



DNO ASA

First Quarter 2019 Interim Results

Corporate overview and operational highlights

Corporate overview

- DNO has transformed into a more balanced company, continuing to generate significant cash flow from ultra-low cost, short-cycle, highly prolific fields in Kurdistan – but now with a strong, second leg in the North Sea
- Following recent transactions, proven and probable (2P) reserves climbed to 465 million barrels of oil equivalent (MMboe), of which around 20 percent in the North Sea
- In 2019, current North Sea assets expected to contribute around 20 percent of DNO's production, 30 percent of revenues and 20 percent of operational cash flow
- Planned capital expenditure in 2019 of USD 375 million, including USD 225 million in Kurdistan and USD 150 million in the North Sea
- Nimble, fast-track operator with strong balance sheet and reputation for bold strategy execution and resilience

Q1 2019 operational highlights

- Company Working Interest (CWI) production averaged 107,600 barrels of oil equivalent per day (boepd) in Q1 2019, up 36 percent from 79,100 boepd a year earlier in Q1 2018
- Of which in Q1 2019, 89,400 barrels of oil per day (bopd) in Kurdistan and 18,200 boepd in the North Sea
- Operated production in Kurdistan averaged 126,800 bopd, up from 109,400 bopd in Q1 2018
- Oda field in Norway came onstream in mid-March of this year below budget and ahead of schedule and forecast to reach 30,000 boepd of gross production (4,500 boepd CWI) by yearend 2019

Q1 2019 financial highlights

- Q1 2019 revenues of USD 204 million, up from USD 142 million in Q1 2018
- Of which USD 169 million in Kurdistan and USD 35 million in the North Sea
- Exited the quarter with cash balance of USD 254 million plus USD 109 million in treasury shares and marketable securities
- Distributed second dividend payment of NOK 0.20 per share to shareholders in March 2019
- Received USD 46 million payment from Equinor reflecting settlement of previously announced asset swap transaction from 1 January 2019 to completion on 30 April 2019

DNO driving Kurdistan's oil sector ramp up

- Kurdistan's security, financial and oil sector conditions have normalized and Kurdistan remains one of the most exciting onshore oil provinces anywhere
- Leading international operator in Kurdistan measured in active rigs, wells drilled, production and oil reserves
- Soon to mobilize fifth drilling rig to support largest drilling campaign in Kurdistan's history, including up to 20 DNO-operated exploration, appraisal and production wells this year
- Tawke production currently averaging around 73,000 bopd and Peshkabir around 54,000 bopd
- Peshkabir has generated USD 1 billion in gross revenue, or four times the spend to date, of which USD 300 million net to DNO
- Testing ongoing at first exploration well at Baeshiqa license targeting Cretaceous reservoir
- Second Baeshiqa well targeting deeper Jurassic and Triassic on same structure drilling ahead at 1,982 meters

