DNO ASA

Interim Results

First Quarter 2019

Key figures

USD million	Quarters Q1 2019	Q1 2018	Full-Year 2018
Key financials			
Revenues	204.1	142.3	829.3
Gross profit	87.1	66.9	478.7
Profit/-loss from operating activities	37.9	25.0	376.8
Net profit/-loss	51.1	18.4	354.3
EBITDA	106.6	86.0	638.8
Netback	106.6	86.0	489.1
Acquisition and development costs	92.0	18.4	138.0
Exploration expenses	32.8	26.9	64.7
Key performance indicators			
Lifting costs (USD/boe)	5.6	2.2	3.0
Netback (USD/boe)	12.1	12.1	16.4

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

Corporate overview

- DNO has transformed into a more balanced company, continuing to generate significant cash flow from ultra-low cost, short-cycle, highly prolific fields in Kurdistan – but now with a strong, second leg in the North Sea

- Following recent transactions, proven and probable (2P) reserves climbed to 465 million barrels of oil equivalent (MMboe), of which around 20 percent in the North Sea

- In 2019, current North Sea assets expected to contribute around 20 percent of DNO's production, 30 percent of revenues and 20 percent of operational cash flow

- Planned capital expenditure in 2019 of USD 375 million, including USD 225 million in Kurdistan and USD 150 million in the North Sea

- Nimble, fast-track operator with strong balance sheet and reputation for bold strategy execution and resilience

Q1 2019 operational highlights

- Company Working Interest (CWI) production averaged 107,600 barrels of oil equivalent per day (boepd) in Q1 2019, up 36 percent from 79,100 boepd a year earlier in Q1 2018

- Of which in Q1 2019, 89,400 barrels of oil per day (bopd) in Kurdistan and 18,200 boepd in the North Sea

- Operated production in Kurdistan averaged 126,800 bopd, up from 109,400 bopd in Q1 2018

- Oda field in Norway came onstream in mid-March of this year below budget and ahead of schedule and forecast to reach 30,000 boepd of gross production (4,500 boepd CWI) by yearend 2019

Q1 2019 financial highlights

- Q1 2019 revenues of USD 204 million, up from USD 142 million in Q1 2018

- Of which USD 169 million in Kurdistan and USD 35 million in the North Sea

- Exited the quarter with cash balance of USD 254 million plus USD 109 million in treasury shares and marketable securities

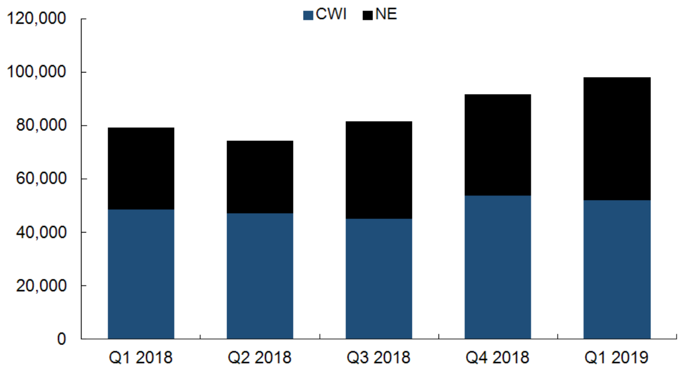
- Distributed second dividend payment of NOK 0.20 per share to shareholders in March 2019

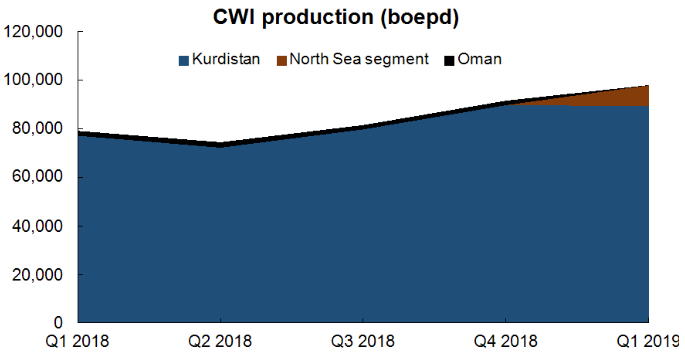
- Received USD 46 million payment from Equinor reflecting settlement of previously announced asset swap transaction from 1 January 2019 to completion on 30 April 2019

Operational review

Production

Quarterly production (boepd)





Operated gross production averaged 131,669 boepd during the first quarter, of which 126,759 bopd was from Kurdistan, 4,723 boepd from the North Sea segment and the balance in Oman.

Company Working Interest (CWI) production during the first quarter stood at 98,030 boepd, up from 91,570 boepd in the previous quarter. In Kurdistan, CWI production averaged 89,365 bopd, down from 89,720 bopd in the previous quarter. CWI production from the North Sea segment averaged 8,578 boepd and the balance in Oman.

The Group's entitlement production averaged 46,010 boepd during the first quarter, up from 37,672 boepd in the previous quarter.

Gross production (operated)

boepd	Q1 2019	Quarters Q4 2018	Q1 2018	Full-Year 2018
Kurdistan	126,759	127,262	109,427	113,149
North Sea	4,723	-	-	-
Oman	187	4,219	4,569	4,458
Total	**131,669**	**131,481**	**113,997**	**117,607**

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

Company Working Interest (CWI) production

boepd	Q1 2019	Quarters Q4 2018	Q1 2018	Full-Year 2018
Kurdistan	89,365	89,720	77,146	79,747
North Sea	8,578	-	-	-
Oman	87	1,850	2,000	1,965
Total	**98,030**	**91,570**	**79,146**	**81,712**

Net entitlement (NE) production

boepd	Q1 2019	Quarters Q4 2018	Q1 2018	Full-Year 2018
Kurdistan	37,390	36,894	29,771	32,240
North Sea	8,578	-	-	-
Oman	42	778	745	767
Total	**46,010**	**37,672**	**30,516**	**33,007**

Activity overview

Kurdistan region of Iraq

Tawke license

Gross production from the Tawke license, containing the Tawke and Peshkabir fields, averaged 126,759 bopd during the first quarter of 2019.

The Peshkabir-9 well was completed and placed on production during the quarter. The Peshkabir-10 well was spud in February and will come onstream shortly. The Peshkabir-11 well will spud later this month. Peshkabir production averaged 53,830 bopd during the first quarter.

At the Tawke field, the Tawke-52 Cretaceous well was completed and placed on production during the quarter. The Tawke-54 Cretaceous well was spud in February and the Tawke-55 Cretaceous well spud in April. The Tawke-54 well came onstream in mid-April. Tawke production averaged 72,929 bopd during the first quarter.

