

DNO ASA
Interim Results
First Quarter 2021



Cover photo: Erecting 40 meter communication towers at Tawke and Peshkibir fields, Kurdistan region of Iraq

Key figures

USD million	Quarters			Full-Year
	Q1 2021	Q4 2020	Q1 2020	2020
Key financials				
Revenues	169.8	174.2	205.6	614.9
Gross profit	84.0	35.1	38.4	24.9
Profit/-loss from operating activities	66.3	-14.2	-11.5	-314.5
Net profit/-loss	51.5	-60.4	-39.4	-285.9
EBITDA	119.3	98.7	135.1	322.8
EBITDAX	129.8	114.1	149.9	378.8
Netback	134.5	310.3	135.1	559.1
Acquisition and development costs	50.8	51.4	96.7	207.9
Exploration expenses	10.5	15.5	14.8	55.9
Production				
Gross operated production (boepd)	111,985	110,176	115,207	110,282
Net production (boepd)	99,162	97,942	105,042	100,063
Key performance indicators				
Lifting costs (USD/boe)	4.9	4.8	5.2	4.9
Netback (USD/boe)	15.1	34.4	14.1	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. For more details, see the section on operational review.

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

Corporate overview

Return to profitability

- DNO returned to profitability during the first quarter of 2021, reporting operating profit of USD 66 million
- First quarterly operating profit since the onset of the pandemic, driven by solid production, cost optimizations and higher oil prices
- Stepped up spend in Kurdistan in Q1 2021 with drilling of new wells and workover of existing ones, raising net production to 99,200 barrels of oil equivalent per day (boepd) across portfolio
- Regularization of payments in Kurdistan, including payments towards 2019 and 2020 arrears, rapidly increasing cash flow
- Which combined with significant cash position of USD 477 million at end Q1 2021 provides window to reduce debt

Projecting high activity

- In Kurdistan, 12 Tawke license wells budgeted in 2021, of which nine in Tawke field and three in Peshkabir field
- Following a strong first quarter, guiding full-year 2021 gross operated Tawke license production of 110,000 barrels of oil per day (bopd)
- Barring pandemic derailing of global economic activity, plan full year operational spend of USD 700 million
- Active drilling program in the North Sea with five exploration and eight development wells during the balance of 2021
- DNO is a 50-year-old oil exploration and production company long committed, by choice, to industry leading ethical practices, contributions to societal advancement and a light environmental footprint

Q1 2021 operational highlights

- Gross operated Tawke license production averaged 112,000 bopd in Q1 2021 (110,200 bopd in Q4 2020) of which 84,000 bopd net to DNO's interest (82,600 bopd in Q4 2020)
- North Sea assets contributed another 15,200 boepd in Q1 2021 (15,300 boepd in Q4 2020)
- Totaling net production of 99,200 boepd in Q1 2021, up from 97,900 boepd in Q4 2020
- Tawke license outperformed expectations in Q1 2021 notwithstanding limited 2020 drilling following onset of pandemic
- Fourth injector well expands Peshkabir-to-Tawke gas capture and reinjection project
- DNO had 94 licenses across its portfolio at end Q1 2021 (25 operated), of which two in Kurdistan, 75 in Norway, 13 in the United Kingdom (UK), two in the Netherlands, one in Ireland and one in Yemen

Q1 2021 financial highlights

- Q1 2021 revenues of USD 170 million, slightly down from USD 174 million in Q4 2020 due to lower North Sea cargo liftings
- USD 66 million operating profit in Q1 2021, reversing operating losses in previous four quarters
- In Q1 2021, Kurdistan initiated principal payments towards Tawke license 2019 and 2020 withheld entitlement and override amounts which totaled USD 259 million net to DNO at yearend 2020
- USD 75 million received from Kurdistan in Q1 2021 (entitlement USD 64.4 million, override USD 4.3 million and USD 6.2 million towards arrears), plus USD 54 million following end of quarter (entitlement USD 35.2 million, override USD 4.6 million and USD 14.2 million towards

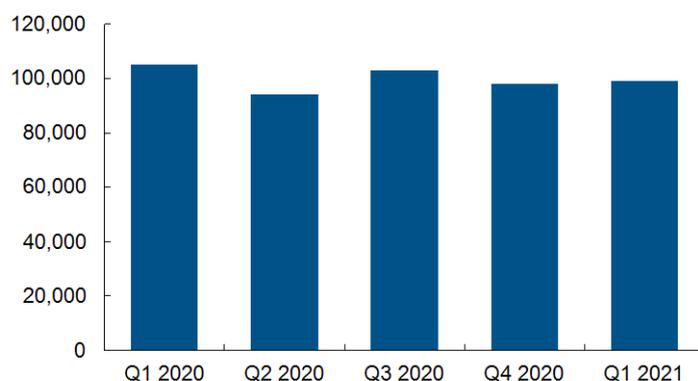
arrears)

