

DNO ASA

Report

Half-Year 2020 Interim Results



Cover photo: Operating valve at the Peshkibir-to-Tawke Gas Project

Key figures

USD million	Quarters			First Half-Year	Full-Year	
	Q2 2020	Q1 2020	Q2 2019	2020	2019	
Key financials						
Revenues	72.1	205.6	265.7	277.7	469.7	971.4
Gross profit	-53.5	38.4	131.9	-15.1	219.0	430.0
Profit/-loss from operating activities	-80.8	-11.5	99.4	-92.3	137.3	75.6
Net profit/-loss	-63.6	-39.4	68.0	-103.0	119.1	73.5
EBITDA	12.9	135.1	176.6	148.1	283.2	549.4
EBITDAX	29.9	149.9	194.9	179.9	334.4	695.8
Netback	12.9	135.1	176.6	148.1	283.2	606.3
Acquisition and development costs	32.7	96.7	94.7	129.4	187.3	407.9
Exploration expenses	17.0	14.8	18.3	31.8	51.2	146.4
Production						
Gross operated production (boepd)	101,965	115,207	130,869	108,586	131,267	126,985
CWI production (boepd)*	89,677	99,857	106,771	94,767	107,145	104,767
Key performance indicators						
Lifting costs (USD/boe)	6.0	5.4	4.8	5.7	5.2	5.4
Netback (USD/boe)	1.6	14.9	18.8	8.6	15.5	16.3

* The CWI production in 2019 includes production from the assets added through the swap agreement with Equinor Energy AS, effective from 1 January 2019.

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

Corporate overview

Prepared for quick scale back, then ramp up of activities

DNO applied lessons learned from previous crises to address COVID-19 pandemic and oil price crash:

- Be prepared

DNO held significant cash balances of USD 543 million at the end of Q1 2020

- Act fast

One of the first oil companies to hit the brakes on spending, DNO moved quickly in mid-March 2020 to scale back expenditures to preserve cash, secure supply chains, negotiate supplier discounts, organize staff movements and implement security, health and extraction protocols

- Identify and capture opportunities

DNO one of the first oil companies to press down on the accelerator starting in June 2020 with quick turnaround projects leading to a 15 percent operated production upswing from Q2 2020 levels

Q2 2020 operational highlights

- DNO recovering from oil market turmoil in Q2 2020 with strengthening operational metrics
- Q2 2020 operated production in Kurdistan of 102,000 barrels of oil per day (bopd) (115,200 bopd in Q1 2020)
- Of which 71,900 bopd represented Company Working Interest (CWI) production net to DNO in Kurdistan in Q2 2020 (81,200 bopd in Q1 2020) with North Sea contributing 17,800 barrels of oil equivalent per day (boepd) of CWI production in Q2 2020 (18,600 boepd in Q1 2020)
- Bringing total Q2 2020 CWI production to 89,700 boepd (99,900 boepd in Q1 2020)
- CWI production continues to be split 80:20 between Kurdistan and North Sea

- In June 2020, DNO fast tracked Tawke license well intervention campaign following stabilization of oil prices and export payments, quickly adding an incremental 15,000 bopd month-on-month to raise average July 2020 production to 115,000 bopd

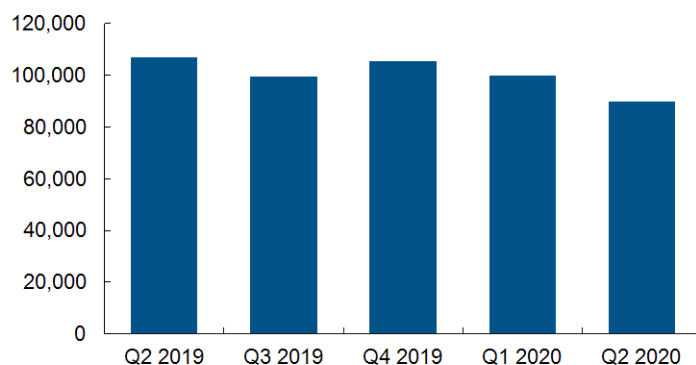
Q2 2020 financial highlights

- Revenues totaled USD 72 million in Q2 2020 (USD 206 million in Q1 2020)
- Operating loss of USD 81 million in Q2 2020 (USD 12 million operating loss in Q1 2020) driven by weak oil prices and lower lifted volumes in North Sea
- Operating loss of USD 92 million in H1 2020 driven by weak oil prices as well as non-cash impairments in North Sea
- Received USD 117 million from Kurdistan in Q2 2020 (USD 106 million in Q1 2020)
- Kurdistan entitlement payments for November and December 2019 and January and February of 2020 (USD 212 million) and override payments for November 2019 through June 2020 (USD 28 million) deferred by the government but discussions ongoing to reach agreement on acceptable terms and timing of payments
- DNO01 bonds (USD 200 million of which DNO held USD 61.5 million) repaid at maturity on 18 June 2020
- Exited Q2 2020 with cash balance of USD 427 million (USD 543 million at end Q1 2020)
- Tax receivables of USD 233 million at end of Q2 2020 include temporary changes to Norwegian petroleum taxation

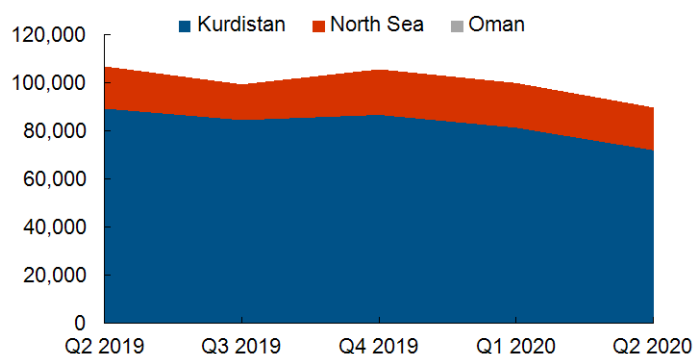
Operational review

Production

Quarterly CWI production (boepd)



CWI production by segment (boepd)



Gross operated production averaged 101,965 bopd during the second quarter, compared to 115,207 bopd in the previous quarter.

Company Working Interest (CWI) production during the second quarter stood at 89,677 boepd, compared to 99,857 boepd in the previous quarter. In Kurdistan, CWI production averaged 71,855 bopd, down from 81,221 bopd in the previous quarter. CWI production from the North Sea averaged 17,791 boepd, down from 18,636 boepd in the previous quarter.

Net entitlement (NE) production averaged 57,092 boepd during the second quarter, down from 60,366 boepd in the previous quarter.

Gross operated production

boepd	Quarters			First Half-Year		Full-Year
	Q2 2020	Q1 2020	Q2 2019	2020	2019	2019
Kurdistan	101,965	115,207	126,538	108,586	126,648	123,940
North Sea	-	-	4,331	-	4,526	2,999
Oman	-	-	-	-	93	46
Total	101,965	115,207	130,869	108,586	131,267	126,985

The table above shows gross operated production (boepd) from the Group's operated licenses.