The Company has an active 2019 drilling campaign at the Tawke and Peshkabir fields, including up to four Peshkabir wells and up to 14 Tawke wells.

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

Erbil license

Testing is ongoing at the Hawler-1A well at the Benenan heavy oil field in the Erbil license. Estimates of oil-in-place at Benenan stand at more than two billion barrels.

Baeshiqa license

Testing remains ongoing at the Baeshiqa-1 exploration well, spud in October to test the Cretaceous at the Baeshiqa structure. The well was drilled to a depth of 1,488 meters. A second Baeshiqa well targeting the deeper Jurassic and Triassic on the same structure spud in February and is drilling ahead at 1,982 meters. A third well, also targeting the Jurassic and Triassic, but on a separate structure, will spud later this year.

DNO acquired a 32 percent interest and operatorship of the Baeshiqa license in 2017. 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 8,578 boepd in Norway and the UK during the first quarter, with an additional 9,655 boepd of net production from assets acquired through the Norwegian assets swap with Equinor Energy AS, a wholly-owned subsidiary of Equinor ASA. Including the Equinor swap, net production during the quarter averaged 18,233 boepd, of which 17,210 boepd was in Norway and 1,023 boepd was in the UK.

The completion of the asset swap agreement between Equinor and Faroe Petroleum plc, a wholly-owned subsidiary of DNO, was announced on 30 April 2019 following approval by Norwegian authorities. The transaction has an effective date of 1 January 2019. As part of the transaction, Faroe Petroleum's interests in the non-producing Njord and Hyme redevelopment and Bauge development assets were exchanged for interests in four Equinor-held producing assets on a cashless basis, including interests in the Alve, Marulk, Ringhorne East and Vilje fields.

In January, DNO and Faroe Petroleum were awarded participation in a combined 26 exploration licenses, of which nine are operatorships, under Norway's Awards in Predefined Areas (APA) 2018 licensing round. The Company now holds 90 offshore Norway licenses, of which 22 are operated.

Financial review

Revenues, profits and cash flow

Revenues in the first quarter stood at USD 204.1 million, compared to USD 368.8 million in the previous quarter. Kurdistan contributed revenues of USD 168.6 million, with the North Sea segment contributing USD 35.4 million.

DNO reported an operating profit of USD 37.9 million in the first quarter, down from USD 230.0 million in the previous quarter.

Revenues and operating profit during the previous quarter included a one-off booking of an additional USD 182.8 million following a change in Kurdistan revenue recognition criteria.

The Company ended the quarter with a cash balance of USD 254.4 million and USD 109.3 million in market value of treasury shares and financial investments, down from USD 729.1 million and USD 281.3 million at yearend 2018 respectively.

Cost of goods sold

In the first quarter, the cost of goods sold stood at USD 117.0 million, compared to USD 106.8 million in the previous quarter.

Lifting costs

Lifting costs stood at USD 49.8 million in the first quarter, up from USD 31.9 million in the previous quarter. In Kurdistan, the average lifting cost during the first quarter stood at USD 3.5 per barrel of oil equivalent (boe). In the North Sea segment, the average lifting cost during the first quarter stood at USD 28.0 per boe.

Lifting costs

		Quarters		Full-Year
USD million	**Q1 2019**	**Q4 2018**	**Q1 2018**	**2018**
Kurdistan	28.2	30.0	12.4	80.6
North Sea	21.5	-	-	-
Oman	-	1.9	3.3	9.6
Other	-		0.2	0.1
Total	**49.8**	**31.9**	**15.9**	**90.4**

		Quarters		Full-Year
(USD/boe)	**Q1 2019**	**Q4 2018**	**Q1 2018**	**2018**
Kurdistan	3.5	3.6	1.8	2.8
North Sea	28.0	-	-	-
Oman	-	11.4	18.3	13.4
Other	-	-	-	-
Average	**5.6**	**3.8**	**2.2**	**3.0**

Depreciation, depletion and amortization (DD&A)

DD&A for assets in operation amounted to USD 67.4 million in the first quarter compared to USD 74.4 million in the previous quarter. The decrease in DD&A was mainly driven by a change in the depreciation method effective 1 January 2019 (see Note 1). Changes in depreciation method are reflected prospectively.

DD&A

		Quarters		Full-Year
USD million	**Q1 2019**	**Q4 2018**	**Q1 2018**	**2018**
Kurdistan	52.2	74.4	58.9	258.2
North Sea	15.2	-	-	-
Total	**67.4**	**74.4**	**58.9**	**258.2**

		Quarters		Full-Year
(USD/boe)	**Q1 2019**	**Q4 2018**	**Q1 2018**	**2018**
Kurdistan	15.5	21.9	22.0	21.9
North Sea	19.7	-	-	-
Average	**16.3**	**21.5**	**21.5**	**21.4**

Exploration expenses

Exploration expenses of USD 32.8 million in the first quarter were mainly related to exploration activities in the North Sea segment, including the purchase of seismic data and expensing of exploration wells.

Exploration expenses

		Quarters		Full-Year
USD million	**Q1 2019**	**Q4 2018**	**Q1 2018**	**2018**
Kurdistan	0.7	0.8	-	1.5
North Sea	32.2	18.8	10.1	45.9
Tunisia	-	-	15.9	16.6
Other	-0.1	-	0.8	0.7
Total	**32.8**	**19.6**	**26.9**	**64.7**

Acquisition and development costs

Capital expenditures stood at USD 92.0 million in the first quarter, of which USD 51.5 million was in the North Sea segment and USD 39.4 million in Kurdistan.