Fast-track growth strategy in Norway

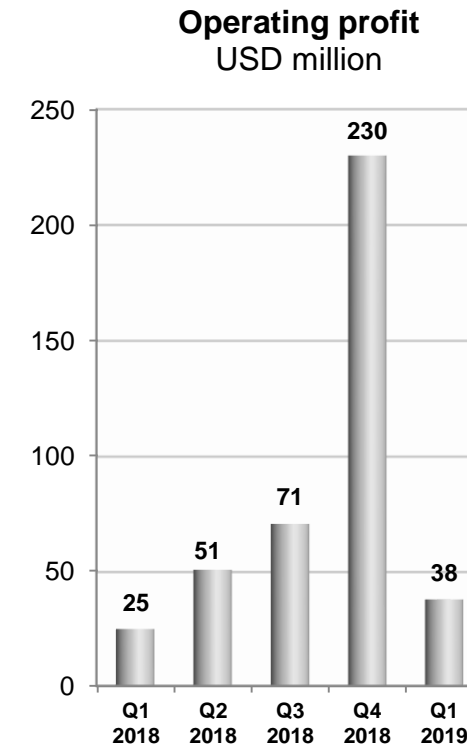
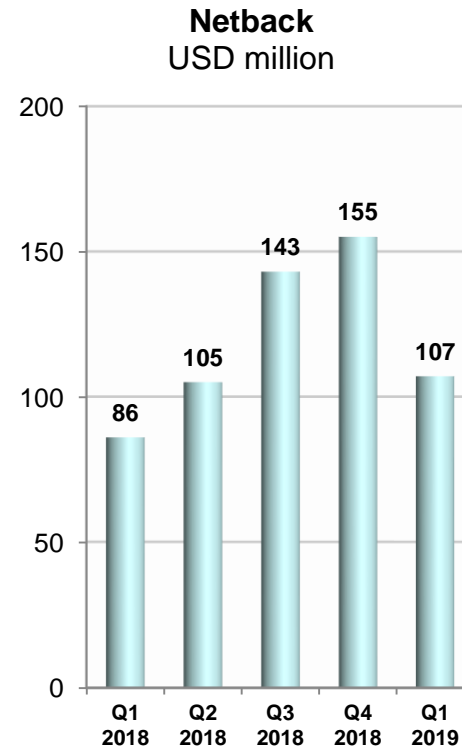
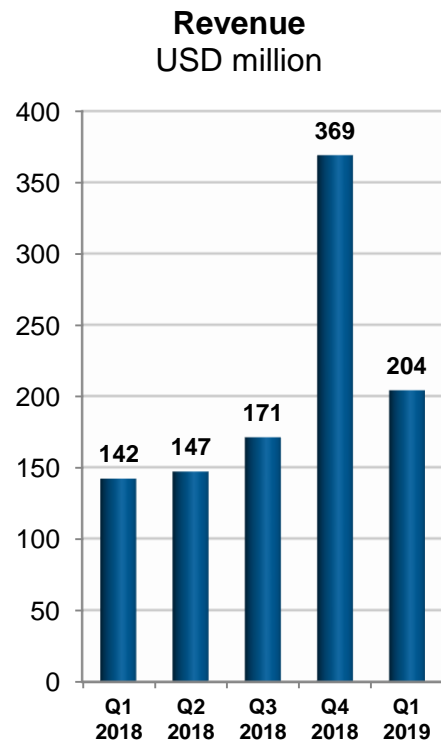
- Completed acquisition of Faroe Petroleum plc and integration of teams and assets on track
- Faroe acquisition brings 18,000 boepd to DNO portfolio less than two years after re-entering the North Sea
- Acquisition represents not a pivot away from Kurdistan but a pivot to Norway and the UK
- DNO leapfrogs to ranks of top five companies in total licenses held in Norway (90 of which 22 are operated)
- With greater financial capacity, DNO to take larger stakes in permits and ramp up activity on operated projects
- Opens new financing opportunities for the Company and expected to lower our weighted average cost of capital (WACC)
- Targeting 50,000 boepd by our 50th anniversary on our home turf, or in this case, our home surf

Active 2019 program

- At USD 70 per barrel Brent price, expect revenues to exceed USD 1 billion, with the North Sea contributing around 30 percent of the total
- Active drilling program of 36 wells (25 development/infill and 11 exploration/appraisal) across portfolio, representing the highest number of wells in DNO's 48-year history
- Project 2019 capital expenditure and exploration expenditure at USD 440 million, of which USD 250 million in Kurdistan and USD 190 million in the North Sea
- Targeting new acquisitions in the North Sea and Kurdistan

