DNO ASA

Report

Half-Year 2017 Interim Results

Key figures

USD million	Quarter Q2 2017	Quarter Q2 2016	Year to date Q2 2017	Year to date Q2 2016	Full year 2016
Key financials					
Revenues	81.7	61.2	158.4	110.8	201.8
Gross profit	45.9	29.2	92.6	48.1	73.1
Profit/-loss from operating activities	-1.2	16.2	26.6	24.1	6.1
Net profit/-loss	-12.9	4.0	1.8	-0.9	-35.3
EBITDA	55.7	29.5	111.1	53.1	95.4
Netback	55.3	26.1	110.4	50.6	93.4
Acquisition and development costs	41.1	-0.3	73.4	5.3	36.4
Exploration costs expensed	1.5	16.1	3.0	19.6	20.3
Key performance indicators					
Lifting costs (USD/boe)	2.5	1.9	2.3	2.3	2.7
Netback (USD/boe)	8.8	3.8	8.7	4.3	3.7

Corporate overview

- DNO steps up its engagement in Kurdistan on back of strong 2017 half-year results
- Drilling 15 new wells in Kurdistan in 2017, more than all international operators combined
- Operated production averaging 114,000 barrels of oil equivalent per day (boepd), up 4 percent from H1 2016
- Generated USD 230 million in cash from operations in H1 2017, up nearly six-fold from H1 2016
- Free cash flow of USD 157 million (USD 36 million in H1 2016)
- Strengthened balance sheet, exiting H1 2017 with cash balance of USD 381 million (USD 261 million at year-end 2016) and USD 43 million in treasury shares and marketable securities
- Net debt down to USD 19 million at end-H1 2017
- Planned 2017 capex of USD 130 million, up from USD 36 million in full-year 2016

H1 2017 operational highlights

- Of H1 2017 operated production of 114,000 boepd, Kurdistan represented 109,700 barrels of oil per day (bopd) and Oman 4,300 boepd
- Company Working Interest (CWI) production averaged 70,200 boepd during H1 2017
- In Oman offshore Block 8, West Bukha-5B well drilled to 4,500 meters and tested up to 2,000 bopd, but would not flow naturally and was shut-in with artificial lift studies ongoing
- Bukha-1 well umbilical replacement and production reinstatement nearly complete
- Hawler-1A well will spud in October to appraise Benenan heavy oil field in Kurdistan's Erbil license
- In Tunisia, planning exploration well at Sfax Offshore Exploration Permit during first part of 2018

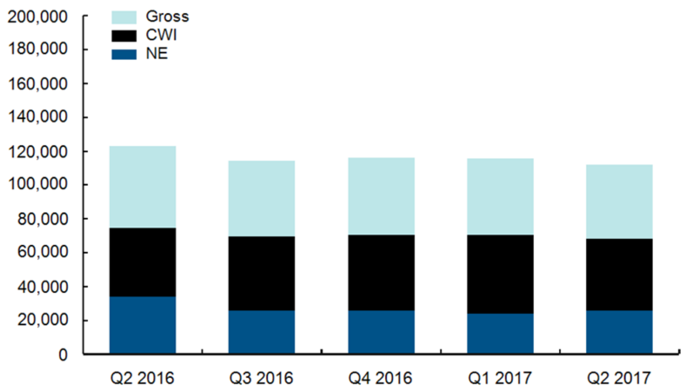
H1 2017 financial highlights

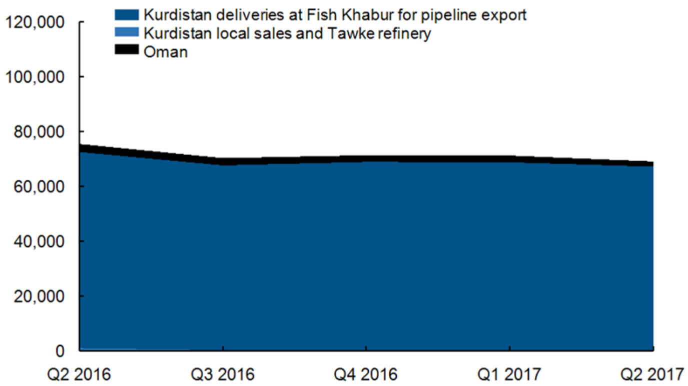
- Received Kurdistan export payments totaling USD 181 million net to DNO in H1 2017, of which USD 32 million toward past receivable
- H1 2017 revenues of USD 158 million, up 43 percent from H1 2016
- Lowered Tawke booked receivables to USD 58 million at end-H1 2017
- Resumed share buybacks in March 2017, raising treasury shareholding at end-H1 2017 to 32.6 million (3 percent of shares outstanding)
- Average acquisition cost of all treasury shares held NOK 7.03 per share

Operational review

Production

Quarterly production (boepd)





Company Working Interest (CWI) production during the second quarter averaged 69,121 boepd, compared to 71,267 boepd during the previous quarter.

In Kurdistan, CWI production averaged 67,229 boepd during the second quarter, compared to 68,809 boepd in the previous quarter.

In Oman, CWI production averaged 1,891 boepd during the second quarter, compared to 2,458 boepd in the previous quarter.

Net entitlement production averaged 25,784 boepd during the second quarter, compared to 23,814 boepd in the previous quarter.

Gross production

	Quarter		Year to date		Full year
boepd	Q2 2017	Q2 2016	Q2 2017	Q2 2016	2016
Kurdistan	108,434	117,028	109,701	104,371	107,299
Oman	3,780	5,882	4,346	5,583	5,325
Total	**112,215**	**122,910**	**114,047**	**109,954**	**112,624**

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

	Quarter		Year to date		Full year
boepd	Q2 2017	Q2 2016	Q2 2017	Q2 2016	2016
Kurdistan	67,229	72,557	68,015	64,710	66,525
Oman	1,891	2,940	2,173	2,794	2,663
Total	**69,121**	**75,497**	**70,188**	**67,504**	**69,188**

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

Net entitlement production

	Quarter		Year to date		Full year
boepd	Q2 2017	Q2 2016	Q2 2017	Q2 2016	2016
Kurdistan	24,058	32,260	23,148	27,300	25,746
Oman	1,726	1,641	1,656	1,521	1,630
Total	**25,784**	**33,901**	**24,805**	**28,821**	**27,376**

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

Activity overview

Appraisal and field development

Kurdistan region of Iraq

Tawke license
Gross production from the Tawke license averaged 108,434 barrels of oil per day (bopd) during the first half of the year, of which 107,758 bopd was delivered for pipeline export through Turkey and the balance was processed in the Tawke refinery. The company reached the milestone of 200 million barrels of cumulative production at the Tawke field in May.