- Exited Q1 2021 with cash balance of USD 477 million and USD 239 million in remaining Kurdistan arrears obligations
- Exercised call option to retire USD 100 million in bond debt on 1 June 2021 of the USD 400 million DNO02 bond

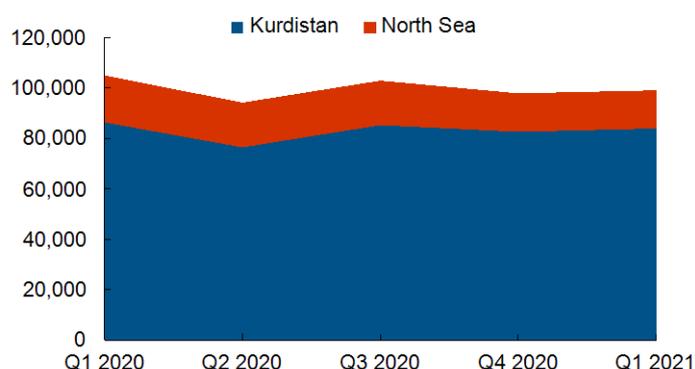
Operational review

Production

Quarterly net production (boepd)



Net production by segment (boepd)



Gross operated production averaged 111,985 bopd during the first quarter, compared to 110,176 bopd in the previous quarter.

The Company has historically reported its net production and reserves from licenses governed by PSCs/PSAs on a Company Working Interest (CWI) basis, which was calculated after royalty and included DNO's additional share of cost oil covering its advances towards the government carried interest. In the Tawke license in Kurdistan, the CWI figures also included production and reserves attributable to the additional three percent of gross license revenues under the August 2017 receivables settlement agreement with the Kurdistan Regional Government (KRG). Effective Q1 2021, the Company reports its net production based on its percentage ownership in the license. The main reason for the change is to improve comparability with peer companies and to show the Company's share of production before government take. Comparison figures have been updated.

Net production during the first quarter stood at 99,162 boepd, compared to 97,942 boepd in the previous quarter. In Kurdistan, net production averaged 83,989 bopd, up from 82,632 bopd in the previous quarter. Net production from the North Sea averaged 15,173 boepd, compared to 15,309 boepd in the previous quarter.

Net entitlement (NE) production averaged 43,766 boepd during the first quarter, down from 48,727 boepd in the previous quarter.

Gross operated production

boepd	Q1 2021	Quarters		Full-Year
		Q4 2020	Q1 2020	2020
Kurdistan	111,985	110,176	115,207	110,282
North Sea	-	-	-	-
Total	111,985	110,176	115,207	110,282

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

Net production

boepd	Q1 2021	Quarters		Full-Year
		Q4 2020	Q1 2020	2020
Kurdistan	83,989	82,632	86,405	82,711
North Sea	15,173	15,309	18,636	17,352
Total	99,162	97,942	105,042	100,063

Net entitlement (NE) production

boepd	Q1 2021	Quarters		Full-Year
		Q4 2020	Q1 2020	2020
Kurdistan	28,593	33,417	41,730	36,257
North Sea	15,173	15,309	18,636	17,352
Total	43,766	48,727	60,366	53,609

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

Activity overview

Kurdistan region of Iraq

Tawke license

Gross production from the Tawke license, containing the Tawke and Peshkabir fields, averaged 111,985 bopd during the first quarter of 2021 (110,176 bopd in Q4 2020). Peshkabir field contributed 61,350 bopd (56,317 in Q4 2020) and Tawke field contributed 50,635 bopd (53,859 in Q4 2020) during this period.

In the first quarter, the Company stepped up its spend in Kurdistan with drilling of two new wells and workover of existing ones. Altogether twelve Tawke license wells are budgeted in 2021, of which nine in the Tawke field and three in the Peshkabir field.

A fourth injector well expanded the Peshkabir-to-Tawke gas capture and reinjection project in the first quarter, lifting injection to record rates in April (four billion cubic feet accumulated to date), 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 15,173 boepd in the North Sea during the first quarter of 2021 (15,309 boepd in Q4 2020), of which 14,275 boepd was in Norway and 898 boepd in the UK (14,559 boepd and 750 boepd in Q4 2020).

