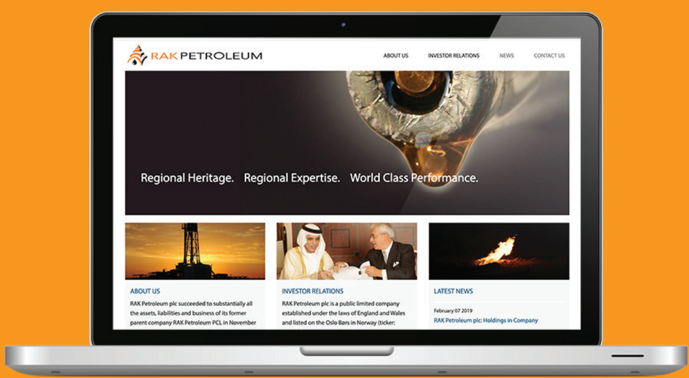
Half-Year Financial Report
RAK Petroleum plc

30 June 2019



For further information on RAK Petroleum plc
please visit our website at www.rakpetroleum.uk

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Chairman's Interim Report

Dear Shareholders:

On behalf of the Board of Directors of RAK Petroleum plc ("RAK Petroleum", the "Company" or the "Parent"), I am pleased to present the Half-Year Financial Report for the period ended 30 June 2019.

The Company currently holds interests in two oil and gas companies (the "Investment Entities"): DNO ASA ("DNO") and Foxtrot International LDC ("Foxtrot International"). At 30 June 2019, the Company indirectly owned 40.45 percent of the total outstanding shares of DNO (including treasury shares) and indirectly owned 33.33 percent of Foxtrot International.

The Company and its wholly-owned subsidiaries have no direct production or expenditure in oil and gas assets. All production and expenditure in oil and gas assets is carried out through the Investment Entities.

DNO

DNO is a Norwegian exploration and production company listed on the Oslo Børs (or Oslo Stock Exchange) and focused on the Middle East and North Sea regions. It has interests in oil and gas blocks in various stages of exploration, development and production, both onshore and offshore. DNO's growth comes through smart exploration, cost effective and fast track development, efficient operating techniques and strategic acquisitions.

DNO had a solid first half of 2019 with record activity levels, rising revenues, strong profitability and a material contribution from the North Sea. DNO ramped up operational activity with 14 wells spud in the first half of 2019 as it continues to deliver the largest drilling programme in its 48-year history with 36 wells planned across the portfolio in 2019.

DNO achieved oil and gas output of 130,855 barrels of oil equivalent per day ("boepd") in the first half of 2019 (110,570 boepd 1H 2018) on a gross basis and maintains its position as the largest oil producer among the international oil companies ("IOCs") in the Kurdistan region of Iraq ("Kurdistan"). Operated production in Kurdistan climbed 20 percent to 126,648 barrels of oil per day ("bopd") in the first half of 2019 from 105,962 bopd in the same period a year earlier.

DNO`s flagship Tawke field in the Tawke licence remains the largest IOC-operated oil field in Kurdistan. Production at the Tawke field averaged 71,700 bopd in the first half of 2019 with three new producing wells brought onstream. A fourth rig has been added to support a 13 well programme in the second half of 2019, including a deep well to test the deeper Jurassic potential at the Tawke field. The Peshkabir field, also located in the Tawke licence, is now the second largest IOC-operated oil field in Kurdistan. Production at the Peshkabir field averaged 54,950 bopd in the first half of 2019 with two new producing wells brought onstream and four additional wells currently drilling or scheduled to spud by year-end. DNO is progressing the Peshkabir-to-Tawke gas project, the first ever enhanced oil recovery project in Kurdistan following the completion of which DNO will effectively eliminate gas flaring throughout its operations. In the Baeshiqa licence in Kurdistan, DNO completed the first Baeshiqa well targeting the shallow Cretaceous reservoir. The Baeshiqa-1 well has been suspended pending completion of the testing of the adjacent Baeshiqa-2 well targeting the deeper Jurassic and Triassic reservoirs on the same structure. The Baeshiqa-2 well has been drilled to 3,202 metres and completed, with rigless testing to commence in the second part of August. A third well targeting the deeper Jurassic and Triassic reservoirs on a separate structure is planned to spud early next year.

DNO is now in 89 licences in Norway, 12 in the United Kingdom ("UK"), one in Ireland and two in the Netherlands. Company Working Interest production in the North Sea averaged 17,820 boepd in the first half of 2019 following completion of the USD 780 million acquisition of Faroe Petroleum plc in March 2019 (including the net production from the assets acquired through the Norwegian assets swap with Equinor Energy AS, a wholly-owned subsidiary of Equinor ASA). Through these transactions, DNO has acquired additional production across 13 fields, of which nine are in Norway and four in the UK, with Norway and the UK now accounting for approximately 17 percent of DNO`s production. Ten North Sea exploration/appraisal wells and five development/infill wells are planned for 2019.

DNO's financial results remained positive with a net profit of USD 119.1 million in the first half of 2019, double the amount from the same period a year earlier. DNO's revenues of USD 469.7 million for the half-year 2019 were up 63 percent from the same period a year earlier, of which USD 361.4 million was from Kurdistan and USD 108.3 million from the North Sea. Operating profit in the first half of 2019 stood at USD 137.3 million (USD 76.2 million 1H 2018). DNO exited the half-year with a cash balance of USD 573.8 million and total debt of USD 1,080.7 million. DNO's marketable securities and treasury shares were valued at USD 94.3 million at 30 June 2019.

The Company's indirect net percentage ownership of DNO, held through its wholly-owned subsidiary RAK Petroleum Holdings B.V. ("RAKP BV"), adjusted for DNO's treasury share ownership of 35 million own shares at 30 June 2019, was 41.8 percent.

At 30 June 2019, the Company's stake in DNO had a market value of USD 795.1 million based on DNO's quoted share price.

For further detail on DNO's operations see its Half-Year 2019 Interim Results report and presentation on its website www.dno.no.

DNO announced that its shareholders again approved two dividend distributions of NOK 0.20 per share (but each distribution not to exceed NOK 249.3 million). The first tranche of the dividend is to be paid before 31 December 2019 and the second tranche between 1 January 2020 and the date of DNO`s next annual general meeting in the first half of 2020. Based on this approval, the Company's shareholding in DNO is entitled to receive a dividend totalling approximately USD 20 million at current exchange rates. I am excited to continue this phase of dividend receipts from DNO after several years of building the DNO business to the strong financial and operational position it holds today.

Foxtrot International

The Company holds an indirect 33.33 percent net ownership of Foxtrot International, a privately held exploration and production company active in West Africa, through its wholly-owned subsidiary RAKP BV.

Foxtrot International operates Block CI-27 offshore Côte d'Ivoire containing the country's largest reserves of gas produced from four offshore fields tied back to two fixed platforms; sales averaged 142.8 million standard cubic feet per day ("mmscf/d") of gas in the first half of 2019, in addition to 1,578.5 bopd of oil and condensate.

Foxtrot International's half-year net profit was USD 30.4 million or USD 10.1 million to the Company's interest. After accounting for the Company's depletion of fair value uplift, the Company's profit from Foxtrot International in the first half of 2019 was USD 9.3 million (USD 9.5 million 1H 2018). In the first half of 2019, the Company received USD 14.9 million in cash distributions from Foxtrot International, USD 3.0 million of which were reinvested towards maintenance, operating and other expenditures. The book value of the Company's investment in Foxtrot International stood at USD 91.6 million at 30 June 2019.