The company has mobilized a third rig as part of an expanded drilling program at Tawke following regular export payments. The 2017 Tawke drilling program includes 10 production wells, of which six are Cretaceous and four shallow Jeribe wells. The new Tawke wells help stabilize field production at around 110,000 bopd.

The Peshkabir-2 well has been producing from the Cretaceous reservoir at a steady rate of 4,700 bopd of 28° API crude oil since June. The well has been producing with zero water cut, gas-oil ratio is stable (550 scf/bbl) and flowing wellhead pressure has decreased only by 6 psi since startup. Indications are that the well is connected to a sizable resource, with further drilling and testing required to determine volume. The Peshkabir-2 well is also capable of producing an additional 2,500 bopd 24° API crude oil from the Jurassic reservoir.

The Peshkabir-3 well was spud in July and drilling at 2,400 meters with target depth of 4,000 meters to test the northern extension of the Cretaceous reservoir. An early production facility is being acquired for installation at the field. Two Peshkabir wells are expected on production by year-end and two more wells are planned in 2018.

Erbil license
The Hawler-1A well will spud in October to appraise the Benenan heavy oil field. Estimates of oil-in-place at Benenan stand at more than two billion barrels.

Oman

Offshore at Block 8, the Bukha and West Bukha fields produced an average of 3,780 boepd during the second quarter, with output split equally between oil and gas.

The West Bukha-5B oil well was drilled to 4,500 meters and tested up to 2,000 bopd, but would not flow naturally and was shut-in with artificial lift studies ongoing. Elsewhere in Block 8, the Bukha-1 well umbilical replacement and production reinstatement are nearly complete.

Yemen

Production start-up at the Yaalen field at Block 47, currently under force majeure, remains on hold.

Exploration

Tunisia

The company's exploration and appraisal program is continuing in Tunisia, with plans to drill a well at the Sfax Offshore Exploration Permit during the first part of 2018.

Norway

The company will participate in Norway's two upcoming licensing rounds during the second half of the year. DNO's aim is to be among the most active explorers on the Norwegian Continental Shelf (NCS), targeting participation in five exploration wells per year.

United Kingdom

The Val d'Isere prospect on the UK Continental Shelf will be spud by the end of 2017 at a cost of USD 12 million net to DNO.

Somaliland

At Block SL 18 onshore Somaliland, a field geological survey and an environmental impact assessment have been conducted, in addition to a gravity-magnetic survey. The company plans to conduct 2D seismic across 1,000 kilometers within the license during the second half of 2018.

Financial review

Revenues, profits and cash flow

Revenues in the second quarter stood at USD 81.7 million, compared to USD 76.7 million in the previous quarter.

Kurdistan contributed revenues of USD 77.1 million, with Oman contributing USD 4.6 million. DNO reported an operating loss of USD 1.2 million during the second quarter, down from an operating profit of USD 27.8 million in the previous quarter.

The company ended the quarter with USD 380.5 million in cash and USD 42.9 million in market value of treasury shares and marketable securities. This was up from USD 261.1 million in cash and USD 21.2 million in market value of treasury shares and marketable securities at end-2016.

Cost of goods sold

In the second quarter, the cost of goods sold was USD 35.7 million compared to USD 30.0 million in the previous quarter.

Lifting costs

Lifting costs stood at USD 16.0 million in the second quarter, up from USD 13.0 million in the previous quarter. In Kurdistan, the average lifting cost during the second quarter stood at USD 2.3 per barrel of oil equivalent (boe). In Oman, the average lifting cost during the second quarter stood at USD 12.9 per boe.

Lifting costs

	Quarter		Year to date		Full year
USD million	Q2 2017	Q2 2016	Q2 2017	Q2 2016	2016
Kurdistan	13.9	11.3	24.2	24.4	59.1
Oman	2.2	1.1	4.8	3.2	8.6
Other	-0.1	0.2	-	0.2	1.0
Total	**16.0**	**12.6**	**29.0**	**27.7**	**68.6**

	Quarter		Year to date		Full year
(USD/boe)	Q2 2017	Q2 2016	Q2 2017	Q2 2016	2016
Kurdistan	2.3	1.7	2.0	2.1	2.4
Oman	12.9	4.9	12.3	8.0	8.8
Other	-	-	-	-	-
Average	**2.5**	**1.9**	**2.3**	**2.3**	**2.7**

Depreciation, depletion and amortization (DD&A)

DD&A for assets in operation amounted to USD 18.8 million in the second quarter compared to USD 16.1 million in the previous quarter.

DD&A

	Quarter		Year to date		Full year
USD million	Q2 2017	Q2 2016	Q2 2017	Q2 2016	2016
Kurdistan	18.8	18.5	35.0	32.7	55.8
Oman	-	-	-	-	-
Yemen	-	-	-	-	-
Total	**18.8**	**18.5**	**35.0**	**32.7**	**55.8**

	Quarter		Year to date		Full year
(USD/boe)	Q2 2017	Q2 2016	Q2 2017	Q2 2016	2016
Kurdistan	8.6	6.5	8.4	6.7	5.9
Oman	-	-	-	-	-
Yemen	-	-	-	-	-
Average	**8.4**	**6.1**	**8.1**	**6.3**	**5.7**

Exploration costs expensed

Expensed exploration costs of USD 1.5 million in the second quarter were mainly related to activities in Tunisia.