Company Working Interest (CWI) production

boepd	Quarters			First Half-Year		Full-Year
	Q2 2020	Q1 2020	Q2 2019	2020	2019	2019
Kurdistan	71,885	81,221	89,209	76,553	89,287	87,378
North Sea	17,791	18,636	17,562	18,214	17,815	17,368
Oman	-	-	-	-	43	21
Total	89,677	99,857	106,771	94,767	107,145	104,767

The North Sea CWI production in 2019 includes production from the assets added through the swap agreement with Equinor Energy AS, effective from 1 January 2019.

Net entitlement (NE) production

boepd	Quarters			First Half-Year		Full-Year
	Q2 2020	Q1 2020	Q2 2019	2020	2019	2019
Kurdistan	39,300	41,730	37,933	40,515	37,663	38,373
North Sea	17,791	18,636	17,562	18,214	17,815	17,368
Oman	-	-	-	-	21	10
Total	57,092	60,366	55,496	58,729	55,499	55,752

The table above reflects the Group's NE production (boepd). The NE production (boepd) from the North Sea equals the segment's CWI production (boepd).

Activity overview

Kurdistan region of Iraq

Tawke license

Gross production from the Tawke license, containing the Tawke and Peshkabir fields, averaged 101,965 boepd during the second quarter of 2020 (115,207 boepd in Q1 2020). Tawke field contributed 58,094 boepd (61,493 in Q1 2020) and Peshkabir field contributed 43,872 boepd (53,714 in Q1 2020) during this period. DNO halted all drilling on Tawke license in Q2. In June 2020, DNO fast tracked Tawke license well intervention campaign following stabilization of oil prices and export payments, quickly adding an incremental 15,000 boepd month-on-month to raise average July 2020 production to 115,000 boepd.

In June, the Company commissioned the Peshkabir-to-Tawke gas reinjection project (first enhanced oil recovery project in Kurdistan) to unlock additional oil reserves at Tawke while significantly reducing gas flaring at Peshkabir.

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

Erbil license

The Company relinquished its operatorship and participation in the Erbil license on 21 May 2020.

Baeshiqa license

In July 2020, the Company completed drilling of the Zartik-1, third exploration well on Baeshiqa license, targeting Lower Jurassic and Upper Triassic (Kurra Chine A carbonates) formations on a separate structure around 15 kilometers southeast of the Baeshiqa-2 discovery well. Testing will commence in August 2020 and last approximately three months.

Evaluation of the Baeshiqa-2 results is ongoing to determine commerciality.

DNO holds a 32 percent operated interest in the Baeshiqa license. Partners include ExxonMobil with 32 percent, Turkish Energy Company with 16 percent and the Kurdistan Regional Government with 20 percent.

North Sea

CWI production averaged 17,791 boepd in the North Sea during the second quarter of 2020 (18,636 boepd in Q1 2020), of which 16,793 boepd was in Norway and 998 boepd in the United Kingdom (UK) (17,751 boepd and 886 boepd in Q1 2020).

The Company has diversified production across 13 fields of which nine are in Norway and four in the UK.

Temporary Norwegian petroleum tax incentives are driving stepped-up investment plans. The Company is revisiting development options for the Brasse field (2021 PDO), actively evaluating Iris/Hades, Fogelberg and Trym South discoveries (2022 PDOs) and accelerating infill drilling at Ula, Tambar and Brage producing fields in 2021.

The appraisal of Bergknapp discovery, Norway's largest so far this year, is scheduled for 2021. The Company maintains an active exploration program targeting 4-6 wildcat wells per year.

Financial review

Revenues, operating profit and cash

Revenues in the second quarter stood at USD 72.1 million, compared to USD 205.6 million in the previous quarter. Kurdistan generated revenues of USD 53.8 million (USD 134.6 million in the previous quarter), while the North Sea generated revenues of USD 18.3 million (USD 71.0 million in the previous quarter). The decrease in revenues compared to the previous quarter was driven by weak oil prices and lower cargo liftings of produced oil in the North Sea.

The Group reported an operating loss of USD 80.8 million in the second quarter, compared to an operating loss of USD 11.5 million in the previous quarter. The operating loss in the second quarter compared to the previous quarter was primarily driven by lower revenues, partially offset by lower cost of goods sold and no impairments recognized this quarter.

The Group ended the quarter with a cash balance of USD 426.8 million and USD 536.5 million in net interest-bearing debt, compared to USD 485.7 million and USD 513.3 million at yearend 2019, respectively.

Cost of goods sold

In the second quarter, the cost of goods sold stood at USD 125.6 million, compared to USD 167.2 million in the previous quarter. The cost of goods sold in the second quarter was positively impacted by an increase in North Sea net underlift position (see Note 4) and lower DD&A. In addition to the lower lifted volumes, the improved oil price at the end of the second quarter had a favourable impact on the valuation of the underlift positions which were mainly valued at production cost including depreciation (at the end of the previous quarter, the underlift positions were mainly valued at market value due to the low oil price).

Lifting costs

Lifting costs stood at USD 48.9 million in the second quarter, compared to USD 49.2 million in the previous quarter. In Kurdistan, the average lifting cost during the second quarter stood at USD 3.0 per per barrel of oil equivalent (boe). In the North Sea, the average lifting cost during the second quarter stood at USD 18.0 per boe.

USD million	Q2 2020	Quarters		First Half-Year		Full-Year
		Q1 2020	Q2 2019	2020	2019	2019
Kurdistan	19.7	27.2	22.5	46.9	50.8	106.7
North Sea	29.2	22.0	22.4	51.2	43.8	92.4
Total	48.9	49.2	44.9	98.2	94.6	199.1

(USD/boe)	Q2 2020	Quarters		First Half-Year		Full-Year
		Q1 2020	Q2 2019	2020	2019	2019
Kurdistan	3.0	3.7	2.8	3.4	3.1	3.3
North Sea	18.0	13.0	16.8	15.4	20.8	17.7
Average	6.0	5.4	4.8	5.7	5.2	5.4

Depreciation, depletion and amortization (DD&A)

DD&A from the Group's oil and gas production assets amounted to USD 89.4 million in the second quarter compared to USD 104.9 million in the previous quarter. The decrease in DD&A per boe in Kurdistan compared to the previous quarter was primarily driven by an update in key assumptions used in the depreciation method to reflect current price environment and the Group's activity level for 2020.

USD million	Q2 2020	Quarters		First Half-Year		Full-Year
		Q1 2020	Q2 2019	2020	2019	2019
Kurdistan	61.4	72.2	53.7	133.6	105.9	217.6
North Sea	28.0	32.7	22.2	60.7	37.3	89.2
Total	89.4	104.9	75.9	194.3	143.2	306.8

(USD/boe)	Q2 2020	Quarters		First Half-Year		Full-Year
		Q1 2020	Q2 2019	2020	2019	2019
Kurdistan	17.2	19.0	15.6	18.1	15.5	15.5
North Sea	17.3	19.3	16.6	18.3	17.7	17.1
Average	17.2	19.1	15.9	18.2	16.0	16.0

Exploration costs expensed

Exploration costs expensed of USD 17.0 million in the second quarter were mainly related to exploration activities in the North Sea.

