



# 2018 Interim Results Presentation



# Corporate overview and operational highlights

Cover: DNO's first Annual General Meeting held in Oslo on 6 August 1971

# DNO corporate overview

- Leading international oil company in Kurdistan, with a 75 percent operating interest in fields contributing a third of the region's total exports
- Now firmly established in Norway on back of Faroe Petroleum plc acquisition
- Combination places DNO among top three European-listed independent oil and gas companies in production and reserves
- Strong operational and financial metrics – operated production in January 2019 averaged 128,000 barrels of oil per day (bopd) and full-year 2018 revenues of USD 829 million with net profit of USD 354 million
- Robust balance sheet with low leverage

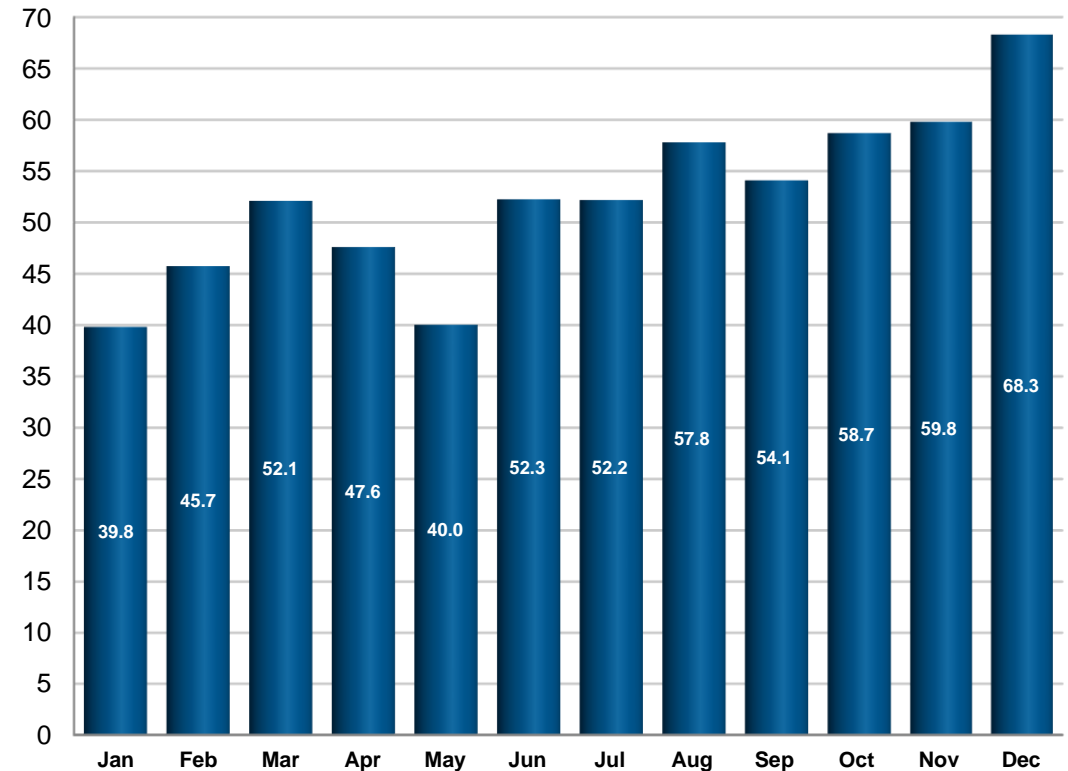
# 2018 operational highlights

- Operated production in 2018 averaged 117,600 barrels of oil equivalent per day (boepd), up from 113,500 boepd in 2017
- In 2018, Kurdistan represented 113,100 bopd and Oman 4,500 boepd
- Company Working Interest (CWI) production averaged 81,700 boepd in 2018, up from 73,700 boepd in 2017
- Drilled 12 wells across two operated licenses in Kurdistan, including first exploration well at Baeshiqa license
- Cumulative Peshkabir field production approached 10 million barrels less than 18 months after coming onstream
- Cumulative Tawke field production since inception of 255 million barrels at yearend 2018

