

**DNO ASA**

Report

# 2020 Interim Results



## Key figures

USD million	Quarters			Full-Year	
	Q4 2020	Q3 2020	Q4 2019	2020	2019
<b>Key financials</b>					
Revenues	174.2	163.0	274.6	614.9	971.4
Gross profit	35.1	4.9	123.0	24.9	430.0
Profit/-loss from operating activities	-14.2	-208.1	44.4	-314.5	75.6
Net profit/-loss	-60.4	-122.5	50.9	-285.9	73.5
EBITDA	98.7	76.1	157.0	322.8	549.4
EBITDAX	114.1	84.8	204.9	378.8	695.8
Netback	310.3	100.6	213.9	559.1	606.3
Acquisition and development costs	51.4	27.2	112.3	207.9	407.9
Exploration expenses	15.5	8.7	47.9	55.9	146.4
<b>Production</b>					
Gross operated production (boepd)	110,176	113,742	122,795	110,282	126,985
Net production (boepd)*	92,984	97,878	105,546	95,101	104,767
<b>Key performance indicators</b>					
Lifting costs (USD/boe)	5.1	4.4	5.6	5.2	5.4
Netback (USD/boe)	36.3	11.2	22.0	16.1	16.3

\* The net 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 page 23.

## 2020 operational highlights

- Net production of 95,100 barrels of oil equivalent per day (boepd) across portfolio in 2020 (93,000 boepd in Q4), notwithstanding reduced spending to preserve cash following the market turmoil triggered by the Covid-19 pandemic
- Gross operated production from Tawke license in the Kurdistan region of Iraq averaged 110,300 barrels of oil per day (bopd) (110,200 bopd in Q4) of which 77,700 bopd net to DNO's interest (77,700 bopd in Q4)
- Non-operated North Sea assets contributed 17,400 boepd net in 2020 (15,300 boepd in Q4)
- Replaced 64 percent of the 35 million barrels of oil equivalent (mmboe) produced in 2020 and exited the year with net 2P reserves (proven plus probable) totaling 332 mmboe and 2C contingent resources (discovered but not yet committed to development) totaling 152 mmboe<sup>1</sup>
- Participated in spudding of 17 wells across portfolio in 2020 of which five in Kurdistan and balance in the North Sea
- Six of which were exploration wells resulting in three exciting discoveries, two in Norway (Bergknapp and Røver Nord) and one in Kurdistan (Zartik)

## 2020 financial highlights

- 2020 revenues of USD 615 million (USD 174 million in Q4) down about one-third from 2019 following oil and gas price crash early in the year
- Lower revenues and non-cash impairments led to net loss of USD 286 million in 2020 (net loss of USD 60 million in Q4)
- USD 236 million in North Sea tax refunds contributed to solid 2020 netback at USD 559 million (USD 310 million in Q4)

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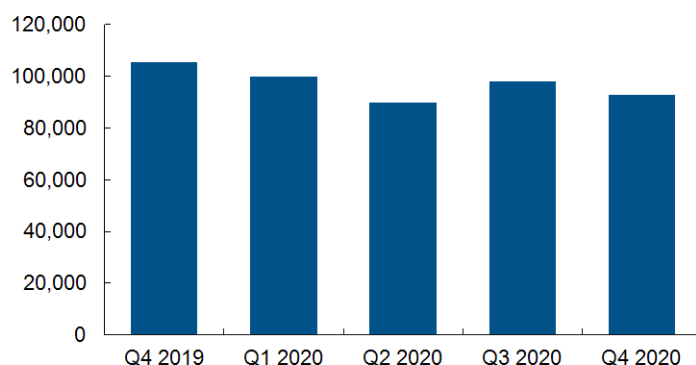
<sup>1</sup> Preliminary 2020 figures subject to final release

- Exited 2020 with cash balance of USD 477 million, essentially unchanged from the start of the year
- Repaid DNO01 (USD 140 million) and FAPE01 (USD 21 million) bonds
- Cancelled 108,381,415 own shares held by DNO in September, reducing number of outstanding shares by 10 percent
- In December a plan was put in place by the Kurdistan Regional Government (KRG) in respect of the Tawke license 2019 and 2020 withheld entitlement and override payments (USD 259 million DNO share) such that if Brent prices exceed USD 50 per barrel in any month, one-half of the incremental revenue will be paid by the KRG towards the withheld amounts

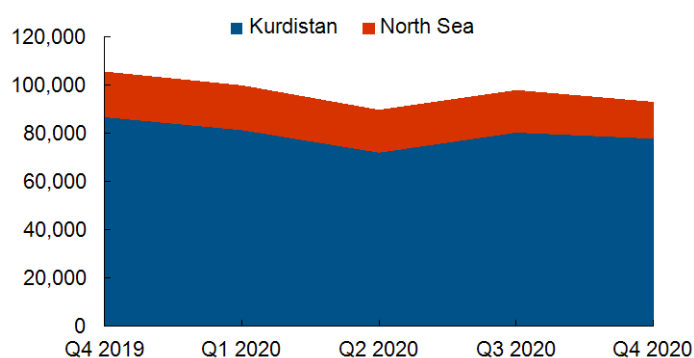
# Operational review

## Production

### Quarterly net production (boepd)



### Net production by segment (boepd)



Gross operated production averaged 110,176 boepd during the fourth quarter, compared to 113,742 boepd in the previous quarter.

Net production during the fourth quarter stood at 92,984 boepd, compared to 97,878 boepd in the previous quarter. In Kurdistan, net production averaged 77,674 boepd, down from 80,188 boepd in the previous quarter. Net production from the North Sea averaged 15,309 boepd, down from 17,690 boepd in the previous quarter.

Net entitlement (NE) production averaged 48,727 boepd during the fourth quarter, up from 48,364 boepd in the previous quarter.

### Gross operated production

boepd	Quarters			Full-Year	
	Q4 2020	Q3 2020	Q4 2019	2020	2019
Kurdistan	110,176	113,742	122,795	110,282	123,940
North Sea	-	-	-	-	2,999
Oman	-	-	-	-	46
<b>Total</b>	<b>110,176</b>	<b>113,742</b>	<b>122,795</b>	<b>110,282</b>	<b>126,985</b>

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

### Net production

boepd	Quarters			Full-Year	
	Q4 2020	Q3 2020	Q4 2019	2020	2019
Kurdistan	77,674	80,188	86,570	77,749	87,378
North Sea	15,309	17,690	18,975	17,352	17,368
Oman	-	-	-	-	21
<b>Total</b>	<b>92,984</b>	<b>97,878</b>	<b>105,546</b>	<b>95,101</b>	<b>104,767</b>

The North Sea net 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			Full-Year	
	Q4 2020	Q3 2020	Q4 2019	2020	2019
Kurdistan	33,417	30,674	41,532	36,257	38,373
North Sea	15,309	17,690	18,975	17,352	17,368
Oman	-	-	-	-	10
<b>Total</b>	<b>48,727</b>	<b>48,364</b>	<b>60,507</b>	<b>53,609</b>	<b>55,752</b>

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

# Activity overview

## Kurdistan region of Iraq

### Tawke license

Gross production from the Tawke license, containing the Tawke and Peshkabir fields, averaged 110,176 bopd during the fourth quarter of 2020 (113,742 bopd in Q3 2020). Tawke field contributed 53,859 bopd (56,883 in Q3 2020) and Peshkabir field contributed 56,317 bopd (56,859 in Q3 2020) during this period.