Acquisition and development costs

		Quarters		Full-Year
USD million	**Q1 2019**	**Q4 2018**	**Q1 2018**	**2018**
Kurdistan	39.4	45.2	18.1	135.4
North Sea	51.5	0.1	-	1.3
Other	1.1	0.8	0.3	1.3
Total	**92.0**	**46.1**	**18.4**	**138.0**

Consolidated statements of comprehensive income

(unaudited, in USD million)	Note	Quarters Q1 2019	Q1 2018	Full-Year 2018
Revenues	2,3	204.1	142.3	829.3
Cost of goods sold	4	-117.0	-75.4	-350.6
Gross profit		**87.1**	**66.9**	**478.7**
Other income	3	0.1	-1.4	4.8
Administrative expenses		-15.4	-9.8	-36.7
Other operating expenses		-1.1	-2.3	-3.4
Impairment oil and gas assets	7	-	-1.5	-1.9
Exploration expenses	5	-32.8	-26.9	-64.7
Profit/-loss from operating activities		**37.9**	**25.0**	**376.8**
Financial income		3.1	2.5	12.6
Financial expenses	10	-25.3	-13.0	-66.9
Profit/-loss before income tax		**15.7**	**14.6**	**322.5**
Tax income/-expense	6	35.4	3.8	31.8
Net profit/-loss		**51.1**	**18.4**	**354.3**
Other comprehensive income				
Currency translation differences		-3.1	-	1.4
Items that may be reclassified to profit or loss in later periods		**-3.1**	**-**	**1.4**
Net fair value changes from financial instruments	8	29.4	2.6	12.1
Items that are not reclassified to profit or loss in later periods		**29.4**	**2.6**	**12.1**
Total other comprehensive income, net of tax		**26.2**	**2.6**	**13.5**
Total comprehensive income, net of tax		**77.3**	**21.0**	**367.7**
Net profit/-loss attributable to:				
Equity holders of the parent		51.1	18.4	354.3
Total comprehensive income attributable to:				
Equity holders of the parent		77.3	21.0	367.7
Earnings per share, basic		0.05	0.02	0.34
Earnings per share, diluted		0.05	0.02	0.34

Consolidated statements of financial position

ASSETS (unaudited, USD million)	Note	At 31 Mar 2019	2018	At 31 Dec 2018
Non-current assets				
Goodwill	13	372.5	-	-
Deferred tax assets	6	47.2	4.6	7.0
Other intangible assets	7	324.3	29.6	32.8
Property, plant and equipment	7	1,180.4	824.5	758.2
Right-of-use assets	12	14.1	-	-
Financial investments	8	31.3	20.0	230.8
Tax receivables	6	35.7	3.1	-
Total non-current assets		**2,005.4**	**881.7**	**1,028.8**
Current assets				
Inventories	4	26.5	6.4	8.3
Trade and other receivables	2,9	301.1	29.4	209.8
Tax receivables	6	60.3	35.6	28.3
Cash and cash equivalents		254.4	518.4	729.1
Total current assets		**642.4**	**589.8**	**975.5**
Assets held for sale	14	**247.0**	**-**	**-**
TOTAL ASSETS		**2,894.7**	**1,471.5**	**2,004.3**

EQUITY AND LIABILITIES (unaudited, USD million)	Note	At 31 Mar 2019	2018	At 31 Dec 2018
Equity				
Share capital		35.0	35.0	35.0
Other reserves		218.4	262.7	239.6
Retained earnings		1,017.0	599.1	943.2
Total equity		**1,270.4**	**896.8**	**1,217.8**
Non-current liabilities				
Deferred tax liabilities	6	62.9	-	-
Interest-bearing liabilities	10	689.0	375.5	575.7
Lease liabilities	12	11.0	-	-
Provisions for other liabilities and charges	11	464.4	46.5	68.1
Total non-current liabilities		**1,227.3**	**422.0**	**643.8**
Current liabilities				
Trade and other payables		233.7	91.9	116.4
Income tax payable	6	-	1.0	0.5
Current interest-bearing liabilities	10	53.2	33.8	18.4
Current lease liabilities	12	3.1	-	-
Provisions for other liabilities and charges	11	18.0	26.0	7.4
Total current liabilities		**308.0**	**152.6**	**142.7**
Liabilities directly associated with assets held for sale	14	**88.9**	**-**	**-**
TOTAL EQUITY AND LIABILITIES		**2,894.7**	**1,471.5**	**2,004.3**

Consolidated cash flow statement

(unaudited, in USD million)	Note	Quarters Q1 2019	 Q1 2018	Full-Year 2018
Operating activities				
Profit/-loss before income tax		15.7	14.6	322.5
Adjustments to add/-deduct non-cash items:				
Depreciation, depletion and amortization	4	68.7	59.5	260.1
Impairment oil and gas assets	7	-	1.5	1.9
Other *		18.6	2.2	50.2
Change in working capital items and provisions:				
- Inventories		-0.2	-0.5	-2.4
- Trade and other receivables		10.3	-1.6	-181.7
- Trade and other payables		-63.9	-7.7	16.8
- Provisions for other liabilities and charges		9.1	23.2	4.7
Cash generated from operations		**58.1**	**91.2**	**472.0**
Tax refund received		-	-	33.2
Net interests received/-paid		-7.9	0.5	-34.1
Net cash from/-used in operating activities		**50.2**	**91.7**	**471.1**
Investing activities				
Purchases of intangible assets	7	-13.7	-	-7.8
Purchases of tangible assets	7	-78.3	-18.4	-130.3
Payments for decommissioning		-5.8	-	-
Acquisition of Faroe Petroleum plc net of cash acquired **		-428.5	-	-
Acquisition of financial investments	8	-	-	-201.3
Net cash from/-used in investing activities		**-526.3**	**-18.4**	**-339.4**
Financing activities				
Proceeds from borrowings net of issue costs	10	46.2	-	223.9
Repayment of borrowings	10	-19.6	15.0	-31.0
Paid dividend		-24.6	-	-25.8
Payments of lease liabilities		-0.6	-	-
Net cash from/-used in financing activities		**1.4**	**15.0**	**167.1**
Net increase/-decrease in cash and cash equivalents		-474.7	88.2	298.9
Cash and cash equivalents at beginning of the period		729.1	430.2	430.2
Cash and cash equivalents at the end of the period		**254.4**	**518.4**	**729.1**
Of which restricted cash		12.9	3.8	3.2
Of which held on restricted account in relation to the Faroe Petroleum plc offer		-		418.1

* Includes net interest income/-expense and amortization of bond issue costs.

** The amount consists of USD 583.0 million paid during the first quarter of 2019 for the acquisition of the remaining Faroe Petroleum plc shares deducted with cash acquired of USD 154.5 million (see Note 13).

