

DNO ASA

Interim Results

Third Quarter 2020



Cover photo: DNO supervisor isolating down hole safety valve on Kurdistan well

Key figures

USD million	Quarters			First nine months	Full-Year	
	Q3 2020	Q2 2020	Q3 2019	2020	2019	
Key financials						
Revenues	163.0	72.1	227.0	440.7	696.7	971.4
Gross profit	4.9	-53.5	88.0	-10.2	307.0	430.0
Profit/-loss from operating activities	-208.1	-80.8	-106.0	-300.4	31.3	75.6
Net profit/-loss	-122.5	-63.6	-96.4	-225.6	22.6	73.5
EBITDA	76.1	12.9	109.2	224.1	392.4	549.4
EBITDAX	84.8	29.9	156.5	264.6	490.9	695.8
Netback	100.6	12.9	109.2	248.8	392.4	606.3
Acquisition and development costs	27.2	32.7	108.3	156.6	295.6	407.9
Exploration expenses	8.7	17.0	47.4	40.5	98.5	146.4
Production						
Gross operated production (boepd)	113,742	101,965	122,754	110,317	128,397	126,985
CWI production (boepd)*	97,878	89,677	99,304	95,812	104,502	104,767
Key performance indicators						
Lifting costs (USD/boe)	4.4	6.0	5.5	5.2	5.3	5.4
Netback (USD/boe)	11.2	1.6	12.0	9.5	14.3	16.3

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

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

Corporate overview

- Increased Q3 2020 production notwithstanding COVID-19 imposed operational challenges and weak oil prices
- While expecting to replace significant share of reserves produced this year in Kurdistan
- And slashing per barrel carbon emissions by half in DNO operated fields
- All with a one-third reduction in 2020 spend versus original budget, which led to fewer drilled wells
- Instead launched well intervention campaign at Tawke and Peshkabir, with both fields outperforming expectations
- Stepping up North Sea investments following Norwegian petroleum tax incentives
- Kurdistan and North Sea yearend production exit guidance in line with Q3 2020 average
- With cash deposits recovering towards yearend 2019 levels

Q3 2020 operational highlights

- Q3 2020 operated production in Kurdistan of 113,700 barrels of oil per day (bopd), up from 102,000 bopd in Q2 2020
- Of which 80,200 bopd represented Company Working Interest (CWI) production net to DNO in Kurdistan in Q3 2020 (71,900 bopd in Q2 2020)
- North Sea contributed 17,700 barrels of oil equivalent per day (boepd) of CWI production in Q3 2020 (17,800 boepd in Q2 2020)
- Bringing total DNO Q3 2020 CWI production to 97,900 boepd (89,700 boepd in Q2 2020), with Kurdistan share continuing to average 80 percent and North Sea share 20 percent
- In Kurdistan, Q3 2020 production split 50:50 between the Tawke and Peshkabir fields

- Restarted Kurdistan drilling midyear with Zartik-1 exploration well in Baeshiqa license followed by Peshkibir-14 development well in Tawke license

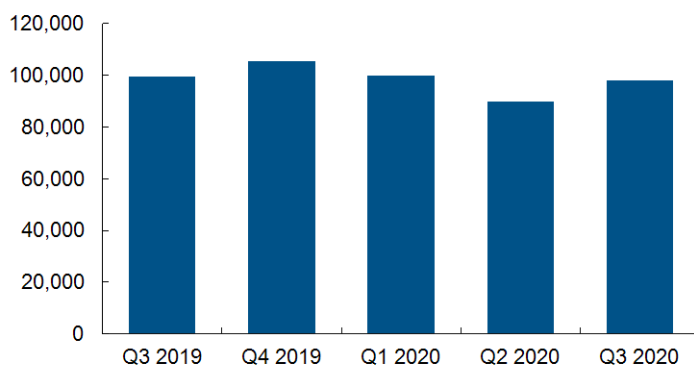
Q3 2020 financial highlights

- Revenues more than doubled to USD 163 million in Q3 2020 up from USD 72 million in Q2 2020 on back of improved oil prices and higher cargo liftings of previously produced oil in the North Sea
- Netback of USD 101 million in Q3 2020 up from USD 13 million in Q2 2020 on higher revenues and Norway tax refunds
- North Sea non-cash impairments of USD 202 million pre-tax (USD 118 million post-tax) related principally to the South East Tor and Iris/Hades assets
- Leading to operating loss of USD 208 million in Q3 2020 (USD 81 million loss in Q2 2020)
- Exited Q3 2020 with cash balance of USD 373 million (USD 427 million at end Q2 2020) with USD 200 million in tax refunds expected in Q4 2020
- Purchased USD 7.2 million in bonds originally issued by Faroe Petroleum plc, with USD 7 million still outstanding
- Completed buyback program through cancellation of 108,381,425 (10 percent outstanding) own shares held by DNO

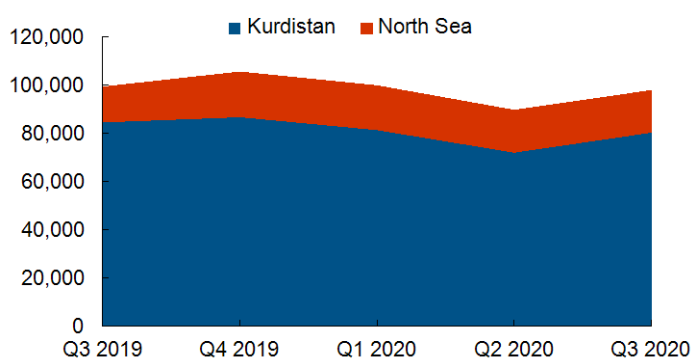
Operational review

Production

Quarterly CWI production (boepd)



CWI production by segment (boepd)



Gross operated production averaged 113,742 bopd during the third quarter, compared to 101,965 bopd in the previous quarter.