DNO halted all drilling on Tawke license in the second quarter of 2020. In June 2020, DNO fast tracked Tawke license well intervention campaign following stabilization of oil prices and export payments, quickly adding incremental volumes.

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 and CO<sub>2</sub> emissions at Peshkabir. In the second half of 2020, DNO captured, piped and reinjected 2.4 billion cubic feet (bcf) of Peshkabir field gas, which otherwise would have been flared, into the Tawke field for pressure maintenance, leading to an estimated 200,000 barrels of incremental oil recovery.

Four development wells were spud in the license in 2020.

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

### Baeshiqa license

In July 2020, the Company completed drilling of Zartik-1, the third exploration well on the Baeshiqa license on a separate structure around 15 kilometers southeast of the Baeshiqa-2 discovery well. The well testing is completed, confirming hydrocarbons to surface from several Jurassic zones, with one zone flowing naturally at rates averaging over 2,000 bopd of medium gravity oil.

DNO holds a 32 percent operated interest in the Baeshiqa license. Partners include ExxonMobil with 32 percent, TEC with 16 percent and the Kurdistan Regional Government (KRG) with 20 percent. In February 2021, the Company announced the acquisition of ExxonMobil's remaining interest, subject to government approval.

## North Sea

Net production averaged 15,309 boepd in the North Sea during the fourth quarter of 2020 (17,690 boepd in Q3 2020), of which 14,559 boepd was in Norway and 750 boepd in the United Kingdom (UK) (16,774 boepd and 916 boepd in Q3 2020).

The Company has diversified production across 11 fields of which nine are in Norway and three in the UK.

Temporary Norwegian petroleum tax incentives are driving stepped-up investment plans. The Company is moving toward concept selection for the Brasse field, actively evaluating Iris/Hades, Røver Nord, Alve Gjøk, Orion/Syrah and Trym South discoveries for project sanction in 2022 and accelerating infill drilling at Ula, Tambar and Brage producing fields in 2021.

In the North Sea, 12 wells were spud by yearend 2020, including five exploration wells and seven development wells, all in Norway. Four wells were permanently plugged and abandoned in the UK. The appraisal of Bergknapp discovery, among Norway's largest discoveries in 2020, is scheduled for Q2 2021. Røver Nord, which was the last exploration well spud in 2020, yielded a significant discovery announced in early 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 fourth quarter stood at USD 174.2 million, up from USD 163.0 million in the previous quarter. Kurdistan generated revenues of USD 95.8 million (USD 84.9 million in the previous quarter), while the North Sea generated revenues of USD 78.4 million (USD 78.1 million in the previous quarter). The increase in revenues compared to the previous quarter was primarily driven by improved oil prices.

The Group reported an operating loss of USD 14.2 million in the fourth quarter, compared to an operating loss of USD 208.1 million in the previous quarter. The improvement in the operating result in the fourth quarter compared to the previous quarter was primarily driven by higher revenues from improved oil prices, lower cost of goods sold and lower impairments.

The Group ended the quarter with a cash balance of USD 477.1 million and USD 472.5 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 fourth quarter, the cost of goods sold stood at USD 139.1 million, compared to USD 158.1 million in the previous quarter. The decrease in cost of goods sold compared to the previous quarter was mainly due to lower cost adjustment from change in the North Sea net underlift positions.

### Lifting costs

Lifting costs stood at USD 43.5 million in the fourth quarter, compared to USD 39.4 million in the previous quarter. In Kurdistan, the average lifting cost during the fourth quarter stood at USD 4.0 per barrel of oil equivalent (boe). The increase in the average lifting cost per barrel compared to the previous quarter (USD 2.5 per barrel) was mainly due to higher workover activities in the Tawke license. In the North Sea, the average lifting cost during the fourth quarter stood at USD 10.5 per boe.

USD million	Quarters			Full-Year	
	Q4 2020	Q3 2020	Q4 2019	2020	2019
Kurdistan	28.8	18.7	26.6	94.5	106.7
North Sea	14.8	20.7	27.1	86.6	92.4
Other	-	-	0.3	-	-
<b>Total</b>	<b>43.5</b>	<b>39.4</b>	<b>54.1</b>	<b>181.1</b>	<b>199.1</b>

(USD/boe)	Quarters			Full-Year	
	Q4 2020	Q3 2020	Q4 2019	2020	2019
Kurdistan	4.0	2.5	3.3	3.3	3.3
North Sea	10.5	12.7	15.6	13.6	17.7
<b>Average</b>	<b>5.1</b>	<b>4.4</b>	<b>5.6</b>	<b>5.2</b>	<b>5.4</b>

### Depreciation, depletion and amortization (DD&A)

DD&A from the Group's oil and gas production assets amounted to USD 77.4 million in the fourth quarter compared to USD 79.4 million in the previous quarter.

USD million	Quarters			Full-Year	
	Q4 2020	Q3 2020	Q4 2019	2020	2019
Kurdistan	52.8	48.5	59.4	234.9	217.6
North Sea	24.6	31.0	28.2	116.3	89.2
<b>Total</b>	<b>77.4</b>	<b>79.4</b>	<b>87.6</b>	<b>351.2</b>	<b>306.8</b>

(USD/boe)	Quarters			Full-Year	
	Q4 2020	Q3 2020	Q4 2019	2020	2019
Kurdistan	17.2	17.2	15.5	17.7	15.5
North Sea	17.5	19.0	16.1	18.3	17.1
<b>Average</b>	<b>17.3</b>	<b>17.8</b>	<b>15.7</b>	<b>17.9</b>	<b>16.0</b>

### Exploration costs expensed

Exploration costs expensed of USD 15.5 million in the fourth quarter were mainly related to exploration activities in the North Sea.