Exploration costs expensed

	Quarter		Year to date		Full year
USD million	Q2 2017	Q2 2016	Q2 2017	Q2 2016	2016
Kurdistan	-	-	-	-	-
Oman	-0.1	13.7	0.3	14.2	10.7
UAE	-	0.2	0.1	0.5	0.8
Tunisia	1.3	1.6	2.2	3.4	7.4
Other	0.2	0.6	0.4	1.6	1.4
Total	**1.5**	**16.1**	**3.0**	**19.6**	**20.3**

Acquisition and development costs

(including intangible assets)

Capital expenditures were USD 41.1 million in the second quarter.

Acquisition and development costs

	Quarter		Year to date		Full year
USD million	Q2 2017	Q2 2016	Q2 2017	Q2 2016	2016
Kurdistan	17.0	1.9	31.4	5.1	33.3
Oman	24.0	-2.5	41.8	-	2.4
Other	0.1	0.3	0.2	0.2	0.8
Total	**41.1**	**-0.3**	**73.4**	**5.3**	**36.4**

Risks and uncertainty

DNO is subject to a range of risks and uncertainties which may affect its business operations and financial condition. The description of key risks and uncertainties in the Annual Report and Board of Directors' Report 2016 gives a fair description of key risks and uncertainties that may affect DNO in the second half of 2017, and the company is not aware of any significant new risks or uncertainties or significant changes to those risks or uncertainties, except for those described herein.

Certain statements included in this report contain forward-looking information. Although we believe that the expectations reflected in such forward-looking statements are reasonable, these forward-looking statements are based on a number of assumptions and forecasts about the future that, by their nature, involve risk and uncertainties. Various factors could cause our actual results to differ materially from those projected in a forward-looking statement. No assurance can be given that such expectations will prove to have been correct.

Responsibility statement

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2017 has been prepared in accordance with IAS 34 Interim Financial Reporting and gives a fair view of DNO's and the Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that the interim management report includes a fair review of any significant events that arose during the six-month period and their effect on the half-yearly financial report, any significant related-party transactions, and a description of the significant risks and uncertainties for the remaining six months of the year.

Oslo, 23 August 2017

Bijan Mossavar-Rahmani Executive Chairman	Lars A. Takla Deputy Chairman	Elin Karfjell Director
Gunnar Hirsti Director	Shelley Watson Director	Bjørn Dale Managing Director

Condensed consolidated statements of comprehensive income

		Quarter		Year to date		Full year
(unaudited, in USD million)	Note	Q2 2017	Q2 2016	Q2 2017	Q2 2016	2016
Revenues	2,3	81.7	61.2	158.4	110.8	201.8
Cost of goods sold	4	-35.7	-32.0	-65.7	-62.7	-128.7
Gross profit		**45.9**	**29.2**	**92.6**	**48.1**	**73.1**
Other operating income	12	1.5	5.4	1.5	5.4	18.9
Administrative expenses		-6.9	-7.9	-11.9	-14.7	-31.0
Other operating expenses		-3.1	-0.5	-4.8	-1.0	-5.4
Impairment oil and gas assets	7	-37.2	6.0	-47.8	6.0	-29.2
Exploration costs expensed	5	-1.5	-16.1	-3.0	-19.6	-20.3
Profit/-loss from operating activities		**-1.2**	**16.2**	**26.6**	**24.1**	**6.1**
Financial income		2.9	0.8	6.2	1.2	17.4
Financial expenses		-14.8	-11.9	-30.2	-24.6	-56.8
Profit/-loss before income tax		**-13.2**	**5.1**	**2.5**	**0.8**	**-33.3**
Income tax expenses	6	0.3	-1.0	-0.7	-1.7	-2.1
Net profit/-loss		**-12.9**	**4.0**	**1.8**	**-0.9**	**-35.3**
Other comprehensive income						
Currency conversion differences		-	-	-	-	-
Revaluation/Reversal of impairment in available-for-sale financial assets	8	-0.2	3.1	-0.8	5.6	3.2
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		**-0.2**	**3.1**	**-0.8**	**5.6**	**3.2**
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**-**	**-**	**-**	**-**	**-**
Total other comprehensive income, net of tax	**8**	**-0.2**	**3.1**	**-0.8**	**5.6**	**3.2**
Total comprehensive income, net of tax		**-13.1**	**7.1**	**1.0**	**4.7**	**-32.1**
Net profit/-loss attributable to:						
Equity holders of the parent		-12.9	4.0	1.8	-0.9	-35.3
Total comprehensive income attributable to:						
Equity holders of the parent		-13.1	7.1	1.0	4.7	-32.1
Earnings per share, basic		-0.01	0.00	0.00	0.00	-0.03
Earnings per share, diluted		-0.01	0.00	0.00	0.00	-0.03

Condensed consolidated statements of financial position

ASSETS (unaudited, USD million)	Note	At 30 Jun 2017	At 30 Jun 2016	At 31 Dec 2016
Non-current assets				
Deferred tax asset	6	3.4	-	-
Other intangible assets	7	83.2	83.5	86.5
Property, plant and equipment	7	399.1	412.4	403.1
Available-for-sale investments	8	13.2	16.4	14.0
Other non-current assets	9	-	-	30.3
Long-term tax receivables	6	11.3	-	-
Total non-current assets		**510.3**	**512.3**	**533.9**
Current assets				
Inventories	4	51.7	72.8	57.3
Trade and other receivables	9	103.4	158.2	117.4
Tax receivables	6	32.3	-	-
Cash and cash equivalents		380.5	249.0	261.1
Total current assets		**567.8**	**480.1**	**435.9**
TOTAL ASSETS		**1,078.1**	**992.3**	**969.8**