Consolidated statement of changes in equity

(unaudited, in USD million)	Share capital	Other reserves	Retained earnings	Total equity
Total equity as of 1 January 2018	**35.0**	**262.7**	**578.2**	**875.9**
Fair value changes from equity instruments	-	-	2.6	2.6
Currency translation differences	-	-	-	-
Other comprehensive income/-loss	-	-	2.6	2.6
Profit/-loss for the period	-	-	18.4	18.4
Total comprehensive income	**-**	**-**	**21.0**	**21.0**
Issue of share capital	-	-	-	-
Purchase of treasury shares	-	-	-	-
Sale of treasury shares	-	-	-	-
	-	-	-	-
Total equity as of 31 March 2018	**35.0**	**262.7**	**599.1**	**896.8**

(unaudited, in USD million)	Share capital	Other reserves	Retained earnings	Total equity
Total equity as of 1 January 2019	**35.0**	**239.6**	**943.2**	**1,217.8**
Fair value changes from equity instruments	-	-	29.4	29.4
Currency translation differences	-	3.4	-6.6	-3.1
Other comprehensive income/-loss	-	3.4	22.8	26.2
Profit/-loss for the period	-	-	51.1	51.1
Total comprehensive income	**-**	**3.4**	**73.8**	**77.3**
Issue of share capital	-	-	-	-
Purchase of treasury shares	-	-	-	-
Sale of treasury shares	-	-	-	-
Payment of dividend	-	-24.7	-	-24.7
	-	-24.7	-	-24.7
Total equity as of 31 March 2019	**35.0**	**218.4**	**1,017.0**	**1,270.4**

Notes to the interim consolidated financial statements

Note 1 | Basis of preparation and accounting policies

The interim consolidated 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. The interim report has also been prepared in accordance with Oslo Stock Exchange regulations.

The interim consolidated 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 Group's Annual Report and Accounts for 2018. The interim financial information for 2019 and 2018 is unaudited.

The interim consolidated 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 Annual Report and Accounts for 2018.

Effective 1 January 2019, the Group made the following changes affecting the significant accounting policies:

- Implementation of IFRS 16 *Leases.* As described in the Group's Annual Report and Accounts for 2018, IFRS 16 entered into force from 1 January 2019. IFRS 16 replaces IAS 17 *Leases* and provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The accounting principles applied are in line with the description provided in the Group's annual accounts for 2018, Note 1. The impact on the balance sheet is presented on separate balance sheet items, and further details are provided in the notes, in particular Note 12. The Group has applied the modified retrospective approach with no restatement of comparative figures.
- Change in principle for valuation and presentation of overlift/underlift. Revenues are recognized on the basis of volumes lifted and sold to customers during the period (the sales method). Overlift/underlift balances, previously valued at net realizable value, are now valued at production cost including depreciation and movements in overlift/underlift are presented as an adjustment to cost of goods sold, previously presented as Other revenues. This change was made due to the discussion in the IFRS Interpretations Committee (IFRIC) on the topic "Sale of output by a joint operator (IFRS 11 *Joint Arrangements*)", which was concluded in March 2019. The change does not have a material impact on the revenues from Kurdistan and it is expected to only have an impact on revenues from the North Sea segment. Comparative figures have not been restated based on a materiality assessment.
- Change in the unit-of-production depreciation method. The Group has previously depreciated its capitalized costs for oil and gas assets over the estimated remaining proven developed reserves. Following review of the depreciation method, the Group has decided to change the reserves basis from proven developed reserves to proven and probable reserves. The change in depreciation method is reflected prospectively as a change in estimate under IAS 8.

Except for the changes described above, the accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual accounts for 2018.

The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding.

Note 2 | Segment information

From the first quarter of 2019, the Group reports the following two operating segments: Kurdistan and North Sea. The segment North Sea comprise DNO's activities on the Norwegian Continental Shelf (NCS) and UK Continental Shelf (UKCS). The segment assets do not include internal receivables.

Three months ending 31 March 2019 **USD million**	**Note**	**Kurdistan**	**North Sea**	**Other**	**Total reporting segments**	**Un-allocated/ eliminated**	**Total Group**
Income statement information							
Revenues	3	168.6	35.4	-	204.1	-	**204.1**
Inter-segment revenues		-	-	-	-	-0.2	**-**
Cost of goods sold	4	-80.6	-35.5	-	-116.1	-0.9	**-117.0**
Gross profit		**88.0**	**0.1**	**-**	**88.1**	**-1.0**	**87.1**
Profit/-loss from operating activities		**87.1**	**-38.8**	**-3.7**	**44.5**	**-6.8**	**37.9**
Financial income/-expense (net)							**-22.2**
Tax income/-expense		-	35.4	-	35.4	-	**35.4**
Net profit/-loss							**51.1**
Total assets before assets held for sale		**987.2**	**1,431.5**	**7.2**	**2,425.9**	**221.8**	**2,647.7**
Assets held for sale		**-**	**247.0**	**-**	**247.0**	**-**	**247.0**
Total assets		**987.2**	**1,678.4**	**7.2**	**2,672.9**	**221.8**	**2,894.7**

Three months ending 31 March 2018 **USD million**	**Note**	**Kurdistan**	**North Sea**	**Other**	**Total reporting segment**	**Un-allocated/ eliminated**	**Total Group**
Income statement information							
Revenues	3	137.7	-	4.6	142.3	-	**142.3**
Inter-segment revenues		-	0.2	-0.0	0.2	-0.2	**-**
Cost of goods sold	4	-71.4	-0.0	-3.4	-74.8	-0.7	**-75.4**
Gross profit		**66.3**	**0.2**	**1.3**	**67.7**	**-0.9**	**66.9**
Profit/-loss from operating activities		**64.5**	**-12.0**	**-19.1**	**33.5**	**-8.4**	**25.0**
Financial income/-expense (net)							**-10.4**
Tax income/-expense		-	4.1	-0.3	3.8	-	**3.8**
Net profit/-loss							**18.4**
Total assets		**983.3**	**52.9**	**23.8**	**1,060.0**	**411.5**	**1,471.5**

Note 3 | Revenues

USD million	Quarters Q1 2019	Q1 2018	Full-Year 2018
Oil sales	197.0	142.3	829.3
Gas sales	6.2	-	-
Natural gas liquids sales	0.7	-	-
Tariff income	0.2	-	-
Total revenues	**204.1**	**142.3**	**829.3**

During the first quarter of 2019, DNO received a total of USD 237.1 million from the Kurdistan Regional Government as payment for crude oil deliveries to the export market from the Tawke license during the fourth quarter of 2018, of which USD 182.8 million was net to DNO.

The full-year 2018 revenues included a recognition of an additional USD 182.8 million (booked in the fourth quarter of 2018) following a change in Kurdistan revenue recognition criteria.

The full-year 2018 other operating income of USD 4.8 million during 2018 was related to an accounting gain of USD 6.1 million recognized following the sale of DNO Tunisia AS to Panoro Energy AS, a subsidiary of Panoro Energy ASA (Panoro) and a negative adjustment of USD 1.4 million related to provisional amounts made during the measurement period for the acquisition of Origo Exploration Holding AS booked in the first quarter of 2018.

