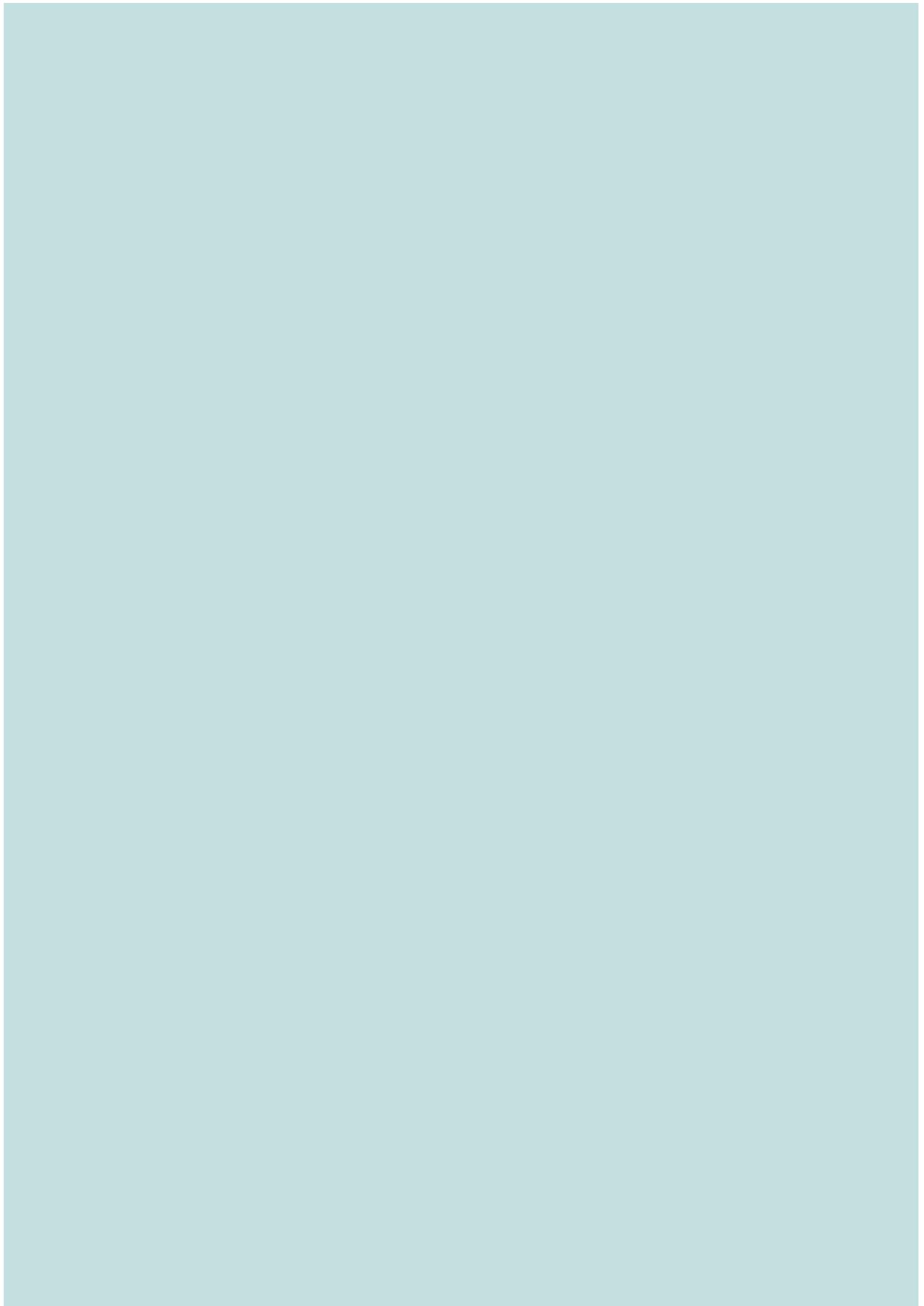




Interim Report

# First Quarter 2015





## Key figures

USD million	Quarter		Full year	
	Q1 2015	Q1 2014	2014	2013
<b>Key financials</b>				
Sales <sup>1)</sup>	26.0	112.8	452.0	503.0
Gross profit	-35.8	41.8	135.5	294.7
Profit/loss from operating activities	-69.2	29.7	-243.2	67.9
Net profit/loss	-74.2	23.7	-226.1	27.0
EBITDA	-32.4	69.6	254.1	348.1
Netback	-36.9	59.6	203.6	285.9
Acquisition and development costs	35.3	85.4	297.3	288.3
Exploration costs expensed	7.0	5.3	50.6	10.3
<b>Key performance indicators<sup>2)</sup></b>				
Lifting costs (USD/boe)	6.0	7.7	4.8	8.0
Netback (USD/boe)	-5.8	14.9	8.3	20.8

<sup>1)</sup> Sales in 2014 include USD 20,6 million related to export production from the Tawke field.

<sup>2)</sup> Key performance indicators include exports from the Tawke field.

