		1.6	2.0	7.8	-1.3	1.0
Change in working capital items and provisions:						
- Inventories		-4.2	4.5	-4.5	9.6	5.0
- Trade and other receivables	9	45.1	2.2	50.7	-68.7	-99.5
- Trade and other payables		13.7	32.6	0.7	42.3	55.1
- Provisions for other liabilities and charges		-0.5	-1.5	-3.2	1.6	3.8
Cash generated from operations		341.3	160.2	617.3	227.9	625.3
Tax refund received/-repaid		-24.5	31.2	-36.9	46.4	174.7
Interest received		0.8	0.3	1.1	0.7	1.7
Interest paid		-17.1	-19.2	-34.2	-38.7	-73.0
Net cash from/-used in operating activities		300.4	172.5	547.3	236.3	728.8
Investing activities						
Purchases of intangible assets		-36.4	-8.5	-50.9	-16.0	-86.8
Purchases of tangible assets		-77.5	-51.9	-144.6	-95.1	-193.8
Payments for decommissioning		-19.9	-32.6	-33.6	-44.6	-86.2
Proceeds from license transactions		-	-	-	-	4.7
Net cash from/-used in investing activities		-133.9	-93.0	-229.1	-155.7	-362.0
Financing activities						
Proceeds from borrowings	10	-	-	-	-	400.0
Repayment of borrowings	10	-203.1	-100.0	-218.7	-100.0	-459.0
Payment of debt issue costs		-	-	-	-	-15.6
Paid dividend		-	-	-22.2	-	-22.2
Payments of lease liabilities		-2.7	-2.3	-5.3	-3.4	-8.6
Net cash from/-used in financing activities		-205.8	-102.3	-246.2	-103.4	-105.4
Net increase/-decrease in cash and cash equivalents		-39.3	-22.8	71.9	-23.0	261.5
Cash and cash equivalents at beginning of the period		847.7	477.1	736.6	477.1	477.1
Exchange gain/-losses on cash and cash equivalents		-7.8	-0.1	-7.8	0.1	-2.0
Cash and cash equivalents at the end of the period		800.6	454.2	800.6	454.2	736.6
Of which restricted cash		21.6	12.9	21.6	12.9	15.8

Consolidated statement of changes in equity

(unaudited, in USD million)	Other comprehensive income					Total equity
	Share capital	Share premium	Fair value changes equity instruments	Currency translation differences	Retained earnings	
Total shareholders' equity as of 31 December 2020	32.9	247.7	36.1	-65.0	593.9	845.6
Fair value changes from equity instruments	-	-	5.4	-	-	5.4
Currency translation differences	-	-	-	-0.3	-	-0.3
Other comprehensive income/-loss	-	-	5.4	-0.3	-	5.1
Profit/-loss for the period	-	-	-	-	108.1	108.1
Total comprehensive income	-	-	5.4	-0.3	108.1	113.2
Payment of dividend	-	-	-	-	-	-
Transactions with shareholders	-	-	-	-	-	-
Total shareholders' equity as of 30 Jun 2021	32.9	247.7	41.5	-65.3	702.1	958.8

(unaudited, in USD million)	Other comprehensive income					Total equity
	Share capital	Share premium	Fair value changes equity instruments	Currency translation differences	Retained earnings	
Total shareholders' equity as of 31 December 2021	32.9	247.7	39.7	-77.5	776.0	1,018.8
Fair value changes from equity instruments	-	-	2.6	-	-	2.6
Currency translation differences	-	-	-	-35.2	-	-35.2
Other comprehensive income/-loss	-	-	2.6	-35.2	-	-32.6
Profit/-loss for the period	-	-	-	-	212.8	212.8
Total comprehensive income	-	-	2.6	-35.2	212.8	180.1
Payment of dividend	-	-	-	-	-21.9	-21.9
Transactions with shareholders	-	-	-	-	-21.9	-21.9
Total shareholders' equity as of 30 Jun 2022	32.9	247.7	42.3	-112.7	966.9	1,177.1

Notes to the consolidated interim financial statements

Note 1 | Basis of preparation and accounting policies

Principal activities and corporate information

DNO ASA (the Company) and its subsidiaries (DNO or the Group) are engaged in international oil and gas exploration, development and production.

Basis of preparation

DNO ASA's consolidated interim 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. These interim financial statements have also been prepared in accordance with Oslo Stock Exchange regulations.

The interim financial statements do not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the DNO ASA Annual Report and Accounts 2021.

The interim financial information for 2022 and 2021 is unaudited.

Subtotals and totals in some of the tables included in these interim financial statements may not equal the sum of the amounts shown due to rounding.