USD million	Quarters			Full-Year	
	Q4 2020	Q3 2020	Q4 2019	2020	2019
Kurdistan	0.6	0.4	0.6	1.6	2.1
North Sea	14.8	8.3	47.3	54.4	144.6
Other	-	-	-	-	-0.2
<b>Total</b>	<b>15.5</b>	<b>8.7</b>	<b>47.9</b>	<b>55.9</b>	<b>146.4</b>

### Acquisition and development costs

Acquisition and development costs stood at USD 51.4 million in the fourth quarter, of which USD 21.0 million was in Kurdistan and USD 30.2 million in the North Sea.

USD million	Quarters			Full-Year	
	Q4 2020	Q3 2020	Q4 2019	2020	2019
Kurdistan	21.0	8.6	73.6	92.6	235.6
North Sea	30.2	18.6	38.2	114.5	170.0
Other	0.1	-	0.5	0.9	2.4
<b>Total</b>	<b>51.4</b>	<b>27.2</b>	<b>112.3</b>	<b>207.9</b>	<b>407.9</b>

## Consolidated statements of comprehensive income

(unaudited, in USD million)	Note	Quarters		Full-Year	
		Q4 2020	Q4 2019	2020	2019
Revenues	2,3	174.2	274.6	614.9	971.4
Cost of goods sold	4	-139.1	-151.7	-590.0	-541.4
<b>Gross profit</b>		<b>35.1</b>	<b>123.0</b>	<b>24.9</b>	<b>430.0</b>
Other income/-expenses		-0.2	-	-	-0.5
Administrative expenses		0.5	-6.1	-4.8	-26.1
Other operating expenses		-1.0	-0.9	-2.7	-19.3
Impairment oil and gas assets	7	-33.0	-23.7	-276.0	-162.0
Exploration expenses	5	-15.5	-47.9	-55.9	-146.4
<b>Profit/-loss from operating activities</b>		<b>-14.2</b>	<b>44.4</b>	<b>-314.5</b>	<b>75.6</b>
Financial income		14.7	6.2	19.8	9.6
Financial expenses	9,10	-39.0	-31.8	-131.0	-133.1
<b>Profit/-loss before income tax</b>		<b>-38.5</b>	<b>18.8</b>	<b>-425.8</b>	<b>-47.8</b>
Tax income/-expense	6	-21.9	32.1	139.8	121.3
<b>Net profit/-loss</b>		<b>-60.4</b>	<b>50.9</b>	<b>-285.9</b>	<b>73.5</b>
<b>Other comprehensive income</b>					
Currency translation differences		43.3	18.5	-3.6	-27.0
<b>Items that may be reclassified to profit or loss in later periods</b>		<b>43.3</b>	<b>18.5</b>	<b>-3.6</b>	<b>-27.0</b>
Net fair value changes from financial instruments	8	3.7	1.6	-8.4	25.8
<b>Items that are not reclassified to profit or loss in later periods</b>		<b>3.7</b>	<b>1.6</b>	<b>-8.4</b>	<b>25.8</b>
<b>Total other comprehensive income, net of tax</b>		<b>47.0</b>	<b>20.0</b>	<b>-12.0</b>	<b>-1.2</b>
<b>Total comprehensive income, net of tax</b>		<b>-13.4</b>	<b>70.9</b>	<b>-298.0</b>	<b>72.3</b>
Net profit/-loss attributable to:					
Equity holders of the parent		-60.4	50.9	-285.9	73.5
Total comprehensive income attributable to:					
Equity holders of the parent		-13.4	70.9	-298.0	72.3
Earnings per share, basic (USD per share)		-0.06	0.05	-0.29	0.07
Earnings per share, diluted (USD per share)		-0.06	0.05	-0.29	0.07
Weighted average number of shares outstanding (excluding treasury shares) (millions)		975.43	1,001.93	975.73	1,036.37



## Consolidated statements of financial position

<b>ASSETS</b>		At 31 Dec	
(unaudited, USD million)	Note	2020	2019
<b>Non-current assets</b>			
Goodwill	7	162.0	333.9
Deferred tax assets	6	47.4	63.7
Other intangible assets	7	308.6	346.6
Property, plant and equipment	7	1,174.1	1,349.5
Financial investments	8	12.6	21.0
Other non-current assets	9	182.4	-
<b>Total non-current assets</b>		<b>1,887.1</b>	<b>2,114.7</b>
<b>Current assets</b>			
Inventories	4	41.9	28.2
Trade and other receivables	9	239.6	478.5
Tax receivables	6	63.1	164.8
Cash and cash equivalents		477.1	485.7
<b>Total current assets</b>		<b>821.6</b>	<b>1,157.2</b>
<b>TOTAL ASSETS</b>		<b>2,708.7</b>	<b>3,271.9</b>
<b>EQUITY AND LIABILITIES</b>		At 31 Dec	
(unaudited, USD million)	Note	2020	2019
<b>Equity</b>			
Shareholder's equity		845.6	1,161.3
<b>Total shareholder's equity</b>		<b>845.6</b>	<b>1,161.3</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	6	178.8	217.6
Interest-bearing liabilities	10	934.2	836.0
Lease liabilities	11	13.9	11.1
Provisions for other liabilities and charges	11	440.1	422.8
<b>Total non-current liabilities</b>		<b>1,566.9</b>	<b>1,487.5</b>
<b>Current liabilities</b>			
Trade and other payables		180.3	288.9
Income tax payable	6	-	0.2
Current interest-bearing liabilities	10	-	225.6
Current lease liabilities	11	3.8	3.3
Provisions for other liabilities and charges	11	112.0	105.1
<b>Total current liabilities</b>		<b>296.1</b>	<b>623.0</b>
<b>Total liabilities</b>		<b>1,863.0</b>	<b>2,110.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,708.7</b>	<b>3,271.9</b>