Company Working Interest (CWI) production during the third quarter stood at 97,878 boepd, compared to 89,677 boepd in the previous quarter. In Kurdistan, CWI production averaged 80,188 boepd, up from 71,855 boepd in the previous quarter. CWI production from the North Sea averaged 17,690 boepd, slightly down from 17,791 boepd in the previous quarter.

Net entitlement (NE) production averaged 48,364 boepd during the third quarter, down from 57,092 boepd in the previous quarter.

Gross operated production

boepd	Quarters			First nine months		Full-Year
	Q3 2020	Q2 2020	Q3 2019	2020	2019	2019
Kurdistan	113,742	101,965	119,757	110,317	124,326	123,940
North Sea	-	-	2,997	-	4,010	2,999
Oman	-	-	-	-	61	46
Total	113,742	101,965	122,754	110,317	128,397	126,985

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

Company Working Interest (CWI) production

boepd	Quarters			First nine months		Full-Year
	Q3 2020	Q2 2020	Q3 2019	2020	2019	2019
Kurdistan	80,188	71,885	84,428	77,774	87,650	87,378
North Sea	17,690	17,791	14,875	18,038	16,824	17,368
Oman	-	-	-	-	29	21
Total	97,878	89,677	99,304	95,812	104,502	104,767

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

Net entitlement (NE) production

boepd	Quarters			First nine months		Full-Year
	Q3 2020	Q2 2020	Q3 2019	2020	2019	2019
Kurdistan	30,674	39,300	36,611	37,211	37,309	38,373
North Sea	17,690	17,791	14,875	18,038	16,824	17,368
Oman	-	-	-	-	14	10
Total	48,364	57,092	51,486	55,249	54,146	55,752

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

Activity overview

Kurdistan region of Iraq

Tawke license

Gross production from the Tawke license, containing the Tawke and Peshkabir fields, averaged 113,742 bopd during the third quarter of 2020 (101,965 bopd in Q2 2020). Tawke field contributed 56,883 bopd (58,094 in Q2 2020) and Peshkabir field contributed 56,859 bopd (43,872 in Q2 2020) during this period.

DNO halted all drilling on Tawke license in Q2 2020. In June 2020, DNO fast tracked Tawke license well intervention campaign following stabilization of oil prices and export payments, quickly adding incremental volumes to raise Q3 average to 113,742 boepd.

In June, the Company commissioned the Peshkabir-to-Tawke gas reinjection project (first enhanced oil recovery project in Kurdistan) to unlock additional oil reserves at Tawke while significantly reducing gas flaring and CO2 emissions at Peshkabir. By end October 2020, two billion cubic feet of gas that otherwise would have been flared was injected into Tawke, already delivering positive reservoir response at the field by adding up to 5,000 bopd of production without contribution of newly drilled wells.

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. Testing of the Upper Jurassic continued through Q3 2020.

Evaluation of the results of the previously reported discoveries in the Baeshiqa-2 well to determine commerciality is ongoing.

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

North Sea

CWI production averaged 17,690 boepd in the North Sea during the third quarter of 2020 (17,791 boepd in Q2 2020), of which 16,774 boepd was in Norway and 916 boepd in the United Kingdom (UK) (16,793 boepd and 998 boepd in Q2 2020).

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

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

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

Financial review

Revenues, operating profit and cash

Revenues in the third quarter stood at USD 163.0 million, up from to USD 72.1 million in the previous quarter. Kurdistan generated revenues of USD 84.9 million (USD 53.8 million in the previous quarter), while the North Sea generated revenues of USD 78.1 million (USD 18.3 million in the previous quarter). The increase in revenues compared to the previous quarter was driven by improved oil prices and higher cargo liftings in the North Sea mainly from Brage, Ula, Oda and Vilje fields.

The Group reported an operating loss of USD 208.1 million in the third quarter, compared to an operating loss of USD 80.8 million in the previous quarter. The operating loss in the third quarter compared to the previous quarter was primarily driven by North Sea asset impairments, partly offset by higher revenues.

The Group ended the quarter with a cash balance of USD 373.0 million and USD 586.3 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 third quarter, the cost of goods sold stood at USD 158.1 million, compared to USD 125.6 million in the previous quarter. The increase in cost of goods sold compared to the previous quarter was mainly due to higher cargo liftings in the North Sea, partly offset by lower DD&A.

Lifting costs

Lifting costs stood at USD 39.4 million in the third quarter, compared to USD 48.9 million in the previous quarter. In Kurdistan, the average lifting cost during the third quarter stood at USD 2.5 per per barrel of oil equivalent (boe). In the North Sea, the average lifting cost during the third quarter stood at USD 12.7 per boe, which is a reduction compared to the previous quarter (USD 18.0 per boe) mainly due to higher field maintenance costs in the Ula field during the second quarter.

USD million	Q3 2020	Quarters		First nine months		Full-Year 2019
		Q2 2020	Q3 2019	2020	2019	
Kurdistan	18.7	19.7	29.3	65.7	80.1	106.7
North Sea	20.7	29.2	21.3	71.9	65.2	92.4
Other	-	-	-0.2	-	-0.3	-
Total	39.4	48.9	50.4	137.5	145.0	199.1

(USD/boe)	Q3 2020	Quarters		First nine months		Full-Year 2019
		Q2 2020	Q3 2019	2020	2019	
Kurdistan	2.5	3.0	3.8	3.1	3.3	3.3
North Sea	12.7	18.0	15.5	14.5	18.8	17.7
Average	4.4	6.0	5.5	5.2	5.3	5.4

Depreciation, depletion and amortization (DD&A)

DD&A from the Group's oil and gas production assets amounted to USD 79.4 million in the third quarter compared to USD 89.4 million in the previous quarter. The decrease in DD&A compared to the previous quarter was driven by lower Tawke license NE production in the current quarter.