Note 4 | Cost of goods sold/ inventory

USD million	Quarters Q1 2019	Q1 2018	Full-Year 2018
Lifting costs	-49.8	-15.9	-90.4
Tariff and transportation expenses	-4.1	-	-
Production cost based on produced volumes	**-53.9**	**-15.9**	**-90.4**
Movement in overlift/underlift	5.6	-	-
Production cost based on sold volumes	**-48.2**	**-15.9**	**-90.4**
Depreciation, depletion and amortization	-68.7	-59.5	-260.1
Total cost of goods sold	**-117.0**	**-75.4**	**-350.6**

Lifting costs consist of expenses relate to the production of oil and gas, including operation and maintenance of installations, well intervention workover 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. For more information about movement in overlift/underlift, see Note 1.

USD million	At 31 Mar 2019	2018	At 31 Dec 2018
Spare parts	26.5	6.4	8.3
Total inventory	**26.5**	**6.4**	**8.3**

Total inventory of USD 26.5 million as of 31 March 2019 is related to Kurdistan (USD 10.9 million) and the North Sea segment (USD 15.6 million).

Note 5 | Exploration expenses

USD million	Quarters Q1 2019	Q1 2018	Full-Year 2018
Exploration expenses (G&G and field surveys)	-2.4	-3.4	-13.8
Seismic costs	-7.3	-1.0	-18.0
Exploration costs capitalized in previous years carried to cost	-0.7	-	-
Exploration costs capitalized this year carried to cost	-13.0	-4.3	-8.2
Other exploration cost expensed	-9.4	-18.2	-24.8
Total exploration cost expensed	**-32.8**	**-26.9**	**-64.7**

For details on geographic spread of exploration expenses, see the Financial review section. The Group allocates its administrative and other expenses related to the Norwegian and UK oil and gas activities to exploration, development and production activities respectively.

Exploration expenses of USD 32.8 million in the first quarter were mainly related to exploration activities in the North Sea segment, including the purchase of seismic data and expensing of exploration wells.

Note 6 | Income taxes

USD million	Quarters Q1 2019	Q1 2018	Full-Year 2018
Tax income/-expense			
Change in deferred taxes	-2.8	1.1	3.9
Income tax receivable/-payable	38.2	2.8	27.9
Total tax income/-expense	**35.4**	**3.8**	**31.8**

USD million	At 31 Mar 2019	2018	At 31 Dec 2018
Income tax receivable/-payable			
Tax receivables (non-current)	35.7	3.1	-
Tax receivables (current)	60.3	35.6	28.3
Income tax payable	-	-1.0	-0.5
Net tax receivable/-payable	**96.0**	**37.7**	**27.8**
Deferred tax assets/-liabilities			
Deferred tax assets	47.2	4.6	7.0
Deferred tax liabilities	-62.9	-	-
Total deferred tax assets/-liabilities	**-15.7**	**4.6**	**7.0**

The tax income, tax receivable and deferred tax assets/liabilities mainly relate to activity on the NCS subject to the Norwegian Petroleum Taxation Act. The Company's subsidiaries, DNO Norge AS and Faroe Petroleum Norge AS, are currently not in a tax payable position and can claim a 78 percent refund of the eligible exploration costs limited to taxable losses for the year. The refund is paid out in November-December in the subsequent year. In addition, deferred tax asset has been recognised in the UK in relation to temporary differences and ring fenced tax losses that are available indefinitely for offset against future taxable profits. Deferred tax assets/liabilities are presented net in the statements of financial position if there is a legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same tax authority.

Under the terms of the Production Sharing Contracts 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 foreign 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.

There are no tax consequences attached to items recorded in other comprehensive income.

Increase in deferred tax assets and liabilities during the first quarter of 2019 is due to the acquisition of Faroe Petroleum plc, see Note 13.

Note 7 | Property, plant and equipment/ Other intangible assets

USD million	Quarters Q1 2019	Q1 2018	Full-Year 2018
Additions of Other intangible assets*	13.7	-	7.9
Additions of Other intangible assets through business combination**	282.1		
Other intangible assets reclassified to Assets held for sale**	-3.3		
Additions of PP&E***	78.3	18.4	149.3
Additions of PP&E through business combination**	560.6		
PP&E assets reclassified to Assets held for sale**	-157.0		
Impairment oil and gas assets	-	-1.5	-1.9

USD million	At 31 Mar 2019	2018	At 31 Dec 2018
Other intangible assets	324.3	29.6	32.8
PP&E	1,180.4	824.5	758.2

* Additions of Other intangible assets are related to capitalized exploration costs, license interests and administrative software.
** See Note 13 and 14.
*** Additions of PP&E are related to development assets, assets in operation and other PP&E. Additions include estimate change on asset retirement obligations.

For additions during the full-year 2018, see DNO's Annual Report and Accounts for 2018.

In the first quarter of 2019, no impairment charges were recognized. In the first quarter of 2018, the total impairment charge of USD 1.5 million was related to the Sfax Offshore Exploration Permit in Tunisia.

Impairments

Impairment tests of individual cash-generating units are performed when impairment triggers are identified. During the first quarter of 2019, no impairment charges were recognized.

USD million	Three months ending 31 March 2019: Impairment charge (-)/ reversal (+)	Three months ending 31 March 2019: Recoverable/ carrying amount	Full-Year ending 31 December 2018: Impairment charge (-)/ reversal (+)	Full-Year ending 31 December 2018: Recoverable/ carrying amount
SL 18, Somaliland	-	-	-0.4	-
Sfax Offshore Exploration Permit, Tunisia	-	-	-1.5	-
Total	**-**	**-**	**-1.9**	**-**

The table shows the recoverable/carrying amount for the cash generating units which have been impaired in 2018 and 2019. Of the total impairment charge of USD 1.9 million in 2018, USD 1.5 million was recognized to inventories.

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 the reporting period. Fair value changes are included in other comprehensive income (FVTOCI).

	Quarters		Full-Year
USD million	**Q1 2019**	**Q1 2018**	**2018**
Beginning of the period	230.8	17.4	17.4
Additions	226.3	-	201.3
Fair value changes through other comprehensive income (FVTOCI)	29.4	2.6	12.1
Disposal (step acquisition Faroe Petroleum plc)	-455.2	-	-
Total financial investments end of the period	**31.3**	**20.0**	**230.8**
Non-current portion	31.3	20.0	230.8
Current portion	-	-	-

Financial investments include the following:

	At 31 Mar		At 31 Dec
USD million	**2019**	**2018**	**2018**
Listed securities:			
- RAK Petroleum plc	26.3	20.0	17.9
- Faroe Petroleum plc	-	-	209.2
- Panoro Energy ASA	5.0	-	3.7
Total financial investments	**31.3**	**20.0**	**230.8**

The Company has 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 40.45 percent of the total issued shares. The Company's Executive Chairman Bijan Mossavar-Rahmani, the largest shareholder in RAK Petroleum, also serves as Executive Chairman of RAK Petroleum plc.

