



# 2019 Interim Results Presentation



# Operational and financial highlights

# 2019 operational highlights

- Operated 2019 production averaged 127,000 barrels of oil equivalent per day (boepd), compared to 117,600 boepd in 2018, of which Kurdistan accounted for 124,000 barrels of oil per day (bopd) and the North Sea 3,000 boepd
- Company Working Interest (CWI) record production of 104,800 boepd net to DNO in 2019, split 83:17 between Kurdistan and the North Sea (81,700 boepd in 2018)
- In 2019, delivered largest annual drilling program in DNO's 48-year history with 36 wells drilled or spudded across its portfolio, including 24 development/infill wells and 12 exploration/appraisal wells
- In Kurdistan, DNO continues to produce what are among the lowest cost oil barrels in the industry, anywhere, in terms of finding, development and lifting costs
- At yearend DNO had 106 licenses across its portfolio, with three in Kurdistan, 87 in Norway, 12 in the United Kingdom, two in the Netherlands, one in Ireland and one in Yemen

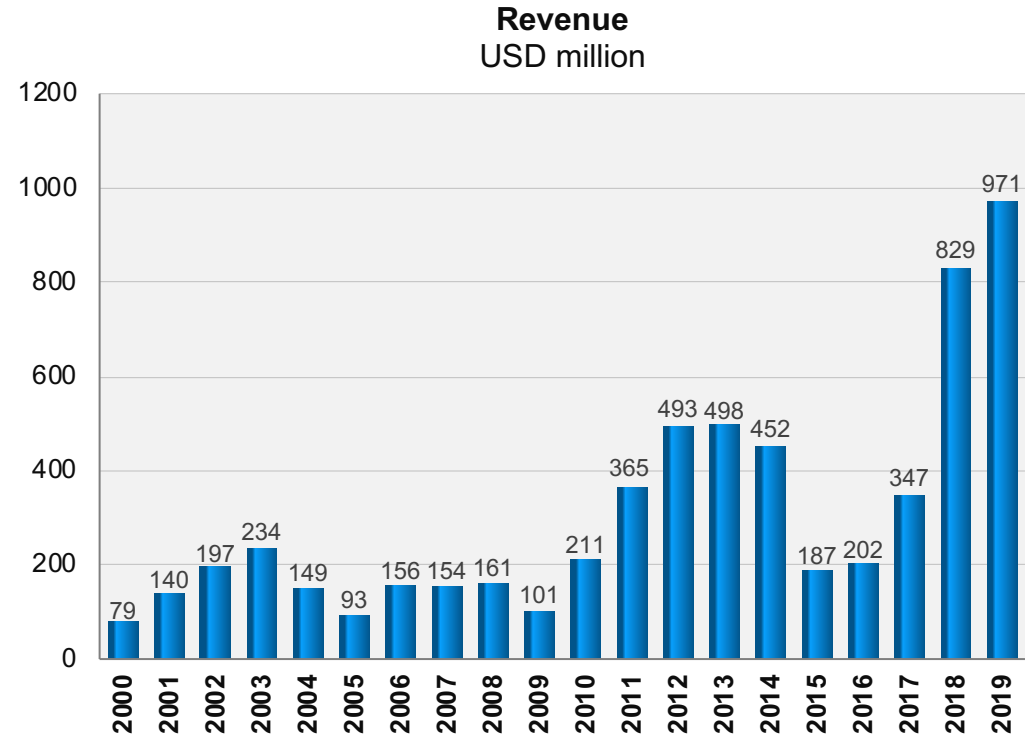
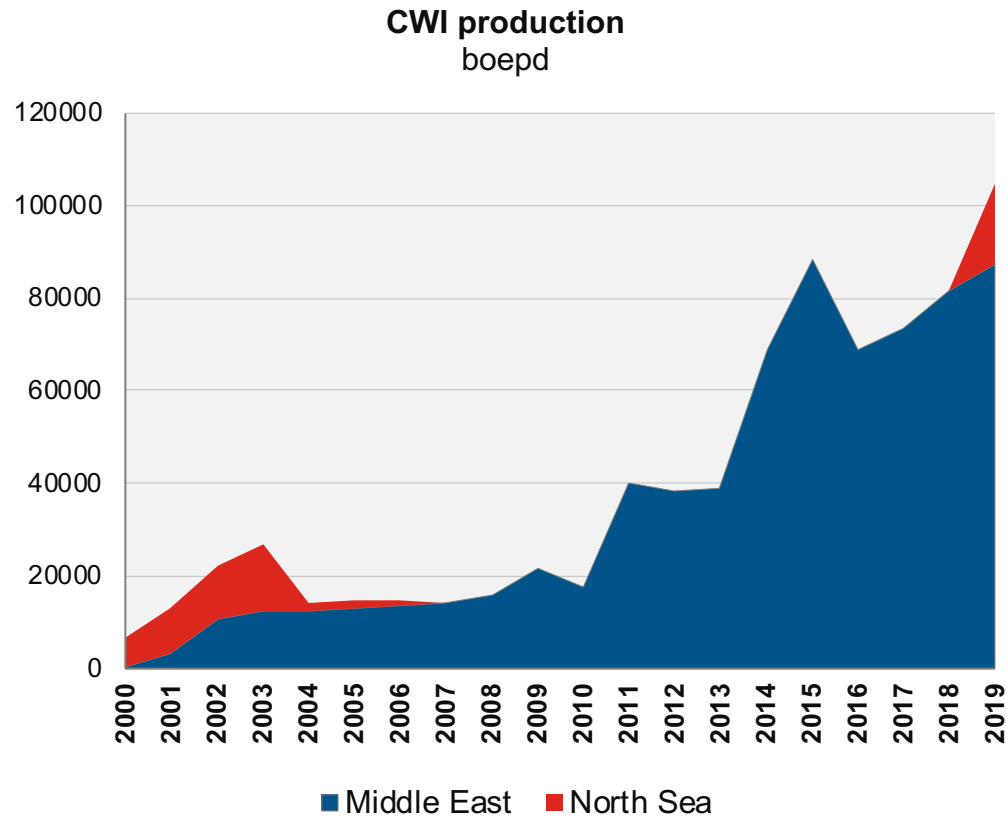
# 2019 financial highlights