Financial overview

DNO financial results – key figures



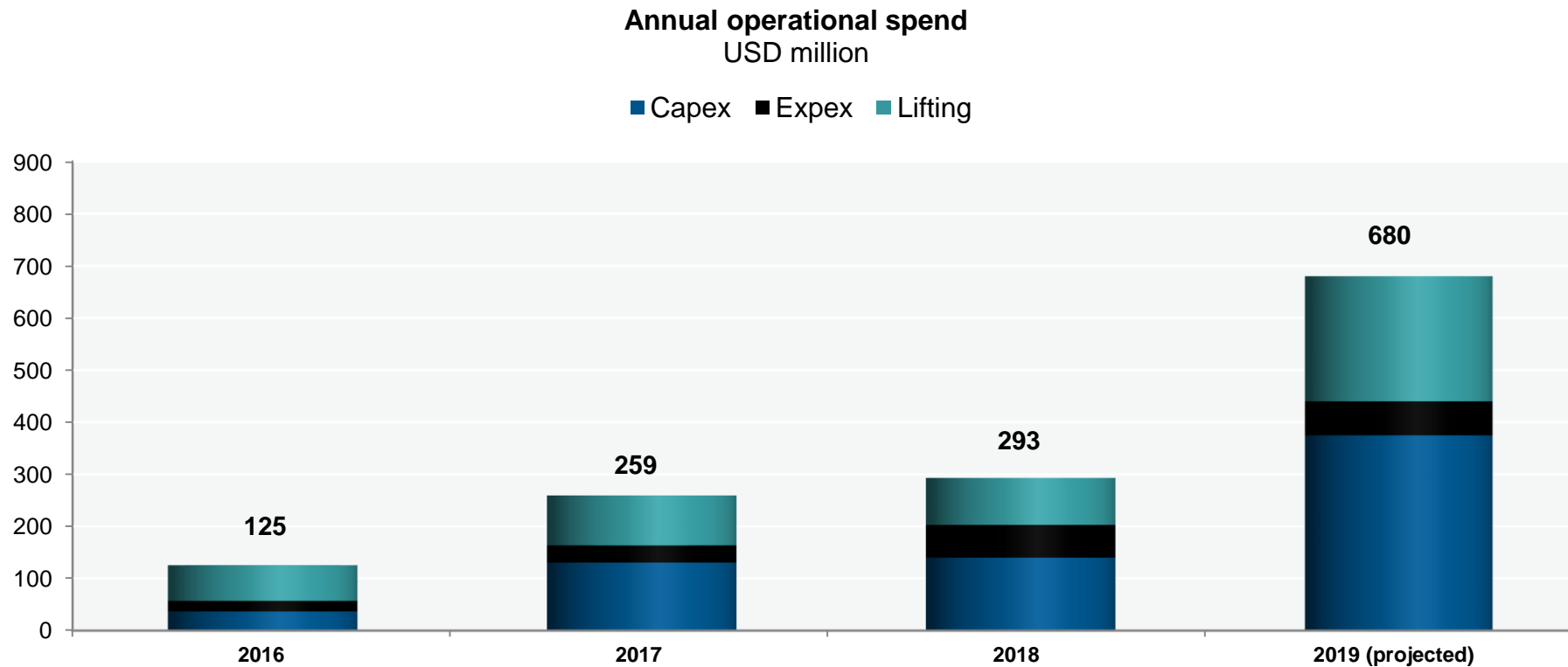
- In Q4 2018, Kurdistan export revenue recognition changed from cash to accrual basis, resulting in one-off booking of an additional USD 183 million in Q4 accounts
- Increase in revenues of USD 18 million from Q4 2019 net of the accounting change

Financial summary

| USD million | Q1 2019 | Q4 2018 | Q1 2018 | 2018 |
|---|--------------|--------------|--------------|--------------|
| Revenue | 204.1 | 368.8 | 142.3 | 829.3 |
| Cost of goods sold | -117.0 | -106.8 | -75.4 | -350.6 |
| Gross profit | 87.1 | 262.0 | 66.9 | 478.7 |
| Expensed exploration | -32.8 | -19.6 | -26.9 | -64.7 |
| Administrative expenses | -15.4 | -13.0 | -9.8 | -36.7 |
| Other operating income/expenses | -1.1 | 0.6 | -3.7 | 1.4 |
| Impairment of oil and gas assets | - | - | -1.5 | -1.9 |
| Profit/-loss from operating activities | 37.9 | 230.0 | 25.0 | 376.8 |
| Net finance | -22.2 | -15.3 | -10.5 | -54.3 |
| Profit/-loss before income tax | 15.7 | 214.6 | 14.6 | 322.5 |
| Tax income/-expense | 35.4 | 15.6 | 3.8 | 31.8 |
| Net profit/-loss | 51.1 | 230.3 | 18.4 | 354.3 |