In the first quarter, the Company had diversified production across 11 fields of which eight were 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, Alve Gjøk, Orion/Syrah and Trym South discoveries for project sanction in 2022 and accelerating infill drilling at Ula, Tambar, Brage and Oda producing fields in 2021.

In the North Sea, two wells were drilled in the first quarter, including the Røver Nord discovery well which was spudded late last year. Altogether 15 wells are expected to be drilled in the North Sea during 2021, all but one in Norway. DNO-operated decommissioning of the shut-down Oselvar field in Norway commenced in the first quarter, while its Schooner and Ketch decommissioning campaign in the UK is expected to resume in mid-2021.

Financial review

Revenues, operating profit and cash

Revenues in the first quarter stood at USD 169.8 million, down from USD 174.2 million in the previous quarter. Kurdistan generated revenues of USD 123.4 million (USD 95.8 million in the previous quarter), while the North Sea generated revenues of USD 46.5 million (USD 78.4 million in the previous quarter). The decrease in revenues compared to the previous quarter was primarily driven by lower cargo liftings in the North Sea mainly from the Ula area fields and Vilje field, partly offset by higher realized oil prices.

The Group reported an operating profit of USD 66.3 million in the first quarter, compared to an operating loss of USD 14.2 million in the previous quarter. The improved operating result in the first quarter compared to the previous quarter was primarily driven by higher oil prices, lower cost of goods sold and no impairment charges recognized in the quarter.

The Group ended the quarter with a cash balance of USD 477.1 million and USD 472.9 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 first quarter, the cost of goods sold stood at USD 85.8 million, compared to USD 139.1 million in the previous quarter. The cost of goods sold in the first quarter was positively impacted by an increase in North Sea net underlift position primarily driven by lower cargo liftings in the North Sea (see Note 4), and lower DD&A in Kurdistan.

Lifting costs

Lifting costs stood at USD 43.9 million in the first quarter, compared to USD 43.5 million in the previous quarter. In Kurdistan, the average lifting cost during the first quarter stood at USD 2.9 per barrel. In the North Sea, the average lifting cost during the first quarter stood at USD 16.0 per barrel of oil equivalent (boe).

USD million	Quarters			Full-Year 2020
	Q1 2021	Q4 2020	Q1 2020	
Kurdistan	22.0	28.8	27.2	94.5
North Sea	21.9	14.8	22.0	86.6
Total	43.9	43.5	49.2	181.1

(USD/boe)	Quarters			Full-Year 2020
	Q1 2021	Q4 2020	Q1 2020	
Kurdistan	2.9	3.8	3.5	3.1
North Sea	16.0	10.5	13.0	13.6
Average	4.9	4.8	5.2	4.9

Depreciation, depletion and amortization (DD&A)

DD&A from the Group's oil and gas production assets amounted to USD 51.3 million in the first quarter compared to USD 77.4 million in the previous quarter. The decrease in DD&A compared to the previous quarter was mainly related to Kurdistan and was driven by lower net entitlement volumes in the quarter, and a decrease in the DD&A per barrel following the annual update in reserves at yearend 2020. Updates in reserves basis affecting the depreciation calculations are reflected prospectively.

USD million	Quarters			Full-Year 2020
	Q1 2021	Q4 2020	Q1 2020	
Kurdistan	30.3	52.8	73.3	234.9
North Sea	21.0	24.6	32.7	116.3
Total	51.3	77.4	106.0	351.2

(USD/boe)	Quarters			Full-Year 2020
	Q1 2021	Q4 2020	Q1 2020	
Kurdistan	11.8	17.2	19.3	17.7
North Sea	15.4	17.5	19.3	18.3
Average	13.0	17.3	19.3	17.9

Exploration costs expensed

Exploration costs expensed of USD 10.5 million in the first quarter were mainly related to exploration activities in the North Sea. The decrease in exploration costs expensed compared to the previous quarter was primarily due to capitalization of successful drilling of the Røver Nord discovery.

USD million	Quarters			Full-Year 2020
	Q1 2021	Q4 2020	Q1 2020	
Kurdistan	0.3	0.6	0.4	1.6
North Sea	10.1	14.8	14.4	54.4
Total	10.5	15.5	14.8	55.9

Acquisition and development costs

Acquisition and development costs stood at USD 50.8 million in the first quarter, of which USD 13.8 million was in Kurdistan and USD 36.8 million in the North Sea.

