

**28 August 2020**

## **DNO North Sea plc**

### **Unaudited Interim Results for the Half-Year Ending 30 June 2020**

DNO North Sea plc (the "Company") through its subsidiaries is engaged in oil and gas exploration, development, production and decommissioning activities in Norway, the United Kingdom (the "UK"), Netherlands and Ireland. The Company announces its consolidated unaudited Interim Results for the half-year ending 30 June 2020. When used herein, "DNO North Sea" refers to the Company together with its subsidiaries.

#### **Activity Overview**

##### **Production**

Company Working Interest ("CWI") production averaged 18,214 barrels of oil equivalent per day ("boepd") in Norway and the UK during H1 2020, of which 17,272 boepd was in Norway and 942 boepd was in the UK. During H1 2019, CWI production averaged 17,815 boepd, of which 16,915 boepd was in Norway<sup>1</sup> and 900 boepd was in the UK.

DNO North Sea has diversified production across 13 fields, of which nine are in Norway and four in the UK.

##### **Investment**

Temporary Norwegian Petroleum tax incentives are driving stepped-up investment plans. DNO North Sea is revisiting development options for the Brasse field (2021 PDO), actively evaluating Iris/Hades, Fogelberg and Trym South discoveries (2022 PDOs) and accelerating infill drilling at Ula, Tambar and Brage producing fields in 2021.

The appraisal of the Bergknapp discovery, one of Norway's largest so far this year, is scheduled for 2021. DNO North Sea maintains an active exploration program targeting 4-6 wells per year.

##### **Decommissioning**

During H1 2020 DNO North Sea abandoned three wells and suspended four on the Ketch field. The Schooner and Ketch decommissioning program was suspended in H1 2020 due to the ongoing COVID-19 pandemic.

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<sup>1</sup> Includes production from the assets added through the swap agreement with Equinor Energy AS, effective from 1 January 2019.

## Financial review

### Revenues, operating profit and cash

Revenues in H1 2020 were GBP 69.9 million compared to GBP 91.5 million in H1 2019. The decrease in revenues was primarily driven by weak oil and gas prices and lower cargo liftings of produced oil.

DNO North Sea reported an operating loss of GBP 53.0 million in H1 2020 compared to an operating profit of GBP 89.6 million in H1 2019. This was primarily due to lower revenues and higher cost of goods sold and exploration costs in H1 2020, as well as an impairment charge of GBP 13.4 million. An accounting gain of GBP 80.1 million was also recognized in H1 2019 relating to the exchange of DNO North Sea's interest in the Njord, Hyme and Bauge assets for Equinor Energy AS's interests in the Alve, Marulk, Ringhorne East and Vilje assets ("Equinor asset swap") that completed on 30 April 2019.

DNO North Sea ended the period with a cash balance of GBP 105.3 million compared to GBP 61.7 million at the end of the previous year. The increase was primarily due to increased borrowings partially offset by capital and decommissioning expenditures.

### Cost of goods sold

In H1 2020, the total cost of goods sold, including lifting costs and depreciation, depletion and amortization ("DD&A"), was GBP 78.2 million, compared to GBP 64.6 million in H1 2019.

Lifting costs in H1 2020 totaled GBP 41.5 million, compared to GBP 36.6 million in H1 2019.

DD&A costs totaled GBP 40.8 million in H1 2020, compared to GBP 18.6 million in H1 2019. The increase was due to increased production and a higher DD&A rate per barrel on the Norwegian assets.

Movement in the net underlift position totaled GBP 18.9 million in H1 2020 compared to GBP 0.8 million in H1 2019. The increase in the net underlift position was mainly due to lower cargo liftings of produced oil.

### Exploration expenses

Expensed exploration costs totaled GBP 28.4 million in H1 2020, compared to GBP 9.6 million in H1 2019.

## Risks and uncertainty

DNO North Sea 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 DNO North Sea plc Annual Report & Consolidated Financial Statements 2019 gives a fair description of key risks and uncertainties that may affect DNO North Sea in the second half of 2020 and we are not aware of any significant new risks or uncertainties or significant changes to those risks or uncertainties, except for those described herein.