Foxtrot International also operates two exploration licences offshore Côte d'Ivoire, CI-12 and CI-502, in which it holds 24 percent interests.

Consolidated and Company Results

As the consequence of the results of its Investment Entities, the Group recorded a consolidated net comprehensive income of USD 65.7 million for the half-year to 30 June 2019 (net comprehensive income of USD 166.4 million for the full-year 2018).

As a result of dividend distributions within the wholly-owned subsidiaries of the Group, the Company recorded a net comprehensive income of USD 50.6 million for the half-year to 30 June 2019 (USD 6.5 million loss for the full-year 2018).

At 30 June 2019, total cash and cash equivalents of the Company stood at USD 2.8 million and including its wholly-owned subsidiaries at USD 22.4 million. The Company's bank debt was USD 18.4 million, drawn from a lending arrangement with a leading bank in the United Arab Emirates. Net equity at 30 June 2019 stood at USD 871.2 million compared with USD 835.5 million at 31 December 2018.

The Company

In February 2019, the Company bought back 8,450,000 of its Class A Shares in a reverse Dutch auction at a price of NOK 15 per share. A second buyback was launched in April 2019 with the Company purchasing 7,233,333 of its Class A Shares at a price of NOK 18 per share. For further details of the buyback process please refer to the Company's 2018 Annual Report available on our website.

The Company presently intends to use the expected dividend receipts from DNO in the second half of 2019 and the first half of 2020 to pay down debt and reduce the Company's interest expense or to carry out further buybacks of the Company's shares.

The principal risks and uncertainties facing the Company remain largely unchanged from our 2018 Annual Report available on our website.
The Company retains a small team of experienced operational, legal, commercial and financial professionals responsible for managing investments, screening new ventures, compliance with regulatory and listing requirements and shareholder relations.

In addition, the Company supports DNO and Foxtrot International through board positions and services agreements. I am privileged to serve as the Chairman of the Board of both Investment Entities.

On behalf of the Board of Directors, I wish to acknowledge executive management's and staff's diligence and continued commitment to the Company.

Finally, the members of the Board of Directors are grateful to our fellow RAK Petroleum shareholders for your continued support and confidence and invite you to visit our website (www.rakpetroleum.uk) for updates on our activities.

BIJAN MOSSAVAR-RAHMANI

Bijan Mossavar-Rahmani
Executive Chairman of the Board of Directors

16 September 2019

I. Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge:

a) the interim set of consolidated financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";

b) the half-year financial report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year);

c) the half-year financial report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

For and on behalf of the Board of Directors

BIJAN MOSSAVAR-RAHMANI

Bijan Mossavar-Rahmani
Executive Chairman of the Board of Directors

16 September 2019

II. Interim Consolidated and Parent Financial Statements

At 30 June 2019

Interim Consolidated Statement of Comprehensive Income

USD million	*Notes*	***1H 2019***	*1H 2018*
Revenues	4	469.7	289.3
Cost of goods sold	5	(250.7)	(149.5)
Gross profit		**219.0**	**139.8**
Share of profit of a Joint Venture	10	9.3	9.5
Other operating income		(0.7)	(1.4)
General and administrative expenses		(33.8)	(25.6)
Impairment of oil and gas assets	8	-	(1.9)
Exploration costs expensed	6	(51.2)	(37.8)
Profit/(loss) from operating activities		**142.7**	**82.6**
Financial income		5.7	4.2
Financial expenses		(64.4)	(31.0)
Profit/(loss) before income tax		**84.1**	**55.8**
Income tax expenses	7	39.7	10.6
Net profit/(loss)		**123.8**	**66.4**
Other comprehensive income			
Currency translation differences		5.7	-
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		**5.7**	-
Net fair value change from financial investments		21.2	16.3
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**21.2**	**16.3**
Total comprehensive income, net of tax		**150.7**	**82.7**
Net profit/(loss) attributable to:			
Equity holders of the parent		54.5	31.0
Non-controlling interest		69.3	35.4
Net profit/(loss)		**123.8**	**66.4**
Comprehensive income attributable to:			
Equity holders of the parent		65.7	37.8
Non-controlling interest		84.9	44.9
Total comprehensive income, net of tax		**150.7**	**82.7**
Earnings per share attributable to the equity holders of the parent during the half-year			
Earnings per share, basic		0.175	0.099
Earnings per share, diluted		0.175	0.099

The attached Notes 1 to 18 form part of these Interim Consolidated and Parent Financial Statements.

Interim Consolidated Statement of Financial Position

USD million	Notes	30 June 2019	31 December 2018
Assets			
Non-current assets			
Deferred income tax assets	7	44.3	7.0
Intangible assets	8	1,061.7	255.9
Property, plant and equipment	8	1,334.5	758.1
Right-of-use assets	8	13.3	-
Investment in Joint Venture	10	91.6	94.2
Financial investments	11	5.2	212.9
Tax receivables	7	55.4	-
Other non-current assets		-	0.1
Total non-current assets		**2,606.0**	**1,328.2**
Current assets			
Inventories	5	24.0	8.3
Trade and other receivables	12	392.2	210.1
Tax receivables	7	62.2	28.3
Cash and cash equivalents		596.2	768.0
Total current assets		**1,074.5**	**1,014.7**
Total assets		**3,680.5**	**2,342.9**
Equity and liabilities			
Equity			
Share capital	13	5.1	5.3
Share premium		0.7	0.7
General Reserve		769.5	797.7
Retained earnings		96.0	31.8
Attributable to equity holders of the parent		**871.2**	**835.5**
Attributable to non-controlling interest	9	769.0	698.3
Total equity		**1,640.2**	**1,533.8**
Non-current liabilities			
Interest-bearing liabilities	14	1,033.4	590.0
Deferred income tax liabilities	7	204.0	-
Lease liabilities	15	10.5	-
Provisions for other liabilities and charges	15	475.1	68.2
Total non-current liabilities		**1,723.0**	**658.2**
Current liabilities			
Current Interest-bearing liabilities	14	65.7	26.6
Trade and other payables		219.6	116.4
Income taxes payable	7	-	0.7
Current lease liabilities		3.2	-
Provisions for other liabilities and charges	15	28.9	18.6
Total current liabilities		**317.3**	**148.3**
Total liabilities		**2,040.3**	**795.3**
Total equity and liabilities		**3,680.5**	**2,047.3**

The Interim Consolidated and Parent Financial Statements in Section II were authorised for issue by the Board of Directors on 16 September 2019.

For and on behalf of the Board of Directors

BIJAN MOSSAVAR-RAHMANI

Bijan Mossavar-Rahmani
Executive Chairman of the Board of Directors

16 September 2019

The attached Notes 1 to 18 form part of these Interim Consolidated and Parent Financial Statements.