USD million	Quarters			Full-Year 2020
	Q1 2021	Q4 2020	Q1 2020	
Kurdistan	13.8	21.0	56.0	92.6
North Sea	36.8	30.2	39.9	114.5
Other	0.1	0.1	0.9	0.9
Total	50.8	51.4	96.7	207.9

Consolidated statements of comprehensive income

(unaudited, in USD million)	Note	Quarters		Full-Year
		Q1 2021	Q1 2020	2020
Revenues	2,3	169.8	205.6	614.9
Cost of goods sold	4	-85.8	-167.2	-590.0
Gross profit		84.0	38.4	24.9
Administrative expenses		-5.5	4.6	-4.8
Other operating expenses		-1.7	-0.6	-2.7
Impairment oil and gas assets	7	-	-39.2	-276.0
Exploration expenses	5	-10.5	-14.8	-55.9
Profit/-loss from operating activities		66.3	-11.5	-314.5
Financial income	9	7.8	1.5	19.8
Financial expenses	9,10	-27.6	-40.1	-131.0
Profit/-loss before income tax		46.5	-50.1	-425.8
Tax income/-expense	6	5.0	10.7	139.8
Net profit/-loss		51.5	-39.4	-285.9
Other comprehensive income				
Currency translation differences		3.9	-111.0	-3.6
Items that may be reclassified to profit or loss in later periods		3.9	-111.0	-3.6
Net fair value changes from financial instruments	8	4.7	-15.0	-8.4
Items that are not reclassified to profit or loss in later periods		4.7	-15.0	-8.4
Total other comprehensive income, net of tax		8.6	-126.0	-12.0
Total comprehensive income, net of tax		60.1	-165.5	-298.0
Net profit/-loss attributable to:				
Equity holders of the parent		51.5	-39.4	-285.9
Total comprehensive income attributable to:				
Equity holders of the parent		60.1	-165.5	-298.0
Earnings per share, basic (USD per share)		0.05	-0.04	-0.29
Earnings per share, diluted (USD per share)		0.05	-0.04	-0.29
Weighted average number of shares outstanding (excluding treasury shares) (millions)		975.43	976.62	975.73

Consolidated statements of financial position

ASSETS (unaudited, USD million)	Note	At 31 Mar		At 31 Dec
		2021	2020	2020
Non-current assets				
Goodwill	7	162.2	242.0	162.0
Deferred tax assets	6	46.3	51.6	47.4
Other intangible assets	7	315.7	318.3	308.6
Property, plant and equipment	7	1,166.2	1,220.9	1,174.1
Financial investments	8	17.3	6.0	12.6
Other non-current receivables	9	52.8	-	182.4
Tax receivables	6	1.7	18.9	-
Total non-current assets		1,762.3	1,857.9	1,887.1
Current assets				
Inventories	4	36.8	29.1	41.9
Trade and other receivables	9	447.6	483.1	239.6
Tax receivables	6	78.3	134.9	63.1
Cash and cash equivalents		477.1	543.2	477.1
Total current assets		1,039.8	1,190.2	821.6
TOTAL ASSETS		2,802.1	3,048.2	2,708.7
EQUITY AND LIABILITIES				
(unaudited, USD million)				
	Note	At 31 Mar	At 31 Mar	At 31 Dec
		2021	2020	2020
Equity				
Shareholders' equity		905.7	978.2	845.6
Total equity		905.7	978.2	845.6
Non-current liabilities				
Deferred tax liabilities	6	204.7	170.8	178.8
Interest-bearing liabilities	10	936.0	943.3	934.2
Lease liabilities	11	13.3	9.7	13.9
Provisions for other liabilities and charges	11	430.8	362.1	440.1
Total non-current liabilities		1,584.8	1,485.9	1,566.9
Current liabilities				
Trade and other payables		190.1	274.1	180.3
Income tax payable	6	-	-	-
Current interest-bearing liabilities	10	-	212.9	-
Current lease liabilities	11	3.8	3.0	3.8
Provisions for other liabilities and charges	11	117.7	93.9	112.0
Total current liabilities		311.6	583.9	296.1
Total liabilities		1,896.4	2,069.9	1,863.0
TOTAL EQUITY AND LIABILITIES		2,802.1	3,048.2	2,708.7