USD million	Q2 2020	Quarters		First Half-Year		Full-Year
		Q1 2020	Q2 2019	2020	2019	2019
Kurdistan	0.1	0.4	0.5	0.5	1.2	2.1
North Sea	16.9	14.4	17.8	31.3	50.0	144.6
Other	-	-	-	-	-0.1	-0.2
Total	17.0	14.8	18.3	31.8	51.2	146.4

Acquisition and development costs

Acquisition and development costs stood at USD 32.7 million in the second quarter, of which USD 7.0 million was in Kurdistan and USD 25.8 million in the North Sea.

USD million	Q2 2020	Quarters		First Half-Year		Full-Year
		Q1 2020	Q2 2019	2020	2019	2019
Kurdistan	7.0	56.0	69.7	62.9	109.1	235.6
North Sea	25.8	39.9	24.4	65.7	76.6	170.0
Other	-0.1	0.9	0.5	0.8	1.6	2.4
Total	32.7	96.7	94.7	129.4	187.3	407.9

Risks and uncertainty

The Group is subject to a range of risks and uncertainties which may affect its business operations and financial condition. The description of key risks and uncertainties in the DNO ASA Annual Report and Accounts 2019 gives a fair description of key risks and uncertainties that may affect the Group in the second half of 2020 and we are not aware of any significant new risks or uncertainties or significant changes to those risks or uncertainties, except for those described herein.

The COVID-19 pandemic and the significant decline in oil price have had adverse effects on the Group's operations and financial results in 2020, but the extent and duration of these conditions over the longer term remain largely uncertain and dependent on future developments that cannot be accurately predicted at this time. Future oil price assumptions are key estimates in the Group's financial statements and a change in these assumptions may impact the recoverable amount of the Group's oil and gas assets, reserve and resource estimates, operational spend level, financial covenants and distribution of future dividends. Continuing low oil prices reduce the Group's revenues and increase the credit risk related to the Group's trade receivables. Correspondingly, there is also a risk of future impairments of the book value of the Group's assets.

Responsibility statement

We confirm to the best of our knowledge that the Group's interim financial statements for the period 1 January to 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting* and gives a fair view of the Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that the interim management report

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

Oslo, 29 July 2020

Bijan Mossavar-Rahmani
Executive Chairman

Lars A. Takla
Deputy Chairman

Elin Karfjell
Director

Gunnar Hirsti
Director

Shelley Watson
Director

Bjørn Dale
Managing Director

Consolidated statements of comprehensive income

(unaudited, in USD million)	Note	Quarters		First Half-Year		Full-Year
		Q2 2020	Q2 2019	2020	2019	2019
Revenues	2,3	72.1	265.7	277.7	469.7	971.4
Cost of goods sold	4	-125.6	-133.8	-292.8	-250.7	-541.4
Gross profit		-53.5	131.9	-15.1	219.0	430.0
Other income		0.2	-0.7	0.2	-0.7	-0.5
Administrative expenses		-8.2	2.3	-3.6	-13.1	-26.1
Other operating expenses		-0.6	-15.7	-1.2	-16.8	-19.3
Impairment oil and gas assets	7	-1.6	-	-40.8	-	-162.0
Exploration expenses	5	-17.0	-18.3	-31.8	-51.2	-146.4
Profit/loss from operating activities		-80.8	99.4	-92.3	137.3	75.6
Financial income		3.2	2.6	4.7	5.7	9.6
Financial expenses	10	-30.1	-38.3	-70.2	-63.6	-133.1
Profit/loss before income tax		-107.6	63.7	-157.7	79.4	-47.8
Tax income/-expense	6	44.0	4.3	54.7	39.7	121.3
Net profit/loss		-63.6	68.0	-103.0	119.1	73.5
Other comprehensive income						
Currency translation differences		44.8	8.8	-66.2	5.7	-27.0
Items that may be reclassified to profit or loss in later periods		44.8	8.8	-66.2	5.7	-27.0
Net fair value changes from financial instruments	8	4.5	-0.4	-10.5	28.9	25.8
Items that are not reclassified to profit or loss in later periods		4.5	-0.4	-10.5	28.9	25.8
Total other comprehensive income, net of tax		49.3	8.4	-76.7	34.6	-1.2
Total comprehensive income, net of tax		-14.4	76.4	-179.7	153.7	72.3
Net profit/-loss attributable to:						
Equity holders of the parent		-63.6	68.0	-103.0	119.1	73.5
Total comprehensive income attributable to:						
Equity holders of the parent		-14.4	76.4	-179.7	153.7	72.3
Earnings per share, basic (USD per share)		-0.07	0.06	-0.11	0.11	0.07
Earnings per share, diluted (USD per share)		-0.07	0.06	-0.11	0.11	0.07
Weighted average number of shares outstanding (excluding treasury shares) (millions)		975.43	1,048.81	976.03	1,048.81	1,036.37

Consolidated statements of financial position

ASSETS		At 30 Jun		At 31 Dec
(unaudited, USD million)	Note	2020	2019	2019
Non-current assets				
Goodwill		259.6	482.8	333.9
Deferred tax assets	6	49.5	44.3	63.7
Other intangible assets	7	350.4	355.8	346.6
Property, plant and equipment	7	1,185.2	1,347.6	1,349.5
Financial investments	8	10.6	30.8	21.0
Tax receivables	6	10.8	55.4	-
Total non-current assets		1,866.1	2,316.8	2,114.7
Current assets				
Inventories	4	31.0	24.0	28.2
Trade and other receivables	9	418.7	391.9	478.5
Tax receivables	6	221.9	62.2	164.8
Cash and cash equivalents		426.8	573.8	485.7
Total current assets		1,098.4	1,051.8	1,157.2
TOTAL ASSETS		2,964.5	3,368.7	3,271.9
EQUITY AND LIABILITIES		At 30 Jun		At 31 Dec
(unaudited, USD million)	Note	2020	2019	2019
Equity				
Total shareholder's equity		963.8	1,346.9	1,161.3
Non-current liabilities				
Deferred tax liabilities	6	205.7	204.0	217.6
Interest-bearing liabilities	10	945.2	883.2	836.0
Lease liabilities	11	12.2	10.5	11.1
Provisions for other liabilities and charges	11	374.9	475.0	422.8
Total non-current liabilities		1,538.0	1,572.6	1,487.5
Current liabilities				
Trade and other payables		264.0	219.6	288.9
Income tax payable	6	-	-	0.2
Current interest-bearing liabilities	10	102.6	197.5	225.6
Current lease liabilities	11	2.8	3.2	3.3
Provisions for other liabilities and charges	11	93.2	28.9	105.1
Total current liabilities		462.6	449.2	623.0
Total liabilities		2,000.6	2,021.8	2,110.5
TOTAL EQUITY AND LIABILITIES		2,964.5	3,368.7	3,271.9

