



DNO ASA Report

Half-Year 2021 Interim Results



Cover: Looking to the future as DNO ASA celebrates its 50th Anniversary as Norway's oldest, continuously operating oil and gas company

Key figures

USD million	Quarters			First Half-Year	Full-Year	
	Q2 2021	Q1 2021	Q2 2020	2021	2020	
Key financials						
Revenues	184.3	169.8	72.1	354.1	277.7	614.9
Gross profit	97.7	84.0	-53.5	181.8	-15.1	24.9
Profit/-loss from operating activities	60.9	66.3	-80.8	127.3	-92.3	-314.5
Net profit/-loss	56.7	51.5	-63.6	108.1	-103.0	-285.9
EBITDA	122.2	119.3	12.9	241.4	148.1	322.8
EBITDAX	149.1	129.8	29.9	278.8	179.9	378.8
Netback	153.4	134.5	12.9	287.9	148.1	559.1
Acquisition and development costs	60.4	50.8	32.7	111.2	129.4	207.9
Exploration expenses	26.9	10.5	17.0	37.4	31.8	55.9
Production						
Gross operated production (boepd)	110,304	111,985	101,965	111,140	108,586	110,282
Net production (boepd)	92,667	99,162	94,265	95,897	99,652	100,063
Key performance indicators						
Lifting costs (USD/boe)	5.7	4.9	5.7	5.3	5.4	4.9
Netback (USD/boe)	18.2	15.1	1.5	16.6	8.2	15.3

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

Q2 2021 operational highlights

- Gross operated Tawke license production including the Tawke and Peshkabir fields averaged 110,300 barrels of oil per day (bopd) in Q2 2021 (112,000 bopd in Q1 2021) of which 82,700 bopd net to DNO's interest (84,000 bopd Q1 2021)
- North Sea assets contributed another 9,900 barrels of oil equivalent per day (boepd), down from 15,200 boepd in Q1 2021 due to planned maintenance and infill drilling
- Totaling net DNO production of 92,700 boepd in Q2 2021
- Tawke license gross operated production guidance for 2021 remains 110,000 bopd
- North Sea production to recover with 2021 net production guidance of 13,000 boepd
- DNO had 91 licenses across its portfolio at end Q2 2021 (25 operated), of which two in Kurdistan, 74 in Norway, 11 in the United Kingdom, two in the Netherlands, one in Ireland and one in Yemen

Q2 2021 financial highlights

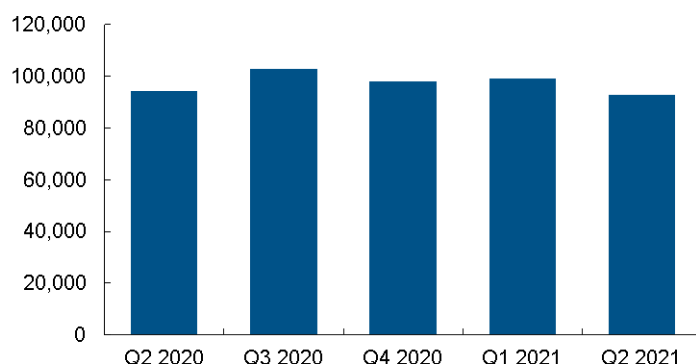
- Revenues totaled USD 184 million in Q2 2021 (USD 170 million in Q1 2021) as higher oil and gas prices more than compensated for lower North Sea volumes
- Operating profit of USD 61 million in Q2 2021 (USD 66 million in Q1 2021)
- Reduced bond debt to USD 700 million following redemption of USD 100 million in Q2 2021
- Received USD 158.6 million from Kurdistan in Q2 2021 (entitlement USD 113.5 million, override USD 15.3 million and USD 29.8 million towards arrears built up from non-payment of certain invoices in 2019 and 2020)

- Exited Q2 2021 with cash balance of USD 454 million
- Continued to strengthen balance sheet with end Q2 2021 net interest bearing debt of USD 396 million, lowest since Q4 2018
- Following end of Q2 2021, received Kurdistan payments totaling USD 56.9 million

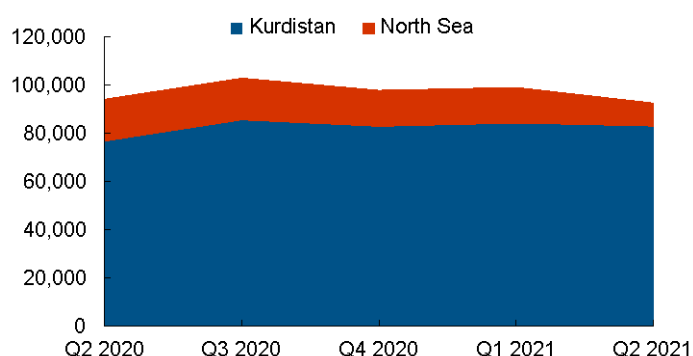
Operational review

Production

Quarterly net production (boepd)



Net production by segment (boepd)



Gross operated production averaged 110,304 bopd during the second quarter, compared to 111,985 bopd in the previous quarter.

Net production during the second quarter stood at 92,667 boepd, compared to 99,162 boepd in the previous quarter. In Kurdistan, net production averaged 82,728 bopd, compared to 83,989 bopd in the previous quarter. Net production from the North Sea averaged 9,939 boepd, down from 15,173 boepd in the previous quarter. The lower production volumes in the North Sea were mainly due to planned maintenance and infill drilling.