Interim Consolidated Statement of Cash Flows

USD million	*Notes*	***1H 2019***	*1H 2018*
OPERATING ACTIVITIES			
Profit/(loss) before income tax		84.1	55.8
Adjustments to add/(deduct) non-cash items:			
Depreciation of property, plant and equipment	5	145.8	113.1
Impairment loss on oil and gas assets	8	-	1.9
Share of profit/(loss) of a Joint Venture	10	(9.3)	(9.5)
Other		40.3	24.8
Changes in working capital and provisions:			
- Inventories	5	2.3	(0.2)
- Trade and other receivables	12	(62.2)	(2.6)
- Trade and other payables		(87.5)	(11.4)
- Provisions for other liabilities and charges	15	17.9	15.9
Cash generated from operations		**131.3**	**188.0**
Income taxes paid	7	-	-
Net interest paid		(31.6)	(15.3)
Net cash from/(used) in operating activities		**99.7**	**172.7**
INVESTING ACTIVITIES			
Purchases of intangible assets	8	(49.2)	-
Purchases of tangible assets	8	(146.4)	(50.1)
Payments for decommissioning		(8.3)	-
Acquisition of Faroe Petroleum plc net of cash acquired		(428.7)	-
Proceeds from licence transactions		29.6	-
Investment in financial investments	11	-	(186.0)
Equity injection into Joint Venture	10	(3.0)	(0.2)
Dividends received from Joint Venture	10	14.9	10.4
Net cash from/(used) in investing activities		**(582.8)**	**(226.0)**
FINANCING ACTIVITIES			
Proceeds from borrowings	14	458.2	213.3
Repayment of borrowings	14	(101.3)	(4.1)
Paid dividend (non-controlling interest)		(14.3)	-
Payment of lease liabilities		(1.4)	-
Acquisition of non-controlling interest without change of control	9	-	-
Acquisition of own shares	13	(30.0)	-
Net cash from/(used) in financing activities		**311.2**	**209.2**
Net increase/(decrease) in cash and cash equivalents		(171.8)	155.9
Cash and cash equivalents at beginning of the period		768.0	454.0
Cash and cash equivalents at end of the period		**596.2**	**609.9**
Of which restricted cash		**16.8**	**4.9**

The attached Notes 1 to 18 form part of these Interim Consolidated and Parent Financial Statements.

Interim Consolidated Statement of Changes in Equity

USD million	*Share capital*	*Share premium*	*Treasury shares*	*Other reserves*	*Share-based payment reserve*	*Fair value reserve*	*Foreign currency translation reserve*	*Retained earnings*	*Total*	*Non-controlling interest*	*Total equity*
Balance at 1 January 2019	5.3	0.7	(20.8)	832.3	-	-	(13.7)	31.8	835.5	698.4	1,533.9
Profit/(loss) for the period	-	-	-	-	-	-	-	55.4	55.4	69.3	123.8
Other comprehensive income for the period	-	-	-	-	-	-	1.5	9.7	11.2	15.7	26.9
Total comprehensive income for the period	-	-	-	-	-	-	1.5	**64.2**	**65.7**	**84.9**	**150.7**
Transactions with owners, recognised directly as equity											
Payment of dividend to non-controlling interest	-	-	-	-	-	-	-	-	-	(14.3)	(14.3)
Acquisition of own shares	(0.3)	-	-	(29.8)	-	-	-	-	(30.0)	-	(30.0)
Changes in ownership interests in subsidiaries that do not result in a loss of control:											
Acquisition of non-controlling interest without change of control	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2019	**5.3**	**0.7**	**(20.8)**	**802.5**	**-**	**-**	**(12.2)**	**96.0**	**871.2**	**768.2**	**1,640.2**

USD million	*Share capital*	*Share premium*	*Treasury shares*	*Other reserves*	*Share-based payment reserve*	*Fair value reserve*	*Foreign currency translation reserve*	*Retained earnings*	*Total*	*Non-controlling interest*	*Total equity*
Balance at 1 January 2018	5.3	0.7	(20.8)	832.3	-	-	(14.8)	(133.5)	669.1	499.7	1,168.8
Profit/(loss) for the period	-	-	-	-	-	-	-	31.0	31.0	35.4	66.4
Other comprehensive income for the period	-	-	-	-	-	-	-	6.8	6.8	9.5	16.3
Total comprehensive income for the period	-	-	-	-	-	-	-	**37.8**	**37.8**	**44.9**	**82.7**
Transactions with owners, recognised directly as equity											
Changes in ownership interests in subsidiaries that do not result in a loss of control:											
Acquisition of non-controlling interest without change of control	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2018	**5.3**	**0.7**	**(20.8)**	**832.3**	**-**	**-**	**(14.8)**	**(95.6)**	**707.1**	**544.9**	**1,252.0**

The attached Notes 1 to 18 form part of these Interim Consolidated and Parent Financial Statements.

Company Statement of Financial Position

USD million	*Notes*	***30 June 2019***	*31 December 2018*
Assets			
Non-current assets			
Equipment		-	-
Investment in subsidiaries		670.1	670.1
		670.1	**670.1**
Current assets			
Other receivables	12	0.8	0.8
Cash and cash equivalents		2.8	2.8
		3.6	**3.6**
Total assets		**673.6**	**673.7**
Equity and liabilities			
Equity			
Share capital	13	5.1	5.3
Share premium		0.7	0.7
Other reserves		637.3	667.1
Accumulated losses		11.6	(39.1)
Total equity		**654.6**	**634.0**
Non-current liabilities			
Employees' end of service benefits		0.1	0.1
Interest-bearing liabilities	14	10.3	14.4
		10.3	**14.4**
Current liabilities			
Trade and other payables		0.1	0.1
Current interest-bearing liabilities	14	8.2	8.2
Intercompany debt owed by Company	14	0.5	17.0
		8.7	**25.3**
Total liabilities		**19.0**	**39.7**
Total equity and liabilities		**673.6**	**673.7**

Consistent with the presentation of the full-year Parent Financial Statements, the Company has elected not to present the Company profit and loss account. The profit for the Company for the half-year was USD 50.6 million (USD 6.5 million loss for the full year 2018).

Company Statement of Cash Flow

USD million	Notes	1H 2019	1H 2018
Operating activities			
Profit/(loss) for the period		50.6	(4.0)
Adjustments for:			
Depreciation of equipment		0.0	0.0
Provision		(0.0)	(0.0)
Operating profit before working capital changes		(50.6)	(4.0)
Other receivables		0.0	0.0
Trade and other payables		0.0	0.0
Net cash flows from operating activities		(50.6)	(4.0)
Investing activities			
Proceeds lent to subsidiary	14	-	-
Proceeds repaid by subsidiary	14	-	-
Net cash flows from investing activities		-	-
Financing activities			
Proceeds obtained from subsidiary	14	(16.5)	7.5
Proceeds from borrowings	14	-	-
Repayment of borrowings	14	(4.1)	(4.1)
Acquisition of own shares	13	(30.0)	-
Net cash flows from financing activities		(50.6)	3.4
Net increase/(decrease) in cash and cash equivalents		(0.0)	(0.6)
Cash and cash equivalents at 1 January		2.8	3.4
Cash and cash equivalents at end of period		2.8	2.8

Company Statement of Changes in Equity

USD million	Share capital	Share premium	Other reserve	Accumulated losses	Total
Balance at 1 January 2019	5.3	0.7	667.1	(39.0)	634.0
Profit/(loss) for the period	-	-	-	50.6	50.6
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive profit/(loss) for the period	-	-	-	50.6	50.6
Acquisition of own shares	(0.3)	-	(29.8)		(30.0)
Balance at 30 June 2019	**5.1**	**0.7**	**637.3**	**11.6**	**654.6**

USD million	Share capital	Share premium	Other reserve	Accumulated losses	Total
Balance at 1 January 2018	5.3	0.7	667.1	(32.5)	640.5
Profit/(loss) for the period	-	-	-	(4.0)	(4.0)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive profit/(loss) for the period	-	-	-	(4.0)	(4.0)
Balance at 30 June 2018	**5.3**	**0.7**	**667.1**	**(36.5)**	**636.5**

The attached Notes 1 to 18 form part of these Interim Consolidated and Parent Financial Statements.