EQUITY AND LIABILITIES (unaudited, USD million)	Note	At 30 Jun 2017	At 30 Jun 2016	At 31 Dec 2016
Equity				
Share capital		35.0	35.8	35.8
Other reserves		265.2	286.4	286.4
Retained earnings		81.0	116.6	79.8
Total equity		**381.2**	**438.8**	**401.9**
Non-current liabilities				
Interest-bearing liabilities	10	370.7	356.2	361.7
Deferred income tax liabilities	6	-	-	-
Provisions for other liabilities and charges	11	175.3	97.6	167.3
Total non-current liabilities		**545.9**	**453.8**	**529.0**
Current liabilities				
Trade and other payables		116.5	30.5	33.1
Income taxes payable		0.0	0.9	0.4
Current interest-bearing liabilities	10	30.6	-	-
Provisions for other liabilities and charges	11	3.8	68.2	5.3
Total current liabilities		**150.9**	**99.7**	**38.8**
TOTAL EQUITY AND LIABILITIES		**1,078.1**	**992.3**	**969.8**

Condensed consolidated cash flow statements (unaudited)

		Quarter		Year to date		Full year
(unaudited, in USD million)	**Note**	**Q2 2017**	**Q2 2016**	**Q2 2017**	**Q2 2016**	**2016**
Operating activities						
Profit/-loss before income tax		-13.2	5.1	2.5	-4.6	-33.3
Adjustments to add (deduct) non-cash items:				-		
+/- Net interest expense (-income)*		-	-	-	-	-
Previously capitalized exploration and evaluation expenses	5	-	-	-	2.5	-
Depreciation of PP&E and Other intangible assets	4	19.7	19.4	36.8	35.0	60.1
Impairment loss on oil and gas assets	7	37.2	-6.0	47.8	-6.0	29.2
Other*		14.7	16.3	45.5	16.3	24.5
Changes in working capital:				-		
- Inventories		2.9	-0.4	5.7	-0.4	10.1
- Trade and other receivables		-30.9	-2.6	-29.6	15.1	13.6
- Trade and other payables		35.3	-18.7	83.4	-22.0	-19.4
- Provisions for other liabilities and charges		27.1	-5.4	38.0	4.9	13.9
Cash generated from operations		92.8	7.7	230.1	40.8	98.7
Income taxes paid		-0.3	-3.5	-1.1	-2.5	-2.1
Interest paid		-17.5	-17.5	-17.5	-17.5	-35.4
Net cash from/- used in operating activities		**75.0**	**-13.3**	**211.5**	**20.9**	**61.2**
Investing activities						
Purchases of intangible assets	7	-	2.3	-	-	-9.4
Purchases of tangible assets	7	-41.1	-2.0	-72.9	-5.3	-27.0
Acquistion of Origo net of cash acquired	12	2.6	-	2.6	-	-
Interest received		-	0.2	-	0.4	0.8
Net cash from/- used in investing activities		**-38.5**	**0.5**	**-70.3**	**-4.9**	**-35.6**
Financing activities						
Proceeds from borrowing	10	-	-	-	-	-
Repayment of borrowings		-	-	-	-	-
Purchase of treasury shares, including options		-19.0	-	-21.9	-2.1	-2.1
Proceeds from sale of treasury shares		-	-	-	-	-
Proceeds from issuance of shares, net		-	-	-	-	-
Net cash from/- used in financing activities		**-19.0**	**-**	**-21.9**	**-2.1**	**-2.1**
Net increase/-decrease in cash and cash equivalents		17.5	-12.8	119.3	11.4	23.5
Cash and cash equivalents at beginning of the period		362.9	261.8	261.1	237.6	237.6
Exchange gain/-losses on cash and cash equivalents		-	-	-	0.1	-
Cash and cash equivalents at the end of the period		**380.5**	**249.0**	**380.5**	**249.0**	**261.1**
Of which restricted cash		3.5	3.0	3.5	3.0	2.9

*Net interest expense (-income) is from 1 January 2017 included in the line "Other" under cash generated from operations.

Condensed consolidated statement of changes in equity (unaudited)

(unaudited, in USD million)	Share capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2016	**35.9**	**288.4**	**111.8**	**436.2**
Fair value gains, net of tax:				
- available-for-sale financial assets	-	-	5.6	5.6
Currency translation differences	-	-	-	-
Other comprehensive income/-loss	-	-	5.6	5.6
Profit/-Loss for the period	-	-	-0.9	-0.9
Total comprehensive income	-	-	4.7	4.7
Issue of share capital	-	-	-	-
Purchase of treasury shares	-0.1	-2.0	-	-2.1
Sale of treasury shares	-	-	-	-
	-0.1	-2.0	-	-2.1
Balance at 30 June 2016	**35.8**	**286.4**	**116.6**	**438.8**

(unaudited, in USD million)	Share capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2017	**35.8**	**286.4**	**79.8**	**401.9**
Fair value gains, net of tax:				
- available-for-sale financial assets	-	-	-0.8	-0.8
Currency translation differences	-	-	-	-
Other comprehensive income/-loss	-	-	-0.8	-0.8
Profit/-Loss for the period	-	-	1.8	1.8
Total comprehensive income	-	-	1.0	1.0
Issue of share capital	-	-	-	-
Purchase of treasury shares	-0.7	-21.1	-	-21.9
Sale of treasury shares	-	-	-	-
	-0.7	-21.1	-	-21.9
Balance at 30 June 2017	**35.0**	**265.2**	**81.0**	**381.2**

During the second quarter of 2017, DNO ASA purchased 21,400,000 own shares at an average price of NOK 7.5567 per share. Following the transactions in the second quarter, DNO ASA held 32,600,000 own shares at 30 June 2017.

The purchases are part of the share buyback program approved at the AGM in 2016 and 2017. For further details, refer to Note 14 in the 2016 Annual Report.

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 of 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 2016. The interim financial information for 2017 and 2016 is unaudited.

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

All financial assets and liabilities held for trading, all liabilities related to share-based payments and all financial assets 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 2016. 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 2016. Due to a change in payment procedures, local sales in Kurdistan for 2016 are accounted for using the cash principle (see Note 3).