Consolidated cash flow statement

(unaudited, in USD million)	Note	Quarters		Full-Year
		Q1 2021	Q1 2020	2020
Operating activities				
Profit/-loss before income tax		46.5	-50.1	-425.8
Adjustments to add/-deduct non-cash items:				
Exploration cost capitalized in previous years carried to cost	5	-	-	0.4
Depreciation, depletion and amortization	4	53.0	107.5	361.4
Impairment oil and gas assets	7	-	39.2	276.0
Amortization of borrowing issue costs		1.4	2.6	7.6
Accretion expense on ARO provisions		4.5	4.3	17.0
Interest expense		18.8	22.3	87.3
Interest income		-0.3	-1.5	-5.4
Other		-3.2	-14.3	1.1
Change in working capital items and provisions:				
- Inventories		5.1	-0.9	-13.7
- Trade and other receivables	9	-70.9	-4.6	41.1
- Trade and other payables		9.7	-14.8	-108.5
- Provisions for other liabilities and charges		3.2	5.5	-2.7
Cash generated from operations		67.7	95.3	235.8
Tax refund received		15.2	-	236.3
Interest received		0.3	1.2	2.7
Interest paid		-19.5	-18.1	-85.7
Net cash from/-used in operating activities		63.7	78.5	389.1
Investing activities				
Purchases of intangible assets		-7.5	-18.7	-45.7
Purchases of tangible assets		-43.3	-78.0	-162.2
Payments for decommissioning		-12.0	-16.7	-30.7
Net cash from/-used in investing activities		-62.8	-113.4	-238.6
Financing activities				
Proceeds from borrowings net of issue costs	10	-	131.0	152.3
Repayment of borrowings	10	-	-20.0	-290.3
Purchase of treasury shares		-	-17.7	-17.8
Payments of lease liabilities		-1.1	-0.7	-3.4
Net cash from/-used in financing activities		-1.1	92.5	-159.1
Net increase/-decrease in cash and cash equivalents		-0.2	57.6	-8.6
Cash and cash equivalents at beginning of the period		477.1	485.7	485.7
Exchange gain/-losses on cash and cash equivalents		0.2	-	-
Cash and cash equivalents at the end of the period		477.1	543.2	477.1
Of which restricted cash		12.7	13.7	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	-	-	-	-15.0	-	-	-15.0
Currency translation differences	-	-	-	-	-111.0	-	-111.0
Other comprehensive income/-loss	-	-	-	-15.0	-111.0	-	-126.0
Profit/-loss for the period	-	-	-	-	-	-39.4	-39.4
Total comprehensive income	-	-	-	-15.0	-111.0	-39.4	-165.4
Purchase of treasury shares	-0.4	-	-17.3	-	-	-	-17.7
Transactions with shareholders	-0.4	-	-17.3	-	-	-	-17.7
Total shareholders' equity as of 31 March 2020	32.9	247.7	-47.5	29.5	-172.4	887.8	978.2

(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	-	-	-	4.7	-	-	4.7
Currency translation differences	-	-	-	-	3.9	-	3.9
Other comprehensive income/-loss	-	-	-	4.7	3.9	-	8.6
Profit/-loss for the period	-	-	-	-	-	51.5	51.5
Total comprehensive income	-	-	-	4.7	3.9	51.5	60.1
Purchase of treasury shares	-	-	-	-	-	-	-
Transactions with shareholders	-	-	-	-	-	-	-
Total shareholders' equity as of 31 March 2021	32.9	247.7	-	40.8	-61.1	645.4	905.7

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.

First quarter ending 31 March 2021 USD million	Note	Kurdistan	North Sea	Other	Total reporting segments	Un-allocated/eliminated	Total Group
Income statement information							
Revenues	3	123.4	46.5	-	169.8	-	169.8
Inter-segment revenues		-	-	-	-	-	-
Cost of goods sold	4	-52.4	-32.6	-	-85.0	-0.8	-85.8
Gross profit		71.0	13.9	-	84.8	-0.8	84.0
Profit/-loss from operating activities		69.8	3.2	-1.4	71.6	-5.2	66.3
Financial income/-expense (net)	9,10						-19.9
Tax income/-expense	6	-	5.0	-	5.0	-	5.0
Net profit/-loss							51.5
Financial position information							
Non-current assets		684.3	1,048.5	-	1,732.8	29.5	1,762.3
Current assets		355.4	359.8	4.9	720.2	319.6	1,039.8
Total assets		1,039.7	1,408.3	4.9	2,453.0	349.1	2,802.1
Non-current liabilities		61.1	726.6	-	787.7	797.1	1,584.8
Current liabilities		64.3	201.3	29.8	295.4	16.2	311.6
Total liabilities		125.4	927.8	29.8	1,083.1	813.3	1,896.4

Note 2 | Segment information (continued)