The interim financial statements have been prepared on a historical cost basis, with the following exception: liabilities related to share-based payments, derivative financial instruments and equity instruments are recognized at fair value. A detailed description of the accounting policies applied is included in the DNO ASA Annual Report and Accounts 2021.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of DNO ASA Annual Report and Accounts 2021.

Note 2 | Segment information

The Group reports the following two operating segments: Kurdistan and the North Sea (which includes the Group's oil and gas activities in Norway and the UK). The segment assets/liabilities do not include internal receivables/liabilities.

Second quarter ending 30 June 2022 USD million	Note	Kurdistan	North Sea	Other	Total reporting segments	Un-allocated/eliminated	Total Group
Income statement information							
Revenues	3	239.4	121.1	-	360.6	-	360.6
Inter-segment revenues		-	-	-	-	-	-
Cost of goods sold	4	-57.0	-45.8	-	-102.8	-0.9	-103.7
Gross profit		182.5	75.3	-	257.8	-0.9	256.8
Operating profit/-loss		182.8	-100.0	0.3	83.0	-2.2	80.8
Financial income/-expense (net)	9,10						-30.8
Tax income/-expense	6	-	22.3	-	22.3	-	22.3
Net profit/-loss							72.3
Financial position information							
Non-current assets		702.4	778.9	-	1,481.4	27.9	1,509.3
Current assets		363.6	352.4	11.6	727.6	582.3	1,309.9
Total assets		1,066.0	1,131.4	11.6	2,209.0	610.3	2,819.2
Non-current liabilities		67.6	632.6	-	700.3	572.9	1,273.1
Current liabilities		105.8	216.3	34.0	356.1	13.0	369.0
Total liabilities		173.5	848.9	34.0	1,056.3	585.9	1,642.2

Note 2 | Segment information (continued)

Second quarter ending 30 June 2021 USD million	Note	Kurdistan	North Sea	Other	Total reporting segment	Un-allocated/ eliminated	Total Group
Income statement information							
Revenues	3	141.2	43.1	-	184.3	-	184.3
Inter-segment revenues		-	1.4	-	1.4	-1.4	-
Cost of goods sold	4	-56.2	-29.7	-	-85.9	-0.7	-86.6
Gross profit		85.0	14.8	-	99.7	-2.1	97.7
Operating profit/-loss		84.6	-21.7	-0.5	62.4	-1.5	60.9
Financial income/-expense (net)	9, 10						-29.1
Tax income/-expense	6	-	25.1	-0.3	24.8	-	24.8
Net profit/-loss							56.7
Financial position information							
Non-current assets		730.8	1,081.8	-	1,812.6	29.3	1,841.9
Current assets		283.1	386.4	4.8	674.4	310.8	985.1
Total assets		1,013.9	1,468.2	4.8	2,486.9	340.2	2,827.1
Non-current liabilities		61.9	731.9	-	793.8	701.6	1,495.4
Current liabilities		66.1	261.9	30.1	358.2	14.6	372.8
Total liabilities		128.0	993.8	30.1	1,151.9	716.3	1,868.2

Note 2 | Segment information (continued)

First Half-Year ending 30 June 2022 USD million	Note	Kurdistan	North Sea	Other	Total reporting segment	Un-allocated/ eliminated	Total Group
Income statement information							
Revenues	3	448.1	251.9	-	700.0	-	700.0
Inter-segment sales		-	-	-	-	-	-
Cost of goods sold	4	-116.9	-79.9	-	-196.8	-1.8	-198.7
Gross profit		331.1	172.0	-	503.1	-1.8	501.3
Operating profit/-loss		331.2	-8.9	-0.1	322.3	-5.2	317.0
Financial income/-expense (net)	9,10						-59.7
Tax income/-expense	6	-	-44.6	-	-44.6	-	-44.6
Net profit/-loss							212.8
Financial position information							
Non-current assets		702.4	778.9	-	1,481.4	27.9	1,509.3
Current assets		363.6	352.4	11.6	727.6	582.3	1,309.9
Total assets		1,066.0	1,131.4	11.6	2,209.0	610.3	2,819.2
Non-current liabilities		67.6	632.6	-	700.3	572.9	1,273.1
Current liabilities		105.8	216.3	34.0	356.1	13.0	369.0
Total liabilities		173.5	848.9	34.0	1,056.3	585.9	1,642.2