# Consolidated cash flow statement

(unaudited, in USD million)	Note	Quarters		Full-Year	
		Q4 2020	Q4 2019	2020	2019
<b>Operating activities</b>					
Profit/-loss before income tax		-38.5	18.8	-425.8	-47.8
<b>Adjustments to add/-deduct non-cash items:</b>					
Exploration cost capitalized in previous years carried to cost	5	-	6.7	0.4	27.8
Depreciation, depletion and amortization	4	79.8	88.9	361.4	311.8
Impairment oil and gas assets	7	33.0	23.7	276.0	162.0
Other*		31.4	8.0	107.6	6.7
<b>Change in working capital items and provisions:</b>					
- Inventories		-2.7	-1.3	-13.7	-2.0
- Trade and other receivables	9	-27.7	-178.3	41.1	-147.4
- Trade and other payables		-7.9	49.4	-108.5	-18.1
- Provisions for other liabilities and charges		1.2	5.5	-2.7	92.5
<b>Cash generated from operations</b>		<b>68.6</b>	<b>21.3</b>	<b>235.8</b>	<b>385.3</b>
Tax refund received		211.7	56.9	236.3	56.9
Interest received		0.8	-	2.7	7.6
Interest paid		-19.8	-20.9	-85.7	-78.2
<b>Net cash from/-used in operating activities</b>		<b>261.4</b>	<b>57.3</b>	<b>389.1</b>	<b>371.5</b>
<b>Investing activities</b>					
Purchases of intangible assets		-5.3	-6.6	-45.7	-68.5
Purchases of tangible assets		-46.1	-105.7	-162.2	-339.4
Payments for decommissioning		-2.4	-9.0	-30.7	-22.6
Acquisition of Faroe Petroleum plc net of cash acquired		-	-	-	-428.7
Proceeds from license transactions		-	-	-	29.6
Proceeds from sale of financial investments		-	6.6	-	6.6
<b>Net cash from/-used in investing activities</b>		<b>-53.7</b>	<b>-114.7</b>	<b>-238.6</b>	<b>-823.0</b>
<b>Financing activities</b>					
Proceeds from borrowings net of issue costs	10	-	73.4	152.3	537.9
Repayment of borrowings	10	-102.4	-83.7	-290.3	-197.6
Purchase of treasury shares		-	-47.3	-17.8	-82.3
Paid dividend		-	-22.1	-	-46.6
Payments of lease liabilities		-1.1	-1.1	-3.4	-3.2
<b>Net cash from/-used in financing activities</b>		<b>-103.4</b>	<b>-80.8</b>	<b>-159.1</b>	<b>208.3</b>
<b>Net increase/-decrease in cash and cash equivalents</b>		<b>104.2</b>	<b>-138.2</b>	<b>-8.6</b>	<b>-243.2</b>
Cash and cash equivalents at beginning of the period		373.0	624.0	485.7	729.1
<b>Cash and cash equivalents at the end of the period</b>		<b>477.1</b>	<b>485.7</b>	<b>477.1</b>	<b>485.7</b>
Of which restricted cash		13.6	14.3	13.6	14.3

\* Includes adjustments 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		
<b>Total shareholder's equity as of 31 December 2018</b>	<b>35.0</b>	<b>247.7</b>	<b>24.7</b>	-	<b>-32.9</b>	<b>943.2</b>	<b>1,217.8</b>
Reallocation of equity*	-	-	25.8	18.7	-1.5	-43.0	-
<b>Total shareholder's equity as of 1 January 2019</b>	<b>35.0</b>	<b>247.7</b>	<b>50.5</b>	<b>18.7</b>	<b>-34.4</b>	<b>900.2</b>	<b>1,217.8</b>
Fair value changes from equity instruments	-	-	-	25.8	-	-	25.8
Currency translation differences	-	-	-	-	-27.0	-	-27.0
<b>Other comprehensive income/-loss</b>	-	-	-	<b>25.8</b>	<b>-27.0</b>	-	<b>-1.2</b>
Profit/-loss for the period	-	-	-	-	-	73.5	73.5
<b>Total comprehensive income</b>	-	-	-	<b>25.8</b>	<b>-27.0</b>	<b>73.5</b>	<b>72.3</b>
Issue of share capital	-	-	-	-	-	-	-
Purchase of treasury shares	-1.6	-	-80.7	-	-	-	-82.3
Payment of dividend	-	-	-	-	-	-46.6	-46.6
<b>Transactions with shareholders</b>	<b>-1.6</b>	-	<b>-80.7</b>	-	-	<b>-46.6</b>	<b>-129.0</b>
<b>Total shareholder's equity as of 31 December 2019</b>	<b>33.3</b>	<b>247.7</b>	<b>-30.2</b>	<b>44.5</b>	<b>-61.4</b>	<b>927.4</b>	<b>1,161.3</b>

(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		
<b>Total shareholder's equity as of 31 December 2019</b>	<b>33.3</b>	<b>247.7</b>	<b>-30.2</b>	-	<b>-36.6</b>	<b>947.0</b>	<b>1,161.3</b>
Reallocation of equity*	-	-	-	44.5	-24.8	-19.7	-
<b>Total shareholder's equity as of 1 January 2020</b>	<b>33.3</b>	<b>247.7</b>	<b>-30.2</b>	<b>44.5</b>	<b>-61.4</b>	<b>927.3</b>	<b>1,161.3</b>
Fair value changes from equity instruments	-	-	-	-8.4	-	-	-8.4
Currency translation differences	-	-	-	-	-3.6	-	-3.6
<b>Other comprehensive income/-loss</b>	-	-	-	<b>-8.4</b>	<b>-3.6</b>	-	<b>-12.0</b>
Profit/-loss for the period	-	-	-	-	-	-285.9	-285.9
<b>Total comprehensive income</b>	-	-	-	<b>-8.4</b>	<b>-3.6</b>	<b>-285.9</b>	<b>-298.0</b>
Issue of share capital	-	-	-	-	-	-	-
Purchase of treasury shares	-0.4	-	-17.3	-	-	-	-17.7
Payment of dividend	-	-	-	-	-	-	-
<b>Transactions with shareholders</b>	<b>-0.4</b>	-	<b>-17.3</b>	-	-	-	<b>-17.7</b>
<b>Total shareholder's equity as of 31 December 2020</b>	<b>32.9</b>	<b>247.7</b>	<b>-47.5</b>	<b>36.1</b>	<b>-65.0</b>	<b>641.4</b>	<b>845.6</b>

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

On 8 September 2020, the Company announced that the reduction of its registered share capital by cancellation of all 108,381,415 treasury shares, approved by shareholders at a 28 February 2020 Extraordinary General Meeting, has been completed. The Company's new registered share capital is NOK 243,858,186.50 divided on 975,432,746 shares, each with a nominal value of NOK 0.25.