## Q1 2015 and year-to-date highlights

- Gross production in Q1 2015 of 121,026 barrels of oil equivalent per day (boepd), of which company working interest (CWI) production was 72,873 boepd
- In Kurdistan, Tawke field output in Q1 averaged 104,925 barrels of oil per day (bopd), including 90,172 bopd delivered by the Kurdistan Regional Government to Ceyhan for export, 8,679 bopd sold into the local market and the balance used in the Tawke refinery
- On 3 May, hit new Tawke daily production record of 156,379 barrels of oil
- With completion of Tawke-30 well and installation of surface facilities, reached capacity milestone of 200,000 bopd of wellhead, processing and pipeline capacity at Tawke
- 100 million barrels of cumulative production from Tawke surpassed in February
- Expect ramp-up of Tawke production combined with higher overall deliveries to Ceyhan will help unlock payments to DNO and other international operators
- Meanwhile, new contracts have been signed for local sales from Tawke averaging 20,000 bopd, generating ongoing revenues to the company
- Terms include 50/50 split with Kurdistan Regional Government, upfront payment by buyers and prices based on a discount to Brent (realized prices currently ranging USD 35-40 per barrel)
- Low oil prices and sharp decline in local sales dropped booked revenues to USD 26 million; Yemen write-down of USD 27 million contributed to operating loss of USD 69 million

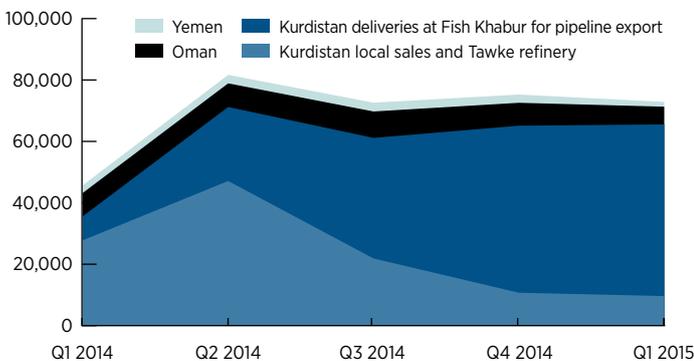
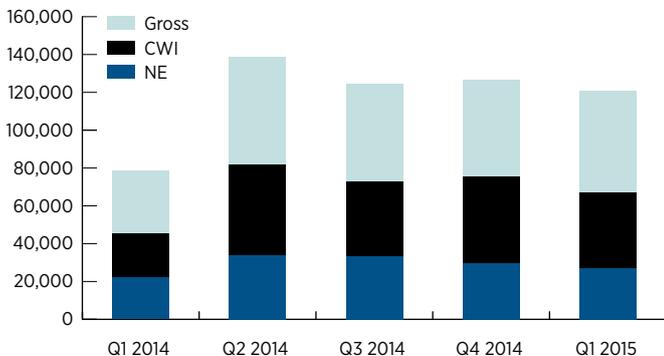
## Q1 2015 and year-to-date highlights (continued)

- Raised NOK 975 million in equity offering initiated on 9 March to strengthen balance sheet ahead of refinancing
- Equity offering more than three times oversubscribed
- During 2015, priority is to align our spending with our earning
- Annual capex projected at USD 100 million, of which USD 35 million was spent in Q1
- Staff reductions leading to annual savings of USD 20 million from mid-2015
- Other opex reductions include renegotiated contracts and payment schedules with service companies

## Operational review

### Production

#### Quarterly production



Company working interest production (CWI) during the first quarter averaged 72,873 boepd compared to 75,259 boepd during the fourth quarter of 2014. Although volumes were down as a result

of lower production in Oman and Yemen, production was up considerably from the corresponding period last year, when CWI production stood at 45,744 boepd, due to increased production from the Tawke field in the Kurdistan region of Iraq. In Kurdistan, CWI production totaled 65,536 boepd during the first quarter, up from 35,642 boepd during the first quarter of 2014.

In Oman, CWI production totaled 5,766 boepd during the first quarter compared to 7,457 boepd in the previous quarter. In Yemen, CWI production totaled 1,571 boepd during the first quarter compared to 2,684 boepd in the previous quarter.

Net entitlement production totaled 27,133 boepd during the first quarter compared to 29,739 boepd in the previous quarter.

#### Gross production

boepd	Quarter		Full year	
	Q1 2015	Q1 2014	2014	2013
Kurdistan	105,912	57,487	95,011	39,433
Oman	11,532	15,194	15,678	21,473
Yemen	3,582	6,236	6,793	9,708
<b>Total</b>	<b>121,026</b>	<b>78,917</b>	<b>117,482</b>	<b>70,614</b>

The table above reflects gross production from the company's fields. Kurdistan figures include both local sales and exported volumes.

#### Company working interest (CWI) production

boepd	Quarter		Full year	
	Q1 2015	Q1 2014	2014	2013
Kurdistan	65,536	35,642	58,414	24,527
Oman	5,766	7,597	7,839	10,736
Yemen	1,571	2,505	2,705	3,907
<b>Total</b>	<b>72,873</b>	<b>45,744</b>	<b>68,958</b>	<b>39,170</b>

The table above reflects the company's total working interest production including diesel. Kurdistan figures include both local sales and exported volumes.

## Net entitlement production

boepd	Quarter		Full year	
	Q1 2015	Q1 2014	2014	2013
Kurdistan	22,954	15,810	23,746	12,679
Oman	3,253	4,455	4,160	5,733
Yemen	926	1,797	1,876	2,543
<b>Total</b>	<b>27,133</b>	<b>22,063</b>	<b>29,782</b>	<b>20,956</b>

The table above reflects the company's net entitlement production including diesel. Net entitlement from past exports from Tawke has been estimated based on the PSC, but the company has not received payments for the full entitlement production.

## Oman

Offshore at Block 8, the Bukha and West Bukha fields produced a gross average of 11,532 boepd in the first quarter of 2015. A new development well remains under consideration to increase West Bukha oil and gas output.

## United Arab Emirates

Saleh field continues to produce small volumes of gas and liquids on an intermittent basis.

## Yemen

Production from Block 32 and Block 43 was suspended in late March due to the continuing deterioration in security conditions. DNO exited from Block 53 following withdrawal by the operator and other joint venture partners earlier in the first quarter.