# 2018 financial highlights

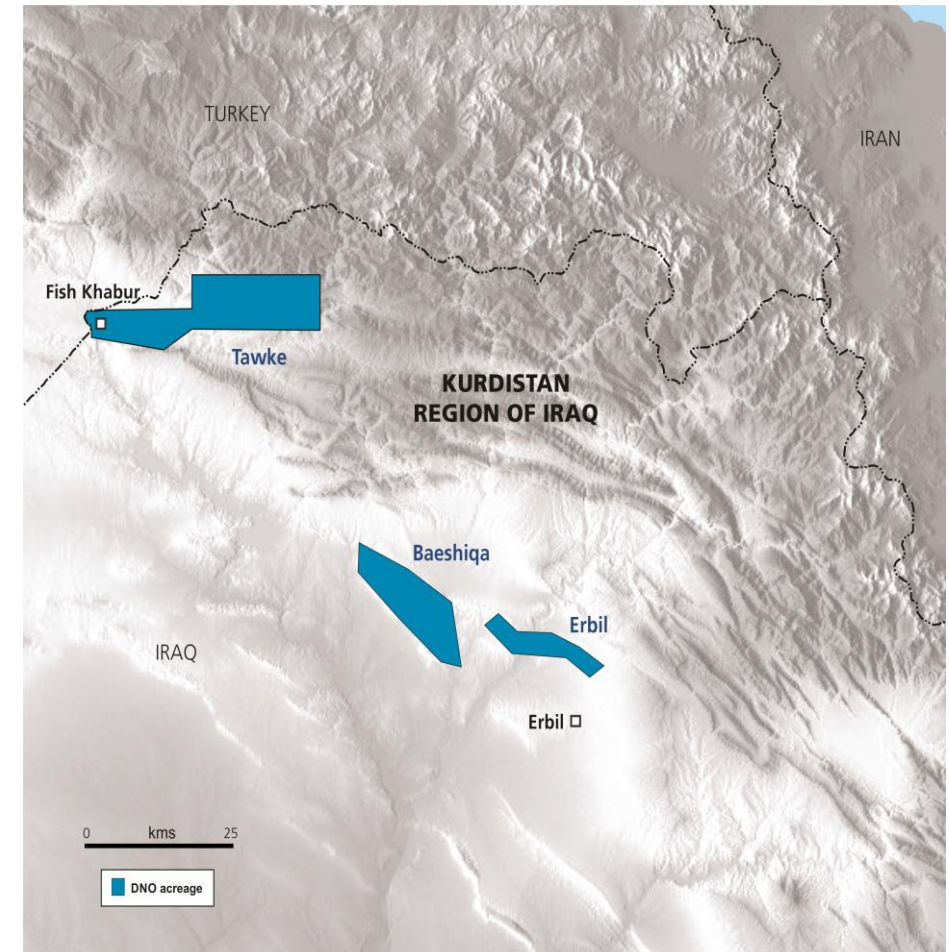
- 2018 revenues of USD 829 million (USD 347 million in 2017)
- Received Kurdistan export payments totaling USD 628 million (USD 380 million in 2017)
- As of Q4 2018, Kurdistan export revenue recognition changed from cash to accrual basis, resulting in one-off booking of an additional USD 183 million in Q4 accounts
- Exited the year with cash balance of USD 729 million (USD 430 million at end 2017) plus USD 281 million in treasury shares and marketable securities (USD 58 million at end 2017)
- Initiated dividend payments

Kurdistan export payments net to DNO by month received  
January – December 2018  
USD million



# Kurdistan's stabilization and oil sector ramp up

- Kurdistan's security, financial and oil sector conditions continued to improve over the course of 2018
- Following five years of independent exports, Kurdistan blend now de-risked and established in Mediterranean market
- Regular export payments encouraging investments by existing operators while attracting new entrants
- Soon to mobilize fifth drilling rig in Kurdistan to support largest drilling campaign in region's history, including up to 20 DNO-operated exploration and production wells this year
- Committed to continue to outdrill, outproduce and outperform all other international oil companies in Kurdistan – combined



# Kurdistan operations update

## *Peshkabir*

- January 2019 Peshkabir production from six wells averaged 54,000 bopd
- Peshkabir has generated more than USD 750 million in gross revenue, or four times the spend to date, since field start up of which more than USD 200 million net to DNO
- Peshkabir-9 well completed and to be placed on production later this month
- Peshkabir-10 well to spud next week as part of 2019 field drilling campaign of up to four wells

## *Tawke*

- January 2019 Tawke production averaged 74,000 bopd
- Three wells completed in Q4 2018 with Tawke-52 Cretaceous well to come onstream shortly