The COVID-19 pandemic and the significant decline in oil prices have had adverse effects on DNO North Sea's operations and financial results in 2020, but the extent and duration of these conditions over the longer term remain largely uncertain and dependent on future developments that cannot be accurately predicted at this time. Future oil price assumptions are key estimates in DNO North Sea's financial statements and a change in these assumptions may impact the recoverable amount of the DNO North Sea's oil and gas assets, reserve and resource estimates, operational spend level, financial covenants and distribution of future dividends. Continuing low oil prices would reduce DNO North Sea's revenues and increase the risk of future impairments of the book value of the DNO North Sea assets.

## Responsibility Statement

We confirm to the best of our knowledge that the DNO North Sea's interim financial statements for the period 1 January to 30 June 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and give a fair view of DNO North Sea'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-year 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, 28 August 2020

Bjørn Kenneth Dale  
Director

Christopher Thomas Hyde Spencer  
Director

Ørjan Gjerde  
General Manager DNO North Sea

## Consolidated statements of comprehensive income

(unaudited, in GBP thousand)	Note	First Half-Year		Full-Year
		2020	Restated 2019	2019
Revenues	2	69,937	91,469	202,035
Cost of goods sold	3	-78,178	-64,617	-133,264
<b>Gross profit</b>		<b>-8,241</b>	<b>26,852</b>	<b>68,771</b>
Other income/-expense	4	134	-285	-534
Administrative expenses		-3,207	-7,458	-6,344
Impairment oil and gas assets	6	-13,356	-	-38,329
Exploration expenses		-28,365	-9,601	-68,750
Gain/-loss on disposal of asset		-	80,092	69,848
<b>Profit/-loss from operating activities</b>		<b>-53,035</b>	<b>89,600</b>	<b>24,662</b>
Financial income		23,850	684	1,251
Financial expenses		-41,077	-7,704	-27,776
<b>Profit/-loss before income tax</b>		<b>-70,262</b>	<b>82,580</b>	<b>-1,863</b>
Tax income/-expense	5	39,187	87	36,667
<b>Net profit/-loss</b>		<b>-31,075</b>	<b>82,667</b>	<b>34,804</b>
<b>Other comprehensive income</b>				
Currency translation differences		-6,911	-833	-18,128
<b>Items that may be reclassified to profit or loss in later periods</b>		<b>-6,911</b>	<b>-833</b>	<b>-18,128</b>
<b>Total comprehensive income, net of tax</b>		<b>-37,986</b>	<b>81,834</b>	<b>16,676</b>

# Consolidated statements of financial position

<b>ASSETS</b>		At 30 June	At 31 Dec	
(unaudited, in GBP thousand)	Note	2020	Restated 2019	2019
<b>Non-current assets</b>				
Goodwill		64,843	92,944	76,883
Deferred tax assets	5	58,646	59,856	65,966
Other intangible assets		90,091	51,510	79,503
Property, plant and equipment		347,938	409,331	367,774
Right-of-use assets		6,597	1,340	5,211
Tax receivables	5	8,764	13,257	-
<b>Total non-current assets</b>		<b>576,879</b>	<b>628,238</b>	<b>595,337</b>
<b>Current assets</b>				
Inventories		13,111	11,575	12,049
Trade and other receivables	7	95,127	73,943	113,662
Tax receivables	5	180,846	25,291	121,957
Cash and cash equivalents		105,342	63,087	61,673
<b>Total current assets</b>		<b>394,426</b>	<b>173,896</b>	<b>309,341</b>
<b>TOTAL ASSETS</b>		<b>971,305</b>	<b>802,134</b>	<b>904,678</b>
<b>EQUITY AND LIABILITIES</b>		At 30 June	At 31 Dec	
(unaudited, in GBP thousand)	Note	2020	Restated 2019	2019
<b>Equity</b>				
Share capital		39,594	37,289	39,594
Other reserves		296,479	320,685	303,390
Retained earnings		-128,714	-53,440	-97,639
<b>Total equity</b>		<b>207,359</b>	<b>304,534</b>	<b>245,345</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	5	29,822	1,808	10,020
Interest-bearing liabilities	9	191,391	66,262	91,726
Lease liabilities	10	5,908	943	4,365
Long-term debt to group companies		21,276	-	21,541
Provisions for other liabilities and charges	10	254,872	279,385	272,970
<b>Total non-current liabilities</b>		<b>503,269</b>	<b>348,398</b>	<b>400,622</b>
<b>Current liabilities</b>				
Trade and other payables	8	121,699	86,689	132,956
Income tax payable	5	-	-	185
Current interest-bearing liabilities	9	83,617	28,532	64,794
Current lease liabilities	10	933	422	998
Short-term debt to group companies		300	-	2,998
Provisions for other liabilities and charges	10	54,128	33,559	56,780
<b>Total current liabilities</b>		<b>260,677</b>	<b>149,202</b>	<b>258,711</b>
<b>Total liabilities</b>		<b>763,946</b>	<b>497,600</b>	<b>659,333</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>971,305</b>	<b>802,134</b>	<b>904,678</b>