## Exploration

### Oman

At the onshore Block 36, DNO continues to identify exploration drilling targets.

### Tunisia

At Sfax Offshore Exploration Permit, Jawhara-3 well results were completed and the well was subsequently plugged and abandoned. Further analysis of logging and testing results are being performed to re-evaluate Jawhara field oil-in-place estimates. The company's interpretation of Sfax 3D seismic is expected to be complete in mid-2015.

### United Arab Emirates

The company is reprocessing existing seismic data and conducting a basin study at the RAK Onshore license.

### Somaliland

At Block SL 18 onshore Somaliland, a field geological survey and an environmental impact assessment have been conducted. The government is in the process of creating an oil security force to support seismic acquisitions.

# Activity overview

## Appraisal and field development

### Kurdistan region of Iraq

#### Tawke license

Gross output at the Tawke field averaged 104,925 barrels of oil per day (bopd) in the first quarter, including 90,172 bopd delivered by the Kurdistan Regional Government to Ceyhan for export, 8,679 bopd sold into the local market and the balance used in the Tawke refinery.

With completion of the Tawke-30 well and the installation of surface facilities, DNO has hit a key milestone of 200,000 bopd of wellhead, processing and pipeline capacity at the Tawke field. The company doubled capacity in less than two years with 10 new horizontal wells, the installation of a 44 kilometer 24" pipeline and the construction of two new early production facilities with combined capacity of 80,000 bopd, supplementing the existing central processing facility capacity of 120,000 bopd.

Since inception, the Tawke field development program has included 30 wells, installation of 200,000 bopd of processing capacity, two pipelines with combined capacity in excess of 300,000 bopd, a major export hub at Fish Khabur and 125,000 bopd of road tanker loading capacity as an alternative to pipeline exports.

Tawke-30, the last well in the expansion campaign was completed in March and is currently producing 10,000 bopd.

The company is further processing 3D seismic data to obtain a better sense of the size and scale of the Peshkibir field, currently estimated to contain over 225 million barrels in gross unrisksed prospective resources.

#### Dohuk license

The Summail gas field produced intermittently during the first quarter, with deliverability significantly lower than expected.

#### Erbil license

Testing has shown higher volumes of oil-in-place for the Benenan field, currently estimated to hold more than two billion barrels. Appraisal of commercialization is under way.

## Financial review

### Revenues, profits and cash flow

Sales revenue in the first quarter fell to USD 26.0 million compared to USD 80.1 million in the previous quarter. This was mainly due to reduced local sales and lower realized oil prices in Kurdistan.

Total revenues from Kurdistan, including local sales, contributed revenues of USD 13.5 million in the first quarter. Revenue from production at offshore Block 8 in Oman amounted to USD 9.4 million in the first quarter, while revenue from production in Yemen totaled USD 3.2 million.

DNO reported an operating loss of USD 69.2 million during the first quarter, including write-down of 27.1 million of asset values in Yemen.

The company ended the quarter with USD 203.6 million in cash and USD 27.8 million in marketable securities.

### Cost of goods sold

In the first quarter, the cost of goods sold was USD 61.8 million compared to USD 71.1 million in the corresponding period in 2014.

### Lifting costs

Lifting costs rose to USD 38.2 million in the first quarter from USD 30.7 million in the same period in 2014 due to changes in ESP installation, workovers, maintenance and cost estimates. Total and unit lifting costs per country are presented in the accompanying table.

#### Lifting costs

USD million	Quarter		Full year	
	Q1 2015	Q1 2014	2014	2013
Kurdistan	25.5	14.9	66.5	46.9
Oman	4.9	3.8	14.2	19.0
Yemen	7.8	12.0	37.2	44.7
<b>Total</b>	<b>38.2</b>	<b>30.7</b>	<b>117.9</b>	<b>110.6</b>

Including export volumes

USD/boe	Quarter		Full year	
	Q1 2015	Q1 2014	2014	2013
Kurdistan	4.4	4.7	3.1	5.3
Oman	10.8	6.1	5.5	5.2
Yemen	78.2	58.3	42.0	33.7
<b>Average</b>	<b>6.0</b>	<b>7.7</b>	<b>4.8</b>	<b>8.0</b>

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

DD&A amounted to USD 22.8 million in the first quarter compared to USD 40.0 million in the corresponding period in 2014. The decrease in DD&A is due to reserve revisions and impairments taken in Q4 2014.

#### DD&A

USD million	Quarter		Full year	
	Q1 2015	Q1 2014	2014	2013
Kurdistan	17.9	16.0	112.7	35.5
Oman	4.7	19.9	67.3	41.0
Yemen	0.3	4.1	16.6	20.2
<b>Total</b>	<b>22.8</b>	<b>40.0</b>	<b>196.5</b>	<b>96.8</b>

Including export volumes

USD/boe	Quarter		Full year	
	Q1 2015	Q1 2014	2014	2013
Kurdistan	8.7	13.1	13.9	7.7
Oman	16.1	49.7	44.3	19.6
Yemen	3.7	27.6	27.2	23.7
<b>Average</b>	<b>9.6</b>	<b>20.4</b>	<b>18.2</b>	<b>12.8</b>

### Exploration costs expensed

Expensed exploration costs of USD 7.0 million in the first quarter were mainly related to activities in Yemen.