USD million	Q3 2020	Quarters		First nine months		Full-Year 2019
		Q2 2020	Q3 2019	2020	2019	
Kurdistan	48.5	61.4	52.3	182.1	158.3	217.6
North Sea	31.0	28.0	23.4	91.7	60.8	89.2
Total	79.4	89.4	75.8	273.8	219.0	306.8

(USD/boe)	Q3 2020	Quarters		First nine months		Full-Year 2019
		Q2 2020	Q3 2019	2020	2019	
Kurdistan	17.2	17.2	15.5	17.9	15.5	15.5
North Sea	19.0	17.3	17.1	18.5	17.5	17.1
Average	17.8	17.2	16.0	18.1	16.0	16.0

Exploration costs expensed

Exploration costs expensed of USD 8.7 million in the third quarter were mainly related to exploration activities in the North Sea.

USD million	Q3 2020	Quarters		First nine months		Full-Year 2019
		Q2 2020	Q3 2019	2020	2019	
Kurdistan	0.4	0.1	0.4	0.9	1.5	2.1
North Sea	8.3	16.9	47.2	39.5	97.2	144.6
Other	-	-	-0.2	-	-0.2	-0.2
Total	8.7	17.0	47.4	40.5	98.5	146.4

Acquisition and development costs

Acquisition and development costs stood at USD 27.2 million in the third quarter, of which USD 8.6 million was in Kurdistan and USD 18.6 million in the North Sea.

USD million	Q3 2020	Quarters		First nine months		Full-Year 2019
		Q2 2020	Q3 2019	2020	2019	
Kurdistan	8.6	7.0	52.9	71.5	162.0	235.6
North Sea	18.6	25.8	55.2	84.3	131.8	170.0
Other	-	-0.1	0.3	0.8	1.8	2.4
Total	27.2	32.7	108.3	156.6	295.6	407.9

Consolidated statements of comprehensive income

(unaudited, in USD million)	Note	Quarters		First nine months	Full-Year	
		Q3 2020	Q3 2019	2020	2019	2019
Revenues	2,3	163.0	227.0	440.7	696.7	971.4
Cost of goods sold	4	-158.1	-139.0	-450.9	-389.7	-541.4
Gross profit		4.9	88.0	-10.2	307.0	430.0
Other income		-	-	0.2	-0.5	-0.5
Administrative expenses		-1.7	-7.0	-5.3	-20.1	-26.1
Other operating expenses		-0.4	-1.6	-1.7	-18.4	-19.3
Impairment oil and gas assets	7	-202.2	-138.2	-243.0	-138.2	-162.0
Exploration expenses	5	-8.7	-47.4	-40.5	-98.5	-146.4
Profit/-loss from operating activities		-208.1	-106.0	-300.4	31.3	75.6
Financial income		0.3	4.0	5.1	9.7	9.6
Financial expenses	10	-21.8	-44.0	-92.0	-107.5	-133.1
Profit/-loss before income tax		-229.6	-146.0	-387.3	-66.6	-47.8
Tax income/-expense	6	107.1	49.6	161.7	89.2	121.3
Net profit/-loss		-122.5	-96.4	-225.6	22.6	73.5
Other comprehensive income						
Currency translation differences		19.3	-39.8	-46.9	-45.5	-27.0
Items that may be reclassified to profit or loss in later periods		19.3	-39.8	-46.9	-45.5	-27.0
Net fair value changes from financial instruments	8	-1.6	-4.7	-12.1	24.2	25.8
Items that are not reclassified to profit or loss in later periods		-1.6	-4.7	-12.1	24.2	25.8
Total other comprehensive income, net of tax		17.7	-44.5	-59.0	-21.3	-1.2
Total comprehensive income, net of tax		-104.9	-140.9	-284.6	1.3	72.3
Net profit/-loss attributable to:						
Equity holders of the parent		-122.5	-96.4	-225.6	22.6	73.5
Total comprehensive income attributable to:						
Equity holders of the parent		-104.9	-140.9	-284.6	1.3	72.3
Earnings per share, basic (USD per share)		-0.13	-0.09	-0.23	0.02	0.07
Earnings per share, diluted (USD per share)		-0.13	-0.09	-0.23	0.02	0.07
Weighted average number of shares outstanding (excluding treasury shares) (millions)		975.43	1,046.33	975.83	1,047.98	1,036.37

Consolidated statements of financial position

ASSETS		At 30 Sep		At 31 Dec
(unaudited, USD million)		Note	2020	2019
Non-current assets				
Goodwill	7	178.8	356.3	333.9
Deferred tax assets	6	58.1	56.5	63.7
Other intangible assets	7	278.6	343.2	346.6
Property, plant and equipment	7	1,139.9	1,289.2	1,349.5
Financial investments	8	8.9	26.1	21.0
Tax receivables	6	12.7	84.6	-
Total non-current assets		1,677.0	2,155.9	2,114.7
Current assets				
Inventories	4	39.1	26.8	28.2
Trade and other receivables	9	409.8	298.7	478.5
Tax receivables	6	228.0	57.1	164.8
Cash and cash equivalents		373.0	624.0	485.7
Total current assets		1,049.9	1,006.7	1,157.2
TOTAL ASSETS		2,726.9	3,162.5	3,271.9
EQUITY AND LIABILITIES		At 30 Sep		At 31 Dec
(unaudited, USD million)		Note	2020	2019
Equity				
Shareholder's equity		859.0	1,159.5	1,161.3
Total shareholder's equity		859.0	1,159.5	1,161.3
Non-current liabilities				
Deferred tax liabilities	6	139.3	177.2	217.6
Interest-bearing liabilities	10	942.3	872.9	836.0
Lease liabilities	11	13.4	9.2	11.1
Provisions for other liabilities and charges	11	406.1	409.1	422.8
Total non-current liabilities		1,501.2	1,468.5	1,487.5
Current liabilities				
Trade and other payables		188.3	239.5	288.9
Income tax payable	6	-	-	0.2
Current interest-bearing liabilities	10	82.5	193.9	225.6
Current lease liabilities	11	3.2	3.1	3.3
Provisions for other liabilities and charges	11	92.7	98.1	105.1
Total current liabilities		366.6	534.6	623.0
Total liabilities		1,867.8	2,003.1	2,110.5
TOTAL EQUITY AND LIABILITIES		2,726.9	3,162.5	3,271.9