Note 2 | Segment information

From the second quarter of 2017 DNO is reporting six operating segments: Kurdistan (KUR), Oman (OMAN), Yemen (YEM), Ras Al Khaimah (UAE), Tunisia (TUN) and Norway (NOR). The operating segments are the same as the reportable segments.

Three months ending 30 June 2017 USD million	**Note**	**KUR**	**OMAN**	**YEM**	**UAE**	**TUN**	**NOR**	**Other**	**Total reporting segment**	**Un-allocated/ eliminated**	**GROUP**
Income statement information											
External sales	3	77.1	4.6	-	-	-	-	-	81.7	0.0	**81.7**
Inter-segment sales		-	0.3	-	-	-	-	-	0.3	-0.3	**-**
Cost of goods sold	4	-32.7	-2.2	-	-	-0.1	-	-	-34.9	-0.8	**-35.7**
Gross profit		**44.4**	**2.6**	**-**	**-**	**-0.1**	**-**	**-**	**47.0**	**-1.1**	**45.9**
Segment operating result		**42.7**	**-35.9**	**-1.5**	**-**	**-1.4**	**1.5**	**-0.2**	**4.3**	**-5.6**	**-1.2**
Financial - net											**-11.9**
Income tax expense		-	0.3	-	-	-	-	-	0.3	-	**0.3**
Net profit/-loss											**-12.9**
Segment assets		**619.2**	**20.8**	**2.0**	**0.1**	**19.6**	**51.0**	**1.6**	**714.4**	**363.7**	**1,078.1**

Note 2 | Segment information (continued)

Three months ending 30 June 2016 USD million	Note	KUR	OMAN	YEM	UAE	TUN	NOR	Other	Total reporting segment	Un-allocated/ eliminated	GROUP
Income statement information											
External sales	3	56.2	5.0	-	-	-	-	-	61.2	-	**61.2**
Inter-segment sales		-0.4	-0.9	-	-	-0.1	-	-	-1.4	1.4	**-**
Cost of goods sold	4	-29.9	-1.1	0.1	-0.3	-0.1	-	-	-31.2	-0.8	**-32.0**
Gross profit		**26.0**	**3.0**	**0.1**	**-0.3**	**-0.1**	**-**	**-**	**28.6**	**0.6**	**29.2**
Segment operating result		**31.3**	**-6.4**	**-**	**-0.5**	**-1.7**	**-**	**-0.6**	**22.1**	**-5.9**	**16.2**
Financial - net											**-11.1**
Income tax expense		-	-1.0	-	-	-	-	-	-1.0	-	**-1.0**
Net profit/-loss											**4.0**
Segment assets		**661.3**	**28.6**	**2.0**	**2.5**	**25.9**	**-**	**0.7**	**721.0**	**271.3**	**992.3**

Six months ending 30 June 2017 USD million	Note	KUR	OMAN	YEM	UAE	TUN	NOR	Other	Total reporting segment	Un-allocated/ eliminated	GROUP
Income statement information											
External sales	3	148.8	9.6	-	-	-	-	-	158.4	-	**158.4**
Inter-segment sales		-	0.3	-	0.0	-	-	-	0.3	-0.3	**-**
Cost of goods sold	4	-59.1	-4.9	-	-	-0.1	-	-	-64.1	-1.6	**-65.7**
Gross profit		**89.6**	**5.0**	**-**	**0.0**	**-0.1**	**-**	**-**	**94.5**	**-1.9**	**92.6**
Segment operating result		**87.6**	**-45.4**	**-1.4**	**-0.1**	**-2.0**	**1.5**	**-0.5**	**37.1**	**-10.5**	**26.6**
Financial - net											**-24.0**
Income tax expense		-	-0.5	-	-	-	-	-	-0.5	-0.2	**-0.7**
Net profit/-loss											**1.8**
Segment assets		**619.2**	**20.8**	**2.0**	**0.1**	**19.6**	**51.0**	**1.6**	**714.3**	**363.7**	**1,078.1**

Six months ending 30 June 2016 USD million	Note	KUR	OMAN	YEM	UAE	TUN	NOR	Other	Total reporting segment	Un-allocated/ eliminated	GROUP
Income statement information											
External sales	3	102.6	8.2	-	-	-	-	-	110.8	-	**110.8**
Inter-segment sales		-	-	-	-	-	-	-	-	-	**-**
Cost of goods sold	4	-57.1	-3.2	0.0	-0.2	-0.1	-	-	-60.6	-2.1	**-62.7**
Gross profit		**45.5**	**5.0**	**0.0**	**-0.2**	**-0.1**	**-**	**-**	**50.2**	**-2.1**	**48.1**
Segment operating result		**51.3**	**-5.2**	**-1.2**	**-0.7**	**-3.5**	**-**	**-1.6**	**39.1**	**-15.0**	**24.1**
Financial - net											**-23.4**
Income tax expense		-	-1.7	-	-	-	-	-	-1.7	-	**-1.7**
Net profit/-loss											**-0.9**
Segment assets		**661.3**	**28.6**	**2.0**	**2.5**	**25.9**	**-**	**0.7**	**721.0**	**271.4**	**992.3**

Note 3 | Revenues

DNO presents its operations governed by PSCs according to the net entitlement method when there are observable market prices and the risk related to sale and distribution is minimal. To the extent that the entitlement method cannot be applied, revenue is recognized when the sale criteria in IAS 18 are fulfilled. Kurdistan export sales and local sales are recognized as revenue upon cash receipt.

	Quarter		Year to date		Full year
USD million	**Q2 2017**	**Q2 2016**	**Q2 2017**	**Q2 2016**	**2016**
Sale of petroleum products	81.7	61.2	158.4	110.8	201.8
Total sales	**81.7**	**61.2**	**158.4**	**110.8**	**201.8**

During the second quarter of 2017, DNO received three payments from the Kurdistan Regional Government for Tawke deliveries totalling USD 128.8 million, of which USD 91.3 million was net to DNO. Of the net, USD 76.9 million is recognized as revenue and USD 14.4 million as a reduction in the booked underlift receivable.