#### Exploration costs expensed

USD million	Quarter		Full year	
	Q1 2015	Q1 2014	2014	2013
Kurdistan	-	0.1	0.2	0.4
Oman	1.4	1.1	14.6	1.6
Yemen	5.2	-0.2	6.4	0.6
UAE	0.3	0.1	0.7	0.4
Tunisia	-0.0	2.6	28.0	6.3
Other	0.1	1.4	0.6	0.8
<b>Total</b>	<b>7.0</b>	<b>5.3</b>	<b>50.6</b>	<b>10.3</b>

## Acquisition and development costs

(including intangible assets)

Capital expenditures in the first quarter totaled USD 35.3 million compared to USD 85.4 million in the corresponding period in 2014.

### Acquisition and development costs

USD million	Quarter		Full year	
	Q1 2015	Q1 2014	2014	2013
Kurdistan	33.1	59.0	254.6	167.8
Oman	-	14.0	18.6	31.7
Yemen	0.5	6.1	7.8	26.7
UAE	0.2	-0.4	-0.3	59.9
Tunisia	-	6.0	7.0	-
Other	1.5	0.6	9.6	2.2
<b>Total</b>	<b>35.3</b>	<b>85.4</b>	<b>297.3</b>	<b>288.3</b>

## Consolidated statements of comprehensive income

USD million	Note	Quarter		Full year
		Q1 2015	Q1 2014	2014
Sales	2, 3	26.0	112.8	452.0
Cost of goods sold	4	-61.8	-71.1	-316.5
<b>Gross profit</b>		<b>-35.8</b>	<b>41.8</b>	<b>135.5</b>
Other operating income		-	0.1	2.6
Tariffs and transportation		-0.6	-0.3	-4.2
Administrative expense/Other operating expenses	5	-12.8	-7.1	-30.2
Impairment oil and gas assets	8	-13.2	-	-296.7
Exploration costs expensed	6	-7.0	-5.3	-50.6
Net gain/loss from sale of PP&E	8	-	0.4	0.4
<b>Profit/-loss from operating activities</b>		<b>-69.2</b>	<b>29.7</b>	<b>-243.2</b>
Financial income		7.8	2.7	21.5
Financial expenses		-11.7	-6.2	-30.1
<b>Profit/-loss before income tax</b>		<b>-73.2</b>	<b>26.2</b>	<b>-251.8</b>
Income tax expense	7	-1.0	-2.5	25.8
<b>Net profit/-loss</b>		<b>-74.2</b>	<b>23.7</b>	<b>-226.1</b>
<b>Other comprehensive income</b>				
Currency translation differences		0.3	-	0.4
Fair value changes available-for-sale financial assets		-	5.8	-
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>		<b>0.3</b>	<b>5.8</b>	<b>0.4</b>
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total other comprehensive income, net of tax</b>	7	<b>0.3</b>	<b>5.8</b>	<b>0.4</b>
<b>Total comprehensive income, net of tax</b>		<b>-73.9</b>	<b>29.5</b>	<b>-225.7</b>
Net profit/-loss attributable to:				
Equity holders of the parent		-74.2	23.7	-226.1
Total comprehensive income attributable to:				
Equity holders of the parent		-73.9	29.5	-225.7
Earnings per share, basic		-0.07	0.02	-0.23
Earnings per share, diluted		-0.07	0.02	-0.23

## Condensed consolidated statements of financial position

<b>ASSETS</b>				
USD million	Note	Quarter		Full year
		Q1 2015	Q1 2014	2014
<b>Non-current assets</b>				
Deferred income tax assets	7	-	7.7	3.3
Other intangible assets	8	143.8	163.2	150.5
Property, plant and equipment	8	530.9	764.9	528.9
Available for sale investments	9	27.8	45.2	35.0
Other non-current assets		4.7	5.1	4.8
<b>Total non-current assets</b>		<b>707.2</b>	<b>986.1</b>	<b>722.5</b>
<b>Current assets</b>				
Inventories	4	63.4	56.0	77.7
Trade and other receivables		175.2	102.2	187.3
Cash and cash equivalents		203.6	242.2	113.8
<b>Total current assets</b>		<b>442.2</b>	<b>400.4</b>	<b>378.8</b>
<b>TOTAL ASSETS</b>		<b>1,149.3</b>	<b>1,386.5</b>	<b>1,101.3</b>
<b>EQUITY AND LIABILITIES</b>				
USD million	Note	Quarter		Full year
		Q1 2015	Q1 2014	2014
<b>Equity</b>				
Share capital		36.0	33.6	33.6
Other reserves		291.3	180.5	175.1
Retained earnings		250.0	573.9	324.1
<b>Total equity</b>		<b>577.2</b>	<b>788.0</b>	<b>532.9</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	10	208.7	232.0	214.7
Deferred income tax liabilities	7	29.5	96.6	34.4
Provisions for other liabilities and charges	11	97.7	103.0	100.1
<b>Total non-current liabilities</b>		<b>336.0</b>	<b>431.7</b>	<b>349.2</b>
<b>Current liabilities</b>				
Trade and other payables		156.9	76.3	139.7
Income taxes payable	7	0.1	12.8	1.9
Provisions for other liabilities and charges	11	79.2	77.7	77.6
<b>Total current liabilities</b>		<b>236.2</b>	<b>166.8</b>	<b>219.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,149.3</b>	<b>1,386.5</b>	<b>1,101.3</b>

