6 COUNTRIES | 2 CONTINENTS

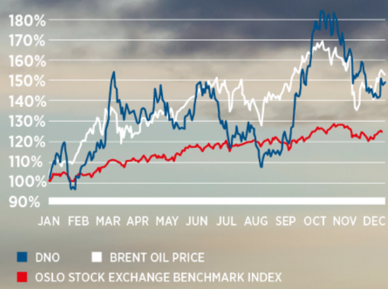
— 90 LICENCES —

The Kurdistan region of Iraq, the Kingdom of Norway, the United Kingdom, the Netherlands, the Republic of Ireland and the Republic of Yemen

WORKFORCE

1,327

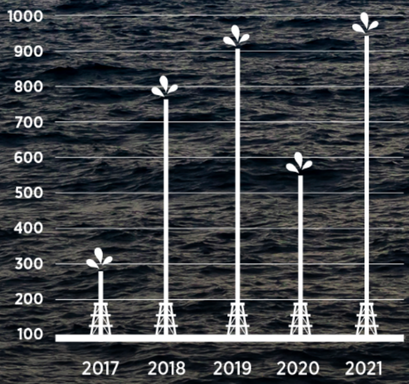
SHARE PRICE DEVELOPMENT



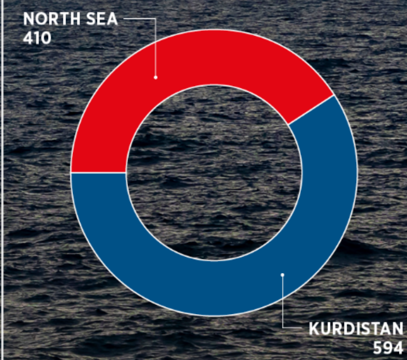
DNO ASA
ANNUAL REPORT AND ACCOUNTS
2021

REVENUES (USD million)

1,004

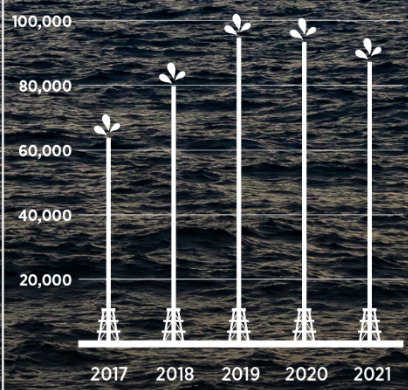


REVENUE SPLIT (USD million)



NET PRODUCTION (boepd)

94,477



OPERATING PROFIT (USD million)

320.9

"Oil and gas are back. DNO never left."

Bijan Mossavar-Rahmani
Executive Chairman

NET 2P RESERVES (MMboe)

321.4

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Highlights

On the fiftieth anniversary of its founding, DNO[1] reported record revenues exceeding USD 1 billion in 2021, up 63 percent from a year earlier on the back of high oil and gas prices and solid production performance. Annual operating profit climbed to USD 321 million, reversing an operating loss of USD 315 million in 2020. Strong 2021 free cash flow of USD 362 million drove a 68 percent reduction in net debt to USD 153 million at yearend.

Notwithstanding reduced drilling activity due to the Covid-19 pandemic and related budget cuts, DNO managed to maintain gross operated production of 108,700 barrels of oil per day (bopd) at its flagship Tawke license in the Kurdistan region of Iraq (Kurdistan), representing 81,500 bopd net to DNO. North Sea net production averaged 12,900 barrels of oil equivalent per day (boepd), bringing the Company's total 2021 net production to 94,500 boepd.

Starting in the third quarter of 2021, DNO ramped up its drilling activity on the Tawke license, aiming to keep license production essentially unchanged in 2022. Also contributing to enhanced oil recovery within the license is the USD 110 million Peshkabir-Tawke gas project commissioned in mid-2020. During 2021, 7.6 billion cubic feet of otherwise flared gas, equivalent to 461,500 tonnes of CO2, was captured at the Peshkabir field and injected into the Tawke field for pressure support.

In late December 2021, the DNO-operated Baeshiqa license development was approved by the Kurdistan Regional Government (KRG). The project represents DNO's first new field development in Kurdistan since the start-up of Peshkabir in 2017, and as with Peshkabir, the Company is fast-tracking production, targeting organic growth in Kurdistan overall.

In the North Sea, DNO is positioned to grow as new production comes on stream. Currently, the Company is involved in the ongoing Fenja field development as well as holding a stake in four PDOs (plan for development and operation) projects targeting 2022 sanction, including DNO-operated Brasse. North Sea exploration continues to be prioritized following two likely commercial discoveries in 2021. Seven North Sea exploration wells are planned for 2022, all in proven basins and close to existing infrastructure.

At yearend 2021, DNO held 90 licenses across its portfolio. In Kurdistan, DNO continues to produce what are among the lowest cost barrels in the global oil and gas industry while the North Sea offers high quality exploration opportunities. With a record-high operational spend of USD 800 million planned in 2022, DNO remains committed to explore for and produce oil and gas in a commercially attractive but also socially responsible and environmentally sensitive manner.

[1] DNO ASA and the companies in which it directly or indirectly owns are separate and distinct entities. However, in this report, the terms "DNO", "Company" and "Group" may be used for convenience where reference is made to those companies. Likewise, the words "we", "us", "our" and "ourselves" may be used with respect to the companies of the DNO Group.

Key figures

Key financials (USD million)	2021	2020
Revenues	1,004.1	614.9
EBITDAX	739.3	378.8
EBITDA	606.9	322.8
Operating profit/-loss	320.9	-314.5
Net profit/-loss	203.9	-285.9
Netback	781.6	559.1
Free cash flow	362.0	150.5
Operational spend	663.8	511.4
Net debt	153.4	472.5
Lifting costs (USD/boe)	5.3	4.9
Netback (USD/boe)	22.7	15.3

Key operational data	2021	2020
Gross operated production (boepd)	108,713	110,282
Net production (boepd)*	94,477	100,063
Sales volume (boepd)	42,171	54,382
Net 2P reserves (MMboe)*	321.4	359.9

* Effective from 2021, the Company reports its net production, reserves and resources based on the percentage ownership in all of its licenses. Prior to 2021, the Company reported its net figures from licenses governed by PSCs/PSAs on a Company Working Interest (CWI) basis. Comparison figures are updated accordingly. See Note 23 for further details.

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

Board of Directors

Bijan Mossavar-Rahmani
Executive Chairman

Bijan Mossavar-Rahmani is an experienced oil and gas executive and has served as the Company's Executive Chairman of the Board of Directors since 2011.

Mr. Mossavar-Rahmani serves concurrently as Executive Chairman of Oslo-listed RAK Petroleum plc, the Company's largest shareholder. He is a Trustee of the New York Metropolitan Museum of Art where he chairs the audit committee and a member of Harvard University's Global Advisory Council. He has published more than ten books on global energy markets and was decorated Commandeur de l'Ordre National de la Côte d'Ivoire for services to the energy sector of that country. Mr. Mossavar-Rahmani is a graduate of Princeton (AB) and Harvard Universities (MPA). He is a member of the nomination and remuneration committees.

Lars Arne Takla
Deputy Chairman

Lars Arne Takla has extensive experience from various managerial, executive and board positions in the international oil and gas industry.

Mr. Takla has held various managerial positions with ConocoPhillips, including Managing Director and President of the Scandinavian Division. He was Executive Chairman of the Norwegian Energy Company ASA between 2005 and 2011. Mr. Takla was appointed Commander of the Royal Norwegian Order of St. Olav for his strong contribution to the Norwegian petroleum industry. He holds a Master of Science degree in chemical engineering from the Norwegian University of Science and Technology. He was elected to the Company's Board of Directors in 2012 and is a member of the HSSE committee.

Elin Karfjell
Director

Elin Karfjell is Director of Property Development and Management at Statsbygg and has held various management positions across a broad range of industries.

Ms. Karfjell has been Managing Partner of Atelika AS and has served as Chief Executive Officer of Fabi Group, Director of Finance and Administration at Atea AS and partner of Ernst & Young AS and Arthur Andersen. Other board directorships include Philly Shipyard ASA, North Energy ASA and Contesto AS. Ms. Karfjell is a state authorized public accountant. She has a Bachelor of Science in Accounting from Oslo and Akershus University College of Applied Sciences and a Higher Auditing degree from the Norwegian School of Economics and Business Administration. Ms. Karfjell was elected to the Company's Board of Directors in 2015 and is a member of the audit committee.

Board of Directors

Gunnar Hirsti
Director

Gunnar Hirsti has extensive experience from various managerial, executive and board positions in the oil and gas industry as well as the information technology industry in Norway.

Mr. Hirsti was Chief Executive Officer of DSND Subsea ASA (now Subsea 7 S.A.) for a period of six years. He also served as Executive Chairman of the Board of Blom ASA for eight years. Mr. Hirsti holds a degree in drilling engineering from Tønsberg Maritime Høyskole in Norway. He was elected to the Company's Board of Directors in 2007 and is a member of the audit and remuneration committees.

Shelley Watson
Director

Shelley Watson began her career as a reservoir surveillance and facilities engineer with Esso Australia in its offshore Bass Strait operation.

Ms. Watson has held management positions with Novus Petroleum, Indago Petroleum and RAK Petroleum PCL where she served as General Manager until 2014. She was appointed as Chief Operating Officer of RAK Petroleum plc in February 2017 and Chief Financial Officer in May 2017. Ms. Watson holds a First Class Honours degree in chemical engineering and a Bachelor of Commerce degree from the University of Melbourne. She has served on the Company's Board of Directors since 2010 and is a member of the audit and HSSE committees.

Board of Directors' report

Introduction

2021 full-year results highlights

- Revenues of USD 1,004 million in 2021, up from USD 615 million in 2020;
- Kurdistan revenues totaled USD 594 million (2020: USD 369 million) and North Sea revenues totaled USD 410 million (2020: USD 246 million);
- Operating profit of USD 321 million in 2021, compared to an operating loss of USD 315 million in 2020;
- Operational spend of USD 664 million, up from USD 511 million in 2020;
- Yearend cash balance of USD 737 million, up from USD 477 million at yearend 2020;
- Gross production at the Tawke license in Kurdistan, containing the Tawke and Peshkabir fields, averaged 108,713 bopd compared to 110,282 bopd in 2020;
- Net production of 94,477 boepd, down from 100,063[2] boepd in 2020; and
- Net proven and probable (2P) reserves of 321 million barrels of oil equivalent (MMboe), compared to 360 MMboe at yearend 2020.

For a detailed financial review, see section on financial performance.

Our vision and strategic priorities

DNO's vision is to remain a leading, growth-oriented exploration and production company with a focus on the Middle East and the North Sea, with the aim of delivering attractive returns to shareholders by finding and producing oil and gas at low cost and at an acceptable level of risk in a socially responsible and environmentally sensitive manner. To achieve this vision, our strategic priorities include:

- Increasing production through the development of our existing reserves base;
- Growing reserves and contingent resources through focused exploration and appraisal drilling;
- Maintaining operational control, financial flexibility and the efficient allocation of capital in line with DNO's full-cycle business model to deliver growth at a low unit cost;
- Encouraging an entrepreneurial culture and attracting the best talent in the industry;
- Pursuing materially accretive acquisitions;
- Recognizing our corporate governance responsibilities and commitments and managing risks to the business;
- Being a leader in health, safety, security and environmental best practices in our areas of operation; and
- Minimize gas flaring to conserve resources and control emissions.

Production strength and capacity

DNO reported gross operated production in 2021 of 108,713 bopd, slightly down from 110,282 boepd in 2020. DNO's net production stood at 94,477 boepd in 2021, down from 100,063 boepd in 2020.

[2] Effective from 2021, the Company reports its net production, reserves and resources based on the percentage ownership in all of its licenses. Prior to 2021, the Company reported its net figures from licenses governed by PSCs/PSAs on a Company Working Interest (CWI) basis. Comparison figures are updated accordingly. See Note 23 for further details.

With net 2P reserves totaling 321 MMboe across its portfolio, DNO has the asset base to sustain material levels of production over the long term.

Organic reserves and resource growth

Done in a structured manner, successful exploration can be one of the most cost-efficient methods of delivering significant reserves growth and associated value creation. At DNO, we focus our efforts on areas where we have in-depth knowledge of the subsurface, playing to our technical and operational strengths as a fractured carbonate specialist, notably in Kurdistan. We also benchmark each prospect so that capital deployed to exploration is only allocated to those opportunities that meet our technical, financial and strategic requirements. Looking ahead, we will continue to actively pursue opportunities in high potential basins across the Middle East and the North Sea, with the goal of transforming resources into reserves at a low unit cost.

Operational control and financial flexibility

We operate our most significant oil and gas asset and have the experienced team and operational capabilities to efficiently deliver our work programs. To maintain the financial strength and flexibility to fund growth opportunities, we will look to internally generated funds and, when necessary, to international capital markets to strengthen the Company's balance sheet.

During 2021, DNO had an average lifting cost of USD 5.3 per boe (2020: USD 4.9 per boe).

Encouraging an entrepreneurial culture

DNO's growth and success revolve around the quality and commitment of our people. We are an entrepreneurial company with a flat organizational structure which means we can make decisions quickly and execute flexibly. Our employment practices and policies help our staff realize their full potential. We are committed to developing local talent in each of our areas of operations.

Mergers and acquisitions

In addition to organic growth, we continuously evaluate new assets and take an opportunistic approach to potential acquisitions.

Corporate governance and managing risk

One of our priorities is to ensure that DNO is a responsible and transparent enterprise. We are committed to the highest standards of corporate governance, business conduct and corporate social responsibility. Recognizing that the success of an oil and gas company is directly linked to how well risks are managed, we seek to improve our systems designed to identify and effectively manage risks. We are also committed to the health, safety and security of our employees, contractors and the communities in which we operate, as well as to working continuously to reduce the environmental impact of our activities including with respect to greenhouse gas (GHG) emissions. Please refer to the Country-by-Country Report 2021 in page 88 of this report and the Company's latest Corporate Social Responsibility (CSR) Report for more information. The CSR report is available on the Company's website.

Operations review

Annual Statement of Reserves and Resources

The Company's Annual Statement of Reserves and Resources (ASRR) has been prepared in accordance with the Oslo Stock Exchange listing and disclosure requirements Circular No. 1/2013. International petroleum consultants DeGolyer and MacNaughton carried out an independent assessment of the Tawke license (containing the Tawke and Peshkabir fields) and the Baeshiqa license in Kurdistan. International petroleum consultants Gaffney, Cline & Associates carried out an independent assessment of DNO's licenses in Norway and the United Kingdom (UK). The Company internally assessed Yemen Block 47.

At yearend 2021, DNO's net proven (1P) reserves stood at 196.1 million barrels of oil equivalent (MMboe), compared to 216.9 MMboe at yearend 2020, after adjusting for production during the year and upward technical revisions. On a 2P reserves basis, DNO's net reserves stood at 321.4 MMboe, compared to 359.9 MMboe at yearend 2020. On a proven, probable and possible (3P) reserves basis, DNO's net reserves were 420.6 MMboe, compared to 549.6 MMboe at yearend 2020. DNO's net 2C resources were 189.5 MMboe, compared to 151.3 MMboe at yearend 2020.

DNO's net production in 2021 totaled 34.5 MMboe (of which 29.8 million barrels of oil (MMbbls) in Kurdistan, 4.5 MMboe in Norway and the balance in the UK), compared to 36.6 MMboe in 2020 (of which 30.3 MMbbls in Kurdistan, 6.0 MMboe in Norway and the balance in the UK).

The Company's net yearend 2021 Reserve Life Index (R/P) stood at 5.7 years on a 1P reserves basis, 9.3 years on a 2P reserves basis and 12.2 years on a 3P reserves basis.

The ASRR report for 2021 is available on the Company's website.

Kurdistan

Tawke license

Gross production from the Tawke license, containing the Tawke and Peshkabir fields, averaged 108,713 bopd during 2021 (110,282 bopd in 2020). The Tawke field contributed 46,933 bopd (57,570 bopd in 2020) and Peshkabir field contributed 61,780 bopd (52,712 bopd in 2020).

Drilling at the Tawke field resumed in the third quarter of 2021 after an 18-month pause. With few new wells, production decline has been partially offset by gas injection and workovers. At yearend, four new Tawke field development wells had been spudded, in addition to four Peshkabir wells spudded during the year.

DNO's USD 110 million Peshkabir-Tawke gas project, which was commissioned in mid-2020, captured and injected 7.6 billion cubic feet (461,500 tonnes of CO_2) of Peshkabir gas that would otherwise have been flared into the Tawke field in 2021.

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

Baeshiqa license

In August 2021, the Kurdistan Regional Government approved DNO's acquisition of ExxonMobil Kurdistan Region of Iraq Limited's (ExxonMobil) remaining 32 percent interest in the Baeshiqa license, doubling DNO's operated stake. In parallel, commerciality was declared on the license and development plans submitted. Shortly before yearend, the first phase field development plan for the license was approved by the Kurdistan Regional Government, clearing the way for a fast-track project to deliver early production from previously drilled but suspended discovery wells. The Baeshiqa development is DNO's first new field development in Kurdistan since the startup of the Peshkabir field in 2017.

At yearend, DNO held a 64 percent operated interest in the Baeshiqa license (80 percent paying interest) with partners being Turkish Energy Company Limited (TEC) with a 16 percent interest (20 percent paying interest) and the KRG with a 20 percent carried interest.

RESERVES

On a net basis at yearend 2021, 1P reserves in the Company's Kurdistan portfolio totaled 162.2 MMbbls (175.8 MMbbls at yearend 2020), 2P reserves totaled 267.4 MMbbls (295.4 MMbbls at yearend 2020) and 3P reserves totaled 348.5 MMbbls (453.7 MMbbls at yearend 2020). Net 2C resources were 71.3 MMbbls, compared to 26.9 MMbbls at yearend 2020.

At the Tawke license containing the Tawke and Peshkabir fields, at yearend 2021 gross 1P reserves stood at 216.2 MMbbls (162.2 MMbbls on a net basis), compared to 234.4 MMbbls (175.8 MMbbls on a net basis) at yearend 2020. At yearend 2021 gross 2P reserves stood at 356.6 MMbbls (267.4 MMbbls on a net basis), compared to 393.9 MMbbls (295.4 MMbbls on a net basis) at yearend 2020. At yearend 2021, gross 3P reserves stood at 464.7 MMbbls (348.5 MMbbls on a net basis), compared to 604.9 MMbbls (453.7 MMbbls on a net basis) at yearend 2020. At yearend 2021, gross 2C resources stood at 47.6 MMbbls (35.7 MMbbls on a net basis), compared to 17.7 MMbbls (13.3 MMbbls on a net basis) at yearend 2020.

The Baeshiqa license contains two large structures with multiple independent stacked target reservoirs, including in the Cretaceous, Jurassic and Triassic formations. The structures at Baeshiqa and Zartik have the potential to be part of a single accumulation of hydrocarbons at one or more of the geological formation intervals. At the Baeshiqa structure and following a discovery in 2019, testing and appraisal of the Baeshiqa-2 exploration well was concluded in 2020. The well tested hydrocarbons to surface from multiple Jurassic and Triassic zones. The Company performed additional appraisal studies in 2021.

At yearend 2021, gross 2C resources at the Baeshiqa structure stood at 48.4 MMbbls (31.0 MMbbls on a net basis), compared to 37.8 MMbbls (12.1 MMbbls on a net basis) at yearend 2020.

At the Zartik structure, the Company completed drilling and testing of Zartik-1 exploration well in 2020. The well tested hydrocarbons to surface from several Jurassic zones. The Company performed additional appraisal studies in 2021.

At yearend 2021, gross 2C resources at the Zartik structure stood at 7.4 MMbbls (4.7 MMbbls on a net basis), compared to 4.7 MMbbls (1.5 MMbbls on a net basis) at yearend 2020.

At the license level and at yearend 2021, gross 2C resources stood at 55.7 MMbbls (35.7 MMbbls on a net basis), compared to 42.5 MMbbls (13.6 MMbbls on a net basis) at yearend 2020.

North Sea

DNO had diversified production across 10 fields in the North Sea of which eight are in Norway and two in the UK. Net production averaged 12,942 boepd during 2021 (17,352 boepd in 2020), of which 12,469 boepd were attributable to Norway and 473 boepd to the UK (16,465 boepd and 887 boepd in 2020).

In 2021, North Sea production was down compared to 2020 due to natural decline and planned maintenance.

DNO maintained a high activity level drilling seven development wells and five exploration wells in Norway during the year. This resulted in four discoveries, of which two likely commercial, notably Røver Nord and the deeper Åre formation of the Bergknapp discovery made in 2020.

Also in Norway, the DNO-operated Brasse project as well as the partner-operated Iris-Hades, Gjøk and Orion discoveries target 2022 PDO sanction, supporting the Company’s North Sea growth ambitions.

DNO-operated plugging and abandonment operations on the Oselvar field in Norway and Ketch field in the UK were completed during 2021.

In January 2022, the Company’s wholly-owned subsidiary DNO Norge AS was awarded participation in 10 exploration licenses, of which three are operatorships, under Norway's Awards in Predefined Areas (APA) 2021 licensing round.

RESERVES

At yearend 2021, DNO held 73 licenses in Norway in various stages of exploration, development and production. Across its Norway portfolio and on a net basis, DNO’s 1P reserves totaled 33.2 MMboe, 2P reserves stood at 52.3 MMboe, 3P reserves totaled 70.2 MMboe and 2C resources stood at 112.2 MMboe.

In 2021, DNO had an active exploration and appraisal program in Norway resulting in the Røver Nord discovery in License PL923 and increasing the size of the 2020 Bergknapp discovery in License PL836 S. Gross 2C resources at these licenses stood at 40.5 MMboe (8.1 MMboe on a net basis) and 83.5 MMboe (25.1 MMboe on a net basis), respectively.

On a net basis, at yearend 2020 DNO’s portfolio of 76 licenses in Norway held 1P reserves of 40.0 MMboe, 2P reserves of 63.1 MMboe, 3P reserves of 94.0 MMboe and 2C resources of 118.7 MMboe.

In the UK, DNO held 11 licenses at yearend 2021. On a net basis, 1P reserves totaled 0.7 MMboe, 2P reserves stood at 1.6 MMboe, 3P reserves totaled 1.9 MMboe and 2C resources stood at 1.1 MMboe.

At yearend 2020, DNO held 16 licenses in the UK with 1P reserves of 1.0 MMboe, 2P reserves of 1.4 MMboe, 3P reserves of 1.9 MMboe and 2C resources of 0.9 MMbbls, all on a net basis.

Yemen

Production start-up at the Yaalen field at Block 47 in Yemen remains on hold due to force majeure. At yearend 2021, gross 2C resources at Block 47 stood at 6.2 MMbbls (4.8 MMbbls on a net basis), unchanged from yearend 2020.

Business development

In August 2021, the KRG approved DNO’s acquisition of ExxonMobil’s remaining 32 percent interest in the DNO-operated Baeshiqa license, doubling DNO’s stake. In parallel, commerciality was declared on the license and development plans submitted. Shortly before yearend, the first phase field development plan for the license was approved by the KRG, clearing the way for a fast-track project to deliver early production from previously drilled but suspended discovery wells. The Baeshiqa development is DNO’s first new field development in Kurdistan since the startup of the Peshkabir field in 2017.

Following DNO’s re-entry into the North Sea through strategic 2017 and 2019 acquisitions, DNO became a full cycle North Sea player with a significant portfolio of exploration, production and development projects and an experienced North Sea oil and gas team. In 2021, DNO continued to high-grade its North Sea portfolio through a combination of licensing round awards, license transactions and relinquishments of licenses considered not sufficiently attractive.

DNO continues to develop a pipeline of new business opportunities with a focus on the Middle East and the North Sea. It actively pursues growth opportunities across the exploration and production lifecycle, including exploration, development and production, both organically as well as through potential mergers and acquisitions.

Financial performance

Revenues, operating profit and cash

Total revenues in 2021 stood at USD 1,004.1 million, up 63 percent from USD 614.9 million in 2020 on the back of high oil and gas prices and solid production. Kurdistan revenues stood at USD 594.3 million (USD 369.1 million in 2020), while the North Sea generated revenues of USD 409.8 million (USD 245.8 million in 2020).

The Group reported an annual operating profit of USD 320.9 million, reversing operating loss of USD 314.5 million in 2020. The operating profit in 2021 was mainly driven by improved oil and gas prices, lower depreciation and impairments, partly offset by higher expensed exploration.

The Group ended the year with USD 736.6 million in cash and USD 153.4 million in net debt, compared to USD 477.1 million and USD 472.5 million at yearend 2020, respectively.

Net cash flows from operating activities for the year was USD 728.8 million, compared to USD 406.2 million in 2020. The North Sea tax refunds of USD 174.7 million received during the year contributed to the strong 2021 cash flows from operating activities. The difference between the cash generated from operations from the cash flow statement and the operating profit relates mainly to depreciation, impairments and exploration write-offs.

Cost of goods sold

In 2021, the total cost of goods sold was USD 443.1 million, compared to USD 590 million in 2020. The decrease in cost of goods sold was mainly due to lower depreciation, depletion and amortization (DD&A), driven by lower DD&A per boe (from USD 17.9 per boe in 2020 to USD 13.4 per boe in 2021) and reduced production in 2021.

Lifting costs in 2021 totaled USD 184.2 million, compared to USD 181.1 million in 2020. Lifting costs per barrel in Kurdistan stood at USD 3.3 in 2021 (USD 3.1 per barrel in 2020). Lifting costs per boe in the North Sea stood at USD 17.9 in 2021 (USD 13.6 per boe in 2020). The increase in the North Sea lifting cost per boe was driven by changes in relative production between the different fields.

Impairment charges

The Group's total impairment charges stood at USD 80.1 million in 2021 (USD 276 million in 2020). The 2021 impairments were mainly driven by revision of reserves and contingent resources and revision of cost estimates for decommissioning in the North Sea.

Exploration costs expensed

Total expensed exploration costs for the year were USD 132.3 million, up from USD 55.9 million in 2020, primarily driven by higher expensing of wells and seismic purchase in the North Sea.

Capital expenditures

Total capital expenditures for the year were USD 280.6 million in 2021, up from USD 225 million in 2020 driven by higher activities at the Tawke license in Kurdistan.

Assets, liabilities and equity

At yearend 2021, total assets stood at USD 2,947.8 million, compared to USD 2,708.7 million at yearend 2020. The increase in total assets was mainly due to higher trade debtors following rising oil and gas prices and increase in cash balance, partly offset by a decrease in the book value of oil and gas assets including goodwill. Total property, plant and equipment (PP&E), intangible assets and goodwill decreased from USD 1,644.7 million at yearend 2020 to USD 1,605.5 million at yearend 2021.

Total liabilities increased from USD 1,863 million at yearend 2020 to USD 1,929 million at yearend 2021, primarily explained by increase in deferred tax liabilities mainly due to favourable tax depreciation rules, recorded income tax payable and higher trade payables and accruals driven by increased license activities. The increase in liabilities was partly offset by repayment of borrowings. The equity ratio stood at 34.6 percent at yearend 2021 (31.2 percent at yearend 2020).

Going concern

As required under the Norwegian Accounting Act, the Company's Board of Directors conducted a review of the going concern assumption considering all relevant information available up to the date the DNO ASA consolidated and Company accounts are issued and taking into account all available information about the future covering at least 12 months from the reporting date. The Board of Directors' review included in particular assessment of the Group's projected cash reserves and access to financing arrangements considering its operational outlook and work programs including its capital-intensive development projects, while maintaining appropriate headroom in respect of liquidity and financial covenant compliance throughout the assessment period.

In making these assessments, the Board of Directors continued to monitor the uncertainty caused by the Covid-19 pandemic and its effects on the global economy, while also noting the gradually loosening of travel restrictions since the reporting date. The Board of Directors also assessed the February 2022 ruling by the Federal Supreme Court of Iraq (FSCI) on the KRG's constitutional rights and powers as regards oil and gas as further detailed under the section on enterprise risk management. It is currently not clear how this ruling will be followed up. To date there has been no effect on operations but any development will be closely monitored. In assessing the effect on going concern the Board of Directors considered the potential effects of any significant interruption in the settlement of receivables from the KRG. Were such an interruption to arise, the Board of Directors would reassess the levels of capital investment at the Tawke and Baeshiqa licenses as was the case during the initial stages of the Covid-19 pandemic. The Board of Directors noted the Company's current cash balance when reaching its going concern conclusion.

Moreover, the Board of Directors noted the significant improvement in oil and gas prices, the build-up of the cash balance and the Group's reported remaining proven and probable oil and gas reserves that permit cash flow generation covering the forecast period.

Stress testing was carried out at lower oil and gas price scenarios. Sufficient liquidity and covenant compliance can be maintained through the going concern assessment period in the base case and the stress test.

Following its review, the Board of Directors confirmed, pursuant to the Norwegian Accounting Act section 3-3a, that the requirements of the going concern assumption are met and that these financial statements have been prepared on that basis.

Corporate governance

DNO's corporate governance policy is based on the recommendations of the Norwegian Code of Practice for Corporate Governance. The Company is currently reviewing the updated October 2021 recommendations and is considering future implementation.

The Articles of Association and the Norwegian Public Limited Liability Companies Act form the corporate legal framework for DNO's business activities. In addition, DNO is subject to, and complies with, the requirements of Norwegian securities legislation.

The Group regularly reports on its strategy and the status of its business activities through annual reports, half-year and full-year results and other market presentations and releases.

Equity and dividends

SHAREHOLDERS’ EQUITY

It is DNO’s policy to maintain a strong credit profile and robust capital ratios. We therefore monitor capital on the basis of our equity ratio, with a policy that this ratio should be 30 percent or higher. As of 31 December 2021, this ratio was 34.6 percent. The Board of Directors considers this figure to be satisfactory given the Group’s business objectives, strategy and risk profile.

DIVIDEND POLICY

The Board of Directors assesses on an annual basis whether dividend payments should be proposed for approval at the Annual General Meeting (AGM). Assessment is based on planned capital expenditure, cash flow projections and DNO’s objective of maintaining a strong credit profile and robust capital ratios.

At the 2020 AGM, 99.8 percent of the votes cast approved the resolution to authorize the Board of Directors to approve a dividend distribution of up to NOK 0.20 per share from the date of the AGM until 31 December 2020 and a distribution of dividend of up to NOK 0.20 per share from 1 January 2021 until the date of the 2021 AGM. Due to continued uncertainty relating to Covid-19 pandemic, these authorizations were not utilized.

At the 2021 AGM, all the votes cast approved the resolution to authorize the Board of Directors to approve a dividend distribution of up to NOK 0.20 per share from the date of the AGM until 31 December 2021 and a distribution of dividend of up to NOK 0.20 per share from 1 January 2022 until the date of the 2022 AGM. In December 2021, the Company’s Board of Directors approved a dividend payment of NOK 0.20 which was made on 30 December 2021 to all shareholders of record as of 22 December 2021. In March 2022, the Company’s Board of Directors approved a dividend payment of NOK 0.20 per share to be made on or about 21 March 2022 to all shareholders of record as of 15 March 2022.

OTHER AUTHORIZATIONS TO THE BOARD OF DIRECTORS

At the 2021 AGM, the Board of Directors was given the authority to acquire treasury shares with a total nominal value of up to NOK 24,385,818. The maximum amount to be paid per share is NOK 100 and the minimum amount is NOK 1. Purchases of treasury shares are made on the Oslo Stock Exchange. The authorization is valid until the 2022 AGM, but not beyond 30 June 2022. As of 31 December 2021, the Company held no treasury shares.

The Board of Directors was also given the authority to increase the Company’s share capital by up to NOK 36,578,727, which corresponds to 146,314,908 new shares. The authorization is valid until the 2022 AGM, but not beyond 30 June 2022.

In addition, the Board of Directors was given the authority to raise convertible bonds with an aggregate principal amount of up to USD 300,000,000. Upon conversion of bonds issued pursuant to this authorization, the Company’s share capital may be increased by up to NOK 36,578,727. The authorization is valid until the 2022 AGM, but not beyond 30 June 2022.

Equal treatment of shareholders and transactions with related parties

The Company has one class of shares and each share represents one vote. We are committed to treating all shareholders equally.

All transactions between the Company and related parties shall be on arm’s length terms. Members of the Board of Directors and executive management are required to notify the board if they have any direct or indirect material interest in any transaction entered into by the Company.