- Nearly 20 percent of revenues in Q1 2019 from North Sea
- Net profit of USD 51.1 million in Q1 2019

Investment program

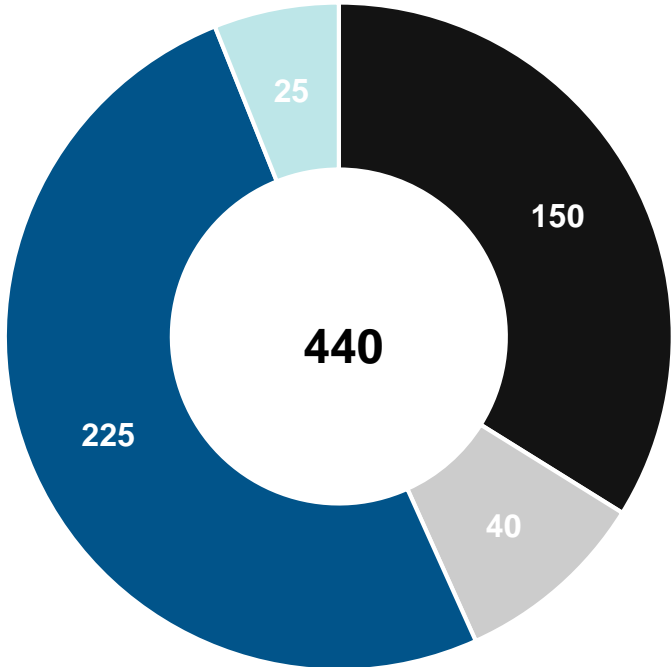


- Operational spend projected at USD 680 million in 2019, of which USD 340 million in Kurdistan and USD 340 million in the North Sea (after exploration tax refund)
- Projected annual capex of USD 375 million, up from USD 140 million in 2018

2019 capital and exploration expenditure outlook

- Planned capital expenditure in 2019 of USD 375 million, of which USD 225 million in Kurdistan and USD 150 million in the North Sea
- Around 50 percent of North Sea capital expenditure focused on Ula and Fenja
- North Sea exploration expenditure of USD 40 million (post-tax)
- Kurdistan capital expenditure of USD 225 million primarily relates to drilling activity at Tawke and Peshkabir and the gas reinjection project
- Tawke license terms provide for rapid cost recovery
- DNO Baeshiqa exploration expenditure of USD 25 million

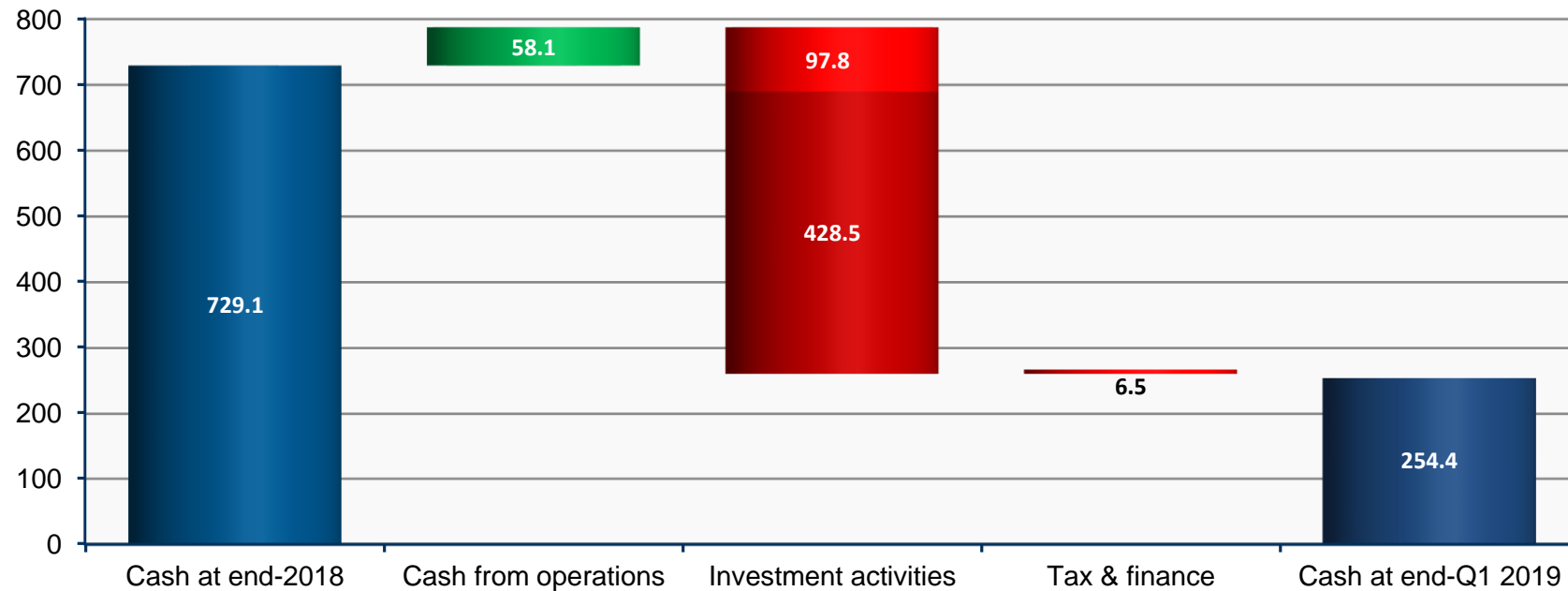
2019 forecast capex and expex
USD million