## Condensed consolidated cash flow statements

USD million	Note	Quarter		Full year
		Q1 2015	Q1 2014	2014
<b>Operating activities</b>				
Profit/-loss before income tax		-73.2	26.2	-251.8
<b>Adjustments to add (deduct) non-cash items:</b>				
+/- Net interest expense (-income)		0.8	1.9	12.6
Previously capitalized exploration and evaluation expenses	6	5.1	-	5.9
Depreciation of PP&E	4	23.6	40.4	198.6
Impairment loss/Reversal of impairment on PP&E	8	13.2	-	296.7
Gain/loss on PP&E	8	-	-0.4	-0.4
Gain/loss on shares		-	-	-
Impairment/Reversal of impairment of financial assets		7.1	-	14.8
Other *		-4.4	14.7	-4.2
<b>Changes in working capital:</b>				
- Inventories		12.0	-5.2	-26.9
- Trade and other receivables		12.2	9.0	-75.7
- Trade and other payables		17.2	19.8	83.1
- Provisions for other liabilities and charges		1.5	-2.0	-2.0
Cash generated from operations		15.3	104.3	250.5
Income taxes paid		-4.5	-10.1	-50.5
Interest paid		-4.4	-5.1	-18.6
<b>Net cash from operating activities</b>		<b>6.4</b>	<b>89.1</b>	<b>181.4</b>
<b>Investing activities</b>				
Purchases of intangible assets	8	0.1	-6.1	-6.6
Proceeds from sale of intangible assets		-	0.3	0.3
Purchases of tangible assets	8	-35.4	-79.3	-290.7
Proceeds from sale of tangible assets		-	0.5	0.9
Purchases of available-for-sale financial assets		-	-28.5	-38.9
Proceeds from sale of available-for-sale financial assets		-	-	-
Interest received		0.2	0.1	0.4
<b>Net cash used in/from investing activities</b>		<b>-35.1</b>	<b>-112.9</b>	<b>-334.5</b>
<b>Financing activities</b>				
Proceeds from borrowings		-	-	-
Repayment of borrowings		-	-	-
Purchase of treasury shares, including options		-	-	-
Proceeds from sale of treasury shares		21.4	-	-
Proceeds from issuance of shares		96.9	-	-
<b>Net cash used in/from financing activities</b>		<b>118.2</b>	<b>-</b>	<b>-</b>
<b>Net increase/-decrease in cash and cash equivalents</b>		<b>89.5</b>	<b>-23.8</b>	<b>-153.1</b>
Cash and cash equivalents at beginning of the period		113.8	265.9	265.9
Exchange gain/-losses on cash and cash equivalents		0.3	-	1.0
<b>Cash and cash equivalents at end of the period</b>		<b>203.6</b>	<b>242.2</b>	<b>113.8</b>

\* Included in the line Other under Operating activities are foreign currency effects related to interest-bearing loans and equity, acquisition/disposals of PP&E with non-cash effect, change in accruals of long-term liabilities with non-cash effect and other non-cash items from investing and financing activities.

## Condensed consolidated statement of changes in equity

USD million	Share capital	Other reserves	Retained earnings	Total equity
<b>Balance at 1 January 2014</b>	<b>33.6</b>	<b>174.7</b>	<b>550.2</b>	<b>758.5</b>
<i>Fair value gains, net of tax:</i>				
- available-for-sale financial assets	-	5.8	-	5.8
Currency translation differences	-	-	-	-
Other comprehensive income/-loss	-	5.8	-	5.8
Profit for the period	-	-	23.7	23.7
Total comprehensive income	-	5.8	23.7	29.5
Issue of share capital	-	-	-	-
Purchase of treasury shares	-	-	-	-
Sale of treasury shares	-	-	-	-
	-	-	-	-
<b>Balance at 31 March 2014</b>	<b>33.6</b>	<b>180.5</b>	<b>573.9</b>	<b>788.0</b>

USD million	Share capital	Other reserves	Retained earnings	Total equity
<b>Balance at 1 January 2015</b>	<b>33.6</b>	<b>175.1</b>	<b>324.1</b>	<b>532.8</b>
<i>Fair value gains, net of tax:</i>				
- available-for-sale financial assets	-	-	-	-
Currency translation differences	-	0.3	-	0.3
Other comprehensive income/-loss	-	0.3	-	0.3
Loss for the period	-	-	-74.2	-74.2
Total comprehensive income	-	0.3	-74.2	-73.9
Issue of share capital	1.9	95.0	-	96.9
Purchase of treasury shares	-	-	-	-
Sale of treasury shares	0.6	20.8	-	21.4
	2.4	115.8	-	118.2
<b>Balance at 31 March 2015</b>	<b>36.0</b>	<b>291.3</b>	<b>250.0</b>	<b>577.2</b>

# Notes to the interim condensed consolidated financial accounts

## Note 1 | Basis of preparation and accounting policies

The condensed 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 condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as of 31 December 2014. The interim financial information for 2015 and 2014 is unaudited.

The condensed consolidated financial statements have been prepared on a historical cost basis, with the following exemption:

\* All derivatives; all financial assets and liabilities held for trading; liabilities related to share-based payments; and all financial assets that are classified as available-for-sale are recognized at fair value.

A detailed description of the accounting policies applied is included in the DNO annual financial statements for 2014. 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 financial statements for the year ending on 31 December 2014.

DNO changed the presentation currency for the consolidated accounts from NOK to USD with effect from 1 January 2014.

## Note 2 | Segment information

DNO is reporting 5 operating segments; Kurdistan (KUR), Oman (OMAN), Yemen (YEM), Ras Al Khaimah (UAE) and Tunisia (TUN). The operating segments equal the reportable segments.