- Net profits of USD 74 million on record revenues of USD 971 million
- Operational spend of USD 606 million in 2019 including USD 345 million in Kurdistan and USD 261 million in the North Sea (net of exploration tax refund)
- Spent USD 194 million towards dividend distributions (USD 47 million), buybacks of own shares (USD 82 million) and buybacks of bonds originally issued by Faroe Petroleum plc (USD 65 million)
- Exited 2019 with cash balance of USD 486 million
- Cash balance excludes two delayed Kurdistan export payments totaling USD 107 million received in 2020
- Also held USD 145 million in marketable securities at yearend 2019

# Q4 2019 results

- On a quarterly basis, Q4 2019 operated production in Kurdistan of 122,800 bopd (119,800 bopd in Q3 2019)
- Of which 86,600 bopd represented Kurdistan CWI production in Q4 2019 (84,400 bopd in Q3 2019)
- North Sea operations contributed additional 19,000 boepd in CWI production (14,900 boepd in Q3 2019)
- Bringing total Q4 2019 CWI production to 105,500 boepd (99,300 boepd in Q3 2019)
- Q4 2019 revenues of USD 275 million (USD 227 million in Q3 2019)
- Q4 2019 net profit of USD 51 million compared to a loss of USD 96 million in Q3 2019

# Historical production and revenue trends



# DNO driving Kurdistan operations

- DNO's foot remains firmly on the accelerator and we are committed to continue to outdrill and outproduce all other international oil companies in Kurdistan
- 2019 Tawke license operated production averaged 123,900 bopd (113,100 bopd in 2018)
- Of which Tawke field operated production averaged 68,700 bopd with wells drilled in 2019 contributing 13 percent at yearend
- Peshkabir field operated production averaged 55,200 bopd with wells drilled in 2019 contributing 40 percent at yearend
- Low lifting costs give DNO significant competitive advantage when oil prices are weak and strong cash flow when oil prices are robust

## ...while actively exploring

- Baeshiqa license contains two large structures with multiple target reservoirs, including in Cretaceous, Jurassic and Triassic formations
- Last November, DNO reported a discovery in the Baeshiqa-2 exploration well after flowing variable rates of light oil and sour gas to surface from the upper part of the Triassic Kurra Chine B reservoir following acid stimulation
- Currently conducting workover operations prior to resumption of acid stimulation and testing of remaining Triassic reservoirs
- Commenced site construction for third well (Zartik-1) to be spud this spring targeting Jurassic and Triassic formations on the second structure



## ...and continuing to reduce carbon footprint

- On track to deliver Peshkabir-to-Tawke gas injection project in spring 2020
- Effectively eliminates gas flaring in DNO's Kurdistan operations while enhancing oil recovery in the Tawke field
- Cuts CO<sub>2</sub> emissions to around 7 kilograms per barrel, compared to industry average of 9 kilograms per barrel in Norway and 18 kilograms globally

# Building a strong North Sea platform

- North Sea CWI production averaged 17,400 boepd in 2019
- Recently awarded 10 exploration licenses under Norway's Awards in Predefined Areas (APA) 2019 licensing round with five in the North Sea, two in the Norwegian Sea and three in the Barents Sea
- Adds to the 87 licenses already held in Norway
- Balanced portfolio across the Norwegian Continental Shelf
- Following cross border (United Kingdom and Norway) partner alignment, preparations underway to drill high impact Edinburgh prospect in early 2021

## ...which continues to grow

- DNO leapfrogs to fifth place in total Norwegian licenses with 97 licenses, of which 24 are operated
- Solid platform to pursue more transactions in the United Kingdom and Norway, including acquisition of producing assets
- With greater financial and organizational capacity, expect to take larger stakes in licenses and ramp up activity on operated projects
- Opens new financing opportunities and lowers our weighted average cost of capital

# Returning cash to shareholders

- Since commencement of a dividend program in August 2018 DNO has made three distributions totaling NOK 620 million or USD 72 million
- Next semi-annual distribution of NOK 0.20 per share expected to be made in March 2020
- In January 2020, DNO completed a shareholder authorized share buyback of up to 10 percent, increasing shares held by the Company from 35,000,000 to 108,381,415 acquired at a weighted average price per share of NOK 10.61
- The Board of Directors has called for an Extraordinary General Meeting to be held on 28 February 2020 to seek shareholder approval to cancel all treasury shares