Net entitlement (NE) production averaged 37,600 boepd during the second quarter, down from 43,766 boepd in the previous quarter. Sales volume averaged 34,946 boepd during the quarter, down from 39,546 boepd in the previous quarter. The lower sold volumes were mainly due to lower production and underlift in the North Sea. Net underlift position relating to the North Sea was 1.1 million barrels of oil equivalent (MMboe) as of Q2 2021 (0.8 MMboe as of Q1 2021).

Gross operated production

boepd	Q2 2021	Quarters		First Half-Year		Full-Year
		Q1 2021	Q2 2020	2021	2020	2020
Kurdistan	110,304	111,985	101,965	111,140	108,586	110,282
North Sea	-	-	-	-	-	-
Total	110,304	111,985	101,965	111,140	108,586	110,282

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

Net production

boepd	Q2 2021	Quarters		First Half-Year		Full-Year
		Q1 2021	Q2 2020	2021	2020	2020
Kurdistan	82,728	83,989	76,474	83,355	81,438	82,711
North Sea	9,939	15,173	17,791	12,542	18,214	17,352
Total	92,667	99,162	94,265	95,897	99,652	100,063

Effective Q1 2021, the Company reports its net production from the Tawke license in Kurdistan based on its percentage ownership in the license. Comparison figures have been updated.

Net entitlement (NE) production

boepd	Q2 2021	Quarters		First Half-Year		Full-Year
		Q1 2021	Q2 2020	2021	2020	2020
Kurdistan	27,661	28,593	39,300	28,124	40,515	36,257
North Sea	9,939	15,173	17,791	12,542	18,214	17,352
Total	37,600	43,766	57,092	40,666	58,729	53,609

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

Sales volume

boepd	Q2 2021	Quarters		First Half-Year		Full-Year
		Q1 2021	Q2 2020	2021	2020	2020
Kurdistan	27,661	28,593	39,300	28,124	40,515	36,257
North Sea	7,285	10,953	10,525	9,109	14,255	18,125
Total	34,946	39,546	49,825	37,233	54,770	54,382

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

Activity overview

Kurdistan region of Iraq

Tawke license

Gross production from the Tawke license, containing the Tawke and Peshkabir fields, averaged 110,304 bopd during the second quarter of 2021 (111,985 bopd in Q1 2021). The Peshkabir field contributed 62,983 bopd (61,350 in Q1 2021) and the Tawke field contributed 47,321 bopd (50,635 in Q1 2021) during this period.

In the second quarter, the Company spudded a new well at Peshkabir and performed workovers of existing ones. In total, five new wells are scheduled at Peshkabir field in 2021 in addition to workovers and interventions in existing wells.

A fifth injector well further expanded the Peshkabir-to-Tawke gas capture and reinjection project in the second quarter, lifting daily average reinjection over 20 million cubic feet of gas from Peshkabir field, supporting oil recovery at Tawke while reducing CO2 emissions from flaring.

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

Baeshiqa license

In February 2021, the Company announced the acquisition of ExxonMobil's 32 percent interest in the Baeshiqa license in Kurdistan, doubling DNO's operated stake to 64 percent (80 percent paying interest), pending government approval. The Company plans to continue an exploration and appraisal program on the license while fast tracking early production from existing wells, subject to government approval.

The other partners in the license are TEC with a 16 percent interest (20 percent paying interest) and the Kurdistan Regional Government (KRG) with a 20 percent carried interest.

North Sea

Net production averaged 9,939 boepd in the North Sea during the second quarter of 2021 (15,173 boepd in Q1 2021), of which 9,362 boepd was in Norway and 577 boepd in the UK (14,275 boepd and 898 boepd in Q1 2020). The lower production volumes in the second quarter were mainly due to planned shutdowns at Marulk and Alve relating to Norne FPSO maintenance and infill drilling at Ula and Tambar.

In the second quarter, the Company had diversified production across 11 fields, eight in Norway and three in the UK, of which East Foinaven was shut down in April.

Recently, the DNO-operated Brasse field development has made a concept selection with Oseberg as the preferred host. With total field reserves of 35 MMboe and a relatively modest topside construction scope on Oseberg, the subsea development has robust project economics based on a 2022 project sanction target.

DNO continues to evaluate Iris/Hades, Alve Gjøk, Orion/Syrah and Trym South discoveries for project sanction in 2022 and to accelerate infill drilling in the Ula area and on the Brage field in 2021.

In the North Sea, three wells were drilled in the second quarter, including an infill well at Ula which is expected to come on production next quarter. Appraisal of the Bergknapp discovery with drill stem testing and sidetracking commenced in the quarter. Overall, the Company maintains an active drilling program in the North Sea for the year, including five appraisal and exploration wells, four Fenja development wells and six infill wells at Ula, Oda, Tambar and Brage.

DNO-operated decommissioning of the shut-down Oselvar field in Norway continued with high activity through the second quarter while the decommissioning campaign at DNO-operated Schooner and Ketch fields in the UK resumed.

Financial review

Revenues, operating profit and cash

Revenues in the second quarter stood at USD 184.3 million, up from USD 169.8 million in the previous quarter as higher oil and gas prices more than compensated for lower North Sea volumes. Kurdistan generated revenues of USD 141.2 million (USD 123.4 million in the previous quarter), while the North Sea generated revenues of USD 43.1 million (USD 46.5 million in the previous quarter).

The Group reported an operating profit of USD 60.9 million in the second quarter, down from USD 66.3 million in the previous quarter due to impairment and higher exploration costs expensed in the North Sea.

The Group ended the quarter with a cash balance of USD 454.2 million and USD 396.2 million in net interest-bearing debt, compared to USD 477.1 million and USD 472.5 million at yearend 2020, respectively.