# 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/liabilities do not include internal receivables/liabilities.

Fourth quarter ending 31 December 2020 USD million	Note	Kurdistan	North Sea	Other	Total reporting segments	Un-allocated/eliminated	Total Group
<b>Income statement information</b>							
Revenues	3	95.8	78.4	-	174.2	-	174.2
Inter-segment revenues		-	0.3	-	0.3	-0.4	-
Cost of goods sold	4	-82.7	-55.9	-	-138.6	-0.6	-139.1
<b>Gross profit</b>		<b>13.2</b>	<b>22.8</b>	<b>-</b>	<b>36.0</b>	<b>-1.0</b>	<b>35.1</b>
<b>Profit/-loss from operating activities</b>		<b>11.6</b>	<b>-26.3</b>	<b>-1.0</b>	<b>-15.7</b>	<b>1.5</b>	<b>-14.2</b>
Financial income/-expense (net)	9,10						-24.3
Tax income/-expense	6	-	-21.8	-	-21.8	-0.1	-21.9
<b>Net profit/-loss</b>							<b>-60.4</b>
<b>Financial position information</b>							
Non-current assets		830.5	1,031.6	-	1,862.1	25.0	1,887.1
Current assets		173.1	335.9	3.9	512.8	308.8	821.6
<b>Total assets</b>		<b>1,003.6</b>	<b>1,367.4</b>	<b>3.9</b>	<b>2,374.9</b>	<b>333.8</b>	<b>2,708.7</b>
Non-current liabilities		60.6	710.1	-	770.7	796.2	1,566.9
Current liabilities		73.9	178.8	28.9	281.6	14.5	296.1
<b>Total liabilities</b>		<b>134.5</b>	<b>888.9</b>	<b>28.9</b>	<b>1,052.3</b>	<b>810.8</b>	<b>1,863.0</b>

## Note 2 | Segment information (continued)

Fourth quarter ending 31 December 2019 USD million	Note	Kurdistan	North Sea	Other	Total reporting segment	Un- allocated/ eliminated	Total Group
<b>Income statement information</b>							
Revenues	3	191.1	83.5	-	274.6	-	274.6
Inter-segment revenues		-	-	-	-	-0.1	-
Cost of goods sold	4	-86.1	-64.3	-	-150.4	-1.3	-151.7
<b>Gross profit</b>		<b>105.0</b>	<b>19.2</b>	<b>-</b>	<b>124.2</b>	<b>-1.3</b>	<b>123.0</b>
<b>Profit/-loss from operating activities</b>		<b>107.3</b>	<b>-54.6</b>	<b>-2.8</b>	<b>49.9</b>	<b>-5.6</b>	<b>44.4</b>
Financial income/-expense (net)	10						-25.6
Tax income/-expense	6	-	28.8	-	28.8	3.3	32.1
<b>Net profit/-loss</b>							<b>50.9</b>
<b>Financial position information</b>							
Non-current assets		794.7	1,288.9	-	2,083.5	31.1	2,114.7
Current assets		345.0	406.6	5.0	756.5	400.6	1,157.2
<b>Total assets</b>		<b>1,139.6</b>	<b>1,695.5</b>	<b>5.0</b>	<b>2,840.1</b>	<b>431.8</b>	<b>3,271.9</b>
Non-current liabilities		57.7	702.4	0.3	760.3	727.2	1,487.5
Current liabilities		96.2	335.7	27.6	459.5	163.5	623.0
<b>Total liabilities</b>		<b>153.8</b>	<b>1,038.1</b>	<b>27.9</b>	<b>1,219.9</b>	<b>890.6</b>	<b>2,110.5</b>

## Note 2 | Segment information (continued)

Full-Year ending 31 December 2020 USD million	Note	Kurdistan	North Sea	Other	Total reporting segment	Un-allocated/eliminated	Total Group
<b>Income statement information</b>							
Revenues	3	369.1	245.8	-	614.9	-	614.9
Inter-segment sales		-	1.4	-	1.4	-1.4	-
Cost of goods sold	4	-334.0	-253.4	-	-587.3	-2.7	-590.0
<b>Gross profit</b>		<b>35.2</b>	<b>-6.2</b>	<b>-</b>	<b>29.0</b>	<b>-4.1</b>	<b>24.9</b>
<b>Profit/-loss from operating activities</b>		<b>31.6</b>	<b>-344.4</b>	<b>-5.4</b>	<b>-318.3</b>	<b>3.7</b>	<b>-314.5</b>
Financial income/-expense (net)	9,10						-111.2
Tax income/-expense	6	-	141.7	0.5	142.2	-2.4	139.8
<b>Net profit/-loss</b>							<b>-285.9</b>
<b>Financial position information</b>							
Non-current assets		830.5	1,031.6	-	1,862.1	25.0	1,887.1
Current assets		173.1	335.9	3.9	512.8	308.8	821.6
<b>Total assets</b>		<b>1,003.6</b>	<b>1,367.4</b>	<b>3.9</b>	<b>2,374.9</b>	<b>333.8</b>	<b>2,708.7</b>
Non-current liabilities		60.6	710.1	-	770.7	796.2	1,566.9
Current liabilities		73.9	178.8	28.9	281.6	14.5	296.1
<b>Total liabilities</b>		<b>134.5</b>	<b>888.9</b>	<b>28.9</b>	<b>1,052.3</b>	<b>810.8</b>	<b>1,863.0</b>
<b>Full-Year ending 31 December 2019</b>							
USD million	Note	Kurdistan	North Sea	Other	Total reporting segment	Un-allocated/eliminated	Total Group
<b>Income statement information</b>							
Revenues	3	717.1	253.5	0.8	971.4	-	971.4
Inter-segment sales		-	0.5	-	0.5	-0.5	-
Cost of goods sold	4	-324.9	-213.0	-	-537.9	-3.5	-541.4
<b>Gross profit</b>		<b>392.1</b>	<b>41.1</b>	<b>0.8</b>	<b>434.0</b>	<b>-4.0</b>	<b>430.0</b>
<b>Profit/-loss from operating activities</b>		<b>375.2</b>	<b>-257.4</b>	<b>-24.5</b>	<b>93.2</b>	<b>-17.6</b>	<b>75.6</b>
Financial income/-expense (net)	10						-123.5
Tax income/-expense	6	-	118.0	-	118.0	3.3	121.3
<b>Net profit/-loss</b>							<b>73.5</b>
<b>Financial position information</b>							
Non-current assets		794.7	1,288.9	-	2,083.6	31.1	2,114.7
Current assets		345.0	406.6	5.0	756.5	400.6	1,157.2
<b>Total assets</b>		<b>1,139.6</b>	<b>1,695.5</b>	<b>5.0</b>	<b>2,840.1</b>	<b>431.8</b>	<b>3,271.9</b>
Non-current liabilities		57.7	702.4	0.3	760.3	727.2	1,487.5
Current liabilities		96.2	335.7	27.6	459.5	163.5	623.0
<b>Total liabilities</b>		<b>153.8</b>	<b>1,038.1</b>	<b>27.9</b>	<b>1,219.9</b>	<b>890.6</b>	<b>2,110.5</b>