Consolidated cash flow statement

(unaudited, in USD million)	Note	Quarters		First nine months		Full-Year
		Q3 2020	Q3 2019	2020	2019	2019
Operating activities						
Profit/-loss before income tax		-229.6	-146.0	-387.3	-66.6	-47.8
Adjustments to add/-deduct non-cash items:						
Exploration cost capitalized in previous years carried to cost	5	-	17.9	0.4	21.1	27.8
Depreciation, depletion and amortization	4	82.0	77.1	281.6	222.9	311.8
Impairment oil and gas assets	7	202.2	138.2	243.0	138.2	162.0
Other*		20.3	-38.4	74.6	-1.3	6.7
Change in working capital items and provisions:						
- Inventories		-8.1	-2.9	-11.0	-0.7	-2.0
- Trade and other receivables		8.9	93.3	68.7	31.0	-147.4
- Trade and other payables		-75.7	19.9	-100.6	-67.5	-18.1
- Provisions for other liabilities and charges		5.1	69.1	-2.1	87.0	92.5
Cash generated from operations		5.0	228.1	167.3	364.0	385.3
Tax refund received		24.5	-	24.5	-	56.9
Interest received		0.3	0.8	1.9	2.3	7.6
Interest paid		-21.3	-19.0	-65.9	-52.1	-78.2
Net cash from/-used in operating activities		8.5	209.9	127.8	314.2	371.5
Investing activities						
Purchases of intangible assets		-9.0	-21.0	-40.4	-61.9	-68.5
Purchases of tangible assets		-18.2	-87.3	-116.1	-233.7	-339.4
Payments for decommissioning		-4.4	-5.3	-28.3	-13.6	-22.6
Acquisition of Faroe Petroleum plc net of cash acquired		-	-	-	-428.7	-428.7
Proceeds from license transactions		-	-	-	29.6	29.6
Proceeds from sale of financial investments		-	-	-	-	6.6
Net cash from/-used in investing activities		-31.5	-113.6	-184.8	-708.3	-823.0
Financing activities						
Proceeds from borrowings net of issue costs	10	-	6.3	152.3	464.5	537.9
Repayment of borrowings	10	-29.4	-16.6	-187.9	-113.8	-197.6
Purchase of treasury shares		-	-35.0	-17.8	-35.0	-82.3
Paid dividend		-	-	-	-24.6	-46.6
Payments of lease liabilities		-1.3	-0.7	-2.3	-2.1	-3.2
Net cash from/-used in financing activities		-30.8	-46.0	-55.7	289.0	208.3
Net increase/-decrease in cash and cash equivalents		-53.8	50.3	-112.7	-105.0	-243.2
Cash and cash equivalents at beginning of the period		426.8	573.8	485.7	729.1	729.1
Cash and cash equivalents at the end of the period		373.0	624.0	373.0	624.0	485.7
Of which restricted cash		12.5	14.3	12.5	14.3	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)	Other comprehensive income							Total equity
	Share capital	Share premium	Other paid-in capital/Other reserves	Fair value changes equity instruments	Currency translation differences	Retained earnings		
Total shareholder's equity as of 31 December 2018	35.0	247.7	24.7	-	-32.9	943.2	1,217.8	
Reallocation of equity*	-	-	25.8	18.7	-1.5	-43.0	-	
Total shareholder's equity as of 1 January 2019	35.0	247.7	50.5	18.7	-34.4	900.2	1,217.8	
Fair value changes from equity instruments	-	-	-	24.2	-	-	24.2	
Currency translation differences	-	-	-	-	-45.5	-	-45.5	
Other comprehensive income/-loss	-	-	-	24.2	-45.5	-	-21.3	
Profit/-loss for the period	-	-	-	-	-	22.6	22.6	
Total comprehensive income	-	-	-	24.2	-45.5	22.6	1.3	
Issue of share capital	-	-	-	-	-	-	-	
Purchase of treasury shares	-0.6	-	-34.4	-	-	-	-35.0	
Payment of dividend	-	-	-	-	-	-24.7	-24.7	
Transactions with shareholders	-0.6	-	-34.4	-	-	-24.7	-59.7	
Total shareholder's equity as of 30 September 2019	34.3	247.7	16.2	42.9	-79.9	898.2	1,159.5	

(unaudited, in USD million)	Other comprehensive income							Total equity
	Share capital	Share premium	Other paid-in capital/Other reserves	Fair value changes equity instruments	Currency translation differences	Retained earnings		
Total shareholder's equity as of 31 December 2019	33.3	247.7	-30.2	-	-36.6	947.0	1,161.3	
Reallocation of equity*	-	-	-	44.5	-24.8	-19.7	-	
Total shareholder's equity as of 1 January 2020	33.3	247.7	-30.2	44.5	-61.4	927.3	1,161.3	
Fair value changes from equity instruments	-	-	-	-12.1	-	-	-12.1	
Currency translation differences	-	-	-	-	-46.9	-	-46.9	
Other comprehensive income/-loss	-	-	-	-12.1	-46.9	-	-59.0	
Profit/-loss for the period	-	-	-	-	-	-225.6	-225.6	
Total comprehensive income	-	-	-	-12.1	-46.9	-225.6	-284.7	
Issue of share capital	-	-	-	-	-	-	-	
Purchase of treasury shares	-0.4	-	-17.3	-	-	-	-17.7	
Payment of dividend	-	-	-	-	-	-	-	
Transactions with shareholders	-0.4	-	-17.3	-	-	-	-17.7	
Total shareholder's equity as of 30 September 2020	32.9	247.7	-47.5	32.4	-108.3	701.7	859.0	

* 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 do not include internal receivables/liabilities.