First Half-Year ending 30 June 2021 USD million	Note	Kurdistan	North Sea	Other	Total reporting segment	Un-allocated/ eliminated	Total Group
Income statement information							
Revenues	3	264.6	89.5	-	354.1	-	354.1
Inter-segment sales		-	1.4	-	1.4	-1.4	-
Cost of goods sold	4	-108.6	-62.3	-	-171.0	-1.4	-172.4
Gross profit		156.0	28.6	-	184.6	-2.8	181.8
Operating profit/-loss		154.4	-18.5	-1.9	134.0	-6.7	127.3
Financial income/-expense (net)	10						-48.9
Tax income/-expense	6	-	30.1	-0.3	29.8	-	29.8
Net profit/-loss							108.1
Financial position information							
Non-current assets		730.8	1,081.8	-	1,812.6	29.3	1,841.9
Current assets		283.1	386.4	4.8	674.4	310.8	985.2
Total assets		1,013.9	1,468.2	4.8	2,486.9	340.2	2,827.1
Non-current liabilities		61.9	731.9	-	793.8	701.6	1,495.4
Current liabilities		66.1	261.9	30.1	358.2	14.6	372.8
Total liabilities		128.0	993.8	30.1	1,151.9	716.3	1,868.2

Note 3 | Revenues

USD million	Quarters		First Half-Year		Full-Year
	Q2 2022	Q2 2021	2022	2021	2021
Sale of oil	307.6	169.1	546.6	316.3	828.1
Sale of gas	43.4	11.6	132.0	29.2	151.3
Sale of natural gas liquids (NGL)	8.4	3.6	19.2	7.4	21.3
Tariff income	1.1	-0.0	2.2	1.2	3.4
Total revenues from contracts with customers	360.6	184.3	700.0	354.1	1,004.1
Sale of oil (boepd)	33,067	31,649	31,623	32,454	36,583
Sale of gas (boepd)	4,787	2,371	5,066	3,810	4,344
Sale of natural gas liquids (NGL) (boepd)	1,422	926	1,637	969	1,244
Total sales volume (boepd)	39,276	34,946	38,326	37,233	42,171

Note 4 | Cost of goods sold/ Inventory

USD million	Quarters		First Half-Year		Full-Year
	Q2 2022	Q2 2021	2022	2021	2021
Lifting costs	-47.7	-48.1	-98.5	-92.0	-184.2
Tariff and transportation expenses	-7.6	-8.4	-14.2	-17.0	-34.5
Production costs based on produced volumes	-55.3	-56.6	-112.7	-109.0	-218.8
Movement in overlift/underlift	-0.3	18.8	13.6	38.4	-18.3
Production costs based on sold volumes	-55.6	-37.8	-99.1	-70.6	-237.0
Depreciation, depletion and amortization	-48.1	-48.8	-99.6	-101.7	-206.0
Total cost of goods sold	-103.7	-86.6	-198.7	-172.4	-443.1

Lifting costs consist of expenses related to the production of oil and gas, including operation and maintenance of installations, well intervention activities and insurances. Tariff and transportation expenses consist of charges incurred by the Group for the use of infrastructure owned by other companies in the North Sea.

USD million	At 30 Jun		At 31 Dec
	2022	2021	2021
Spare parts	40.4	32.3	35.8
Total inventory	40.4	32.3	35.8

Total inventory of USD 40.4 million as of 30 June 2022 was related to Kurdistan (USD 25.5 million) and the North Sea (USD 14.9 million).

Note 5 | Exploration expenses

USD million	Quarters		First Half-Year		Full-Year
	Q2 2022	Q2 2021	2022	2021	2021
Exploration expenses (G&G and field surveys)	-2.6	-7.0	-5.3	-12.4	-19.1
Seismic costs	-1.3	-14.6	-1.8	-15.2	-37.6
Exploration cost capitalized in previous years carried to cost	-3.4	-	-3.4	-	-13.4
Exploration costs capitalized this year carried to cost	-36.0	-	-35.1	-	-40.7
Other exploration cost expensed	-4.3	-5.3	-7.9	-9.8	-21.5
Total exploration expenses	-47.7	-26.9	-53.5	-37.4	-132.3

Exploration costs capitalized carried to cost are mainly related to expensing of the Overly and Edinburgh exploration wells in the North Sea.

Note 6 | Income taxes

USD million	Quarters		First Half-Year		Full-Year
	Q2 2022	Q2 2021	Q2 2022	Q2 2021	2021
Tax income/-expense					
Change in deferred taxes	45.5	-37.3	12.1	-64.5	-115.2
Income tax receivable/-payable	-23.1	62.1	-56.6	94.3	98.9
Total tax income/-expense	22.3	24.8	-44.6	29.8	-16.3

USD million	At 30 Jun		At 31 Dec
	2022	2021	2021
Income tax receivable/-payable			
Tax receivables (non-current)	14.3	5.4	-
Tax receivables (current)	19.0	105.0	21.1
Income taxes payable	-47.6	-	-33.1
Net tax receivable/-payable	-14.4	110.4	-11.9
Deferred tax assets/-liabilities			
Deferred tax assets	11.2	43.8	29.3
Deferred tax liabilities	-221.4	-237.4	-267.3
Net deferred tax assets/-liabilities	-210.3	-193.6	-238.0

The tax balances relate to activity on the Norwegian Continental Shelf (NCS) and the UK Continental Shelf (UKCS). Current tax receivable of USD 19.0 million relate to tax refund of decommissioning spend on the UKCS for 2021 expected to be received during the third quarter of 2022. Non-current tax receivable of USD 14.3 million relate to tax refund of decommissioning spend on the UKCS for 2022 expected to be received during the third quarter of 2023. Current income tax payable of USD 47.6 million relate to taxable profits in 2022 on the NCS.