## Note 3 | Revenues

USD million	Quarters		Full-Year	
	Q4 2020	Q4 2019	2020	2019
Sale of oil	158.5	258.7	566.6	918.1
Sale of gas	12.3	9.0	27.5	36.5
Sale of natural gas liquids (NGL)	3.2	5.7	14.8	13.0
Tariff income	0.2	1.3	6.0	3.7
<b>Total revenues from contracts with customers</b>	<b>174.2</b>	<b>274.6</b>	<b>614.9</b>	<b>971.4</b>

## Note 4 | Cost of goods sold/ Inventory

USD million	Quarters		Full-Year	
	Q4 2020	Q4 2019	2020	2019
Lifting costs	-43.5	-54.1	-181.1	-199.1
Tariff and transportation expenses	-8.2	-11.9	-36.2	-37.7
<b>Production costs based on produced volumes</b>	<b>-51.8</b>	<b>-66.0</b>	<b>-217.3</b>	<b>-236.8</b>
Movement in overlift/underlift	-7.6	3.2	-11.3	7.2
<b>Production costs based on sold volumes</b>	<b>-59.3</b>	<b>-62.8</b>	<b>-228.6</b>	<b>-229.6</b>
Depreciation, depletion and amortization	-79.8	-88.9	-361.4	-311.8
<b>Total cost of goods sold</b>	<b>-139.1</b>	<b>-151.7</b>	<b>-590.0</b>	<b>-541.4</b>

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 31 Dec	
	2020	2019
Spare parts	41.9	28.2
<b>Total inventory</b>	<b>41.9</b>	<b>28.2</b>

Total inventory of USD 41.9 million as of 31 December 2020 was related to Kurdistan (USD 22.1 million) and the North Sea (USD 19.8 million). The provision for obsolete inventory in Kurdistan was USD 18.1 million as of 31 December 2020 (unchanged from yearend 2019).



## Note 5 | Exploration expenses

USD million	Quarters		Full-Year	
	Q4 2020	Q4 2019	2020	2019
Exploration expenses (G&G and field surveys)	-4.6	-2.4	-16.1	-17.6
Seismic costs	-0.2	-2.3	-2.9	-22.0
Exploration cost capitalized in previous years carried to cost	-	-6.7	-0.4	-27.8
Exploration costs capitalized this year carried to cost	-5.9	-25.6	-17.1	-47.9
Other exploration cost expensed	-4.7	-10.9	-19.5	-31.2
<b>Total exploration expenses</b>	<b>-15.5</b>	<b>-47.9</b>	<b>-55.9</b>	<b>-146.4</b>

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

## Note 6 | Income taxes

USD million	Quarters		Full-Year	
	Q4 2020	Q4 2019	2020	2019
<b>Tax income/-expense</b>				
Change in deferred taxes	-38.0	23.0	11.1	6.8
Income tax receivable/-payable	16.1	9.1	128.8	114.5
<b>Total tax income/-expense</b>	<b>-21.9</b>	<b>32.1</b>	<b>139.8</b>	<b>121.3</b>

USD million	At 31 Dec	
	2020	2019
<b>Income tax receivable/-payable</b>		
Tax receivables (current)	63.1	164.8
Income tax payable	-	-0.2
<b>Net tax receivable/-payable</b>	<b>63.1</b>	<b>164.5</b>
<b>Deferred tax assets/-liabilities</b>		
Deferred tax assets	47.4	63.7
Deferred tax liabilities	-178.8	-217.6
<b>Net deferred tax assets/-liabilities</b>	<b>-131.4</b>	<b>-153.9</b>

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 is delivered within 31 December 2022 and approved within 31 December 2023. The tax effects of these changes were 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 tax value of incurred losses on the NCS for 2020 (USD 47.6 million) and decommissioning tax refund on the UKCS (USD 15.5 million). During 2020, DNO has received tax refunds of USD 226.5 million in Norway and USD 9.8 million in the UK. The refund of tax losses in 2020 on the NCS is paid out in six instalments every two months. The first three instalments were received in the second half of 2020 and the remaining three instalments of USD 15.9 million each will be received in the first half of 2021. The decommissioning tax refund on the UKCS is expected during Q3 2021.

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		Full-Year	
	Q4 2020	Q4 2019	2020	2019
Additions of other intangible assets	5.3	6.6	45.7	68.8
Additions of other intangible assets through business combinations	-	-4.7	-	268.1
Additions of PP&E	56.4	116.9	192.1	386.0
Additions of PP&E through business combinations	-	-7.0	-	704.5
Additions of RoU assets	1.1	3.0	7.0	15.7
Additions of RoU assets through business combinations	-	-	-	2.0
Impairment oil and gas assets	-33.0	-23.7	-276.0	-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 fourth quarter of 2020, a total impairment charge of USD 33.0 million (USD 33.7 million post-tax) as part of the annual impairment testing of goodwill and was entirely related to the North Sea, mainly triggered by updated production profiles following update in the Norwegian Revised National Budget (RNB) 2021; USD 23.4 million was related to an impairment of technical goodwill (with no tax impact) on the Ringhorne East field triggered by updated production profiles; USD 6.7 million was related to an impairment of technical goodwill (with no tax impact) on the Brage field; USD 5.2 million was related to an impairment of technical goodwill (with no tax impact) on the Trym field; and USD 2.3 million was related to a partial reversal of impairment charges related to other CGUs following the annual revision in the cost estimate for decommissioning.

Fourth quarter ending 31 December 2020 (in USD million)	Recoverable amount	Impairment -charge/ reversal (pre-tax)	Goodwill	Allocated as follows:				Impairment -charge/ reversal (post-tax)
				Other intangible assets	Property, plant and equipment	Asset retirement obligations	Tax income/ -expense	
Ringhorne East, North Sea	13.3	-23.4	-23.9	-	-	-	-	-23.4
Brage, North Sea	25.6	-6.7	-6.8	-	-	-	-	-6.7
Trym, North Sea	13.6	-5.2	-5.3	-	-	-	-	-5.2
Other CGUs, North Sea	-	2.3	-	-	-	2.3	-0.6	1.7
<b>Total</b>	<b>52.5</b>	<b>-33.0</b>	<b>-36.1</b>	<b>-</b>	<b>-</b>	<b>2.3</b>	<b>-0.6</b>	<b>-33.7</b>

The table above shows the allocation of impairment charges and/or reversals in the income statement and balance sheet. Differences are related to currency translation effects.

The future Brent oil price is a key assumption in the impairment assessments and has significant impact on the recoverable amount of the Group's assets. In the impairment tests, the Brent oil price assumptions were based on the forward curve for 2021 (USD 52.8 per barrel) and observable broker and analyst consensus (2022: USD 59.1, 2023: USD 59.1 and 2024: USD 64.7 per barrel in nominal terms). From 2025, the Brent oil price was based on the Group's long-term price assumptions (USD 65.0 per barrel, real terms). Sensitivity analysis shows that a 15 percent decrease in the oil and gas price forecasts over the lifetime of the Group's assets would lead to an estimated additional impairment charge of USD 73 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.