# And buying back bonds

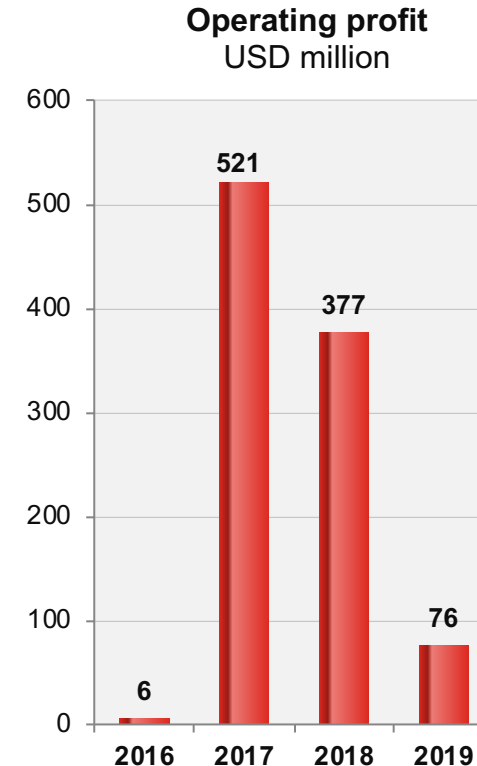
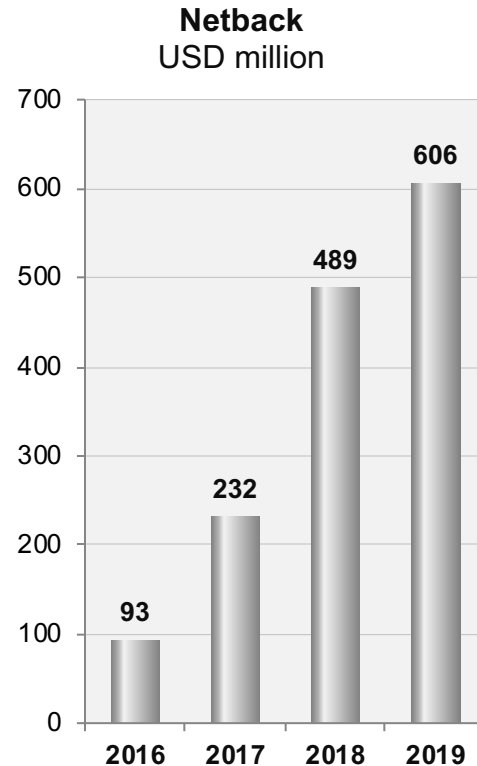
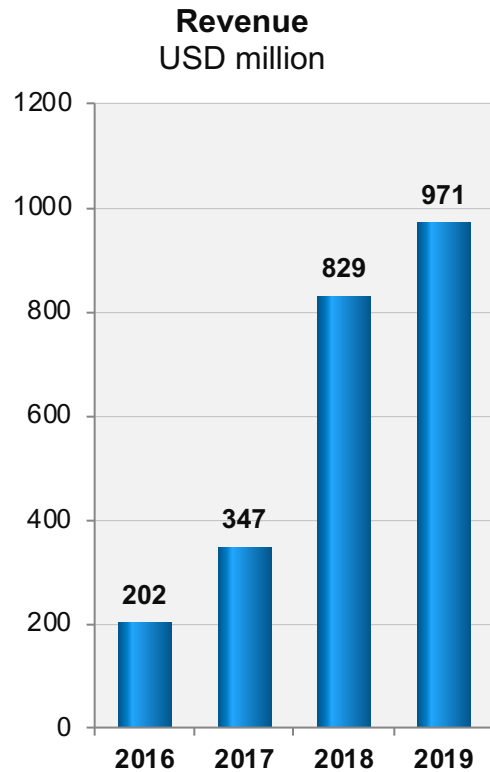
- Strong cash balances allow previously announced buyback of bonds
- To date, DNO has bought back USD 69.6 million in nominal value of FAPE01 bonds originally issued by Faroe Petroleum
- Purchased at a weighted average price of 107.39
- Following bond buybacks and USD 14.2 million in cancellations due to put option exercises, only USD 16.2 million in nominal value of the FAPE01 bonds remain outstanding

# Additional financing secured

- In November 2019, DNO North Sea plc increased and extended its reserve based lending (RBL) and exploration financing (EFF) facilities
- RBL increased from USD 245 million to USD 350 million with accordion of USD 350 million covering North Sea assets and with November 2026 maturity date
- EFF increased from NOK 700 million to NOK 1,000 million with accordion of NOK 500 million and with yearend 2023 maturity date
- EFF based on Norwegian exploration cost refund system will finance major part of DNO's exploration and appraisal in Norway

# Financial review

# DNO financial results – key figures



- Operating profit figures in 2017 and 2018 reflect one off increases from Kurdistan Receivables Agreement and accounting change in Kurdistan revenue recognition criteria, respectively