Three months ended 31 March 2015 USD million	Note	KUR	OMAN	YEM	UAE	TUN	OTHER	Total report. segm.	Unalloc./ elimin.	GROUP
<b>Income statement information</b>										
External sales	3	13.5	9.4	3.2	-	-	-	26.0	-	<b>26.0</b>
Inter-segment sales		0.9	2.2	0.4	0.1	-	-	3.6	-3.6	-
Cost of goods sold	4	-43.5	-9.6	-8.1	-	-0.1	-0.1	-61.3	0.6	<b>-61.8</b>
<b>Gross profit</b>		<b>-29.1</b>	<b>2.0</b>	<b>-4.5</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>-31.6</b>	<b>-4.2</b>	<b>-35.8</b>
<b>Segment operating result</b>		<b>-30.4</b>	<b>-1.4</b>	<b>-31.9</b>	<b>-0.3</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-64.4</b>	<b>-12.4</b>	<b>-76.8</b>
Interest - net										<b>3.7</b>
Gain/loss on sale of shares										-
Income tax expense		-	0.1	-1.2	-	-	-	-1.0	-	<b>-1.0</b>
<b>Net profit/loss</b>										<b>-74.2</b>
<b>Segment assets</b>		<b>783.2</b>	<b>177.4</b>	<b>7.2</b>	<b>4.1</b>	<b>82.5</b>	<b>1.1</b>	<b>1,055.4</b>	<b>93.9</b>	<b>1,149.3</b>

## Note 2 | Segment information continues

Three months ended 31 March 2014 USD million	Note	KUR	OMAN	YEM	UAE	TUN	OTHER	Total report. segm.	Unalloc./ elimin.	GROUP
<b>Income statement information</b>										
External sales	3	68.7	28.0	16.1	-	-	-	112.8	-	112.8
Inter-segment sales		0.7	2.3	0.6	0.1	-	0.1	3.8	-3.8	-
Cost of goods sold	4	-31.1	-23.8	-16.0	-	-	-	-70.9	-0.2	-71.1
<b>Gross profit</b>		<b>38.4</b>	<b>6.5</b>	<b>0.6</b>	<b>0.1</b>	<b>-</b>	<b>0.1</b>	<b>45.7</b>	<b>-3.9</b>	<b>41.8</b>
<b>Segment operating result</b>		<b>35.3</b>	<b>3.6</b>	<b>-1.0</b>	<b>-0.2</b>	<b>-2.6</b>	<b>-1.3</b>	<b>33.8</b>	<b>-5.7</b>	<b>28.1</b>
Interest - net										-1.9
Gain/loss on sale of shares										-
Income tax expense		-	-2.5	-	-	-	-	-2.5	-	-2.5
<b>Net profit/loss</b>										<b>23.7</b>
<b>Segment assets</b>		<b>725.4</b>	<b>186.2</b>	<b>123.4</b>	<b>47.3</b>	<b>9.7</b>	<b>0.9</b>	<b>1,092.9</b>	<b>293.5</b>	<b>1,386.5</b>

Twelve months ended 31 December 2014 USD million	Note	KUR	OMAN	YEM	UAE	TUN	OTHER	Total report. segm.	Unalloc./ elimin.	GROUP
<b>Income statement information</b>										
External sales	3	306.6	87.2	58.2	-	-	-	452.0	-	452.0
Inter-segment sales		2.7	8.1	1.2	0.4	0.4	0.4	13.1	-13.1	-
Cost of goods sold	4	-179.6	-81.6	-53.9	-0.2	-0.1	-0.1	-315.5	-1.1	-316.5
<b>Gross profit</b>		<b>129.7</b>	<b>13.6</b>	<b>5.5</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	<b>149.7</b>	<b>-14.2</b>	<b>135.5</b>
<b>Segment operating result</b>		<b>-16.5</b>	<b>-66.4</b>	<b>-67.1</b>	<b>-44.1</b>	<b>-28.3</b>	<b>-2.3</b>	<b>-224.6</b>	<b>-14.6</b>	<b>-239.2</b>
Interest - net										-12.6
Gain/loss on sale of shares										-
Income tax expense		-	27.6	-1.8	-	-	-	25.8	-	25.8
<b>Net profit/loss</b>										<b>-226.1</b>
<b>Segment assets</b>		<b>777.5</b>	<b>176.8</b>	<b>36.0</b>	<b>3.7</b>	<b>82.5</b>	<b>1.1</b>	<b>1,077.6</b>	<b>23.6</b>	<b>1,101.3</b>

## Note 3 | Sales

DNO reports its operations governed by Production Sharing Agreements/Production Sharing Contracts (PSA/PSC) according to the net entitlement method.

USD million	Quarter		Full year 2014
	Q1 2015	Q1 2014	
Sale of petroleum products	26.0	112.8	452.0
<b>Total sales</b>	<b>26.0</b>	<b>112.8</b>	<b>452.0</b>

In December 2014, DNO ASA received a partial payment for oil exported by the Kurdistan Regional Government from the Tawke field of USD 20.6 million. According to DNO's accounting policies on revenue recognition, this amount was recorded as revenue in 2014.

There has been a combination of export and local sales from the Tawke field in the first quarter. Export revenues are not recognized until receipt of payment, meaning that DNO's contractual share of gross export deliveries from Tawke of 8.1 million barrels in Q1 is not reflected in revenues.

## Note 4 | Cost of goods sold/inventory

USD million	Quarter		Full year 2014
	Q1 2015	Q1 2014	
Lifting costs*	-38.2	-30.7	-117.9
Depreciation, depletion and amortization	-23.6	-40.4	-198.5
<b>Total cost of goods sold</b>	<b>-61.8</b>	<b>-71.1</b>	<b>-316.5</b>

\* Lifting costs consist of expenses relating to the production of oil and gas, including operation and maintenance of installations, well intervention and workover activities, insurance and costs in own organization.