For more information about related party transactions, see Note 21 in the consolidated accounts.

Freely negotiable shares

The Company’s shares are listed on the Oslo Stock Exchange and are freely negotiable.

General meetings

The AGM, usually held by the end of May each year, is the highest authority of the Company. The minutes of the meetings are available on the Company’s website.

AGMs are convened by written notice to all shareholders with a known address and published on the Company’s website together with all appendices, including the recommendations of the nomination committee. The notice is sent and published no later than 21 days prior to the date of the meeting. Any person who is a shareholder at the time of the AGM can attend and vote, provided that they have been registered as a shareholder no later than the fifth working day before the meeting.

Shareholders unable to attend a general meeting may vote through a proxy.

In accordance with the Norwegian Public Limited Liability Companies Act, the auditor of DNO, or shareholders representing at least five percent of the share capital, may request an extraordinary general meeting to deal with specific matters. The Board of Directors must ensure that the meeting is held within one month after the request has been submitted.

Board of Directors’ composition and independence

The Company’s Articles of Association require that the Board of Directors consist of three to seven members. All members, including the Executive Chairman, are elected by the AGM for a period of two years.

As of 31 December 2021, the Board of Directors consisted of five members, all of whom have relevant and broad experience. Three members are independent of the Company’s main shareholders. There are two women on the board. The majority of the members are independent of the Company’s executive management and material business contacts.

The members’ shareholdings are specified in the notes to the consolidated accounts.

The Board of Directors' work

The role of the Board of Directors is to supervise the Company's executive management and strategic development in accordance with the long-term interests of the Company's shareholders and other stakeholders.

The Board of Directors is subject to a set of procedural rules that, among other things, defines its responsibilities and the matters to be discussed at board level. The Board of Directors also regularly establishes work directives for the Managing Director.

Directors' and officers' insurance

The Company has directors' and officers' liability insurance which covers the cost of compensation claims made against the Company's directors and key managers (officers) for alleged wrongful acts.

The Board of Directors' committees

AUDIT COMMITTEE

The audit committee consists of three members: Mr. Gunnar Hirsti (chair), Ms. Shelley Watson and Ms. Elin Karfjell. Its mandate includes ensuring the quality and accuracy of the Company's financial reporting process and making recommendations to ensure its integrity. The committee is also responsible for monitoring internal control, risk management and internal audit of the Company within its limits as an independent party and reviewing and monitoring the appointment, independence and performance of the external auditor.

HSSE COMMITTEE

The HSSE (health, safety, security and environment) committee consists of Mr. Lars Arne Takla (chair) and Ms. Shelley Watson. Its mandate is to review the Company's management of operational HSSE risks and performance.

REMUNERATION COMMITTEE

The remuneration committee consists of two members: Mr. Bijan Mossavar-Rahmani and Mr. Gunnar Hirsti. Its mandate is to consider matters relating to the compensation of executive management.

NOMINATION COMMITTEE

The Company's nomination committee consists of Mr. Bijan Mossavar-Rahmani and two external members, Ms. Anita Marie Hjerkinn Aarnæs and Mr. Kåre Tjønneland. Its mandate is to propose candidates for the Board of Directors and its various committees to the AGM. It also proposes the level of remuneration for the Board of Directors.

It is the Company's assessment that it is in the interest of DNO and its shareholders that the largest shareholder is represented on the nomination committee. To ensure the independence of the nomination committee, it also consists of two additional members who are both considered independent of the Board of Directors and the Company's main shareholders.

REMUNERATION OF DIRECTORS

The remuneration of the Board of Directors and its committees is decided by the AGM based on a recommendation from the nomination committee. Fees reflect the Board of Directors' responsibility, competence, workload and the complexity of the business and are determined separately for the Executive Chairman, the Deputy Chairman and other members. Additional fees are applied on a uniform basis for each director's participation in the committees. Further information about the Board of Directors' remuneration is presented in the parent company accounts (see Note 3).

Remuneration of executive management

The remuneration of the Company's executive management, including the Managing Director, is subject to the evaluation and recommendation of the remuneration committee. The remuneration of the Company's Managing Director is evaluated annually and approved by the Board of Directors.

The remuneration of executive management is presented in the parent company financial statements (see Note 3).

Responsibility for risk management and internal control

Risk management is integral to all of the Group's activities. Each member of executive management is responsible for continuously monitoring and managing risk within the relevant business areas. Every material decision is preceded by an evaluation of applicable business risks.

Reports on the Group's risk exposure and reviews of its risk management are regularly undertaken and presented to the executive management and the Board of Directors through the audit committee. The Company has an internal audit function and a compliance function whose responsibilities include ensuring regulatory requirements and internal policies are followed.

Information and communication

Our policy is to provide material information to all shareholders in a timely manner.

DNO's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and additional disclosure requirements in the Norwegian Accounting Act. Interim reports and other relevant information are published on DNO's website and through the Oslo Stock Exchange.

We also publish an annual financial calendar setting out key dates and events, such as regular market presentations. The DNO investor relations' policy encourages open communication with capital markets and shareholders. In addition to scheduled half-year and full-year presentations, we regularly hold presentations for investors and analysts.

Takeover

The Board of Directors has a responsibility to ensure that, in the event of a takeover bid, business activities are not disrupted unnecessarily. The Board of Directors also has a responsibility to ensure that shareholders have sufficient information and time to assess any such bid. Should a takeover situation arise, the Board of Directors would undertake an evaluation of the proposed bid terms and provide a recommendation to the shareholders as to whether or not to accept the proposal. The recommendation statement would clearly state whether the Board of Directors' evaluation is unanimous and the reasons for any dissent.

Auditor

DNO’s external auditor is elected at the AGM, which also approves the auditor’s fees for the parent company. The auditor annually presents an audit plan to the audit committee and participates in audit committee meetings to review the Group’s internal control and risk management systems. The auditor also participates in board meetings when considered appropriate, with and without executive management present.

Information about the auditor’s fees, including a breakdown of audit related fees and fees for other services, is included in the notes to the financial statements in accordance with the Norwegian Accounting Act.

DNO’s external auditor is Ernst & Young AS.

Enterprise risk management

The objective of DNO’s risk management is to identify potential exposures that may impact the Group and to manage identified risks within strict guidelines while pursuing our business objectives. We review our risk profile on a quarterly basis, incorporating industry-recognized risk identification and quantification processes. The Board of Directors and its committees also regularly monitor the Group’s risk management systems and internal controls.

Financial risk

Risks related to oil and gas prices, interest rates and currency exchange rates, liquidity risk, concentration risk and credit risk constitute financial risks for the Group. In order to minimize any potentially adverse effects from such risks, financial risk is managed by the Group finance function under policies approved by the Board of Directors. For more information about how we manage financial risk, see Note 9 in the consolidated accounts.

Entitlement risk

DNO has interests in two licenses in Kurdistan through Production Sharing Contracts (PSCs) and has based its entitlement calculations on the terms of these PSCs. In 2012, the Federal Government of Iraq (FGI) challenged the constitutional validity of the Kurdistan Oil and Gas Law No. 27/2007 (KOGL) and the right of the KRG to export oil independently of the FGI. The Company notes from public reports that on 15 February 2022, the FSCI ruled on this matter along with another related matter dating back to 2019. Reportedly, the FSCI found amongst other things that the KOGL is unconstitutional, that the KRG is to hand over all oil production from areas located in the KRI to the 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 legal proceedings, and it is unclear how the KRG and the FGI will follow up on the ruling. At present, normal operations are maintained at the Tawke and Baeshiqa licenses.

Due to disagreements between the FGI and the KRG, economic conditions in Kurdistan and limited available export channels, DNO has historically faced constraints in fully monetizing the oil it produces in Kurdistan. Following the ruling and pending follow up by the KRG and FGI, constraints remain.

There is no guarantee that oil and gas can be exported in sufficient quantities or at prices required to sustain its operations and investment plans or that the Group will promptly receive its full entitlement payments for the oil and gas it delivers for export. Export sales have not always followed the PSC terms and there has been uncertainty related to receipt of payments. The Group has accumulated a receivable against the KRG after certain 2019 and 2020 entitlement and override payments to the Group and other KRI oil exporters were withheld early in 2020 by the KRG in connection with the Covid-19 pandemic. Entitlement payments were resumed in March 2020 and override payments were resumed in early 2021. In December 2020, a plan was put in place by the KRG to pay the international oil companies operating in Kurdistan 50 percent of incremental revenue in any month in which Brent prices exceed USD 50 per barrel towards the arrears for 2019 and 2020. In May 2021, the KRG informed the international oil companies of revised terms reducing the payment of the arrears to 20 percent of incremental revenue in any month in which Brent prices exceed USD 50 per barrel. The KRG also advised that all international oil company invoices, including towards the arrears, will be settled within 60 days of receipt. The Company expects at a minimum to recover the full nominal value of the withheld receivables, and DNO continues to work to improve the terms of recovery of the arrears, including but not limited to interest payments. During 2021, the outstanding arrears were reduced from USD 259 million at the start of the year to USD 169 million at yearend.

Operational risk

DNO is exposed to operational risks across its portfolio. Operational risk applies to all stages of upstream operations, including exploration, development and production. Failure to manage operations efficiently can manifest itself in project delays, cost overruns, higher-than-estimated operating costs and lower-than-expected oil and gas production and/or reserves. Exploration activities are capital intensive and involve a high degree of geological risk. Sustained exploration failure can affect the future growth and upside potential of DNO.

Our ability to effectively manage and deliver value from our exploration, development and production activities is dependent on the quality of our staff and contractors. Inefficiency or interruption to our supply chain or the unwillingness of service contractors to engage in our areas of operation may also negatively affect operations.

Although Covid-19 and related restrictions continued to affect the Group’s operations in 2021, the Group managed to avoid any major business disruptions from the pandemic.

Environmental risk

Oil and gas exploration and production, by its nature, involves exposure to potentially hazardous materials. The loss of containment of hydrocarbons or other dangerous substances could represent material risks. Through our operational controls, environmental impact assessments, asset integrity protocols and management systems related to health, safety and the environment, we aim to mitigate hazards with a potentially adverse impact on people, the environment, our assets, our profitability and our reputation.

Climate-related risk

Based on the Company's assessment, the most important climate-related risks relate to uncertainty over future oil and gas demand, future commodity prices and CO2 pricing. Increasing concerns about climate-related risk may affect investor appetite for oil and gas investments, inhibiting the Group's ability to obtain funding, and also reduce the Company' attractiveness as an employer and business partner.

In the North Sea, carbon prices have been rising through CO2 taxes, emissions trading schemes and carbon price floors. Policies requiring electrification of offshore oil and gas production may also increase North Sea operational costs.

In Kurdistan, the Government in 2021 introduced a requirement for oil companies to put plans in place to curb gas flaring and thus reduce emissions. While the Group is a pioneer in flaring reduction measures in Kurdistan, having built the first gas capture and injection facilities in the region at the Tawke license, stricter policies or sanctions may add to the Group's operational cost.

In preparing these financial statements, management has considered the impact of climate-related risks by assessing the potential effects of stricter climate policies on its oil and gas portfolio. To assess the robustness of its oil and gas assets, the Company has run sensitivities with the oil and gas price assumptions described by scenarios outlined by the International Energy Agency (IEA) in their World Energy Outlook (WEO) reports, namely the Stated Policies Scenario and the Sustainable Development Scenario. Based on this limited scenario analysis, the Company does not note any significant impact on its book values of oil and gas assets (see Note 10) or exploration and development projects.

In addition to the financial aspects mentioned above, climate change may represent a physical risk to personnel and facilities in the form of increased frequency and severity of extreme weather events, flooding and erosion.

Security risk

Although some of our operations are in regions with security risks, we continuously work to manage these risks through clearly defined security protocols and practices. Nevertheless, we are often dependent on the quality of the security and protection provided by authorities in our host countries.

Compliance risk

DNO has a policy of zero tolerance for corruption, bribery and other illegal or inappropriate business conduct. Violations of compliance laws and contractual obligations can result in fines and a deterioration in the Group's ability to effectively execute its business plans. DNO adheres to a strict and comprehensive conflict of interest policy, trade sanctions and other policies focused on the Group's Code of Conduct to ensure regulatory and company expectations are met. The Company encourages its personnel to raise concerns about unethical or illegal behavior and breaches of DNO's Code of Conduct or other Company policies. The Company also has a confidential channel for those who wish to raise such matters in strict privacy or anonymously.

Political risk

Our portfolio is located in some countries where political, social and economic instability may adversely impact our business. Relevant political developments on both the federal and regional level in Iraq is closely observed by the Group. In Kurdistan, we continue to monitor security conditions although our operations to date have seen minimal impact from regional developments.

Stakeholder risk

In order to operate effectively, it is necessary for the Company to maintain productive and proactive relationships with our stakeholders, host governments, business partners and the communities in which we operate. Failure to do so can result in difficulties in progressing initiatives as well as delays to ongoing operations.

HSSE performance

Our HSSE standards, procedures and protocols are based on the following principles:

- Avoid harm to all involved in, or affected by, our operations;
- Minimize and where possible eliminate the impact of our operations on the environment;
- Comply with all applicable legal and regulatory requirements; and
- Achieve continuous improvement in HSSE performance.

During 2021:

- Our Total Recordable Injury Frequency was 0.48, compared to 0.62 in 2020.
- There were three Lost Time Injuries during the year, compared to one in 2020.
- No Serious Vehicle Accident took place despite distances driven of 2.6 million kilometers.
- Total GHC emissions from operated assets in Kurdistan and the North Sea and from all DNO's offices and travel stood at 426,109 tonnes of CO2 equivalent, compared to 422,643 tonnes in 2020.
- DNO's total GHG emissions were made up of 424,040 tonnes of CO2 in Scope 1 emissions, 342 tonnes of CO2 in Scope 2 emissions, and 1,726 tonnes of CO2 in Scope 3 emissions.
- The number of spills/leaks stood at 6, compared to 23 in 2020; and
- The total volume spilled was 32 barrels compared to 6 barrels in 2020, most of which was removed and remediated.

We seek to ensure the integrity of our facilities, starting with design and continuing with robust maintenance focused in particular on safety critical equipment.

We continue to work with our employees and third-party contractors on programs to improve safety performance.

Organization and personnel

At yearend 2021, DNO had a workforce of 1,327 employees, of which 12 percent were women. A total of 59 individuals were based at the Company's headquarters in Oslo and 1,268 were engaged across our international operations, including in business unit offices in Erbil, Stavanger, Dubai and Aberdeen. Our workforce is characterized by strong cultural, religious and national diversity, with some 43 nationalities represented.

At yearend 2021, the Board of Directors consisted of five members, two of whom are women (40 percent). Executive management consisted of one woman (13 percent) and seven men.

The Company is committed to maintain a working environment with equal opportunities for all based on qualifications, irrespective of gender, ethnicity, sexual orientation or disability. In 2021, DNO initiated extensive mapping of compensation levels and promotion practices across the Company, aiming to identify and mitigate any biases.

The Company has stepped up recruitment and promotion of women. At yearend 2021, women represented 34 percent of employees in managerial, administrative and other non-field operational positions. In the Erbil office, women represented 28 percent of all employees; the comparable figure was 21 percent in the Dubai office and 46 percent in the Oslo and Stavanger offices.

There were no incidents of discrimination reported through the internal mechanisms for raising concern in 2021.

Sickness absence in the Group in 2021 was 1.4 percent, compared to 1.1 percent in 2020.

Covid-19
In mid-March 2020, the Company implemented various prevention measures, including work from home, testing and quarantine as appropriate at each location and as guided by local authorities. This continued throughout 2021.

Workforce diversity in DNO Norway
In Norway, DNO had a workforce of 149 employees at yearend 2021, of which 46 percent were women. A total of four employees have worked part time during 2021, of which 50 percent were women. No employees in DNO work part time unless they have initiated or proposed it themselves. A total of 14 employees were on parental leave. Women had an average of 23.5 weeks of parental leave and men had an average of 13 weeks of parental leave.

Salary mapping of 2021 average women's salaries and bonuses compared to those of their male colleagues in the same job category is shown below in descending order of seniority for Norway-based employees:

Women's compensation as percentage of those of men's:	Base salary	Bonus
Level 1	74%	74%
Level 2	106%	106%
Level 3	95%	95%
Level 4	91%	91%
Level 5	-	-
All employees	61%	61%

Men and women with the same level of jobs, with equal professional experience and who perform equally well receive the same pay in DNO. The complexity of the job, discipline area and work experience affect the pay level of individual employees.

Diversity is an important part of our key human resources processes such as recruitment, succession planning, promotions, performance management and employee development. In 2022, DNO plans to establish a Diversity and Inclusion Policy expressing the principles to be followed, with clear targets and a plan for action.

Working environment in DNO Norway
DNO has a Working Environment Committee (AMU/WEC) as required under the Norwegian Working Environment Act. The committee has an important role in monitoring and improving the working environment and in ensuring that the Company complies with laws and regulations in this area. The Company is committed to maintaining an open and constructive dialogue with the employee representatives and arranged meetings on a regular basis throughout the year. In the Board of Directors' view, the working environment in DNO during 2021 was good as confirmed through WEC meetings and employee satisfaction surveys.

Executive remuneration policy

The 2021 remuneration of the Company's executive management was based on the latest approved remuneration guidelines and DNO's remuneration practice detailed below. Updated guidelines will be presented at the 2022 AGM.

Remuneration policy for 2021

Any remuneration, bonuses or other incentive schemes must reflect the duties and responsibilities of the employees and add long-term value for shareholders.

Fixed remuneration
The Board of Directors did not set any upper or lower limit for the fixed salary of executive management for 2021 beyond the main principles set out above.

Variable remuneration
In addition to fixed salary, variable remuneration can be used to recruit, retain and reward employees. For executive management, such remuneration can include cash bonuses and share-based compensation. Annual bonuses, when awarded, are based on corporate results and/or individual performance. Other types of variable remuneration include newspaper, mobile phone and broadband communication subscriptions paid in accordance with established rates.

Pensions
DNO has a defined contribution scheme for its Norway-based employees which meets the Norwegian legal requirements for mandatory occupational pensions.

Employee Synthetic Share Program
The Board of Directors continued its employee synthetic share program in 2021. The purpose of the program was to: (i) align the interests of executive management and other employees with those of shareholders; (ii) reward value creation; and (iii) provide retention incentives. The Board of Directors determines whether to set allocation criteria, conditions or thresholds for the scheme.

Severance agreements
Severance payment agreements may be entered into selectively.

Executive management

BJØRN DALE
Managing Director
Mr. Dale joined DNO in 2011. Mr. Dale holds a Master of Law degree from the University of Oslo and an Executive MBA from the Stockholm School of Economics.

CHRIS SPENCER
Chief Operating Officer
Mr. Spencer joined DNO in 2017. Mr. Spencer previously served as CEO of Rocksource ASA and in various roles at Royal Dutch Shell and BP. Mr. Spencer is a Chartered Engineer with the Institution of Chemical Engineers in the United Kingdom.

HAAKON SANDBORG
Chief Financial Officer
Mr. Sandborg joined DNO in 2001. In addition to his oil and gas experience, he has a background in banking, including positions at DNB Bank. Mr. Sandborg holds a Master of Business Administration from the Norwegian School of Business Administration.

NICHOLAS WHITELEY
Chief Commercial Officer
Dr. Whiteley joined DNO in 2015. Dr. Whiteley previously served as General Manager of Exploration of Cairn India. He started his career at BP and has a Master of Science degree in Earth Sciences from the University of Cambridge and a PhD from the University of Oxford.

TOM ALLAN
General Manager Kurdistan region of Iraq

Mr. Allan joined DNO in 2019. Mr. Allan previously served as COO of Oilserv and in various operational and managerial roles at Schlumberger. Mr. Allan holds a Bachelor of Science degree in Engineering from the Royal Military College of Canada.

ØRJAN GJERDE
General Manager DNO North Sea
Mr. Gjerde joined DNO in 2017. Mr Gjerde previously served as CFO of Noreco and in management roles at various oil services companies. Mr. Gjerde is a state authorized public accountant and obtained his Master level degree in Accounting and Auditing from the Norwegian School of Economics.

GEIR ARNE SKAU
Director Human Resources and Corporate Services

Mr. Skau joined DNO in 2019. Mr. Skau previously served in the Norwegian Armed Forces and in various human resources leadership roles at TechnipFMC. Mr. Skau was educated at the Norwegian Military Academy.

TONJE PARELI GORMLEY
General Counsel - Middle East
Ms. Gormley joined DNO in 2018 upon secondment as a partner from the law firm Arntzen de Besche and has since permanently joined DNO. Ms. Gormley holds a Master level degree in law from the University of Oslo and a diploma in law from the London Metropolitan University.

Parent company

The parent company, DNO ASA, reported annual net profit of USD 222.1 million, reversing the net loss of USD 319.1 million in 2020. The net profit in 2021 was mainly driven by higher received dividends from subsidiaries and lower write-downs of the book value of shares in subsidiaries. Total assets as of 31 December 2021 stood at USD 1,224.4 million, up from USD 1,091.6 million at yearend 2020. The increase in total assets was mainly due to a higher cash balance following the dividends received, partially offset by write-downs of the book value of shares in subsidiaries. The parent company’s cash balance at yearend 2021 was USD 515 million, up from USD 299.7 million at yearend 2020. Total liabilities decreased from USD 951.3 million at yearend 2020 to USD 905.9 million at yearend 2021 mainly due to a reduction in long-term intercompany liabilities. Total equity at yearend 2021 was USD 318.5 million, up from USD 140.3 million in 2020. The equity ratio was 26 percent (12.8 percent at yearend 2020).

A dividend of USD 21.8 million was distributed and paid in 2021. In addition, a dividend of USD 22.1 million was accrued at yearend 2021 in the parent company accounts (see Note 22). The Board of Directors will recommend that the shareholders approve the transfer of the net profit of USD 222.1 million to retained earnings at the forthcoming AGM.

Main events since yearend

On 18 January 2022, the Company announced that its wholly-owned subsidiary DNO Norge AS has been awarded participation in 10 exploration licenses, of which three are operatorships, under Norway's Awards in Predefined Areas (APA) 2021 licensing round. Of the 10 new licenses, six are in the North Sea and four in the Norwegian Sea.

Following yearend 2021, DNO has received USD 153.3 million for the months October and November 2021 towards the respective month’s entitlement share of oil deliveries to the export market from the Tawke license, override payments equivalent to three percent of gross revenues under the August 2017 Receivables Settlement Agreement and arrears relating to withheld payment of 2019 and 2020 entitlement and override invoices.

The Company notes from public reports that on 15 February 2022, the FSCI ruled amongst other things that the Kurdistan Oil and Gas Law is unconstitutional, that the KRG is to hand over all oil production from areas located in the KRI to the 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 legal proceedings, and it is unclear how the KRG and the FGI will follow up on the ruling. At present, normal operations are maintained at the Tawke and Baeshiqa licenses. The Company continues to monitor the situation. Any future impacts of this ruling and subsequent actions by the FGI and the KRG cannot currently be estimated but may impact the operations and financial performance of the Group.

On 9 March 2022, the Company announced that pursuant to the authorization granted at the 2021 AGM, the Board of Directors has decided to distribute a dividend payment of NOK 0.20 per share to be made on or about 21 March 2022 to all shareholders of record as of 15 March 2022.

The Company notes the implications for commodity prices and potential interruptions of supply chains and third-party services from the ongoing Russia-Ukraine armed conflict. DNO is monitoring international sanctions and trade control legislation in order to mitigate the potential impact on the Company’s operations.

Responsibility statement

DNO ASA's consolidated financial statements for the period 1 January to 31 December 2021 have been prepared and presented in accordance with IFRS as adopted by the EU and additional disclosure requirements in the Norwegian Accounting Act. The separate financial statements for DNO ASA for the period 1 January to 31 December 2021 have been prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards. We confirm to the best of our knowledge that the consolidated and separate financial statements for the period 1 January to 31 December 2021 have been prepared in accordance with applicable accounting standards and give a fair view of the assets, liabilities, financial position and results for the period viewed in their entirety, and that the Board of Directors' report includes a fair review of any significant events that arose during the period and their effect on the financial statements, any significant related parties' transactions and a description of the significant risks and uncertainties to which the Group and the parent company are exposed.

Oslo, 16 March 2022

Bijan Mossavar-Rahmani *Executive Chairman*	Lars Arne Takla *Deputy Chairman*	Shelley Watson *Director*
Elin Karfjell *Director*	Gunnar Hirsti *Director*	Bjørn Dale *Managing Director*

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Consolidated statements of comprehensive income

USD million	Note	1 January - 31 December 2021	2020
Revenues	2, 3	1,004.1	614.9
Cost of goods sold	4	-443.1	-590.0
Gross profit		**561.0**	**24.9**
Other income/-expenses		0.5	-
Administrative expenses	5	-16.2	-4.8
Other operating expenses	5	-12.0	-2.7
Impairment oil and gas assets	10	-80.1	-276.0
Exploration expenses	6	-132.3	-55.9
Operating profit/-loss		**320.9**	**-314.5**
Financial income	7	26.0	19.8
Financial expenses	7	-126.7	-131.0
Profit/-loss before income tax		**220.1**	**-425.8**
Tax income/-expense	8	-16.3	139.8
Net profit/-loss		**203.9**	**-285.9**
Other comprehensive income			
Currency translation differences		-12.5	-3.6
Items that may be reclassified to profit or loss in later periods		**-12.5**	**-3.6**
Net fair value changes from financial instruments	11	3.6	-8.4
Items that are not reclassified to profit or loss in later periods		**3.6**	**-8.4**
Total other comprehensive income, net of tax		**-8.9**	**-12.0**
Total comprehensive income, net of tax		**195.0**	**-298.0**
Net profit/-loss attributable to:			
Equity holders of the parent		**203.9**	**-285.9**
Non-controlling interests		**-**	**-**
Total comprehensive income attributable to:			
Equity holders of the parent		**195.0**	**-298.0**
Non-controlling interests		**-**	**-**
Earnings per share, basic (USD per share)	19	0.21	-0.29
Earnings per share, diluted (USD per share)	19	0.21	-0.29
Weighted average number of shares outstanding (millions)		975.43	975.73

Consolidated statements of financial position

USD million	Note	Years ended 31 December 2021	2020
ASSETS			
Non-current assets			
Deferred tax assets	8	29.3	47.4
Goodwill	10	88.2	162.0
Other intangible assets	10	232.4	308.6
Property, plant and equipment	10	1,284.9	1,174.1
Financial investments	11	16.2	12.6
Other non-current receivables	12	19.4	182.4
Total non-current assets		**1,670.4**	**1,887.1**
Current assets			
Inventories	4	35.8	41.9
Trade and other receivables	12	483.8	239.6
Tax receivables	8	21.1	63.1
Cash and cash equivalents	13	736.6	477.1
Total current assets		**1,277.3**	**821.6**
TOTAL ASSETS		**2,947.8**	**2,708.7**
EQUITY AND LIABILITIES			
Equity			
Shareholders' equity	14	1,018.8	845.6
Total equity		**1,018.8**	**845.6**
Non-current liabilities			
Deferred tax liabilities	8	267.3	178.8
Interest-bearing liabilities	15	873.4	934.2
Lease liabilities	16	12.5	13.9
Provisions for other liabilities and charges	16	389.9	440.1
Total non-current liabilities		**1,543.2**	**1,566.9**
Current liabilities			
Trade and other payables	18	232.6	180.3
Income taxes payable	8	33.1	-
Current lease liabilities	16	15.7	3.8
Provisions for other liabilities and charges	16	104.4	112.0
Total current liabilities		**385.8**	**296.1**
Total liabilities		**1,929.0**	**1,863.0**
TOTAL EQUITY AND LIABILITIES		**2,947.8**	**2,708.7**

Oslo, 16 March 2022

Bijan Mossavar-Rahmani
Executive Chairman

Lars Arne Takla
Deputy Chairman

Shelley Watson
Director

Elin Karfjell
Director

Gunnar Hirsti
Director

Bjørn Dale
Managing Director

Consolidated cash flow statements

USD million	Note	1 January - 31 December 2021	2020
Operating activities			
Profit/-loss before income tax		220.1	-425.8
Adjustments to add/-deduct non-cash items:			
Exploration cost previously capitalized carried to cost	6	54.1	17.5
Depreciation, depletion and amortization	4	206.0	361.4
Impairment oil and gas assets	10	80.1	276.0
Amortization of borrowing issue costs		9.4	7.6
Accretion	7,16	17.7	17.0
Interest expense	7	74.2	87.3
Interest income	7	-1.7	-5.3
Other		1.0	1.0
Changes in working capital items and provisions:			
- Inventories		5.0	-13.7
- Trade and other receivables	12	-99.5	41.1
- Trade and other payables		55.1	-108.5
- Provisions for other liabilities and charges		3.8	-2.7
Cash generated from operations		**625.3**	**252.9**
Tax refund received		174.7	236.3
Interest received		1.7	2.7
Interest paid		-73.0	-85.7
Net cash from/-used in operating activities		**728.8**	**406.2**
Investing activities			
Purchases of intangible assets		-86.8	-62.8
Purchases of tangible assets		-193.8	-162.2
Payments for decommissioning		-86.2	-30.7
Proceeds from license transactions		4.7	-
Net cash from/-used in investing activities		**-362.0**	**-255.7**
Financing activities			
Proceeds from borrowings	15	400.0	152.3
Repayment of borrowings	15	-459.0	-290.3
Purchase of treasury shares	14	-	-17.8
Payment of debt issue costs		-15.6	-
Paid dividend	14	-22.2	-
Payments of lease liabilities		-8.6	-3.4
Net cash from/-used in financing activities		**-105.4**	**-159.1**
Net increase/-decrease in cash and cash equivalents		261.5	-8.6
Cash and cash equivalents at beginning of the period		477.1	485.7
Exchange gain/-losses on cash and cash equivalents		-2.0	-0.0
Cash and cash equivalents at end of the period	**13**	**736.6**	**477.1**
Of which restricted cash	13	15.8	13.6

In prior years adjustments for interest income, interest expense, accretion expense and amortization of borrowing issue costs were included in Other. Effective from 2021, these are shown in separate lines. Comparable figures are updated accordingly.

Purchases of intangible assets that were related to capitalized exploration costs were previously shown net of exploration write-downs. Effective from 2021, these are shown gross (before exploration write-downs), while the exploration write-downs are shown separately in the line Exploration cost previously capitalized carried to cost. Comparable figures are updated accordingly.

Consolidated statements of changes in equity

USD million	Share capital	Share premium	Other paid-in capital/Other reserves	Other comprehensive income: Fair value changes equity instruments	Other comprehensive income: Currency translation difference	Retained earnings	Total equity
Total shareholders' equity as of 31 December 2019	**33.3**	**247.7**	**-30.2**	**44.5**	**-61.4**	**927.4**	**1,161.3**
Fair value changes from equity instruments	-	-	-	-8.4	-	-	-8.4
Currency translation differences	-	-	-	-	-3.6	-	-3.6
Other comprehensive income	**-**	**-**	**-**	**-8.4**	**-3.6**	**-**	**-12.0**
Profit/-loss for the period	-	-	-	-	-	-285.9	-285.9
Total comprehensive income	**-**	**-**	**-**	**-8.4**	**-3.6**	**-285.9**	**-298.0**
Purchase of treasury shares	-0.4	-	-17.3	-	-	-	-17.7
Payment of dividend	-	-	-	-	-	-	-
Transactions with shareholders	**-0.4**	**-**	**-17.3**	**-**	**-**	**-**	**-17.7**
Transfers	**-**	**-**	**47.5**	**-**	**-**	**-47.5**	**-**
Total shareholders' equity as of 31 December 2020	**32.9**	**247.7**	**-**	**36.1**	**-65.0**	**593.9**	**845.6**

USD million	Share capital	Share premium	Other paid-in capital/Other reserves	Other comprehensive income: Fair value changes equity instruments	Other comprehensive income: Currency translation difference	Retained earnings	Total equity
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	-	-	-	3.6	-	-	3.6
Currency translation differences	-	-	-	-	-12.5	-	-12.5
Other comprehensive income	**-**	**-**	**-**	**3.6**	**-12.5**	**-**	**-8.9**
Profit/-loss for the period	-	-	-	-	-	203.9	203.9
Total comprehensive income	**-**	**-**	**-**	**3.6**	**-12.5**	**203.9**	**195.0**
Payment of dividend	-	-	-	-	-	-21.8	-21.8
Transactions with shareholders	**-**	**-**	**-**	**-**	**-**	**-21.8**	**-21.8**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total shareholders' equity as of 31 December 2021	**32.9**	**247.7**	**-**	**39.7**	**-77.5**	**776.0**	**1,018.8**

See Note 11 for details regarding fair value changes from equity instruments.