# Kurdistan operations update (continued)

- Active 2019 Tawke drilling program of up to 14 new wells in Cretaceous and Jeribe to stabilize production and add reserves through exploration, including a deep Tawke well
- DNO holds 75 percent operated interest in Tawke and Peshkabir fields with partner Genel Energy (25 percent)

## ***Baeshiqa***

- Baeshiqa license contains two large structures with multiple target reservoirs
- Drilled first exploration well at Baeshiqa to depth of 1,488 meters targeting Cretaceous; well testing delayed by extensive rainfall but expected to commence this month
- Second Baeshiqa well targeting deeper Jurassic and Triassic on same structure to spud in Q1 2019 and third well also targeting Jurassic and Triassic, but on separate structure, to spud later this year
- DNO holds 32 percent operated interest with partners ExxonMobil (32 percent), Turkish Energy Company (16 percent) and Kurdistan Regional Government (20 percent)

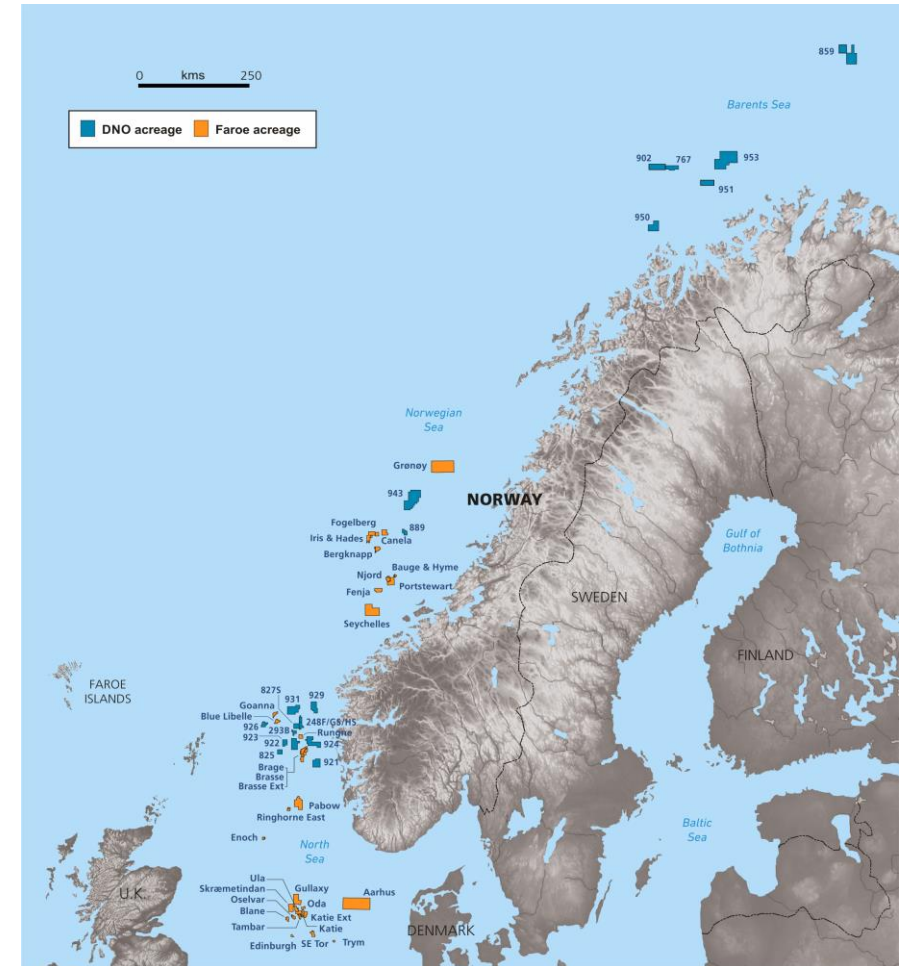


# DNO acquisition of Faroe

- DNO has acquired more than 96 percent of Faroe shares and initiated compulsory acquisition of remaining shares
- Final cash offer of 160 pence per Faroe share valued the company at GBP 634 million (USD 813 million)
- Although overall acquisition cost to DNO of 150.5 pence per share after factoring previous purchased shares
- Integration of Faroe and DNO organizations well underway; combined team of more than 1,100 across offices in Oslo, Stavanger, Erbil, Dubai, London and Aberdeen
- De-listing of Faroe from AIM will complete on February 14
- Transforms DNO into more diversified company with strong, second leg in North Sea, representing not a pivot away from Kurdistan but a pivot to Norway