Notes to the Interim Consolidated and Parent Financial Statements

At 30 June 2019

1. Corporate Information

RAK Petroleum plc ("RAK Petroleum", the "Company" or the "Parent") is incorporated as a public limited company organised and existing under the laws of England and Wales pursuant to the UK Companies Act. The Company was incorporated on 17 June 2013 and the Company's registration number is 08572925. The registered office of the Company is Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey KT13 OTS, United Kingdom.

The Company is an energy investment company that currently owns two major assets:

- A block of 438,379,418 (unchanged from 2017) shares in DNO ASA ("DNO") representing 40.45 percent of the total DNO shares outstanding at 30 June 2019 (41.80 percent effective share net of DNO treasury shares held by DNO). DNO and its subsidiaries (the "DNO Group") are included in the Consolidated Financial Statements of the Group as a subsidiary for the half-year ended 30 June 2018, the year ended 31 December 2018 and the half-year ended 30 June 2019; and

- 100 percent ownership of Mondoil Enterprises, LLC ("Mondoil Enterprises"). Through this investment in Mondoil Enterprises, the Group holds a one-half stake in Mondoil Côte d'Ivoire LLC ("Mondoil Côte d'Ivoire") which in turn holds a two-thirds ownership in Foxtrot International LDC ("Foxtrot International"), a privately-held oil and gas company active in Côte d'Ivoire. Mondoil Côte d'Ivoire is included in the consolidated accounts of the Group as a Joint Venture for the half-year ended 30 June 2018, the year ended 31 December 2018 and the half-year ended 30 June 2019.

On 7 November 2014, the Company listed its Class A Shares on the Oslo Børs.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Interim Consolidated and Parent Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

The Interim Consolidated Financial Statements of the Group as well as the Parent Financial Statements of the Company for the six months ending 30 June 2019 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and IAS 34 Interim Financial Reporting as adopted by the European Union. These Interim Consolidated and Parent Financial Statements were not audited or reviewed.

These Interim Consolidated and Parent Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 were approved by the Board of Directors on 12 April 2019 and delivered to the Registrar of Companies. The report of the auditors of those accounts was unqualified, did not contain an emphasis matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The Interim Consolidated and Parent Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018 which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding.

The accounting policies adopted in the preparation of the Interim Consolidated and Parent Financial Statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018 except for those noted below.

2. Summary of Significant Accounting Policies (continued)

With effect from 1 January 2019, the Group has adopted the following standards:

- Implementation of IFRS 16 *Leases*. IFRS 16 entered into force from 1 January 2019. IFRS 16 replaces IAS 17 Leases and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The accounting principles applied are in line with the description provided in the DNO Group annual accounts for 2018, Note 1. The impact on the balance sheet is presented on separate balance sheet items, and further details are provided in the Notes below. The Group has applied the modified retrospective approach with no restatement of comparative figures.

- Change in principle for valuation and presentation of overlift/underlift for the DNO Group. Revenues are recognised on the basis of volumes lifted and sold to customers during the period (sales method). Overlift/underlift balances, previously valued at net realisable value, are now valued at production cost including depreciation and movements in overlift/underlift are presented as an adjustment to cost of goods sold, previously presented as Other revenues. This change was made due to discussion of the IFRS Interpretations Committee ("IFRIC") on the topic "Sale of output by a joint operator (IFRS 11 *Joint Arrangements*)", which was concluded in March 2019. The change does not have a material impact on the revenues from the Kurdistan region of Iraq ("Kurdistan") and it is expected to only have an impact on revenues from the North Sea segment. Comparative figures have not been restated based on materiality assessment.

- Change in unit-of-production depreciation method. The DNO Group has previously depreciated its capitalised costs for oil and gas assets over the estimated remaining proven developed reserves. Following a review of the depreciation method, the DNO Group has decided to change the reserves basis from proven developed reserves to proven and probable reserves. The change in depreciation method is reflected prospectively as a change in estimate under IAS 8.

3. Segment Information

Executive management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation, investment decisions and performance assessment (the Executive Chairman of the Board of Directors acts as the Chief Operating Decision Maker). Segment performance is evaluated based on the profit or loss including share price and is measured consistently with the net profit or loss in the Consolidated Financial Statements.

Operating and reportable segments

For management purposes, the Group is organised into two operating segments that are also reportable segments:

- DNO (Subsidiary)
- Foxtrot International (Joint Venture with interest held through Mondoil Enterprises' 50 percent ownership of Mondoil Côte d'Ivoire)

"Others" are reconciling items including head-office general and administrative transactions and balances that do not constitute separate operating segments.

The following tables include revenue, net profit and segment assets for the periods ended 30 June 2019 and 2018.

USD million	*DNO*	*Mondoil Côte d'Ivoire*	*Others*	*Eliminations*	*Total*
Period ended 30 June 2019					
Comprehensive income information					
External sales	469.7	-	-	-	469.7
Cost of goods sold	(250.7)	-	-	-	(250.7)
Gross profit	219.0	-	-	-	219.0
Share of profit of a Joint Venture	-	9.3	-	-	9.3
Segment net profit/(loss) from operating activities	**137.3**	**9.3**	**(3.9)**	**-**	**142.7**
Net finance costs (incl. interest)	(57.9)	-	(0.8)	-	(58.6)
Tax income/(expense)	39.7	-	-	-	39.7
Segment net profit/(loss)	**119.1**	**9.3**	**(4.6)**	**-**	**123.8**
Segment assets	**3,368.8**	**91.6**	**245.8**	**(25.7)**	**3,680.5**

3. Segment Information (continued)

USD million	DNO	Mondoil Côte d'Ivoire	Others	Eliminations	Total
Period ended 30 June 2018					
Comprehensive income information					
External sales	289.3	-	-	-	289.3
Cost of goods sold	(149.5)	-	-	-	(149.5)
Gross profit	139.8	-	-	-	139.8
Share of profit of a Joint Venture	-	9.5	-	-	9.5
Segment net profit/(loss) from operating activities	**76.2**	**9.5**	**(3.1)**	**-**	**82.6**
Net finance costs (incl. interest)	(25.8)	-	(0.9)	-	(26.7)
Tax income/(expense)	10.6	-	-	-	10.6
Segment net profit/(loss)	**60.9**	**9.5**	**(4.0)**	**-**	**66.4**
Segment assets	**1,724.5**	**93.6**	**249.3**	**(36.4)**	**2,031.0**

4. Revenues

USD million	1H 2019	1H 2018
Oil sales	450.6	289.3
Gas sales	15.9	-
Natural gas liquids sales	1.6	-
Tariff income	1.7	-
Total revenues	**469.7**	**289.3**

Following a change in the Kurdistan revenue recognition criteria in the fourth quarter of 2018, revenues are now recorded on an accrual basis.

5. Cost of Goods Sold/Inventory

USD million	1H 2019	1H 2018
Lifting costs	(94.6)	(36.4)
Tariff and transportation expenses	(11.9)	-
Production cost based on produced volumes	**(106.6)**	**(36.4)**
Movement in overlift/underlift	1.6	-
Production cost based on sold volumes	**(104.9)**	**(36.4)**
Depreciation, depletion and amortisation	(145.8)	(113.1)
Total cost of goods sold	**(250.7)**	**(149.5)**

Lifting costs consist of expenses related to the production of oil and gas, including operation and maintenance of installations, well intervention and workover activities and insurances. Tariff and transportation expenses consist of charges incurred by the Group for the use of infrastructure owned by other companies in the North Sea. For more information about movement in overlift/underlift, see Note 2.

USD million	30 June 2019	31 December 2018
Spare parts and drilling equipment	24.0	8.3
Total inventory	**24.0**	**8.3**

Total inventory of USD 24.0 million as of 30 June 2019 is related to Kurdistan (USD 9.0 million) and the North Sea (USD 15.0 million).