Note 1

Summary of IFRS accounting principles

Principal activities and corporate information

The principal activities of the Group are international oil and gas exploration, development and production operations.

DNO ASA is a Norwegian public limited liability company organized and existing under the laws of Norway pursuant to the Norwegian Public Limited Liability Companies Act (“allmennaksjeloven”). The Company was incorporated on 6 August 1971 and its registration number in the Norwegian Register of Business Enterprises is 921 526 121. The shares in the Company have been listed on the Oslo Stock Exchange since 1981, currently under the ticker "DNO". The Company's registered office is located at Dokkveien 1, 0250 Oslo, Norway. DNO’s activities are mainly undertaken in the Middle East and the North Sea. DNO is included in the consolidated accounts of RAK Petroleum plc (RAK Petroleum).

Statement of compliance

The consolidated financial statements of DNO ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and additional disclosure requirements in the Norwegian Accounting Act, effective as of 31 December 2021. The consolidated financial statements were approved by the Board of Directors on 16 March 2022.

Basis for preparation

The consolidated financial statements have been prepared on a historical cost basis, with the following exemptions: liabilities related to share-based payments and investments in equity instruments classified as financial investments at fair value through other comprehensive income are recognized at fair value. As permitted by International Accounting Standard (IAS) 1 *Presentation of Financial Statements* and in conformity with industry practice, the expenses in the consolidated statements of comprehensive income are presented as a combination of nature and function as this gives the most relevant and reliable presentation for the Group.

Due to rounding, the figures in one or more rows or columns included in the financial statements and notes may not add up to the subtotals or totals of that row or column.

Going concern

As required under the Norwegian Accounting Act, the Company’s Board of Directors conducted a review of the going concern assumption considering all relevant information available up to the date the DNO ASA consolidated and Company accounts are issued and taking into account all available information about the future covering at least 12 months from the reporting date. The Board of Directors’ review included in particular assessment of the Group’s projected cash reserves and access to financing arrangements considering its operational outlook and work programs including its capital-intensive development projects, while maintaining appropriate headroom in respect of liquidity and financial covenant compliance throughout the assessment period.

In making these assessments, the Board of Directors continued to monitor the uncertainty caused by the Covid-19 pandemic and its effects on the global economy, while also noting the gradually loosening of travel restrictions since the reporting date. The Board of Directors also assessed the February 2022 ruling by the Federal Supreme Court of Iraq (FSCI) on the KRG’s constitutional rights and powers as regards oil and gas as further detailed under the section on enterprise risk management. It is currently not clear how this ruling will be followed up. To date there has been no effect on operations but any development will be closely monitored. In assessing the effect on going concern the Board of Directors considered the potential effects of any significant interruption in the settlement of receivables from the KRG. Were such an interruption to arise, the Board of Directors would reassess the levels of capital investment at the Tawke and Baeshiqa licenses as was the case during the initial stages of the Covid-19 pandemic. The Board of Directors noted the Company’s current cash balance when reaching its going concern conclusion.

Moreover, the Board of Directors noted the significant improvement in oil and gas prices, build-up of the cash balance and the Group’s reported remaining proven and probable oil and gas reserves that permit cash flow generation covering the forecast period.

Stress testing was carried out at lower oil and gas price scenarios. Sufficient liquidity and covenant compliance can be maintained through the going concern assessment period in the base case and the stress test.

Following its review, the Board of Directors confirmed, pursuant to the Norwegian Accounting Act section 3-3a, that the requirements of the going concern assumption are met and that these financial statements have been prepared on that basis.

Significant accounting estimates and assumptions

The preparation of the Group’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues and expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the reporting date. Estimates and assumptions are based on management’s best knowledge and historical experience and various other factors that are believed to be reasonable under the circumstances. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Group based its assumptions and estimates on parameters available when the Group financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Note 1

Summary of IFRS accounting principles

Estimates and assumptions

The key assumptions and key sources of estimation uncertainty for the Group are:

- Risks associated with operating in Kurdistan;
- Reserves and resources estimates;
- Contingencies, provisions and litigations;
- Impairment/reversal of impairment of oil and gas assets;
- Impairment of technical goodwill;
- Measurement of fair values;
- Acquisition accounting;
- Accounting for exploration costs; and
- Notional corporate income tax/deferred taxation in Kurdistan.

Risks associated with operating in Kurdistan

DNO has interests in two licenses in Kurdistan through Production Sharing Contracts (PSCs) and has based its entitlement calculations on the terms of these PSCs. In 2012, the Federal Government of Iraq (FGI) challenged the constitutional validity of the Kurdistan Oil and Gas Law No. 27/2007 (KOGL) and the right of the KRG to export oil independently of the FGI. The Company notes from public reports that on 15 February 2022, the FSCI ruled on this matter along with another related matter dating back to 2019. Reportedly, the FSCI found amongst other things that the KOGL is unconstitutional, that the KRG is to hand over all oil production from areas located in the KRI to the 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 legal proceedings, and it is unclear how the KRG and the FGI will follow up on the ruling. At present, normal operations are maintained at the Tawke and Baeshiqa licenses.

Due to disagreements between the FGI and the KRG, economic conditions in Kurdistan and limited available export channels, DNO has historically faced constraints in fully monetizing the oil it produces in Kurdistan. Following the ruling and pending follow up by the KRG and FGI, constraints remain. There is no guarantee that oil and gas can be exported in sufficient quantities or at prices required to sustain its operations and investment plans or that the Group will promptly receive its full entitlement payments for the oil and gas it delivers for export. Export sales have not always followed the PSC terms and there has been uncertainty related to receipt of payments.

The Group has accumulated a receivable against the KRG after certain 2019 and 2020 entitlement and override payments to the Group and other KRI oil exporters were withheld early in 2020 by the KRG in connection with the Covid-19 pandemic. Entitlement payments were resumed in March 2020 and override payments were resumed in early 2021. In December 2020, a plan was put in place by the KRG to pay the international oil companies operating in Kurdistan 50 percent of incremental revenue in any month in which Brent prices exceed USD 50 per barrel towards the arrears for 2019 and 2020. In May 2021, the KRG informed the international oil companies of revised terms reducing the payment of the arrears to 20 percent of incremental revenue in any month in which Brent prices exceed USD 50 per barrel. The KRG also advised that all international oil company invoices, including towards the arrears, will be settled within 60 days of receipt. The Company expects at a minimum to recover the full nominal value of the withheld receivables, and DNO continues to work to improve the terms of recovery of the arrears, including but not limited to interest payments. During 2021, the outstanding arrears were reduced from USD 259 million at the start of the year to USD 169 million at yearend. See Note 9 for further details on estimates and judgement on recoverability. Management monitors development and continuously ensures that revenue recognition criteria in IFRS 15 are met.

Reserves and resources estimate

DNO's reserves and contingent resources are estimated and classified by the Company in accordance with the rules and guidelines of the Society of Petroleum Engineers (SPE) and are in conformity with requirements from the Oslo Stock Exchange for the reporting of reserves and resources.

All estimates of reserves and resources involve uncertainty. International petroleum consultants DeGolyer and MacNaughton (D&M) carried out an independent assessment of the Tawke license (containing the Tawke and Peshkabir fields) and the Baeshiqa license (containing the Baeshiqa and Zartik structures) in the Kurdistan region of Iraq. International petroleum consultants Gaffney, Cline & Associates (GCA) carried out an independent assessment of DNO's licenses in Norway and the United Kingdom (UK). The Group's estimates are based on internal assessment for contingent resources on Yemen Block 47.

Figures reported in Note 23 are the estimated proven (1P), proven and probable (2P) and proven, probable and possible (3P) quantities of oil and gas that can be recovered from a field or reservoir given the information available at yearend.

Important factors that could cause actual results to differ from the estimates include, but are not limited to: technical, geological and geotechnical conditions; economic and market conditions; oil and gas prices; changes in government regulations; political development; interest rates; and currency exchange rates. Specific parameters of uncertainty related to the field/reservoir include but are not limited to: reservoir pressure and porosity; recovery factors; water cut development; production decline rates; gas/oil ratios; and oil properties.

Changes in commodity prices and costs may impact economic cut-off and remaining reserves, which may change the timing of assumed decommissioning activities. Future changes to estimated reserves can also have a material effect on depreciation, impairment of oil and gas fields and operating results. The Group may also not be able to commercially develop its contingent resources that are used in impairment assessments or acquisition accounting where the fair value approach is applied.

Contingencies, provisions and litigations

By their nature, contingencies will only be resolved when one or more uncertain future event occurs or fails to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events. Management uses its judgment to evaluate certain provisions and legal disputes in order to ensure the correct accounting treatment. This includes the assessment of future asset retirement obligations (ARO), any provisions or contingent payments.

Note 1
Summary of IFRS accounting principles

Asset retirement obligations
The Group has recognized significant provisions relating to the decommissioning of oil and gas assets at the end of the production period. Obligations associated with decommissioning assets are recognized at present value of future expenditures on the date they incur. At the initial recognition of an obligation, the estimated cost is capitalized as property, plant and equipment (PP&E) and depreciated over the useful life of the asset (typically by unit-of-production).

It is difficult to estimate the costs for decommissioning at initial recognition as these estimates are based on currently applicable laws and regulations, and technology. Decommissioning activities will normally take place in the distant future, and the technology, regulatory requirements and related costs may change. The energy transition may bring forward the decommissioning activities and thereby increasing the present value of associated decommissioning provisions. Based on various scenario analysis performed by the Company, management does not expect any reasonable change in the expected timeframe to have a material effect on the Group's decommissioning provisions, assuming cost estimates (i.e., cash flows) remain unchanged. The estimates cover expected removal concepts based on known technology and, in the case of offshore decommissioning, estimated costs of maritime operations, hiring of heavy-lift barges and drilling rigs. As a result, the initial recognition of the liability and the capitalized cost associated with decommissioning obligations, and the subsequent adjustment of these balance sheet items, involve the application of significant judgement. Based on the described uncertainty, there may be significant adjustments in estimates of liabilities that can affect future financial results.

Impairment/reversal of impairment of oil and gas assets
DNO has recognized significant investments in development and production assets (classified under PP&E) and exploration and evaluation assets (classified under intangible assets) in the consolidated statements of financial position. Changes in the circumstances or expectations of future performance of an individual asset or a group of assets may be an indicator that the asset is impaired, requiring the carrying amount to be written down to its recoverable amount. Management must determine whether there are circumstances indicating a possible impairment of the Group's oil and gas assets. The estimation of the recoverable amount for the oil and gas assets includes assessments of expected future cash flows and future market conditions, including entitlement production, future oil and gas prices, cost profiles, country risk factors (i.e., discount rate) and the date of expiration of the licenses.

Impairments, other than those relating to goodwill, are reversed if the conditions for impairment are no longer present. Evaluating whether an asset is impaired or if an impairment should be reversed requires a high degree of judgment.

Impairment of technical goodwill
Although not an IFRS term, "technical goodwill" is commonly used in the oil and gas industry to describe a category of goodwill arising as an offsetting amount to deferred tax recognized in business combinations. DNO has recognized a significant technical goodwill arising from business combinations. There are no specific IFRS guidelines about the allocation of technical goodwill, and the Group has therefore applied the general guidelines for allocating goodwill for the purpose of impairment testing. In general, technical goodwill is allocated to a cash-generating unit (CGU) or group of CGUs that give rise to the technical goodwill, while any residual goodwill may be allocated across all CGUs based on facts and circumstances in the business combination.

Goodwill is tested for impairment annually or more frequently when there are impairment indicators. Moreover, goodwill is not depreciated and hence, impairment of technical goodwill is expected on a recurring basis, unless there are positive changes in underlying assumptions that more than offset the production from the CGU (or groups of CGUs).

When performing the impairment test for technical goodwill, deferred tax recognized in relation to the acquired assets in a business combination reduces the net carrying value prior to the impairment charges. When deferred tax from the initial recognition decreases, more goodwill is exposed for impairment. After initial recognition, depreciation of values calculated in the purchase price allocations from business combinations will result in decreased deferred tax liability.

Climate considerations in impairment assessment
Climate change and transition to a lower carbon economy is considered in the impairment assessments. In the context of assessing the potential impact on the book values related to the Group's oil and gas assets, certain climate considerations are factored into the Group's estimation of cash flows that are applied in the calculation of recoverable amount. This includes factoring in current legislation in Norway and the UK (e.g., environmental taxes/fees) and estimation of future levels of environmental taxes. An energy transition is likely to impact the future oil and gas prices which in turn may affect the recoverable amount of the oil and gas assets. Indirectly, climate considerations are also assessed in the forecasting of oil and gas prices where supply and demand are considered. A significant reduction in the Company's oil and gas price assumptions would result in impairments on certain production and development assets including intangible assets that are subject to impairment assessment under IAS 36, but an opposite revision in the price assumptions would lead to limited impairment reversals as most of the impairments recognized were related to impairment of goodwill which cannot be reversed under IFRS.

In the context of testing robustness of the oil and gas assets against the scenarios from the International Energy Agency (IEA), the Company has applied the Stated Policies Scenario and Sustainable Development Scenario as published by the IEA as part of the World Energy Outlook (WEO) reports. These scenarios are commonly applied by peer companies and the Company believes are useful to investors and other stakeholders in assessing portfolio resilience across companies in the industry. For more details, see Note 10.

Measurement of fair values
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13 *Fair Value Measurement*). The fair value of an asset or a liability is measured using the assumptions that market participants would use when

Summary of IFRS accounting principles

pricing the asset or liability, including assumptions about risk, assuming that market participants act in their economic best interest. There are situations when the Group is required to measure fair values of non-financial assets and liabilities, for example when investing in equity instruments, in a business combination including allocation of purchase price or when the Group measures the recoverable amount of an asset at fair value less costs to sell in an impairment testing situation.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The fair value of oil and gas assets is normally based on discounted cash flow models (income approach), where the determination of different inputs in the model requires significant judgment from management, as described in the section above regarding impairment.

Acquisition accounting

The Group applies the acquisition method for transactions involving business combinations and applies the principles of the acquisition method when an interest or an additional interest is acquired in a joint operation which constitutes a business. Application of the acquisition method may require significant judgement in, among other matters, determining and measuring the fair value of the transaction consideration including contingent consideration elements, identifying all assets acquired and liabilities assumed, establishing their fair values, determining deferred taxes, and allocating the purchase price accordingly, including measurement and allocation of goodwill. The judgements applied in acquisition accounting may materially affect the financial statements both in the transaction period and in future periods.

The assets acquired through business combinations are recognized at fair values and, as such, are sensitive to adverse changes in a number of often volatile economic factors, including future oil and gas prices and the underlying performance of the assets.

Accounting for exploration costs

The Group's accounting policy is to temporarily capitalize drilling expenditures related to exploration wells, pending an evaluation of potential oil and gas discoveries. If resources are not discovered, or if recovery of the resources is not considered technically or commercially viable, the costs of the exploration wells are expensed in the income statement. Decisions as to whether an exploration well should remain capitalized or expensed during the period may have a material effect on the financial results for the period.

Notional corporate income tax/deferred taxation in Kurdistan

Under the terms of its PSCs in Kurdistan, DNO is not required to pay any corporate income taxes. The share of profit oil 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 for accounting purposes arising from such notional corporate income tax is not recognized for Kurdistan as it has not been possible to measure reliably such notional corporate income tax paid on behalf of DNO. This is an accounting presentational matter and there is no corporate income tax required to be paid, see also section Income taxes and Note 8.

Group accounting and consolidation principles

Basis for consolidation

The consolidated financial statements include the financial statements of DNO ASA and its subsidiaries. The Company currently holds a 100 percent interest in all of its subsidiaries.

The financial results of subsidiaries acquired or sold during the year are included in the consolidated financial statements from the date when the Company obtains control of the subsidiary and up to the date when the Company loses control of the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. Where necessary, the accounting policies of the subsidiaries have been adjusted to ensure consistency with the policies adopted by DNO. All intercompany balances and transactions have been eliminated upon consolidation.

Interest in jointly controlled operations (assets)

A joint arrangement is present when DNO holds a long-term interest which is jointly controlled by DNO and one or more other parties under a contractual arrangement in which decisions about the relevant activities require the unanimous consent of the parties sharing control. Such joint arrangements are classified as either joint operations or joint ventures.

Under IFRS 11 *Joint Arrangements*, a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities. Oil and gas licenses held by the Group which are within the scope of IFRS 11 have been classified as joint operations. DNO recognizes its investments in joint operations by reporting its share of related revenues, expenses, assets, liabilities and cash flows under the respective items in the Group's financial statements.

For those licenses that are not deemed to be joint arrangements pursuant to the definition in IFRS 11, either because unanimous consent is not required among the parties involved, or no single group of parties has joint control over the activity, DNO recognizes its share of related expenses, assets, liabilities and cash flows under the respective items in the Group's financial statements in accordance with applicable IFRS standards. In determining whether each separate arrangement related to DNO's joint operations is within or outside the scope of IFRS 11, DNO considers the terms of relevant license agreements, governmental concessions and other legal arrangements impacting how and by whom each arrangement is controlled.

Foreign currency translation and transactions

Functional currency

The consolidated financial statements are presented in USD, which is also DNO ASA's functional currency and presentation currency.

Note 1

Summary of IFRS accounting principles

Items included in the financial statements of each subsidiary are initially recorded in the subsidiary's functional currency, i.e., the currency that best reflects the economic substance of the underlying events and circumstances relevant to that subsidiary.

Transactions and balances

Foreign currency transactions are translated into functional currency of the Company or subsidiaries using the exchange rates prevailing at the dates of the transactions. Financial assets and financial liabilities in foreign currencies are translated into functional currency at the balance sheet date exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Those arising in respect of financial assets and liabilities are recorded on a net basis as a financial item.

Foreign exchange gains or losses relating to changes in the fair value of non-monetary financial assets classified as equity instruments are recognized directly in other comprehensive income.

Subsidiaries

Statements of comprehensive income and statements of cash flows of subsidiaries and joint operations that have a functional currency different from the parent company are translated into the presentation currency at average exchange rates each month. Statements of financial position items are translated using the exchange rate at the reporting date, with the translation differences taken directly to other comprehensive income. When a foreign entity is sold, such translation differences are recognized in profit or loss as part of the gain or loss on the sale.

■ Classification in the statements of financial position

Current assets and current liabilities include items due less than one year from the balance sheet date, and if longer, items related to the operating cycle. The current portion of non-current liabilities is included under current liabilities. Investments in shares held for trading are classified as current assets, while strategic investments are classified as non-current assets. Other assets and liabilities are classified as non-current assets and non-current liabilities.

■ Fair value

Fair value is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy as follows:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Investments in equity instruments, where available, are measured at quoted market prices at the measurement date.

■ Property, plant and equipment

General

PP&E are recognized at historical cost and adjusted for depreciation, depletion and amortization (DD&A) and impairment charges.

Depreciation of PP&E other than oil and gas assets are generally depreciated on a straight-line basis over expected useful lives, normally varying from three to seven years. Expected useful lives are reviewed at each balance sheet date and, where there are changes in estimates, depreciation periods are changed accordingly.

The carrying amount of the PP&E in the statements of financial position represents the cost less accumulated DD&A and accumulated impairment charges.

Ordinary repairs and maintenance costs, defined as day-to-day servicing costs, are charged to profit or loss during the financial period in which they are incurred. The cost of major repairs and maintenance is included in the asset's carrying amount when it is likely that the Group will derive future financial benefits exceeding the originally assessed standard of performance of the existing asset.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit.

Assets held for sale are reported at the lower of the carrying amount and the fair value, less selling costs.

Exploration and development costs

Capitalized exploration expenditures are classified as intangible assets and reclassified to tangible assets (i.e., PP&E) at the start of the development. For accounting purposes, an oil and gas field is considered to enter the development phase when the technical feasibility and commercial viability of extracting oil and gas from the field are demonstrable, normally at the time of concept selection. All costs of developing commercial oil and gas fields are capitalized, including indirect costs. Capitalized development costs are classified as tangible assets. Pre-development expenditures up until development project sanction in general do not meet the criteria for capitalization and are expensed as incurred.

Acquired license rights are recognized as intangible assets at the time of acquisition. Acquired license rights related to fields in the exploration phase remain as intangible assets when the related fields enter the development or production phase.

Oil and gas assets in production

Capitalized costs for oil and gas assets are depreciated using the unit-of-production (UoP) method. The rate of depreciation is equal

Summary of IFRS accounting principles

to the ratio of oil and gas production for the period over the estimated remaining 2P reserves at the beginning of the period. The future development expenditures necessary to bring those reserves into production are included in the basis for depreciation and are estimated by the management based on current period-end un-escalated price levels. The reserve basis used for depreciation purposes is updated at least once a year. Any changes in the reserves affecting UoP calculations are reflected prospectively.

Component cost accounting/decomposition
The Group allocates the amount initially recognized in respect of an item of PP&E to its significant parts and depreciates separately each such part over its useful life.

Borrowing costs
Interest costs directly attributable to the construction phase of PP&E assets are capitalized during the period required to complete and prepare the asset for its intended use. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Other borrowing costs are expensed when incurred. The capitalization of borrowing costs is recorded based on the average interest rate for the Group in the period. The capitalized borrowing costs cannot exceed the actual borrowing costs in each period.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases (12 months or less) and leases of low-value assets. Short term leases and leases of low value assets have not been reflected in the balance sheet but expensed or capitalized as incurred, depending on the activity in which the leased asset is used.

At the commencement date of a lease, the Group recognizes a liability to make lease payments and an asset representing the right to use the underlying asset (right-of-use (RoU) asset) during the lease term.

The RoU assets are measured to cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The RoU assets are depreciated linearly over the lifetime of the related lease contract.

Lease liabilities are measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the implicit interest rate and if not readily determinable, its incremental borrowing rate at the lease commencement date.

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.

When DNO, as the operator of a license, is considered to have the primary responsibility for the full lease payments (e.g., a rig lease where the lease agreement is entered into DNO's name as the operator of a license at the initial signing), the lease liability may be recognized on gross basis, rather than based on DNO's working interest share. DNO then derecognizes a portion of the RoU asset corresponding to the non-operator's interests in the license (presented under receivables).

In the consolidated statements of comprehensive income, operating lease costs, relating to contracts that contain a lease, are replaced by depreciation and interest expense.

In the consolidated cash flow, lease payments related to lease liabilities recognized in accordance with IFRS 16, are presented as cash flow used in financing activities.

The Group's RoU assets mainly relate to office rent, rig and equipment. The Group also leases equipment with contract terms of one to three years but has elected to apply the practical expedient on low value assets and does not recognize lease liabilities or RoU assets and the leases are instead expensed when the costs are incurred.

Intangible assets

General
Intangible assets are stated at cost, less accumulated amortization and accumulated impairment charges. Intangible assets include acquisition costs for oil and gas licenses, expenditures on the exploration for oil and gas resources, technical goodwill and other intangible assets. Goodwill is not depreciated.

The useful lives of intangible assets are assessed as either finite or infinite. Amortization of intangible assets is based on the expected useful economic life and assessed for impairment whenever there is an indication that the intangible asset might be impaired. The impairment assessment of intangible assets with infinite lives is undertaken annually or more often if indicators exist.

Exploration and evaluation assets
The Group uses the successful efforts method to account for its exploration and evaluation assets. All exploration costs (including purchase of seismic, geological and geophysical costs and general and administrative costs), except for acquisition costs of licenses and drilling costs of exploration wells, are expensed as incurred. Acquisition costs of licenses and drilling costs of exploration wells are temporarily capitalized pending the determination of oil and gas resources. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments to contractors. Continued capitalization of such costs is assessed for impairment at each reporting date. The main criterion is that there must be plans for future activity in the license or that a development decision is expected in the near future. If reserves or resources are not found, or if discoveries are assessed not technically or commercially recoverable, the costs of exploration wells and licenses are expensed.

Note 1

Summary of IFRS accounting principles

Impairment/reversal of impairment

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. If an impairment indicator is concluded to exist, an impairment test is performed.

Indications of impairment may include a decline in the long-term oil and gas price (or short-term oil and gas price for late-life oil and gas fields), changes in future investments or significant downward revision of reserve and resource estimates. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separable identifiable cash inflows. For oil and gas assets, a CGU may be individual oil and gas fields, or a group of oil and gas fields that are connected to the same infrastructure/production facilities, or a license.

An impairment loss is recognized when the carrying amount exceeds the recoverable amount of an asset. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Fair value less costs to sell determined through either the discounted cash flow method (income approach) or the market transactions method (market approach). The value in use can only be determined through the discounted cash flow method.

A previously recognized impairment loss is reversed through the income statement if the circumstances that gave rise to the impairment no longer exist. It is not reversed to an amount that would be higher than if no impairment loss had been recognized. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Technical goodwill

Technical goodwill is tested for impairment annually or more frequently when there are impairment indicators. Those indicators may be specific to an individual CGU or groups of CGUs to which the technical goodwill is related. When performing the impairment test for technical goodwill, deferred tax recognized in relation to the acquired licenses reduces the net carrying value prior to the impairment charges.

Impairment is recognized if the recoverable amount of the CGU (or groups of CGUs) to which the technical goodwill is related is less than the carrying amount.

Impairment of goodwill cannot be reversed in future periods.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are initially recognized at fair value. After initial recognition the measurement and accounting treatment depend on the type of instrument and classification.

Financial assets

Financial assets are classified at initial recognition and subsequently measured at:

- Amortized cost;
- Fair value through other comprehensive income (FVTOCI); and
- Fair value through profit or loss (FVTPL).

Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets at amortized cost include trade and other receivables.

Financial assets designated at FVTOCI

Upon initial recognition, equity investments can be irrevocably classified as equity instruments designated at FVTOCI. Gains and losses on these financial assets are not recycled to profit or loss at later periods. Equity instruments designated at FVTOCI are not subject to an impairment assessment.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL or financial assets mandatorily required to be measured at fair value. Financial assets at FVTPL are carried in the statements of financial position at fair value with net changes in fair value recognized in profit or loss. Dividends on listed equity investments are also recognized as other income in profit or loss when the right of payment has been established. The Group does not have significant assets designated at FVTPL.

Derecognition of financial assets

A financial asset is derecognized when the Group:

- No longer has the right to receive cash flows from the asset;
- Retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- Has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred the control of the asset.

Impairment of financial assets

An allowance is recognized for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that are expected to be received, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures with no significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months. For credit exposures with significant increase in credit risk since initial recognition, a loss allowance is provided for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For trade receivables, a simplified approach is applied in calculating ECLs. Changes in credit risk are not tracked but instead a loss allowance based on lifetime ECLs at each reporting date is recognized. Expected credit losses are based on a multifactor and holistic analysis and depend on historical experience with the customers adjusted for forward-looking factors specific to the customers and the economic environment.

Financial assets are assessed with regards to default when contractual payments are past the established payment due date and there is internal or external information indicating that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Further disclosures on impairment of financial assets are provided in Note 9.

Financial liabilities
Financial liabilities are classified at initial recognition as financial liabilities at FVTPL, loans and borrowings or payables.

All financial liabilities are recognized initially at fair value and in the case of loans/borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans.

The subsequent measurement of financial liabilities depends on the classification. No financial liabilities have been designated at FVTPL. Interest-bearing loans are after initial recognition measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The amortization cost is included as finance expense in the statements of comprehensive income. This applies mainly to bond loans, see Note 15.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such a modification is treated as a derecognition of the original liability and a recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of comprehensive income.

Cash and cash equivalents
Cash and short-term deposits in the statements of financial position comprise cash held in banks, cash in hand and short-term deposits with an original maturity of three months or less.

■ Equity

Ordinary shares
Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares and share options are recognized as a reduction of equity, net of any tax effects.

Repurchase of share capital (treasury shares)
When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects and is recognized as a deduction in equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are subsequently sold or reissued, the amount received is recognized as an increase in equity and the resulting surplus or deficit of the transaction is transferred to/from retained earnings.

Dividend
Liability to pay a dividend is recognized when the distribution is authorized by the shareholders. A corresponding amount is recognized directly in equity.

■ Financial income and expenses

Financial income comprises: interest income; dividend income; gains on the disposal of financial investments; foreign exchange gains; changes in the fair value of financial assets through profit or loss; and other financial income. Interest income is recognized as it accrues in profit or loss using the effective interest method. Dividend income is recognized in the profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Financial expenses comprise: interest expenses on loans; unwinding of the discount on provisions; changes in the fair value of financial assets measured at FVTPL; impairment losses recognized on financial assets; foreign exchange losses; losses on financial assets recognized in the profit or loss; and other financial expenses.

Foreign exchange gains or losses from financial instruments are reported as financial income or financial expenses.

■ Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated selling expenses.

■ Revenue recognition

Revenues presented in the consolidated statements of comprehensive income consist of *Revenue from contracts with customers* (see Note 3).

Revenue from contracts with customers is recognized when the customer obtains control of the oil and gas, which normally will be when title passes at the point of delivery.

Note 1

Summary of IFRS accounting principles

A liability (overlift) arises when the Group sells more than its share of the oil and gas production. Similarly, an asset (underlift) arises when the sale is less than the Group's share of the oil and gas production.

In general, the overlift/underlift balances are valued at production cost including depreciation (the sales method). The movements in overlift/underlift are presented as an adjustment to *Cost of goods sold*.

Tariff income from processing of oil and gas in the North Sea is recognized as earned.

Revenues from the sale of services are recognized when services are performed.

Other revenues are recognized when the goods or services are delivered and risk and control are transferred.

Revenue recognition in Kurdistan

DNO generates revenues in Kurdistan through the sale of oil produced from the Tawke license which is exported by pipeline through Turkey. The title is considered to have passed on delivery of oil to the export pipeline at Fish Khabur. In addition, pursuant to a receivables settlement agreement with the KRG in August 2017, DNO is entitled to production overrides (override) representing three percent of gross Tawke license revenues until 31 July 2022. The Group recognizes revenues in Kurdistan in line with the invoiced oil sales and overrides following monthly deliveries to the KRG. The PSCs held by the Group are considered to be within the scope of the standard and sale of oil and gas to customers is recognized as *Revenue from contracts with customers*. Based on business practice, the KRG is responsible for exporting the oil produced in Kurdistan and it is assessed that DNO has a customer relationship with the KRG. It is considered that the contracts with customers contain a single performance obligation which is considered to be delivery of produced oil and gas to the customer.

The price for oil deliveries to the KRG is based on Brent prices with adjustments for oil quality and transportation fees.

Production Sharing Contracts

A PSC is an agreement between a contractor and a host government, whereby the contractor bears all of the risks and costs for exploration, development and production in return for a stipulated share of production.

The contractor recovers the sum of its investment and operating costs from a percentage of production (cost oil). In addition, the contractor is entitled to receive a share of production in excess of cost oil (profit oil). The sum of cost oil attributable to the contractor's share of costs and the share of profit oil represents the contractor's entitlement under a PSC. The sum of royalties and the government's share of profit oil, including that of a government-controlled enterprise, represents the government take under a PSC.

DNO presents its operations governed by PSCs according to the sales method and only recognizes its sales as revenue after deduction of government take.

Income taxes

Tax income/expense consists of taxes receivable/payable and changes in deferred taxes. Taxes receivable/payable are based on the amounts receivable from or payable to the tax authorities. Deferred tax liability is calculated on all taxable temporary differences unless there is a recognition exception. A deferred tax asset is recognized only to the extent that it is probable that the future taxable income will be available against which the asset can be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are recognized irrespective of when the differences are reversed. They are recognized at their nominal value and classified as non-current assets/liabilities in the statements of financial position. Deferred tax assets and deferred tax liabilities are offset in the statements of financial position if there is a legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time.

Tax payable and deferred tax are recognized directly in the equity to the extent that they relate to items charged directly to equity. For treatment of tax in relation to business combinations, see the Business combinations section.