■ North Sea capex ■ North Sea expex (post-tax)
■ Kurdistan capex ■ Kurdistan expex

Q1 2019 cash flow

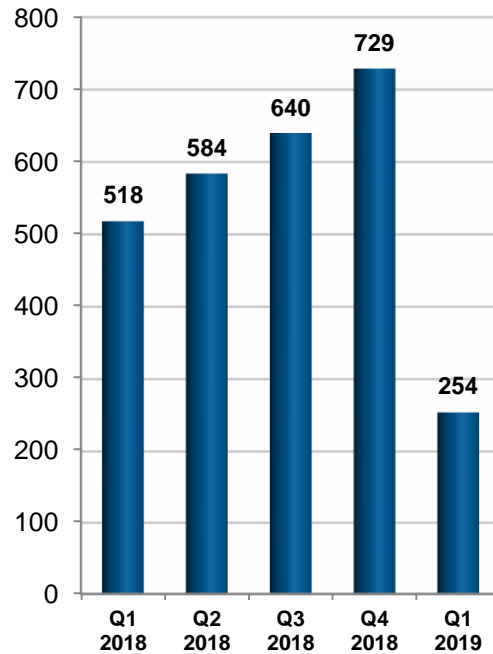
USD million



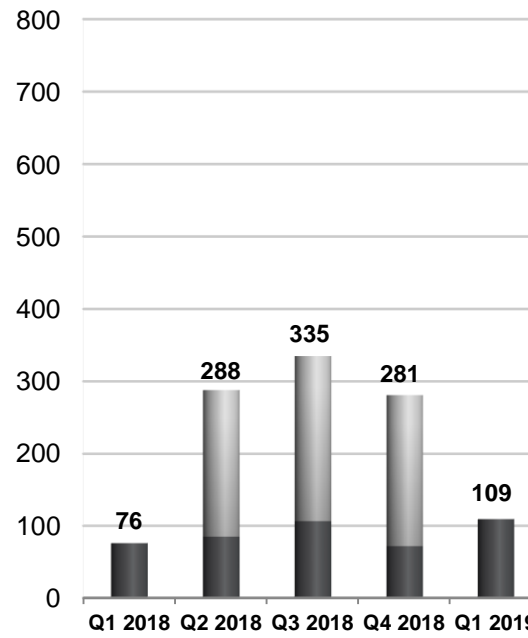
- Funded Faroe acquisition from cash balance
- Investment activities mainly relates to Faroe acquisition (USD 429 million net of cash acquired)
- Capital expenditure stood at USD 92 million during Q1 2019