# Consolidated cash flow statement

(unaudited, GBP thousand)	Note	First Half-Year		Full-Year
		2020	Restated 2019	2019
<b>Operating activities</b>				
Profit/-loss before income tax		-70,262	82,580	-1,863
<b>Adjustments to add/-deduct non-cash items:</b>				
Previously capitalized exploration and evaluation expenses		12,312	2,005	44,075
Depreciation, depletion and amortization	3	40,781	18,555	48,804
Impairment oil and gas assets	6	13,356	-	38,329
Loss/-gain on PP&E		-	-80,092	-69,848
Payments for decommissioning		-18,801	-6,385	-17,095
Other*		3,180	-5,463	-13,592
<b>Change in working capital items and provisions:</b>				
- Inventories		-1,293	2,642	607
- Trade and other receivables		18,210	19,616	-28,414
- Trade and other payables		-9,499	-60,069	-247
<b>Cash generated from operations</b>		<b>-12,016</b>	<b>-26,611</b>	<b>756</b>
Income taxes received/-paid		-184	-	23,005
Net interests paid/-received		6,822	5,442	27,430
<b>Net cash from/-used in operating activities</b>		<b>-5,378</b>	<b>-21,169</b>	<b>51,191</b>
<b>Investing activities</b>				
Purchases of intangible assets	6	-23,695	-21,228	-61,414
Purchases of tangible assets	6	-36,337	-38,465	-98,033
Interest received		13	684	1,251
Acquisitions net of cash acquired		-	23,473	31,281
<b>Net cash from/-used in investing activities</b>		<b>-60,019</b>	<b>-35,536</b>	<b>-126,915</b>
<b>Financing activities</b>				
Proceeds from borrowings net of repayments and issue costs		113,779	2,465	33,952
Interest and financing fee paid		-6,889	-6,051	-15,444
<b>Net cash from/-used in financing activities</b>		<b>106,890</b>	<b>-3,586</b>	<b>18,508</b>
<b>Net increase/-decrease in cash and cash equivalents</b>		<b>41,493</b>	<b>-60,291</b>	<b>-57,216</b>
Cash and cash equivalents at beginning of the period		61,673	122,500	122,500
Exchange gain/-losses on cash and cash equivalents		2,176	878	-3,611
<b>Cash and cash equivalents at the end of the period</b>		<b>105,342</b>	<b>63,087</b>	<b>61,673</b>
Of which restricted cash		7,782	7,980	7,782

\* Includes adjustment for accretion expense in relation to ARO provision, foreign exchange on non-operating activities and IFRS 16 charges.

## Consolidated statement of changes in equity

(unaudited, in GBP thousand)	Share capital	Other reserves	Retained earnings	Reserves held for sale	Total equity
<b>Total equity as of 1 January 2019 (Restated)</b>	<b>37,289</b>	<b>324,202</b>	<b>-136,032</b>	<b>-2,684</b>	<b>222,775</b>
<i>Fair value changes:</i>					
Completion of asset sale	-	-2,684	-	2,684	-
Currency translation differences	-	-833	-	-	-833
Other comprehensive income/-loss	-	-3,517	-	2,684	-833
Profit/-loss for the period	-	-	82,667	-	82,667
<b>Total comprehensive income</b>	<b>-</b>	<b>-3,517</b>	<b>82,667</b>	<b>2,684</b>	<b>81,834</b>
Share based payment transactions	-	-	-75	-	-75
<b>Transaction with shareholders</b>	<b>-</b>	<b>-</b>	<b>-75</b>	<b>-</b>	<b>-75</b>
<b>Total equity as of 30 June 2019</b>	<b>37,289</b>	<b>320,685</b>	<b>-53,440</b>	<b>-</b>	<b>304,534</b>
<i>Fair value changes:</i>					
Currency translation differences	-	-6,911	-	-	-6,911
Other comprehensive income/-loss	-	-6,911	-	-	-6,911
Profit/-loss for the period	-	-	-31,075	-	-31,075
<b>Total comprehensive income</b>	<b>-</b>	<b>-6,911</b>	<b>-31,075</b>	<b>-</b>	<b>-37,986</b>
<b>Total equity as of 30 June 2020</b>	<b>39,594</b>	<b>296,479</b>	<b>-128,714</b>	<b>-</b>	<b>207,359</b>