During June 2022, the Norwegian Parliament approved certain changes to the taxation of oil and gas companies operating on the NCS with effect from 1 January 2022. The companies can expense investments immediately in the special tax basis and receive cash refund of tax value of losses in the special tax basis. The uplift on investments is discontinued but will apply to the investments covered by the temporary changes, as approved by the parliament in June 2020. The ordinary corporate tax is deductible in the special tax basis and to maintain a combined marginal tax rate of 78 percent, the special tax rate is increased to 71.8 percent. Losses in the corporate tax basis are not eligible for refund but can be carried forward. Tax value of unused uplift and carried forward losses as of yearend 2021 will be paid out in connection with the 2022 tax assessment in November 2023. Provisions under the temporary changes extending beyond 2021 are not materially impacted. The tax effects of these changes are recognised in the second quarter of 2022.

Under the terms of the Production Sharing Contracts (PSC) in the Kurdistan region of Iraq, the Company's subsidiary, DNO Iraq AS, is not required to pay any corporate income taxes. The share of profit oil of which the government is entitled to is deemed to include a portion representing the notional corporate income tax paid by the government on behalf of DNO. Current and deferred taxation arising from such notional corporate income tax is not calculated for Kurdistan as there is uncertainty related to the tax laws of the KRG and there is currently no well-established tax regime for international oil companies. This is an accounting presentational issue and there is no corporate income tax required to be paid.

Profits/-losses by Norwegian companies from upstream activities outside of Norway are not taxable/deductible in Norway in accordance with the General Tax Act, section 2-39. Under these rules only certain financial income and expenses are taxable in Norway.

Note 7 | Intangible assets/ Property, plant and equipment (PP&E)

USD million	Quarters		First Half-Year		Full-Year
	Q2 2022	Q2 2021	2022	2021	2021
Additions of intangible assets	36.4	8.5	50.9	16.0	86.8
Additions of intangible assets through license acquisition	-	-	-	-	35.2
Divestments of intangible assets through license acquisition	-	-	-	-	-6.0
Transfers to/-from intangible assets	-131.2	-	-131.2	-	-125.7
Additions of tangible assets	115.2	64.4	182.3	107.8	206.4
Transfers to/-from tangible assets	131.2	-	131.2	-	129.7
Additions of right-of-use (RoU) assets	1.4	14.4	1.4	14.7	14.6
Depreciation, depletion and amortization (Note 4)	-48.1	-48.8	-99.6	-101.7	-206.0
Impairment oil and gas assets	-127.2	-12.6	-127.2	-12.6	-80.1
Exploration cost previously capitalized carried to cost (Note 5)	-39.5	-	-38.5	-	-54.1

Book values at the end of the reporting dates

USD million	At 30 Jun		At 31 Dec
	2022	2021	2021
Goodwill	65.8	161.7	88.3
Other intangible assets	84.9	322.6	232.4
Tangible assets (presented as part of the PP&E)	1,298.6	1,153.1	1,264.3
RoU assets (presented as part of the PP&E)	15.6	26.1	20.6

Additions of intangible assets are related to exploration and evaluation expenditures (successful efforts method), license interests and administrative software. Additions of tangible assets are related to oil and gas development and production assets including changes in estimate of asset retirement, and other tangible assets. Additions of right-of-use (RoU) assets are related to lease contracts under IFRS 16 *Leases*, see Note 11.

Transfers in the second quarter of 2022 relate to reclassification of the book value of Brasse (PL740) license from exploration phase (intangible assets) to development phase (tangible assets) following concept select.

Impairment assessment

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. An assessment of the recoverable amount is made when an impairment indicator exists. Goodwill is tested for impairment annually or more frequently when there are impairment indicators. Impairment is recognized when the carrying amount of an asset or a cash-generating unit (CGU), including associated goodwill, exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and the value in use.

During the second quarter of 2022, a net impairment charge of USD 127.2 million (USD 48.0 million post-tax) was recognized driven by downward revision of production profiles and acceleration of expected economic cut-off dates with corresponding impact on cost profiles at the Ula area CGU, and updated assessment of cost estimates for decommissioning the Schooner and Ketch fields.