Following a change in local sales procedures in 2016, the same payment mechanism applies to both local and export sales, with local sales revenue also recognized upon receipt of cash payment.

Note 4 | Cost of goods sold/ inventory

	Quarter		Year to date		Full year
USD million	**Q2 2017**	**Q2 2016**	**Q2 2017**	**Q2 2016**	**2016**
Lifting costs*	-16.0	-12.6	-29.0	-27.7	-68.6
Depreciation, depletion and amortization	-19.7	-19.4	-36.8	-35.1	-60.1
Total cost of goods sold	**-35.7**	**-32.0**	**-65.7**	**-62.7**	**-128.7**

* Lifting costs consist of expenses related to the production of oil and gas, including operation and maintenance of installations, well intervention workover activities and insurances.

	At 30 Jun		At 31 Dec
USD million	**2017**	**2016**	**2016**
Spare parts	51.7	65.8	54.8
Other inventory	-	7.0	2.5
Total inventory	**51.7**	**72.8**	**57.3**

Of the total inventory of USD 51.7 million, USD 48.7 million is related to Kurdistan and USD 3.0 million is related to Tunisia.

Note 5 | Exploration expenses

	Quarter		Year to date		Full year
USD million	**Q2 2017**	**Q2 2016**	**Q2 2017**	**Q2 2016**	**2016**
Exploration expenses (G&G and field surveys)	-0.3	-2.6	-0.8	-4.8	-5.5
Exploration costs capitalized this year carried to cost	-	-11.8	-0.0	-11.8	-7.6
Other exploration cost expensed	-1.1	-1.8	-2.2	-3.1	-7.3
Total exploration cost expensed*	**-1.5**	**-16.1**	**-3.0**	**-19.6**	**-20.3**

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

Note 6 | Income taxes

USD million	Quarter Q2 2017	Q2 2016	Year to date Q2 2017	Q2 2016	Full year 2016
Income tax expenses					
Income tax expenses	0.3	-1.0	-0.7	-1.7	-2.1
Total income tax expense	**0.3**	**-1.0**	**-0.7**	**-1.7**	**-2.1**
Income tax receivable/ payable					
Exploration tax refund NCS (non-current portion)	11.3	-	11.3	-	-
Exploration tax refund NCS (current portion)	32.3	-	32.3	-	-
Total tax receivable/Income taxes payable	**43.6**	**-**	**43.6**	**-**	**-**
Deferred tax liability/ asset					
Deferred tax asset on losses carried forward NCS	3.4	-	3.4	-	-
Total deferred tax liability / asset	**3.4**	**-**	**3.4**	**-**	**-**

The interim period income tax expense relates mainly to the 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 PSCs 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.

Tax receivable and deferred tax asset relates to activity on the Norwegian Continental Shelf (NCS) subject to Norwegian Petroleum Tax System. The newly acquired subsidiary DNO Norge AS (see Note 12) is subject to the provisions of the Norwegian Petroleum Taxation Act with additional special tax at a rate of 54 percent. As the Company is not yet in a tax payable position, it can claim a 78 percent refund of the exploration costs limited to taxable losses for the year. The refund is usually paid out in November-December in the subsequent year.

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

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

USD million	Quarter Q2 2017	Q2 2016	Year to date Q2 2017	Q2 2016	Full year 2016
Acquisitions of PP&E *	41.1	2.2	73.3	5.3	27.2
Acquisitions of Intangible assets **	-	-2.5	-	-	9.2
Net book amount PP&E at end of reporting date	**399.1**	**412.4**	**399.1**	**412.4**	**403.1**
Net book amount Intangible assets at end of reporting date	**83.2**	**83.5**	**83.2**	**83.5**	**86.5**
Impairment of PP&E and inventory (YTD)	**-37.2**	**6.0**	**-47.8**	**6.0**	**-29.2**

*Acquisitions related to development assets, assets in operation and other PP&E (excl. the change on asset retirement obligation)
**Acquisitions related to capitalized exploration costs and license interests.

In 2017, the total impairment charge of USD 47.8 million is related to Block 8 in Oman.

In 2016, the total impairment charge of USD 29.2 million was related to operations in Kurdistan (USD 26.7 million), Oman (USD 5.8 million) and the United Arab Emirates (USD 2.8 million). A reversal of impairment (USD 6.0 million) recognized in the same year was related to equipment and spare parts booked under the Dohuk license in Kurdistan.

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

Impairments

Impairment tests of individual cash-generating units are performed when impairment triggers are identified. During the first quarter, an impairment charge was recognized of USD 10.6 million for the Oman Block 8 asset. During the second quarter negative development in the production profile forecast for the license triggered an impairment test as per quarter-end. Updated impairment test calculation showed no recoverable amount and thus the total carrying amount for the Block 8 license was impaired.

USD million	Year to date Q2 2017 Impairment/ reversal	At 30 June 2017 Recoverable/ carrying amount	Full year 2016 Impairment/ reversal	At 31 Dec 2016 Recoverable/ carrying amount
Erbil, Kurdistan	-	74.5	-26.7	74.7
Dohuk, Kurdistan	-	-	6.0	-
Block 8, Oman	-47.8	-	-	4.9
Oman Ltd, Oman	-	0.1	-1.2	0.1
Block 36, Oman	-	-	-4.4	-
Block, 47 Oman	-	-	-0.2	-
Sfax Offshore Exploaration Permit, Tunisia	-	3.1	-	3.6
Assets in United Arab Emirates	-	-	-2.8	-
Total	**-47.8**	**77.6**	**-29.2**	**83.3**

The table shows the recoverable/carrying amount for the cash generating units which have been impaired in 2016 and 2017. Of the total impairment charge of USD 47.8 million, USD 43.6 million was recognized on PP&E and USD 4.2 million was recognized on inventories.

Note 8 | Available-for-sale financial assets

Available-for-sale financial assets are recorded at fair value (market price, where available) at the end of each period. Changes in fair value are included in other comprehensive income and are presented as valuation reserve under equity. Impairments will be charged to profit or loss, while reversal of impairments will be taken through other comprehensive income.