6. Exploration Expenses

USD million	1H 2019	1H 2018
Exploration expenses (G&G and field surveys)	(14.3)	(7.5)
Seismic costs	(10.3)	(5.5)
Exploration cost capitalised in previous years carried to cost	(3.3)	-
Exploration cost capitalised this year carried to cost	(13.0)	(4.5)
Impairment expenses	-	-
Other exploration cost expensed	(10.3)	(20.4)
Total exploration cost expensed	**(51.2)**	**(37.8)**

Exploration expenses of USD 51.2 million in the first half of 2019 were incurred by the DNO Group and are mainly related to acquisition of seismic in Norway and exploration expenses in the United Kingdom Continental Shelf ("UKCS"). The DNO Group allocates its administrative and other expenses related to the Norwegian and United Kingdom oil and gas activities to exploration, development and production activities respectively.

7. Income Tax

USD million	1H 2019	1H 2018
Income tax expenses		
Changes in deferred taxes	(31.9)	2.5
Income taxes receivable/(payable)	71.5	8.1
Tax income/(expense)	**39.7**	**10.6**

USD million	30 June 2019	31 December 2018
Income tax receivable/(payable)		
Tax receivables (non-current)	55.4	-
Tax receivables (current)	62.2	28.3
Income tax payable	-	(0.5)
Total tax receivable/(payable)	**117.6**	**27.8**
Deferred tax asset/(liability)		
Deferred tax assets	44.3	7.0
Deferred tax liabilities	(204.0)	-
Total deferred tax asset/(liability)	**(159.7)**	**7.0**

The tax income, tax receivable and deferred tax assets/liabilities mainly relate to activity on the Norwegian Continental Shelf ("NCS") subject to the Norwegian Petroleum Taxation Act. DNO's subsidiaries, DNO Norge AS and DNO North Sea (Norge) AS, are currently not in a tax payable position and can claim a 78 percent refund of the eligible exploration costs limited to taxable losses for the year. The refund is paid out in November-December of the subsequent year. In addition, a deferred tax asset has been recognised in the United Kingdom in relation to temporary and ring fenced losses that are available indefinitely for offset against future taxable profits. Deferred tax assets/liabilities are presented net 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 tax authority.

Under the terms of the Production Sharing Contracts in Kurdistan, DNO's subsidiary, DNO Iraq AS, is not required to pay any corporate income taxes. The share of profit oil to which the government is entitled is deemed to include a portion representing the notional corporate income tax paid by the government on behalf of the contractors. 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 Kurdistan Regional Government and there is currently no well-established tax regime for international oil companies. This is an accounting presentational issue and there is no corporate income tax to be paid.

Profits/(losses) by Norwegian companies from foreign 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.

Increase in deferred tax assets and liabilities compared to 2018 is mainly due to the acquisition of Faroe Petroleum plc (see Note 17).

8. Other Intangible Assets/Property Plant and Equipment ("PP&E")/Right-of-use ("RoU") Assets

USD million	1H 2019	1H 2018
Additions of Other intangible assets	40.9	0.1
Additions of Other intangible assets through business combination*	282.1	-
Other intangible assets reclassified to Assets held for sale*	(3.3)	-
Additions of PP&E	147.3	50.0
Additions of PP&E through business combination*	710.1	-
PP&E assets reclassified to Assets held for sale*	(157.0)	-
Additions of RoU assets	12.9	
Additions of RoU assets through business combination*	2.0	
Impairment of oil and gas assets	-	(1.9)

* See Note 17 for additions through business combination.

Additions of Other intangible assets are related to capitalised exploration costs, licence interests and administrative software. Additions of PP&E are related to development assets, assets in operation including estimated change of retirement obligations and other PP&E.

On transition to IFRS 16, the DNO Group recognised USD 12.9 million in right-of-use ("RoU") assets. The DNO Group's RoU assets are related to office rent. The Group also leases personal computers and IT equipment with contract terms of one to three years but has elected to apply the practical expedient on low value assets and does not recognise liabilities for RoU assets. The leases are instead expensed when the costs are incurred. A practical expedient has been applied to not recognise lease liabilities and RoU assets for short-term leases. The RoU assets are depreciated linearly over the lifetime of the related lease contract. The lease term varies from two to six years. See also Note 2.

Impairments

Impairment tests of individual cash-generating units are performed when impairment triggers are identified. During the first half of 2019, no impairment charges were recognised. During the first half of 2018, a total impairment charge of USD 1.9 million was recognised and related to DNO's Sfax Offshore Exploration Permit in Tunisia (USD 1.5 million) and DNO's SL18 exploration licence in Somaliland (USD 0.4 million).

Impairments

USD million	30 June 2019		31 December 2018	
	Impairment (-)/ reversal (+)	Recoverable/ carrying amount	Impairment (-)/ reversal (+)	Recoverable/ carrying amount
SL18, Somaliland	-	-	(0.4)	-
Sfax Offshore Exploration Permit, Tunisia	-	-	(1.5)	-
Total	**-**	**-**	**(1.9)**	**-**

The table shows the recoverable/carrying amount for the cash generating units which have been impaired in 2018. Of the total impairment charge of USD 1.9 million in 2018, USD 1.5 million was recognised on inventories.

9. Material Partly-Owned Subsidiary

The Group currently has the following investment in a Subsidiary which has a material non-controlling interest:

		Percent ownership interest		
Subsidiary name	Country of incorporation	30 June 2019	31 December 2018	Nature of business
DNO ASA	Norway	40.45 (41.80 net of DNO treasury shares)	40.45 (41.80 net of DNO treasury shares)	Exploration and production company engaged in the acquisition, exploration, development and operation of oil and gas properties

The summarised financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations. Changes in the Company's effective net ownership of DNO are a result of purchases or sales by DNO of non-controlling interest shares in DNO which have the effect of increasing or decreasing the Company's effective net ownership.

9. Material Partly-Owned Subsidiary (continued)

Summarised statement of profit or loss

USD million	*1H 2019*	*1H 2018*
Revenue	469.7	289.3
Cost of goods sold	(250.7)	(149.5)
Other operating income	(0.7)	(1.4)
Administrative and other expenses	(29.9)	(22.5)
Impairment of oil and gas assets	-	(1.9)
Exploration costs expensed	(51.2)	(37.8)
Financial income and expense	(57.9)	(25.9)
Profit/ (loss) before tax	79.4	50.4
Income tax expense	39.7	10.6
Profit/ (loss) for the period as presented by DNO	119.1	60.9
Total comprehensive income for the period as presented by DNO	**153.7**	**80.0**

Summarised statement of financial position

USD million	*30 June 2019*	*31 December 2018*
Cash and cash equivalents	573.8	729.1
Other current assets (excl. cash)	478.0	246.4
Non-current assets	2,316.8	1,028.7
Current liabilities	(309.2)	(142.7)
Non-current financial liabilities	(1,023.2)	(575.7)
Other non-current liabilities	(689.4)	(68.1)
Equity at end of the period as presented by DNO	**1,346.9**	**1,217.8**

Summarised cash flow information

USD million	*1H 2019*	*1H 2018*
Net cash from/(used) in operating activities	104.4	176.6
Net cash from/(used) in investing activities	(594.7)	(236.1)
Net cash from/(used) in financing activities	335.0	213.4
Net increase/(decrease) in cash and cash equivalents	(155.3)	153.8
Cash and cash equivalents at beginning of the period	729.1	430.1
Cash and cash equivalents at end of the period as presented by DNO	**573.8**	**584.0**

Goodwill and impairment assessment

Goodwill is the difference between the carrying value and the recorded net identifiable asset value of DNO at acquisition date. An impairment assessment is carried out at each year-end.