First quarter ending 31 March 2020 USD million	Note	Kurdistan	North Sea	Other	Total reporting segment	Un-allocated/eliminated	Total Group
Income statement information							
Revenues	3	134.6	71.0	-	205.6	-	205.6
Inter-segment revenues		-	-	-	-	-	-
Cost of goods sold	4	-100.6	-65.8	-	-166.4	-0.8	-167.2
Gross profit		34.0	5.2	-	39.2	-0.8	38.4
Profit/-loss from operating activities		33.3	-45.7	-1.5	-13.9	2.4	-11.5
Financial income/-expense (net)	10						-38.6
Tax income/-expense	6	-	10.8	-	10.8	-0.1	10.7
Net profit/-loss							-39.4
Financial position information							
Non-current assets		777.2	1,065.1	-	1,842.3	15.6	1,857.9
Current assets		393.1	432.5	4.7	830.4	359.8	1,190.2
Total assets		1,170.3	1,497.6	4.7	2,672.7	375.4	3,048.2
Non-current liabilities		58.2	707.9	0.3	766.4	719.5	1,485.9
Current liabilities		105.1	297.6	27.9	430.6	153.3	583.9
Total liabilities		163.3	1,005.5	28.2	1,197.0	872.9	2,069.9

Note 3 | Revenues

USD million	Quarters		Full-Year
	Q1 2021	Q1 2020	2020
Sale of oil	147.2	194.1	566.6
Sale of gas	17.6	5.9	27.5
Sale of natural gas liquids (NGL)	3.7	4.5	14.8
Tariff income	1.2	1.1	6.0
Total revenues from contracts with customers	169.8	205.6	614.9

Note 4 | Cost of goods sold/ Inventory

USD million	Quarters		Full-Year
	Q1 2021	Q1 2020	2020
Lifting costs	-43.9	-49.2	-181.1
Tariff and transportation expenses	-8.5	-9.4	-36.2
Production costs based on produced volumes	-52.4	-58.6	-217.3
Movement in overlift/underlift	19.6	-1.1	-11.3
Production costs based on sold volumes	-32.8	-59.7	-228.6
Depreciation, depletion and amortization	-53.0	-107.5	-361.4
Total cost of goods sold	-85.8	-167.2	-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 31 Mar		At 31 Dec
	2021	2020	2020
Spare parts	36.8	29.1	41.9
Total inventory	36.8	29.1	41.9

Total inventory of USD 36.8 million as of 31 March 2021 was related to Kurdistan (USD 19.8 million) and the North Sea (USD 17.0 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 was related to the North Sea.

Note 5 | Exploration expenses

USD million	Quarters		Full-Year
	Q1 2021	Q1 2020	2020
Exploration expenses (G&G and field surveys)	-5.4	-6.0	-16.1
Seismic costs	-0.6	-0.4	-2.9
Exploration cost capitalized in previous years carried to cost	-	-	-0.4
Exploration costs capitalized this year carried to cost	-0.1	-1.2	-17.1
Other exploration cost expensed	-4.4	-7.2	-19.5
Total exploration expenses	-10.5	-14.8	-55.9

Exploration costs expensed in the first quarter were mainly related to exploration activities in the North Sea.

Note 6 | Income taxes

USD million	Quarters		Full-Year
	Q1 2021	Q1 2020	2020
Tax income/-expense			
Change in deferred taxes	-27.2	-7.7	11.1
Income tax receivable/-payable	32.2	18.4	128.8
Total tax income/-expense	5.0	10.7	139.8

USD million	At 31 Mar		At 31 Dec
	2021	2020	2020
Income tax receivable/-payable			
Tax receivables (non-current)	1.7	18.9	-
Tax receivables (current)	78.3	134.9	63.1
Income tax payable	-	-	-
Net tax receivable/-payable	80.0	153.8	63.1
Deferred tax assets/-liabilities			
Deferred tax assets	46.3	51.6	47.4
Deferred tax liabilities	-204.7	-170.8	-178.8
Net deferred tax assets/-liabilities	-158.4	-119.1	-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 2020 (USD 33.6 million), 2021 (USD 29.0 million) and decommissioning tax refund on the UKCS for 2020 (USD 15.7 million). Non-current tax receivable is related to decommissioning tax refund on the UKCS for 2021. During the first quarter of 2021, DNO has received a tax refund of USD 15.2 million in Norway. The refund of the remaining tax losses incurred in 2020 will be paid out during the second quarter of 2021. 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 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 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		Full-Year
	Q1 2021	Q1 2020	2020
Additions of other intangible assets	7.5	18.7	45.7
Additions of other intangible assets through business combinations	-	-	-
Additions of PP&E	43.4	78.0	192.1
Additions of PP&E through business combinations	-	-	-
Additions of RoU assets	0.3	1.2	7.0
Additions of RoU assets through business combinations	-	-	-
Impairment oil and gas assets	-	-39.2	-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).

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.