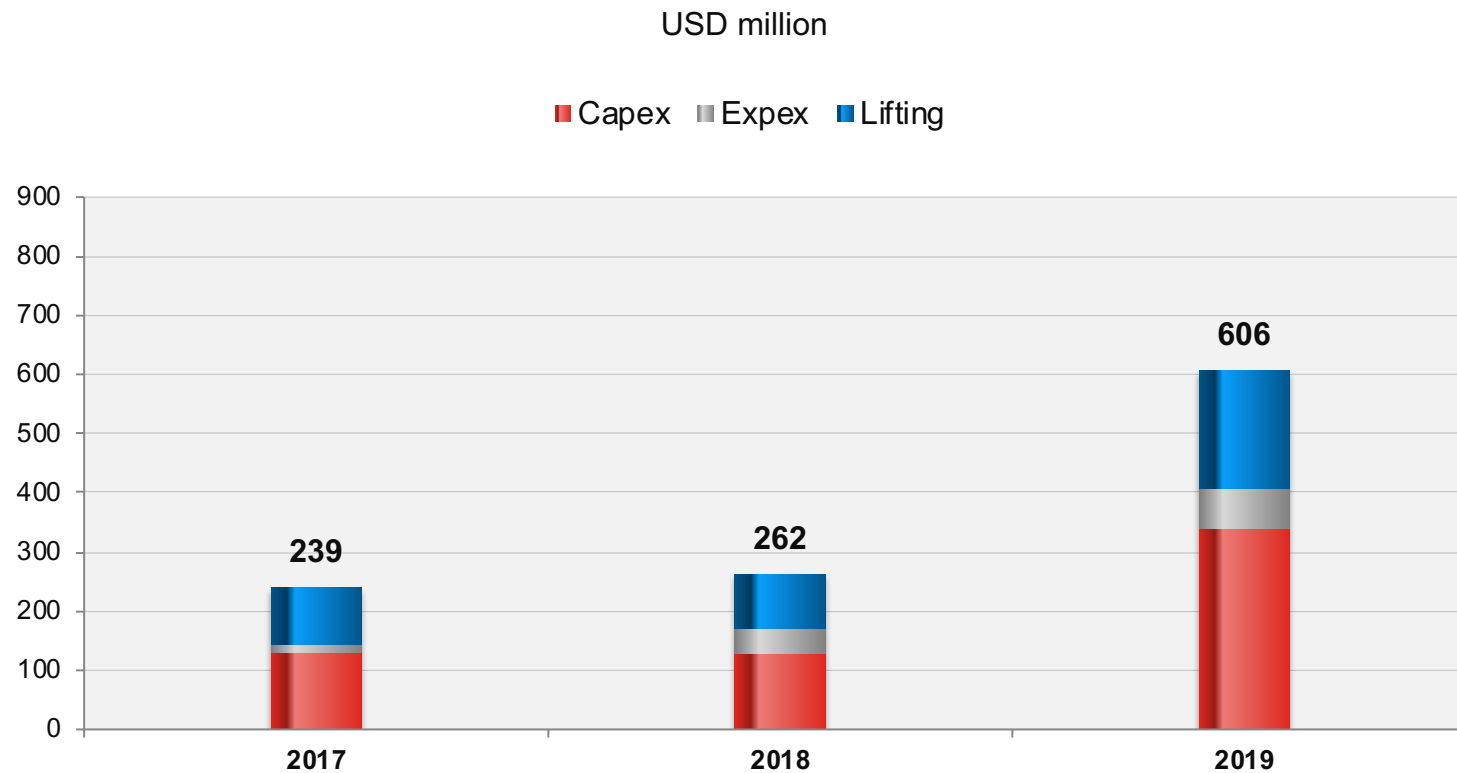


# Financial summary

USD million	Q4 2019	Q3 2019	Q4 2018	2019	2018
<b>Revenues</b>	<b>274.6</b>	<b>227.0</b>	<b>368.8</b>	<b>971.4</b>	<b>829.3</b>
Cost of goods sold	-151.7	-139.0	-106.8	-541.4	-350.6
<b>Gross profit</b>	<b>123.0</b>	<b>88.0</b>	<b>262.0</b>	<b>430.0</b>	<b>478.7</b>
Expensed exploration	-47.9	-47.4	-19.6	-146.4	-64.7
Administrative expenses	-6.1	-7.0	-13.0	-26.1	-36.7
Other operating income/expenses	-0.9	-1.6	0.6	-19.8	1.4
Impairment of oil and gas assets	-23.7	-138.2	-	-162.0	-1.9
<b>Profit/loss from operating activities</b>	<b>44.4</b>	<b>-106.0</b>	<b>230.0</b>	<b>75.6</b>	<b>376.8</b>
Net finance	-25.6	-40.0	-15.3	-123.4	-54.3
<b>Profit/loss before income tax</b>	<b>18.8</b>	<b>-146.0</b>	<b>214.6</b>	<b>-47.8</b>	<b>322.5</b>
Income tax expense	32.1	49.6	15.6	121.3	31.8
<b>Net profit/loss</b>	<b>50.9</b>	<b>-96.4</b>	<b>230.3</b>	<b>73.5</b>	<b>354.3</b>

- 2019 revenues up on new North Sea operations and increased Kurdistan production
- 2019 operating profit impacted by expensed exploration and impairments