USD million	Quarter Q2 2017	Quarter Q2 2016	Year to date Q2 2017	Year to date Q2 2016	Full year 2016
Beginning of the period	13.4	13.4	14.0	10.8	10.8
Revaluation transferred to other comprehensive income	-0.2	-	-0.8	-	-
Reversal/- impairment of available-for-sale assets	-	3.1	-	5.7	3.2
End of the period [1)]	**13.2**	**16.4**	**13.2**	**16.4**	**14.0**
Non-current portion	13.2	16.4	13.2	16.4	14.0
Current portion	-	-	-	-	-

[1)] Available-for-sale financial assets include the following:

USD million	At 30 Jun 2017	At 30 Jun 2016	At 31 Dec 2016
Listed securities:			
- RAK Petroleum plc	13.2	16.4	14.0
Total available-for-sale financial assets	**13.2**	**16.4**	**14.0**

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 is listed on the Oslo Stock Exchange.

Note 9 | Trade and other short-term receivables

USD million	At 30 Jun 2017	2016	At 31 Dec 2016
Underlift, entitlement method	66.4	111.8	66.5
Other short-term receivables	37.0	46.4	50.9
Total trade and other short-term receivables	**103.4**	**158.2**	**117.4**

The booked underlift receivable mainly relates to the arrangement for local sales in Kurdistan put into place in 2014 under which the PSC terms for the contractor entitlement were not followed. In 2015, this temporary arrangement was revised to more closely align with the PSC terms. With effect from 1 January 2016, the interim payment arrangements for local sales were abolished and replaced by Tawke PSC contractual entitlement based payments, including payments toward outstanding entitlements.

During the first six months of 2017, USD 31.8 million was received in cash payments and the remaining booked underlift receivable was reclassified from long term receivable to short term receivable.

Other short-term receivables include mainly the receivable related to the farm down in Tunisia (Sfax Offshore Exploration Permit) and working capital in oil and gas licenses.

Note 10 | Interest-bearing liabilities

USD million	At 30 Jun 2017	2016	At 31 Dec 2016
Non-current			
Bonds	400.0	400.0	400.0
Capitalized borrowing issue costs (bonds)	-32.8	-43.8	-38.3
Exploration financing facility (long term portion)	3.4	-	-
Total non-current interest-bearing liabilities	**370.7**	**356.2**	**361.7**
Current			
Exploration financing facility (current portion)	30.6	-	-
Total current interest-bearing liabilities	**30.6**		**-**
Total interest-bearing liabilities	**401.3**	**356.2**	**361.7**

Interest-bearing liabilities:

USD million	Facility currency	Facility amount	Interest	Maturity	At 30 Jun 2017	2016	At 31 Dec 2016
Non-current							
Bond loan (ISIN NO0010606197)	USD	400.0	8.75%	18.06.20	400.0	400.0	400.0
Borrowing issue costs related to bonds					-32.8	-43.8	-38.3
Exploration financing facility*	NOK	500.0	see below	see below	34.1		
Total interest-bearing liabilities					**401.3**	**356.2**	**361.7**

Note 10 | Interest-bearing liabilities (continued)

Security and pledges

USD million	At 30 Jun 2017	2016	At 31 Dec 2016
Exploration tax refund	43.6	-	-
Restricted cash	0.6	-	-
Total book value of assets pledged	**44.2**	**-**	**-**

*The newly acquired subsidiary DNO Norge AS (see Note 12) has available a revolving exploration facility in an aggregate amount of NOK 500 million (facility amount). Utilisation requests need to be delivered for each proposed loan. The aggregate of the proposed loan shall not exceed 95 percent of the tax value of eligible costs which have not already been refunded by the tax authorities, and never to exceed the facility amount. The company shall repay each loan when the tax refunds have been received. The interest rate equals NIBOR plus a 1.2 percent margin.
Current portion of the exploration financing facility USD 30.6 million as at 30 June 2017 is scheduled to be repaid by the end of 2017 when the exploration tax refund is received.

Note 11 | Provisions for other liabilities and charges

USD million	At 30 Jun 2017	2016	At 31 Dec 2017
Non-current			
Asset retirement obligations	22.0	4.7	23.2
Other long-term provision and charges	153.3	93.0	144.1
Total non-current provisions for other liabilities and charges	**175.3**	**97.6**	**167.3**
Current			
Other provisions and charges	3.8	68.2	5.3
Total current provisions for other liabilities and charges	**3.8**	**68.2**	**5.3**
Total provisions for other liabilities and charges	**179.1**	**165.9**	**172.6**

Provisions for a water purification capacity building project in the Kurdistan region of Iraq are included in other long-term provision and charges for the Tawke license. The water purification project (WPP) is capitalized and depreciated over the life of the Tawke field. The WPP liability is not currently payable and actual payments will be contingent on defined gross revenue levels and will be fully recoverable through cost oil.

Changes in the timing of these payments will change the net present value of the liability and the calculated interest. The WPP liability is recorded at net present value, where the unwinding of interest is charged to profit or loss.

Provision for production bonuses for the Tawke and Erbil licenses in the Kurdistan region of Iraq is also included in provision for other liabilities and charges. Production bonuses relate to payments based on different production levels. The liabilities are classified as long-term.

Note 12 | Business combination

On 29 June 2017, DNO finalized and completed the acquisition of 100 per cent of the shares in Origo Exploration Holding AS (Origo), after obtaining approval by regulatory authorities in both Norway and the United Kingdom and the Boards of both companies. The cash consideration of USD 2.6 million (NOK 22.1 million) payable to the former shareholders of Origo is contingent on future events relating to drilling operations.

Following the acquisition, DNO returns to the North Sea with stakes in 11 exploration and appraisal licenses, of which seven are on the Norwegian Continental Shelf and four on the UK Continental Shelf.