USD million	Income statement:				Balance sheet:			
	Recoverable amount (post-tax)	Impairment -charge/ reversal (pre-tax)	Tax income/ -expense	Impairment -charge/ reversal (post-tax)	Goodwill	Asset retirement obligations	Deferred tax asset/ -liability	Currency effects
CGU, Segment								
Ula area, North Sea	92.0	-120.5	79.2	-41.3	-13.0	-	77.7	-0.7
Schooner and Ketch, North Sea	-	-6.7	-	-6.7	-	-	-	-0.1
Total	92.0	-127.2	79.2	-48.0	-13.0	-	77.7	-0.8

The table above shows the recoverable amounts and impairment charge or reversal for the CGUs which were impaired in the current quarter, and how it was recognized in the income statement and balance sheet.

The future Brent oil price is a key assumption in the impairment assessments and has significant impact on the recoverable amount of the Group's assets. In the impairment tests, the Brent oil price assumptions were based on the forward curve and observable broker and analyst consensus (2022: USD 103.4, 2023: USD 93.5, 2024: USD 85.0 and 2025: USD 78.4 per barrel in nominal terms). From 2026, the Brent oil price was based on the Group's long-term price assumptions (USD 65.0 per barrel, real term), unchanged from yearend 2021. The post-tax nominal discount rates (WACC) applied in the impairment tests were consistent with the discount rates applied at yearend 2021.

Note 8 | Financial investments

Financial investments are comprised of equity instruments and are recorded at fair value (market price, where available) at the end of the reporting period. Fair value changes are included in other comprehensive income (FVTOCI).

USD million	Quarters		Full-Year		At 31 Dec
	Q2 2022	Q2 2021	2022	2021	2021
Beginning of the period	23.1	17.3	16.2	12.6	12.6
Fair value changes through other comprehensive income (FVTOCI)	-4.3	0.7	2.6	5.4	3.6
Total financial investments end of the period	18.8	18.0	18.8	18.0	16.2

Financial investments relate to the Company's shares in RAK Petroleum plc.

As of 30 June 2022, the Company held a total of 15,849,737 shares in RAK Petroleum plc. RAK Petroleum plc is listed on the Oslo Stock Exchange. Through its subsidiary, RAK Petroleum Holdings B.V., RAK Petroleum plc is the largest shareholder in DNO ASA with 44.94 percent of the total issued shares. Change in fair value during the quarter was recognized in other comprehensive income.

Note 9 | Other non-current receivables/ Trade and other receivables

USD million	At 30 Jun		At 31 Dec
	2022	2021	2021
Trade debtors (non-current portion)	-	108.2	18.2
Other non-current receivables	0.2	3.0	1.3
Total other non-current receivables	0.2	111.2	19.4
Trade debtors	345.7	216.9	344.4
Underlift	19.0	59.6	17.2
Other short-term receivables	85.3	117.1	122.2
Total trade and other receivables	450.0	393.7	483.8

Total book value of trade debtors of USD 345.7 million as of 30 June 2022 relate mainly to the Tawke license arrears for 2019 and 2020 entitlement and override invoices (USD 86.7 million) excluding any interest, and to the outstanding invoices for Tawke license crude oil deliveries for the months April through June 2022 (USD 238.8 million). The Company expects at a minimum to recover the full nominal value of the arrears for 2019 and 2020, and DNO still aims to improve the terms of recovery of the arrears, including but not limited to interest payments. See also Note 13 regarding subsequent events after the reporting date.

The underlift receivable of USD 19.0 million as of 30 June 2022 relates to North Sea underlifted volumes. Other short-term receivables mainly relate to items of working capital in licenses in Kurdistan and the North Sea and accrual for earned income not invoiced in the North Sea.

Note 10 | Interest-bearing liabilities

Interest-bearing liabilities

USD million	Ticker	Facility currency	Facility amount/limit	Interest	Maturity	At 30 Jun		At 31 Dec
						2022	2021	2021
Non-current								
Bond loan (ISIN NO0010823347)	DNO02	USD	-	-	-	-	300.0	-
Bond loan (ISIN NO0010852643)	DNO03	USD	176.2	8.375 %	29/05/24	176.2	400.0	394.9
Bond loan (ISIN NO0011088593)	DNO04	USD	400.0	7.875 %	09/09/26	400.0	-	400.0
Capitalized borrowing issue costs						-13.2	-9.7	-16.5
Reserve based lending facility		USD	350.0	see below	see below	95.0	131.3	95.0
Total non-current interest-bearing liabilities						658.0	821.7	873.4
Current								
Reserve based lending facility (current)		USD	350.0	see below	see below	-	19.1	-
Total current interest-bearing liabilities						-	19.1	-
Total interest-bearing liabilities						658.0	840.7	873.4

Changes in liabilities arising from financing activities split on cash and non-cash changes