# Complemented by organic growth

- In January, DNO awarded participation in 18 exploration licenses, of which five are operatorships, under Norway's Awards in Predefined Areas (APA) 2018 licensing round
- Adds to existing 22 licenses offshore Norway and United Kingdom, of which 21 on Norwegian Continental Shelf and one on UK Continental Shelf
- Further complemented by Faroe's portfolio including 44 Norway licenses and 12 UK licenses, plus eight additional Norway licenses awarded under APA 2018 licensing round
- Including Faroe, participating in up to ten wells in Norway during 2019



# Supports fast-track growth strategy in Norway

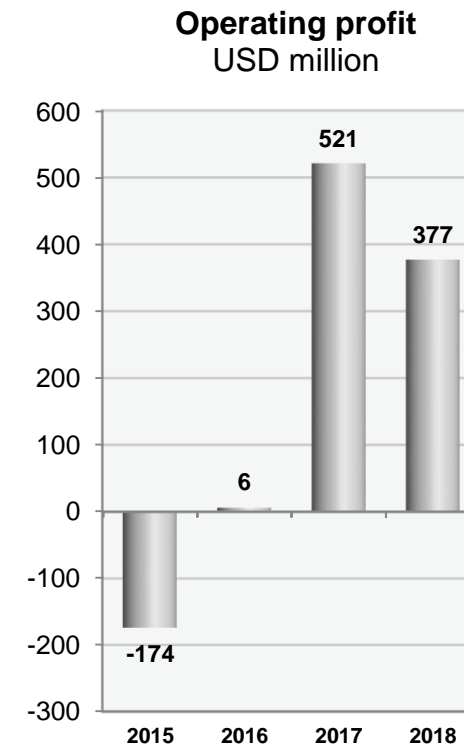
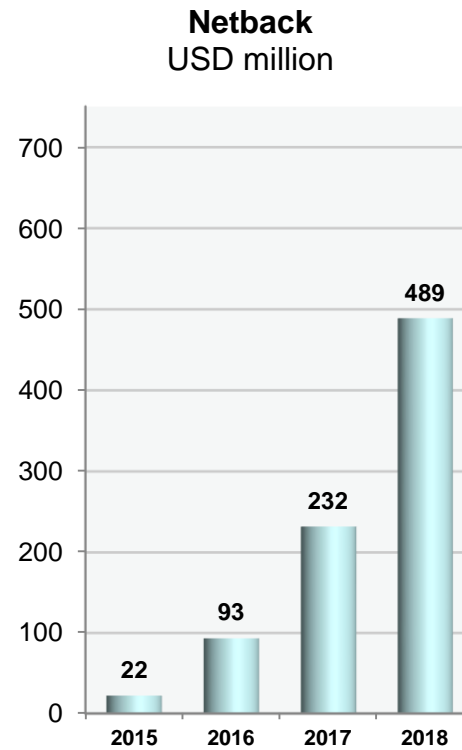
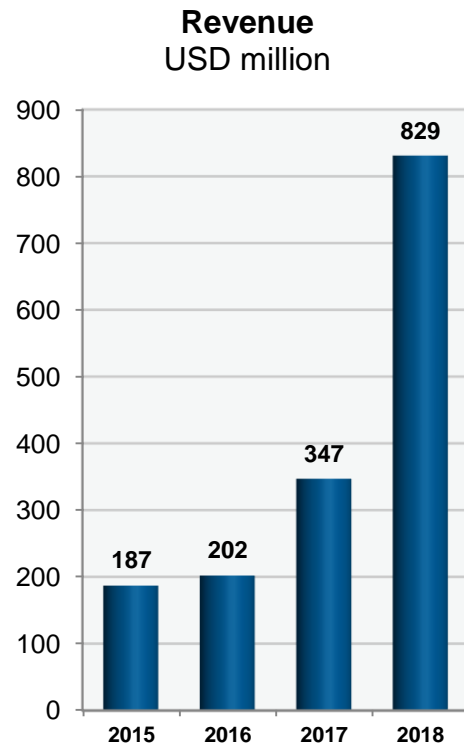
- Faroe acquisition bolsters DNO's portfolio and operational capabilities in Norway
- DNO picks up attractive exploration, development and production projects and an experienced team with extensive knowledge of the North Sea
- Leapfrogs DNO to the ranks of top five companies in total licenses held in Norway with 90 licenses, of which 22 are operated
- Establishes platform to pursue more transactions, including producing assets
- With greater financial capacity, expect to take larger stakes in permits and ramp up activity on operated projects
- Opens new financing opportunities and expected to lower our weighted average cost of capital