DNO's PSCs provide that the corporate income tax to which the contractor is subject is deemed to have been paid to the government as part of the payment of profit oil to the government or its representatives. For accounting purposes, if such notional income tax is to be classified as income tax in accordance with IAS 12 *Income Taxes*, the Group would present this as an income tax expense with a corresponding increase in revenues. Furthermore, it would be assessed whether any deferred tax asset or liability is required to be recognized equal to the difference between book values and the tax values of the qualifying assets and liabilities, multiplied by the applicable tax rate.

Business combinations

In accordance with IFRS 3 *Business Combinations*, an acquisition is considered a business combination, when the acquired asset or groups of assets constitute a business (i.e., an integrated set of operations and assets conducted and managed for the purpose of providing a return to the investors).

Acquired businesses are included in the financial statements from the transaction date. The transaction date is defined as the date on which the Group achieves control over the financial and operating assets. This date may differ from the actual date on which the assets are transferred.

Note 1

Summary of IFRS accounting principles

For accounting purposes, the acquisition method is used in connection with the purchase of businesses. Acquisition cost equals the fair value of the assets used as consideration, including contingent consideration, equity instruments issued and liabilities assumed in connection with the transfer of control. Acquisition cost is measured against the fair value of the acquired assets and assumed liabilities. Identifiable intangible assets are included in connection with acquisitions if they can be separated from other assets or meet the legal contractual criteria. If the acquisition cost at the time of the acquisition exceeds the fair value of the acquired net assets (when the acquiring entity achieves control of the transferring entity), goodwill arises.

If the fair value of the acquired net assets exceeds the acquisition cost on the acquisition date, the excess amount is taken to profit or loss immediately.

Goodwill is allocated to the CGUs or groups of CGUs that are expected to benefit from synergy effects of the acquisition. The allocation of goodwill may vary depending on the basis of its initial recognition.

The goodwill that is recognized by the Group is related to technical goodwill and is recognized due to the requirement to recognize deferred tax for the difference between the assigned fair values and the related tax base. The fair values of the Group's licenses in the North Sea are based on cash flows after tax. This is because these licenses are sold only on an after-tax basis. The purchaser is therefore not entitled to a tax deduction for the consideration paid above the seller's tax values. In accordance with IAS 12, a provision is made for deferred tax corresponding to the tax rate multiplied by the difference between the fair values of the acquired assets and the transferred tax depreciation basis.

The offsetting entry to this deferred tax is goodwill. Hence, goodwill arises as a technical effect of deferred tax. Technical goodwill is tested for impairment separately for each CGU which gives rise to the technical goodwill. A CGU may be individual oil fields, or a group of oil fields that are connected to the same infrastructure/production facilities, or a license.

The estimation of fair value may be adjusted up to 12 months after the acquisition date if new information emerges about facts and circumstances that existed at the time of the takeover and which, had they been known, would have affected the calculation of the amounts that were included from that date.

Acquisition-related costs, except costs to issue debt or equity securities, are expensed as incurred. Taxes payable and deferred taxes are recognized directly in the equity to the extent that they relate to items charged directly to the equity.

License acquisitions, farm-in/out and license swaps

License acquisitions

For acquisition of oil and gas licenses, individual assessment is made whether the acquisition should be treated as a business combination or as an asset purchase. The conclusion may materially affect the financial statements both in the transaction period and in future periods. Generally, purchase of a license in development or production phase is regarded as a business combination, while purchase of a license in the exploration phase is regarded as an asset purchase.

Farm-in and farm-out

A farm-in or farm-out of an oil and gas license takes place when the owner of a working interest (the farmor) transfers all or a portion of its working interest to another party (the farmee) in return for an agreed upon consideration and/or action, such as conducting subsurface studies, drilling wells or developing the asset. Any cash consideration received directly from the farmee is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal. The farmee capitalizes or expenses its costs as incurred according to the accounting method it is using. There are no accruals for future commitments in farm-in/farm-out agreements in the exploration and evaluation phase and no profit or loss is recognized by the farmor. In the development or production phase, a farm-in/farm-out agreement will be treated as a transaction recorded at fair value as represented by the costs carried by the farmee. Any gain or loss arising from the farm-in/farm-out is recognized in the statements of comprehensive income.

License swaps

License swaps are measured at the fair value of the asset being exchanged, unless the transaction lacks commercial substance, or neither the fair value of the asset received, nor the fair value of the asset divested, can be reliably measured. In the exploration phase, the Group normally recognizes license swaps based on historical cost basis. If the transaction is determined to be a business combination, the requirements of IFRS 3 apply.

Employee benefits

Pensions

The Group's pension obligations in Norway are limited to certain defined contribution plans which are paid to pension insurance plans and charged to profit or loss in the period in which they are incurred. Once the contributions are paid there are no further obligations.

Share-based payments

Cash-settled share-based payments are recognized in the income statement as expenses during the vesting period and as a liability. The liability is measured at fair value and revaluated using the Black & Scholes pricing model at each balance sheet date and at the date of settlement, with any change in the fair value recognized in the income statement for the period.

Provisions and contingent liabilities

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is likely that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation amount. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only if the reimbursement is certain. The expense related to any provision is presented in profit or loss, net of any reimbursement. Provisions

Note 1

Summary of IFRS accounting principles

are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The amount of the provision is the present value of the risk-adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk-free interest rate and a credit margin as the discount rate. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognized as other financial expenses.

Contingent liabilities are not recognized but are disclosed unless the possibility of an outflow of resources is remote.

Asset retirement obligations

Provisions for ARO are initially recognized at the present value of the estimated future costs determined in accordance with local conditions and requirements.

A corresponding ARO asset (included in PP&E) of an amount equivalent to the provision is also recognized initially. This is subsequently depreciated as part of the capital costs of the production and transportation facilities.

The ARO provisions and the discount rates are reviewed at each balance sheet date. The discount rates used in the calculation of the present value of the ARO are pre-tax risk-free rates with the addition of a credit margin. The risk-free rate used has a maturity date that is expected to coincide with the time the removal will be affected and denominated in the same currency as the expected future expenditures. According to IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, changes in the measurement of the ARO resulting from a change in the timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, are added to or deducted from the cost of the related asset. Changes in the estimated ARO provisions impact the ARO asset in the period in which the estimate is revised.

■ Segment reporting

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment financial performance is evaluated based on the income statements, financial position as well as through other key performance indicators. For DNO, its operating segments correspond to its reportable segments. The reportable segments provide products or services within a particular economic environment that are subject to risks and returns different from those of components operating in other economic environments. The Group has identified its reportable segments based on the nature of the risk and return within its business and by the geographical location of the Group's assets and operations.

Transfer pricing between the segments and companies is set using the arm's length principle in a manner similar to transactions with third parties.

■ Earnings per share

Calculation of basic earnings per share is based on the net profit or loss attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period. The calculation of diluted earnings per share is consistent with the calculation of basic earnings per share, while giving effect to all dilutive potential ordinary shares that were outstanding during the period.

■ Related parties

Parties are related if one party has the ability to directly, jointly or indirectly control the other party or exercise significant influence over the party in making financial and operating decisions. Management is also considered to be a related party.

Transactions between related parties are transfers of resources, services or obligations, regardless of whether a price is charged. All transactions between the related parties are recorded at market value.

■ Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

Other amendments and interpretations may apply for the first time in 2021 but are not considered to have any material impact on the Group's financial statements.

Note 2

Segment information

The Group identifies and reports its segments based on information provided to the executive management and the Board of Directors who are considered to collectively be the Chief Operating Decision Maker. The segment information is used as the basis for allocation of resources and decision making. The Group has identified its reportable segments based on the nature of the risks and returns within its business and by the location of the Group's assets and operations. Inter-segment sales are based on the arm's length principle and are eliminated at the consolidated level. Segment profit/-loss includes profit/-loss from inter-segment sales.

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 operating segments correspond to the reportable segments. Remaining operating segments are included in the Other category based on a materiality assessment.

The country-by-country reporting for companies in extractive industries in line with the Norwegian Accounting Act can be found in page 88 of this report.

USD million

Full-Year ending 31 December 2021	Note	Kurdistan	North Sea	Other	Total reporting segments	Un-allocated/ eliminated	Total Group
COMPREHENSIVE INCOME INFORMATION							
Revenues	3	594.3	409.8	-	1,004.1	-	1,004.1
Inter-segment sales		-	2.6	-	2.6	-2.6	-
Production costs		-99.6	-119.5	-	-219.1	0.3	-218.8
Movement in overlift/underlift		-	-18.3	-	-18.3	-	-18.3
Depreciation, depletion and amortization		-121.2	-81.7	-	-202.9	-3.1	-206.0
Cost of goods sold	4	-220.9	-219.4	-	-440.3	-2.7	-443.1
Gross profit		**373.4**	**193.0**	**-**	**566.4**	**-5.4**	**561.0**
Other income		-	0.5	-	0.5	-	0.5
Administrative expenses	5	-0.3	-8.5	-1.8	-10.6	-5.6	-16.2
Other operating expenses	5	-2.2	-	-9.8	-12.0	-	-12.0
Impairment of oil and gas assets	10	-	-80.1	-	-80.1	-	-80.1
Exploration expenses	6	-2.8	-129.6	-	-132.3	-	-132.3
Operating profit/-loss		**368.1**	**-24.8**	**-11.6**	**331.8**	**-11.0**	**320.9**
Net financial income/-expense	7	22.7	-35.7	1.0	-12.0	-88.8	-100.7
Tax income/-expense	8	-	-15.9	-0.3	-16.3	-	-16.3
Net profit/-loss		**390.8**	**-76.4**	**-10.9**	**303.5**	**-99.7**	**203.9**
FINANCIAL POSITION INFORMATION							
Non-current assets		679.8	964.1	-	1,643.9	26.6	1,670.5
Current assets		372.2	367.1	11.5	750.8	526.5	1,277.3
Total assets		**1,052.0**	**1,331.2**	**11.5**	**2,394.7**	**553.1**	**2,947.8**
Non-current liabilities		63.2	691.2	-	754.4	788.8	1,543.2
Current liabilities		78.0	248.5	36.3	362.8	23.0	385.8
Total liabilities		**141.2**	**939.8**	**36.3**	**1,117.2**	**811.7**	**1,929.0**

Note 2
Segment information

USD million Full-Year ending 31 December 2020	Note	Kurdistan	North Sea	Other	Total reporting segments	Un-allocated/ eliminated	Total Group
COMPREHENSIVE INCOME INFORMATION							
Revenues	3	369.1	245.8	-	614.9	-	614.9
Inter-segment sales		-	1.4	-	1.4	-1.4	-
Production costs		-94.5	-123.2	-	-217.6	0.4	-217.3
Movement in overlift/underlift		-	-11.3	-	-11.3	-	-11.3
Depreciation, depletion and amortization		-239.5	-118.9	-	-358.4	-3.0	-361.4
Cost of goods sold	4	-334.0	-253.4	-	-587.3	-2.7	-590.0
Gross profit		**35.2**	**-6.2**	**-**	**29.0**	**-4.1**	**24.9**
Other income		-	-	-	-	-	-
Administrative expenses	5	-0.6	-2.1	-4.2	-6.9	2.1	-4.8
Other operating expenses	5	-1.4	-	-1.3	-2.7	-	-2.7
Impairment of oil and gas assets	10	-	-276.0	-	-276.0	-	-276.0
Exploration expenses	6	-1.6	-60.1	-	-61.7	5.7	-55.9
Operating profit/-loss		**31.6**	**-344.4**	**-5.4**	**-318.3**	**3.7**	**-314.5**
Net financial income/-expense	7	-15.9	-26.3	1.3	-40.9	-70.3	-111.2
Tax income/-expense	8	-	141.7	0.5	142.2	-2.4	139.8
Net profit/-loss		**15.7**	**-229.0**	**-3.7**	**-217.0**	**-68.9**	**-285.9**
FINANCIAL POSITION INFORMATION							
Non-current assets		830.5	1,031.6	-	1,862.1	25.0	1,887.1
Current assets		173.1	335.9	3.9	512.8	308.8	821.6
Total assets		**1,003.6**	**1,367.4**	**3.9**	**2,374.9**	**333.8**	**2,708.7**
Non-current liabilities		60.6	710.1	-	770.7	796.2	1,566.9
Current liabilities		73.9	178.8	28.9	281.6	14.5	296.1
Total liabilities		**134.5**	**888.9**	**28.9**	**1,052.3**	**810.8**	**1,863.0**

Note 3
Revenues

USD million	1 January - 31 December 2021	2020
Sale of oil	828.1	566.6
Sale of gas	151.3	27.5
Sale of natural gas liquids (NGL)	21.3	14.8
Tariff income	3.4	6.0
Total revenues from contracts with customers	**1,004.1**	**614.9**
Sale of oil (bopd)	36,583	48,139
Sale of gas (boepd)	4,344	4,548
Sale of natural gas liquids (NGL) (boepd)	1,244	1,695
Total sales volume (boepd)	**42,171**	**54,382**

In 2021, sale of oil from Kurdistan was USD 594.3 million and in the North Sea USD 233.8 million. Sale of gas was USD 151.3 million, sale of NGL was USD 21.3 million and tariff income was USD 3.4 million, all entirely from the North Sea.

In 2020, sale of oil from Kurdistan was USD 369.1 million and in the North Sea USD 197.5 million. Sale of gas was USD 27.5 million, sale of NGL was USD 14.8 million and tariff income was USD 6 million, all entirely from the North Sea.

Note 4
Cost of goods sold/Inventory

USD million	1 January - 31 December 2021	2020
Lifting costs	-184.2	-181.1
Tariff and transportation expenses	-34.5	-36.2
Production costs based on produced volumes	**-218.8**	**-217.3**
Movement in overlift/underlift	-18.3	-11.3
Production costs based on sold volumes	**-237.0**	**-228.6**
Depreciation, depletion and amortization	-206.0	-361.4
Total cost of goods sold	**-443.1**	**-590.0**

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 in the North Sea for the use of infrastructure owned by other companies.

USD million	Years ended 31 December 2021	2020
Spare parts	35.8	41.9
Total inventory	**35.8**	**41.9**

Total inventory of USD 35.8 million at yearend 2021 was related to Kurdistan (USD 18.8 million) and the North Sea (USD 17.0 million).

Note 5
Administrative/Other operating expenses

USD million	1 January - 31 December 2021	2020
Salaries, bonuses, etc.	-56.2	-42.0
Employer's payroll tax expenses	-5.4	-5.2
Pensions	-3.8	-3.7
Other personnel costs	-4.2	-1.1
General and administration expenses	-42.3	-38.9
Reallocation of salaries and social expenses to lifting costs and exploration costs/PP&E and intangible assets	95.5	86.0
Total administrative expenses	**-16.2**	**-4.8**
Other expenses	-12.0	-2.7
Total other operating expenses	**-12.0**	**-2.7**

This note should be read in conjunction with Note 21 on related parties. Salaries and social expenses directly attributable to license activities are reclassified to lifting costs and exploration costs, or tangible assets and capitalized exploration. Other expenses in 2021 were mainly related to provisions in Oman and Yemen, see Note 17.

DNO has a defined contribution scheme for its Norway-based employees, with USD 3.8 million expensed in 2021 (USD 3.7 million in 2020). The Group's obligations are limited to the annual pension contributions. DNO meets the Norwegian legal requirements for mandatory occupational pension *("obligatorisk tjenestepensjon").*

Certain members of the executive management and staff have been awarded synthetic shares during the year as part of their variable remuneration. At yearend 2021, the Company's liability for synthetic shares as part of other variable remuneration amounted to USD 2.2 million (USD 1.3 million at yearend 2020). For more information about remuneration to executive management, see Note 3 in the parent company accounts.

Movement in synthetic Company shares during the year

Number of shares	1 January - 31 December 2021	2020
Outstanding as of 1 January	2,837,151	3,191,605
Granted during the year	1,321,431	1,561,975
Forfeited/reversed during the year	71,374	551,116
Settled during the year	908,672	1,365,313
Expired during the year	-	-
Outstanding as of 31 December	**3,178,536**	**2,837,151**
Unrestricted as of 31 December	462,214	626,951
Weighted average remaining contractual life for the synthetic shares (years)	2.78	3.85
Weighted average settlement price for synthetic shares settled during the year (NOK)	10.83	6.11
Settlement price for synthetic shares at the end of the year (NOK)	10.46	6.87

Note 5

Administrative/Other operating expenses

Remuneration to Board of Directors and executive management

	1 January - 31 December	
USD million	**2021**	**2020**
Managing Director		
Salary	-0.69	-0.63
Bonus	-0.08	-0.20
Pension	-0.02	-0.02
Other remuneration	-0.07	-0.07
Remuneration to Managing Director	**-0.85**	**-0.92**
Other executive management		
Salary	-3.24	-3.71
Bonus	-0.70	-0.89
Pension	-0.13	-0.15
Other remuneration	-0.55	-0.71
Remuneration to other executive management	**-4.63**	**-5.46**
Total remuneration to executive management	**-5.48**	**-6.38**
Number of managers included	8	10
Total remuneration to Board of Directors	**-1.10**	**-1.00**
Total remuneration to Board of Directors and executive management	**-6.58**	**-7.38**

Total remuneration of USD 1.3 million (not included in the above table) was in 2021 paid to Ute Quinn and Aernout van der Gaag, former members of the executive management. For further details on remuneration to the executive management, see Note 3 in the parent company accounts.

Members of the executive management, Bjørn Dale, Chris Spencer, Haakon Sandborg and Nicholas Whiteley have severance payment agreements ranging from six months to 12 months of their respective annual base salaries.

Shares and options held by Board of Directors and executive management

	Years ended 31 December			
	2021		**2020**	
Directors and executive management	**Shares**	**Options**	**Shares**	**Options**
Bijan Mossavar-Rahmani, Executive Chairman*	-	-	-	-
Lars Arne Takla, Deputy Chairman	30,000	-	30,000	-
Elin Karfjell, Director (Elika AS)	33,000	-	33,000	-
Gunnar Hirsti, Director (Hirsti Invest AS)	350,000	-	350,000	-
Shelley Watson, Director*	-	-	-	-
Bjørn Dale, Managing Director	-	-	-	-
Chris Spencer, Chief Operating Officer (Chris's Corporation AS)	32,000	-	32,000	-
Haakon Sandborg, Chief Financial Officer	-	-	-	-
Nicholas Whiteley, Chief Commercial Officer	-	-	-	-
Ørjan Gjerde, General Manager DNO North Sea (Kvile Invest AS)	15,000	-	15,000	-
Tom Allan, General Manager Kurdistan region of Iraq	-	-	-	-
Geir Arne Skau, Director of Human Resources and Corporate Services	25,750	-	10,750	-
Tonje Pareli Gormley, General Counsel - Middle East	-	-	-	-

* Bijan Mossavar-Rahmani and Shelley Watson hold indirect interests in the Company through their shareholdings in RAK Petroleum plc (see Note 11).

Executive management have been awarded synthetic shares during the year as part of their variable remuneration, see Note 3 in the parent company accounts.

Auditor fees

	1 January - 31 December	
USD million (excluding VAT)	**2021**	**2020**
Auditor fees	-0.84	-0.74
Other financial auditing	-0.04	-0.01
Tax advisory services	-0.10	-0.05
Other advisory services	-	-0.01
Total auditor fees	**-0.98**	**-0.81**

Note 6

Exploration expenses

USD million	1 January - 31 December 2021	2020
Exploration expenses (G&G and field surveys)	-19.1	-16.1
Seismic costs	-37.6	-2.9
Exploration expenses capitalized in previous years carried to cost	-13.4	-0.4
Exploration expenses capitalized during the year carried to cost	-40.7	-17.1
Other exploration expenses	-21.5	-19.5
Total exploration expenses	**-132.3**	**-55.9**

Exploration expenses in 2021 and 2020 were related to exploration activities in the North Sea, including expensing of exploration wells and seismic purchase.

Note 7

Financial income and financial expenses

USD million	1 January - 31 December 2021	2020
Interest income	1.7	5.4
Other financial income	24.3	-
Currency exchange gains recognized in the income statement (net)	-	14.4
Financial income	**26.0**	**19.8**
Interest expenses	-74.2	-87.3
Currency exchange loss recognized in the income statement (net)	-5.8	-
Other financial expenses	-46.8	-43.7
Financial expenses	**-126.7**	**-131.1**
Net financial income/-expenses	**-100.7**	**-111.3**

Other financial expenses in 2021 relate mainly to the accretion expenses (i.e., unwinding of discount) related to the ARO provisions and lease liabilities (see Note 16), amortization of borrowing issue costs, and accounting effects from IFRS 9 assessments during the year (presented gross) (see Note 9 and 12). Other financial income relates mainly to accounting effects from IFRS 9 assessments during the year (presented gross) entirely reversing the financial expense recognized in 2020 (see Note 9 and 12).

Note 8

Income taxes

Tax income/-expense

USD million	1 January - 31 December 2021	2020
Changes in deferred taxes	-115.2	11.1
Income taxes receivable/-payable	98.9	128.8
Total tax income/-expense	**-16.3**	**139.8**

Income tax receivable/-payable

USD million	Years ended 31 December 2021	2020
Tax receivables	21.1	63.1
Income taxes payable	-33.1	-
Net tax receivable/-payable	**-11.9**	**63.1**

During 2020, the Norwegian Parliament approved certain time limited changes to the taxation of oil and gas companies operating on the Norwegian Continental Shelf (NCS) with effect from the income year 2020. The changes comprised of immediate expensing of investments in the special petroleum tax regime, increased uplift on capital investments from 20.8 percent over four years to 24 percent in the first year and cash refund of tax value of losses incurred in the income years 2020 and 2021. The temporary changes, other than the cash refund of tax losses, will also apply to investments where the Plan for Development and Operation (PDO) is delivered by 31 December 2022 and approved by 31 December 2023.

During 2021, the Norwegian Government proposed certain changes to the taxation of oil and gas companies operating on the NCS with effect from 2022. The companies will be able to expense the investments immediately in the special tax basis and receive cash refund of tax value of all losses in the special tax basis. The uplift on investments is proposed discontinued. The ordinary corporate tax will be 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 will not be eligible for refund but can be carried forward. Moreover, tax value of unused uplift and carried forward losses as of yearend 2021 will be paid out. Provisions under the temporary changes extending beyond 2021 will not be impacted. As of the date of issuing this report, the proposal has not been approved by the Norwegian Parliament and may be subject to adjustments. If the proposal is approved, limited impact is estimated on DNO's asset values.

The tax income/-expense, tax receivable/-payable and recognized deferred tax assets/-liabilities relate to activity on the NCS and the UKCS. Current tax receivable of USD 21.1 million relate to tax refund of decommissioning spend on the UKCS for 2021. Current income tax payable of USD 33.1 million relate to repayment of tax refunds in Norway that exceeded the tax value of actual losses for 2021. During 2021, DNO received total tax refunds of USD 159.4 million in Norway in relation to tax losses incurred in 2020 and estimated tax losses for 2021 and USD 15.3 million in the UK in relation to decommissioning spend for 2020. The refund of tax losses on the NCS incurred in 2021 is paid out in six instalments every two months with the first three instalments received during the second half of 2021. As the tax value of actual tax loss incurred for 2021 is lower than what has already been received in tax refunds during 2021, DNO will repay the difference over the remaining three instalments during the first half of 2022. The decommissioning tax refund on the UKCS for 2021 of USD 21.1 million is expected during the third quarter of 2022.

Reconciliation of tax income/-expense

USD million	1 January - 31 December 2021	2020
Profit/-loss before income tax	**220.1**	**-425.8**
Expected income tax according to nominal tax rate in Norway, 22 percent	-52.4	83.6
Expected income tax according to nominal tax rate in Norway, 56 percent	24.3	182.5
Expected income tax according to nominal tax outside Norway	7.4	19.0
Foreign exchange variations between functional and tax currency	-4.5	-19.9
Adjustment of previous years	0.2	0.8
Adjustment of deferred tax assets not recognized	-31.0	-17.2
Change in previous years	-	0.4
Other items including other permanent differences	35.3	-110.5
Change in tax rate	4.6	0.4
Tax loss carried forward utilized	-	0.7
Tax income/-expense	**-16.3**	**139.8**
Effective income tax rate	**7.4%**	**-32.8%**
Taxes charged to equity	**-**	**-**

Note 8

Income taxes

Expected income tax in the 56 percent basis and the expected income tax related to activities outside Norway is positive as the petroleum activities in Norway and the UK generated a loss before tax. Other items above consist mainly of permanent differences on impairment of goodwill which is not tax deductible, and permanent differences on tax exempted profits/losses from upstream activities outside of Norway carried out by the Company's Norwegian subsidiaries.

Tax effects on temporary differences

	Years ended 31 December	
USD million	**2021**	**2020**
Tangible assets	-351.5	-267.4
Intangible assets (including capitalized exploration expenses)	-168.0	-197.9
ARO provisions	266.6	313.2
Losses carried forward	155.5	170.3
Non-deductible interests carried forward	29.4	11.5
Other temporary differences	-8.1	-5.2
Net deferred tax assets/-liabilities	-76.0	24.4
Valuation allowance	-162.0	-155.8
Net deferred tax assets/-liabilities	**-238.0**	**-131.4**
Recognized deferred tax assets	29.3	47.4
Recognized deferred tax liabilities	-267.3	-178.8

Under the terms of the PSCs in Kurdistan, the Company's subsidiary DNO Iraq AS is not required to pay any corporate income taxes. The share of profit oil 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 Iraq AS. 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. As such, it has not been possible to reliably measure such notional corporate income taxes deemed to have been paid on behalf of DNO Iraq AS. This is an accounting presentational issue and there is no outstanding tax required to be paid by DNO Iraq AS. See also Note 1.

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. A deferred tax asset has been recognized on petroleum activities in Norway and the UK in relation to carry forward losses and temporary differences as it has been considered probable that taxable profits or tax refunds will be available to utilize these deferred tax assets. A valuation allowance was recognized relating to carried forward losses in Norway (ordinary tax regime) and the UK due to the uncertainty regarding future taxable profits.

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

The following nominal tax rates apply in the jurisdictions where the subsidiaries of the Group are taxable: Ordinary tax regime in Norway (22 percent), the NCS (78 percent), ordinary tax regime in the UK (19 percent) and the UKCS (40 percent). In the UK, the tax rate in the ordinary tax regime will increase to 25 percent from April 2023. This has not had any impact on deferred taxes as deferred tax asset has not been recognized on carried forward losses in the ordinary tax regime in the UK.

Reconciliation of change in deferred tax assets/-liabilities

	Years ended 31 December	
USD million	**2021**	**2020**
Net deferred tax assets/-liabilities at 1 January	-131.4	-153.9
Change in deferred taxes in the income statement	-115.2	11.1
Deferred taxes related to business combinations and other transactions	-	-
Prior period adjustment	-	0.8
Reclassification from tax receivable	-	1.6
Currency and other movements	8.6	9.0
Net deferred tax assets/-liabilities at 31 December	**-238.0**	**-131.4**

Reconciliation of change in tax receivable/-payable

	Years ended 31 December	
USD million	**2021**	**2020**
Net tax receivable/-payable at 1 January	63.1	164.5
Tax receivable/-payable related to transactions posted directly to balance sheet	3.7	-
Tax receivable/-payable in the income statement	98.9	128.8
Tax payment/-refund	-174.7	-236.3
Prior period adjustment	-	-2.4
Reclassification to deferred tax asset	-	-1.6
Currency and other movements	-3.0	10.0
Net tax receivable/-payable at 31 December	**-11.9**	**63.1**

Note 9

Financial instruments

Financial risk management, objectives and policies

Overview

The Group's principal financial liabilities are comprised of interest-bearing liabilities and trade and other payables. The main purpose of these financial liabilities is to finance DNO's operations. The Group's principal financial assets include trade and other receivables, tax receivables and cash and cash equivalents. The Group also holds investments in equity instruments.

DNO is exposed to a range of risks affecting its financial performance including market risk, liquidity risk and credit risk. The Group seeks to minimize potential adverse effects of such risks through sound business practices and risk management programs. No hedge accounting is applied.

Market risk

The Group is exposed to market risks driven by fluctuations in oil and gas prices, foreign currency exchange rates, interest rates and the value of equity instruments held by the Company.

Oil and gas price risk

DNO's revenues are generated from the sale of oil and gas. Various hedging opportunities were evaluated and assessed in 2021 as part of a prudent financial risk management process. At yearend 2021, the Company had gas price put options in place with an average strike price of GBP 0.935 per therm, securing approximately 75 percent of after-tax profit from the estimated 2022 gas production.

The following table illustrates the impact on 2020 and 2021 profit/-loss before income tax from oil and gas price fluctuations deemed reasonable and possible, with all other variables held constant. In addition to driving revenues, price fluctuations or the expectations of price fluctuations could impact DNO's capital expenditure levels and impairment assessments. See Note 10 for a sensitivity analysis related to the impairment assessment of oil and gas assets.

	Change in yearend oil and gas price USD (percent)	Effect on profit before tax (USD mill)
2021	+/- 15.0	+/- 129.0
2020	+/- 15.0	+/- 72.9

Foreign currency exchange rate risk

Revenues from oil and gas production are primarily in USD and EUR, while operating expenses, capital and abandonment expenditures are primarily denominated in USD, NOK and GBP. The Group had no currency hedging instruments at yearend 2021 although it monitors its foreign currency risk exposure on a continuous basis and evaluates hedging alternatives.

The following tables illustrate the impact on DNO's profit/-loss before income tax and other comprehensive income in 2020 and 2021 from foreign currency exchange rate fluctuations deemed reasonable and possible in NOK and GBP exchange rates, with all other variables held constant. The other currencies (e.g., AED, IQD) are not included as the exposure is deemed immaterial.

	Change in NOK (percent)	Effect on profit before tax (USD mill)	Effect on OCI (USD mill)
2021	+ 10.0	-5.9	-30.0
2021	- 10.0	5.9	8.8
2020	+ 10.0	-7.8	-65.4
2020	- 10.0	7.8	74.4

	Change in GBP (percent)	Effect on profit before tax (USD mill)	Effect on OCI (USD mill)
2021	+ 10.0	1.4	-75.6
2021	- 10.0	-1.4	50.8
2020	+ 10.0	1.0	-31.4
2020	- 10.0	-1.0	30.0

	Change in EUR (percent)	Effect on profit before tax (USD mill)	Effect on OCI (USD mill)
2021	+ 10.0	-3.6	-
2021	- 10.0	3.6	-
2020	+ 10.0	-0.9	-
2020	- 10.0	0.9	-

Financial instruments

Interest rate risk

As most of the Group's financing derives from bond loans which are issued in USD and at fixed interest rates, the Group does not engage in interest rate hedging. Interest rate exposure on the reserve based lending facility (RBL) is considered limited and no hedging arrangement was in place during 2021. The Group is also exposed to interest rate risk on its cash deposits held at floating interest rates.

The following table illustrates the impact on DNO's profit/-loss before income tax in 2020 and 2021 from a change in interest rates on that portion of interest-bearing liabilities and cash deposits deemed reasonable and possible, with all other variables held constant.

	Increase/decrease in basis points	Effect on profit before tax (USD mill)
2021	+/- 100	+/-3.9
2020	+/- 100	+/-2.4

Equity price risk

The Group's listed equity investments are recorded at fair value at the end of each period and are exposed to market price risk arising from uncertainties about future values of the equity instruments. Fair value changes are included in other comprehensive income, see Note 1 and Note 11 for more information.

As of 31 December 2021, the exposure to equity investments at fair value was USD 16.2 million (USD 12.6 million at yearend 2020).

The following table illustrates the impact on DNO's profit/-loss before income tax and other comprehensive income from a change in the equity price deemed reasonable and possible, with all other variables held constant.

	Increase/decrease in share price (percent)	Effect on profit before tax (USD mill)	Effect on OCI (USD mill)
2021	+/- 10.0	-	+/-1.6
2020	+/- 10.0	-	+/-1.3

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group's business activities may not be available. Prudent liquidity risk management implies maintaining sufficient cash balances, credit facilities and other financial resources to maintain financial flexibility under dynamic market conditions. The Group's principal sources of liquidity are operating cash flows from its producing assets in Kurdistan and the North Sea. In addition to its operating cash flows, the Group relies on the debt capital markets for both short- and long-term funding, see Note 15. The Group's finance function prepares projections on a regular basis in order to plan the Group's liquidity requirements. These plans are updated regularly for various scenarios and form part of the basis for decision making for the Company's Board of Directors and executive management.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. DNO's revenues currently derive from production in the Tawke license in Kurdistan and from several licenses in the North Sea. The Group actively seeks to reduce such risk through organic growth and business and asset acquisitions aimed at further diversifying its revenue sources.