Consolidated cash flow statement

(unaudited, in USD million)	Note	Quarters		First Half-Year		Full-Year
		Q2 2020	Q2 2019	2020	2019	2019
Operating activities						
Profit/-loss before income tax		-107.6	63.7	-157.7	79.4	-47.8
Adjustments to add/-deduct non-cash items:						
Exploration cost capitalized in previous years carried to cost	5	0.4	2.6	0.4	3.3	27.8
Depreciation, depletion and amortization	4	92.1	77.1	199.6	145.8	311.8
Impairment oil and gas assets	7	1.6	-	40.8	-	162.0
Other*		21.6	18.0	35.0	37.0	6.7
Change in working capital items and provisions:						
- Inventories		-2.0	2.5	-2.8	2.3	-2.0
- Trade and other receivables		64.4	-72.6	59.8	-62.3	-147.4
- Trade and other payables		-10.1	-23.5	-24.9	-87.4	-18.1
- Provisions for other liabilities and charges		6.5	8.8	12.0	17.9	92.5
Cash generated from operations						
		66.9	76.6	162.2	136.0	385.3
Tax refund received		-	-	-	-	56.9
Interest received		0.4	0.3	1.6	1.5	7.6
Interest paid		-26.4	-23.4	-44.5	-33.1	-78.2
Net cash from/-used in operating activities						
		40.9	53.4	119.3	104.4	371.5
Investing activities						
Purchases of intangible assets		-12.8	-27.2	-31.5	-40.9	-68.5
Purchases of tangible assets		-19.9	-67.5	-97.9	-146.4	-339.4
Payments for decommissioning		-7.2	-2.5	-23.9	-8.3	-22.6
Acquisition of Faroe Petroleum plc net of cash acquired		-	-	-	-428.7	-428.7
Proceeds from license transactions		-	29.6	-	29.6	29.6
Proceeds from sale of financial investments		-	-	-	-	6.6
Net cash from/-used in investing activities						
		-39.9	-67.6	-153.3	-594.7	-823.0
Financing activities						
Proceeds from borrowings net of issue costs	10	21.4	412.0	152.3	458.2	537.9
Repayment of borrowings	10	-138.5	-77.6	-158.5	-97.2	-197.6
Purchase of treasury shares		-	-	-17.8	-	-82.3
Paid dividend		-	-	-	-24.6	-46.6
Payments of lease liabilities		-0.3	-0.8	-1.0	-1.4	-3.2
Net cash from/-used in financing activities						
		-117.5	333.6	-24.9	335.0	208.3
Net increase/-decrease in cash and cash equivalents						
		-116.5	319.4	-59.0	-155.3	-243.2
Cash and cash equivalents at beginning of the period		543.2	254.4	485.7	729.1	729.1
Cash and cash equivalents at the end of the period						
		426.8	573.8	426.8	573.8	485.7
Of which restricted cash		13.4	14.8	13.4	14.8	14.3

* Includes adjustment for interest income, interest expense, accretion expense in relation to ARO provision, amortization of borrowing issue costs and other non-cash changes.

Consolidated statement of changes in equity

(unaudited, in USD million)	Share capital	Share premium	Other paid-in capital/Other reserves	Other comprehensive income			Retained earnings	Total equity
				Fair value changes equity instruments	Currency translation differences			
Total shareholder's equity as of 31 December 2018	35.0	247.7	24.7	-	-32.9	943.2	1,217.8	
Reallocation of equity*	-	-	25.8	18.7	-1.5	-43.0	-	
Total shareholder's equity as of 1 January 2019	35.0	247.7	50.5	18.7	-34.4	900.2	1,217.8	
Fair value changes from equity instruments	-	-	-	28.9	-	-	28.9	
Currency translation differences	-	-	-	-	5.7	-	5.7	
Other comprehensive income/-loss	-	-	-	28.9	5.7	-	34.6	
Profit/-loss for the period	-	-	-	-	-	119.1	119.1	
Total comprehensive income	-	-	-	28.9	5.7	119.1	153.7	
Issue of share capital	-	-	-	-	-	-	-	
Purchase of treasury shares	-	-	-	-	-	-	-	
Payment of dividend	-	-	-	-	-	-24.7	-24.7	
Transactions with shareholders	-	-	-	-	-	-24.7	-24.7	
Total shareholder's equity as of 30 June 2019	35.0	247.7	50.5	47.6	-28.7	994.6	1,346.9	

(unaudited, in USD million)	Share capital	Share premium	Other paid-in capital/Other reserves	Other comprehensive income			Retained earnings	Total equity
				Fair value changes equity instruments	Currency translation differences			
Total shareholder's equity as of 31 December 2019	33.3	247.7	-30.2	-	-36.6	947.0	1,161.3	
Reallocation of equity*	-	-	-	44.5	-24.8	-19.7	-	
Total shareholder's equity as of 1 January 2020	33.3	247.7	-30.2	44.5	-61.4	927.3	1,161.3	
Fair value changes from equity instruments	-	-	-	-10.5	-	-	-10.5	
Currency translation differences	-	-	-	-	-66.2	-	-66.2	
Other comprehensive income/-loss	-	-	-	-10.5	-66.2	-	-76.7	
Profit/-loss for the period	-	-	-	-	-	-103.0	-103.0	
Total comprehensive income	-	-	-	-10.5	-66.2	-103.0	-179.7	
Issue of share capital	-	-	-	-	-	-	-	
Purchase of treasury shares	-0.4	-	-17.3	-	-	-	-17.7	
Payment of dividend	-	-	-	-	-	-	-	
Transactions with shareholders	-0.4	-	-17.3	-	-	-	-17.7	
Total shareholder's equity as of 30 June 2020	32.8	247.7	-47.5	34.0	-127.6	824.2	963.8	

* Reallocation of equity is related to change in the presentation of other comprehensive income. Total equity is unchanged.

On 28 February 2020, the Company announced that shareholders at an Extraordinary General Meeting approved the resolution to cancel all 108,381,415 treasury shares held by the Company. The cancellation of treasury shares will be completed during third quarter of 2020.

Notes to the consolidated interim financial statements

Note 1 | Basis of preparation and accounting policies

Principal activities and corporate information

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

Basis of preparation

DNO ASA's consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* and IFRS standards issued and effective at date of reporting as adopted by the EU. These interim financial statements have also been prepared in accordance with Oslo Stock Exchange regulations.

The interim financial statements do not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the DNO ASA Annual Report and Accounts 2019.

The interim financial information for 2020 and 2019 is unaudited.

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

The interim financial statements have been prepared on a historical cost basis, with the following exception: liabilities related to share-based payments, derivative financial instruments and equity instruments are recognized at fair value. A detailed description of the accounting policies applied is included in the DNO ASA Annual Report and Accounts 2019.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of DNO ASA Annual Report and Accounts 2019.