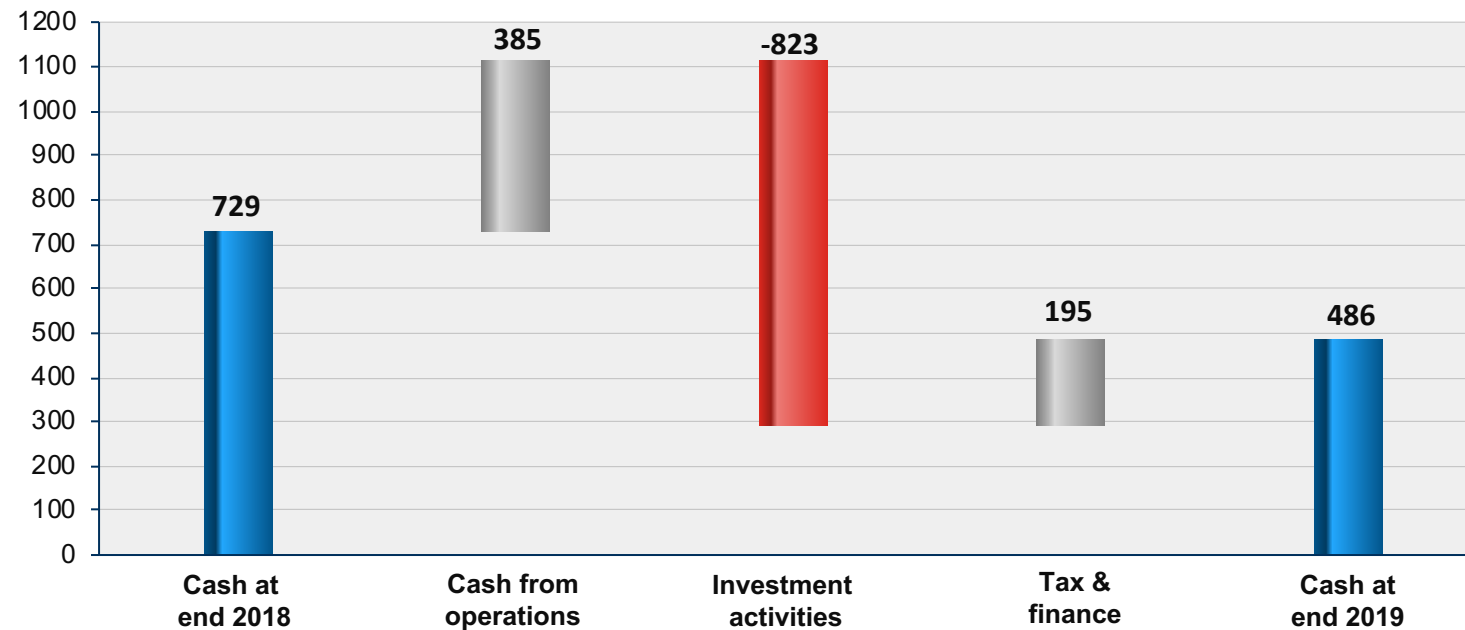
# Annual operational spend



- Operational spend at USD 606 million in 2019, of which USD 345 million in Kurdistan and USD 261 million in the