USD million	At 1 Jan 2022	Cash		Non-cash changes		At 30 Jun 2022
		flows	Amortization	Currency	Reclassification	
Bond loans	794.9	-218.7	-	-	-	576.2
Borrowing issue costs	-16.5	-	3.3	-	-	-13.2
Reserve based lending facility	95.0	-	-	-	-	95.0
Total	873.4	-218.7	3.3	-	-	658.0

USD million	At 1 Jan 2021	Cash		Non-cash changes		At 30 Jun 2021
		flows	Amortization	Currency	Reclassification	
Bond loans	800.0	-100.0	-	-	-	700.0
Borrowing issue costs	-15.4	-	5.8	-	-	-9.7
Reserve based lending facility	149.6	-	-	0.8	-19.1	131.3
Reserve based lending facility (current)	-	-	-	-	19.1	19.1
Total	934.2	-100.0	5.8	0.8	-	840.7

In May 2022, DNO ASA completed a USD 200 million partial call option redemption of the DNO03 bond (at a price of 103.35 percent plus accrued interest) and cancelled USD 23.8 million bonds previously acquired by the Company. Facility and carrying amount for the bonds is shown net of bonds held by the Company.

The Group has available a revolving exploration financing facility (EFF) in an aggregate amount of NOK 250 million with an uncommitted accordion option of NOK 750 million. The interest rate equals NIBOR plus a margin of 1.70 percent. Utilizations can be made until 31 December 2022.

The Group has a reserve-based lending (RBL) facility for its Norway and UK production licenses with a total facility limit of USD 350 million which is available for both debt and issuance of letters of credit. In addition, there is an uncommitted accordion option of USD 350 million. Interest charged on utilizations is based on LIBOR plus a margin ranging from 2.75 to 3.25 percent. The facility will amortize over the loan life with a final maturity date of 7 November 2026. The borrowing base amount of the facility from 1 July 2022 is USD 158 million. Amount utilized as of the reporting date is disclosed in the table above. In addition, USD 65.5 million is utilized in respect of letters of credit.

For additional information about the Group's interest-bearing liabilities, refer to the DNO ASA Annual Report and Accounts 2021. See also Note 13 regarding subsequent events after the reporting date.

Note 11 | Provisions for other liabilities and charges/ Lease liabilities

USD million	At 30 Jun		At 31 Dec
	2022	2021	2021
Non-current			
Asset retirement obligations (ARO)	380.6	414.0	386.3
Other long-term provisions and charges	5.0	4.1	3.6
Lease liabilities	8.1	18.1	12.5
Total non-current provisions for other liabilities and charges	393.7	436.3	402.4
Current			
Asset retirement obligations (ARO)	44.5	87.0	69.7
Other provisions and charges	31.0	26.3	34.8
Current lease liabilities	12.7	17.8	15.7
Total current provisions for other liabilities and charges	88.1	131.1	120.1
Total provisions for other liabilities and charges	481.9	567.4	522.6

Asset retirement obligations

The provisions for ARO are based on the present value of estimated future cost of decommissioning oil and gas assets in Kurdistan and the North Sea. The discount rates before tax applied were between 3.2 percent and 3.7 percent.

Non-cancellable lease commitments

The recognized lease liabilities in the balance sheet are mainly related to rig lease and office rent. In the second quarter of 2021, DNO entered into a rig lease agreement to perform decommissioning, plugging and abandonment at the Schooner and Ketch fields in the UK part of the North Sea. The rig lease was entered into with DNO as the operator of the licenses at the initial signing and subsequently partly allocated to the license partners (presented under non-current and current receivables). The rig lease was recognized on a gross basis, rather than based on DNO's working interest share (60 percent).

The identified lease liabilities have no significant impact on the Group's financing, loan covenants or dividend policy. The Group does not have any residual value guarantees. Extension options are included in the lease liability when, based on the management's judgement, it is reasonably certain that an extension will be exercised. Non-lease components are not included as part of the lease liabilities.

Undiscounted lease liabilities and maturity of cash outflows (non-cancellable):

USD million	At 30 Jun		At 31 Dec
	2022	2021	2021
Within one year	13.6	18.9	16.6
Two to five years	9.0	19.0	13.1
After five years	-	0.6	-
Total undiscounted lease liabilities end of the period	22.6	38.4	29.7

The table above summarizes the Group's maturity profile of the lease liabilities based on contractual undiscounted payments.

Note 12 | Trade and other payables

USD million	At 30 Jun		At 31 Dec
	2022	2021	2021
Trade payables	79.7	61.6	85.7
Public duties payable	2.2	2.4	6.1
Prepayments from customers	9.6	27.0	-
Overlift	7.7	0.8	17.3
Other accrued expenses	134.1	130.9	123.4
Total trade and other payables	233.3	222.6	232.6

Trade payables are non-interest bearing and normally settled within 30 days.