The post-tax nominal discount rates (WACC) applied in the impairment tests were 7.6 percent for the NCS assets and 7.8 percent for the UKCS assets.

## 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		Full-Year	
	Q4 2020	Q4 2019	2020	2019
Beginning of the period	8.9	26.1	21.0	230.8
Additions	-	-	-	226.3
Fair value changes through other comprehensive income (FVTOCI)	3.7	1.6	-8.4	25.8
Disposal	-	-6.6	-	-461.8
<b>Total financial investments end of the period</b>	<b>12.6</b>	<b>21.0</b>	<b>12.6</b>	<b>21.0</b>

Financial investments include the following:

USD million	At 31 Dec	
	2020	2019
<b>Listed securities:</b>		
RAK Petroleum plc	12.6	21.0
Panoro Energy ASA	-	-
<b>Total financial investments</b>	<b>12.6</b>	<b>21.0</b>

As of 31 December 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 44.94 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 | Other non-current assets/ Trade and other receivables

USD million	At 31 Dec	
	2020	2019
Trade debtors (non-current portion)	182.0	-
Other long-term assets	0.4	-
<b>Total other non-current assets</b>	<b>182.4</b>	<b>-</b>
Trade debtors	96.2	301.1
Underlift	27.4	37.6
Other short-term receivables	115.9	139.8
<b>Total trade and other receivables</b>	<b>239.6</b>	<b>478.5</b>

Total trade debtors of USD 278.2 million as of 31 December 2020 relate mainly to outstanding past due entitlement invoices (total of USD 212.2 million for the period of November 2019-February 2020) and override invoices (total of USD 46.8 million for the period of November 2019-December 2020) of total USD 259.0 million from the Tawke license in Kurdistan. In December a plan was put in place by the KRG in respect of the Tawke license 2019 and 2020 withheld entitlement and override payments such that if Brent prices exceed USD 50 per barrel in any month, one-half of the incremental revenue will be paid by the KRG towards the withheld amounts. The Company expects at a minimum to recover the full nominal value of these receivables and discussions continue to further improve the terms of recovery of the arrears, including but not limited to interest payments. Due to the IFRS 9 *Financial instruments* requirement to incorporate the time value effects of expected cash flows, the Company has reduced the book value of the receivables by USD 16.0 million, which is recognized as other financial expense. In addition, USD 182.0 million was reclassified from short-term to non-current receivables.

Since the reporting date, DNO has received full payment for December 2020 entitlement invoice (USD 32.5 million) which was also included in the total trade debtors as of 31 December 2020.

The underlift receivable of USD 27.4 million as of 31 December 2020 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 31 Dec	
						2020	2019
<b>Non-current</b>							
Bond loan (ISIN NO0010823347)	DNO02	USD	400.0	8.75%	31/05/23	400.0	400.0
Bond loan (ISIN NO0010852643)	DNO03	USD	400.0	8.375 %	29/05/24	400.0	400.0
Bond loan (ISIN NO0010811268)	FAPE01	USD	-	8.00%	-	-	21.2
Capitalized borrowing issue costs						-15.4	-23.0
Reserve based lending facility		USD	350.0	see below	see below	149.6	37.8
<b>Total non-current interest-bearing liabilities</b>						<b>934.2</b>	<b>836.0</b>
<b>Current</b>							
Bond loan (ISIN NO0010740392)	DNO01	USD	-	8.75%	-	-	140.0
Exploration financing facility		NOK	250.0	see below	see below	-	85.6
<b>Total current interest-bearing liabilities</b>						<b>-</b>	<b>225.6</b>
<b>Total interest-bearing liabilities</b>						<b>934.2</b>	<b>1,061.6</b>

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

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

USD million	At 1 Jan 2019	Cash flows	Non-cash changes			At 31 Dec 2019
			Amortization	Currency	Acquisition	
Bond loans	600.0	261.2	-	-	100.0	961.2
Borrowing issue costs	-24.3	-8.6	9.9	-	-	-23.0
Reserve based lending facility	-	37.4	-	0.4	-	37.8
Exploration financing facility	18.4	50.3	-	-0.9	17.7	85.6
<b>Total</b>	<b>594.1</b>	<b>340.3</b>	<b>9.9</b>	<b>-0.5</b>	<b>117.7</b>	<b>1,061.6</b>

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

During 2020, DNO ASA acquired USD 14.2 million of FAPE01 bonds at a price range of 104.00 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 and the remaining FAPE01 bonds of USD 7.0 million were redeemed on 18 December 2020 at a price of 103.2 percent plus accrued interest.

## Note 10 | Interest-bearing liabilities (continued)

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. 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 enroll in the new scheme with refund of tax losses every two months, see Note 6. Draw downs on the EFF in relation to spend in 2019 and 2020 were repaid during 2020.

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. The borrowing base amount of the facility as of 1 Jan 2021 is USD 242 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 93.1 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 31 Dec	
	2020	2019
<b>Non-current</b>		
Asset retirement obligations (ARO)	436.6	415.7
Other long-term provisions and charges	3.4	7.1
Lease liabilities	13.9	11.1
<b>Total non-current provisions for other liabilities and charges and lease liabilities</b>	<b>453.9</b>	<b>433.9</b>
<b>Current</b>		
Asset retirement obligations (ARO)	86.7	77.1
Other provisions and charges	25.3	27.9
Current lease liabilities	3.8	3.3
<b>Total current provisions for other liabilities and charges and lease liabilities</b>	<b>115.8</b>	<b>108.4</b>
<b>Total provisions for other liabilities and charges and lease liabilities</b>	<b>569.7</b>	<b>542.3</b>

### 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.

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

USD million	At 31 Dec	
	2020	2019
Within one year	4.7	4.4
Two to five years	13.8	13.0
After five years	1.1	-
<b>Total undiscounted lease liabilities end of the period</b>	<b>19.6</b>	<b>17.5</b>

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

## Note 12 | Subsequent events

### **DNO receives 10 awards in Norway's APA licensing round**

On 19 January 2021, DNO announced that its wholly-owned subsidiary DNO Norge AS has been awarded participation in 10 exploration licenses, of which four are operatorships, under Norway's Awards in Predefined Areas (APA) 2020 licensing round. Of the 10 new licenses, six are in the North Sea and four in the Norwegian Sea. Prior to the announcement, DNO held interests in 76 licenses offshore Norway, of which 19 are operated by the Company.

### **Export payments from Kurdistan**

On 28 January 2021, DNO received USD 43.1 million for December 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.