Cost of goods sold

In the second quarter, the cost of goods amounted to USD 86.6 million, compared to USD 85.8 million in the previous quarter.

Lifting costs

Lifting costs stood at USD 48.1 million in the second quarter, compared to USD 43.9 million in the previous quarter. In Kurdistan, the average lifting cost during the second quarter was USD 3.5 per barrel. In the North Sea, the average lifting cost during the second quarter stood at USD 23.9 per barrel of oil equivalent (boe). The increase in the North Sea lifting cost per boe was driven by changes in relative production between the different fields.

USD million	Quarters			First Half-Year		Full-Year
	Q2 2021	Q1 2021	Q2 2020	2021	2020	2020
Kurdistan	26.5	22.0	19.7	48.5	46.9	94.5
North Sea	21.6	21.9	29.2	43.5	51.2	86.6
Total	48.1	43.9	48.9	92.0	98.2	181.1

(USD/boe)	Quarters			First Half-Year		Full-Year
	Q2 2021	Q1 2021	Q2 2020	2021	2020	2020
Kurdistan	3.5	2.9	2.8	3.2	3.2	3.1
North Sea	23.9	16.0	18.0	19.2	15.4	13.6
Average	5.7	4.9	5.7	5.3	5.4	4.9

Depreciation, depletion and amortization (DD&A)

DD&A from the Group's oil and gas production assets amounted to USD 47.2 million in the second quarter, down from USD 51.3 million in the previous quarter mainly due to lower net production from the North Sea. The increase in the North Sea DD&A per boe was driven by changes in relative production between the different fields.

USD million	Quarters			First Half-Year		Full-Year
	Q2 2021	Q1 2021	Q2 2020	2021	2020	2020
Kurdistan	29.7	30.3	61.4	60.0	133.6	234.9
North Sea	17.5	21.0	28.0	38.5	60.7	116.3
Total	47.2	51.3	89.4	98.5	194.3	351.2

(USD/boe)	Quarters			First Half-Year		Full-Year
	Q2 2021	Q1 2021	Q2 2020	2021	2020	2020
Kurdistan	11.8	11.8	17.2	11.8	18.1	17.7
North Sea	19.4	15.4	17.3	17.0	18.3	18.3
Average	13.8	13.0	17.2	13.4	18.2	17.9

Exploration costs expensed

Exploration costs expensed of USD 26.9 million in the second quarter were mainly related to exploration activities in the North Sea. The increase in exploration costs expensed compared to the previous quarter was mainly related to purchase of seismic data in the North Sea.

USD million	Quarters			First Half-Year		Full-Year
	Q2 2021	Q1 2021	Q2 2020	2021	2020	2020
Kurdistan	0.4	0.3	0.1	0.7	0.5	1.6
North Sea	26.5	10.1	16.9	36.7	31.3	54.4
Total	26.9	10.5	17.0	37.4	31.8	55.9

Acquisition and development costs

Acquisition and development costs stood at USD 60.4 million in the second quarter, of which USD 19.5 million were in Kurdistan and USD 40.9 million in the North Sea.

USD million	Quarters			First Half-Year		Full-Year
	Q2 2021	Q1 2021	Q2 2020	2021	2020	2020
Kurdistan	19.5	13.8	7.0	33.3	62.9	92.6
North Sea	40.9	36.8	25.8	77.7	65.7	114.5
Other	-	0.1	-0.1	0.1	0.8	0.9
Total	60.4	50.8	32.7	111.2	129.4	207.9

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 2020 gives a fair description of key risks and uncertainties that may affect the Group in the second half of 2021 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.

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 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and give a fair view of the Group's assets, liabilities, financial position and results for the period viewed in their entirety, and that the interim management report

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

Oslo, 28 July 2021

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 2021	Q2 2020	2021	2020	2020
Revenues	2,3	184.3	72.1	354.1	277.7	614.9
Cost of goods sold	4	-86.6	-125.6	-172.4	-292.8	-590.0
Gross profit		97.7	-53.5	181.8	-15.1	24.9
Other income/-expenses		-	0.2	-	0.2	-
Administrative expenses		3.3	-8.2	-2.1	-3.6	-4.8
Other operating expenses		-0.8	-0.6	-2.6	-1.2	-2.7
Impairment oil and gas assets	7	-12.6	-1.6	-12.6	-40.8	-276.0
Exploration expenses	5	-26.9	-17.0	-37.4	-31.8	-55.9
Profit/-loss from operating activities		60.9	-80.8	127.3	-92.3	-314.5
Financial income	9	10.1	3.2	17.9	4.7	19.8
Financial expenses	9,10	-39.2	-30.1	-66.8	-70.2	-131.0
Profit/-loss before income tax		31.9	-107.6	78.3	-157.7	-425.8
Tax income/-expense	6	24.8	44.0	29.8	54.7	139.8
Net profit/-loss		56.7	-63.6	108.1	-103.0	-285.9
Other comprehensive income						
Currency translation differences		-4.2	44.8	-0.3	-66.2	-3.6
Items that may be reclassified to profit or loss in later periods		-4.2	44.8	-0.3	-66.2	-3.6
Net fair value changes from financial instruments	8	0.7	4.5	5.4	-10.5	-8.4
Items that are not reclassified to profit or loss in later periods		0.7	4.5	5.4	-10.5	-8.4
Total other comprehensive income, net of tax		-3.5	49.3	5.1	-76.7	-12.0
Total comprehensive income, net of tax		53.2	-14.4	113.2	-179.7	-298.0
Net profit/-loss attributable to:						
Equity holders of the parent		56.7	-63.6	108.1	-103.0	-285.9
Total comprehensive income attributable to:						
Equity holders of the parent		53.2	-14.4	113.2	-179.7	-298.0
Earnings per share, basic (USD per share)		0.06	-0.07	0.11	-0.11	-0.29
Earnings per share, diluted (USD per share)		0.06	-0.07	0.11	-0.11	-0.29
Weighted average number of shares outstanding (excluding treasury shares) (millions)		975.43	975.43	975.43	976.03	975.73