Capital structure

Cash deposits
USD million

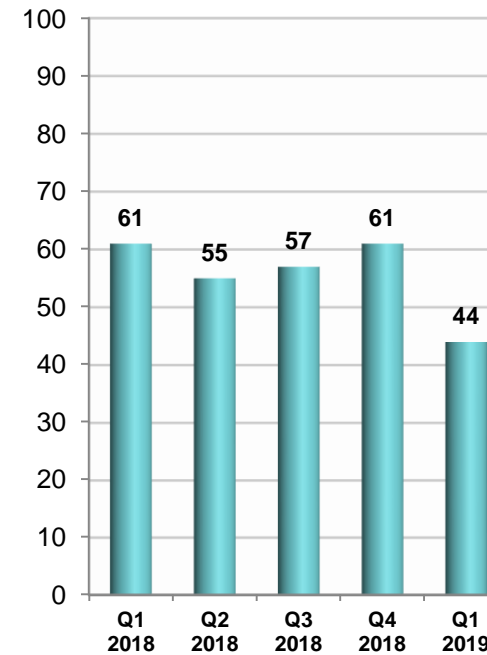


Financial assets
USD million



■ Faroe shares ■ Financial assets excluding Faroe shares

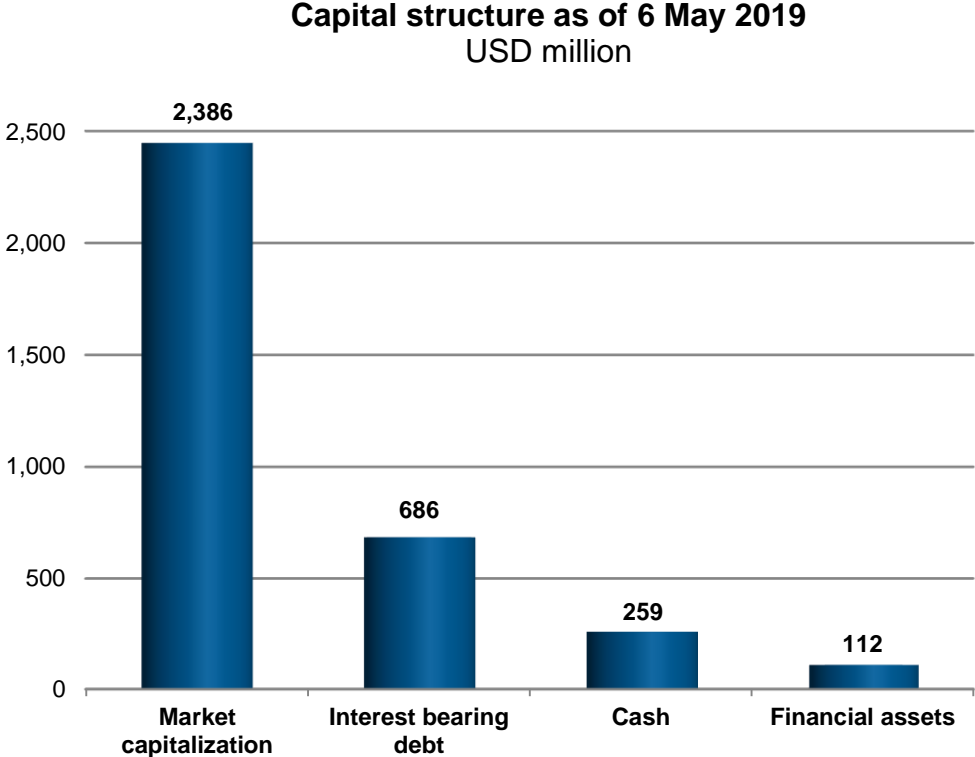
Equity ratio
Percent



- Cash balance of USD 254 million at end-Q1 2019
- Faroe share value of USD 209 million in Q4 2018
- Solid balance sheet with low leverage

Conservative financial strategy

- DNO maintains solid cash position and conservative leverage
- At 6 May 2019, cash balance of USD 259 million plus USD 112 million in treasury shares and marketable securities
- DNO01 USD 200 million bond outstanding with maturity in June 2020
- DNO02 USD 400 million bond outstanding with maturity in May 2023
- FAPE01 USD 86 million bond outstanding with maturity in April 2023
- USD 245 million reserve based lending (RBL) facility currently undrawn



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