As of 31 March 2021, the Company did not identify any impairment indicators and as such no impairment testing was performed.

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
	2021	2020	2020
Beginning of the period	12.6	21.0	21.0
Fair value changes through other comprehensive income (FVTOCI)	4.7	-15.0	-8.4
Total financial investments end of the period	17.3	6.0	12.6

Financial investments include the following:

USD million	At 31 Mar		At 31 Dec
	2021	2020	2020
Listed securities:			
RAK Petroleum plc	17.3	6.0	12.6
Total financial investments	17.3	6.0	12.6

As of 31 March 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 31 Mar		At 31 Dec
	2021	2020	2020
Trade debtors (non-current portion)	52.4	-	182.0
Other long-term assets	0.4	-	0.4
Total other non-current receivables	52.8	-	182.4
Trade debtors	284.7	331.0	96.2
Underlift	42.7	29.7	27.4
Other short-term receivables	120.1	122.4	115.9
Total trade and other receivables	447.6	483.1	239.6

Total book value of trade debtors of USD 337.1 million (current and non-current portion) as of 31 March 2021 relate mainly to withheld payment of Tawke license 2019 and 2020 entitlement and override invoices, and outstanding invoices for crude oil deliveries for the months February and March 2021. In December 2020, a plan was put in place by the KRG in respect of the withheld entitlement and override payments from 2019 and 2020. The Company expects 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. 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 (recognized as other financial expense) when comparing the book value of the receivables to the estimated present value. 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 withheld receivables 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. As of 31 March 2021, the Company made a re-run of the estimated present value with updated Brent price assumptions, resulting in an increase in the receivables of USD 7.5 million (recognized as other financial income). The increase in present value was mainly driven by the improved Brent price assumptions as of 31 March 2021 compared to Brent price assumptions at yearend 2020. In addition, the classification of the receivables (current/non-current portion) was updated accordingly.

Since the reporting date, DNO has received USD 54.0 million from the KRG, of which USD 35.2 million represents DNO's entitlement share of February 2021 crude oil deliveries to the export market from the Tawke license in Kurdistan. Of the balance, USD 4.6 million is an override payment equivalent to three percent of gross February 2021 Tawke license revenues and USD 14.2 million is a payment towards the Company's arrears relating to withheld payment of Tawke license 2019 and 2020 entitlement and override invoices (see Note 12).

The underlift receivable of USD 42.7 million as of 31 March 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 31 Mar		At 31 Dec
						2021	2020	2020
Non-current								
Bond loan (ISIN NO0010823347)	DNO02	USD	400.0	8.75%	31/05/23	400.0	400.0	400.0
Bond loan (ISIN NO0010852643)	DNO03	USD	400.0	8.375 %	29/05/24	400.0	400.0	400.0
Bond loan (ISIN NO0010811268)	FAPE01	USD	-	-	-	-	14.2	-
Capitalized borrowing issue costs						-14.0	-20.4	-15.4
Reserve based lending facility		USD	350.0	see below	see below	150.0	149.4	149.6
Total non-current interest-bearing liabilities						936.0	943.3	934.2
Current								
Bond loan (ISIN NO0010740392)	DNO01	USD	-	-	-	-	138.5	-
Exploration financing facility		NOK	250.0	see below	see below	-	74.4	-
Total current interest-bearing liabilities						-	212.9	-
Total interest-bearing liabilities						936.0	1,156.2	934.2

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

USD million	At 1 Jan 2021	Cash		Non-cash changes		At 31 Mar 2021
		flows	Amortization	Currency	Acquisition	
Bond loans	800.0	-	-	-	-	800.0
Borrowing issue costs	-15.4	-	1.4	-	-	-14.0
Reserve based lending facility	149.6	-	-	0.4	-	150.0
Total	934.2	-	1.4	0.4	-	936.0

USD million	At 1 Jan 2020	Cash		Non-cash changes		At 31 Mar 2020
		flows	Amortization	Currency	Acquisition	
Bond loans	821.2	-7.0	-	-	-	814.2
Bond loans (current)	140.0	-1.3	-0.2	-	-	138.5
Borrowing issue costs	-23.0	-	2.6	-	-	-20.4
Reserve based lending facility	37.8	114.2	-	-2.6	-	149.4
Exploration financing facility	85.6	5.1	-	-16.2	-	74.4
Total	1,061.6	111.0	2.4	-18.8	-	1,156.2

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 the 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 as of 31 March 2021 is USD 242 million. Amount utilized as of the reporting date is disclosed in the table above. In addition, USD 87.9 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 31 Mar		At 31 Dec
	2021	2020	2020
Non-current			
Asset retirement obligations (ARO)	427.5	359.1	436.6
Other long-term provisions and charges	3.3	3.0	3.4
Lease liabilities	13.3	9.7	13.9
Total non-current provisions for other liabilities and charges and lease liabilities	444.1	371.9	453.9
Current			
Asset retirement obligations (ARO)	89.7	67.5	86.7
Other provisions and charges	28.0	26.4	25.3
Current lease liabilities	3.8	3.0	3.8
Total current provisions for other liabilities and charges and lease liabilities	121.5	96.9	115.8
Total provisions for other liabilities and charges and lease liabilities	565.6	468.8	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.