Third quarter ending 30 September 2020 USD million	Note	Kurdistan	North Sea	Other	Total reporting segments	Un-allocated/eliminated	Total Group
Income statement information							
Revenues	3	84.9	78.1	-	163.0	-	163.0
Inter-segment revenues		-	0.4	-	0.4	-0.4	-
Cost of goods sold	4	-68.4	-89.1	-	-157.5	-0.6	-158.1
Gross profit		16.5	-10.6	-	5.9	-1.0	4.9
Profit/-loss from operating activities		15.9	-220.7	-1.3	-206.1	-2.0	-208.1
Financial income/-expense (net)	10						-21.5
Tax income/-expense	6	-	107.1	-	107.1	-0.1	107.1
Net profit/-loss							-122.5
Financial position information							
Non-current assets		680.6	974.7	-	1,655.3	21.7	1,677.0
Current assets		341.2	422.0	4.3	767.5	282.3	1,049.9
Total assets		1,021.8	1,396.7	4.3	2,422.8	304.0	2,726.9
Non-current liabilities		59.2	723.8	0.3	783.2	717.9	1,501.2
Current liabilities		80.9	247.0	28.4	356.4	10.3	366.6
Total liabilities		140.1	970.8	28.7	1,139.6	728.2	1,867.8

Note 2 | Segment information (continued)

Third quarter ending 30 September 2019 USD million	Note	Kurdistan	North Sea	Other	Total reporting segment	Un- allocated/ eliminated	Total Group
Income statement information							
Revenues	3	164.5	61.7	0.8	227.0	-	227.0
Inter-segment revenues		-	0.1	-	-	-0.1	-
Cost of goods sold	4	-81.8	-56.5	-	-138.3	-0.6	-139.0
Gross profit		82.7	5.3	1.0	88.9	-0.9	88.0
Profit/-loss from operating activities		65.8	-162.8	-3.1	-100.0	-6.0	-106.0
Financial income/-expense (net)	10						-40.0
Tax income/-expense	6	-	49.6	-	49.6	-	49.6
Net profit/-loss							-96.4
Financial position information							
Non-current Assets		768.2	1,349.1	-	2,117.3	38.6	2,155.9
Current assets		218.1	233.1	5.0	456.2	550.4	1,006.7
Total assets		986.3	1,582.2	5.0	2,573.6	589.0	3,162.5
Non-current liabilities		50.9	663.8	0.3	714.9	753.6	1,468.5
Current liabilities		85.8	264.4	28.0	378.3	156.3	534.6
Total liabilities		136.7	928.2	28.3	1,093.2	909.9	2,003.1

Note 2 | Segment information (continued)

First nine months ending 30 September 2020 USD million	Note	Kurdistan	North Sea	Other	Total reporting segment	Un-allocated/eliminated	Total Group
Income statement information							
Revenues	3	273.3	167.4	-	440.7	-	440.7
Inter-segment sales		-	1.0	-	1.0	-1.0	-
Cost of goods sold	4	-251.3	-197.5	-	-448.7	-2.1	-450.9
Gross profit		22.0	-29.0	-0.0	-7.0	-3.1	-10.2
Profit/-loss from operating activities		20.0	-318.1	-4.5	-302.6	2.2	-300.4
Financial income/-expense (net)	10						-86.9
Tax income/-expense	6	-	163.5	0.4	164.0	-2.2	161.7
Net profit/-loss							-225.6
Financial position information							
Non-current assets		680.6	974.7	-	1,655.3	21.7	1,677.0
Current assets		341.2	422.0	4.3	767.5	282.3	1,049.9
Total assets		1,021.8	1,396.7	4.3	2,422.8	304.0	2,726.9
Non-current liabilities		59.2	723.8	0.3	783.2	717.9	1,501.2
Current liabilities		80.9	247.0	28.4	356.4	10.3	366.6
Total liabilities		140.1	970.8	28.7	1,139.6	728.2	1,867.8

First nine months ending 30 September 2019 USD million	Note	Kurdistan	North Sea	Other	Total reporting segment	Un-allocated/eliminated	Total Group
Income statement information							
Revenues	3	526.0	170.0	0.8	696.7	-	696.7
Inter-segment sales		-	0.4	-	0.4	-0.4	-
Cost of goods sold	4	-238.8	-148.7	-	-387.5	-2.2	-389.7
Gross profit		287.2	21.7	0.8	309.6	-2.6	307.0
Profit/-loss from operating activities		267.8	-203.0	-21.6	43.2	-11.9	31.3
Financial income/-expense (net)	10						-97.8
Tax income/-expense	6	-	89.2	-	89.2	-	89.2
Net profit/-loss							22.6
Financial position information							
Non-current assets		768.2	1,349.1	0.0	2,117.3	38.6	2,155.9
Current assets		218.1	233.1	5.0	456.2	550.4	1,006.7
Total assets		986.3	1,582.2	5.0	2,573.6	589.0	3,162.5
Non-current liabilities		50.9	663.8	0.3	714.9	753.6	1,468.5
Current liabilities		85.8	264.4	28.0	378.3	156.3	534.6
Total liabilities		136.7	928.2	28.3	1,093.2	909.9	2,003.1

Note 3 | Revenues

USD million	Quarters		First nine months		Full-Year
	Q3 2020	Q3 2019	2020	2019	2019
Sale of oil	149.7	208.8	408.1	659.4	918.1
Sale of gas	5.7	11.7	15.2	27.6	36.5
Sale of natural gas liquids (NGL)	4.4	5.8	11.6	7.3	13.0
Tariff income	3.2	0.8	5.8	2.5	3.7
Total revenues from contracts with customers	163.0	227.0	440.7	696.7	971.4

Note 4 | Cost of goods sold/ Inventory

USD million	Quarters		First nine months		Full-Year
	Q3 2020	Q3 2019	2020	2019	2019
Lifting costs	-39.4	-50.4	-137.5	-145.0	-199.1
Tariff and transportation expenses	-9.6	-13.9	-28.0	-25.8	-37.7
Production costs based on produced volumes	-48.9	-64.3	-165.5	-170.8	-236.8
Movement in overlift/underlift	-27.1	2.4	-3.8	4.0	7.2
Production costs based on sold volumes	-76.1	-61.9	-169.3	-166.8	-229.6
Depreciation, depletion and amortization	-82.0	-77.1	-281.6	-222.9	-311.8
Total cost of goods sold	-158.1	-139.0	-450.9	-389.7	-541.4

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

USD million	At 30 Sept		At 31 Dec
	2020	2019	2019
Spare parts	39.1	26.8	28.2
Total inventory	39.1	26.8	28.2

Total inventory of USD 39.1 million as of 30 September 2020 was related to Kurdistan (USD 21.4 million) and the North Sea (USD 17.7 million). The provision for obsolete inventory in Kurdistan was USD 18.1 million as of 30 September 2020 (unchanged from yearend 2019).