## 2019 program peek

- In 2019, DNO to drill or participate in up to 30 wells across portfolio in Kurdistan and Norway, including exploration, development and production wells, representing highest number of wells in the Company's 47-year history
- Planned 2019 capital expenditure, excluding Faroe, of USD 220 million (USD 138 million in 2018)
- Fully funded in Kurdistan and Norway
- Pursuing other bolt-on acquisitions in Norway to complement active exploration and development programs
- Company will release pro-forma financials and 2019 investment programs and budgets for combined entity in February and March

# Financial review

# DNO financial results – key figures



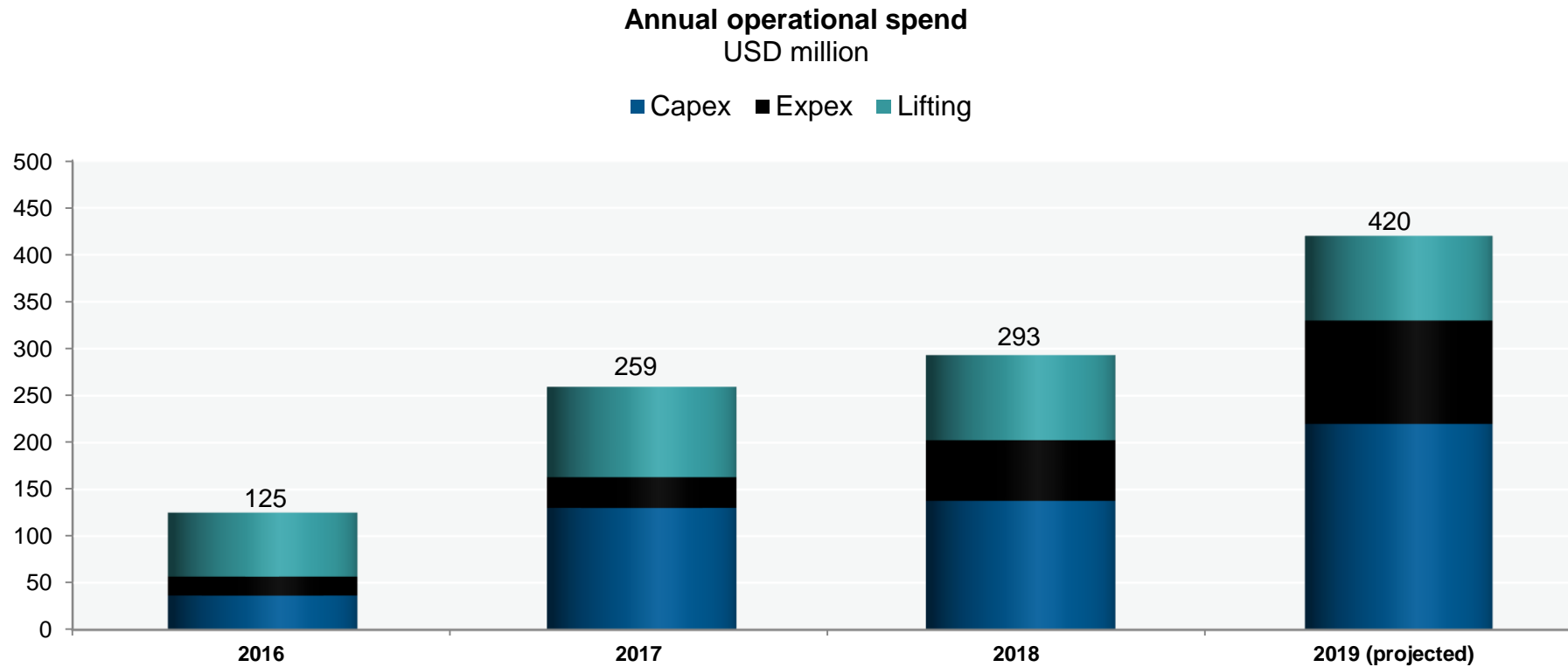
- Revenue of USD 829 million in 2018, up from USD 347 million in 2017
- Kurdistan receivables settlement reflected in operating profit in 2017