Consolidated statements of financial position

ASSETS		At 30 Jun		At 31 Dec
(unaudited, USD million)		Note	2021	2020
Non-current assets				
Goodwill	7	161.7	259.6	162.0
Deferred tax assets	6	43.8	49.5	47.4
Other intangible assets	7	322.6	350.4	308.6
Property, plant and equipment	7	1,179.2	1,185.2	1,174.1
Financial investments	8	18.0	10.6	12.6
Other non-current receivables	9	111.2	-	182.4
Tax receivables	6	5.4	10.8	-
Total non-current assets		1,841.9	1,866.1	1,887.1
Current assets				
Inventories	4	32.3	31.0	41.9
Trade and other receivables	9	393.7	418.7	239.6
Tax receivables	6	105.0	221.9	63.1
Cash and cash equivalents		454.2	426.8	477.1
Total current assets		985.2	1,098.4	821.6
TOTAL ASSETS		2,827.1	2,964.5	2,708.7
EQUITY AND LIABILITIES				
(unaudited, USD million)		Note	At 30 Jun	At 31 Dec
			2021	2020
Equity				
Shareholders' equity			958.8	963.8
Total equity			958.8	963.8
Non-current liabilities				
Deferred tax liabilities	6	237.4	205.7	178.8
Interest-bearing liabilities	10	821.7	945.2	934.2
Lease liabilities	11	18.1	12.2	13.9
Provisions for other liabilities and charges	11	418.2	374.9	440.1
Total non-current liabilities		1,495.4	1,538.0	1,566.9
Current liabilities				
Trade and other payables		222.6	264.0	180.3
Income tax payable	6	-	-	-
Current interest-bearing liabilities	10	19.1	102.6	-
Current lease liabilities	11	17.8	2.8	3.8
Provisions for other liabilities and charges	11	113.3	93.2	112.0
Total current liabilities		372.8	462.6	296.1
Total liabilities		1,868.2	2,000.6	1,863.0
TOTAL EQUITY AND LIABILITIES		2,827.1	2,964.5	2,708.7

Consolidated cash flow statement

(unaudited, in USD million)	Note	Quarters		First Half-Year		Full-Year
		Q2 2021	Q2 2020	2021	2020	2020
Operating activities						
Profit/-loss before income tax		31.9	-107.6	78.3	-157.7	-425.8
Adjustments to add/-deduct non-cash items:						
Exploration cost capitalized in previous years carried to cost	5	-	0.4	-	0.4	0.4
Depreciation, depletion and amortization	4	48.8	92.1	101.7	199.6	361.4
Impairment oil and gas assets	7	12.6	1.6	12.6	40.8	276.0
Amortization of borrowing issue costs		4.3	2.3	5.8	4.9	7.6
Accretion expense on ARO provisions		4.6	4.3	9.1	8.1	17.0
Interest expense		18.6	22.5	37.4	45.2	87.3
Interest income		-0.3	-1.5	-0.6	-2.1	-5.4
Other		2.0	-6.0	-1.3	-21.1	1.1
Change in working capital items and provisions:						
- Inventories		4.5	-2.0	9.6	-2.8	-13.7
- Trade and other receivables	9	2.2	64.4	-68.7	59.8	41.1
- Trade and other payables		32.6	-10.1	42.3	-24.9	-108.5
- Provisions for other liabilities and charges		-1.5	6.5	1.6	12.0	-2.7
Cash generated from operations		160.2	66.9	227.9	162.2	235.8
Tax refund received		31.2	-	46.4	-	236.3
Interest received		0.3	0.4	0.7	1.6	2.7
Interest paid		-19.2	-26.4	-38.7	-44.5	-85.7
Net cash from/-used in operating activities		172.5	40.9	236.3	119.3	389.1
Investing activities						
Purchases of intangible assets		-8.5	-12.8	-16.0	-31.5	-45.7
Purchases of tangible assets		-51.9	-19.9	-95.1	-97.9	-162.2
Payments for decommissioning		-32.6	-7.2	-44.6	-23.9	-30.7
Net cash from/-used in investing activities		-93.0	-39.9	-155.8	-153.3	-238.6
Financing activities						
Proceeds from borrowings net of issue costs	10	-	21.4	-	152.3	152.3
Repayment of borrowings	10	-100.0	-138.5	-100.0	-158.5	-290.3
Purchase of treasury shares		-	-	-	-17.8	-17.8
Payments of lease liabilities		-2.3	-0.3	-3.4	-1.0	-3.4
Net cash from/-used in financing activities		-102.3	-117.5	-103.4	-24.9	-159.1
Net increase/-decrease in cash and cash equivalents		-22.8	-116.5	-23.0	-59.0	-8.6
Cash and cash equivalents at beginning of the period		477.1	543.2	477.1	485.7	485.7
Exchange gain/-losses on cash and cash equivalents		-0.1	-	0.1	-	-
Cash and cash equivalents at the end of the period		454.2	426.8	454.2	426.8	477.1
Of which restricted cash		12.9	13.4	12.9	13.4	13.6