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

USD million	At 31 Mar		At 31 Dec
	2021	2020	2020
Within one year	4.6	3.9	4.7
Two to five years	13.3	10.8	13.8
After five years	0.8	1.7	1.1
Total undiscounted lease liabilities end of the period	18.8	16.4	19.6

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

Payments from Kurdistan

On 13 April 2021, DNO received USD 54.0 million net to the Company from the KRG, of which USD 35.2 million represents DNO's entitlement share of February 2021 crude oil deliveries to the export market from the Tawke license in Kurdistan. Of the balance, USD 4.6 million is an override payment equivalent to three percent of gross February 2021 Tawke license revenues under the August 2017 receivables settlement agreement and USD 14.2 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		Full-Year
	Q1 2021	Q1 2020	2020
Revenues	169.8	205.6	614.9
Lifting costs	-43.9	-49.2	-181.1
Tariff and transportation	-8.5	-9.4	-36.2
Movement in overlift/underlift	19.6	-1.1	-11.3
Exploration expenses	-10.5	-14.8	-55.9
Administrative expenses	-5.5	4.6	-4.8
Other operating income/expenses	-1.7	-0.6	-2.7
EBITDA	119.3	135.1	322.8

EBITDAX

USD million	Q1 2021	Q1 2020	2020
EBITDA	119.3	135.1	322.8
Exploration expenses	10.5	14.8	55.9
EBITDAX	129.8	149.9	378.8

Netback

USD million	Q1 2021	Q1 2020	2020
EBITDA	119.3	135.1	322.8
Tax refund received/-taxes paid	15.2	-	236.3
Netback	134.5	135.1	559.1

	Q1 2021	Q1 2020	2020
Netback (USD million)	134.5	135.1	559.1
Net production (MMboe)	8.9	9.6	36.6
Netback (USD/boe)	15.1	14.1	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

	Q1 2021	Q1 2020	2020
Lifting costs (USD million)	-43.9	-49.2	-181.1
Net production (MMboe)	8.9	9.6	36.6
Lifting costs (USD/boe)	4.9	5.2	4.9

Alternative performance measures (continued)

Acquisition and development costs

USD million	Quarters		Full-Year
	Q1 2021	Q1 2020	2020
Purchases of intangible assets	-7.5	-18.7	-45.7
Purchases of tangible assets	-43.3	-78.0	-162.2
Acquisition and development costs	-50.8	-96.7	-207.9

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

Operational spend

USD million	Q1 2021	Q1 2020	2020
Lifting costs	-43.9	-49.2	-181.1
Tariff and transportation expenses	-8.5	-9.4	-36.2
Exploration expenses	-10.5	-14.8	-55.9
Exploration costs capitalized in previous years carried to cost (Note 5)	-	-	0.4
Acquisition and development costs	-50.8	-96.7	-207.9
Payments for decommissioning	-12.0	-16.7	-30.7
Operational spend	-125.7	-186.8	-511.4

Free cash flow

USD million	Q1 2021	Q1 2020	2020
Cash generated from operations	67.7	95.3	235.8
Acquisition and development costs	-50.8	-96.7	-207.9
Payments for decommissioning	-12.0	-16.7	-30.7
Free cash flow	4.9	-18.1	-2.8

Equity ratio

USD	Q1 2021	Q1 2020	2020
Equity	905.7	978.2	845.6
Total assets	2,802.1	3,048.2	2,708.7
Equity ratio	32.3%	32.1%	31.2%

Marketable securities

USD million	Q1 2021	Q1 2020	2020
Financial investments	17.3	6.0	12.6
Treasury shares	-	30.1	-
Marketable securities	17.3	36.1	12.6

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

Net debt

USD million	Q1 2021	Q1 2020	2020
Cash and cash equivalents including restricted cash	477.1	543.2	477.1
Bond loans and reserve based lending (Note 10)	950.0	1,102.1	949.6
Net cash/-debt	-472.9	-558.9	-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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