North Sea (net of exploration tax refund)

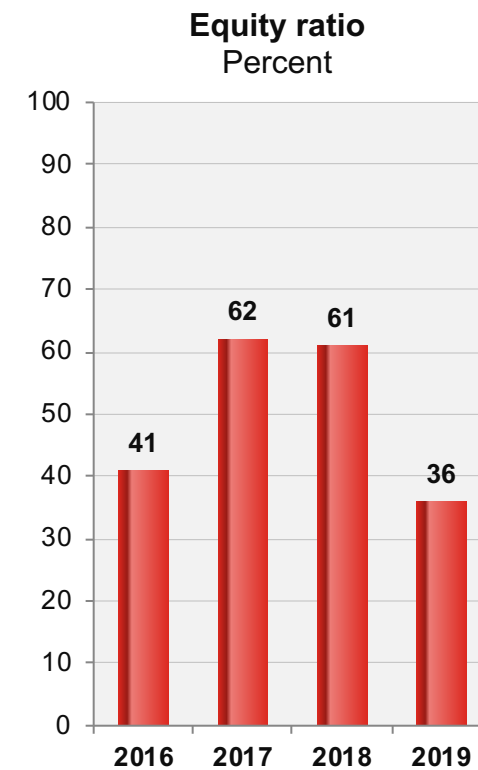
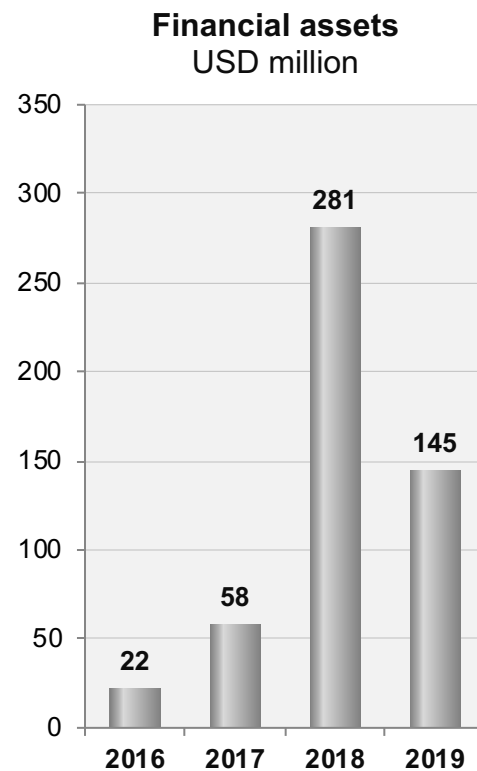
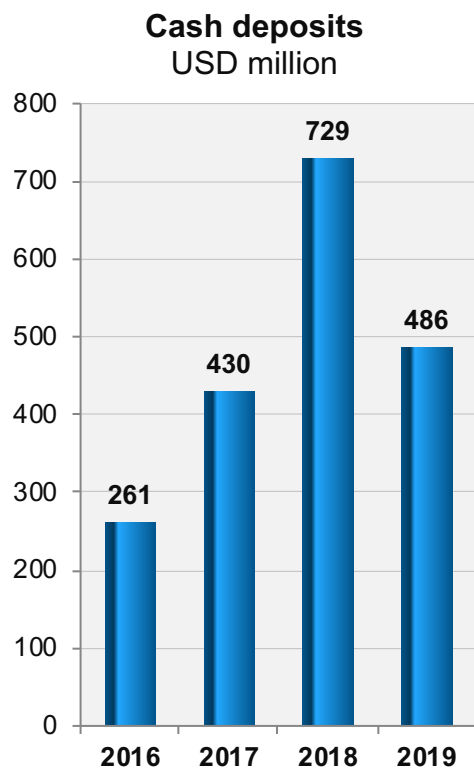
# 2019 cash flow