Note 9

Financial instruments

The tables below summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows.

USD million At 31 December 2021	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 3 years**	**Over 3 years**
Interest-bearing liabilities*	-	16.9	60.8	510.4	545.3
Other provisions and charges	-	18.6	16.2	-	-
Taxes payable	-	12.6	20.5	-	-
Trade and other payables	1.9	210.4	3.0	-	-
Total liabilities	**1.9**	**258.5**	**100.5**	**510.4**	**545.3**

USD million At 31 December 2020	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 3 years**	**Over 3 years**
Interest-bearing liabilities*	-	17.1	51.4	516.6	564.0
Other provisions and charges	-	11.3	14.0	-	-
Taxes payable	-	-	-	-	-
Trade and other payables	2.0	169.8	8.5	-	-
Total liabilities	**2.0**	**198.2**	**73.9**	**516.6**	**564.0**

* Face value of the bond loans are USD 794.9 million at yearend 2021 (USD 800 million at yearend 2020).

For changes in liabilities arising from financing activities, see Note 15.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Group. The Group's exposure to credit risk is mainly related to its outstanding trade debtors. Other counterparty credit risk exposure to DNO is related to its cash deposits with banks and financial institutions. The table below provides an overview of financial assets exposed to credit risk at yearend.

	Years ended 31 December	
USD million	**2021**	**2020**
Trade debtors (non-current portion) (Note 12)	18.2	182.0
Trade debtors (Note 12)	344.4	96.2
Other receivables (Note 12)	139.4	143.3
Tax receivables	21.1	63.1
Cash and cash equivalents	736.6	477.1
Total	**1,259.7**	**961.7**

Trade debtors

The impairment model in IFRS 9 is based on the premise of providing for expected credit losses. Expected credit losses (ECL) under IFRS 9, are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that are expected to be received, discounted at an approximation of the original effective interest rate. Measurement of ECLs under IFRS 9 shall reflect an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The entity should consider reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses.

Note 9

Financial instruments

Trade receivables from oil sales and override invoices in Kurdistan
Normal payment terms apply to amounts owed to DNO by the KRG for oil sales and override invoices from the Tawke license in Kurdistan. Since late 2015, DNO received the payment due to it from oil sales and overrides on a monthly basis from the KRG until early 2020. At yearend 2020, the Group had accumulated a receivable against the KRG after certain 2019 and 2020 entitlement and override payments to the Group (USD 259 million DNO share) and other KRI oil exporters were withheld early in 2020 by the KRG in connection with the Covid-19 pandemic. Entitlement payments were resumed in March 2020 and override payments were resumed in early 2021.

In December 2020, the KRG informed the international oil companies operating in Kurdistan of a payment plan whereby the KRG stated it would pay 50 percent of incremental revenue in any month in which Brent prices exceed USD 50 per barrel towards the arrears for 2019 and 2020. At yearend 2020, due to the IFRS 9 requirement to incorporate the time value of money, the Company reduced the book value of the Tawke license arrears by USD 16 million (recognized as other financial expense) when comparing the book value of the arrears to the estimated present value.

In May 2021, the KRG informed the international oil companies of revised terms reducing the payment of the arrears to 20 percent of incremental revenue in any month in which Brent prices exceed USD 50 per barrel. The KRG also advised that all international oil company invoices, including towards the arrears, will be settled within 60 days of receipt. The Company expects at a minimum to recover the full nominal value of the withheld receivables, and DNO continues to work to improve the terms of recovery of the arrears, including but not limited to interest payments. During 2021, the outstanding arrears were reduced from USD 259 million at the start of the year to USD 169.1 million at yearend. At yearend 2021, in line with IFRS 9, the Company made a re-run of the estimated present value, updated the Brent price assumptions resulting in a net increase in the book value of the arrears by USD 16 million, entirely reversing the financial expense recognized in 2020. Moreover, the classification of the receivables (current/non-current portion) was updated accordingly. The calculation of present value in accordance with IFRS 9, takes into account the most recent production forecasts for the Tawke license and the Company's Brent price assumptions to determine the expected timing of payments towards the arrears plus contractual interests under IFRS 9, and reflects the probability-weighted amount for a range of possible scenarios including probability-weighted Brent price scenarios with a probability assigned to each. The discount rate applied reflects the Company's cost of debt.

The table below shows the aging of trade debtors and information about credit risk exposure using a provision matrix.

	Contract		Days past due (trade debtors)				
USD million	**assets**	**Current**	**< 30 days**	**30-60 days**	**61-90 days**	**> 90 days**	**Total**
As of 31 December 2021							
Trade debtors (nominal value) (Note 12)	-	131.6	61.9	-	-	169.1	362.6
Expected credit loss rate (percent)	-	-	-	-	-	-	-
Expected credit loss rate (USD million)	-	-	-	-	-	-	-
As of 31 December 2020							
Trade debtors (nominal value) (Note 12)	-	42.0	2.7	2.8	3.3	243.4	294.2
Expected credit loss rate (percent)	-	-	-	-	-	-	-
Expected credit loss rate (USD million)	-	-	-	-	-	-	-

Total trade debtors of USD 362.6 million at yearend 2021 relate mainly to the Tawke license, see Note 12 for further details.

Cash deposits
Credit risk from balances with banks and financial institutions is managed by the Group's treasury function. The Group limits its counterparty credit risk by maintaining its cash deposits with multiple banks and financial institutions with high credit ratings.

Capital management
For the purpose of the Group's capital management, capital is defined as the total equity and debt of DNO. The Group manages and adjusts its capital structure to ensure that it remains sufficiently funded to support its business strategy and maximize shareholder value. If required, the capital structure may be adjusted through equity or debt transactions, asset restructuring or through a variety of other measures.

The Group monitors capital on the basis of the equity ratio, which is calculated as total equity divided by total assets. It is DNO's policy that this ratio should be 30 percent or higher. The financial covenants of the bond loans require a minimum of USD 40 million of liquidity and that the Group maintains either an equity ratio of 30 percent or a total equity of a minimum of USD 600 million.

There is also a restriction from declaring or making any dividend payments if the liquidity of the Company is less than USD 80 million immediately after such distribution is made, see Note 15. The equity ratio has improved primarily due to a net profit in 2021. The table below shows the book equity ratio at yearend.

No changes were made in the objectives, policies or processes for managing capital during 2021 and 2020.

Note 9

Financial instruments

USD million	Years ended 31 December 2021	2020
Total equity	1,018.8	845.6
Total assets	2,947.8	2,708.7
Equity ratio	**34.6%**	**31.2%**

Fair value measurement
Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy as described below.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include the carrying amounts and fair value information for financial assets and financial liabilities not measured or disclosed at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount			Fair value hierarchy			
2021 - USD million	**Note**	**Financial assets designated at FVTOCI***	**Financial liabilities at amortized cost**	**Total**	**Date of valuation**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured or disclosed at fair value								
Financial investments	11	16.2	-	16.2	31 December 2021	16.2	-	-
Financial liabilities measured or disclosed at fair value								
Interest-bearing liabilities (non-current)	15	-	873.4	873.4	31 December 2021	824.2	-	95.0
Interest-bearing liabilities (current)	15	-	-	-		-	-	-

* Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

		Carrying amount			Fair value hierarchy			
2020 - USD million	**Note**	**Financial assets designated at FVTOCI**	**Financial liabilities at amortized cost**	**Total**	**Date of valuation**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured or disclosed at fair value								
Financial investments	11	12.6	-	12.6	31 December 2020	12.6	-	-
Financial liabilities measured or disclosed at fair value								
Interest-bearing liabilities (non-current)	15	-	934.2	934.2	31 December 2020	746.5	-	149.6
Interest-bearing liabilities (current)	15	-	-	-		-	-	-

Note 10

Property, plant and equipment/Intangible assets

Depreciation, depletion and amortization (DD&A) is charged to cost of goods sold in the statements of comprehensive income.

PROPERTY, PLANT AND EQUIPMENT

2021 - USD million	Development assets	Production assets	Total oil & gas assets	Other PP&E	RoU assets	Total
As of 1 January 2021						
Acquisition costs	152.0	3,037.0	3,189.0	13.7	22.9	3,225.6
Accumulated impairments	-42.1	-358.6	-400.7	-0.1	-	-400.8
Accumulated depreciation	-	-1,632.3	-1,632.3	-11.7	-6.7	-1,650.6
Net book amount	**109.9**	**1,046.1**	**1,155.9**	**2.0**	**16.2**	**1,174.1**
Period ended 31 December 2021						
Opening net book amount	109.9	1,046.1	1,155.9	2.0	16.2	1,174.1
Translation differences	-3.0	-15.8	-18.8	-	-1.7	-20.6
Additions*	15.5	190.6	206.2	0.2	14.6	221.0
Transfers**	125.7	4.0	129.7	-	-	129.7
Disposals acquisition costs	-	-440.4	-440.4	-	-2.6	-443.0
Disposals depreciation/impairments	-	440.4	440.4	-	2.6	443.0
Depreciation of RoU recognized against ARO	-	-	-	-	-4.6	-4.6
Impairments	-	-11.6	-11.6	-	-	-11.6
Depreciation	-	-198.2	-198.2	-1.1	-3.9	-203.2
Closing net book amount	**248.2**	**1,015.2**	**1,263.3**	**1.0**	**20.6**	**1,284.9**
As of 31 December 2021						
Acquisition costs	290.3	2,785.1	3,075.4	13.9	34.6	3,123.9
Accumulated impairments	-42.1	-89.6	-131.7	-0.1	-	-131.8
Accumulated depreciation	-	-1,680.4	-1,680.4	-12.8	-14.1	-1,707.2
Net book amount	**248.2**	**1,015.2**	**1,263.3**	**1.0**	**20.6**	**1,284.9**
Depreciation method		UoP		Linear (2-7 years)		

* Includes changes in estimate of asset retirement, see Note 16.

** Transfers relate to reclassification of the book value of Baeshiqa license from exploration phase (intangible assets) to development phase (tangible assets) following KRG approval of the first phase development plan and reclassification of the book value of Iris/Hades (PL644) license following concept select.

Note 10

Property, plant and equipment/Intangible assets

DD&A is charged to cost of goods sold in the statements of comprehensive income.

INTANGIBLE ASSETS

2021 - USD million	Goodwill	License interest	Exploration assets	Other	Total Other intangible assets	Total
As of 1 January 2021						
Acquisition costs	474.3	97.1	389.2	14.3	500.5	974.9
Accumulated impairments	-312.3	-7.7	-108.3	-	-116.0	-428.3
Accumulated depreciation	-	-66.4	-	-9.5	-75.9	-75.9
Net book amount	**162.0**	**23.0**	**280.9**	**4.7**	**308.6**	**470.6**
Period ended 31 December 2021						
Opening net book amount	162.0	23.0	280.9	4.7	308.6	470.6
Translation differences	-5.3	-	-9.6	0.2	-9.4	-14.7
Additions	-	1.0	85.3	0.4	86.7	86.8
Additions through license acquisition*	-	-	35.2	-	35.2	35.2
Transfers**	-	-	-125.7	-	-125.7	-125.7
Disposals cost price	-	-	-6.0	-0.3	-6.3	-6.3
Disposals impairments/depreciation	-	-	-	-	-	-
Exploration cost previously capitalized carried to cost	-	-1.1	-53.0	-	-54.1	-54.1
Impairments	-68.5	-	-	-	-	-68.5
Depreciation	-	-1.8	-	-1.0	-2.8	-2.8
Closing net book amount	**88.2**	**21.2**	**207.1**	**4.0**	**232.4**	**320.6**
As of 31 December 2021						
Acquisition costs	456.8	98.1	368.4	14.6	481.2	938.0
Accumulated impairments/exploration write-offs	-368.6	-8.7	-161.3	-	-170.0	-538.6
Accumulated depreciation	-	-68.2	-	-10.5	-78.7	-78.7
Net book amount	**88.2**	**21.2**	**207.1**	**4.0**	**232.4**	**320.6**
Depreciation method		UoP		Linear (3-7 years)		

* Additions through license acquisition relate to DNO's acquisition of ExxonMobil's remaining 32 percent interest in the Baeshiqa license, approved by the KRG in August 2021. As consideration, DNO has covered ExxonMobil's share of exploration costs since January 2019 up to KRG's approval of the acquisition in August 2021 and the seller will receive a payment of USD 15 million. Following KRG's approval of the acquisition, DNO's payments for ExxonMobil's share of exploration costs was transferred to intangible assets, previously presented under Trade and other receivables.
** Transfers relate to reclassification of the book value of Baeshiqa license from exploration phase (intangible assets) to development phase (tangible assets) following KRG approval of the first phase development plan, and reclassification of the book value of Iris/Hades (PL644) license following concept select.

For pledges over the North Sea oil and gas assets, see Note 15.

Note 10

Property, plant and equipment/Intangible assets

PROPERTY, PLANT AND EQUIPMENT

2020 - USD million	Development assets	Production assets	Total oil & gas assets	Other PP&E	RoU assets	Total
As of 1 January 2020						
Acquisition costs	120.4	2,871.6	2,992.0	18.0	17.5	3,027.5
Accumulated impairments	-42.1	-334.6	-376.7	-0.1	-	-376.8
Accumulated depreciation	-	-1,279.9	-1,279.9	-17.8	-3.6	-1,301.3
Net book amount	**78.3**	**1,257.1**	**1,335.4**	**0.1**	**14.0**	**1,349.5**
Period ended 31 December 2020						
Opening net book amount	78.3	1,257.1	1,335.4	0.1	14.0	1,349.5
Translation differences	8.8	-3.6	5.2	0.6	-	5.8
Additions*	22.8	169.0	191.8	0.4	7.0	199.2
Transfers	-	-	-	-	-	-
Disposal cost price	-	-	-	-5.0	-1.9	-6.9
Disposal impairments/depreciations	-	-	-	7.0	1.1	8.1
Impairments	-	-24.0	-24.0	-	-	-24.0
Depreciation	-	-352.4	-352.4	-1.2	-4.0	-357.6
Closing net book amount	**109.9**	**1,046.1**	**1,155.9**	**2.0**	**16.2**	**1,174.1**
As of 31 December 2020						
Acquisition costs	152.0	3,037.0	3,189.0	13.7	22.9	3,225.6
Accumulated impairments	-42.1	-358.6	-400.7	-0.1	-	-400.8
Accumulated depreciation	0.0	-1,632.3	-1,632.3	-11.7	-6.7	-1,650.8
Net book amount	**109.9**	**1,046.1**	**1,155.9**	**2.0**	**16.2**	**1,174.1**

Depreciation method	UoP	Linear (3-7 years)

* Includes changes in estimate of asset retirement, see Note 16.

INTANGIBLE ASSETS

2020 - USD million	Goodwill	License interest	Exploration assets	Other	Total Other intangible assets	Total
As of 1 January 2020						
Acquisition costs	462.6	95.7	339.4	13.8	448.9	911.5
Accumulated impairments/exploration write-offs	-128.8	-12.0	-18.3	-	-30.2	-159.0
Accumulated depreciation	-	-63.6	-	-8.6	-72.1	-72.0
Net book amount	**333.9**	**20.3**	**321.1**	**5.2**	**346.6**	**680.5**
Period ended 31 December 2020						
Opening net book amount	333.9	20.3	321.1	5.2	346.6	680.5
Translation differences	-10.8	-	5.9	-	5.9	-4.7
Additions	-	-	62.3	0.5	62.8	62.8
Transfers	-	-	-	-	-	-
Disposal cost price	-	-0.4	-0.9	-	-1.3	-1.3
Disposal impairments/depreciations	-	5.8	0.9	-	6.7	6.7
Exploration cost previously capitalized carried to cost	-		-17.5		-17.5	-17.5
Impairments	-161.1	-	-90.9	-	-90.9	-252.0
Depreciation	-	-2.8	-	-1.0	-3.8	-3.8
Closing net book amount	**162.0**	**23.0**	**280.9**	**4.7**	**308.6**	**470.6**
As of 31 December 2020						
Acquisition costs	474.3	97.1	389.2	14.3	500.5	974.9
Accumulated impairments/exploration write-offs	-312.3	-7.7	-108.3	-	-116.0	-428.3
Accumulated depreciation	-	-66.4	-	-9.5	-75.9	-75.9
Net book amount	**162.0**	**23.0**	**280.9**	**4.7**	**308.6**	**470.6**

Depreciation method	UoP	Linear (3-7 years)

Note 10
Property, plant and equipment/Intangible assets

Impairment testing
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 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. Impairment assessment of DNO's assets in Kurdistan is based on the value in use approach. For oil and gas assets and goodwill recognized in relation to the acquisition of Faroe Petroleum Plc, the impairment assessment is based on the fair value approach (level 3 in fair value hierarchy, IFRS 13). For both the value in use and fair value, the impairment testing is performed based on discounted cash flows. The expected future cash flows are discounted to the net present value by applying a discount rate after tax. Cash flows are projected for the estimated lifetime of the fields or license, which may exceed periods longer than five years.

Below is an overview of the key assumptions applied for impairment assessment purposes as of 31 December 2021.

Oil and gas prices
Forecasted oil and gas prices are based on management's estimates and market data. The near-term price assumptions are based on forward curve pricing over the period for which there is deemed to be a sufficient liquid market and observable broker and analyst consensus. The long-term price assumptions reflect management's best estimate of the oil and gas price development over the life of the Group's oil and gas fields based on its view of current market conditions and future developments. Management's assessment also includes comparison with long-term oil and gas price assumptions communicated by peer companies and other external forecasts. Oil and gas price assumptions applied for impairment testing are reviewed and, where necessary, adjusted on a periodic basis.

The nominal oil and gas price assumptions applied for impairment assessments at yearend 2021 were as follows (yearend 2020 in brackets):

	2022	2023	2024	2025
Brent (USD/bbl)	76.9 (59.1)	70.4 (59.1)	68.3 (64.7)	70.0 (70.4)
NBP (pence/therm)	158.3 (37.8)	77.4 (41.4)	65.5 (45.1)	57.6 (48.7)

For periods after year 2025, the long-term oil and gas price assumptions applied were USD 65 per barrel and 45 pence sterling per therm, respectively (in real terms, basis year 2021).

Oil and gas price differential
The estimated net oil and gas price is based on the above nominal price assumptions adjusted for price differentials due to quality and transportation for each individual field.

Oil and gas reserves and resources
Future cash flows are calculated on the basis of expected production profiles and estimated proven and probable remaining reserves, and additional risked contingent resources when the impairment assessments are based on the fair value approach. For more information about reserves and resources estimate, see Note 1 and Note 23.

Discount rate
The discount rate is derived from the Company's weighted average cost of capital (WACC). Main elements of the WACC include:

- For the value in use calculations, the capital structure considered in the WACC calculation is derived from DNO's debt and equity to enterprise value ratio at yearend. For the fair value calculations, the capital structure considered in the WACC calculation is derived from the capital structures of an identified peer group and market participants.
- The cost of equity is calculated on a country-by-country basis using the Capital Asset Pricing Model (CAPM) and adding a country risk premium. The beta factor is based on publicly available data about the Company's beta in the value in use calculations, whereas the beta factors used for the fair value calculations are based on publicly available market data about the identified peer group.
- For the value in use calculations, the cost of debt is based on yield-to-maturity on the Company's outstanding bond loans with an upward adjustment to reflect a potential extension, whereas for fair value calculations the cost of debt is based on an identified peer group's bond loan issues.

For the value in use calculations, the relevant post-tax nominal discount rate at yearend 2021 was 13.6 percent (13 percent at yearend 2020) for the Kurdistan assets. For the fair value calculations, the relevant post-tax nominal discount rates at yearend 2021 were 7.7 percent for the Norway assets (7.6 percent at yearend 2020) and 7 percent for the UK assets (7.8 percent at yearend 2020).

Property, plant and equipment/Intangible assets

Inflation and currency rates

The long-term inflation rate is assumed to be 2 percent independent of the underlying country or currency (unchanged from yearend 2020). DNO has applied the forward curve as basis for assessment of currency rates. The USD/NOK applied for impairment testing at yearend 2021, was USD/NOK 8.5 (unchanged from yearend 2020) and kept it constant thereafter.

Impairment charge and reversal

The following table shows the recoverable amounts and impairment charges or reversal for the CGUs which were impaired in 2021 and 2020, and how it was recognized in the income statement and balance sheet.

Full-Year ended 31 December 2021 (in USD million)		Income statement:			Balance sheet:				
CGU, segment	Recoverable amount (post-tax)	Impairment -charge/ reversal (pre-tax)	Tax income -expense	Impairment -charge/ reversal (post-tax)	Goodwill	Other intangible assets	Property, plant and equipment	Deferred tax asset/ -liability	Currency effects
Fenja, North Sea	54.0	-9.7		-9.7	-9.7	-	-	-	-0.1
Trym area, North Sea	9.0	-7.7		-7.7	-7.7	-	-	-	-0.3
Ula area, North Sea	158.0	-51.1		-51.1	-51.1	-	-	-	0.4
Oselvar, North Sea	-	1.5	-1.2	0.3	-	-	1.5	-1.2	-
Schooner and Ketch, North Sea	-	-11.2	4.1	-7.1	-	-	-11.2	4.1	-
Other CGUs, North Sea	-	-1.9	-	-1.9	-	-	-1.9	-	-
Total	**221.0**	**-80.1**	**2.9**	**-77.2**	**-68.5**	**-**	**-11.6**	**2.9**	**-**

Full-Year ended 31 December 2020 (in USD million)		Income statement:			Balance sheet:				
CGU, segment	Recoverable amount (post-tax)	Impairment -charge/ reversal (pre-tax)	Tax income -expense	Impairment -charge/ reversal (post-tax)	Goodwill	Other intangible assets	Property, plant and equipment	Deferred tax asset/ -liability	Currency effects
SE Tor, North Sea	-	-66.4	28.5	-37.9	-28.6	-37.9	-	28.7	1.6
Agar, North Sea	-	-14.7	7.0	-7.7	-4.2	-10.5	-	6.9	3.5
Iris and Hades, North Sea	11.7	-82.7	33.2	-49.5	-40.2	-42.5	-	33.1	3.5
Fenja, North Sea	66.1	-18.6	-	-18.6	-18.6	-	-	-	1.4
Ringhorne East, North Sea	13.3	-27.1	-	-27.1	-27.1	-	-	-	1.3
Ula area, North Sea	247.8	-19.3	-	-19.3	-19.3	-	-	-	2.2
Brage, North Sea	25.6	-6.7	-	-6.7	-6.7	-	-	-	0.1
Marulk, North Sea	15.1	-4.3	1.1	-3.2	-2.8	-	-1.4	1.1	0.6
Vilje, North Sea	32.9	-8.4	-	-8.4	-8.4	-	-	-	1.6
Trym area, North Sea	13.6	-5.2	-	-5.2	-5.2	-	-	-	0.1
Oselvar, North Sea	-	-19.8	15.5	-4.3	-	-	-19.8	15.5	0.3
Schooner and Ketch, North Sea	-	2.1	-1.0	1.1	-	-	2.1	-1.0	-
Other CGUs, North Sea	-	-4.9	2.2	-2.7	-	-	-4.9	2.2	0.4
Total	**426.1**	**-276.0**	**86.5**	**-189.5**	**-161.1**	**-90.9**	**-24.0**	**86.5**	**16.6**

During 2021, a total impairment charge of USD 80.1 million (USD 77.2 million post-tax) was recognized, mainly driven by:
- Revised reserves and resource estimates (Fenja development);
- Revised reserves and resource estimates, and cost profiles (Ula area CGU, Trym area CGU); and
- Revision in the cost estimate for decommissioning (Schooner and Ketch fields, Oselvar field, and other CGUs).

During 2020, a total impairment charge of USD 276 million (USD 189.5 million post-tax) was recognized, mainly driven by:
- Relinquishment of DNO's participation in a license (Agar discovery);
- Reduction in resource estimates following appraisal and evaluation of potential (SE Tor discovery and Iris and Hades discoveries);
- Revised reserves estimates (Fenja development and Ringhorne East);
- Revised oil and gas price assumptions (Ula area CGU, Marulk, Vilje and Trym area CGU);
- Revised oil and gas price assumptions and update in cost profiles (Brage);
- Upward revision in the cost estimate for decommissioning (Oselvar field); and
- Partially offset by a downward revision in the cost estimate for decommissioning (Schooner and Ketch fields).

Note 10

Property, plant and equipment/Intangible assets

Sensitivities

The table below illustrates how the net profit/-loss in 2021 would have been affected by changes in the various assumptions, holding the remaining assumptions unchanged. The estimated recoverable amounts related to the Kurdistan licenses are substantially higher than the carrying amounts and the same sensitivity tests would not imply any impairment charges.

		Net profit/-loss effects:	
Assumption (USD million)	**Change**	**Increase in assumption:**	**Decrease in assumption:**
Oil and gas price	+/- 15%	42	-52
Reserves (2P) and resources (2C)	+/- 5%	21	-12
Discount rate (WACC)	+/- 1%	-7	17
Currency rate (USD/NOK)	+/- 1.0 NOK	28	-28

Climate considerations in impairment assessment

Certain climate considerations are factored into the Group's estimation of cash flows that are applied in the calculation of recoverable amount. This includes factoring in current legislation (e.g., environmental taxes/fees) and estimation of future levels of environmental taxes. For DNO's oil and gas assets on the NCS, carbon pricing is in line with current legislation and reflects the operator's forecasts for individual assets. As proposed in the Norwegian Government's Climate Plan for 2021-2030, a steady increase in the total carbon price (quota plus CO2 tax) to NOK 2,000 per tonne (in 2020 real terms) is expected by 2030. In Kurdistan, the KRG introduced in 2021 a requirement for oil companies to put plans in place to curb gas flaring to reduce emissions. The Company has run sensitivities for its Kurdistan oil assets with the CO2 tax assumptions as described in the scenarios outlined by the International Energy Agency (IEA) in their World Energy Outlook (WEO) reports, namely the Stated Policies Scenario and the Sustainable Development Scenario.

An energy transition is likely to impact the future oil and gas prices which in turn may affect the recoverable amount of the oil and gas assets. Indirectly, climate considerations are also assessed in the forecasting of oil and gas prices where supply and demand are considered. A significant reduction in the Company's oil and gas price assumptions, as shown above, would result in impairments on certain production and development assets in the North Sea portfolio including intangible assets that are subject to impairment assessment under IAS 36, but an opposite revision in the price assumptions would only lead to limited impairment reversals as most of the North Sea impairments recognized were related to impairment of goodwill which cannot be reversed under IFRS.

To assess the robustness of the Group's oil and gas assets, the Company has run sensitivities with the oil and gas price assumptions described by scenarios outlined by the IEA, namely the Stated Policies Scenario and the Sustainable Development Scenario. These scenarios are commonly applied by peer companies and the Company believes that these are useful for investors and other stakeholders in assessing portfolio resilience across companies in the industry. The oil and gas price assumptions in the scenarios have been provided by the IEA for the years 2030 and 2050 (in 2020 real terms), and for the sensitivity calculation a linear development between average actual 2021 and 2030, as well as between 2030 and 2050 have been applied. A calculation of a possible effect of using the oil and gas prices in the Sustainable Development Scenario (oil price: USD 56 per barrel in 2030 and USD 50 per barrel in 2050, gas price: USD 4.2 per MMBtu and USD 4.5 per MMBtu, in real terms 2020) indicates a potential impairment of around USD 28 million post-tax. No impairments are expected related to the Company's Kurdistan assets at these price levels. As the oil and gas price assumptions in the Stated Policies Scenario are at higher levels (oil price: USD 77 per barrel in 2030 and USD 88 per barrel in 2050, gas price: USD 7.7 per MMBtu and USD 8.3 per MMBtu, in real terms 2020) compared to the Group's long-term price assumption of USD 65 per barrel, no impairments or significant reversals are expected, but the estimated headroom in the impairment testing would increase.

A significant reduction in the oil and gas price assumptions could also have effect on the estimated economic cut-off of the projects. Based on the Group's scenario analysis, no significant impact was identified with regards to estimated economic cut-off dates.

These illustrative impairment sensitivities assume no changes to assumptions other than oil and gas prices. However, significant reduction in the oil and gas prices, offset by foreign currency effects, would likely impact the Group's investment levels as occurred following significant changes in oil and gas prices during the Covid-19 pandemic in 2020. The illustrative sensitivities on climate change are not considered to represent a best estimate of an expected impairment impact. Moreover, a significant and prolonged reduction in oil and gas prices would likely result in mitigating actions by DNO and its license partners; for example it could have an impact on drilling plans and production profiles for new and existing assets. Quantifying such impacts is considered impracticable, as it requires detailed evaluations based on hypothetical scenarios and not based on existing business or development plans.

Note 10

Property, plant and equipment/Intangible assets

License expiry and economic cut-off dates for development and production assets

In Kurdistan, the Tawke license expires in 2026 but DNO has the right to one automatic five-year extension (i.e., to 2031) and, if commercial production is still possible at the end of this extended period, DNO is entitled to, upon request to the KRG, a further five-year extension (i.e., to 2036). Based on DNO's current assessments, the production from Tawke license will be commercial for the duration of its contractual term and through subsequent extensions. On the Baeshiqa license, commerciality was declared by the contractor on 1 August 2021, terminating the exploration period and moving into the PSC development period, which has as a 20-year duration. If commercial production is still possible at the end of the 20-year period, DNO is entitled to a five-year extension.

In the North Sea, the following relevant license expiry and economic cut-off (in brackets) dates were applied in relation to yearend 2021 impairment assessments; the Ula area CGU have license expiry dates that ranges between 2027 and 2036 (economic cut-off dates range between 2031 and 2032); the Ringhorne East license expires in 2030 (2045); the Brage license expires in 2030 (2030); the Trym license expires in 2027 (2025); the Alve license expires in 2029 (2030); the Marulk license expires in 2025 (2026); the Vilje license expires in 2032 (2040); the Fenja license expires in 2039 (2039); the Brasse license expires in 2022 (2044, subject to extension when PDO is submitted and approved); and the Iris and Hades license expires in 2023 (2031, subject to extension when PDO is submitted and approved).

Note 11

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), see Note 1 for details.

	Years ended 31 December	
USD million	**2021**	**2020**
Book value as of 1 January	12.6	21.0
Fair value changes through other comprehensive income (FVTOCI)	3.6	-8.4
Book value as of 31 December	**16.2**	**12.6**

Financial investments include the following:

USD million	**2021**	**2020**
Listed shares:		
RAK Petroleum plc	16.2	12.6
Total financial investments	**16.2**	**12.6**

At yearend 2021, the Company held a total of 15,849,737 shares (5.1 percent of total issued Class A shares) in RAK Petroleum. RAK Petroleum is listed on the Oslo Stock Exchange. Through its subsidiary, RAK Petroleum Holdings B.V., RAK Petroleum is the largest shareholder in DNO ASA with 44.94 percent of the total issued shares, see Note 14. The Company's Executive Chairman Bijan Mossavar-Rahmani, the largest shareholder in RAK Petroleum, also serves as Executive Chairman of RAK Petroleum. Change in fair value is recognized in other comprehensive income with USD 3.6 million in 2021 (USD -8.4 million in 2020).

Note 12

Other non-current receivables/Trade and other receivables

USD million	Years ended 31 December 2021	2020
Trade debtors (non-current portion)	18.2	182.0
Other long-term receivables	1.3	0.4
Total other non-current receivables	**19.4**	**182.4**
Trade debtors	344.4	96.2
Underlift	17.2	27.4
Other short-term receivables	122.2	116.0
Total trade and other receivables	**483.8**	**239.6**

Total book value of trade debtors of USD 362.6 million (current and non-current portion) at yearend 2021 relate mainly to the Tawke license arrears for 2019 and 2020 entitlement and override invoices (USD 169.1 million), and outstanding invoices for Tawke license crude oil deliveries for the months October through December 2021 (USD 180.3 million). See also Note 22 regarding subsequent events after yearend 2021.