# Notes to the consolidated interim financial statements

## Note 1 | Basis of preparation and accounting policies

### Principal activities and company information

DNO North Sea plc (the “Company”) and its subsidiaries (“DNO North Sea”) are engaged in oil and gas exploration, development and production and decommissioning activities in Norway and the UK.

### Basis of preparation

The Company’s consolidated interim 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 financial information for 2020 and 2019 is unaudited.

Subtotals and totals in some of the tables included in these interim financial statements may not equal the sum of the amounts shown due to rounding.

The interim financial statements have been prepared on a historical cost basis, with the exception of derivative financial instruments which are recognized at fair value.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of DNO North Sea plc Annual Report & Consolidated Financial Statements 2019.

### Restatement of H1 2019 comparatives

As part of the preparation of the audited DNO North Sea plc consolidated financial statements for 2019, DNO North Sea made certain adjustments related to correction of prior period errors and reclassifications. Detailed descriptions can be found in Note 2 of the DNO North Sea plc Annual Report & Consolidated Financial Statements 2019. The H1 2019 comparatives are restated to reflect these adjustments and are also reflected in the full year 2019 comparatives.

Reconciliations of published H1 2019 to restated H1 2019 income statement, statement of financial position and cash flow statement are shown below.

# Notes to the consolidated interim financial statements

## Note 1 | Basis of preparation and accounting policies

### Reconciliation of statement of comprehensive income as per the published H1 2019 to restated H1 2019 statement of comprehensive income

(unaudited, in GBP thousand)	Published		Restated
	First Half-Year	Adjustments	First Half-Year
	2019		2019
Revenues	88,658	2,811	91,469
Cost of goods sold	-63,916	-701	-64,617
<b>Gross profit</b>	<b>24,742</b>	<b>2,110</b>	<b>26,852</b>
Other income	-285	-	-285
Administrative expenses	-9,235	1,777	-7,458
Exploration expenses	-9,601	-	-9,601
Gain/-loss on disposal of asset	80,092	-	80,092
<b>Profit/-loss from operating activities</b>	<b>85,713</b>	<b>3,887</b>	<b>89,600</b>
Financial income	5,317	-4,633	684
Financial expenses	-12,337	4,633	-7,704
<b>Profit/-loss before income tax</b>	<b>78,693</b>	<b>3,887</b>	<b>82,580</b>
Tax income/-expense	2,841	-2,754	87
<b>Net profit/-loss</b>	<b>81,534</b>	<b>1,133</b>	<b>82,667</b>
<b>Other comprehensive income</b>			
Currency translation differences	-5,644	4,811	-833
<b>Items that may be reclassified to profit or loss in later periods</b>	<b>-5,644</b>	<b>4,811</b>	<b>-833</b>
<b>Total comprehensive income, net of tax</b>	<b>75,890</b>	<b>5,944</b>	<b>81,834</b>

#### Revenue

Adjustments relating to 2018 Blane (GBP 1.4 million) and Trym (GBP 1.4 million) oil sales (correction of prior period error).

#### Cost of goods sold

Adjustment relating to 2018 change in overlift/underlift valuation methodology (correction of prior period error).

#### Administrative expenses

Adjustment relating to 2018 social security on share-based payments (correction of prior period error).

#### Financial income/Financial expenses

Presentational reclassification.

#### Taxation

Tax impact of above.