Note 5 | Exploration expenses

USD million	Quarters		First nine months		Full-Year
	Q3 2020	Q3 2019	2020	2019	2019
Exploration expenses (G&G and field surveys)	-3.1	-0.9	-11.5	-15.2	-17.6
Seismic costs	-1.8	-9.4	-2.6	-19.7	-22.0
Exploration cost capitalized in previous years carried to cost	-	-17.9	-0.4	-21.1	-27.8
Exploration costs capitalized this year carried to cost	-0.6	-9.0	-11.2	-22.2	-47.9
Other exploration cost expensed	-3.2	-10.0	-14.7	-20.3	-31.2
Total exploration expenses	-8.7	-47.4	-40.5	-98.5	-146.4

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

Note 6 | Income taxes

USD million	Quarters		First nine months		Full-Year
	Q3 2020	Q3 2019	2020	2019	2019
Tax income/-expense					
Change in deferred taxes	81.2	15.7	49.1	-16.2	6.8
Income tax receivable/-payable	25.9	33.8	112.7	105.4	114.5
Total tax income/-expense	107.1	49.6	161.7	89.2	121.3

USD million	At 30 Sep		At 31 Dec
	2020	2019	2019
Income tax receivable/-payable			
Tax receivables (non-current)	12.7	84.6	-
Tax receivables (current)	228.0	57.1	164.8
Income tax payable	-	-	-0.2
Net tax receivable/-payable	240.7	141.7	164.5
Deferred tax assets/-liabilities			
Deferred tax assets	58.1	56.5	63.7
Deferred tax liabilities	-139.3	-177.2	-217.6
Net deferred tax assets/-liabilities	-81.2	-120.7	-153.9

On 19 June 2020, the Norwegian Parliament approved certain time limited changes to the taxation of oil and gas companies operating on the Norwegian Continental Shelf (NCS) with effect from the 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 exploration tax refund on the NCS for 2019 (USD 86.9 million), refund of tax value of incurred losses on the NCS for 2020 (USD 78.3 million), decommissioning tax refund on the UKCS (USD 22.6 million) and tax refund in relation to cessation of petroleum activity on the NCS of DNO North Sea (Norge) AS (USD 52.9 million). The refund of tax losses in 2020 is paid out in six instalments every two months with the first instalment of USD 24.5 million received on 3 August 2020 and the second instalment of USD 24.4 million on 1 October 2020. The majority of the tax receivables classified as current will be received in the fourth quarter of 2020. For details on the changes in deferred taxes due to impairments, see Note 7.

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

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

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

USD million	Quarters		First nine months	Full-Year	
	Q3 2020	Q3 2019	2020	2019	
Additions of other intangible assets	9.0	21.0	40.4	61.9	68.8
Additions of other intangible assets through business combinations*	-	-	-	282.1	268.1
Other intangible assets reclassified to assets held for sale*	-	3.3	-		
Additions of PP&E	37.8	123.4	135.7	270.7	388.7
Additions of PP&E through business combinations*	-	-8.1	-	702.0	704.5
PP&E assets reclassified to assets held for sale*	-	-2.8	-	-159.8	-
Additions of RoU assets	3.0	-	5.9	12.9	15.7
Additions of RoU assets through business combinations*	-	-	-	2.0	2.0
Impairment oil and gas assets	-202.2	-138.2	-243.0	-138.2	-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 third quarter of 2020, a total impairment charge of USD 202.2 million (USD 118.0 million post-tax) was recognized and was entirely related to the North Sea; USD 66.4 million (USD 37.9 million post-tax) was related to an impairment of the SE Tor discovery following an internal evaluation of resources; USD 14.7 million (USD 7.7 million post-tax) was related to an impairment of the Agar discovery following the Company's expectation that it would relinquish its participation in the license; USD 82.7 million (USD 49.5 million post-tax) was related to a partial impairment of the Iris and Hades discoveries triggered by evaluation of the appraisal of Hades discovery in the previous quarter along with evaluation of resources in the Iris discovery which was drilled in 2019; USD 18.6 million was related to an impairment of technical goodwill (with no tax impact) on the Fenja development field, following evaluation of well results from drilling in the current quarter; and USD 19.8 million (USD 4.3 million post-tax) related to an upward revision in the cost estimate for decommissioning the Oselvar field.

Third quarter ending 30 September 2020 (in USD million)					Allocated as follows:			
CGU/Segment	Recoverable amount	Impairment -charge/reversal	Goodwill	Other intangible assets	Property, plant and equipment	Asset retirement obligations	Tax income/-expense	Impairment (post-tax)
Agar, North Sea	-	-14.7	-4.2	-10.4	-	-	6.9	-7.7
Iris and Hades, North Sea	10.7	-82.7	-38.7	-41.0	-	-	33.1	-49.5
Fenja, North Sea	58.4	-18.6	-18.0	-	-	-	-	-18.6
Oselvar, North Sea	-	-19.8	-	-	-	19.0	14.7	-4.3
Total	69.1	-202.2	-88.3	-88.1	-	19.0	84.2	-118.0

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 2020 (USD 42.6 per barrel) and observable broker and analyst consensus for the next four years (2021: USD 45.5, 2022: USD 57.0, 2023: USD 59.7 and 2024: USD 66.3 per barrel in nominal terms). From 2025, the Brent oil price was based on the Group's long-term price assumptions and was unchanged from yearend 2019 (USD 66.1 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 46 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 7.7 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		First nine months		Full-Year
	Q3 2020	Q3 2019	2020	2019	2019
Beginning of the period	10.5	30.8	21.0	230.8	230.8
Additions	-	-	-	226.3	226.3
Fair value changes through other comprehensive income (FVTOCI)	-1.6	-4.7	-12.1	24.2	25.8
Disposal	-	-	-	-455.2	-461.8
Total financial investments end of the period	8.9	26.1	8.9	26.1	21.0