USD million	Quarter		Full year 2014
	Q1 2015	Q1 2014	
Spare parts	51.2	43.9	65.5
Other inventory	12.2	12.1	12.2
<b>Total inventory</b>	<b>63.4</b>	<b>56.0</b>	<b>77.7</b>

Spare parts relate mainly to the Tawke field in the Kurdistan region of Iraq. Other inventory relates to drilling and completion materials for the offshore blocks in Oman and UAE.

## Note 5 | Administrative expense/other operating expenses

Due to the current security situation in Yemen, a provision of USD 7.6 million related to oil sales and oil in stock has been recorded in Q1 2015.

## Note 6 | Exploration costs

USD million	Quarter		Full year 2014
	Q1 2015	Q1 2014	
Exploration expenses (G&G and field surveys)	-2.0	-3.1	-12.9
Seismic costs	-0.5	-0.2	-14.8
Exploration costs capitalized in previous years carried to cost	-5.1	-	-5.9
Exploration costs capitalized this year carried to cost	1.8	-	-10.3
Other exploration costs expensed	-1.2	-2.1	-6.7
<b>Total exploration costs expensed*</b>	<b>-7.0</b>	<b>-5.3</b>	<b>-50.6</b>

\* For details on geographic spread of exploration costs expensed, see the Financial review section.

Exploration costs capitalized in previous years carried to cost of USD 5.1 million relate to Block 32 (Tasour) and Block 72 in Yemen.

Exploration costs capitalized this year carried to cost relate to adjustment of previous estimates for the Sfax Offshore Exploration Permit in Tunisia.

## Note 7 | Income taxes

USD million	Quarter		Full year
	Q4 2014	Q4 2013	2014
Deferred taxes	1.6	4.8	62.6
Income taxes payable related to Production Sharing Agreements (PSAs) in Yemen and Oman	-2.7	-7.3	-36.8
<b>Total income tax expense</b>	<b>-1.0</b>	<b>-2.5</b>	<b>25.8</b>

The interim period income tax expense relates to the Yemen and Oman operations and is calculated by applying the tax rate applicable to the expected total annual earnings.

According to the net entitlement method, income taxes payable related to PSAs consist of the corporate tax rate applicable under the agreements. No tax is applicable to the operations in the Kurdistan region of Iraq as there is currently no established tax regime.

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

## Note 8 | Property, plant and equipment/intangible assets

USD million	Quarter		Full year
	Q1 2015	Q1 2014	2014
Acquisitions of PP&E *	35.4	79.3	290.6
Acquisitions of Intangible assets **	-0.1	6.1	6.6
<b>Net book amount PP&amp;E</b>	<b>530.9</b>	<b>764.9</b>	<b>528.9</b>
<b>Net book amount Intangible assets</b>	<b>143.8</b>	<b>163.2</b>	<b>150.5</b>
<i>Sale of PP&amp;E</i>			
Proceeds	-	0.8	1.2
Carrying value	-	0.4	0.8
Net gain/-loss	-	0.4	0.4
Impairment of PP&E	13.2	-	296.7

\* Acquisitions related to development assets, assets in operation and other PP&E

\*\* Acquisitions related to capitalized exploration costs and license interests

Impairment charge of USD 13.2 million in Q1 2015 is related to assets in Yemen.

Impairment charge of USD 296.7 million in 2014 is related to assets in Yemen, Oman and UAE.

## Note 9 | Available-for-sale financial assets

Available-for-sale financial assets are revalued at fair value (market price, where available) at the end of each period, with changes charged to other comprehensive income. Impairments will be charged to profit or loss, while reversal of impairments will be taken through other comprehensive income.

USD million	Quarter		Full year
	Q1 2015	Q1 2014	2014
Beginning of the period	35.0	10.8	10.8
Additions	-	28.5	38.9
Sales	-	-	-
Revaluation surplus/deficit transfer to equity	-	5.8	-
Impairment	-7.1	-	-14.8
Exchange differences	-	-	-
<b>End of the period <sup>1)</sup></b>	<b>27.8</b>	<b>45.2</b>	<b>35.0</b>
Non-current portion	27.8	45.2	35.0
Current portion	-	-	-

<sup>1)</sup> Available-for-sale financial assets include the following:

USD million	Quarter		Full year
	Q1 2015	Q1 2014	2014
<b>Listed securities:</b>			
- RAK Petroleum plc	27.8	45.2	35.0
<b>Total available-for-sale financial assets</b>	<b>27.8</b>	<b>45.2</b>	<b>35.0</b>

DNO has a total of 15,849,737 shares in RAK Petroleum plc. All shares have been acquired in open market transactions.

RAK Petroleum plc was listed on the Oslo Stock Exchange on 7 November 2014. An impairment of USD 14.8 million was recorded in 2014 due to lower market value.

An impairment of USD 7.1 million has been recorded in Q1 2015 due to further decline in market value.

## Note 10 | Interest-bearing liabilities

USD million	Quarter		Full year 2014
	Q1 2015	Q1 2014	
<b>Non-current</b>			
Convertible loans	-	-	-
Bonds	208.7	232.0	214.7
<b>Total non-current interest-bearing liabilities</b>	<b>208.7</b>	<b>232.0</b>	<b>214.7</b>
<b>Current</b>			
Current portion of bonds	-	-	-
Liabilities to financial institutions	-	-	-
<b>Total current interest-bearing liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest-bearing liabilities</b>	<b>208.7</b>	<b>232.0</b>	<b>214.7</b>

Available-for-sale financial assets include the following:

USD million	Currency	Amount	Interest	Maturity	Balance	
					Q1 2015	Q4 2014
<b>Non-current</b>						
Bond loan (ISIN NO0010606197)	NOK	560.0	Nibor + 7.5%	11.04.16	69.2	75.3
Bond loan (ISIN NO0010606189)	USD	140.0	Libor + 7.5%	11.04.16	140.0	140.0
Borrowing issue costs					-0.5	-0.6
<b>Total interest-bearing liabilities</b>					<b>208.7</b>	<b>214.7</b>