USD million



- More than half of 2019 investment activities relates to acquisition of Faroe Petroleum
- Two delayed Kurdistan export payments totaling USD 107 million received in 2020

# Capital structure



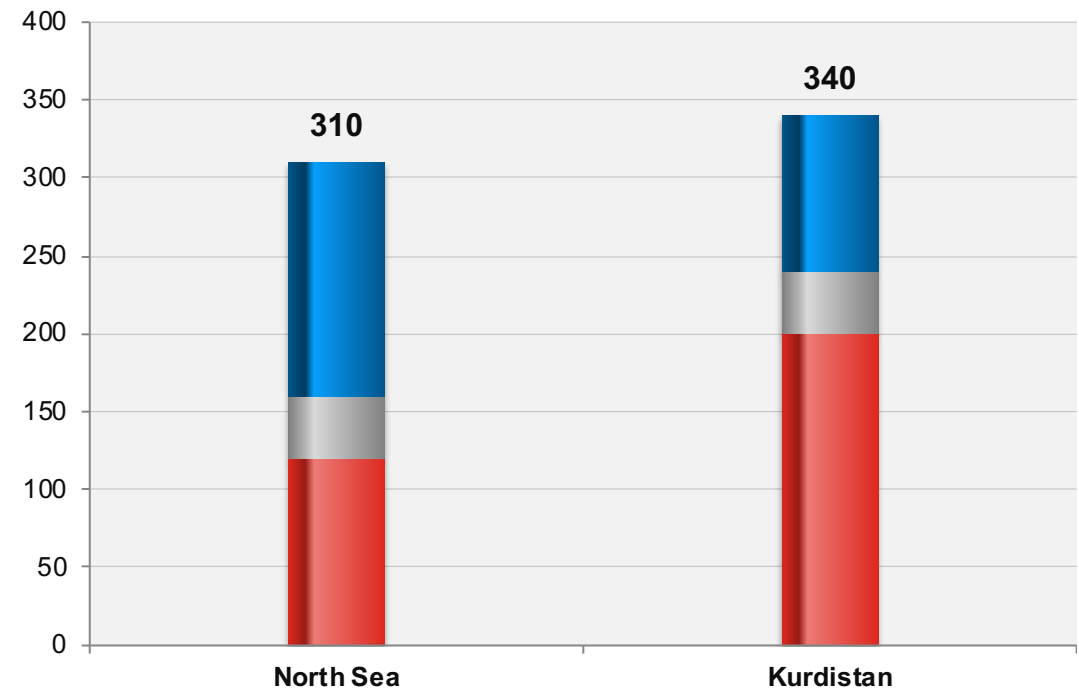
- Equity ratio decrease due to balance sheet growth and purchase of own shares
- Solid balance sheet with low leverage

# 2020 sneak peek

- Planned capital expenditure in 2020 of USD 320 million, of which USD 200 million in Kurdistan and USD 120 million in the North Sea
- Kurdistan capital expenditure focused on production wells at Tawke and Peshkabir fields, facility investments and Peshkabir-Tawke gas reinjection project
- North Sea capital expenditure focused on drilling and development at Fenja, Ula, Tambar and Brage fields
- Planning 10 exploration wells across portfolio of which up to eight in North Sea
- Budgeting at low end of Brent price range of USD 60-70 per barrel

Projected operational spend 2020  
USD million

■ Capex ■ Expex ■ Lifting



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