At yearend 2020, due to the IFRS 9 requirement to incorporate the time value of money, the Company reduced the book value of the Tawke license arrears by USD 16 million when comparing the book value of the arrears to the estimated present value.

As of 31 December 2021, in line with IFRS 9, the Company made a re-run of the estimated present value, updated the Brent price assumptions resulting in a net increase in the book value of the arrears by USD 16 million, entirely reversing the financial expense recognized in 2020. Moreover, the classification of the receivables (current/non-current portion) was updated accordingly. The calculation of present value in accordance with IFRS 9, takes into account the most recent production forecasts for the Tawke license and the Company's Brent price assumptions to determine the expected timing of payments towards the arrears plus contractual interests under IFRS 9, and reflects the probability-weighted amount for a range of possible scenarios including probability-weighted Brent price scenarios with a probability assigned to each. The discount rate applied reflects the Company's cost of debt, see Note 9.

The underlift receivable of USD 17.2 million as of 31 December 2021 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 13

Cash and cash equivalents

USD million	Years ended 31 December 2021	2020
Cash and cash equivalents, restricted	15.8	13.6
Cash and cash equivalents, non-restricted	720.8	463.5
Total cash and cash equivalents	**736.6**	**477.1**

Restricted cash consists of deposits on escrow account, employees' tax withholdings and deposits for rent. Non-restricted cash is mainly related to bank deposits in USD, NOK, GBP, EUR and DKK as of 31 December 2021.

Note 14

Equity

Share capital

USD million	Number of shares (1,000)	Ordinary shares	Treasury shares	Total
As of 1 January 2020	**990,114**	**36.0**	**-2.6**	**33.4**
Treasury shares sold/-purchased	-14,681.3	-	-0.4	-0.4
Cancellation of treasury shares		-3.1	3.1	-
As of 31 December 2020	**975,433**	**32.9**	**-**	**32.9**

USD million	Number of shares (1,000)	Ordinary shares	Treasury shares	Total
As of 1 January 2021	**975,433**	**32.9**	**-**	**32.9**
Treasury shares sold/-purchased	-	-	-	-
Cancellation of treasury shares	-	-	-	-
As of 31 December 2021	**975,433**	**32.9**	**-**	**32.9**

At the 2021 AGM, the Board of Directors was given the authority to acquire treasury shares with a total nominal value of up to NOK 24,385,818. The maximum amount to be paid per share is NOK 100 and the minimum amount is NOK 1. Purchases of treasury shares are made on the Oslo Stock Exchange. The authorization is valid until the 2022 AGM, but not beyond 30 June 2022. As of 31 December 2021, the Company held no treasury shares.

The Board of Directors was also given the authority to increase the Company's share capital by up to NOK 36,578,727, which corresponds to 146,314,908 new shares. The authorization is valid until the 2022 AGM, but not beyond 30 June 2022.

In addition, the Board of Directors was given the authority to raise convertible bonds with an aggregate principal amount of up to USD 300,000,000. Upon conversion of bonds issued pursuant to this authorization, the Company's share capital may be increased by up to NOK 36,578,727. The authorization is valid until the 2022 AGM, but not beyond 30 June 2022.

The Board of Directors was given the authority to approve a dividend distribution of up to NOK 0.20 per share (but no exceed NOK 224.35 million) from the date of the AGM until 31 December 2021 and a distribution of dividend of up to NOK 0.20 per share (but no exceed NOK 224.35 million) from 1 January 2022 until the date of the 2022 AGM. In December 2021, the Company's Board of Directors approved a dividend payment of NOK 0.20 which was made on 30 December 2021 to all shareholders of record as of 22 December 2021.

Note 14

Equity

The Company's shareholders as of 31 December 2021	Shares	Interest (percent)
RAK Petroleum Holdings B.V.	438,379,418	44.94
Folketrygdfondet	39,668,897	4.07
State Street Bank and Trust Comp (Nominee)	18,088,459	1.85
JPMorgan Chase Bank, N.A., London (Nominee)	10,502,178	1.08
JP.P. Morgan Sercurities Plc	9,757,656	1.00
The Bank of New York Mellom SA/NV (Nominee)	7,643,385	0.78
Nordnet Bank AB (Nominee)	6,923,475	0.71
State Street Bank and Trust Comp (Nominee)	6,917,097	0.71
Salt Value AS	6,480,188	0.66
The Bank of New York Mellon SA/NV (Nominee)	6,207,101	0.64
State Street Bank and Trust Comp (Nominee)	6,006,625	0.62
Avanza Bank AB (Nominee)	5,902,386	0.61
Euroclear Bank S.A./N.V. (Nominee)	4,515,502	0.46
BNP Paribas Securities Services (Nominee)	4,200,000	0.43
Verdipapirfondet Storebrand Norge	4,174,554	0.43
Goldman Sachs & Co. LLC (Nominee)	4,036,915	0.41
JPMorgan Chase Bank, N.A., London (Nominee)	3,609,970	0.37
Nordea Bank Abp (Nominee)	3,522,990	0.36
The Bank of New York Mellon SA/NV (Nominee)	3,387,412	0.35
UBS AG London Branch	3,384,355	0.35
Other shareholders	382,124,183	39.17
Total number of shares excluding treasury shares	975,432,746	100.00
Treasury shares as of 31 December 2021 (DNO ASA)	0.00	0.00
Total number of outstanding shares	**975,432,746**	**100.00**

A dividend of USD 21.8 million was distributed in 2021 (nil in 2020). See Note 22 for dividend approved on 9 March 2022.

Note 15

Interest-bearing liabilities

USD million	Ticker OSE	Facility currency	Facility amount	Interest (percent)	Maturity	Effective interest rate (percent)	Fair value 2021	Fair value 2020	Carrying amount 2021	Carrying amount 2020
Non-current										
Bond loan (ISIN NO0010823347)	DNO02	USD	-	-	-	-	-	376.5	-	400.0
Bond loan (ISIN NO0010852643)	DNO03	USD	394.9	8.375	29.05.24	9.0	410.2	370.0	394.9	400.0
Bond loan (ISIN NO0011088593)	DNO04	USD	400.0	7.875	09.09.26	8.8	414.0	-	400.0	-
Capitalized borrowing issue costs									-16.5	-15.4
Reserve based lending facility	-	USD	350.0	see below	see below	-	95.0	149.6	95.0	149.6
Total non-current interest-bearing liabilities							**919.2**	**896.1**	**873.4**	**934.2**

On 1 September 2021, DNO ASA completed the placement of USD 400 million of a new, five-year senior unsecured bond (DNO04) issued at 100 percent at par with a coupon rate of 7.875 percent. In connection with the bond placement, the Company agreed to buy back USD 154 million in nominal value of DNO02 at 103.7 percent of par plus accrued interest. The remaining DNO02 bonds were called and settled after completion of the new bond at 103.5 percent of par plus accrued interest.

During 2021, DNO ASA has acquired USD 5.1 million of DNO03 bonds at a price range of 103.9 to 104 percent of par plus accrued interest. Facility and carrying amount for the bonds is shown net of bonds held by the Company.

The financial covenants of the bonds issued by DNO ASA require minimum USD 40 million of liquidity, and that the Group maintains either an equity ratio of 30 percent or a total equity of a minimum of USD 600 million. There is also a restriction on declaring or making any dividend payments if the liquidity of the Company is less than USD 80 million immediately following such distribution.

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. Due to temporary changes to the taxation of oil and gas companies in Norway, the Group has chosen to not utilize the EFF in relation to exploration spend in 2021.

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 entities that participate in the facility are required to submit quarterly a liquidity test and maintain a consolidated net debt divided by EBITDAX ratio of maximum 3.75 until end of 2021 and 3.50 thereafter. The security under the RBL includes, without limitation, a pledge over the shares in DNO North Sea plc and its subsidiaries, assignment of claims under shareholder loans, intra-group loans and insurances, a pledge of certain bank accounts and mortgages over the license interests. There are also restrictions on loans and dividend payments to DNO ASA. The borrowing base amount of the facility from 1 January 2022 is USD 106 million. Amount utilized as of the reporting date is disclosed in the table above. In addition, USD 88 million is utilized in respect of letters of credit.

There have been no breaches of the financial covenants of any interest-bearing liability in the current period.

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

USD million	At 1 Jan 2021	Cash flows	Non-cash changes Amortization	Non-cash changes Currency	Non-cash changes Acquisition	At 31 Dec 2021
Bond loans	800.0	-5.1	-	-	-	794.9
Borrowing issue costs	-15.4	-10.5	9.4	-	-	-16.5
Reserve based lending facility	149.6	-53.9	-	-0.7	-	95.0
Exploration financing facility	-	-	-	-	-	-
Total	**934.2**	**-69.5**	**9.4**	**-0.7**	**-**	**873.4**

USD million	At 1 Jan 2020	Cash flows	Non-cash changes Amortization	Non-cash changes Currency	Non-cash changes Acquisition	At 31 Dec 2020
Bond loans	821.2	-21.2	-	-	-	800.0
Bond loans (current)	140.0	-139.8	-0.2	-	-	-
Borrowing issue costs	-23.0	-	7.6	-	-	-15.4
Reserve based lending facility	37.8	109.2	-	2.6	-	149.6
Exploration financing facility	85.6	-86.1	-	0.5	-	-
Total	**1,061.6**	**-137.9**	**7.4**	**3.1**	**-**	**934.2**

Note 16

Provisions for other liabilities and charges/Lease liabilities

USD million	Years ended 31 December 2021	2020
Non-current		
Asset retirement obligations (ARO)	386.3	436.6
Other long-term obligations	3.6	3.4
Total non-current provisions for other liabilities and charges	**389.9**	**440.1**
Lease liabilities	12.5	13.9
Total non-current lease liabilities	**12.5**	**13.9**
Current		
Asset retirement obligations (ARO)	69.7	86.7
Other provisions and charges	34.8	25.3
Total current provisions for other liabilities and charges	**104.4**	**112.0**
Current lease liabilities	15.7	3.8
Total current lease liabilities	**15.7**	**3.8**
Total provisions for other liabilities and charges and lease liabilities	**522.6**	**569.7**

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 at yearend 2021 were between 3.2 percent and 3.7 percent (yearend 2020: between 3.2 percent and 3.7 percent). The credit margin included in the discount rates at yearend 2021 was 2.3 percent (yearend 2020: 2.8 percent).

Note 16

Provisions for other liabilities and charges/Lease liabilities

USD million	Asset retirement obligations	Other non-current
Provisions as of 1 January 2020	**492.8**	**7.1**
Decommissioning spend	-30.7	-
Increase/-decrease in existing provisions	38.3	-3.6
Amounts charged against provisions	-	-0.1
Effects of change in the discount rate	2.9	-
Accretion expenses (unwinding of discount)	17.0	-
Reclassification and transfer	3.0	-
Provisions as of 31 December 2020	**523.3**	**3.4**
Decommissioning spend	-86.8	-
Increase/-decrease in existing provisions	0.9	0.2
Amounts charged against provisions	-	-
Effects of change in the discount rate	0.9	-
Accretion expenses (unwinding of discount)	17.7	-
Reclassification and transfer	-	-
Provisions as of 31 December 2021	**456.0**	**3.6**

Lease liabilities

The recognized lease liabilities in the balance sheet are mainly related to rig lease and office rent. In 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. Lease payments related to short-term leases and leases of low-value assets are recognized under lifting costs and exploration costs, or tangible assets and capitalized exploration. Total lease payments related to short-term leases and low-value assets were USD 56.6 million (2020: USD 31.2 million) with most of the lease payments related to drilling rigs.

The following table summarizes the Group's maturity profile of the lease liabilities based on contractual undiscounted lease payments and are related to office rent and equipment.

	1 January - 31 December	
USD million	**2021**	**2020**
Within one year	16.6	4.7
Two to five years	13.1	13.8
After five years	-	1.1
Total undiscounted lease liabilities end of the period	**29.7**	**19.6**

Note 17

Commitments and contingencies

Contingent liabilities and contingent assets

Disputes with Ministry of Oil and Minerals of Yemen (MOM) – Block 43 and Block 32

DNO Yemen AS (DNO Yemen) was involved in a dispute with MOM with respect to DNO Yemen' relinquishment of Block 43 in 2016. An arbitral award was rendered on 18 February 2020 in DNO Yemen' favor in the amount of USD 6.8 million (almost entirely dismissing the USD 131 million counterclaim of the MOM). In accordance with IAS 37, the asset related to this arbitration award was not recognized in the balance sheet as of 31 December 2021.

As part of the Block 43 arbitral award in 2020 (above), a cost recovery audit was mandated for the years 2014 and 2015. In 2021, MOM filed an arbitration claim against DNO Yemen AS for allegedly over-recovered costs of USD 17.2 million from the Ministry in 2014 and 2015. In accordance with IAS 37.92, the Group does not provide further information with respect to this arbitration dispute and the associated risk for the Group, especially with regards to the measures taken in this context, in order not to impair the outcome of the proceedings. In accordance with IAS 37, no provision for a liability was made at yearend 2021 related to this dispute.

DNO Yemen AS was involved in a dispute with MOM with respect to DNO Yemen's relinquishment of Block 32 in 2016. An arbitral award was rendered on 7 April 2021 in the Ministry's favor in the amount of USD 8.1 million (out of a USD 151 million counterclaim) while the Contractor of the license was awarded USD 5 million (out of a USD 14 million claim). A provision for liability of USD 1.4 million (net to DNO Yemen) was recognized in 2021 related to this arbitration award.

Disputes with Ministry of Energy and Minerals (MEM) of Oman – Block 8

On 3 January 2019, the Company announced that its subsidiary DNO Oman Block 8 Limited (DNO Oman Block 8) had relinquished operatorship and participation in Block 8 to Oman's Ministry of Energy and Minerals (MEM) as a result of the expiry of the Exploration and Production Sharing Agreement (EPSA). DNO Oman Block 8 held a 50 percent interest in the license alongside LX International Corp. (LXI), which held the remaining 50 percent interest. The relinquishment gave rise to certain contested issues between MEM and the Contractor (DNO Oman Block 8 and LXI) which resulted in arbitration proceedings. A final settlement agreement was signed between the parties in Q4 2021 in MEM's favor in the amount of USD 17.7 million. The provision for liability related to this settlement agreement at yearend 2021 was USD 8.9 million (net to DNO Oman Block 8).

Other claims

During the normal course of its business, the Group may be involved in other legal proceedings and unresolved claims. The Group has made provisions in its consolidated financial statements for probable liabilities related to litigation and claims based on management's best judgment and in line with IAS 37. Other than what is set out above, DNO is not aware of any governmental, legal or arbitral proceedings (including any such proceedings which are pending or threatened) initiated against DNO and which may have significant effects on DNO's results of operations, cash flows or financial position.

Capital commitments and abandonment expenditures

Based on work plans as of yearend 2021 and contingent on future market conditions including development in the oil price, the Group's projected operational spend, comprising of capital and exploration expenditures, abandonment expenditures and operational expenditures at yearend 2021 amounted to USD 800 million. The projected operational spend reflects the Group's share of planned drilling and facility investments and decommissioning plan in its licenses for 2022. Execution of these work plans is subject to revisions.

Guarantees related to assets in operation as of 31 December 2021

The Company has issued parent company guarantees to authorities in Norway and the UK on behalf of certain subsidiaries that participate in licenses on the NCS and the UKCS.

Liability for damages/insurance

Installations and operations are covered by various insurance policies.

Note 18
Trade and other payables

USD million	Years ended 31 December 2021	2020
Trade payables	85.7	58.3
Public duties payable	6.1	4.1
Prepayments from customers	-	9.2
Overlift	17.3	6.4
Other accrued expenses	123.4	102.4
Total trade and other payables	**232.6**	**180.3**

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

Trade payables and other accrued expenses at yearend 2021 include items of working capital related to participation in licenses in Kurdistan and the North Sea and prepayment from customers in the North Sea.

The overlift payable of USD 17.3 million at yearend 2021 relates to North Sea overlifted volumes, valued at production cost including depreciation.

Note 19
Earnings per share

	1 January - 31 December 2021	2020
Net profit/-loss attributable to ordinary equity holders of the parent (USD million)	203.9	-285.9
Weighted average number of ordinary shares excluding treasury shares (millions)	975.43	975.73
Earnings per share, basic (USD per share)	**0.21**	**-0.29**
Earnings per share, diluted (USD per share)	**0.21**	**-0.29**

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

The Company did not have any potential dilutive shares at yearend 2021.

Note 20

Group companies

USD million	Office	Ownership and voting interest (percent)
Shares in the Company's subsidiaries		
DNO Iraq AS	Norway	100
DNO UK Limited	UK	100
DNO Mena AS	Norway	100
DNO Technical Services AS	Norway	100
DNO Exploration UK Limited	UK	100
DNO Yemen AS	Norway	100
DNO North Sea plc	UK	100
Shares in subsidiaries owned through subsidiaries		
DNO Mena AS		
DNO Oman Limited	Bermuda	100
DNO Oman Block 8 Limited	Guernsey	100
DNO Oman Block 30 Limited	Guernsey	100
DNO Technical Services Limited	Guernsey	100
DNO Tunisia Limited	Guernsey	100
DNO North Sea plc		
DNO North Sea (Norge) AS	Norway	100
DNO Norge AS	Norway	100
DNO North Sea (UK) Limited	UK	100
DNO North Sea (ROGB) Limited	UK	100
DNO North Sea (Energy) Limited	UK	100
DNO North Sea SIP EBT Limited	UK	100

The Company's subsidiary DNO Iraq AS has operations in Kurdistan. Activities on the NCS are carried out through DNO Norge AS, while activities on the UKCS are carried out through DNO North Sea (UK) Limited and DNO North Sea (ROGB) Limited. DNO ASA, DNO Technical Services AS and DNO North Sea plc provide technical support and services to the various companies in the Group. The other subsidiaries from the table above had minimal activity during the year. Northstar Oman AS and Føroya Kolvetni P/F were liquidated during 2021.

Note 21

Related party disclosure

The following table provides details of the Group's related party transactions in 2021. See also Note 5 on remuneration.

Related party (USD million)	Transaction	1 January - 31 December 2021	2020
RAK Petroleum plc	Service agreement	-0.1	-0.5
Total related party transactions		**-0.1**	**-0.5**

RAK Petroleum, through its subsidiary RAK Petroleum Holdings B.V., is the Company's largest shareholder and the Company's Executive Chairman Bijan Mossavar-Rahmani also serves as Executive Chairman of RAK Petroleum. The Company has an agreement with RAK Petroleum for services including administrative and commercial support and other expenses.

There are additional transactions between Group companies, see Note 19 in the parent company accounts.

A portion of the overhead expenses in the Company are charged to the subsidiaries through the hourly rate for services provided by the Company.

Note 22

Significant events after the reporting date

DNO receives 10 awards in Norway's APA licensing round

On 18 January 2022, the Company announced that its wholly-owned subsidiary DNO Norge AS has been awarded participation in 10 exploration licenses, of which three are operatorships, under Norway's Awards in Predefined Areas (APA) 2021 licensing round. Of the 10 new licenses, six are in the North Sea and four in the Norwegian Sea.

Payments from Kurdistan

Following yearend 2021, DNO has received USD 153.3 million for the months October and November 2021 towards the respective month's entitlement share of oil deliveries to the export market from the Tawke license, override payments equivalent to three percent of gross revenues under the August 2017 Receivables Settlement Agreement and arrears relating to withheld payment of 2019 and 2020 entitlement and override invoices.

Federal Supreme Court of Iraq (FSCI) ruling

The Company notes from public reports that on 15 February 2022, the FSCI ruled amongst other things that the Kurdistan Oil and Gas Law is unconstitutional, that the KRG is to hand over all oil production from areas located in the KRI to the 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 legal proceedings, and it is unclear how the KRG and the FGI will follow up on the ruling. At present, normal operations are maintained at the Tawke and Baeshiqa licenses. The Company continues to monitor the situation. Any future impacts of this ruling and subsequent actions by the FGI and the KRG cannot currently be estimated but may impact the operations and financial performance of the Group.

The Company's Board of Directors approve dividend payment

On 9 March 2022, the Company announced that pursuant to the authorization granted at the 2021 AGM, the Board of Directors has decided to distribute a dividend payment of NOK 0.20 per share to be made on or about 21 March 2022 to all shareholders of record as of 15 March 2022.

Potential implications of the Russia-Ukraine conflict

The Company notes the implications for commodity prices and potential interruptions of supply chains and third-party services from the ongoing Russia-Ukraine armed conflict. DNO is monitoring international sanctions and trade control legislation in order to mitigate the potential impact on the Company's operations.

Note 23

Oil and gas reserves (unaudited)

Net reserves by region/field as of 31 December 2021

	Proven (1P)				Proven and probable (2P)				Proven, probable and possible (3P)			
MMboe	**Oil**	**NGL**	**Gas**	**Total**	**Oil**	**NGL**	**Gas**	**Total**	**Oil**	**NGL**	**Gas**	**Total**
Tawke	113.9	-	-	113.9	176.4	-	-	176.4	215.8	-	-	215.8
Peshkabir	48.2	-	-	48.2	91.0	-	-	91.0	132.7	-	-	132.7
Total Kurdistan	**162.2**	**-**	**-**	**162.2**	**267.4**	**-**	**-**	**267.4**	**348.5**	**-**	**-**	**348.5**
Blane	0.5	0.1	-	0.6	1.3	0.2	-	1.4	1.4	0.2	-	1.6
Enoch	0.1	-	-	0.1	0.2	-	-	0.2	0.3	-	-	0.3
Total UK	**0.6**	**0.1**	**-**	**0.7**	**1.5**	**0.2**	**-**	**1.6**	**1.8**	**0.2**	**-**	**1.9**
Alve	0.6	1.0	3.6	5.2	1.0	1.5	5.5	8.0	1.4	2.2	8.0	11.7
Brage	1.1	0.1	0.2	1.4	1.9	0.2	0.3	2.4	2.4	0.3	0.4	3.0
Brasse	8.8	1.4	3.2	13.4	11.4	1.7	4.0	17.1	14.4	2.1	4.8	21.2
Fenja	2.6	0.3	0.8	3.7	3.2	0.3	1.0	4.6	3.7	0.4	1.2	5.2
Marulk	0.1	0.1	0.7	0.9	0.1	0.2	1.3	1.6	0.1	0.4	2.0	2.5
Oda	1.0	-	0.0	1.0	2.0	0.0	0.0	2.0	2.6	0.0	0.3	2.9
Ringhorne East	0.5	-	-	0.5	0.6	-	-	0.6	0.7	-	-	0.7
Tambar	1.2	0.1	0.3	1.5	2.9	0.2	0.7	3.8	4.1	0.2	1.1	5.4
Tambar East	-	-	-	-	0.2	0.0	0.0	0.2	0.2	0.0	0.0	0.3
Trym	0.3	-	1.7	1.9	0.4	-	2.8	3.2	0.6	-	4.2	4.8
Ula	1.3	0.0	-	1.4	5.1	0.1	-	5.2	6.2	0.2	-	6.3
Vilje	2.2	-	-	2.2	3.7	-	-	3.7	6.1	-	-	6.1
Total Norway	**19.7**	**3.0**	**10.5**	**33.2**	**32.3**	**4.3**	**15.6**	**52.3**	**42.4**	**5.8**	**22.0**	**70.2**
Total Group				**196.1**				**321.4**				**420.6**

Reserves development by segment (net to DNO)

	Kurdistan			North Sea			Total Group		
MMboe	**1P**	**2P**	**3P**	**1P**	**2P**	**3P**	**1P**	**2P**	**3P**
As of 1 January 2020	**170.7**	**300.0**	**480.5**	**48.6**	**70.1**	**102.0**	**219.3**	**370.2**	**582.5**
Production	-30.3	-30.3	-30.3	-6.4	-6.4	-6.4	-36.6	-36.6	-36.6
Acquisitions	-	-	-	-	-	-	-	-	-
Divestments	-	-	-	-	-	-	-	-	-
Extensions and discoveries	-	-	-	-	-	-	-	-	-
New developments	-	-	-	-	-	-	-	-	-
Revision of previous estimates	35.4	25.7	3.4	-1.2	0.7	0.2	34.2	26.3	3.7
As of 31 December 2020	**175.8**	**295.4**	**453.7**	**41.1**	**64.4**	**96.0**	**216.9**	**359.9**	**549.6**
Production	-29.8	-29.8	-29.8	-4.7	-4.7	-4.7	-34.5	-34.5	-34.5
Acquisitions	-	-	-	-	-	-	-	-	-
Divestments	-	-	-	-	-	-	-	-	-
Extensions and discoveries	-	-	-	-	-	-	-	-	-
New developments	-	-	-	-	-	-	-	-	-
Revision of previous estimates	16.1	1.8	-75.4	-2.4	-5.8	-19.1	13.7	-4.0	-94.4
As of 31 December 2021	**162.2**	**267.4**	**348.5**	**33.9**	**54.0**	**72.1**	**196.1**	**321.4**	**420.6**

Net Entitlement (NE) reserves by segment

	Kurdistan			North Sea			Total Group		
MMboe	**1P**	**2P**	**3P**	**1P**	**2P**	**3P**	**1P**	**2P**	**3P**
As of 31 December 2020	69.4	96.7	120.1	41.1	64.4	96.0	110.5	161.2	216.0
As of 31 December 2021	**56.5**	**77.7**	**88.8**	**33.9**	**54.0**	**72.1**	**90.4**	**131.7**	**160.9**

Note 23

Oil and gas reserves (unaudited)

The reserves and contingent resources are according to the Annual Statement of Reserves and Resources (ASRR) dated 21 February 2022. The reported reserves fall within class 1-3 of the Norwegian Petroleum Directorate (NPD) classification and 2C resources fall within classes 4, 5 and 7 of the NPD classification.

International petroleum consultants DeGolyer and MacNaughton (D&M) carried out an independent assessment of the Tawke license (containing the Tawke and Peshkabir fields) and the Baeshiqa license (containing the Baeshiqa and Zartik structures) in the Kurdistan region of Iraq. International petroleum consultants Gaffney, Cline & Associates (GCA) carried out an independent assessment of DNO's licenses in Norway and the United Kingdom (UK). The Company internally assessed Yemen Block 47.

The estimation of oil and gas reserves involves uncertainty. The figures above represent management's best judgment of the most likely quantity of economically recoverable oil and gas estimated at yearend 2021, given the information at the time of reporting. The estimates have a large spread especially for fields for which there is limited data available. The uncertainty will be reduced as more information becomes available through production history and reservoir appraisal. In addition, for fields in the decline phase with limited remaining volumes, fluctuations in oil prices will have a significant impact on the profitability and hence the economic cut-off for production.

At yearend 2021, DNO's net 1P reserves stood at 196.1 MMboe, compared to 216.9 MMboe at yearend 2020, after adjusting for production during the year and upward technical revisions. On a 2P reserves basis, DNO's net reserves stood at 321.4 MMboe, compared to 359.9 MMboe at yearend 2020. On a 3P reserves basis, DNO's net reserves were 420.6 MMboe, compared to 549.6 MMboe at yearend 2020. DNO's net 2C resources were 189.5 MMboe, compared to 151.3 MMboe at yearend 2020.

DNO's net production in 2021 totaled 34.5 MMboe (of which 29.8 million barrels of oil (MMbbls) in Kurdistan, 4.5 MMboe in Norway and the balance in the UK), compared to 36.6 MMboe in 2020 (of which 30.3 MMbbls in Kurdistan, 6.0 MMboe in Norway and the balance in the UK).

The Company's net yearend 2021 Reserve Life Index (R/P) stood at 5.7 years on a 1P reserves basis, 9.3 years on a 2P reserves basis and 12.2 years on a 3P reserves basis.

Effective from 2021, the Company reports its net production, reserves and resources based on the participating interest in all of its licenses. Prior to 2021 and for the licenses governed by PSCs, the Company reported its net figures after royalty and included DNO's additional share of cost oil covering its advances towards the government carried interest (if any) as well as volumes attributed to the three percent of gross Tawke license production under the August 2017 Receivables Settlement Agreement. The main reason for the change is to improve comparability with peer companies and to show the Company's share of production before the government take. All 2020 figures in this note are updated accordingly.

The Net Entitlement (NE) reserves are net to DNO after royalty and include DNO's additional share of cost oil covering its advances towards the government carried interest (if any) as well as volumes attributed to the three percent of gross Tawke license production under the August 2017 Receivables Settlement Agreement. Net reserves reflect pre-tax shares while NE reserves reflect post-tax shares. NE reserves are based on economic evaluation of the license agreements, incorporating projections of future production, costs and oil and gas prices. NE reserves may therefore fluctuate over time, even if there are no changes in the underlying gross and net volumes.

Net and NE reserves in DNO's licenses not governed by PSCs (Norway and the UK) are equivalent and reflect pre-tax shares.

Note 24

Oil and gas license portfolio

At yearend 2021, DNO held interests in two licenses in Kurdistan, both of which are PSCs. The Tawke license contains the producing Tawke and Peshkabir fields. The Baeshiqa license contains two large structures with multiple independent stacked target reservoirs, including in the Cretaceous, Jurassic and Triassic formations. The structures at Baeshiqa and Zartik have the potential to be part of a single accumulation of hydrocarbons at one or more of the geological formation intervals.

At yearend 2021, DNO also held 73 offshore licenses in Norway, 11 offshore licenses in the UK, two offshore licenses in Netherlands, one offshore license in Ireland and one onshore license in Yemen.

As is customary in the oil and gas industry, most of the Group's assets are held in partnership with other companies. Below is an overview of the Group's licenses, which are held through several wholly-owned subsidiary companies.