Note 2 | Segment information

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

Second quarter ending 30 June 2020 USD million	Note	Kurdistan	North Sea	Other	Total reporting segments	Un-allocated/eliminated	Total Group
Income statement information							
Revenues	3	53.8	18.3	-	72.1	-	72.1
Inter-segment revenues		-	0.6	-	0.6	-0.6	-
Cost of goods sold	4	-82.3	-42.6	-	-124.9	-0.8	-125.6
Gross profit		-28.4	-23.7	-	-52.2	-1.4	-53.5
Profit/loss from operating activities		-29.2	-51.7	-1.7	-82.5	1.8	-80.8
Financial income/-expense (net)	10						-26.9
Tax income/-expense	6	-	45.6	0.4	46.0	-2.1	44.0
Net profit/-loss							-63.6
Financial position information							
Non-current assets		721.6	1,122.5	-	1,844.1	21.9	1,866.1
Current assets		331.1	480.4	4.4	815.8	282.6	1,098.4
Total assets		1,052.7	1,602.9	4.4	2,659.9	304.5	2,964.5
Non-current liabilities		58.6	757.4	0.3	816.3	721.7	1,538.0
Current liabilities		99.7	319.6	28.6	447.8	14.8	462.6
Total liabilities		158.3	1,076.9	28.9	1,264.1	736.5	2,000.6

Note 2 | Segment information (continued)

Second quarter ending 30 June 2019 USD million	Note	Kurdistan	North Sea	Other	Total reporting segment	Un- allocated/ eliminated	Total Group
Income statement information							
Revenues	3	192.8	72.8	-	265.7	-	265.7
Inter-segment revenues		-	0.2	-	0.2	-0.2	-
Cost of goods sold	4	-76.4	-56.7	-	-133.1	-0.7	-133.8
Gross profit		116.5	16.5	-	132.9	-0.9	131.9
Profit/-loss from operating activities		114.9	-1.3	-14.9	98.8	0.8	99.4
Financial income/-expense (net)	10						-35.7
Tax income/-expense	6	-	4.3	-	4.3	-	4.3
Net profit/-loss							68.0
Financial position information							
Non-current Assets		789.2	1,483.3	-	2,272.5	44.3	2,316.8
Current assets		297.5	265.2	6.2	568.9	483.0	1,051.8
Total assets		1,086.7	1,748.5	6.2	2,841.3	527.3	3,368.7
Non-current liabilities		62.0	741.1	0.3	803.4	769.3	1,572.6
Current liabilities		80.8	183.6	28.3	292.7	156.5	449.2
Total liabilities		142.8	924.7	28.6	1,096.1	925.8	2,021.8

Note 2 | Segment information (continued)

First half-year ending 30 June 2020 USD million	Note	Kurdistan	North Sea	Other	Total reporting segment	Un-allocated/eliminated	Total Group
Income statement information							
Revenues	3	188.4	89.3	-	277.7	-	277.7
Inter-segment sales		-	0.6	-0.0	0.6	-0.6	-
Cost of goods sold	4	-182.9	-108.4	-0.0	-291.3	-1.5	-292.8
Gross profit		5.5	-18.5	-0.0	-12.9	-2.1	-15.1
Profit/loss from operating activities		4.1	-97.4	-3.2	-96.5	4.2	-92.3
Financial income/-expense (net)	10						-65.4
Tax income/-expense	6	-	56.4	0.4	56.8	-2.1	54.7
Net profit/loss							-103.0
Financial position information							
Non-current assets		721.6	1,122.5	-	1,844.1	21.9	1,866.1
Current assets		331.1	480.4	4.4	815.8	282.6	1,098.4
Total assets		1,052.7	1,602.9	4.4	2,659.9	304.5	2,964.5
Non-current liabilities		58.6	757.4	0.3	816.3	721.7	1,538.0
Current liabilities		99.7	319.6	28.6	447.8	14.8	462.6
Total liabilities		158.3	1,076.9	28.9	1,264.1	736.5	2,000.6
First half-year ending 30 June 2019 USD million							
Income statement information							
Revenues	3	361.4	108.3	-	469.7	-	469.7
Inter-segment sales		-	0.3	-	0.3	-0.3	-
Cost of goods sold	4	-157.0	-92.2	-	-249.2	-1.6	-250.7
Gross profit		204.5	16.4	-	220.9	-1.9	219.0
Profit/loss from operating activities		202.0	-40.2	-18.6	143.2	-5.9	137.3
Financial income/-expense (net)	10						-57.9
Tax income/-expense	6	-	39.7	-	39.7	-	39.7
Net profit/loss							119.1
Financial position information							
Non-current assets		789.2	1,483.3	0.0	2,272.5	44.3	2,316.8
Current assets		297.5	265.2	6.2	568.9	483.0	1,051.8
Total assets		1,086.7	1,748.5	6.2	2,841.4	527.3	3,368.7
Non-current liabilities		62.0	741.1	0.3	803.4	769.3	1,572.6
Current liabilities		80.8	183.6	28.3	292.7	156.5	449.2
Total liabilities		142.8	924.7	28.6	1,096.1	925.8	2,021.8

Note 3 | Revenues

USD million	Quarters		First Half-Year		Full-Year
	Q2 2020	Q2 2019	2020	2019	2019
Sale of oil	64.3	253.6	258.4	450.6	918.1
Sale of gas	3.6	9.7	9.5	15.9	36.5
Sale of natural gas liquids (NGL)	2.7	0.9	7.2	1.6	13.0
Tariff income	1.4	1.5	2.5	1.7	3.7
Total revenues from contracts with customers	72.1	265.7	277.7	469.7	971.4

Note 4 | Cost of goods sold/ Inventory

USD million	Quarters		First Half-Year		Full-Year
	Q2 2020	Q2 2019	2020	2019	2019
Lifting costs	-48.9	-44.9	-98.2	-94.6	-199.1
Tariff and transportation expenses	-9.0	-7.8	-18.4	-11.9	-37.7
Production costs based on produced volumes	-57.9	-52.7	-116.6	-106.6	-236.8
Movement in overlift/underlift	24.4	-4.0	23.4	1.6	7.2
Production costs based on sold volumes	-33.5	-56.7	-93.2	-104.9	-229.6
Depreciation, depletion and amortization	-92.1	-77.1	-199.6	-145.8	-311.8
Total cost of goods sold	-125.6	-133.8	-292.8	-250.7	-541.4

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

USD million	At 30 Jun		At 31 Dec
	2020	2019	2019
Spare parts	31.0	24.0	28.2
Total inventory	31.0	24.0	28.2

Total inventory of USD 31.0 million as of 30 June 2020 was related to Kurdistan (USD 14.9 million) and the North Sea (USD 16.1 million). The provision for obsolete inventory in Kurdistan was USD 18.1 million as of 30 June 2020 (unchanged from yearend 2019).

Note 5 | Exploration expenses

USD million	Quarters		First Half-Year		Full-Year
	Q2 2020	Q2 2019	2020	2019	2019
Exploration expenses (G&G and field surveys)	-2.4	-11.9	-8.3	-14.3	-17.6
Seismic costs	-0.4	-3.0	-0.9	-10.3	-22.0
Exploration cost capitalized in previous years carried to cost	-0.4	-2.6	-0.4	-3.3	-27.8
Exploration costs capitalized this year carried to cost	-9.4	-	-10.6	-13.0	-47.9
Other exploration cost expensed	-4.4	-0.9	-11.6	-10.3	-31.2
Total exploration expenses	-17.0	-18.3	-31.8	-51.2	-146.4

Total exploration expenses in the second quarter were mainly related to exploration activities in the North Sea.