Trade payables and other accrued expenses include items of working capital related to participation in oil and gas licenses in Kurdistan and the North Sea, and prepayment from customers in the North Sea.

The overlift payable relates to North Sea overlifted volumes, valued at production cost including depreciation

Note 13 | Subsequent events after the reporting date

Payments from Kurdistan

Since end-Q2 2022, DNO received total USD 130.9 million from the KRG (net to DNO), of which USD 62.0 million represents DNO's entitlement share of April 2022 crude oil deliveries to the export market from the Tawke license in Kurdistan. Of the total balance, USD 8.4 million are override payments equivalent to three percent of gross April 2022 Tawke license revenues under the August 2017 receivables settlement agreement and USD 60.4 million are payments towards the Company's arrears relating to withheld payment of Tawke license 2019 and 2020 entitlement and override invoices.

Bond buyback

On 25 July 2022, the Company reported buybacks in the DNO03 bond (ISIN: NO0010852643) totaling USD 25.4 million which will be cancelled. Following cancellation, the outstanding amount of the DNO03 bond will be USD 150.7 million. The buybacks do not change the fixed maturity date of the DNO03 bond.

Edinburgh exploration well comes up dry

On 8 July 2022, the Company reported that the Edinburgh exploration well (30/14a- 5) drilled in offshore UK license P255 is being plugged and abandoned having failed to encounter commercial quantities of hydrocarbons in the prospect. The well was drilled to a total depth of 16,500 feet and encountered two sandstones of Jurassic age but wireline logging indicated no movable hydrocarbons within the sandstones. DNO holds a 45 percent interest in the Edinburgh prospect. The well, operated by Shell U.K. Limited, was drilled through a joint well agreement covering four separate, contiguous licenses, of which two are in the UK (P255 and P2401) and two in Norway (PL018ES and PL969). Data collected will be integrated with existing seismic data and further studies will be undertaken to assess the remaining potential within the licenses.

Alternative performance measures

DNO discloses alternative performance measures (APMs) as a supplement to the Group's financial statements prepared based on issued guidelines from the European Securities and Markets Authority (ESMA). The Company believes that the APMs provide useful supplemental information to management, investors, securities analysts and other stakeholders and are meant to provide an enhanced insight into the financial development of DNO's business operations, financing and future prospects and to improve comparability between periods. Reconciliations of relevant APMs, definitions and explanations of the APMs are provided below.

EBITDA

USD million	Quarters		First Half-Year	Full-Year
	Q2 2022	Q2 2021	2022	2021
Revenues	360.6	184.3	700.0	1,004.1
Lifting costs	-47.7	-48.1	-98.5	-184.2
Tariff and transportation	-7.6	-8.4	-14.2	-34.5
Movement in overlift/underlift	-0.3	18.8	13.6	-18.3
Exploration expenses	-47.7	-26.9	-53.5	-132.3
Administrative expenses	-2.5	3.3	-5.2	-16.2
Other operating income/expenses	1.4	-0.8	1.6	-11.5
EBITDA	256.1	122.2	543.7	241.4
EBITDAX				
USD million	Q2 2022	Q2 2021	2022	2021
EBITDA	256.1	122.2	543.7	241.4
Exploration expenses	47.7	26.9	53.5	37.4
EBITDAX	303.8	149.1	597.3	278.8
Netback				
USD million	Q2 2022	Q2 2021	2022	2021
EBITDA	256.1	122.2	543.7	241.4
Tax refund received/-taxes paid	-24.5	31.2	-36.8	46.4
Netback	231.6	153.4	506.9	287.8
USD million	Q2 2022	Q2 2021	2022	2021
Netback (USD million)	231.6	153.4	506.9	287.8
Net production (MMboe)	8.4	8.4	16.7	17.4
Netback (USD/boe)	27.7	18.2	30.4	16.6
Lifting costs				
USD million	Q2 2022	Q2 2021	2022	2021
Lifting costs (USD million)	-47.7	-48.1	-98.5	-184.2
Net production (MMboe)	8.4	8.4	16.7	17.4
Lifting costs (USD/boe)	5.7	5.7	5.9	5.3

Alternative performance measures (continued)

Capital expenditures

USD million	Quarters		First Half-Year		Full-Year
	Q2 2022	Q2 2021	2022	2021	2021
Purchases of intangible assets	-36.4	-8.5	-50.9	-16.0	-86.8
Purchases of tangible assets*	-77.5	-51.9	-144.6	-95.1	-193.8
Capital expenditures	-113.9	-60.4	-195.5	-111.2	-280.6

* Exclude estimate changes on asset retirement obligations.