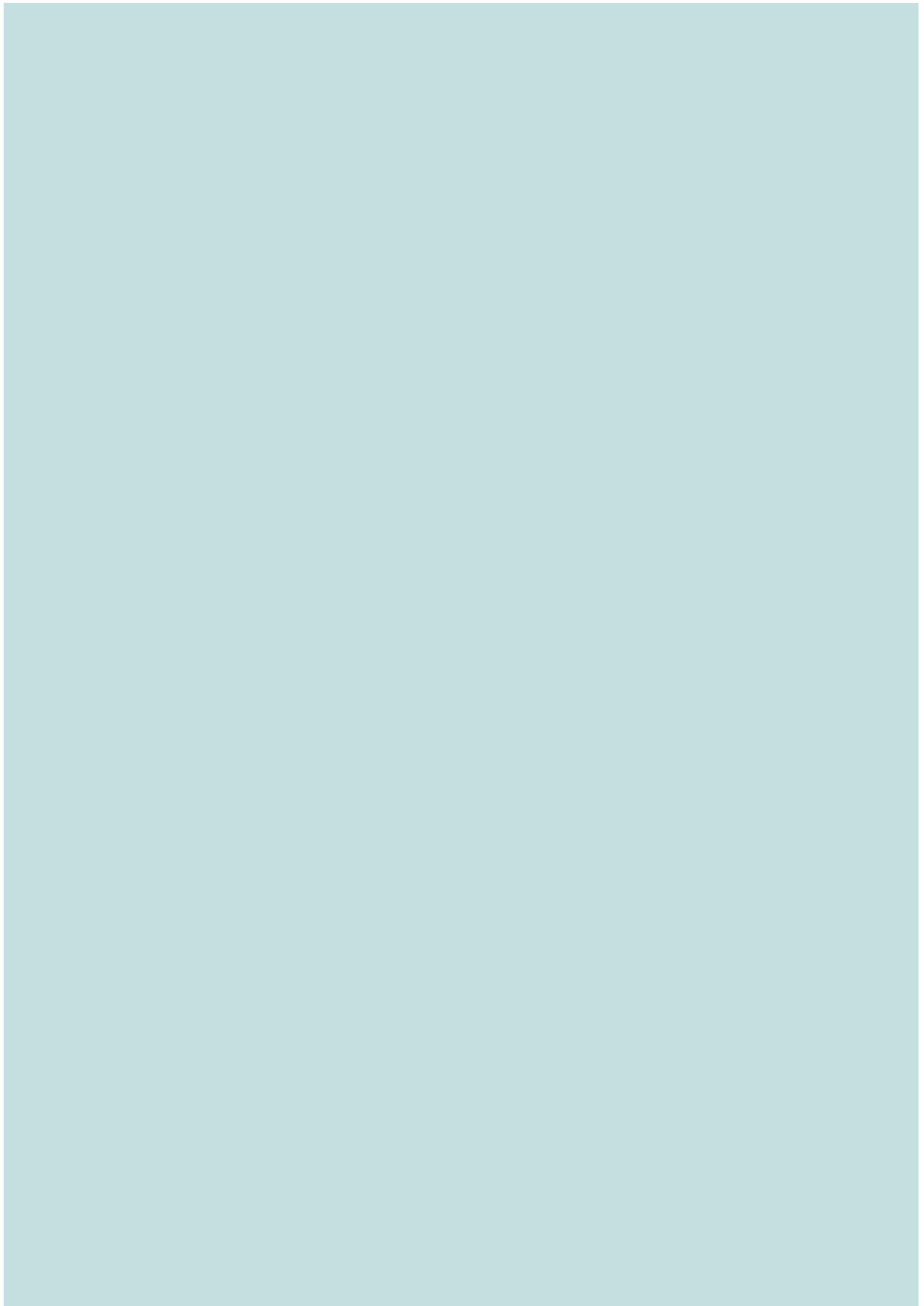
## Note 11 | Provisions for other liabilities and charges

USD million	Quarter		Full year 2014
	Q1 2015	Q1 2014	
<b>Non-current</b>			
Asset retirement obligations	4.6	2.2	3.8
Other long-term obligations	93.2	100.9	96.3
<b>Total non-current provisions for other liabilities and charges</b>	<b>97.7</b>	<b>103.0</b>	<b>100.1</b>
<b>Current</b>			
Other provisions and charges	79.2	77.7	77.6
<b>Total current provisions for other liabilities and charges</b>	<b>79.2</b>	<b>77.7</b>	<b>77.6</b>
<b>Total provisions for other liabilities and charges</b>	<b>176.9</b>	<b>180.7</b>	<b>177.7</b>

Included in provisions for other liabilities and charges is the provision for the Water Purification Project (WPP) in the Kurdistan region of Iraq. The WPP was capitalized in 2009 and is depreciated over the period of production. The WPP liability will not be payable until a payment mechanism is in place and proceeds from export sales are received on a regular basis. The monthly installments are contingent on defined gross revenue levels and will be fully recovered through cost oil. The WPP liability is recorded at net present value, where the unwinding of interest is charged to profit or loss. Part of the WPP liability has been classified as short-term as of 31 March 2015 and included in other provisions and charges (current).

Provisions for production bonuses for the Tawke and Erbil licenses in the Kurdistan region of Iraq are also included in provisions for other liabilities and charges. Production bonuses relate to payments based on different production levels.





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