Financial investments include the following:

USD million	At 30 Sep		At 31 Dec
	2020	2019	2019
Listed securities:			
RAK Petroleum plc	8.9	20.8	21.0
Panoro Energy ASA	-	5.3	-
Total financial investments	8.9	26.1	21.0

As of 30 September 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 | Trade and other receivables

USD million	At 30 Sep		At 31 Dec
	2020	2019	2019
Trade debtors	277.0	169.3	301.1
Underlift	32.0	25.2	37.6
Other short-term receivables	100.8	104.3	139.8
Total trade and other receivables	409.8	298.7	478.5

Trade debtors of USD 277.0 million as of 30 September 2020 relate mainly to outstanding entitlement invoices (total of USD 235.0 million for the months November 2019-February 2020 and September 2020) and override invoices (total of USD 37.4 million for the period of November 2019-September 2020) from the Tawke license in Kurdistan. Since the reporting date, DNO has received full payment for September 2020 entitlement invoice (USD 22.8 million).

The underlift receivable of USD 32.0 million as of 30 September 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 30 Sep		At 31 Dec
						2020	2019	2019
Non-current								
Bond loan (ISIN NO0010823347)	DNO02	USD	400.0	8.75%	31/05/23	400.0	400.0	400.0
Bond loan (ISIN NO0010852643)	DNO03	USD	400.0	8.375 %	29/05/24	400.0	400.0	400.0
Bond loan (ISIN NO0010811268)	FAPE01	USD	8.0	8.00%	28/04/23	8.0	51.6	21.2
Capitalized borrowing issue costs						-17.0	-20.5	-23.0
Reserve based lending facility		USD	350.0	see below	07/11/26	151.3	-	37.8
Exploration financing facility		NOK	1,000.0	see below	see below	-	41.8	-
Total non-current interest-bearing liabilities						942.3	872.9	836.0
Current								
Bond loan (ISIN NO0010740392)	DNO01	USD	140.0	8.75%	18/06/20	-	140.0	140.0
Exploration financing facility		NOK	1,000.0	see below	see below	82.5	53.9	85.6
Total current interest-bearing liabilities						82.5	193.9	225.6
Total interest-bearing liabilities						1,024.8	1,066.8	1,061.6

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 30 Sep 2020
			Amortization	Currency	Acquisition	
Bond loans	821.2	-13.2	-	-	-	808.0
Bond loans (current)	140.0	-139.8	-0.2	-	-	-
Borrowing issue costs	-23.0	-	6.0	-	-	-17.0
Reserve based lending facility	37.8	114.2	-	-0.7	-	151.3
Exploration financing facilities (current)	85.6	3.2	-	-6.3	-	82.5
Total	1,061.6	-35.6	5.8	-7.0	-	1,024.8

USD million	At 1 Jan 2019	Cash flows	Non-cash changes			At 30 Sep 2019
			Amortization	Currency	Acquisition	
Bond loans	600.0	291.6	-	-	100.0	991.6
Borrowing issue costs	-24.3	-5.5	9.3	-	-	-20.5
Exploration financing facility (non-current)	-	43.7	-	-2.0	-	41.7
Exploration financing facility (current)	18.4	20.8	-	-3.1	17.7	53.9
Total	594.1	350.6	9.3	-5.1	117.7	1,066.8

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

During the first nine months of 2020, DNO ASA acquired USD 13.2 million of FAPE01 bonds at a price range of 104.10 to 107.13 percent of par plus accrued interest and USD 1.5 million of DNO01 at a price of 89 percent of par plus accrued interest. The DNO01 bond was redeemed at maturity on 18 June 2020.

Note 10 | Interest-bearing liabilities (continued)

The Group has available a revolving exploration financing facility (EFF) in an aggregate amount of NOK 1 billion with an accordion option of NOK 500 million. Utilization requests need to be delivered for each proposed loan. The facility is secured against the Norwegian exploration tax refund and is repaid when the refund is received which is approximately eleven months after the end of the financial year. The interest rate equals NIBOR plus a margin of 1.70 percent. Utilizations can be made until 31 December 2022. Due to temporary changes to the taxation of oil and gas companies in Norway, the Group has chosen to not utilize the EFF in relation to exploration spend in 2020 and instead 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 2020 of USD 22.4 million were repaid in July. Amount utilized as of the reporting date is disclosed in the table above.

The Group has a reserve-based lending (RBL) facility in relation to its Norway and UK production licenses with a total facility limit of USD 350 million which is available for both debt and issuance of letters of credit. In addition, there is an accordion option of USD 350 million. The borrowing base amount of the facility as of the reporting date is USD 235.5 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 88.1 million is utilized in respect of letters of credit.

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

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

USD million	At 30 Sep		At 31 Dec
	2020	2019	2019
Non-current			
Asset retirement obligations (ARO)	403.1	402.9	415.7
Other long-term provisions and charges	3.0	6.2	7.1
Lease liabilities	13.4	9.2	11.1
Total non-current provisions for other liabilities and charges and lease liabilities	419.5	418.3	433.9
Current			
Asset retirement obligations (ARO)	68.6	65.6	77.1
Other provisions and charges	24.1	32.5	27.9
Current lease liabilities	3.2	3.1	3.3
Total current provisions for other liabilities and charges and lease liabilities	96.0	101.3	108.4
Total provisions for other liabilities and charges and lease liabilities	515.5	519.6	542.3

Asset retirement obligations

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

Non-cancellable lease commitments

The identified lease liabilities have no significant impact on the Group's financing, loan covenants or dividend policy. The Group does not have any residual value guarantees. Extension options are included in the lease liability when, based on the management's judgement, it is reasonably certain that an extension will be exercised.