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 shareholders' equity as of 31 December 2019	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
Purchase of treasury shares	-0.4	-	-17.3	-	-	-	-17.7
Transactions with shareholders	-0.4	-	-17.3	-	-	-	-17.7
Total shareholders' equity as of 30 June 2020	32.8	247.7	-47.5	34.0	-127.6	824.2	963.8

(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 shareholders' equity as of 31 December 2020	32.9	247.7	-	36.1	-65.0	593.9	845.6
Fair value changes from equity instruments	-	-	-	5.4	-	-	5.4
Currency translation differences	-	-	-	-	-0.3	-	-0.3
Other comprehensive income/-loss	-	-	-	5.4	-0.3	-	5.1
Profit/-loss for the period	-	-	-	-	-	108.1	108.1
Total comprehensive income	-	-	-	5.4	-0.3	108.1	113.2
Purchase of treasury shares	-	-	-	-	-	-	-
Transactions with shareholders	-	-	-	-	-	-	-
Total shareholders' equity as of 30 June 2021	32.9	247.7	-	41.5	-65.3	702.1	958.8

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 2020.

The interim financial information for 2021 and 2020 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 2020.

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 2020.

Note 2 | Segment information

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

Second quarter ending 30 June 2021 USD million	Note	Kurdistan	North Sea	Other	Total reporting segments	Un-allocated/eliminated	Total Group
Income statement information							
Revenues	3	141.2	43.1	-	184.3	-	184.3
Inter-segment revenues		-	1.4	-	1.4	-1.4	-
Cost of goods sold	4	-56.2	-29.7	-	-85.9	-0.7	-86.6
Gross profit		85.0	14.8	-	99.7	-2.1	97.7
Profit/-loss from operating activities		84.6	-21.7	-0.5	62.4	-1.5	60.9
Financial income/-expense (net)	9,10						-29.1
Tax income/-expense	6	-	25.1	-0.3	24.8	-	24.8
Net profit/-loss							56.7
Financial position information							
Non-current assets		730.8	1,081.8	-	1,812.6	29.3	1,841.9
Current assets		283.1	386.4	4.8	674.4	310.8	985.2
Total assets		1,013.9	1,468.2	4.8	2,486.9	340.2	2,827.1
Non-current liabilities		61.9	731.9	-	793.8	701.6	1,495.4
Current liabilities		66.1	261.9	30.1	358.2	14.6	372.8
Total liabilities		128.0	993.8	30.1	1,151.9	716.3	1,868.2

Note 2 | Segment information (continued)

Second quarter ending 30 June 2020 USD million	Note	Kurdistan	North Sea	Other	Total reporting segment	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)

First Half-year ending 30 June 2021 USD million	Note	Kurdistan	North Sea	Other	Total reporting segment	Un-allocated/eliminated	Total Group
Income statement information							
Revenues	3	264.6	89.5	-	354.1	-	354.1
Inter-segment sales		-	1.4	-	1.4	-1.4	-
Cost of goods sold	4	-108.6	-62.3	-	-171.0	-1.4	-172.4
Gross profit		156.0	28.6	-	184.6	-2.8	181.8
Profit/-loss from operating activities		154.4	-18.5	-1.9	134.0	-6.7	127.3
Financial income/-expense (net)	9,10						-48.9
Tax income/-expense	6	-	30.1	-0.3	29.8	-	29.8
Net profit/-loss							108.1
Financial position information							
Non-current assets		730.8	1,081.8	-	1,812.6	29.3	1,841.9
Current assets		283.1	386.4	4.8	674.4	310.8	985.2
Total assets		1,013.9	1,468.2	4.8	2,486.9	340.2	2,827.1
Non-current liabilities		61.9	731.9	-	793.8	701.6	1,495.4
Current liabilities		66.1	261.9	30.1	358.2	14.6	372.8
Total liabilities		128.0	993.8	30.1	1,151.9	716.3	1,868.2
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	-	0.6	-0.6	-
Cost of goods sold	4	-182.9	-108.4	-	-291.3	-1.5	-292.8
Gross profit		5.5	-18.5	-	-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

Note 3 | Revenues

USD million	Quarters		First Half-Year		Full-Year
	Q2 2021	Q2 2020	2021	2020	2020
Sale of oil	169.1	64.3	316.3	258.4	566.6
Sale of gas	11.6	3.6	29.2	9.5	27.5
Sale of natural gas liquids (NGL)	3.6	2.7	7.4	7.2	14.8
Tariff income	-0.0	1.4	1.2	2.5	6.0
Total revenues from contracts with customers	184.3	72.1	354.1	277.7	614.9

Note 4 | Cost of goods sold/ Inventory

USD million	Quarters		First Half-Year		Full-Year
	Q2 2021	Q2 2020	2021	2020	2020
Lifting costs	-48.1	-48.9	-92.0	-98.2	-181.1
Tariff and transportation expenses	-8.4	-9.0	-17.0	-18.4	-36.2
Production costs based on produced volumes	-56.6	-57.9	-109.0	-116.6	-217.3
Movement in overlift/underlift	18.8	24.4	38.4	23.4	-11.3
Production costs based on sold volumes	-37.8	-33.5	-70.6	-93.2	-228.6
Depreciation, depletion and amortization	-48.8	-92.1	-101.7	-199.6	-361.4
Total cost of goods sold	-86.6	-125.6	-172.4	-292.8	-590.0

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

USD million	At 30 Jun		At 31 Dec
	2021	2020	2020
Spare parts	32.3	31.0	41.9
Total inventory	32.3	31.0	41.9

Total inventory of USD 32.3 million as of 30 June 2021 was related to Kurdistan (USD 16.5 million) and the North Sea (USD 15.8 million). The accounting provision for obsolete inventory was USD 20.4 million, of which USD 18.1 million was related to Kurdistan (unchanged from yearend 2020) and USD 2.3 million was related to the North Sea.