# Financial summary

| USD million                                  | Q4 2018      | Q3 2018      | Q4 2017      | 2018         | 2017         |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Revenue</b>                               | <b>368.8</b> | <b>171.2</b> | <b>116.0</b> | <b>829.3</b> | <b>347.4</b> |
| Cost of goods sold                           | -106.8       | -94.2        | -57.1        | -350.6       | -202.2       |
| <b>Gross profit</b>                          | <b>262.0</b> | <b>76.9</b>  | <b>58.9</b>  | <b>478.7</b> | <b>145.2</b> |
| Expensed exploration                         | -19.6        | -7.2         | -24.1        | -64.7        | -33.0        |
| Administrative expenses                      | -13.0        | -8.2         | -9.3         | -36.7        | -33.2        |
| Other operating income/expenses              | 0.6          | 9.1          | 0.2          | 1.4          | 550.5        |
| Impairment of oil and gas assets             | -            | -            | -            | -1.9         | -108.4       |
| <b>Profit/loss from operating activities</b> | <b>230.0</b> | <b>70.6</b>  | <b>25.7</b>  | <b>376.8</b> | <b>521.1</b> |
| Net finance                                  | -15.3        | -13.1        | -10.8        | -54.3        | -46.1        |
| <b>Profit/loss before income tax</b>         | <b>214.6</b> | <b>57.5</b>  | <b>14.9</b>  | <b>322.5</b> | <b>475.1</b> |
| Income tax expense                           | 15.6         | 5.6          | 15.7         | 31.8         | 20.0         |
| <b>Net profit/loss</b>                       | <b>230.3</b> | <b>63.0</b>  | <b>30.6</b>  | <b>354.3</b> | <b>495.0</b> |

- Higher revenue driven by higher oil prices and Kurdistan export payments
- 2018 operating profit of USD 377 million

# Investment program

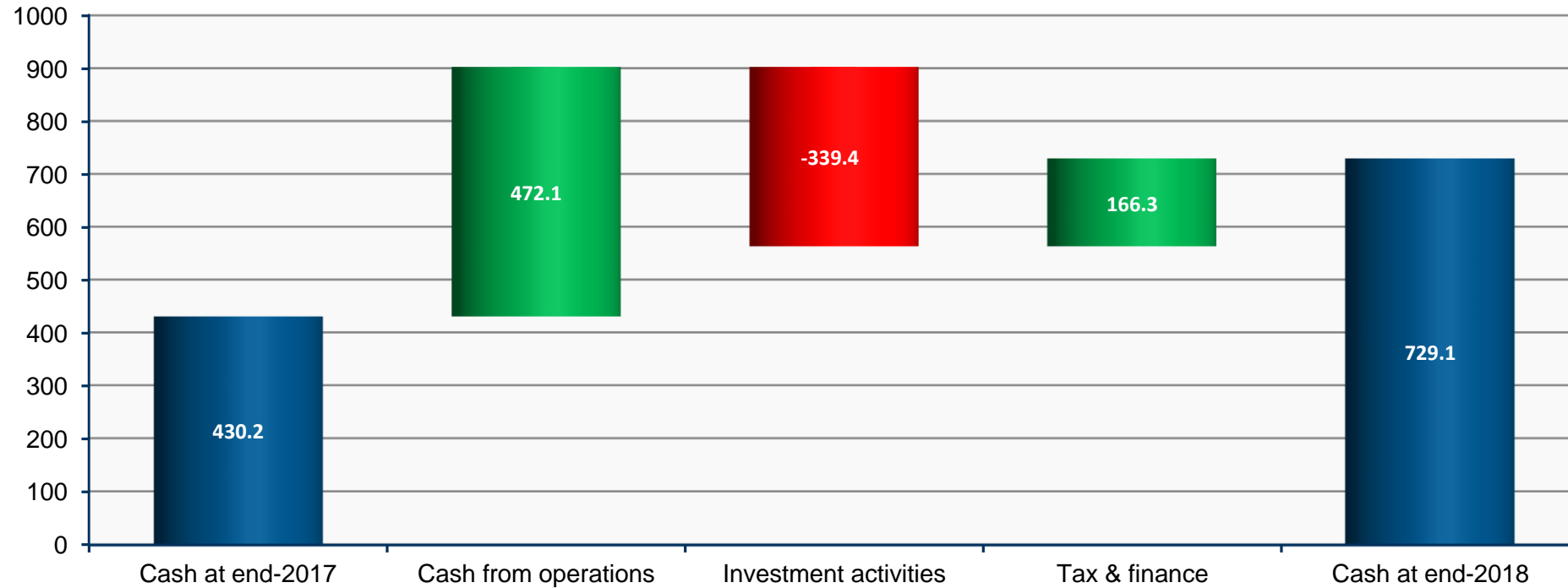


- Continuing to increase operational spend with USD 420 million projected in 2019
- Of which share of capital expenditure and exploration expenditure rise to USD 330 million or nearly 80 percent