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

USD million	At 30 Sep		At 31 Dec
	2020	2019	2019
Within one year	4.7	3.8	4.4
Two to five years	14.3	10.1	13.0
After five years	1.2	0.6	-
Total undiscounted lease liabilities end of the period	20.2	14.5	17.5

The Group's future minimum lease payments under non-cancellable operating leases are related to office rent including warehouse and equipment. The difference between the recognized lease liabilities in the financial position and the undiscounted lease liabilities is due to discounting and adjustment for short-term leases and low-value leases. The Group's lease contracts related to drilling rigs in Kurdistan are cancellable and are therefore not included in the lease table above or recognized as lease liabilities.

Note 12 | Subsequent events

Export payments from Kurdistan

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

Alternative performance measures

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

EBITDA

USD million	Quarters		First nine months	Full-Year	
	Q3 2020	Q3 2019	2020	2019	
Revenues	163.0	227.0	440.7	696.7	971.4
Lifting costs	-39.4	-50.4	-137.5	-145.0	-199.1
Tariffs and transportation	-9.6	-13.9	-28.0	-25.8	-37.7
Movement in overlift/underlift	-27.1	2.4	-3.8	4.0	7.2
Exploration expenses	-8.7	-47.4	-40.5	-98.5	-146.4
Administrative expenses	-1.7	-7.0	-5.3	-20.1	-26.1
Other operating income/expenses	-0.4	-1.6	-1.5	-18.9	-19.8
EBITDA	76.1	109.2	224.1	392.4	549.4

EBITDAX

USD million	Q3 2020	Q3 2019	2020	2019	2019
EBITDA	76.1	109.2	224.1	392.4	549.4
Exploration expenses	8.7	47.4	40.5	98.5	146.4
EBITDAX	84.8	156.5	264.6	490.9	695.8

Netback

USD million	Q3 2020	Q3 2019	2020	2019	2019
EBITDA	76.1	109.2	224.1	392.4	549.4
Taxes received/-paid	24.5	-	24.5	-	56.9
Netback	100.6	109.2	248.6	392.4	606.3

	Q3 2020	Q3 2019	2020	2019	2019
Netback (USD million)	100.6	109.2	248.6	392.4	606.3
Company Working Interest production (MMboe)*	9.0	9.1	26.3	27.4	37.1
Netback (USD/boe)	11.2	12.0	9.5	14.3	16.3

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

Lifting costs

	Q3 2020	Q3 2019	2020	2019	2019
Lifting costs (USD million)	-39.4	-50.4	-137.5	-145.0	-199.1
Company Working Interest production (MMboe)*	9.0	9.1	26.3	27.4	37.1
Lifting costs (USD/boe)	4.4	5.5	5.2	5.3	5.4

* See comment above under Netback.

Alternative performance measures (continued)

Acquisition and development costs

USD million	Quarters		First nine months		Full-Year
	Q3 2020	Q3 2019	2020	2019	2019
Purchases of intangible assets	-9.0	-21.0	-40.4	-61.9	-68.5
Purchases of tangible assets	-18.2	-87.3	-116.1	-233.7	-339.4
Acquisition and development costs*	-27.2	-108.3	-156.6	-295.6	-407.9

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

Operational spend

USD million	Q3 2020	Q3 2019	2020	2019	2019
Lifting costs	-39.4	-50.4	-137.5	-145.0	-199.1
Tariff and transportation expenses*	-9.6	-13.9	-28.0	-25.8	-37.7
Exploration expenses	-8.7	-47.4	-40.5	-98.5	-146.4
Exploration costs capitalized in previous years carried to cost (Note 5)*	-	17.9	0.4	21.1	27.8
Acquisition and development costs	-27.2	-108.3	-156.6	-295.6	-407.9
Payments for decommissioning*	-4.4	-5.3	-28.3	-13.6	-22.6
Operational spend	-89.3	-207.4	-390.5	-557.4	-786.0

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

Free cash flow

USD million	Q3 2020	Q3 2019	2020	2019	2019
Cash generated from operations	5.0	228.1	167.3	364.0	385.3
Acquisition and development costs	-27.2	-108.3	-156.6	-295.6	-407.9
Payments for decommissioning	-4.4	-5.3	-28.3	-13.6	-22.6
Free cash flow	-26.6	114.5	-17.6	54.8	-45.2

Equity ratio

USD		2020	2019	2019
Equity		859.0	1,159.5	1,161.3
Total assets		2,726.9	3,162.5	3,271.9
Equity ratio		31.5%	36.7%	35.5%

Marketable securities

USD million		2020	2019	2019
Financial investments		8.9	26.1	21.0
Treasury shares*		-	83.7	123.5
Marketable securities		8.9	109.8	144.5

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

Net debt

USD million		2020	2019	2019
Cash and cash equivalents including restricted cash		373.0	624.0	485.7
Bond loans and reserve based lending (Note 10)		959.3	1,033.4	999.0
Net cash/-debt		-586.3	-409.4	-513.3

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

Alternative performance measures (continued)

Definitions and explanations of APMs

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

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

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

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

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

Netback

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

Netback (USD/boe)

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

Lifting costs (USD/boe)

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

Acquisition and development costs

Acquisition and development costs comprise the purchase of intangible and tangible assets irrespective of whether paid in the period. Management believes that this measure is useful because it provides an overview of capital investments used in the relevant period.

Operational spend

Operational spend is comprised of lifting costs, tariff and transportation expenses, exploration expenses, acquisition and development costs and payments for decommissioning. Management believes that this measure is useful because it provides a complete overview of the Group's total operational costs, capital investments and payments for decommissioning used in the relevant period.

Equity ratio

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

Free cash flow

Free cash flow comprises cash generated from operations less acquisition and development costs. Management believes that this measure is useful because it provides an indication of the profitability of the Group's operating activities excluding the non-cash items of the income statement and includes operational spend. This measure also provides a helpful measure for comparing with that of other companies.

Marketable securities

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

Net debt

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

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