10. Investment in a Joint Venture

General information

The Group's subsidiary Mondoil Enterprises has a 50 percent equity interest in Mondoil Côte d'Ivoire, registered in the United States and a Joint Venture in terms of IFRS 11 (required to be equity accounted by the Group).

Mondoil Côte d'Ivoire has a 66.67 percent equity interest in Foxtrot International. Due to different voting and contractual rights, Foxtrot International is an Associate for Mondoil Côte d'Ivoire (required to be equity accounted by Mondoil Côte d'Ivoire). Mondoil Côte d'Ivoire has one-third of Foxtrot International's total shareholder votes and can appoint one-third of Foxtrot International's Board of Directors, but Mondoil Côte d'Ivoire is entitled to two-thirds of Foxtrot International's profit and liquidation proceeds.

10. Investment in a Joint Venture (continued)

Foxtrot International is a Cayman Islands company engaged in oil and gas exploration and production in Côte d'Ivoire. It owns a direct 24 percent interest in Block CI-27 (joint operation). On 1 December 2014 Foxtrot International acquired a 27.27 percent stake in Energie de Côte d'Ivoire SA (ENERCI), which owns an additional 12 percent interest in Block CI-27. Accordingly Foxtrot International has a 27.27 percent interest in Block CI-27 and the Group has an indirect 9.09 percent stake in this block. During 2017, Foxtrot International acquired a 24 percent stake in and operatorship of two exploration blocks offshore Côte d'Ivoire, Block CI-502 and Block CI-12.

Movement of investment carrying amount:

USD million	*1H 2019*	*1H 2018*
Opening balance 1 January	94.2	94.2
Group's share of adjusted profit – as accounted	9.3	9.5
Contributions via cash calls paid during the year	3.0	0.2
Dividends received during the year	(14.9)	(10.4)
Interest in Joint Venture at 31 December	**91.6**	**93.6**

The carrying amount at 30 June 2019 contains cumulative past impairments of USD 8.4 million.

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.

USD million	*1H 2019*	*1H 2018*
Beginning of the period	212.9	-
Additions	(228.9)	186.7
Fair value changes through other comprehensive income	21.2	16.3
Total financial investments end of the period	**5.2**	**203.0**

During 2018, DNO acquired 111,494,028 shares in Faroe Petroleum plc which represented 29.90 percent of its outstanding shares. At year-end 2018, Faroe Petroleum plc was listed on the UK's Alternative Investment Market (AIM) of the London Stock Exchange. On 11 January 2019, DNO obtained control of Faroe Petroleum plc and subsequently de-listed the company from AIM on 14 February 2019 (see Note 17).

DNO has a total of 2,641,465 shares in Oslo Børs-listed Panoro Energy ASA, representing 4.63 percent of the outstanding shares.

DNO has a total of 15,849,737 shares in RAK Petroleum plc. All shares have been acquired in open market transactions. The Company reclassifies these shares as treasury shares.

12. Trade and Other Short-term Receivables

USD million	*30 June 2019*	*31 December 2018*
Group		
Trade debtors	266.2	182.8
Underlift	21.6	1.1
Other short-term receivables	104.4	25.9
	392.2	**209.8**

USD million	*30 June 2019*	*31 December 2018*
Company		
Amounts due from DNO subsidiary	0.3	0.3
Amounts due from other subsidiaries	0.4	0.4
Other	0.1	0.1
	0.8	**0.8**

12. Trade and Other Short-term Receivables (continued)

The outstanding underlift receivable of USD 21.6 million at 30 June 2019 relates to the North Sea segment and will be realised at market value when the barrels are lifted. Other short-term receivables relate mainly to items of working capital in oil and gas licences in DNO's Kurdistan and North Sea segments.

The trade debtors receivables relate mainly to crude oil deliveries to the export market from the Tawke licence in Kurdistan.

Amounts due from DNO are unsecured and have a 30-day credit term. Amounts due from subsidiaries are repayable on demand, expected to be settled in 2019, unsecured and interest free. No amounts are past due nor impaired.

13. Share Capital

The Company had the following shares issued at 30 June 2019:

	Par value	***30 June 2019* Number of shares**	*31 December 2018 Number of shares*
Class A Shares	GBP 0.01 (PY 1.00)	194,448,040	194,642,717
Restricted Class A Shares	GBP 0.001 (PY 1.00)	117,683,332	133,171,988
Total Class A		312,131,372	327,814,705
Class B Shares	GBP 0.0000001	117,683,332	133,171,988
Class C Shares	GBP 0.0000001	87,488,693	87,488,693
Preference shares	GBP 1.00	50,000	50,000

All shares are fully paid.

Transfers of Restricted Class A Shares are limited to certain permitted transferees set forth in the Company's Articles of Association – essentially, related parties or charities. Transfers to non-permitted transferees give rise to loss of the associated Class B Share voting rights. Because they have the same rights to participate in profits as Class A Shares, Restricted Class A Shares are not treated as a class separate from Class A Shares for accounting purposes.

On 16 January 2019 as a result of shareholders' requests to release the restrictions on their Restricted Class A Shares, 9,180,000 Restricted Class A Shares were re-designated as Class A Shares and 9,180,000 Class B Shares representing 18,360,000 votes were transferred to the Company and cancelled.

Pursuant to authority granted by the shareholders at the Annual General Meeting held on 2 June 2018, the Company initiated a Class A Share buyback offer pursuant to which it purchased 8,450,000 of its Class A Shares on 4 February 2019 which have been cancelled. To maintain their voting levels in the Company at pre-buyback levels, Bijan Mossavar-Rahmani and DNO requested that the Company re-designate a total of 3,399,032 Restricted Class A Shares to Class A Shares. As a result, 3,399,032 Class B Shares, representing 6,798,064 votes, were transferred to the Company and cancelled.

The Company initiated a second Class A Share buyback offer pursuant to which it purchased 7,233,333 of its Class A Shares on 2 May 2019 which have been cancelled. To maintain their voting levels in the Company at pre-buyback levels, Bijan Mossavar-Rahmani and DNO requested that the Company re-designate a total of 2,909,624 Restricted Class A Shares to Class A Shares. As a result, 2,909,624 Class B Shares, representing 5,819,248 votes, were transferred to the Company and cancelled, which resulted in the capital structure set forth immediately above.

Key rights attached to each class of shares are as follows:

	Restricted Class A share	*Class A share*	*Class B share*	*Class C share*	*Preference share*
Right to vote	one vote	one vote	two votes	none	none
Right to participate in profits	yes	yes	none	none	none

The preference shares are classified as equity.