During 2018, the Company acquired 111,494,028 shares in Faroe Petroleum plc representing 29.90 percent of the outstanding shares. At yearend 2018, Faroe Petroleum plc was listed on the UK's Alternative Investment Market (AIM) of the London Stock Exchange. On 11 January 2019, the Company obtained control of Faroe Petroleum plc and subsequently de-listed the company from AIM on 14 February 2019 (see Note 13).

The Company has a total of 2,641,465 shares in Oslo-listed Panoro Energy ASA, representing 4.63 percent of the outstanding shares.

Note 9 | Trade and other short-term receivables

	At 31 Mar		At 31 Dec
USD million	**2019**	**2018**	**2018**
Trade debtors	171.2	-	182.8
Underlift	23.8	12.4	1.1
Other short-term receivables	103.7	17.1	25.9
Total trade and other short-term receivables	**301.1**	**29.4**	**209.8**

The underlift receivable as of 31 March 2019 relates to the North Sea segment (USD 22.6 million) and Block 8 in Oman (USD 1.2 million). Other short-term receivables relate mainly to items of working capital for oil and gas licenses in Kurdistan and the North Sea segment.

The trade debtors relate to crude oil deliveries to the export market from the Tawke license in Kurdistan.

Note 10 | Interest-bearing liabilities

Interest-bearing liabilities

USD million	Ticker	Facility currency	Facility amount	Interest	Maturity	At 31 Mar 2019	At 31 Mar 2018	At 31 Dec 2018
Non-current								
Bond loan (ISIN NO0010740392)	DNO01	USD	200.0	8.75%	18/06/20	200.0	400.0	400.0
Bond loan (ISIN NO0010823347)	DNO02	USD	400.0	8.75%	31/05/23	400.0	-	200.0
Bond loan (ISIN NO0010811268)	FAPE01	USD	85.8	8.00%	28/04/23	85.8	-	-
Borrowing issue costs related to bonds						-21.0	-24.5	-24.3
Exploration financing facilities		NOK	1,700.0	see below	see below	24.1	-	-
Total non-current interest-bearing liabilities						**689.0**	**375.5**	**575.7**
Current								
Exploration financing facilities		NOK	1,700.0	see below	see below	53.2	33.8	18.4
Total current interest-bearing liabilities						**53.2**	**33.8**	**18.4**
Total interest-bearing liabilities						**742.1**	**409.3**	**594.1**

Security and pledges

USD million	At 31 Mar 2019	At 31 Mar 2018	At 31 Dec 2018
Exploration tax refund	96.0	38.7	28.3
Restricted cash	-	0.9	0.6
Total book value of assets pledged	**96.0**	**39.5**	**28.9**

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

USD million	At 1 Jan 2019	Cash flows	Non-cash changes Amortization	Non-cash changes Currency	Non-cash changes Acquisition	At 31 Mar 2019
Bond loans	600.0	-14.2	-	-	100.0	685.8
Borrowing issue costs	-24.3	-	3.3	-	-	-21.0
Exploration financing facilities (non-current)	-	22.9	-	1.3	-	24.2
Exploration financing facilities (current)	18.4	17.9	-	-0.8	17.7	53.2
Total	**594.1**	**26.6**	**3.3**	**0.5**	**117.7**	**742.1**

USD million	At 1 Jan 2018	Cash flows	Non-cash changes Amortization	Non-cash changes Currency	Non-cash changes Acquisition	At 31 Mar 2018
Bond loans	400.0	-	-	-	-	400.0
Borrowing issue costs	-27.2	-	2.8	-	-	-24.5
Exploration financing facility (non-current)	-	-	-	-	-	-
Exploration financing facility (current)	17.6	15.0	-	1.2	-	33.8
Total	**390.4**	**15.0**	**2.8**	**1.2**	**-**	**409.3**

Details regarding bonds issued by DNO ASA or its subsidiaries can be found in the table above.

The Group has available revolving exploration facilities in an aggregate amount of NOK 1.7 billion (equivalent to USD 197.7 million as of 31 March 2019). Utilization requests need to be delivered for each proposed loan. The facilities are secured against the tax refund and are repaid when the refunds have been received which is approximately eleven months after the end of the financial year. The interest rate equals three months NIBOR plus a margin of 1.30 or 1.55 percent. Utilizations can be made until 31 December 2019 (NOK 700 million) and 31 December 2020 (NOK 1.0 billion). Amount utilized as of 31 March 2019 is disclosed in the table above.

The Group has a reserve-based lending (RBL) facility in relation to its Norway and UK licenses with a total facility amount of USD 245 million which is available for both debt and issuance of letters of credit. As of 31 March 2019, the facility is undrawn and USD 84.3 million was utilized in respect of letters of credit. Interest charged on utilizations is based on the LIBOR, NIBOR or EUROBOR rates (depending on the currency of the drawdown) plus a margin ranging from 3.0 to 3.5 percent. The facility will amortize over the loan life with a final maturity date of 31 December 2025.

The Group has also available a USD 200 million short-term bank credit facility which expires on 23 January 2020.

Note 11 | Provisions for other liabilities and charges

USD million	At 31 Mar 2019	2018	At 31 Dec 2018
Non-current			
Asset retirement obligations	444.5	32.3	49.4
Other long-term provisions and charges	19.9	14.2	18.7
Total non-current provisions for other liabilities and charges	**464.4**	**46.5**	**68.1**
Current			
Other provisions and charges	18.0	26.0	7.4
Total current provisions for other liabilities and charges	**18.0**	**26.0**	**7.4**
Total provisions for other liabilities and charges	**482.5**	**72.5**	**75.4**

The increase in asset retirement obligations during the first quarter of 2019 is due to the acquisition of Faroe Petroleum plc, see Note 13.

Note 12 | Right-of-use assets/ Lease liabilities

The Group's right-of-use assets in accordance with IFRS 16 are related to office rent presented in the table below. The Group also leases personal computers and IT equipment with contract terms of one to three years. The Group has elected to apply the practical expedient on low value assets and does not recognize lease liabilities or right-of-use assets. The leases are instead expensed when they incur. The Group has also applied the practical expedient to not recognize lease liabilities and right-of-use assets for short-term leases.