As of 31 December 2021:

Region/license	Participating interest (percent)	Operator	Partner(s)
Kurdistan			
Tawke PSC	75.0	DNO Iraq AS	Genel Energy International Limited
Baeshiqa PSC	64.0	DNO Iraq AS	Turkish Energy Company Limited, Kurdistan Regional Government
Norway			
PL006 C	65.0	DNO Norge AS	Aker BP ASA
PL006 E	85.0	DNO Norge AS	Aker BP ASA
PL006 F	85.0	DNO Norge AS	Aker BP ASA
PL018 ES	45.0	A/S Norske Shell	DNO Norge AS, Spirit Energy Norway AS
PL019	20.0	Aker BP ASA	DNO Norge AS
PL019 E	20.0	Aker BP ASA	DNO Norge AS
PL019 F	45.0	Aker BP ASA	DNO Norge AS
PL036 D	28.9	Aker BP ASA	DNO Norge AS, PGNiG Upstream Norway AS
PL048 D	9.3	Equinor Energy AS	DNO Norge AS, Petrolia NOCO AS, Aker BP ASA
PL053 B	14.3	Wintershall Dea Norge AS	DNO Norge AS, Lime Petroleum AS, Vår Energi AS, Neptune Energy Norway AS
PL055	14.3	Wintershall Dea Norge AS	DNO Norge AS, Lime Petroleum AS, Vår Energi AS, Neptune Energy Norway AS
PL055 B	14.3	Wintershall Dea Norge AS	DNO Norge AS, Lime Petroleum AS, Vår Energi AS, Neptune Energy Norway AS
PL055 D	14.3	Wintershall Dea Norge AS	DNO Norge AS, Lime Petroleum AS, Vår Energi AS, Neptune Energy Norway AS
PL055 E	14.3	Wintershall Dea Norge AS	DNO Norge AS, Lime Petroleum AS, Vår Energi AS, Neptune Energy Norway AS
PL065	45.0	Aker BP ASA	DNO Norge AS
PL065 B	45.0	Aker BP ASA	DNO Norge AS
PL1006	30.0	Equinor Energy AS	DNO Norge AS
PL1007	40.0	DNO Norge AS	OMV (Norge) AS, Spirit Energy Norway AS, Equinor Energy AS
PL1027	20.0	Lundin Norway AS	DNO Norge AS, Wintershall Dea Norge AS, INPEX Norge AS
PL1029	40.0	Lundin Norway AS	DNO Norge AS, Spirit Energy Norway AS
PL1036	60.0	DNO Norge AS	Source Energy AS
PL1048	50.0	Lundin Energy Norway AS	DNO Norge AS
PL1070	30.0	Total E&P Norge AS	DNO Norge AS, Vår Energi As
PL1076	50.0	Equinor Energy AS	DNO Norge AS
PL1077	40.0	Equinor Energy AS	DNO Norge AS
PL1083	30.0	Lundin Energy Norway AS	DNO Norge AS, Petoro AS
PL1084	40.0	Lundin Energy Norway AS	DNO Norge AS
PL1085	25.0	Aker BP ASA	DNO Norge AS, Petoro AS
PL1086	50.0	DNO Norge AS	Source Energy AS, Petoro AS
PL1102	40.0	Lundin Norway AS	DNO Norge AS
PL1106	40.0	DNO Norge AS	Petoro AS, Petrolia NOCO AS, Lundin Energy Norway AS
PL1108	40.0	DNO Norge AS	Pandion Energy AS, OKEA ASA
PL1109	30.0	OMV (Norge) AS	DNO Norge AS, ONE-Dyas Norge AS
PL1112	20.0	A/S Norske Shell	DNO Norge AS, Neptune Energy Norge AS, Spirit Energy Norway AS
PL1120	40.0	DNO Norge AS	Equinor Energy AS, Vår Energi AS, Wintershall Dea Norge AS
PL1127	20.0	Equinor Energy AS	DNO Norge AS, TotalEnergies EP Norge AS
PL122	17.0	Vår Energi AS	DNO Norge AS, Equinor Energy AS, PGNiG Upstream Norway AS
PL122 B	17.0	Vår Energi AS	DNO Norge AS, Equinor Energy AS, PGNiG Upstream Norway AS
PL122 C	17.0	Vår Energi AS	DNO Norge AS, Equinor Energy AS, PGNiG Upstream Norway AS
PL122 D	17.0	Vår Energi AS	DNO Norge AS, Equinor Energy AS, PGNiG Upstream Norway AS
PL147	50.0	DNO Norge AS	Spirit Energy Norway AS
PL159 B	32.0	Equinor Energy AS	DNO Norge AS, PGNiG Upstream Norway AS
PL159 G	32.0	Equinor Energy AS	DNO Norge AS, PGNiG Upstream Norway AS
PL169 E	87.0	DNO Norge AS	Vår Energi AS
PL185	14.3	Wintershall Dea Norge AS	DNO Norge AS, Lime Petroleum AS, Vår Energi AS, Neptune Energy Norge AS
PL248 F	20.0	Wintershall Dea Norge AS	DNO Norge AS, Petoro AS
PL248 GS	20.0	Wintershall Dea Norge AS	DNO Norge AS, Petoro AS
PL248 HS	20.0	Wintershall Dea Norge AS	DNO Norge AS, Petoro AS

Note 24

Oil and gas license portfolio

PL274	55.0	DNO Norge AS	CapeOmega AS
PL293 B	29.0	Equinor Energy AS	DNO Norge AS, Idemitsu Petroleum Norge AS, Longboat Energy Norway AS
PL300	45.0	Aker BP ASA	DNO Norge AS
PL405	15.0	Spirit Energy Norway AS	DNO Norge AS, Aker BP ASA, Suncor Energy Norge AS
PL586	7.5	Neptune Energy Norge AS	DNO Norge AS, Vår Energi AS, Suncor Energy Norge AS
PL644	20.0	OMV (Norge) AS	DNO Norge AS, Equinor Energy AS, Spirit Energy Norway AS
PL644 B	20.0	OMV (Norge) AS	DNO Norge AS, Equinor Energy AS, Spirit Energy Norway AS
PL644 C	20.0	OMV (Norge) AS	DNO Norge AS, Equinor Energy AS, Spirit Energy Norway AS
PL740	50.0	DNO Norge AS	Vår Energi AS
PL827 S	49.0	Equinor Energy AS	DNO Norge AS
PL836 S	30.0	Wintershall Dea Norge AS	DNO Norge AS, Spirit Energy Norway AS
PL836 SB	30.0	Wintershall Dea Norge AS	DNO Norge AS, Spirit Energy Norway AS
PL906	30.0	Aker BP ASA	DNO Norge AS, Longboat Energy Norge AS
PL923	20.0	Equinor Energy AS	DNO Norge AS, Wellesley Petroleum AS, Petoro AS
PL924	15.0	Wellesley Petroleum AS	DNO Norge AS, Equinor Energy AS, Lundin Energy Norway AS
PL929	10.0	Neptune Energy Norge AS	DNO Norge AS, Pandion Energy AS, Wintershall Dea Norge AS, Lundin Norway AS
PL943	30.0	Equinor Energy AS	DNO Norge AS, Sval Energi AS
PL967	60.0	DNO Norge AS	Equinor Energy AS
PL968	40.0	DNO Norge AS	Petoro AS, MOL Norge AS, Aker BP ASA
PL969	45.0	A/S Norske Shell	DNO Norge AS, Spirit Energy Norway AS
PL983	20.0	Equinor Energy AS	DNO Norge AS, TotalEnergies EP Norge AS, Petoro AS
PL984	40.0	DNO Norge AS	Vår Energi AS, Source Energy AS
PL984 BS	40.0	DNO Norge AS	Vår Energi AS, Source Energy AS
PL986	20.0	Aker BP ASA	DNO Norge AS, Petoro AS
PL994	30.0	Neptune Energy Norge AS	DNO Norge AS, Petrolia NOCO AS
UK			
P111	54.3	Repsol Sinopec Resources UK Ltd	DNO North Sea (U.K.) Ltd, DNO North Sea (ROGB) Ltd, Dana Petroleum (BVUK) Ltd.
P219	18.2	Repsol Sinopec North Sea Ltd	DNO North Sea (ROGB) Ltd, Dana Petroleum (BVUK) Ltd, Waldorf Production UK Ltd
P2401	45.0	Shell U.K. Ltd	DNO North Sea (U.K), Spirit Energy Resources Ltd
P2472	70.0	DNO North Sea (U.K.) Ltd	One-Dyas E&P Ltd
P255	45.0	Shell U.K. Ltd	DNO North Sea (U.K.) Ltd, Spirit Energy Resources Ltd
P558	10.0	Britoil Ltd	DNO North Sea (U.K.) Ltd, Rockrose Energy
P803	10.0	BP Exploration Operating Company Ltd	DNO North Sea (U.K.) Ltd, Rockrose UKCS 10 Ltd
P2551	100.0	DNO North Sea (U.K.) Ltd	
P2537	30.0	Chrysaor Production (U.K.) Limited	DNO North Sea (U.K.) Ltd, Neo Energy (ZEX) Limited
P2548	100.0	DNO North Sea (U.K.) Ltd	
P2533	50.0	NEO Energy (ZEX) Limited	DNO North Sea (U.K.) Ltd
Ireland			
FEL3/19	20.0	CNOOC Petroleum Europe Ltd	DNO North Sea (U.K.) Ltd
Netherlands			
D15	5.0	Neptune E&P UKCS Ltd	DNO North Sea (U.K.) Ltd, Ineos UK SNS Ltd, Premier Oil E&P UK Ltd
D18a	2.5	Neptune E&P UKCS Ltd	DNO North Sea (U.K.) Ltd, Ineos UK SNS Ltd, Premier Oil E&P UK Ltd
Yemen			
Block 47	64.0	DNO Yemen AS	The Yemen Company, Geopetrol Hadramaut Incorporated

Note 24

Oil and gas license portfolio

As of 31 December 2020:

Region/license	Participating interest (percent)	Operator	Partner(s)
Kurdistan			
Tawke PSC	75.0	DNO Iraq AS	Genel Energy International Limited
Baeshiqa PSC	32.0	DNO Iraq AS	ExxonMobil Kurdistan Region of Iraq Limited, Turkish Energy Company Limited, Kurdistan Regional Government
Norway			
PL006 C	85.0	DNO Norge AS	Aker BP ASA
PL006 E	85.0	DNO Norge AS	Aker BP ASA
PL006 F	85.0	DNO Norge AS	Aker BP ASA
PL018 ES	100.0	DNO Norge AS	
PL019	20.0	Aker BP ASA	DNO Norge AS
PL019 E	20.0	Aker BP ASA	DNO Norge AS
PL019 F	45.0	Aker BP ASA	DNO Norge AS
PL036 D	28.9	Aker BP ASA	DNO Norge AS, PGNiG Upstream Norway AS
PL048 D	9.3	Equinor Energy AS	DNO Norge AS, Petrolia NOCO AS, Aker BP ASA
PL053 B	14.3	Wintershall Dea Norge AS	DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS
PL055	14.3	Wintershall Dea Norge AS	DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS
PL055 B	14.3	Wintershall Dea Norge AS	DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS
PL055 D	14.3	Wintershall Dea Norge AS	DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS
PL055 E	14.3	Wintershall Dea Norge AS	DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS
PL065	45.0	Aker BP ASA	DNO Norge AS
PL065 B	45.0	Aker BP ASA	DNO Norge AS
PL1006	30.0	Equinor Energy AS	DNO Norge AS
PL1007	40.0	DNO Norge AS	OMV (Norge) AS, Spirit Energy Norway AS, Equinor Energy AS
PL1021	50.0	Wintershall Dea Norge AS	DNO Norge AS
PL1022	30.0	Aker BP ASA	DNO Norge AS, Concedo ASA
PL1027	20.0	Lundin Norway AS	DNO Norge AS, Wintershall Dea Norge AS, INPEX Norge AS
PL1029	40.0	Lundin Norway AS	DNO Norge AS, Spirit Energy Norway AS
PL1036	60.0	DNO Norge AS	Source Energy AS
PL1048	50.0	Lundin Energy Norway AS	DNO Norge AS
PL1056	20.0	A/S Norske Shell	DNO Norge AS, Petoro AS, Wintershall Dea Norge AS, Aker BP ASA
PL1070	30.0	Total E&P Norge AS	DNO Norge AS, Vår Energi As
PL1076	50.0	Equinor Energy AS	DNO Norge AS
PL1077	40.0	Equinor Energy AS	DNO Norge AS
PL1083	30.0	Lundin Energy Norway AS	DNO Norge AS, Petoro AS
PL122	17.0	Vår Energi AS	DNO Norge AS, INEOS E&P Norge AS, Equinor Energy AS
PL122 B	17.0	Vår Energi AS	DNO Norge AS, INEOS E&P Norge AS, Equinor Energy AS
PL122 C	17.0	Vår Energi AS	DNO Norge AS, INEOS E&P Norge AS, Equinor Energy AS
PL122 D	17.0	Vår Energi AS	DNO Norge AS, INEOS E&P Norge AS, Equinor Energy AS
PL147	50.0	DNO Norge AS	Spirit Energy Norway AS
PL159 B	32.0	Equinor Energy AS	DNO Norge AS, INEOS E&P Norge AS
PL159 G	32.0	Equinor Energy AS	DNO Norge AS, INEOS E&P Norge AS
PL169 E	87.0	DNO Norge AS	Vår Energi AS
PL185	14.3	Wintershall Dea Norge AS	DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS
PL248 F	20.0	Wintershall Dea Norge AS	DNO Norge AS, Petoro AS
PL248 GS	20.0	Wintershall Dea Norge AS	DNO Norge AS, Petoro AS
PL248 HS	20.0	Wintershall Dea Norge AS	DNO Norge AS, Petoro AS
PL274	55.0	DNO Norge AS	CapeOmega AS
PL274 CS	55.0	DNO Norge AS	CapeOmega AS
PL293 B	29.0	Equinor Energy AS	DNO Norge AS, Idemitsu Petroleum Norge AS
PL300	45.0	Aker BP ASA	DNO Norge AS
PL405	15.0	Spirit Energy Norway AS	DNO Norge AS, Aker BP ASA, Suncor Energy Norge AS
PL433	15.0	Spirit Energy Norway AS	DNO Norge AS, ONE-Dyas Norge AS, PGNiG Upstream Norway AS
PL586	7.5	Neptune Energy Norge AS	DNO Norge AS, Vår Energi AS, Suncor Energy Norge AS
PL644	20.0	OMV (Norge) AS	DNO Norge AS, Equinor Energy AS, Spirit Energy Norway AS
PL644 B	20.0	OMV (Norge) AS	DNO Norge AS, Equinor Energy AS, Spirit Energy Norway AS
PL644 C	20.0	OMV (Norge) AS	DNO Norge AS, Equinor Energy AS, Spirit Energy Norway AS
PL740	50.0	DNO Norge AS	Vår Energi AS
PL827 S	49.0	Equinor Energy AS	DNO Norge AS
PL836 S	30.0	Wintershall Dea Norge AS	DNO Norge AS, Spirit Energy Norway AS
PL888	40.0	DNO Norge AS	Wellesley Petroleum AS, ConocoPhillips Skandinavia AS
PL902	10.0	Lundin Norway AS	DNO Norge AS, Petoro AS, Aker BP ASA
PL902 B	10.0	Lundin Norway AS	DNO Norge AS, Petoro AS, Aker BP ASA
PL906	20.0	Aker BP ASA	DNO Norge AS, Equinor Energy AS
PL923	20.0	Equinor Energy AS	DNO Norge AS, Wellesley Petroleum AS, Petoro AS

Note 24

Oil and gas license portfolio

PL924	15.0	Wellesley Petroleum AS	DNO Norge AS, Equinor Energy AS, Lundin Energy Norway AS
PL926	60.0	DNO Norge AS	Concedo ASA, Lundin Norway AS
PL929	10.0	Neptune Energy Norge AS	DNO Norge AS, Pandion Energy AS, Wintershall Dea Norge AS, Lundin Norway AS
PL943	30.0	Equinor Energy AS	DNO Norge AS, Sval Energi AS
PL967	60.0	DNO Norge AS	Equinor Energy AS
PL968	40.0	DNO Norge AS	Petoro AS, MOL Norge AS, Aker BP ASA
PL969	45.0	A/S Norske Shell	DNO Norge AS, Spirit Energy Norway AS
PL975	60.0	DNO Norge AS	Source Energy AS
PL983	20.0	Equinor Energy AS	DNO Norge AS, Total E&P Norge AS, Petoro AS
PL984	40.0	DNO Norge AS	Vår Energi AS, Source Energy AS
PL984 BS	40.0	DNO Norge AS	Vår Energi AS, Source Energy AS
PL986	20.0	Aker BP ASA	DNO Norge AS, Petoro AS
PL987	20.0	Suncor Energy Norge AS	DNO Norge AS, Lundin Norway AS, Vår Energi AS
PL987 B	20.0	Suncor Energy Norge AS	DNO Norge AS, Lundin Norway AS, Vår Energi AS
PL988	30.0	Lundin Norway AS	DNO Norge AS, Vår Energi AS
PL991	60.0	DNO Norge AS	Lundin Norway AS
PL994	30.0	Neptune Energy Norge AS	DNO Norge AS, Petrolia NOCO AS
UK			
P111	54.3	Repsol Sinopec Resources UK Ltd	DNO North Sea (U.K.) Ltd, DNO North Sea (ROGB) Ltd, Dana Petroleum (BVUK) Ltd.
P1763	12.5	Apace Beryl I Ltd	DNO North Sea (U.K.) Ltd , Azinor Catalyst Ltd, Nautical Petroleum Ltd
P2074	25.0	Chrysaor CNS Ltd	DNO Exploration UK Ltd, Chrysaor Ltd, Ineos UK SNS Ltd
P219	18.2	Repsol Sinopec North Sea Ltd	DNO North Sea (ROGB) Ltd, Dana Petroleum (BVUK) Ltd, Waldorf Production UK Ltd
P2312	15.0	Nautical Petroleum Ltd	DNO North Sea (U.K.) Ltd, Suncor Energy UK Ltd
P2401	45.0	Shell U.K. Ltd	DNO North Sea (U.K.), Spirit Energy Resources Ltd
P2472	70.0	DNO North Sea (U.K.) Ltd	One-Dyas E&P Ltd
P255	45.0	Shell U.K. Ltd	DNO North Sea (U.K.) Ltd, Spirit Energy Resources Ltd
P454	5.9	Neptune E&P UKCS Ltd	DNO North Sea (U.K.) Ltd, Ineos UK SNS Ltd, Premier Oil E&P UK Ltd
P558	10.0	Britoil Ltd	DNO North Sea (U.K.) Ltd, Rockrose UKCS 10 Ltd
P611	5.9	Neptune E&P UKCS Ltd	DNO North Sea (U.K.) Ltd, Ineos UK SNS Ltd, Premier Oil E&P UK Ltd
P803	10.0	BP Exploration Operating Company Ltd	DNO North Sea (U.K.) Ltd, Rockrose UKCS 10 Ltd
P2551	100.0	DNO North Sea (U.K.) Ltd	
P2537	30.0	Chrysaor Production (U.K.) Limited	DNO North Sea (U.K.) Ltd
P2548	100.0	DNO North Sea (U.K.) Ltd	
P2533	50.0	Zennor Exploration Ltd	DNO North Sea (U.K.) Ltd
Ireland			
FEL3/19	20.0	CNOOC Petroleum Europe Ltd	DNO North Sea (U.K.) Ltd
Netherlands			
D15	5.0	Neptune E&P UKCS Ltd	DNO North Sea (U.K.) Ltd, Ineos UK SNS Ltd, Premier Oil E&P UK Ltd
D18a	2.5	Neptune E&P UKCS Ltd	DNO North Sea (U.K.) Ltd, Ineos UK SNS Ltd, Premier Oil E&P UK Ltd
Yemen			
Block 47	64.0	DNO Yemen AS	The Yemen Company, Geopetrol Hadramaut Incorporated

Parent company accounts

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Income statement

USD thousand	Note	1 January - 31 December 2021	2020
Operating revenues	2, 19	24,190	22,888
Total operating revenues		**24,190**	**22,888**
Depreciation	7	-1,110	-1,071
Payroll and other social expenses	3	-19,404	-15,037
Other operating expenses	4	-15,231	-9,315
Total operating expenses		**-35,745**	**-25,423**
Operating profit/-loss		**-11,555**	**-2,535**
Net financial income/-expense	5	233,695	-316,539
Profit/-loss before income tax		**222,140**	**-319,074**
Tax income/-expense	6	-	-
Net profit/-loss		**222,140**	**-319,074**
Earnings per share, basic (USD per share)	18	0.23	-0.33
Earnings per share, diluted (USD per share)	18	0.23	-0.33
Weighted average number of shares outstanding (millions)		975.43	975.73

Balance sheet

ASSETS

USD thousand	Note	Years ended 31 December 2021	2020
Fixed assets			
Intangible assets	7	4,131	4,704
Property, plant and equipment	7	323	327
Total intangible and tangible assets		**4,454**	**5,031**
Financial assets			
Shares in subsidiaries	8	591,083	684,412
Intercompany receivables	19	86,895	83,015
Other long-term receivables		23	42
Investment in shares	8	16,174	12,594
Total financial assets		**694,175**	**780,063**
Total non-current assets		**698,629**	**785,094**
Current assets			
Intercompany receivables	19	7,500	4,743
Other receivables	9	3,238	2,075
Cash and cash equivalents	10	515,018	299,665
Total current assets		**525,756**	**306,483**
TOTAL ASSETS		**1,224,385**	**1,091,577**

EQUITY AND LIABILITIES

USD thousand	Note	Years ended 31 December 2021	2020
Paid-in capital			
Share capital		32,936	32,936
Share premium		247,743	247,743
Total paid-in capital	**11**	**280,679**	**280,679**
Retained earnings			
Retained earnings		37,808	-140,415
Total retained earnings	**11**	**37,808**	**-140,415**
Total equity	**11**	**318,487**	**140,264**
Non-current liabilities			
Intercompany liabilities	19	83,256	150,137
Interest-bearing liabilities	13	780,692	787,359
Other non-current liabilities		295	301
Total non-current liabilities		**864,243**	**937,797**
Current liabilities			
Trade payables and provisions for other liabilities and charges	14	19,515	13,516
Intercompany liabilities	19	20	-
Dividend	11	22,120	-
Total current liabilities		**41,655**	**13,516**
Total liabilities		**905,898**	**951,313**
TOTAL EQUITY AND LIABILITIES		**1,224,385**	**1,091,577**

Oslo, 16 March 2022

Bijan Mossavar-Rahmani
Executive Chairman

Lars Arne Takla
Deputy Chairman

Shelley Watson
Director

Elin Karfjell
Director

Gunnar Hirsti
Director

Bjørn Dale
Managing Director

Cash flow statement

USD thousand	Note	1 January - 31 December 2021	2020
Operating activities			
Profit/-loss before income tax		222,140	-319,074
Adjustments to add (deduct) non-cash items:			
Depreciation and impairment of tangible and intangible assets	7	1,110	1,071
Impairment/reversal of impairment of financial assets	5	95,661	245,203
Change in fair value of financial investments	5	-3,580	8,436
Amortization of borrowing issue costs fees	5,13	8,927	6,433
Interest income	5	-1,353	-7,539
Interest expense	5	65,414	74,286
Other		3,171	16,113
Changes in working capital and provisions:			
- Trade and other receivables		-3,901	11,079
- Trade and other payables		20	-161
- Provisions for other liabilities and charges		5,993	-6,402
Cash generated from operations		**393,602**	**29,445**
Taxes paid	6	-	-
Interest received		1,353	7,539
Interest paid		-65,429	-74,657
Dividend received	5	-	261
Net cash flow from/-used in operating activities		**329,526**	**-37,412**
Investing activities			
Payments made for intangible and tangible assets	7	-533	-876
Loans to subsidiaries	19	-3,880	26,693
Purchase of bonds	8	-	-15,001
Net cash flow from/-used in investing activities		**-4,413**	**10,816**
Financing activities			
Payment debt issue costs	13	-15,609	-
Repayment of interest-bearing liabilities (bonds)	13	-5,093	-140,000
Loans from subsidiaries	19	-66,881	94,975
Purchase of treasury shares and options	11	-	-17,741
Paid dividend	11	-22,177	-
Net cash flow from/-used in financing activities		**-109,760**	**-62,766**
Cash and cash equivalents at the beginning of the period		299,665	389,028
Net increase/-decrease in cash and cash equivalents		215,353	-89,363
Cash and cash equivalents at the end of the period	10	**515,018**	**299,665**
Of which restricted cash		2,851	2,203

Note 1

Accounting principles

■ General
The financial statements of DNO ASA (the Company) are presented in accordance with the Norwegian Accounting Act and Norwegian accounting standards. The notes are an integral part of the financial statements. For more information about the accounting principles, see Note 1 in the consolidated accounts.

■ Use of estimates
Preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported revenues and expenses, assets and liabilities, and the disclosures. Actual results could differ from those estimates.

■ Currency
The financial statements are presented in USD, which is also the functional currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company. Monetary items denominated in foreign currencies are converted using exchange rates on the balance sheet date. Realized and unrealized currency gains and losses are included in the profit or loss. Foreign currency transactions are recorded using exchange rates on the date of transaction.

■ Consolidated financial statements
The consolidated financial statements of the Group have been prepared in accordance with IFRS as adopted by the EU and additional disclosure requirements in the Norwegian Accounting Act and have been presented separately from the parent company accounts.

■ Investments in subsidiaries
Investments in subsidiaries are recorded at historical cost. If the market value of the investment is lower than the carrying value, an impairment charge is recorded and a new cost basis of the investment is established. The impairment charge is reversed if the basis for the impairment ceases to exist.

■ Valuation and classification of balance sheet items
Current assets and short-term liabilities include items due less than one year from drawdown and items related to the operating cycle. Other assets or liabilities are classified as fixed assets or long-term liabilities. Other financial investments including investments in bonds are classified as non-current assets. They are initially valued at cost price and subsequently may be impaired to fair value.

■ Shares
Shares classified as financial assets are valued at their cost price and impaired in the case of permanent and significant decline in value. Listed shares are valued at fair value.

■ Fixed assets
Intangible assets and PP&E are stated at cost, less accumulated amortization and accumulated impairment charges. Intangible assets and PP&E are depreciated using a straight-line method based on estimated useful life. Estimated useful life varies between three and seven years. Impairment charge is recognized when the book value exceeds the fair value of the asset.

■ Income taxes
Tax income/-expense consists of taxes receivable/-payable and changes in deferred tax. Tax receivables/payables are based on amounts receivable from or payable to tax authorities. Deferred tax liability is calculated on all taxable temporary differences, unless there is a recognition exception. A deferred tax asset is recognized only to the extent that it is probable that the future taxable income will be available against which the asset can be utilized.

■ Share-based payments
Cash-settled share-based payments are recognized in the income statement as expenses during the vesting period and as a liability. The liability is measured at fair value and revaluated using the Black & Scholes pricing model at each balance sheet date and at the date of settlement, with any change in fair value recognized in the profit or loss for the period.

■ Pensions
The Company records pension schemes according to the Norwegian accounting standard for pension costs. The Company has contribution plans for employees as provided for under Norwegian law. For such plans, only the contributions paid during the period are expensed.

■ Revenue recognition
Revenues from services are recorded when the service has been performed.

■ Allowance for doubtful accounts
Trade receivables are recognized and carried at their anticipated realizable value, which implies that a provision for a loss allowance on expected credit losses of the receivable is recognized.

■ Contingent assets/liabilities
According to Norwegian accounting standards relating to contingent items, provisions are made for contingent liabilities that are probable and quantifiable, while contingent assets are not recognized.

■ Cash flow statement
The cash flow statement is based on the indirect method. Cash equivalents include bank deposits.

■ Dividend
In accordance with Norwegian accounting standards, the Company recognizes a liability to pay dividend for proposed ordinary dividend and additional or extraordinary dividend resolved after yearend but before or on the date of approval of the financial statements by the Board of Directors.

Note 2

Operating revenues

USD thousand	1 January - 31 December 2021	2020
Operating revenues	24,190	22,888
Total operating revenues	**24,190**	**22,888**

Operating revenues relate to services provided by the Company to its subsidiaries.

Note 3

Salaries, pensions, remuneration, shares, options and severance

USD thousand	1 January - 31 December 2021	2020
Payroll and other social expenses		
Salaries, bonuses and other salary expenses	-14,050	-10,490
Employer's payroll tax expense	-2,384	-2,415
Pensions	-1,969	-2,093
Other personnel costs	-1,001	-39
Total payroll and other social expenses	**-19,404**	**-15,037**
Average number of man-labor years	56	66

Pensions

DNO has a defined contribution scheme for its Norway-based employees. DNO meets the Norwegian requirements for mandatory occupational pensions *("obligatorisk tjenestepensjon").*

Remuneration to the Board of Directors and executive management

Remuneration to the Board of Directors (USD thousand)	2021	2020
Bijan Mossavar-Rahmani, Executive Chairman, member of the nomination and remuneration committees	832.8	760.6
Lars Arne Takla, Deputy Chairman, member of the HSSE committee	69.7	63.7
Elin Karfjell, Director, member of the audit committee	59.2	54.0
Gunnar Hirsti, Director, member of the audit and remuneration committees	65.6	59.9
Shelley Watson, Director, member of the audit and HSSE committees	65.6	54.0
Total	**1,092.8**	**992.3**

Total remuneration to the Board of Directors consist of regular fees (USD 1,044,790) and fees for participation in the board committees (USD 47,970). Separately, a fee of USD 3,198 was paid to each of Anita Marie Hjerkinn Aarnæs and Kåre Tjønneland for service on the nomination committee.

Remuneration to Managing Director and executive management (USD thousand)	Salary	Bonus	Synthetic shares*	Other	Total	Pension
Bjørn Dale, Managing Director	688.7	75.5	-	68.6	832.8	21.0
Chris Spencer, Chief Operating Officer	577.2	66.0	29.3	52.6	725.1	21.0
Haakon Sandborg, Chief Financial Officer	460.8	50.3	22.0	38.3	571.4	21.0
Nicholas Whiteley, Chief Commercial Officer	457.1	50.3	22.0	90.1	619.6	21.0
Tom Allan, General Manager Kurdistan region of Iraq	584.4	68.4	150.2	283.3	1,086.3	-
Ørjan Gjerde, General Manager DNO North Sea	439.4	48.9	15.7	36.8	540.8	21.0
Geir Arne Skau, Director of Human Resources and Corporate Services	346.0	38.0	-	24.5	408.5	21.0
Tonje Pareli Gormley, General Counsel - Middle East	374.6	40.9	98.2	29.2	542.8	21.0

* Synthetic share awards that vested during the year.

**Total remuneration of USD 1.3 million was paid to the following former members of the executive management: Ute Quinn and Aernout van der Gaag.

Note 3

Salaries, pensions, remuneration, shares, options and severance

The following members of the executive management are employed in subsidiaries of DNO ASA: Tom Allan and Ørjan Gjerde.

The following table is an overview of members of the executive management that have been awarded synthetic shares during the year as part of their remuneration.

Movement in synthetic Company shares during 2021

Number of shares	Out-standing at 1 Jan	Movements 1 January - 31 December Granted	Forfeited/ Reversed	Settled	Expired	Out-standing at 31 Dec	Unrestricted at 31 Dec	Weighted average price*
Bjørn Dale, Managing Director	72,513	1,479	-	-	-	73,992	-	-
Chris Spencer, Chief Operating Officer	589,965	11,723	-	14,875	-	586,813	108,061	7.80
Haakon Sandborg, Chief Financial Officer	82,265	147,537	-	24,255	-	205,547	-	7.80
Nicholas Whiteley, Chief Commercial Officer	178,424	827	-	137,738	-	41,513	2,052	11.79
Tom Allan, General Manager Kurdistan region of Iraq	447,492	9,126	-	-	-	456,618	107,148	-
Ørjan Gjerde, General Manager DNO North Sea	17,305	-	-	17,305	-	-	-	7.80
Geir Arne Skau, Director of Human Resources and Corporate Services	103,804	1,191	-	45,398	-	59,597	-	7.74
Tonje Pareli Gormley, General Counsel - Middle East	171,781	1,978	-	74,785	-	98,974	-	11.16

The weighted average settlement price for synthetic shares settled during 2021 was NOK 10.34. The weighted average remaining contractual life of the synthetic shares was three years.

The synthetic share awards are subject to a two-year vesting period and require continued employment in the Company for a period of two years after the grant date. Some of the shares granted to Haakon Sandborg in 2021 have a three-year vesting period. Following vesting, the employee is free to settle the shares in cash.
For an overview of synthetic shares at yearend 2021, see Note 5 in the consolidated accounts.

Severance agreements

Members of the executive management, Bjørn Dale, Chris Spencer, Haakon Sandborg and Nicholas Whiteley have severance payment agreements ranging from six months to 12 months of their respective annual base salaries.

Auditor fees

All figures are exclusive of VAT (USD thousand)	1 January - 31 December 2021	2020
Auditor fees	-306	-266
Other financial audit services	-16	-4
Total auditing fees	**-322**	**-270**
Other assistance	-	-
Tax assistance	-	-
Total auditor fees	**-322**	**-270**

Determination of salary and other remuneration to the Managing Director and the rest of the executive management

The remuneration of the Company's executive management, including the Managing Director, is subject to the evaluation and recommendation of the remuneration committee. The remuneration of the Company's Managing Director is evaluated annually and approved by the Board of Directors.

Any remuneration, bonuses and other incentive schemes must reflect the duties and responsibilities of the employees and add long-term value for shareholders.

Fixed salary
The Board of Directors did not set any upper or lower limit for the fixed salary of executive management for 2021 beyond the main principles set out above.

Note 3

Salaries, pensions, remuneration, shares, options and severance

Variable elements
In addition to fixed salary, variable remuneration can be used to recruit, retain and reward employees. For executive management, such remuneration can include cash bonuses and share-based compensation. Annual bonuses, when awarded, are based on corporate results and/or individual performance. Other types of variable remuneration include newspaper, mobile phone and broadband communication subscriptions paid in accordance with established rates.

Pensions
The Company has a contribution-based pension system under which Norway-based employees are entitled to a pension contribution of 12.5 percent of their annual salary. Any excess of the maximum legally allowable pension contribution is paid out to the employees as additional salary.

Employee Synthetic Share Program
The Board of Directors continued its employee synthetic share program in 2021. The purpose of the program was to: (i) align the interests of executive management and other employees with those of shareholders'; (ii) reward value creation; and (iii) provide retention incentives. The Board of Directors determines whether to set allocation criteria, conditions or thresholds for the scheme.

Severance agreements
Severance payment agreements may be entered into selectively if the Board of Directors finds this to be useful in recruitment.

Remuneration committee
The Board of Directors has established a remuneration committee composed of two members, the current members are Bijan Mossavar-Rahmani and Gunnar Hirsti. Its mandate is to consider matters relating to compensation of executive management and to make related recommendations to the Board of Directors.

See Note 5 in the consolidated accounts for further information on administrative expenses.