Note 6 | Income taxes

USD million	Quarters		First Half-Year		Full-Year
	Q2 2020	Q2 2019	2020	2019	2019
Tax income/-expense					
Change in deferred taxes	-24.5	-29.1	-32.1	-31.9	6.8
Income tax receivable/-payable	68.5	33.4	86.8	71.5	114.5
Total tax income/-expense	44.0	4.3	54.7	39.7	121.3

USD million	At 30 Jun		At 31 Dec
	2020	2019	2019
Income tax receivable/-payable			
Tax receivables (non-current)	10.8	55.4	-
Tax receivables (current)	221.9	62.2	164.8
Income tax payable	-	-	-0.2
Net tax receivable/-payable	232.7	117.6	164.5
Deferred tax assets/-liabilities			
Deferred tax assets	49.5	44.3	63.7
Deferred tax liabilities	-205.7	-204.0	-217.6
Net deferred tax assets/-liabilities	-156.2	-159.7	-153.9

On 19 June 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 financial year 2020. The changes comprise of immediate expensing of investments in the special tax basis, increased uplift from 20.8 percent over four years to 24.0 percent in the first year and cash refund of tax value of losses incurred in the financial years 2020 and 2021. The temporary changes will also apply to investments where the Plan for Development and Operation is delivered within 31 December 2022 and approved within 31 December 2023. The tax effects of these changes are recognized in the second quarter of 2020.

The tax income, tax receivables and recognized deferred tax assets/-liabilities relate to activity on the NCS and the UK Continental Shelf (UKCS). Tax receivables consist of exploration tax refund on the NCS for 2019 (USD 84.6 million), refund of tax value of incurred losses on the NCS for 2020 (USD 77.3 million), decommissioning tax refund on the UKCS (USD 19.4 million) and tax refund in relation to cessation of petroleum activity on the NCS of DNO North Sea (Norge) AS (USD 51.5 million). The tax refund of losses in 2020 is paid out in six instalments every two months with the first instalment of USD 23.3 million expected on 1 August 2020. The majority of the tax receivables classified as short term will be received in the second half of 2020.

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

Profits/losses by Norwegian companies from 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.

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

USD million	Quarters		First Half-Year		Full-Year
	Q2 2020	Q2 2019	2020	2019	2019
Additions of other intangible assets	12.8	27.2	31.5	40.9	68.8
Additions of other intangible assets through business combinations	-	-	-	282.1	268.1
Other intangible assets reclassified to assets held for sale	-	-	-	-3.3	-
Additions of PP&E	19.9	68.2	97.9	147.3	388.7
Additions of PP&E through business combinations	-	149.5	-	710.1	704.5
PP&E assets reclassified to assets held for sale	-	-	-	-157.0	-
Additions of RoU assets	3.0	-	3.9	12.9	15.7
Additions of RoU assets through business combinations	-	-	-	2.0	2.0
Impairment oil and gas assets	-1.6	-	-40.8	-	-162.0

Additions of intangible assets are related to capitalized exploration costs, license interests and administrative software. Additions of PP&E are related to development assets, production assets including changes in estimate of asset retirement, and other PP&E. Additions of RoU assets are related to lease contracts under IFRS 16 Leases (presented as part of the PP&E balance sheet item).

Impairments

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

During the second quarter of 2020, the Group performed a calculation of estimated recoverable amounts for its oil and gas assets, applying updated oil and gas price assumptions. In line with the Group's methodology described in the annual report and practice, the oil and gas price assumptions were updated based on the forward curve for 2020 and observable broker and analyst consensus for the next four years. From 2025, the oil and gas prices are based on DNO's long-term price assumption, which is kept unchanged from yearend 2019 (oil price assumption USD 66/bbl, real terms). The estimated recoverable amounts of the assets tested, approximately equalled their net book values and therefore no impairment was recognized. Sensitivity analysis shows that a further 15 percent decrease in the Group's oil and gas price assumptions would lead to an impairment of USD 100 million (post-tax). This sensitivity analysis is for indicative purposes only and has been prepared on the assumption that all other factors would remain unchanged.

During the first quarter of 2020, a total impairment charge of USD 39.2 million (USD 36.9 million post-tax) was recognized, triggered by the decrease in near-term oil and gas price forecast and was entirely related to the North Sea; USD 19.3 million was related to impairment of technical goodwill (with no tax impact) on the Ula Area CGU; USD 8.4 million was related to impairment of technical goodwill (with no tax impact) on the Vilje field; USD 2.8 million was related to impairment of technical goodwill (with no tax impact) and USD 1.4 million was related to impairment of PP&E on the Marulk field; USD 3.7 million was related to impairment of technical goodwill (with no tax impact) on the Ringhorne East field; and USD 3.5 million was related to impairment of PP&E on other CGUs.

During 2019, a total impairment charge of USD 162.0 million was recognized, of which USD 13.9 million was related to impairment of technical goodwill (with no tax impact) on the Ringhorne East field, triggered by updated production profiles; USD 89.4 million was related to impairment of technical goodwill (with no tax impact) on the Brasse discovery, triggered by a reduction in reserves estimates; USD 32.6 million was related to an upward revision in the cost estimate for decommissioning the Schooner and Ketch fields; USD 4.5 million was related to impairment of technical goodwill (with no tax impact) on the Marulk field, triggered by updated cost profiles; USD 2.0 million was related to impairment of technical goodwill (with no tax impact) on the Vilje field, triggered by updated cost profiles; USD 12.8 million was related to an impairment of the Erbil license following the Company's expectation that it would relinquish its operatorship and participation in the Erbil license; and USD 6.8 million was related to other CGUs.

USD million	First half-year ending 30 June 2020		Full-Year ending 31 December 2019	
	Impairment (-)/ reversal (+)	Recoverable amount	Impairment (-)/ reversal (+)	Recoverable amount
Erbil license, Kurdistan	-	-	-12.8	-
Brasse, North Sea	-	-	-89.4	39.6
Ringhorne East, North Sea	-3.7	33.9	-13.9	41.7
Ula Area, North Sea	-19.3	238.6	-	-
Vilje, North Sea	-8.4	26.3	-2.0	37.5
Marulk, North Sea	-4.3	12.9	-4.5	19.7
Schooner and Ketch, North Sea	-	-	-32.6	-
Other CGUs, North Sea	-5.1	-	-6.8	4.6
Total	-40.8	311.7	-162.0	143.1

Note 8 | Financial investments

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

USD million	Quarters		First Half-Year		Full-Year
	Q2 2020	Q2 2019	2020	2019	2019
Beginning of the period	6.0	31.3	21.0	230.8	230.8
Additions	-	-	-	226.3	226.3
Fair value changes through other comprehensive income (FVTOCI)	4.5	-0.4	-10.5	28.9	25.8
Disposal	-	-	-	-	-461.8
Total financial investments end of the period	10.6	30.8	10.6	30.8	21.0

Financial investments include the following:

USD million	At 30 Jun		At 31 Dec
	2020	2019	2019
Listed securities:			
RAK Petroleum plc	10.6	25.6	21.0
Panoro Energy ASA	-	5.2	-
Total financial investments	10.6	30.8	21.0

As of 30 June 2020, the Company held a total of 15,849,737 shares in RAK Petroleum plc. RAK Petroleum plc is listed on the Oslo Stock Exchange. Through its subsidiary, RAK Petroleum Holdings B.V. RAK Petroleum plc is the largest shareholder in DNO ASA with 40.45 percent of the total issued shares. Change in fair value during the quarter was recognized in other comprehensive income.