The acquisition date for accounting purposes has for practical reasons been set to 30 June 2017. The acquisition is regarded as a business combination and accounted for using the acquisition method in accordance with IFRS 3. A purchase price allocation (PPA) has been performed to allocate the consideration to fair value of assets and liabilities of Origo as of the acquisition date.

Acquired assets and liabilities assumed are recognized at acquisition-date fair values and were as follows:

USD million	Fair value at acquisition-date
Deferred tax asset	3.4
Property, plant and equipment	0.2
Long term tax receivables	11.3
Short term tax receivables	32.3
Trade and other receivables	1.5
Cash and cash equivalents	2.6
TOTAL ASSETS	**51.3**
Interest-bearing liabilities - long term	30.6
Provisions for other liabilities and charges	0.6
Interest-bearing liabilities - short term	3.4
Trade and other payables	12.6
TOTAL LIABILITIES	**47.1**
Total identifiable net assets at fair value	4.2
Consideration payable on acquisition	2.6
Gain from a bargain purchase arising on acquisition	**-1.5**

The consideration payable is included in *Provisions for other liabilities and charges* under *Non-current liabilities* in the DNO consolidated balance sheet. The main reason why the transaction resulted in a gain of USD 1.5 million is due to application of the measurement requirements of IFRS 3 to the transaction and the circumstances the acquiree was in when the agreement to sell was entered into. The gain from a bargain purchase is included in “Other operating income”.

Note 13 | Events after the reporting period

Export payments from Kurdistan
The company reported on 6 July 2017 and on 9 August 2017 receipts of total USD 80.25 million from the Kurdistan Regional Government as payment towards April 2017 and May 2017 crude oil deliveries to the export market from the Tawke license. The funds, to be shared pro-rata by DNO and partner Genel Energy plc, include total USD 67.31 million towards monthly deliveries and total USD 12.95 million towards recovery of outstanding receivables.

DNO Spuds Third Peshkabir Well in Kurdistan and resumes Field Appraisal
The company reported on 10 July 2017 resumption of appraisal drilling at the Peshkabir discovery on the Tawke license in the Kurdistan region of Iraq following extended testing of the Cretaceous and Jurassic reservoirs in the Peshkabir-2 well.

The company spud the Peshkabir-3 well on 8 July as part of a fast track field development plan including the acquisition and installation of an early production facility by year-end 2017 to be followed by a pipeline connection to the Tawke export terminal at Fish Khabur.

Alternative performance measures

DNO ASA discloses alternative performance measures as a supplement to the financial statements prepared in accordance with IFRS. Such performance measures are frequently used by securities analysts, investors and other interested parties and are meant to provide insight into the operation, financing and future prospects of the company.

EBITDA

	Quarter		Year to date		Full year
USD million	**Q2 2017**	**Q2 2016**	**Q2 2017**	**Q2 2016**	**2016**
Revenues	81.7	61.2	158.4	110.8	201.8
Lifting costs	-16.0	-12.6	-29.0	-27.7	-68.6
Exploration expenses	-1.5	-16.1	-3.0	-19.6	-20.3
Administrative expenses	-6.9	-7.9	-11.9	-14.7	-31.0
Other operating income/expenses	-1.6	4.9	-3.3	4.3	13.6
EBITDA	**55.7**	**29.5**	**111.1**	**53.1**	**95.4**

Netback

USD million	Q2 2017	Q2 2016	Q2 2017	Q2 2016	2016
EBITDA	55.7	29.5	111.1	53.1	95.4
Paid taxes	-0.4	-3.5	-0.7	-2.5	-2.1
Netback	**55.3**	**26.1**	**110.4**	**50.6**	**93.4**

	Q2 2017	Q2 2016	Q2 2017	Q2 2016	2016
Netback (USD million)	55.3	26.1	110.4	50.6	93.4
Company Working Interest production (MMboe)	6.3	6.9	12.7	12.2	25.3
Netback (USD/boe)	**8.8**	**3.8**	**8.7**	**4.3**	**3.7**

Lifting costs

	Q2 2017	Q2 2016	Q2 2017	Q2 2016	2016
Lifting costs (USD million)	-16.0	-12.6	-29.0	-27.7	-68.6
Company Working Interest production (MMboe)	6.3	6.9	12.7	12.2	25.3
Lifting costs (USD/boe)	**2.5**	**1.9**	**2.3**	**2.3**	**2.7**

Operational spend

USD million	Q2 2017	Q2 2016	Q2 2017	Q2 2016	2016
Lifting costs	-16.0	-12.6	-29.0	-27.7	-68.6
Exploration expenses	-1.5	-16.1	-3.0	-19.6	-20.3
Capital expenditures	-41.1	0.3	72.9	5.3	-36.4
Operational spend	**-58.6**	**-28.3**	**40.9**	**-42.1**	**-125.4**

Equity ratio

USD	Q2 2017	Q2 2016	Q2 2017	Q2 2016	2016
Equity	381.2	438.8	381.2	438.8	401.9
Total assets	1,078.1	992.3	1,078.1	992.3	969.8
Equity ratio	**35.4%**	**44.2%**	**35.4%**	**44.2%**	**41.4%**

Free cash flow

USD million	Quarter Q2 2017	Q2 2016	Year to date Q2 2017	Q2 2016	Full year 2016
Cash generated from operations	92.8	7.7	230.1	40.8	98.7
Purchases of intangible assets	-	2.3	-	-	-9.4
Purchases of tangible assets	-41.1	-2.0	-72.9	-5.3	-27.0
Free cash flow	**51.7**	**8.0**	**157.2**	**35.5**	**62.3**

Net debt

USD million	Q2 2017	Q2 2016	Q2 2017	Q2 2016	2016
Cash and cash equivalents	380.5	249.0	380.5	249.0	261.1
Bond loan	400.0	400.0	400.0	400.0	400.0
Net debt*	**-19.5**	**-151.0**	**-19.5**	**-151.0**	**-138.9**

*Exploration financing facility has been excluded as it is covered by the exploration tax refund booked as an asset in the balance sheet. See Note 6 and Note 10.

NOTES

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