Note 5 | Exploration expenses

USD million	Quarters		First Half-Year		Full-Year
	Q2 2021	Q2 2020	2021	2020	2020
Exploration expenses (G&G and field surveys)	-7.0	-2.4	-12.4	-8.3	-16.1
Seismic costs	-14.6	-0.4	-15.2	-0.9	-2.9
Exploration cost capitalized in previous years carried to cost	-	-0.4	-	-0.4	-0.4
Exploration costs capitalized this year carried to cost	-	-9.4	-	-10.6	-17.1
Other exploration cost expensed	-5.3	-4.4	-9.8	-11.6	-19.5
Total exploration expenses	-26.9	-17.0	-37.4	-31.8	-55.9

Exploration costs expensed in the second quarter were mainly related to purchase of seismic data in the North Sea.

Note 6 | Income taxes

USD million	Quarters		First Half-Year		Full-Year
	Q2 2021	Q2 2020	Q2 2021	Q2 2020	2020
Tax income/-expense					
Change in deferred taxes	-37.3	-24.5	-64.5	-32.1	11.1
Income tax receivable/-payable	62.1	68.5	94.3	86.8	128.8
Total tax income/-expense	24.8	44.0	29.8	54.7	139.8

USD million	At 30 Jun		At 31 Dec
	2021	2020	2020
Income tax receivable/-payable			
Tax receivables (non-current)	5.4	10.8	-
Tax receivables (current)	105.0	221.9	63.1
Income tax payable	-	-	-
Net tax receivable/-payable	110.4	232.7	63.1
Deferred tax assets/-liabilities			
Deferred tax assets	43.8	49.5	47.4
Deferred tax liabilities	-237.4	-205.7	-178.8
Net deferred tax assets/-liabilities	-193.6	-156.2	-131.4

The tax income, tax receivables and recognized deferred tax assets/-liabilities relate to activity on the NCS and the UK Continental Shelf (UKCS). Current tax receivables consist of tax value of incurred losses on the NCS for 2021 (USD 89.2 million) and decommissioning tax refund on the UKCS for 2020 (USD 15.8 million). Non-current tax receivable is related to decommissioning tax refund on the UKCS for 2021. During the first half-year of 2021, DNO has received tax refunds of USD 46.4 million in Norway in relation to tax losses incurred in 2020. The refund of tax losses on the NCS incurred in 2021 will be paid out in six instalments every two months with the first instalment of USD 38.0 million to be received on 1 August 2021. The decommissioning tax refund on the UKCS for 2020 is expected during the third quarter of 2021 and the refund for spend in 2021 during the third quarter of 2022.

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 income 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 income years 2020 and 2021. The temporary changes will also apply to investments where the Plan for Development and Operation (PDO) is delivered within 31 December 2022 and approved within 31 December 2023.

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

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

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

USD million	Quarters		First Half-Year		Full-Year
	Q2 2021	Q2 2020	2021	2020	2020
Additions of other intangible assets	8.5	12.8	16.0	31.5	45.7
Additions of PP&E	64.4	19.9	107.8	97.9	192.1
Additions of RoU assets	14.4	3.0	14.7	3.9	7.0
Impairment oil and gas assets	-12.6	-1.6	-12.6	-40.8	-276.0

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 right-of-use (RoU) assets are related to lease contracts under IFRS 16 *Leases* (presented as part of the PP&E balance sheet item), see also Note 11.

Impairment assessment

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

During the second quarter of 2021, a total impairment charge of USD 12.6 million (USD 2.8 million post-tax) was recognized, driven by an upward revision in the cost estimate for decommissioning the Oselvar field.

USD million	Income statement:				Balance sheet:					
	Recoverable amount (post-tax)	Impairment -charge/ reversal (pre-tax)	Tax income/ -expense	Impairment -charge/ reversal (post-tax)	Goodwill	Other intangible assets	Property, plant and equipment	Asset retirement obligations	Deferred tax asset/ -liability	Currency effects
CGU, Segment										
Oselvar, North Sea	-	-12.6	9.8	-2.8	-	-	-	12.6	9.8	-
Total	-	-12.6	9.8	-2.8	-	-	-	12.6	9.8	-

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

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 2021	Q2 2020	2021	2020	2020
Beginning of the period	17.3	6.0	12.6	21.0	21.0
Fair value changes through other comprehensive income (FVTOCI)	0.7	4.5	5.4	-10.5	-8.4
Total financial investments end of the period	18.0	10.6	18.0	10.6	12.6

Financial investments include the following:

USD million	At 30 Jun	At 31 Dec	
	2021	2020	2020
Listed securities:			
RAK Petroleum plc	18.0	10.6	12.6
Total financial investments	18.0	10.6	12.6

As of 30 June 2021, the Company held a total of 15,849,737 shares in RAK Petroleum plc. RAK Petroleum plc is listed on the Oslo Stock Exchange. Through its subsidiary, RAK Petroleum Holdings B.V., RAK Petroleum plc is the largest shareholder in DNO ASA with 44.94 percent of the total issued shares. Change in fair value during the quarter was recognized in other comprehensive income.