On 11 January 2019, the Company obtained control of Faroe Petroleum plc (renamed to DNO North Sea plc) and subsequently de-listed the company from UK's Alternative Investment Market (AIM) of the London Stock Exchange on 14 February 2019. Change in fair value prior to control being obtained was recognized in other comprehensive income in the first quarter of 2019.

Prior to DNO obtaining control, the acquisition of Faroe Petroleum plc shares in the first quarter of 2019 was accounted for as an equity instrument (shown as an addition in the above table). Disposals relate to the step acquisition of Faroe Petroleum plc and the sale of the Company's shares in Panoro Energy ASA in the fourth quarter of 2019.

Note 9 | Trade and other receivables

USD million	At 30 Jun		At 31 Dec
	2020	2019	2019
Trade debtors	265.4	266.2	301.1
Underlift	51.4	21.6	37.6
Other short-term receivables	101.9	104.1	139.8
Total trade and other receivables	418.7	391.9	478.5

Trade debtors as of 30 June 2020 relate mainly to outstanding entitlement invoices (total of USD 235.0 million for the months November 2019-February 2020 and June 2020) and override invoices (total of USD 28.0 million for the period of November 2019-June 2020) from the Tawke license in Kurdistan. Since the reporting date, DNO has received full payment for June 2020 entitlement invoice (USD 22.8 million).

The underlift receivable of USD 51.4 million as of 30 June 2020 relates mainly to North Sea underlifted volumes, valued at the lower of production cost including depreciation and market value at the balance sheet date, which will be realized based on market value when the volumes are lifted. Other short-term receivables mainly relate to items of working capital in licenses in Kurdistan and the North Sea and accrual for earned income not invoiced in the North Sea.

Note 10 | Interest-bearing liabilities

Interest-bearing liabilities

USD million	Ticker	Facility currency	Facility amount/limit	Interest	Maturity	At 30 Jun		At 31 Dec
						2020	2019	2019
Non-current								
Bond loan (ISIN NO0010823347)	DNO02	USD	400.0	8.75%	31/05/23	400.0	400.0	400.0
Bond loan (ISIN NO0010852643)	DNO03	USD	400.0	8.375 %	29/05/24	400.0	400.0	400.0
Bond loan (ISIN NO0010811268)	FAPE01	USD	14.2	8.00%	28/04/23	14.2	68.2	21.2
Capitalized borrowing issue costs						-18.1	-22.9	-23.0
Reserve based lending facility		USD	350.0	see below	07/11/26	149.1	-	37.8
Exploration financing facility		NOK	1,000.0	see below	see below	-	38.0	-
Total non-current interest-bearing liabilities						945.2	883.2	836.0
Current								
Bond loan (ISIN NO0010740392)	DNO01	USD	140.0	8.75%	18/06/20	-	140.0	140.0
Exploration financing facility		NOK	1,000.0	see below	see below	102.6	57.5	85.6
Total current interest-bearing liabilities						102.6	197.5	225.6
Total interest-bearing liabilities						1,047.8	1,080.7	1,061.6

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

USD million	At 1 Jan 2020	Cash		Non-cash changes		At 30 Jun 2020
		flows	Amortization	Currency	Acquisition	
Bond loans	821.2	-7.0	-	-	-	814.2
Bond loans (current)	140.0	-139.8	-0.2	-	-	-
Borrowing issue costs	-23.0	-	4.9	-	-	-18.1
Reserve based lending facility	37.8	114.2	-	-2.9	-	149.1
Exploration financing facilities (current)	85.6	26.5	-	-9.5	-	102.6
Total	1,061.6	-6.1	4.7	-12.4	-	1,047.8

USD million	At 1 Jan 2019	Cash		Non-cash changes		At 30 Jun 2019
		flows	Amortization	Currency	Acquisition	
Bond loans	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
Total	594.1	360.9	6.9	1.0	117.7	1,080.7

All the bonds are issued by DNO ASA except for FAPE01 which is issued by a subsidiary, DNO North Sea plc. Facility amount for the bonds is shown net of bonds held by the Company.

During the first quarter of 2020, DNO ASA acquired USD 7.0 million of FAPE01 bonds at a price range of 106.88 to 107.13 percent of par plus accrued interest and USD 1.5 million of DNO01 at a price of 89 percent of par plus accrued interest. The DNO01 bond was redeemed at maturity on 18 June 2020.

Note 10 | Interest-bearing liabilities (continued)

The Group has available a revolving exploration financing facility (EFF) in an aggregate amount of NOK 1 billion with an accordion option of NOK 500 million. Utilization requests need to be delivered for each proposed loan. The facility is secured against the Norwegian exploration tax refund and is repaid when the refund is received which is approximately eleven months after the end of the financial year. 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 2020 and instead utilize the new scheme with refund of tax losses every two months, see Note 6. Draw downs on the EFF in relation to spend in 2020 of USD 22.4 million have been repaid during July. Amount utilized as of the reporting date is disclosed in the table above.

The Group has a reserve-based lending (RBL) facility in relation to 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 accordion option of USD 350 million. Interest charged on utilizations is based on the LIBOR, NIBOR or EURIBOR rates (depending on the currency of the drawdown) 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. Amount utilized as of the reporting date is disclosed in the table above. In addition, USD 86.1 million is utilized in respect of letters of credit.

For additional information about the Group's interest-bearing liabilities, refer to the DNO ASA Annual Report and Accounts 2019.

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

USD million	At 30 Jun		At 31 Dec
	2020	2019	2019
Non-current			
Asset retirement obligations (ARO)	371.6	455.9	415.7
Other long-term provisions and charges	3.3	19.1	7.1
Lease liabilities	12.2	10.5	11.1
Total non-current provisions for other liabilities and charges and lease liabilities	387.1	485.4	433.9
Current			
Asset retirement obligations (ARO)	68.5	-	77.1
Other provisions and charges	24.6	28.9	27.9
Current lease liabilities	2.8	3.2	3.3
Total current provisions for other liabilities and charges and lease liabilities	96.0	32.1	108.4
Total provisions for other liabilities and charges and lease liabilities	483.2	517.5	542.3

Asset retirement obligations

The provisions for ARO are based on the present value of estimated future cost of decommissioning oil and gas assets in Kurdistan and the North Sea. The discount rates before tax applied were between 3.5 percent and 3.7 percent.

Non-cancellable lease commitments

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.

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

USD million	At 30 Jun		At 31 Dec
	2020	2019	2019
Within one year	3.9	3.9	4.4
Two to five years	10.4	10.4	13.0
After five years	1.2	1.2	-
Total undiscounted lease liabilities end of the period	15.5	15.5	17.5

The Group's future minimum lease payments under non-cancellable operating leases are related to office rent including warehouse and equipment. The difference between the recognized lease liabilities in the financial position and the undiscounted lease liabilities is due to discounting and adjustment for short-term leases and low-value leases. The Group's lease contracts related to drilling rigs in Kurdistan are cancellable and are therefore not included in the lease table above or recognized as lease liabilities. The estimated value of leases related to these cancellable contracts was nil as of 30 June 2020 (USD 18 million at yearend 2019) following the Group's deferral of discretionary drilling projects.