Note 4
Other operating expenses

USD thousand	1 January - 31 December 2021	2020
Lease expense on buildings and equipment	-2,557	-2,008
Other office expenses	-14	-54
IT expenses	-8,871	-4,381
Travel expenses	-164	-230
Legal expenses	-582	-
Consultant fees	-2,051	-1,589
Other general and administrative costs	-992	-1,052
Total other operating expenses	**-15,231**	**-9,315**

Note 5
Net financial income/-expenses

USD thousand	1 January - 31 December 2021	2020
Dividend and group contribution received from group companies	414,019	13,625
Interest received	1,353	7,539
Interest received from group companies	4,074	1,387
Gain on foreign exchange	4,214	8,427
Change in fair value of financial investments	3,580	-
Total financial income	**427,240**	**30,978**
Interest expenses	-65,414	-74,286
Interest expenses group companies	-9,862	-4,029
Loss on foreign exchange	-4,655	-5,993
Impairment of financial assets	-95,661	-245,203
Other financial expenses	-17,952	-9,570
Change in fair value of financial investments	-	-8,436
Total financial expenses	**-193,544**	**-347,516**
Net financial income/-expenses	**233,695**	**-316,539**

In 2021, the impairment of financial assets of USD 95.7 million was mainly related to DNO North Sea plc (USD 91.3 million), DNO Mena AS (USD 2.9 million) and DNO Yemen AS (USD 2 million). The change in fair value of financial investments of USD 3.6 million recognized in 2021 was due to the increase in fair value related to the Company's shares in RAK Petroleum. Other financial expenses in 2021 were mainly related to amortization of bond issue costs (USD 8.8 million) and expensing of bond premium and fees related to repurchase and cancellation of bonds (USD 8.9 million).

In 2020, the impairment of financial assets of USD 245.2 million was mainly related to DNO North Sea plc (USD 249.7 million), DNO Yemen AS (USD 2.9 million), DNO Mena AS (USD 2.3 million) and DNO Exploration UK Limited (USD 0.5 million), partially offset by received liquidation settlement related to the liquidation of DNO Somaliland AS, Northstar Exploration Holding AS and DNO Invest AS in 2020 (USD 10.2 million). The change in fair value of financial investments of USD 8.4 million recognized in 2020 was due to the decrease in fair value related to the Company's shares in RAK Petroleum. Other financial expenses in 2020 were mainly related to amortization of bond issue costs (USD 6.4 million) and a loss related to the FAPE01 redemption (USD 3.1 million).

Note 6
Taxes

Tax income/-expense

USD thousand	1 January - 31 December 2021	2020
Change in deferred taxes	-	-
Income tax receivable/-payable	-	-
Tax income/-expense	**-**	**-**

Reconciliation of tax income/-expense

USD thousand	1 January - 31 December 2021	2020
Profit/-loss before income tax	**222,140**	**-319,074**
Expected income tax according to nominal tax rate of 22 percent	-48,892	70,196
Foreign exchange variations between functional and tax currency	-607	-7,581
Adjustment of deferred tax assets not recognized	-20,757	1,676
Impairment financial assets	-17,684	-48,425
Tax-free dividend from subsidiaries	88,490	-
Other items	-549	-17,141
Tax loss carried forward (utilized)	-	1,275
Tax income/-expense	**-**	**-**
Effective income tax rate	**0%**	**0%**

Tax effects of temporary differences and losses carried forward

USD thousand	Years ended 31 December 2021	2020
Intangible assets	-63	-51
Losses carried forward	86,637	87,705
Non-deductible interests carried forward	28,003	11,278
Other temporary differences	-2,762	-1,223
Deferred tax assets/-liabilities	111,815	97,709
Valuation allowance	-111,815	-97,709
Net deferred tax assets/-liabilities	**-**	**-**
Recognized deferred tax assets	-	-
Recognized deferred tax liabilities	-	-

The corporate tax rate in Norway is 22 percent and has been used to calculate the deferred taxes.

The carry forward period for unused losses in Norway is indefinite. Non-deductible interest expense can be carried forward for a period of up to 10 years and will expire in the period 2026 to 2031. A deferred tax asset has not been recognized for these losses as there is uncertainty regarding future taxable profits. The losses cannot be used towards petroleum activity on the NCS, the petroleum activities carried out abroad by Norwegian subsidiaries are tax exempt in Norway and the dividends from subsidiaries are not taxable.

Note 7

Property, plant and equipment/Intangible assets

USD thousand	Intangible assets	PP&E	Total
Costs as of 1 January 2021	14,371	3,196	17,567
Additions	407	126	533
Costs as of 31 December 2021	**14,778**	**3,322**	**18,100**
Accumulated depreciation as of 1 January 2021	-9,667	-2,869	-12,536
Depreciation	-980	-130	-1,110
Accumulated depreciation and impairments as of 31 December 2021	**-10,647**	**-2,999**	**-13,646**
Book value as of 31 December 2021	**4,131**	**323**	**4,454**
Book value as of 31 December 2020	4,704	327	5,031

Intangible assets and PP&E are depreciated using the linear method based on estimated useful life of three to seven years.

Note 8

Investment in shares/Other investments

Subsidiaries owned by the Company	Office	Ownership and voting interest (percent)	Share capital in 1,000	Book equity in USD 1,000	Net profit/ -loss in USD 1,000	Book value in USD 1,000
DNO Yemen AS*	Norway	100	NOK 291,000	-52,732	-4,342	-
DNO UK Limited	UK	100	GBP 100	-	-	-
DNO Iraq AS	Norway	100	NOK 1,200	985,020	390,844	279,848
DNO Mena AS**	Norway	100	NOK 2,000	1,904	-6,568	1,904
Northstar Oman AS	Norway	100	NOK 202	-	-10	-
DNO Technical Services AS	Norway	100	NOK 200	5,324	5	5,359
DNO Exploration UK Limited	UK	100	GBP 30,912	-1,487	-66	-
DNO North Sea plc**	UK	100	GBP 37,289	303,972	-76,247	303,972
Total				**1,242,001**	**303,616**	**591,083**

* Production start-up at the Block 47 in Yemen remains on hold due to force majeure.

** DNO Mena AS and DNO North Sea plc own shares in other subsidiaries, see Note 20 in the consolidated accounts. The figures in the table above include the respective subgroup's equity and any excess values recognized at the Group level.

In 2021, the book value of shares in subsidiaries was partially written off by USD 93.4 million related to DNO North Sea plc (USD 91.3 million) and DNO Mena AS (USD 2 million). Northstar Oman AS and Føroya Kolvetni P/F were liquidated in 2021. See Note 5 for further details.

In 2020, the book value of shares in subsidiaries was partially written off by USD 252 million related to DNO North Sea plc (USD 249.7 million) and DNO Mena AS (USD 2.3 million). Northstar Somaliland AS (previously DNO Somaliland AS), Northstar Exploration Holding AS and Northstar Invest AS (previously DNO Invest AS) were liquidated in 2020. See Note 5 for further details.

Equity and profit/loss for the subsidiaries in the table above are presented as reported for consolidation purposes. Statutory accounts for the subsidiaries are finalized after the release of the parent company accounts.

Other investments

See Note 11 in the consolidated accounts for further information on the Company's financial investments in equity instruments.

Note 9
Other receivables

USD thousand	Years ended 31 December 2021	2020
Prepayments and accrued income	2,169	1,599
Other short-term receivables	1,069	476
Other receivables	**3,238**	**2,075**

Note 10
Cash and cash equivalents

USD thousand	Years ended 31 December 2021	2020
Cash and cash equivalents, restricted	2,851	2,203
Cash and cash equivalents, non-restricted	512,167	297,462
Total cash and cash equivalents	**515,018**	**299,665**

Restricted cash relates to employees' tax withholdings and deposits for rent.

Non-restricted cash is entirely related to bank deposits in USD, NOK, EUR and GBP as of 31 December 2021.

Note 11
Equity

USD thousand	Share capital	Treasury shares (numbers)	Treasury shares	Share premium	Other paid-in capital	Retained earnings	Total equity
Shareholders' equity as of 1 January 2020	35,991	93,700,000	-2,641	247,743	-	195,986	477,079
Purchase of treasury shares	-	14,681,415	-414	-	-	-17,327	-17,741
Dividend	-	-	-	-	-	-	-
Profit/-loss for the year	-	-		-		-319,074	-319,074
Cancellation of treasury shares	-3,055	-108,381,415	3,055	-		-	-
Shareholders' equity as of 31 December 2020	**32,936**	**-**	**-**	**247,743**	**-**	**-140,415**	**140,264**
Shareholders' equity as of 1 January 2021	32,936	-	-	247,743	-	-140,415	140,264
Purchase of treasury shares	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-21,797	-21,797
Additional dividend	-	-	-	-	-	-22,120	-22,120
Profit/-loss	-	-	-	-	-	222,140	222,140
Shareholders' equity as of 31 December 2021	**32,936**	**-**	**-**	**247,743**	**-**	**37,808**	**318,487**

See Note 14 in the consolidated accounts for further information on the Company’s equity and shareholders.

In December 2021, the Board of Directors approved a dividend payment of NOK 0.20 per share. The dividend was paid on 30 December 2021. On 9 March 2022, the Company announced that pursuant to the authorization granted at the 2021 AGM, the Board of Directors has decided to distribute a dividend payment of NOK 0.20 per share to be made on or about 21 March 2022 to all shareholders of record as of 15 March 2022.

Note 12

Guarantees, leasing liabilities and commitments

See Note 17 in the consolidated accounts for information regarding other guarantees and commitments.

The Company's future minimum lease payments under non-cancellable operating leases are related to office rent. The lease period expires on 30 September 2024 and the yearly rent is USD 2 million.

Note 13

Interest-bearing liabilities

USD thousand	Ticker OSE	Facility currency	Facility amount	Interest (percent)	Maturity	Effective interest rate (percent)	Fair value		Carrying amount	
							2021	2020	2021	2020
Non-current										
Bond loan (ISIN NO0010823347)	DNO02	USD	-	-	-	-	-	376,500	-	400,000
Bond loan (ISIN NO0010852643)	DNO03	USD	394,900	8.375	29.05.24	9.0	410,202	370,000	394,907	400,000
Bond loan (ISIN NO0011088593)	DNO04	USD	400,000	7.875	09.09.26	8.8	414,000	-	400,000	-
Capitalized borrowing issue costs									(14,215)	(12,641)
Total non-current interest-bearing liabilities							**824,202**	**746,500**	**780,692**	**787,359**

See Note 15 in the consolidated accounts for further information on interest-bearing liabilities.

Note 14

Current liabilities

USD thousand	Years ended 31 December 2021	2020
Trade payables	4,398	2,225
Public duties payable	2,524	1,665
Accrued expenses and other current liabilities	12,593	9,626
Trade payables and provisions for other liabilities and charges	**19,515**	**13,516**

Accrued expenses and other current liabilities include accrued interest for bond loans of USD 4.8 million (USD 5.9 million in 2020) and accruals for incurred costs of USD 3.4 million (USD 1.2 million in 2020).

Note 15

Financial instruments

See Note 9 in the consolidated accounts for information on financial instruments.

Note 16

Related party disclosure

Overhead expenses in the parent company are allocated to the subsidiaries based on their proportional use of the services provided by the parent company.

See Note 21 in the consolidated accounts for further information on transactions with related parties and Note 19 in parent company accounts for intercompany transactions and balances at yearend.

Note 17

Significant events after the reporting date

See Note 17 and Note 22 in the consolidated accounts for information on contingencies and events after the balance sheet date.

Note 18

Earnings per share

	1 January - 31 December	
USD thousand	**2021**	**2020**
Net profit/-loss attributable to ordinary equity holders of the parent	222,140	-319,074
Weighted average number of ordinary shares (excluding treasury shares) (millions)	975.43	975.73
Earnings per share, basic (USD per share)	0.23	-0.33
Earnings per share, diluted (USD per share)	0.23	-0.33

Note 19

Intercompany

Long-term intercompany receivables/liabilities

		Years ended 31 December			
	Functional	**Receivables**		**Liabilities**	
USD thousand	**currency**	**2021**	**2020**	**2021**	**2020**
DNO Iraq AS	USD	-	-	79,195	137,216
DNO Mena AS	USD	1,486	881	-	-
DNO North Sea (Norge) AS	NOK	2,524	-	-	-
DNO North Sea plc	USD	81,322	81,322	-	-
DNO Oman Block 8 Limited	USD	-	-	4,061	12,921
DNO Oman Block 30 Limited	USD	556	536	-	-
DNO Oman Limited	USD	1,008	277	-	-
Total long-term intercompany receivables and liabilities		**86,895**	**83,015**	**83,256**	**150,137**

Except for loans to companies with exploration activities, the intercompany receivables and liabilities are interest bearing.
The intercompany interest rates used by DNO ASA and its subsidiaries are arm's length.

Note 19

Intercompany

Short-term intercompany receivables/liabilities

		Years ended 31 December			
	Functional	Receivables		Liabilities	
USD thousand	currency	2021	2020	2021	2020
DNO Iraq AS	USD	3,079	2,052	-	-
DNO Norge AS	USD / NOK	3,178	1,689	-	-
DNO North Sea (Norge) AS	NOK	66	-	-	-
DNO North Sea Plc	GBP	1,128	504	-	-
DNO North Sea (U.K.) Limited	GBP	17	26	-	-
DNO North Sea (ROGB) Limited	GBP	29	15	-	-
DNO Technical Services AS	USD	-	427	20	-
DNO Yemen AS	USD	-	-	-	-
Other	USD	4	30	-	
Total Short-term intercompany receivables and liabilities		**7,500**	**4,743**	**20**	**-**

Intercompany sales/purchases

		1 January - 31 December			
	Functional	Sales		Purchases	
USD thousand	currency	2021	2020	2021	2020
DNO Iraq AS	USD	17,646	18,191	-	-
DNO Norge AS	USD	4,567	3,328	-2,754	-575
DNO North Sea plc	USD	447	673	-	-
DNO North Sea (U.K.) Limited	USD	83	29	-	-
DNO North Sea (ROGB) Limited	USD	143	18	-	-
DNO Oman Limited	USD	21	17	-	-
DNO Oman Block 8 Limited	USD	112	80	-	-
DNO Technical Services AS	USD	1,018	348	-2,481	-1,360
DNO Yemen AS	USD	111	107	-	-
Other	USD	44	95	-8	-
Intercompany sales/purchases		**24,190**	**22,888**	**-5,244**	**-1,935**

The Company's other related parties consist of other subsidiaries in the Group.
The Company sells and purchases services to and from its subsidiaries.

Intercompany interest income/-expense, dividend and group contribution

		1 January - 31 December			
		Interest income, dividend and group contribution		Interest expense	
USD thousand	Functional currency	2021	2020	2021	2020
DNO Iraq AS	USD	410,000	12,772	-8,889	-2,452
DNO Mena AS	USD	1,441	853	-	-
DNO North Sea (Norge) AS	NOK	2,650	-	-	-
DNO North Sea Plc	USD	4,001	1,387	-	-
DNO Oman Block 8 Limited	USD	-	-	-974	-1,242
Northstar Exploration Holding AS	NOK	-	-	-	-335
Intercompany interest income/-expense		**418,092**	**15,012**	**-9,863**	**-4,029**

See Note 5 for more details on financial items.

Country-by-Country report 2021

In line with the Norwegian Accounting Act and Norwegian Securities Trading Act, the Company has prepared a country-by-country report for its activities in the extractive industries, including information on investments, revenue, production, cost and the number of employees in each country of operation by subsidiary. Among other requirements, total payments to governmental bodies during the financial year must be broken down by country and by payment type.

Additional information regarding the Group's performance in each geographic area can be found in Note 2 of the DNO ASA's Annual Report and Accounts 2021. A complete list of the Group's oil and gas license portfolio is disclosed in Note 24.

(USD million) License, legal entity level and country/region of operation[1]	Country of incorpora-tion[2]	Royalty[3]	Net product-ion[4]	Corporate income tax[5]	Special tax[6]	Area fee[7]	Contract-ual bonuses[8]	Invest-ments[9]	Rev-enue[10]	Expendi-ture[11]	Net inter-company interest[12]	Profit/-loss before tax[10]	Tax income/-expense[13]	Equity[10]	Number of employees[14]
Tawke		-226.4	81,535	-	-1,002.2	-	-1.5	-	-	-	-	-	-	-	
Baeshiqa		-	-	-	-	-	-0.6	-	-	-	-	-	-	-	
DNO Iraq AS	Norway	-	-	-	-	-	-	95.9	594.3	-226.2	0.0	390.8	-	985.0	
Total Kurdistan region of Iraq		**-226.4**	**81,535**	**-**	**-1,002.2**	**-**	**-2.1**	**95.9**	**594.3**	**-226.2**	**0.0**	**390.8**	**-**	**985.0**	**1,042**
DNO Norge AS	Norway	-	12,469	30.6	128.8	-2.2	-0.2	182.0	395.0	-323.1	-11.6	32.8	-23.3	259.6	
Total Norway (NCS)		**-**	**12,469**	**30.6**	**128.8**	**-2.2**	**-0.2**	**182.0**	**395.0**	**-323.1**	**-11.6**	**32.8**	**-23.3**	**259.6**	**125**
DNO North Sea (U.K.) Limited	UK	-	348	-	-	-0.1	-	4.9	15.8	-21.8	-	-8.5	1.9	-197.5	
DNO North Sea (ROGB) Limited	UK	-	126	9.1	6.2	-0.1	-	23.8	2.9	-0.6	-	-17.0	1.0	-87.4	
DNO Exploration UK Limited	UK	-	-	-	-	-	-	-	-	-0.0	-	-0.1	-	-1.5	
Total United Kingdom (UKCS)		**-**	**473**	**9.1**	**6.2**	**-0.2**	**-**	**28.7**	**18.6**	**-22.4**	**-**	**-25.6**	**2.9**	**-286.4**	**-**
Block 47		-	-	-	-	-	-	-	-	-	-	-	-	-	
DNO Yemen AS	Norway	-	-	-	-	-	-	-	-	-4.0	-	-4.0	-0.3	-52.7	
Total Yemen		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-4.0**	**-**	**-4.0**	**-0.3**	**-52.7**	**2**
DNO Mena AS	Norway	-	-	-	-	-	-	-	-	-0.0	-	-0.0	-	8.4	
DNO ASA	Norway	-	-	-	-	-	-	1.1	24.2	-35.3	3.0	222.2	-	340.1	59
DNO Technical Services AS	Norway	-	-	-	-	-	-	0.0	23.3	-23.2	-	0.0	-	5.3	77
DNO North Sea plc	UK	-	-	-	-	-	-	-	0.0	-1.9	7.7	-87.1	-	619.6	22
Other		-	-	-	-	-	-	-	0.0	-7.6	1.0	-6.6	-	7.8	
Other *		**-**	**-**	**-**	**-**	**-**	**-**	**1.1**	**47.6**	**-68.0**	**11.7**	**128.5**	**-**	**981.3**	**158**
Eliminations/ Intercompany									-51.4	40.6	-0.1	-302.4	4.4	-867.9	
GRAND TOTAL		**-226.4**	**94,477**	**39.8**	**-867.2**	**-2.4**	**-2.2**	**307.7**	**1,004.1**	**-603.1**	**-**	**220.1**	**-16.3**	**1,018.8**	**1,327**

* Other includes subsidiaries of DNO ASA that did not hold oil and gas licenses during the year.

1 Country/region of operation is the country where the company carries out its main activity.
2 Country of incorporation is the jurisdiction in which the legal entity is registered.
3 Royalty is a fee payable to the Kurdistan Regional Government (KRG) before distribution of cost oil and profit oil.
4 Net production in barrels of oil equivalent per day (boepd).
5 Corporate tax received/-paid during the year. In Norway, corporate income tax relates to a tax refund of exploration costs and tax losses. In the UK, corporate income tax received relate to carry back of decommissioning loss.
6 Special tax received/-paid during the year. In Kurdistan, special tax represents Group's share of government take. In Norway, the special tax relates to a tax refund of exploration costs and tax losses. In the UK, special tax relates to carry back of decommissioning loss.
7 Area fee in Kurdistan and Norway.
8 Contractual bonuses include environment funds, training funds and rental fees in Kurdistan. In Norway the amount is related to environmental fund (NOx fund).
9 Investments as presented in the consolidated financial statements and include estimate changes in asset retirement obligations.
10 Revenues, expenditure, profit/-loss before tax and equity at entity level in accordance with the accounting principles in the consolidated financial statements and include intercompany transactions. Audit of statutory financial statements has not been completed at the time of issuing this report.
11 Expenditure as presented in accordance with the accounting principles in the consolidated financial statements and includes cost of goods sold, administrative expenses, other operating expenses and exploration costs expensed including intercompany transactions.
12 Net intercompany interest income /-expense to/from Group companies incorporated in another jurisdiction.
13 Tax income/-expense for the year.
14 Number of employees at yearend.

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of DNO ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of DNO ASA (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2021 and the income statement and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the statements of financial position as at 31 December 2021, the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway,
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 51 years from the election by the general meeting of the shareholders on 6 August 1971 for the accounting year 1971 (with at renewed election on the 5 June 2002).

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate

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opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Recoverable amount of Kurdistan Regional Government ("KRG") trade receivables

Basis for the key audit matter
On 31 December 2021, the total book value of trade receivables was USD 362.6 million. The outstanding arrears related to past oil sales to KRG has been reduced from USD 259.0 million at the start of the year to USD 169.1 million on 31 December 2021, following payments received towards the arrears throughout the year, unwinding of interest and changes in estimates. Of the total receivable, USD 18.2 million is classified as non-current.

In May 2021, the KRG informed the international oil companies of revised terms reducing the payment of the withheld amounts to 20 percent of incremental revenue in any month in which Brent prices exceed USD 50 per barrel. Management performed an assessment of recoverability of the notional outstanding amount and the estimated net present value of future expected cash inflows. Key estimates within the net present value calculation include future production, future oil prices and discount rate.

Because of the magnitude of the outstanding receivables as well as the significant judgement involved in management's estimation of net present value, we determined the valuation of KRG trade receivables to be a key audit matter.

Our audit response
As part of our audit procedures, we obtained an understanding about the facts and circumstances behind management's assessment of recoverability of the notional amount, and we read the communication between DNO and KRG. We evaluated management's estimates for future production, future oil prices and discount rate and compared them against available external market data, historical information and external reserve reports. We assessed, based on relevant external information and internal historical information, KRGs ability and willingness to pay and settle the outstanding amount. We verified payments received during the financial year and after the balance sheet date in accordance with the repayment plan. Moreover, we assessed the presentation and classification in the Consolidated statements of financial position.

Refer to the disclosures included in Note 9 Financial Instruments, Note 12 Other non-current receivables/Trade and other receivables and Note 22 Significant events after the reporting date.

Valuation of oil & gas assets and related goodwill

Basis for the key audit matter
Property, plant & equipment, other intangible assets and related goodwill amount to USD 1,605.5 million on 31 December 2021, of which USD 845.3 million relates to the North Sea segment, while the remaining mainly relates to the operations in Kurdistan. During 2021, impairments of USD 80.1 million have been recognized related to the North Sea segment.

Our audit response
We evaluated the production volumes and capital expenditure used in the forecasted cash flows against external and internal reserve reports and we assessed commodity prices against available market information. Furthermore, we involved specialists in assessing the weighted average cost of capital including country risk premiums,

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Oil and gas assets (excluding certain exploration assets) and related goodwill in North Sea were initially recognized at fair value as part of a business combination in 2019 and are therefore in subsequent impairment considerations sensitive to changes in underlying assumptions. Management's updated assessment of key estimates during 2021 resulted in an upward revision of cost estimates related to decommissioning as well as changes in future commodity prices, reserves estimate and production profiles.

Further, uncertain political conditions and the payment mechanism (see KAM related to trade receivables) may affect future production and cash flows of the oil and gas assets in Kurdistan.

Because of the significant value of the oil and gas assets and the related goodwill, and the significant judgement and estimation uncertainty in the valuation, we have considered this a key audit matter.

and we compared the input against available market information.

Additionally, we evaluated the professional qualifications and objectivity of the external reserve experts used by management. We also analyzed the sensitivity of key assumptions used in the valuation model and assessed historical accuracy of cash flows applied by management. We tested the mathematical accuracy of the valuation models.

Refer to the disclosures included in Note 1 Summary of IFRS accounting principles, Note 1 regarding Political risk in Kurdistan and Note 10 Property, plant and equipment/intangible assets.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the managing director) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report, the statement on corporate governance, the statement on corporate social responsibility and the report on payments to government contain the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance, the statement on corporate social responsibility and the report on payments to government are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key

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audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirement

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of our audit of the financial statements of DNO ASA we have performed an assurance engagement to obtain reasonable assurance whether the financial statements included in the annual report, with the file name dnoasa-2021-12-31, has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements included in the annual report have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's responsibilities

Management is responsible for the preparation of an annual report and iXBRL tagging of the consolidated financial statements that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report and iXBRL tagging of the consolidated financial statements that is compliant with the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation based on the evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 16 March 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Jon-Michael Grefsrød
State Authorised Public Accountant (Norway)

Auditor's report 2021

PENNEO

The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

Jon-Michael Grefsrød
State Authorised Public Accountant (Norway)
On behalf of: Ernst & Young AS
Serial number: 9578-5992-4-3016511
IP: 84.208.xxx.xxx
2022-03-16 20:34:40 UTC

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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). DNO 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	2021	2020
Revenues	1,004.1	614.9
Lifting costs	-184.2	-181.1
Tariffs and transportation	-34.5	-36.2
Movement in overlift/underlift	-18.3	-11.3
Exploration expenses	-132.3	-55.9
Administrative expenses	-16.2	-4.8
Other operating income/expenses	-11.5	-2.7
EBITDA	**606.9**	**322.8**

EBITDAX

USD million	2021	2020
EBITDA	606.9	322.8
Exploration expenses	132.3	55.9
EBITDAX	**739.3**	**378.8**

Netback

USD million	2021	2020
EBITDA	606.9	322.8
Tax refund received/-paid	174.7	236.3
Netback	**781.6**	**559.1**

	2021	2020
Netback (USD million)	781.6	559.1
Net production (MMboe)	34.5	36.6
Netback (USD/boe)	**22.7**	**15.3**

Lifting costs

	2021	2020
Lifting costs (USD million)	-184.2	-181.1
Net production (MMboe)	34.5	36.6
Lifting costs (USD/boe)	**5.3**	**4.9**

Capital expenditures

USD million	2021	2020
Purchases of intangible assets	-86.8	-62.8
Purchases of tangible assets	-193.8	-162.2
Capital expenditures*	**-280.6**	**-225.0**

* Exclude estimate changes on asset retirement obligations.

Operational spend

USD million	2021	2020
Lifting costs	-184.2	-181.1
Tariff and transportation expenses	-34.5	-36.2
Exploration expenses	-132.3	-55.9
Exploration cost previously capitalized carried to cost (Note 6 in the consolidated accounts)	54.1	17.5
Capital expenditures	-280.6	-225.0
Payments for decommissioning	-86.2	-30.7
Operational spend	**-663.8**	**-511.4**

Alternative performance measures

Equity ratio

USD million	2021	2020
Equity	1,018.8	845.6
Total assets	2,947.8	2,708.7
Equity ratio	**34.6%**	**31.2%**

Free cash flow

USD million	2021	2020
Net cash from/-used in operating activities*	728.8	406.2
Capital expenditures	-280.6	-225.0
Payments for decommissioning	-86.2	-30.7
Free cash flow	**362.0**	**150.5**

* From 2021, tax refund received/-taxes paid and net interest paid are included in this APM. Comparison figures have been updated.

Net debt

USD million	2021	2020
Cash and cash equivalents	736.6	477.1
Bond loans and reserve based lending	889.9	949.6
Net cash/-debt	**-153.4**	**-472.5**

Exploration financing facility has been excluded as it is covered by the exploration tax refund booked as an asset in the statement of financial position.

Reserve Life Index (R/P)

	2021	2020
Net production (MMboe)	34.5	36.6
1P reserves	196.1	216.9
2P reserves	321.4	359.9
3P reserves	420.6	549.6
1P Reserve Life Index (R/P in years)	**5.7**	**5.9**
2P Reserve Life Index (R/P in years)	**9.3**	**9.8**
3P Reserve Life Index (R/P in years)	**12.2**	**15.0**

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.

Alternative performance measures

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. 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. 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 balance sheet date.

Reserve Life Index
The Reserve Life Index measures the length of time it will take to deplete a resource at given production rates. The ratio is used to measure how long an oil and gas field will last, or more precisely how long the Group's oil and gas reserves will last, and is calculated by dividing the quantity of reserves by the production of petroleum from those reserves during the relevant period.

Glossary and definitions

AED
United Arab Emirates dirham

AGM
Annual General Meeting

ASRR
Annual Statement of Reserves and Resources

bbls
Barrels of oil

bcf
billion cubic feet

Board of Directors
The Board of Directors of the Company

boe
Barrels of oil equivalent

bopd or boepd
Barrels of oil per day or barrels of oil equivalent per day

CAPM
Capital Asset Pricing Model

Company
DNO ASA

Contingent resources
Quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations but not currently considered to be commercially recoverable or where a field development plan has not yet been submitted

Contractor
A company or companies operating in a country under a PSC on behalf of the host government for which it receives either a share of production or a fee

Cost oil
Share of oil produced which is applied to the recovery of costs under a Production Sharing Contract

Crude oil, crude or oil
A mixture that consists mainly of pentanes and heavier hydrocarbons, which may contain sulphur and other non-hydrocarbon compounds, that is recoverable at a well from an underground reservoir and that is liquid at the conditions under which its volume is measured or estimated

DKK
Danish kroner

D&M
DeGolyer and MacNaughton

DD&A
Depreciation, depletion and amortization

DNO
DNO ASA and its consolidated subsidiaries

Group
The Company and its consolidated subsidiaries

E&P
Exploration and production

EBITDA
Earnings before interest, tax, depreciation and amortization

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

ESMA
European Securities and Markets Authority

EU
The European Union

EUR
Euros

Farm-in
To acquire an interest in a license from another party

Farm-out
To assign an interest in a license to another party

Faroe
Faroe Petroleum plc

Gas
A mixture of light hydrocarbons that exist either in the gaseous phase or in solution in crude oil in reservoirs but are gaseous at atmospheric conditions

GBP
Pound sterling

GCA
Gaffney, Cline & Associates

HSSE
Health, safety, security and environment

Hydrocarbons
Compounds containing only the elements of hydrogen and carbon, which may exist as solid, liquid or gas

IAS/IFRS
International Financial Reporting Standards

IQD
Iraqi dinar

KRG
Kurdistan Regional Government

Kurdistan
Kurdistan region of Iraq

License or permit
Area of specified size licensed to a company by the government for production of oil or gas

MMbbls
Million barrels of oil

MMboe
Million barrels of oil equivalent

NCS
Norwegian Continental Shelf

Net entitlement
The portion of future production (and thus resources) legally accruing to a contractor under the terms of the development and production contract

Net entitlement reserves
Reserves based on net entitlement production

Net production
Production based on the participation interest in the license

Net reserves and resources
Reserves and resources based on the participation interest in the license

Netback
EBITDA adjusted for taxes received/-paid

NOK
Norwegian kroner

Norwegian Public Limited Liability Companies Act
The Norwegian Public Limited Liability Companies Act of 13 June 1997 no. 45 (“allmennaksjeloven”)

Operator
A company responsible for managing an exploration, development, or production operation

Oslo Stock Exchange
Oslo Børs ASA

Glossary and definitions

Petroleum
A complex mixture of naturally occurring hydrocarbon compounds found in rocks.

PP&E
Property, plant and equipment

Profit oil
Production remaining after royalty and cost oil, which is split between the government and the contractors under a Production Sharing Contract

PSC
A Production Sharing Contract or a PSC is an agreement between a contractor and a host government, whereby the contractor bears all risk and cost for exploration, development and production in return for a stipulated share of production

Royalty
Royalty refers to payments that are due to the host government or mineral owner in return for depletion of the reservoirs and the producer contractor for having access to the petroleum resources

SPE
Society of Petroleum Engineers

UAE
The United Arab Emirates

UK
The United Kingdom

UKCS
The United Kingdom Continental Shelf

USD
United States dollar

WACC
Weighted Average Cost of Capital

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