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

USD million	At 30 Jun	At 31 Dec	
	2021	2020	2020
Trade debtors (non-current portion)	108.2	-	182.0
Other non-current receivables	3.0	-	0.4
Total other non-current receivables	111.2	-	182.4
Trade debtors	216.9	265.4	96.2
Underlift	59.6	51.4	27.4
Other short-term receivables	117.2	101.9	115.9
Total trade and other receivables	393.7	418.7	239.6

Total book value of trade debtors of USD 325.1 million (current and non-current portion) as of 30 June 2021 relates mainly to the Tawke license arrears for 2019 and 2020 entitlement and override invoices (USD 216.0 million), and outstanding invoices for Tawke license crude oil deliveries for the months May and June 2021 (USD 99.6 million).

In December 2020, a plan was put in place by the KRG to pay the international oil companies operating in Kurdistan 50 percent of incremental revenue in any month in which Brent prices exceed USD 50 per barrel towards the arrears for 2019 and 2020. In May 2021, the KRG informed the international oil companies of revised terms reducing the payment of the withheld amounts to 20 percent of incremental revenue in any month in which Brent prices exceed USD 50 per barrel. The KRG also advised that all international oil company invoices, including towards the arrears, will be settled within 60 days of receipt. Despite the revised payment plan, the Company continue to expect at a minimum to recover the full nominal value of the withheld receivables, including but not limited to interest payments reflecting the Company's cost of debt. Since yearend 2020, the Company has received a total of USD 36.0 million in payments against the arrears.

At yearend 2020, due to the IFRS 9 requirement to incorporate the time value of money, the Company reduced the book value of these receivables by USD 16.0 million when comparing the book value of the arrears to the estimated present value. As of 30 June 2021, in line with IFRS 9, the Company made a re-run of the estimated present value with the revised payment terms, updated Brent price assumptions and other considerations resulting in a net increase in the book value of the arrears by USD 1.5 million (USD 9.0 million year to date). Moreover, the classification of the receivables (current/non-current portion) was updated accordingly. The calculation of present value in accordance with IFRS 9, takes into account the most recent production forecasts for the Tawke license and the Company's Brent price assumptions to determine the expected timing of payments towards the arrears plus contractual interests under IFRS 9, and reflects the probability-weighted amount for a range of possible scenarios including probability-weighted Brent price scenarios with a probability assigned to each. The discount rate that is applied reflects the Company's cost of debt.

Following end of the second quarter 2021, DNO has received USD 56.9 million net to DNO from the KRG, see Note 12 for further details.

The underlift receivable of USD 59.6 million as of 30 June 2021 relates mainly to North Sea underlifted volumes, valued at the lower of production cost including depreciation and the market value at the reporting 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
						2021	2020	2020
Non-current								
Bond loan (ISIN NO0010823347)	DNO02	USD	300.0	8.75%	31/05/23	300.0	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	-
Capitalized borrowing issue costs						-9.7	-18.1	-15.4
Reserve based lending facility		USD	350.0	see below	see below	131.3	149.1	149.6
Total non-current interest-bearing liabilities						821.7	945.2	934.2
Current								
Exploration financing facility		NOK	250.0	see below	see below	-	102.6	-
Reserve based lending facility (current)		USD	350.0	see below	see below	19.1	-	-
Total current interest-bearing liabilities						19.1	102.6	-
Total interest-bearing liabilities						840.7	1,047.8	934.2

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

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

USD million	At 1 Jan 2020	Cash flows	Non-cash changes			At 30 Jun 2020
			Amortization	Currency	Reclassification	
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 facility	85.6	26.5	-	-9.5	-	102.6
Total	1,061.6	-6.1	4.7	-12.4	-	1,047.8

During the second quarter of 2021, DNO redeemed USD 100 million of the DNO02 bond at a price of 103.5 percent of par plus accrued interest.

The Group has available a revolving exploration financing facility (EFF) in an aggregate amount of NOK 250 million with an uncommitted accordion option of NOK 750 million. The interest rate equals NIBOR plus a margin of 1.70 percent. Utilizations can be made until 31 December 2022. Due to temporary changes to the taxation of oil and gas companies in Norway, the Group has chosen to not utilize the EFF in relation to exploration spend in 2021.

The Group has a reserve-based lending (RBL) facility 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 uncommitted accordion option of USD 350 million. Interest charged on utilizations is based on LIBOR plus a margin ranging from 2.75 to 3.25 percent. The facility will amortize over the loan life with a final maturity date of 7 November 2026. The borrowing base amount of the facility from 1 July 2021 is USD 226 million. Amount utilized as of the reporting date is disclosed in the table above. In addition, USD 89.5 million is utilized in respect of letters of credit.

For additional information about the Group's interest-bearing liabilities, refer to the DNO ASA Annual Report and Accounts 2020.

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

USD million	At 30 Jun		At 31 Dec
	2021	2020	2020
Non-current			
Asset retirement obligations (ARO)	414.0	371.6	436.6
Other long-term provisions and charges	4.1	3.3	3.4
Lease liabilities	18.1	12.2	13.9
Total non-current provisions for other liabilities and charges and lease liabilities	436.3	387.1	453.9
Current			
Asset retirement obligations (ARO)	87.0	68.5	86.7
Other provisions and charges	26.3	24.6	25.3
Current lease liabilities	17.8	2.8	3.8
Total current provisions for other liabilities and charges and lease liabilities	131.1	96.0	115.8
Total provisions for other liabilities and charges and lease liabilities	567.4	483.2	569.7

Asset retirement obligations

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

In the second quarter, the Group entered into a rig lease agreement to perform decommissioning, plugging and abandonment at the Schooner and Ketch fields in the UK part of the North Sea. According to the planned use of the related leased asset, the duration for the decommissioning project is estimated to last longer than 12 months. The rig lease was entered into in the Company's name as operator of the licenses, at the initial signing and subsequently partly allocated to licenses. The Group has therefore recognized the lease liability on a gross basis, rather than its working interest share (60 percent). Total value of the lease liability recognized at commencement date was USD 22.7 million.