14. Interest-bearing Liabilities

USD million	Ticker OSE	Currency	Amount	Interest	Maturity	Carrying amount 30 June 2019	Carrying amount 31 December 2018
Interest-bearing liabilities:							
Non-current							
Bond loan (ISIN NO0010740392)	DNO01	USD	200.0	8.75%	18/06/2020	140.0	400.0
Bond loan (ISIN NO0010823347)	DNO02	USD	400.0	8.75%	31/05/2023	400.0	200.0
Bond loan (ISIN NO0010852643)	-	USD	400.0	8.375%	29/05/2024	400.0	-
Bond loan (ISIN NO0010811268)	FAPE01	USD	68.2	8.00%	28/04/2023	68.2	-
Borrowing issue costs		-	-			(22.9)	(24.3)
Exploration financing facility		NOK	1,700.0	see below	see below	38.0	-
Mashreq loan		AED	120.0	Eibor + 4.0%	11/11/2021	10.2	14.3
Total non-current interest-bearing liabilities						**1,033.4**	**590.0**
Current							
Exploration financing facility		NOK	1,700.0	see below	see below	57.5	18.4
Mashreq loan		AED	120.0	Eibor + 4.0%	11/11/2021	8.2	8.2
Total current interest-bearing liabilities						**65.7**	**26.6**
Total interest-bearing liabilities						**1,099.1**	**616.6**
Security and pledges							
Exploration tax refund						117.6	28.3
Restricted cash						-	0.6
Shares pledged against Mashreq loan						26.6	30.6
Total book value of assets pledged						**144.2**	**59.5**

Mashreq Loan

During 2016, the Group negotiated a loan facility with Mashreq Bank of USD 32.7 million at the three-month Emirates Interbank Offered Rate ("EIBOR") plus 4.0 percent. Quarterly repayments of principal began 15 months after the start date of the loan and end in 2021. Interest is paid on a quarterly basis. While borrowings are outstanding, the Group has agreed to: not dispose of or encumber its indirect interest in Mondoil Enterprises; maintain a pledge account holding shares in DNO with a value of at least twice the outstanding indebtedness; and maintain a cash balance of one quarter's payments in a debt service reserve account as restricted cash. The proceeds have been and may be used for general working capital purposes, which may include, among others, repayment of existing bank loans or meeting cash calls from Foxtrot International. The loan was obtained by a subsidiary of the Company and passed onwards to the Company at the same terms. The Mashreq Bank loan requirement that the Group maintain one quarterly instalment in a service account amounts to USD 2.0 million and is included in cash and cash equivalents in the balance sheet.

Bond Loans

Details regarding bonds issued by DNO or its subsidiaries can be found in the table above. Facility amount is shown net of bonds held by DNO or its subsidiaries.

On 29 May 2019, DNO completed the placement of USD 400 million of a new, five-year senior unsecured bond issued at 100 percent of par with a coupon rate of 8.375 percent. In connection with the bond placement, DNO agreed to buy back USD 60 million in nominal value of DNO01 at 104.16 percent of par plus accrued interest. The financial covenants of the bonds issued by DNO require a minimum USD 40 million of liquidity and that the DNO Group maintains either an equity ratio of 30 percent or a total equity of USD 600 million. DNO has during the second quarter acquired USD 17.6 million of FAPE01 bonds at a price range of 107.25 to 107.50 percent of par plus accrued interest thus bringing the total FAPE01 bonds held by DNO or its subsidiary DNO North Sea plc to USD 68.2 million.

14. Interest-bearing Liabilities (continued)

Exploration financing facility

The DNO Group has available revolving exploration facilities in an aggregate amount of NOK 1.7 billion (equivalent to USD 199.6 million at 30 June 2019). Utilisation requests need to be delivered for each proposed loan. The facilities are secured against the Norwegian tax refunds and are repaid when the funds have been received which is approximately 11 months after the end of the financial year. The interest rate equals three-months Norwegian Interbank Offered Rate ("NIBOR") plus a margin of 1.3 or 1.55 percent. Utilisations can be made until 31 December 2019 (NOK 700 million) and 31 December 2020 (NOK 1.0 billion). The amount utilised as of 30 June 2019 is disclosed in the table above.

Reserve-based lending facility

The DNO Group has a reserve-based lending ("RBL") facility in relation to its Norway and United Kingdom licences with a total facility amount of USD 245 million which is available for both debt and issuance of letters of credit. As of 30 June 2019, the facility is undrawn and USD 86.3 million was utilised in respect of letters of credit. Interest charged on utilisations is based on the LIBOR, NIBOR or EURIBOR rates (depending on the currency of the drawdown) plus a margin ranging from 3.0 to 3.5 percent. The facility will amortise over the loan life with a final maturity date of 31 December 2025.

Short-term bank credit facility

The DNO Group has also available a USD 200 million short-term bank credit facility which expires on 23 January 2020.

Intercompany Loans

All intercompany loan receivables and liabilities are repayable on demand, unsecured and interest free other than the Mashreq Bank loan passed through from a subsidiary to the Company at identical terms and conditions.

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

			Non-cash changes			
USD million	*Total at 31 December 2018*	*Cash flows*	*Amortisation*	*Currency*	*Acquisition*	***Total at 30 June 2019***
Group						
Bond loan	600.0	308.2	-	-	100.0	1,008.2
Borrowing issue costs	(24.3)	(5.5)	6.9	-	-	(22.9)
Exploration financing facility (non-current)	-	37.4	-	0.6	-	38.0
Exploration financing facility (current)	18.4	20.8	-	0.4	17.7	57.5
Mashreq loan	22.5	(4.1)	-	-	-	18.4
Total liabilities from financing activities	**616.6**	**356.8**	**6.9**	**1.0**	**117.7**	**1,099.1**
Company						
Mashreq loan	22.5	(4.1)	-	-	-	18.4
Intercompany debt	17.0	(16.5)	-	-	-	0.5
Total liabilities from financing activities	**39.5**	**(20.6)**	**-**	**-**	**-**	**18.9**

15. Provisions for Other Liabilities and Charges

The Company currently has no provisions.

DNO reported the following provisions at 30 June 2019:

USD million	***30 June 2019***	***31 December 2018***
Non-current		
Asset retirement obligations	455.9	49.4
Other long-term provisions and charges	19.1	18.7
Lease liabilities	10.5	-
Total non-current provisions for other liabilities and charges	**485.4**	**68.1**
Current		
Other provisions and charges	28.9	7.4
Current lease liabilities	3.2	-
Total current provisions for other liabilities and charges	**32.1**	**7.4**
Total provisions for other liabilities and charges	**517.5**	**75.4**

15. Provisions for Other Liabilities and Charges (continued)

The increase in retirement obligations compared to 2018 is mainly due to the acquisition of Faroe Petroleum plc (see Note 17).

On transition to IFRS 16, the DNO Group recognised USD 12.7 million as lease liabilities. The identified lease liabilities have no significant impact on the DNO Group's financing, loan covenants or dividend policy. The DNO Group does not have any residual value guarantees. Extension options are included in the lease liability when, in management's judgment, it is reasonably certain that an extension will be exercised.

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

USD million	***30 June 2019***	*31 December 2018*
Within one year	3.9	4.0
Two to five years	10.4	11.1
After five years	1.2	2.3
Total undiscounted lease liabilities end of the period	**15.5**	**17.3**

The DNO Group's future minimum lease payments under non-cancellable operating leases are related to office rent including warehouse and equipment. The difference between the recognised lease liabilities and undiscounted lease liabilities is due to discounting and adjustment for short-term leases and low-value leases. The DNO Group's lease of drilling rigs relates to Kurdistan drilling activities. The contracts are cancellable and thus are not included in the table above. Total cancellable contracts are estimated to be USD 10 million (gross, undiscounted) as of 30 June 2019.

16. Related Party Disclosures

Transactions with related parties were carried out in the normal course of business on terms agreed between the parties.

The Group has no (ultimate) controlling company/party.

Related party transactions occur between DNO and the Company. DNO and the Company entered into a Service Agreement whereby DNO reimburses the Company for work carried out on behalf of DNO and travel expenses incurred on behalf of DNO. In the half-year to June 2019 DNO paid USD 0.5 million to the Company under the Service Agreement.