### **DNO North Sea exploration gains traction with latest discovery**

On 5 February 2021, DNO announced an oil and gas discovery on the Røver Nord prospect in the Norwegian North Sea license PL923 in which the DNO holds a 20 percent interest. Preliminary estimates of gross recoverable resources are in the range of 45-70 million barrels of oil equivalent (mmboe), well above pre-drill estimates. The partners are considering fast-track development of the discovery with tie-back to nearby Troll area infrastructure, as well as additional drilling to test other identified prospects on the license. The partners in license PL923, in addition to the Company's wholly-owned subsidiary DNO Norge AS, include Equinor ASA as operator with 40 percent and Petoro AS and Wellesley Petroleum AS with 20 percent each.

## 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		Full-Year	
	Q4 2020	Q4 2019	2020	2019
Revenues	174.2	274.6	614.9	971.4
Lifting costs	-43.5	-54.1	-181.1	-199.1
Tariffs and transportation	-8.2	-11.9	-36.2	-37.7
Movement in overlift/underlift	-7.6	3.2	-11.3	7.2
Exploration expenses	-15.5	-47.9	-55.9	-146.4
Administrative expenses	0.5	-6.1	-4.8	-26.1
Other operating income/expenses	-1.2	-0.9	-2.7	-19.8
<b>EBITDA</b>	<b>98.7</b>	<b>157.0</b>	<b>322.8</b>	<b>549.4</b>

### EBITDAX

USD million	Q4 2020	Q4 2019	2020	2019
EBITDA	98.7	157.0	322.8	549.4
Exploration expenses	15.5	47.9	55.9	146.4
<b>EBITDAX</b>	<b>114.2</b>	<b>204.9</b>	<b>378.8</b>	<b>695.8</b>

### Netback

USD million	Q4 2020	Q4 2019	2020	2019
EBITDA	98.7	157.0	322.8	549.4
Taxes received/-paid	211.7	56.9	236.3	56.9
<b>Netback</b>	<b>310.4</b>	<b>213.9</b>	<b>559.1</b>	<b>606.3</b>
	<b>Q4 2020</b>	<b>Q4 2019</b>	<b>2020</b>	<b>2019</b>
Netback (USD million)	310.4	213.9	559.1	606.3
Net production (MMboe)*	8.6	9.7	34.8	37.1
<b>Netback (USD/boe)</b>	<b>36.3</b>	<b>22.0</b>	<b>16.1</b>	<b>16.3</b>

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

### Lifting costs

	Q4 2020	Q4 2019	2020	2019
Lifting costs (USD million)	-43.5	-54.1	-181.1	-199.1
Net production (MMboe)*	8.6	9.7	34.8	37.1
<b>Lifting costs (USD/boe)</b>	<b>5.1</b>	<b>5.6</b>	<b>5.2</b>	<b>5.4</b>

\* See comment above under Netback.

## Alternative performance measures (continued)

### Acquisition and development costs

USD million	Quarters		Full-Year	
	Q4 2020	Q4 2019	2020	2019
Purchases of intangible assets	-5.3	-6.6	-45.7	-68.5
Purchases of tangible assets	-46.1	-105.7	-162.2	-339.4
<b>Acquisition and development costs*</b>	<b>-51.4</b>	<b>-112.3</b>	<b>-207.9</b>	<b>-407.9</b>

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

### Operational spend

USD million	Q4 2020	Q4 2019	2020	2019
Lifting costs	-43.5	-54.1	-181.1	-199.1
Tariff and transportation expenses*	-8.2	-11.9	-36.2	-37.7
Exploration expenses	-15.5	-47.9	-55.9	-146.4
Exploration costs capitalized in previous years carried to cost (Note 5)*	-	6.7	0.4	27.8
Acquisition and development costs	-51.4	-112.3	-207.9	-407.9
Payments for decommissioning*	-2.4	-9.0	-30.7	-22.6
<b>Operational spend</b>	<b>-121.0</b>	<b>-228.5</b>	<b>-511.4</b>	<b>-786.0</b>

\* 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	Q4 2020	Q4 2019	2020	2019
Cash generated from operations	68.6	21.3	235.8	385.3
Acquisition and development costs	-51.4	-112.3	-207.9	-407.9
Payments for decommissioning	-2.4	-9.0	-30.7	-22.6
<b>Free cash flow</b>	<b>14.8</b>	<b>-100.0</b>	<b>-2.8</b>	<b>-45.2</b>

### Equity ratio

USD		2020	2019
Equity		845.6	1,161.3
Total assets		2,708.7	3,271.9
<b>Equity ratio</b>		<b>31.2%</b>	<b>35.5%</b>

### Marketable securities

USD million		2020	2019
Financial investments		12.6	21.0
Treasury shares*		-	123.5
<b>Marketable securities</b>		<b>12.6</b>	<b>144.5</b>

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

### Net debt

USD million		2020	2019
Cash and cash equivalents including restricted cash		477.1	485.7
Bond loans and reserve based lending (Note 10)		949.6	999.0
<b>Net cash/-debt</b>		<b>-472.5</b>	<b>-513.3</b>

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.



the 1990s, the number of people in the UK who are employed in the public sector has increased from 10.5 million to 12.5 million, and the number of people in the public sector who are employed in health care has increased from 2.5 million to 3.5 million (Department of Health 2000).

There are a number of reasons for the increase in the number of people employed in the public sector. One reason is that the public sector has become a more important part of the economy. Another reason is that the public sector has become a more attractive place to work. A third reason is that the public sector has become a more important part of the welfare state.

The increase in the number of people employed in the public sector has led to a number of changes in the way that the public sector is organized. One change is that the public sector has become more decentralized. Another change is that the public sector has become more competitive. A third change is that the public sector has become more customer-oriented.

The changes in the way that the public sector is organized have led to a number of challenges for the public sector. One challenge is that the public sector has become more complex. Another challenge is that the public sector has become more expensive. A third challenge is that the public sector has become more difficult to manage.

The challenges that the public sector faces are a result of the changes in the way that the public sector is organized. The public sector must find ways to deal with these challenges if it is to continue to provide the services that it is expected to provide.

One way that the public sector can deal with these challenges is by increasing efficiency. Another way is by increasing transparency. A third way is by increasing accountability.

The public sector must find ways to deal with these challenges if it is to continue to provide the services that it is expected to provide. The public sector must be able to provide the services that it is expected to provide in a way that is efficient, transparent, and accountable.

The public sector must be able to provide the services that it is expected to provide in a way that is efficient, transparent, and accountable. The public sector must be able to provide the services that it is expected to provide in a way that is efficient, transparent, and accountable.

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