Right-of-use assets:

USD million	Quarters Q1 2019	Q1 2018	Full-Year 2018
Acquisition cost beginning of the period	**12.9**	**-**	**-**
Additions	-	-	-
Addition through business combination	2.0	-	-
Currency exchange differences	0.1	-	-
Acquisition cost end of the period	**15.0**	**-**	**-**
Accumulated depreciation and impairment beginning of the period	-	-	-
Depreciation	-0.9	-	-
Impairment	-	-	
Currency exchange differences	-	-	-
Accumulated depreciation and impairment end of the period	**-0.9**	**-**	**-**
Book value end of the period	**14.1**	**-**	**-**

Right-of-use assets are depreciated linearly over the lifetime of the related lease contract. The lease term varies from two years to six years.

Note 12 | Right-of-use assets/ Lease liabilities (continued)

Summary of the lease liabilities in the financial statements:

USD million	At 31 Mar 2019	2018	At 31 Dec 2018
Total lease liabilities beginning of the period	**12.7**	**-**	**-**
New lease liabilities recognised	-	-	-
Lease liability through business combination	2.0	-	-
Payments of lease liabilities	-0.9	-	-
Interest expense on lease liabilities	0.3	-	-
Currency exchange differences	0.1	-	-
Total lease liabilities end of the period	**14.2**	**-**	**-**
Lease liabilities (non-current)	11.0	-	-
Current lease liabilities	3.1	-	-

The identified leases 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 it, based on the management's judgement, is reasonably certain that an extension will be exercised.

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

USD million	At 31 Mar 2019	2018	At 31 Dec 2018
Within one year	5.4	8.9	4.0
Two to five years	11.7	13.2	11.1
After five years	0.5	4.6	2.3
Total undiscounted lease liabilities end of the period	**17.6**	**26.7**	**17.3**

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 and undiscounted lease liabilities is due to discounting and adjustment for short-term leases and low-value leases. The Group's lease of drilling rigs relate to Kurdistan drilling activities; the contracts are cancellable and thus not included in the table above. Total cancellable contracts are estimated to be USD 15.8 million (gross, undiscounted) as of 31 March 2019.

Note 13 | Business combinations

On 8 January 2019, the Company announced the terms of a final cash offer for the entire issued and to be issued share capital of Faroe Petroleum plc at a price of 160 pence in cash for each Faroe share. The final offer had become unconditional in all respects on 11 January 2019, which was when the Company obtained control over Faroe by achieving more than 50 percent ownership. The Company now owns 100 percent of the entire issued share capital of Faroe.

The Company has obtained the necessary government approvals for the change of control in Norway and has submitted the required notifications in the UK and Ireland. No notification was necessary in the Netherlands.

The consideration payable by the Company under the terms of the final offer was funded from existing cash resources. The Company’s main reason for the acquisition was to firmly establish itself in the North Sea. The Faroe acquisition strengthens the Group's portfolio and operational capabilities in the North Sea, transforming the Group into a more diversified company with a strong, second leg. Through the transaction, the Group obtained attractive exploration, development and production projects and an experienced team with extensive knowledge of the North Sea.

Purchase price allocation (PPA)
The Faroe acquisition is regarded as a business combination and is accounted for using the acquisition method in accordance with IFRS 3 *Business Combinations*. The date of the acquisition is determined to be the date the offer became unconditional in all respects on 11 January 2019, which is when the Company obtained control over Faroe by achieving more than 50 percent ownership. The general principle in IFRS 3 is that the identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. For convenience purposes, the Company has designated 1 January 2019 as the acquisition date. A PPA has been performed as of this acquisition date to allocate the consideration to fair values of acquired assets and assumed liabilities of Faroe.

Each identifiable asset and liability is measured at its acquisition date fair value based on guidance in IFRS 3 and IFRS 13 *Fair Value Measurement*. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition emphasizes that the fair value is a market-based measurement, not an entity-specific measurement. When measuring the fair value, the Group uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. Acquired producing and development assets (i.e., PP&E) as well as discovery assets (i.e., intangible assets) of Faroe have been valued using the income-based approach.

Note 13 | Business combinations (continued)

The identified assets and liabilities as of the date of acquisition were as shown in the table below:

USD million	Fair value at acquisition-date
Deferred tax assets*	45.9
Other intangible assets	282.1
Property, plant and equipment	560.6
Right-of-use assets	2.0
Inventories	17.9
Trade and other receivables	121.0
Tax receivables (current)	31.2
Cash and cash equivalents	154.5
Total assets	**1,215.2**
Deferred tax liabilities*	143.2
Interest-bearing liabilities (non-current)	100.0
Lease liabilities	2.0
Provisions for other liabilities and charges (non-current)	394.1
Trade and other payables	180.8
Income tax payable	0.5
Current interest-bearing liabilities	17.7
Provisions for other liabilities and charges	15.8
Total liabilities	**854.1**
Total identifiable net assets at fair value	361.1
Consideration	812.0
Goodwill**	**450.9**

* Deferred tax assets/liabilities are presented net in the statements of financial position if there is a legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same tax authority.

** No part of the goodwill will be deductible for tax purposes.

The PPA does not include effects from the swap agreement with Equinor. The transaction has an effective date of 1 January 2019 and was completed on 30 April 2019 following approval by Norwegian authorities (see Note 14 and 15).

The goodwill recognized in the transaction relates mainly to technical goodwill due to the requirement to recognize deferred tax assets and liabilities for the temporary difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination. Licenses under development and licenses in production can only be sold on a post-tax value pursuant to the Norwegian Petroleum Taxation Act, section 10. The assessment of fair value of such licenses is therefore based on cash flows after tax. Nevertheless, in accordance with IAS 12 *Income Taxes*, a provision is made for deferred tax corresponding to the tax rate multiplied by the difference between the acquisition cost and the tax base. The offsetting entry to this deferred tax is technical goodwill.

The above valuation is based on currently available information about fair values as of the acquisition date. If new information becomes available within 12 months from the acquisition date, the Group may change the fair value assessment in the PPA in accordance with guidance in IFRS 3.

For comparison purposes, assuming that the acquisition had taken place effective 1 January 2018, it is estimated that full-year revenues would have increased by USD 291.4 million while net profit/-loss would have decreased by USD 27.3 million.