# 2018 cash flow

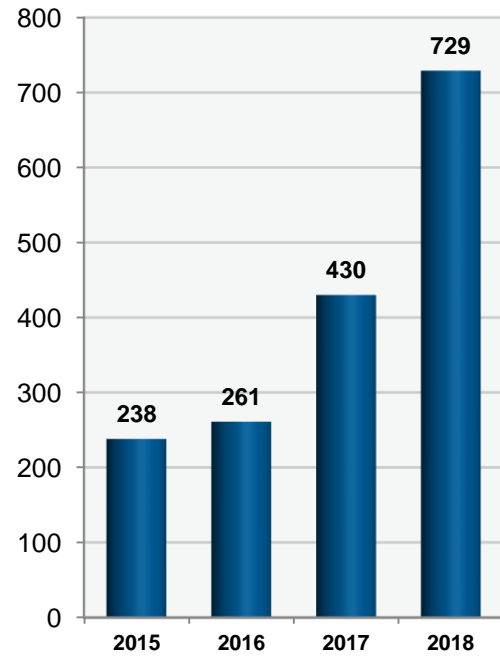
USD million



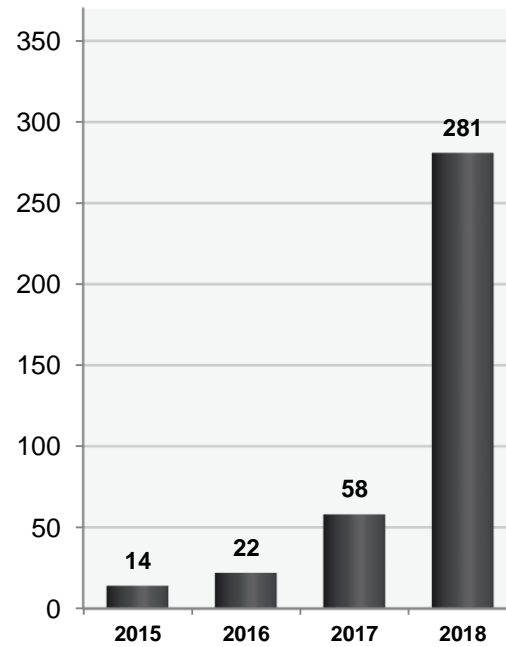
- Strong 2018 operational cash flow of USD 472.1 million (USD 338.8 million in 2017)
- Cash increase of USD 298.9 million

# Capital structure

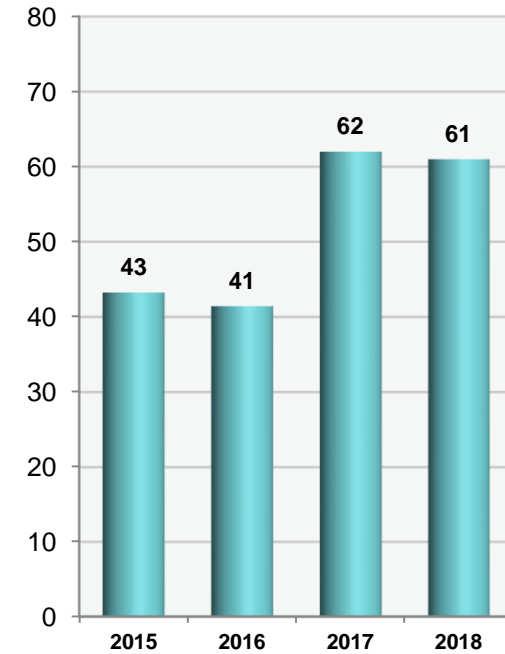
**Cash deposits**  
USD million



**Financial assets**  
USD million



**Equity ratio**  
Percent



- Year-end 2018 cash balance of USD 729 million and financial assets of USD 281 million
- Solid balance sheet with low leverage

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