# Notes to the consolidated interim financial statements

## Note 1 | Basis of preparation and accounting policies

### Reconciliation of statement of financial position as per the published H1 2019 to restated H1 2019 statement of financial position

ASSETS			
(unaudited, in GBP thousand)	Published at 30 June 2019	Adjustments	Restated at 30 June 2019
<b>Non-current assets</b>			
Goodwill	92,944	-	92,944
Deferred tax assets	58,048	1,808	59,856
Other intangible assets	51,510	-	51,510
Property, plant and equipment	409,331	-	409,331
Right-of-use assets	1,340	-	1,340
Tax receivables	13,257	-	13,257
<b>Total non-current assets</b>	<b>626,430</b>	<b>1,808</b>	<b>628,238</b>
<b>Current assets</b>			
Inventories	11,575	-	11,575
Trade and other receivables	81,923	-7,980	73,943
Tax receivables	25,291	-	25,291
Cash and cash equivalents	55,107	7,980	63,087
<b>Total current assets</b>	<b>173,896</b>	<b>-</b>	<b>173,896</b>
<b>TOTAL ASSETS</b>	<b>800,326</b>	<b>1,808</b>	<b>802,134</b>
<b>EQUITY AND LIABILITIES</b>			
(unaudited, in GBP thousand)	Published at 30 June 2019	Adjustments	Restated at 30 June 2019
<b>Equity</b>			
Share capital	37,289	-	37,289
Other reserves	345,315	-24,630	320,685
Retained earnings	-78,070	24,630	-53,440
<b>Total equity</b>	<b>304,534</b>	<b>-</b>	<b>304,534</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	-	1,808	1,808
Interest-bearing liabilities	66,262	-	66,262
Lease liabilities	279,385	-	943
Provisions for other liabilities and charges	943	-	279,385
<b>Total non-current liabilities</b>	<b>346,590</b>	<b>1,808</b>	<b>348,398</b>
<b>Current liabilities</b>			
Trade and other payables	86,689	-	86,689
Current interest-bearing liabilities	28,532	-	28,532
Current lease liabilities	422	-	422
Provisions for other liabilities and charges	33,559	-	33,559
<b>Total current liabilities</b>	<b>149,202</b>	<b>-</b>	<b>149,202</b>
<b>Total liabilities</b>	<b>495,792</b>	<b>1,808</b>	<b>497,600</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>800,326</b>	<b>1,808</b>	<b>802,134</b>

#### Trade and other receivables/cash and cash equivalents

Restricted cash deposit relating to an acquisition of assets, ringfenced to be used solely for the purpose of decommissioning expenditure of these assets. In the prior years, this amount was included within trade and other receivables but following a review to align the policies with the parent company has been deemed to meet the definition of cash and cash equivalents.

#### Deferred tax assets/deferred tax liabilities

Deferred tax assets and liabilities shown gross instead of net.

# Notes to the consolidated interim financial statements

## Note 1 | Basis of preparation and accounting policies

### Reconciliation of cash flow statement as per H1 2019 interims to restated H1 2019 cash flow statement

(unaudited, GBP thousand)	Published First Half-Year 2019	Adjustment	Restated First Half-Year 2019
<b>Operating activities</b>			
Profit/-loss before income tax	78,693	3,887	82,580
<b>Adjustments to add/-deduct non-cash items:</b>			
Previously capitalized exploration and evaluation expenses	-	2,005	2,005
Depreciation, depletion and amortization	18,555	-	18,555
Impairment oil and gas assets	-	-	-
Loss/-gain on PP&E	-80,092	-	-80,092
Payments for decommissioning	-	-6,385	-6,385
Other	2,916	-8,379	-5,463
<b>Change in working capital items and provisions:</b>			
- Inventories	2,642	-	2,642
- Trade and other receivables	19,616	-	19,616
- Trade and other payables	-56,182	-3,887	-60,069
<b>Cash generated from operations</b>	<b>-13,852</b>	<b>-12,759</b>	<b>-26,611</b>
Net interests received/-paid	-5,442	10,884	5,442
<b>Net cash from/-used in operating activities</b>	<b>-19,294</b>	<b>-1,875</b>	<b>-21,169</b>
<b>Investing activities</b>			
Purchases of intangible assets	-21,195	-33	-21,228
Purchases of tangible assets	-38,465	-	-38,465
Interest received	-	684	684
Payments for decommissioning	-6,385	6,385	-
Acquisitions net of cash acquired*	23,473	-	23,473
<b>Net cash from/-used in investing activities</b>	<b>-42,572</b>	<b>7,036</b>	<b>-35,536</b>
<b>Financing activities</b>			
Proceeds from borrowings net of repayments and issue costs	2,465	-	2,465
Interest and financing fee paid	-	-6,051	-6,051
<b>Net cash from/-used in financing activities</b>	<b>2,465</b>	<b>-6,051</b>	<b>-3,586</b>
<b>Net increase/-decrease in cash and cash equivalents</b>	<b>-59,402</b>	<b>-890</b>	<b>-60,291</b>
Cash and cash equivalents at beginning of the period	114,509	7,991	122,500
Exchange gain/-losses on cash and cash equivalents	-	878	878
<b>Cash and cash equivalents at the end of the period</b>	<b>55,107</b>	<b>7,979</b>	<b>63,087</b>