Note 14 | Assets held for sale

On 4 December 2018, an asset swap agreement was signed between Equinor Energy AS, a wholly-owned subsidiary of Equinor ASA (Equinor), and Faroe Petroleum plc, a wholly-owned subsidiary of DNO. The transaction has an effective date of 1 January 2019 and was completed on 30 April 2019 following approval by Norwegian authorities (see Note 15).

As part of the transaction, Faroe's interests in the non-producing Njord and Hyme redevelopment and Bauge development assets were exchanged for interests in four Equinor-held producing assets on a cashless basis, including interests in the Alve, Marulk, Ringhorne East and Vilje fields.

The major classes of assets and liabilities for the divested assets classified as held for sale as at 31 March 2019 were as follows:

	At 31 Mar		At 31 Dec
USD million	**2019**	**2018**	**2018**
Assets:			
Goodwill	72.8	-	-
Other intangible assets	3.3	-	-
Property, plant and equipment	157.0	-	-
Inventories	2.2	-	-
Trade and other receivables	11.7	-	-
Assets held for sale	**247.0**	**-**	**-**
Liabilities:			
Deferred tax liabilities	72.1	-	-
Provisions for other liabilities and charges	7.3	-	-
Trade and other payables	9.4	-	-
Liabilities directly associated with assets held for sale	**88.9**	**-**	**-**
Net assets directly associated with assets held for sale	**158.1**	**-**	**-**
Amounts included in accumulated OCI:			
Currency translation differences	2.5	-	-

Note 15 | Events after the reporting period

DNO Completes Norwegian Asset Swaps with Equinor
On 30 April 2019, the Company announced the completion of the asset swap agreement between Equinor Energy AS, a wholly-owned subsidiary of Equinor ASA (Equinor), and Faroe Petroleum plc, a wholly-owned subsidiary of DNO, following approval by Norwegian authorities. The transaction has an effective date of 1 January 2019.

As part of the transaction, Faroe Petroleum's interests in the non-producing Njord and Hyme redevelopment and Bauge development assets were exchanged for interests in four Equinor-held producing assets on a cashless basis, including interests in the Alve, Marulk, Ringhorne East and Vilje fields. The value of the acquired assets is expected in the range of USD 0.2 billion and will be recognized in the North Sea segment. At this stage, both the acquisition values and the purchase price allocation are preliminary.

The Company received a USD 46 million payment from Equinor reflecting production, reimbursement of investments and working capital adjustments from 1 January 2019 to transaction completion on 30 April 2019. The Company also received title to underlift positions worth an estimated USD 13 million which will be realized at market value when the barrels are lifted.

DNO to Hold Fixed Income Investor Meetings
On 6 May 2019, the Company announced it has engaged Danske Bank, Pareto Securities AS and SpareBank 1 Markets AS to arrange fixed income investor meetings in Europe, the United States and the Far East. Subject to market conditions and acceptable terms, a new USD senior unsecured bond issue may follow.

Proceeds from such a bond issue would be directed for general corporate purposes, including the refinancing and/or buyback of DNO01 (ISIN NO 0010740392) and FAPE01 (ISIN NO 0010811268).

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). DNO 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

	Quarters		Full-Year
USD million	**Q1 2019**	**Q1 2018**	**2018**
Revenues	204.1	142.3	829.3
Lifting costs	-49.8	-15.9	-90.4
Tariffs and transportation	-4.1	-	-
Movement in overlift/underlift	5.6	-	-
Exploration expenses	-32.8	-26.9	-64.7
Administrative expenses	-15.4	-9.8	-36.7
Other operating income/-expenses	-1.0	-3.6	1.4
EBITDA	**106.6**	**86.0**	**638.8**

Netback

USD million	**Q1 2019**	**Q1 2018**	**2018**
EBITDA	106.6	86.0	638.8
Change in revenue recognition criteria, Kurdistan	-	-	-182.8
Taxes received/-paid	-	-	33.2
Netback	**106.6**	**86.0**	**489.1**

	Q1 2019	**Q1 2018**	**2018**
Netback (USD million)	106.6	86.0	489.1
Company Working Interest production (MMboe)	8.8	7.1	29.9
Netback (USD/boe)	**12.1**	**12.1**	**16.4**

Lifting costs

	Q1 2019	**Q1 2018**	**2018**
Lifting costs (USD million)	-49.8	-15.9	-90.4
Company Working Interest production (MMboe)	8.8	7.1	29.9
Lifting costs (USD/boe)	**5.6**	**2.2**	**3.0**

Acquisition and development costs

USD million	**Q1 2019**	**Q1 2018**	**2018**
Purchases of intangible assets	-13.7	-	-7.8
Purchases of tangible assets	-78.3	-18.4	-130.3
Acquisition and development costs*	**-92.0**	**-18.4**	**-138.0**

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

Alternative performance measures

Operational spend

USD million	Quarters Q1 2019	Q1 2018	Full-Year 2018
Lifting costs	-49.8	-15.9	-90.4
Exploration expenses	-32.8	-26.9	-64.7
Acquisition and development costs	-92.0	-18.4	-138.0
Operational spend	**-174.6**	**-61.2**	**-293.2**

Equity ratio

USD	Q1 2019	Q1 2018	2018
Equity	1,270.4	896.8	1,217.8
Total assets	2,894.7	1,471.5	2,004.3
Equity ratio	**43.9%**	**60.9%**	**60.8%**

Free cash flow

USD million	Q1 2019	Q1 2018	2018
Cash generated from operations	58.1	91.2	472.0
Acquisition and development costs	-92.0	-18.4	-138.0
Payments for decommissioning	-5.8	-	-
Free cash flow	**-39.7**	**72.8**	**334.0**

Marketable securities

USD million	Q1 2019	Q1 2018	2018
Financial investments	31.3	20.0	230.8
Treasury shares*	78.0	55.6	50.5
Marketable securities	**109.3**	**75.6**	**281.3**

* Treasury shares at the end of the reporting period multiplied by the DNO share price at the end of the reporting period.

Net debt

USD million	Q1 2019	Q1 2018	2018
Cash and cash equivalents	254.4	518.4	729.1
Bond loan (Note 10)	685.8	400.0	600.0
Net cash/-debt	**-431.4**	**118.4**	**129.1**

Exploration financing facilities have been excluded as these are covered by the exploration tax refund recognized as asset in the statements of financial position. See Note 6 and 10.

Alternative performance measures

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.

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, exploration expenses and acquisition and development costs. Management believes that this measure is useful because it provides a complete overview of the Group`s total operational costs and capital investments 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 (see Note 15 in the consolidated accounts). 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 balance sheet date.

NOTES

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