17. Business Combinations

DNO has completed two transactions during the first half of 2019 as described below. Both transactions are regarded as business combinations and are accounted for using the acquisition method in accordance with IFRS 3 *Business Combinations*. The general principle in IFRS 3 is that the identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. Each identifiable asset and liability is measured at its acquisition date fair value based on guidance in IFRS 3 and IFRS 13 *Fair Value Measurement*. The standard defines fair value as 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. This definition emphasises that the fair value is a market-based measurement, not an entity-specific measurement. When measuring the fair value, the DNO Group uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. Acquired producing and development assets (i.e.,PP&E) as well as discovery assets (i.e., intangible assets) have been valued using the income-based approach.

The valuations are based on currently available information about fair values as of the acquisition dates. If new information becomes available within 12 months from the acquisition dates, the DNO Group may change the fair value assessment in the PPAs in accordance with guidance in IFRS 3. Eventual changes in fair values will be recorded retrospectively from the acquisition dates.

Acquisition of Faroe Petroleum plc ("Faroe")

On 8 January 2019, DNO announced the terms of a final cash offer for the entire issued and to be issued share capital of Faroe at a price of 160 pence in cash for each Faroe share. The final offer had become unconditional in all respects on 11 January 2019, which was when DNO obtained control over Faroe by achieving more than 50 percent ownership. DNO now owns 100 percent of the entire issued share capital of Faroe.

DNO has obtained the necessary government approvals for the change of control in Norway and has submitted the required notifications in the UK and Ireland. No notification was necessary in the Netherlands.

17. Business Combinations (continued)

The consideration payable by DNO under the terms of the final offer was funded from existing cash resources. DNO's main reason for the acquisition was to firmly establish itself in the North Sea. The Faroe acquisition strengthens the DNO Group's portfolio and operational capabilities in the North Sea, transforming the DNO Group into a more diversified company with a strong, second leg. Through the transaction, the DNO Group obtained attractive exploration, development and production projects and an experienced team with extensive knowledge of the North Sea.

Purchase price allocation ("PPA")

The acquisition date is determined to be the date the offer became unconditional in all respects on 11 January 2019, which is when DNO obtained control over Faroe by achieving more than 50 percent ownership. For convenience purposes, DNO has designated 1 January 2019 as the acquisition date. A PPA has been performed as of this acquisition date to allocate the consideration to provisional fair values of acquired assets and assumed liabilities of Faroe. Provisional fair values of the acquired assets and liabilities assumed as of the acquisition date were as shown in the table below:

USD million	*Fair value at acquisition-date*
Deferred tax assets*	45.9
Other intangible assets	282.1
Property, plant and equipment	560.6
Right-of-use assets	2.0
Inventories	17.9
Trade and other receivables	121.0
Tax receivables (current)	31.2
Cash and cash equivalents	154.5
Total assets	**1,215.2**
Deferred tax liabilities*	143.2
Interest-bearing liabilities (non-current)	100.0
Lease liabilities	2.0
Provisions for other liabilities and charges (non-current)	394.1
Trade and other payables	180.8
Income tax payable	0.5
Current interest-bearing liabilities	17.7
Provisions for other liabilities and charges	15.8
Total liabilities	**854.1**
Total identifiable net assets at fair value	361.1
Consideration	812.0
Goodwill	**450.9**

* Deferred tax assets/liabilities are presented net 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 tax authority.

The PPA above does not include effects from the swap agreement with Equinor as the transaction was completed on 30 April 2019 following approval by Norwegian authorities (see below). The note disclosure information related to assets held for sale was included in DNO's first quarter 2019 interim report.

The goodwill recognised in the transaction relates mainly to technical goodwill due to the requirement to recognise deferred tax assets and liabilities for the temporary difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination. Licences under development and licences in production can only be sold on a post-tax value pursuant to the Norwegian Petroleum Taxation Act, section 10. The assessment of fair value of such licences is therefore based on cash flows after tax. Nevertheless, in accordance with IAS 12 *Income Taxes*, a provision is made for deferred tax corresponding to the tax rate multiplied by the difference between the acquisition cost and the tax base. The offsetting entry to this deferred tax is technical goodwill. This goodwill will be not be deductible for tax purposes.

For comparison purposes, assuming that the acquisition had taken place effective 1 January 2018, it is estimated that full-year revenues would have increased by USD 291 million while net profit (after tax) would have increased by USD 0.4 million.

17. Business Combinations (continued)

Swap agreement with Equinor Energy AS ("Equinor")
On 30 April 2019, DNO announced the completion of the swap agreement with Equinor Energy AS, a wholly-owned subsidiary of Equinor ASA following approval by Norwegian authorities. The swap agreement was signed on 4 December 2019 and represents a balanced swap with no cash consideration. The effective date of the transaction is 1 January 2019.

As part of the transaction, Faroe Petroleum's interests in the non-producing Njord and Hyme redevelopment and Bauge development assets (divested assets) were exchanged for interests in four Equinor-held producing assets on a cashless basis, including interests in the Alve, Marulk, Ringhorne East and Vilje fields ("acquired assets"). DNO received a USD 46 million payment from Equinor reflecting net income from the acquired assets, reimbursement of investments related to the divested assets and working capital adjustments from 1 January 2019 to transaction completion on 30 April 2019. The divested assets have been derecognised and no gain or loss was recorded in the DNO Group accounts.

Purchase price allocation ("PPA")
The acquisition date is determined to be 30 April 2019, which is the date of completion of the agreement. A PPA has been performed as of this acquisition date to allocate the consideration to provisional fair values of acquired assets and assumed liabilities of the acquired assets. Provisional fair values of the acquired assets and liabilities assumed as of the acquisition date were as shown in the table below:

USD million	*Fair value at acquisition-date*
Property, plant and equipment	149.6
Tax receivables (non-current)	(22.6)
Trade and other receivables	2.2
Cash and cash equivalents	29.6
Total assets	**158.9**
Deferred tax liabilities*	95.4
Provisions for other liabilities and charges (non-current)	14.0
Total liabilities	**109.4**
Total identifiable net assets at fair value	49.5
Fair value of acquired assets	156.6
Goodwill	**107.1**

* Deferred tax assets/liabilities are presented net 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 tax authority.

The goodwill recognised in the transaction relates to technical goodwill due to the requirement to recognise deferred tax assets and liabilities for the temporary difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination. Licences under development and licences in production can only be sold on a post-tax value pursuant to the Norwegian Petroleum Taxation Act, section 10. The assessment of fair value of such licences is therefore based on cash flows after tax. Nevertheless, in accordance with IAS 12, a provision is made for deferred tax corresponding to the tax rate multiplied by the difference between the acquisition cost and the tax base. The offsetting entry to this deferred tax is technical goodwill. This goodwill will not be deductible for tax purposes.

For comparison purposes, assuming that the acquisition had taken place effective 1 January 2019, it is estimated that first half-year 2019 revenues would have increased by USD 44 million while net profit (after tax) would have increased by USD 5 million.

18. Events After the Reporting Period

The following events occurred after the reporting period:

- On 22 August 2019, DNO purchased USD 3.0 million in nominal value of FAPE01 bonds (ISIN NO0010811268). The bonds were purchased at a price of 107.00. Following the bond buyback and prior cancellations due to put option exercises, USD 65.2 million in nominal value of the FAPE01 bonds remain outstanding with DNO holding the balance of USD 20.6 million.

- In September 2019, DNO purchased 6,400,000 own shares bringing the total from 35,000,000 at 30 June 2019 to 41,400,000 currently. The effect is to increase RAK Petroleum's net shareholding from 41.8 percent to 42.1 percent.

We're not just hands on.
We're hands in.