Note 12 | Subsequent events

Appraisal of the Hades discovery

On 29 July 2020, the Norwegian Petroleum Directorate (NPD) announced that the operator of the production license 644, OMV Norway AS, is in the process of concluding the drilling of appraisal well 6506/11-12 S on the Hades discovery. DNO holds a 20 percent interest in the license. According to the NPD announcement, the operator's preliminary updated estimate of the size of discovery is between 13 and 44 million barrels of oil equivalent (MMboe) (compared with earlier estimates of between 19 and 145 MMboe). The licensees will evaluate the updated resources in the Hades discovery along with resources in the Iris discovery which was drilled in October 2019. Upon completion of this evaluation, DNO will assess the accounting impact on the current net book values of the combined Iris and Hades discoveries which stood at USD 57 million as of Q2 2020.

Export payments from Kurdistan

On 28 July 2020, DNO received USD 30.2 million for June 2020 crude oil deliveries to the export market from the Tawke license in the Kurdistan region of Iraq. The funds will be shared by DNO and partner Genel Energy plc pro-rata to the companies' interests in the license.

Alternative performance measures

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

EBITDA

USD million	Quarters		First Half-Year	Full-Year	
	Q2 2020	Q2 2019	2020	2019	2019
Revenues	72.1	265.7	277.7	469.7	971.4
Lifting costs	-48.9	-44.9	-98.2	-94.6	-199.1
Tariffs and transportation	-9.0	-7.8	-18.4	-11.9	-37.7
Movement in overlift/underlift	24.4	-4.0	23.4	1.6	7.2
Exploration expenses	-17.0	-18.3	-31.8	-51.2	-146.4
Administrative expenses	-8.2	2.3	-3.6	-13.1	-26.1
Other operating income/expenses	-0.5	-16.3	-1.1	-17.4	-19.8
EBITDA	12.9	176.6	148.1	283.2	549.4

EBITDAX

USD million	Q2 2020	Q2 2019	2020	2019	2019
EBITDA	12.9	176.6	148.1	283.2	549.4
Exploration expenses	17.0	18.3	31.8	51.2	146.4
EBITDAX	29.9	194.9	179.9	334.3	695.8

Netback

USD million	Q2 2020	Q2 2019	2020	2019	2019
EBITDA	12.9	176.6	148.1	283.2	549.4
Taxes received/-paid	-	-	-	-	56.9
Netback	12.9	176.6	148.1	283.2	606.3

	Q2 2020	Q2 2019	2020	2019	2019
Netback (USD million)	12.9	176.6	148.1	283.2	606.3
Company Working Interest production (MMboe)*	8.2	9.4	17.2	18.3	37.1
Netback (USD/boe)	1.6	18.8	8.6	15.5	16.3

* For accounting purposes, the CWI production from the assets added through the Equinor Assets Swap was accounted post completion date of 30 April 2019.

Lifting costs

	Q2 2020	Q2 2019	2020	2019	2019
Lifting costs (USD million)	-48.9	-44.9	-98.2	-94.6	-199.1
Company Working Interest production (MMboe)*	8.2	9.4	17.2	18.3	37.1
Lifting costs (USD/boe)	6.0	4.8	5.7	5.2	5.4

* See comment above under Netback.

Alternative performance measures (continued)

Acquisition and development costs

USD million	Quarters		First Half-Year		Full-Year
	Q2 2020	Q2 2019	2020	2019	2019
Purchases of intangible assets	-12.8	-27.2	-31.5	-40.9	-68.5
Purchases of tangible assets	-19.9	-67.5	-97.9	-146.4	-339.4
Acquisition and development costs*	-32.7	-94.7	-129.4	-187.3	-407.9

* Acquisition and development costs exclude estimate changes on asset retirement obligations.

Operational spend

USD million	Q2 2020	Q2 2019	2020	2019	2019
Lifting costs	-48.9	-44.9	-98.2	-94.6	-199.1
Tariff and transportation expenses*	-9.0	-7.8	-18.4	-11.9	-37.7
Exploration expenses	-17.0	-18.3	-31.8	-51.2	-146.4
Exploration costs capitalized in previous years carried to cost (Note 5)	0.4	2.6	0.4	3.3	27.8
Acquisition and development costs	-32.7	-94.7	-129.4	-187.3	-407.9
Payments for decommissioning*	-7.2	-2.5	-23.9	-8.3	-22.6
Operational spend	-114.4	-165.6	-301.3	-350.0	-786.0

* Effective from Q1 2020, tariff and transportation expenses and payments for decommissioning are included in this APM. Comparison numbers are restated.

Free cash flow

USD million	Q2 2020	Q2 2019	2020	2019	2019
Cash generated from operations	66.9	76.6	162.2	136.0	385.3
Acquisition and development costs	-32.7	-94.7	-129.4	-187.3	-407.9
Payments for decommissioning	-7.2	-2.5	-23.9	-8.3	-22.6
Free cash flow	27.0	-20.6	8.9	-59.6	-45.2

Equity ratio

USD	2020	2019	2019
Equity	963.8	1,346.9	1,161.3
Total assets	2,964.5	3,368.7	3,271.9
Equity ratio	32.5%	40.0%	35.5%

Marketable securities

USD million	2020	2019	2019
Financial investments	10.6	30.8	21.0
Treasury shares*	-	63.5	123.5
Marketable securities	10.6	94.3	144.5

* Treasury shares at reporting date multiplied by the DNO share price at the reporting date.

Net cash/-net interest-bearing debt

USD million	2020	2019	2019
Cash and cash equivalents	426.8	573.8	485.7
Bond loans and reserve based lending (Note 10)	963.3	1,008.2	999.0
Net cash/-net interest-bearing debt	-536.5	-434.4	-513.3

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.

Alternative performance measures (continued)

Definitions and explanations of APMs

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

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

EBITDA, as reconciled above, can also 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, 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 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 before tax for the period without regard to significant events and/or decisions in the period that are expected to occur less frequently. This measure is also helpful for comparing the Group's operational performance between time periods and with those of other companies.

Netback (USD/boe)

Netback (USD/boe) is calculated by dividing netback in USD by the CWI 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 before tax for the period without regard to significant events and/or decisions in the period that are expected to occur less frequently, per CWI 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 CWI 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.

Acquisition and development costs

Acquisition and development costs 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, acquisition and development costs and payments for decommissioning. Management believes that this measure is useful because it provides a complete overview of the Group's total operational costs, capital investments and payments for decommissioning used in the relevant period.

Equity ratio

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

Free cash flow

Free cash flow comprises cash generated from operations less acquisition and development costs. 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.

Marketable securities

Marketable securities are comprised of the sum of market value of financial investments and treasury shares. Management believes that this measure is useful because it provides an overview of liquid assets that can be converted to cash in a short period of time.

Net debt

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

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