Non-lease components are not included as part of the lease liabilities.

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

USD million	At 30 Jun		At 31 Dec
	2021	2020	2020
Within one year	18.9	3.9	4.7
Two to five years	19.0	10.4	13.8
After five years	0.6	1.2	1.1
Total undiscounted lease liabilities end of the period	38.4	15.5	19.6

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

Note 12 | Subsequent events

Payments from Kurdistan

Since the reporting date, DNO received USD 56.9 million net to the Company from the KRG, of which USD 42.0 million represents DNO's entitlement share of May 2021 crude oil deliveries to the export market from the Tawke license in Kurdistan. Of the balance, USD 5.6 million is an override payment equivalent to three percent of gross May 2021 Tawke license revenues under the August 2017 receivables settlement agreement and USD 9.3 million is a payment towards the Company's arrears relating to withheld payment of Tawke license 2019 and 2020 entitlement and override invoices.

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 2021	Q2 2020	2021	2020	2020
Revenues	184.3	72.1	354.1	277.7	614.9
Lifting costs	-48.1	-48.9	-92.0	-98.2	-181.1
Tariff and transportation	-8.4	-9.0	-17.0	-18.4	-36.2
Movement in overlift/underlift	18.8	24.4	38.4	23.4	-11.3
Exploration expenses	-26.9	-17.0	-37.4	-31.8	-55.9
Administrative expenses	3.3	-8.2	-2.1	-3.6	-4.8
Other operating income/expenses	-0.8	-0.5	-2.6	-1.1	-2.7
EBITDA	122.2	12.9	241.4	148.1	322.8
EBITDAX					
USD million	Q2 2021	Q2 2020	2021	2020	2020
EBITDA	122.2	12.9	241.4	148.1	322.8
Exploration expenses	26.9	17.0	37.4	31.8	55.9
EBITDAX	149.1	29.9	278.8	179.9	378.8
Netback					
USD million	Q2 2021	Q2 2020	2021	2020	2020
EBITDA	122.2	12.9	241.4	148.1	322.8
Tax refund received/-taxes paid	31.2	-	46.4	-	236.3
Netback	153.4	12.9	287.8	148.1	559.1
	Q2 2021	Q2 2020	2021	2020	2020
Netback (USD million)	153.4	12.9	287.8	148.1	559.1
Net production (MMboe)	8.4	8.6	17.4	18.1	36.6
Netback (USD/boe)	18.2	1.5	16.6	8.2	15.3
Effective Q1 2021, the Company reports its net production from the Tawke license in Kurdistan based on its percentage ownership in the license. Comparison figures and affected APMs have been updated.					
Lifting costs					
	Q2 2021	Q2 2020	2021	2020	2020
Lifting costs (USD million)	-48.1	-48.9	-92.0	-98.2	-181.1
Net production (MMboe)	8.4	8.6	17.4	18.1	36.6
Lifting costs (USD/boe)	5.7	5.7	5.3	5.4	4.9

Alternative performance measures (continued)

Acquisition and development costs

USD million	Quarters		First Half-Year		Full-Year
	Q2 2021	Q2 2020	2021	2020	2020
Purchases of intangible assets	-8.5	-12.8	-16.0	-31.5	-45.7
Purchases of tangible assets	-51.9	-19.9	-95.1	-97.9	-162.2
Acquisition and development costs	-60.4	-32.7	-111.2	-129.4	-207.9

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

Operational spend

USD million	Q2 2021	Q2 2020	2021	2020	2020
Lifting costs	-48.1	-48.9	-92.0	-98.2	-181.1
Tariff and transportation expenses	-8.4	-9.0	-17.0	-18.4	-36.2
Exploration expenses	-26.9	-17.0	-37.4	-31.8	-55.9
Exploration costs capitalized in previous years carried to cost (Note 5)	-	0.4	-	0.4	0.4
Acquisition and development costs	-60.4	-32.7	-111.2	-129.4	-207.9
Payments for decommissioning	-32.6	-7.2	-44.6	-23.9	-30.7
Operational spend	-176.5	-114.4	-302.2	-301.3	-511.4

Free cash flow

USD million	Q2 2021	Q2 2020	2021	2020	2020
Cash generated from operations	160.2	66.9	227.9	162.2	235.8
Acquisition and development costs	-60.4	-32.7	-111.2	-129.4	-207.9
Payments for decommissioning	-32.6	-7.2	-44.6	-23.9	-30.7
Free cash flow	67.2	27.0	72.1	8.9	-2.8

Equity ratio

USD	2021	2020	2020
Equity	958.8	963.8	845.6
Total assets	2,827.1	2,964.5	2,708.7
Equity ratio	33.9%	32.5%	31.2%

Marketable securities

USD million	2021	2020	2020
Financial investments	18.0	10.6	12.6
Marketable securities	18.0	10.6	12.6

Net debt

USD million	2021	2020	2020
Cash and cash equivalents including restricted cash	454.2	426.8	477.1
Bond loans and reserve based lending (Note 10)	850.4	963.3	949.6
Net cash/-debt	-396.2	-536.5	-472.5

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

Alternative performance measures (continued)

Definitions and explanations of APMs

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

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

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

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

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

Netback

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

Netback (USD/boe)

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

Lifting costs (USD/boe)

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

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 and payments for decommissioning. Management believes that this measure is useful because it provides an indication of the profitability of the Group's operating activities excluding the non-cash items of the income statement and includes operational spend. This measure also provides a helpful measure for comparing with that of other companies.

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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