Operational spend

USD million	Q2 2022	Q2 2021	2022	2021	2021
Lifting costs	-47.7	-48.1	-98.5	-92.0	-184.2
Tariff and transportation expenses	-7.6	-8.4	-14.2	-17.0	-34.5
Exploration expenses	-47.7	-26.9	-53.5	-37.4	-132.3
Exploration cost previously capitalized carried to cost (Note 5)	39.5	-	38.5	-	54.1
Purchases of intangible assets	-36.4	-8.5	-50.9	-16.0	-86.8
Purchases of tangible assets*	-77.5	-51.9	-144.6	-95.1	-193.8
Payments for decommissioning	-19.9	-32.6	-33.6	-44.6	-86.2
Operational spend	-197.4	-176.5	-356.8	-302.2	-663.8

* Exclude estimate changes on asset retirement obligations.

Free cash flow

USD million	Q2 2022	Q2 2021	2022	2021	2021
Net cash from/-used in operating activities	300.4	172.5	547.3	236.3	728.8
Capital expenditures	-113.9	-60.4	-195.5	-111.2	-280.6
Payments for decommissioning	-19.9	-32.6	-33.6	-44.6	-86.2
Free cash flow	166.5	79.5	318.2	80.5	362.0

Equity ratio

USD	2022	2021	2022	2021	2021
Equity			1,177.1	958.8	1,018.8
Total assets			2,819.2	2,827.1	2,947.8
Equity ratio			41.8%	33.9%	34.6%

Net debt

USD million	2022	2021	2021
Cash and cash equivalents (including restricted cash)	800.6	454.2	736.6
Bond loans and reserve based lending (Note 10)	671.2	850.4	889.9
Net cash/-debt	129.5	-396.2	-153.4

Alternative performance measures (continued)

Definitions and explanations of APMs

ESMA issued guidelines on APMs that came into effect on 3 July 2016. The Company has defined and explained the purpose of the following APMs:

EBITDA (Earnings before interest, tax, depreciation and amortization)

EBITDA, as reconciled above, can be found by excluding the DD&A and impairment of oil and gas assets from the profit/-loss from operating activities. Management believes that this measure provides useful information regarding the Group's ability to fund its capital investments and provides a helpful measure for comparing its operating performance with those of other companies.

EBITDAX (Earnings before interest, tax, depreciation, amortization and exploration expenses)

EBITDAX, as reconciled above, can be found by excluding the exploration expenses from the EBITDA. Management believes that this measure provides useful information regarding the Group's profitability and ability to fund its exploration activities and provides a helpful measure for comparing its performance with those of other companies.

Netback

Netback, as reconciled above, comprises EBITDA adjusted for taxes received/-paid. Management believes that this measure is useful because it provides an indication of the profitability of the Group's operating activities after taxes received/-paid without regard to significant events and/or decisions in the period that are expected to occur less frequently. This measure is also helpful for comparing the Group's operational performance between time periods and with those of other companies.

Netback (USD/boe)

Netback (USD/boe) is calculated by dividing netback in USD by the net production for the relevant period. Management believes that this measure is useful because it provides an indication of the profitability of the Group's operating activities after taxes received/-paid without regard to significant events and/or decisions in the period that are expected to occur less frequently, per net boe produced. This measure is also helpful for comparing the Group's operational performance between time periods and with that of other companies.

Lifting costs (USD/boe)

Lifting costs comprise of expenses related to the production of oil and gas, including operation and maintenance of installations, well intervention activities and insurances. DNO's lifting costs per boe are calculated by dividing DNO's share of lifting costs across producing assets by net production for the relevant period. Management believes that the lifting cost per boe is a useful measure because it provides an indication of the Group's level of operational cost effectiveness between time periods and with those of other companies.

Capital expenditures

Capital expenditures comprise the purchase of intangible and tangible assets irrespective of whether paid in the period. Management believes that this measure is useful because it provides an overview of capital investments used in the relevant period.

Operational spend

Operational spend is comprised of lifting costs, tariff and transportation expenses, exploration expenses, capital expenditures and payments for decommissioning. Management believes that this measure is useful because it provides a complete overview of the Group's total operational costs, capital investments and payments for decommissioning used in the relevant period.

Equity ratio

The equity ratio is calculated by dividing total equity by the total assets. Management uses the equity ratio to monitor its capital and financial covenants (see Note 9 in the consolidated accounts). The equity ratio also provides an indication of how much of the Group's assets are funded by equity.

Free cash flow

Free cash flow comprises net cash from/-used in operating activities less capital expenditures and payments for decommissioning. Management believes that this measure is useful because it provides an indication of the profitability of the Group's operating activities excluding the non-cash items of the income statement and includes operational spend. This measure also provides a helpful measure for comparing with that of other companies.

Net debt

Net debt comprises cash and cash equivalents less bond loans and reserve based lending facility. Management believes that net debt is a useful measure because it provides indication of the minimum necessary debt financing (if the figure is negative) to which the Group is subject at the reporting date.

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