\* This was previously titled "Cash gain on Equinor swap" in the published First Half-Year 2019 report.

#### Presentational changes

Payments for decommissioning have been reclassified from investing activities to operating activities. Interest and financing fees paid are shown under financing activities. Previously capitalized exploration and evaluation expenses and the effect of foreign exchange differences have been disaggregated from the "Other" line. Opening balance of cash and cash equivalents have been restated to include the restricted cash balance (see above).

## Note 2 | Revenues

(unaudited, in GBP thousand)	First Half-Year		Full Year
	2020	Restated 2019	2019
Oil sales	54,142	76,300	160,769
Gas sales	7,572	12,586	28,708
Natural gas liquids sales	5,691	1,258	9,616
Tariff income	2,032	1,325	2,942
Other sales	500	-	-
<b>Total revenues</b>	<b>69,937</b>	<b>91,469</b>	<b>202,035</b>

## Note 3 | Cost of goods sold

(unaudited, in GBP thousand)	First Half-Year		Full-Year
	2020	Restated 2019	2019
Lifting costs	-41,459	-36,606	-71,165
Tariff and transportation expenses	-14,836	-9,266	-29,736
<b>Production cost based on produced volumes</b>	<b>-56,295</b>	<b>-45,872</b>	<b>-100,901</b>
Movement in overlift/underlift	18,898	784	16,441
<b>Production cost based on sold volumes</b>	<b>-37,397</b>	<b>-45,088</b>	<b>-84,460</b>
Depreciation, depletion and amortization	-40,781	-18,555	-48,804
Change in abandonment estimate	-	-974	-
<b>Total cost of goods sold</b>	<b>-78,178</b>	<b>-64,617</b>	<b>-133,264</b>

## Note 4 | Other income/-expense

(unaudited, in GBP thousand)	First Half-Year		Full-Year
	2020	2019	2019
Compensation income	-	251	-
Realized hedging gains/-losses	134	-578	-534
Unrealized hedging gains	-	42	-
<b>Total other income/-expense</b>	<b>134</b>	<b>-285</b>	<b>-534</b>

## Note 5 | Income taxes

(unaudited, in GBP thousand)	First Half-Year		Full-Year
	2020	Restated 2019	2019
<b>Tax income/-expense</b>			
Change in deferred taxes	-32,095	28,070	-8,040
Income tax receivable/-payable	71,282	-27,983	44,707
<b>Total tax income/-expense</b>	<b>39,187</b>	<b>87</b>	<b>36,667</b>

(unaudited, in GBP thousand)	At 30 June		At 31 Dec
	2020	2019	2019
<b>Income tax receivable/-payable</b>			
Tax receivables (non-current)	8,764	13,257	-
Tax receivables (current)	180,846	25,291	121,957
Income tax payable	-	-	-185
<b>Net tax receivable/-payable</b>	<b>189,610</b>	<b>38,548</b>	<b>121,772</b>
<b>Deferred tax assets/-liabilities</b>			
Deferred tax assets	58,646	59,856	65,966
Deferred tax liabilities	-29,822	-1,808	-10,020
<b>Total deferred tax assets/-liabilities</b>	<b>28,824</b>	<b>58,048</b>	<b>55,946</b>

On 19 June 2020, the Norwegian Parliament approved certain time limited changes to the taxation of oil and gas companies operating on the Norwegian Continental Shelf (NCS) with effect from the financial year 2020. The changes comprise of immediate expensing of investments in the special tax basis, increased uplift from 20.8 percent over four years to 24.0 percent in the first year and cash refund of tax value losses incurred in the financial years 2020 and 2021. The temporary changes will also apply to investments where the Plan for Development Operation is delivered by 31 December 2022 and approved by 31 December 2023. The tax effects of these changes were recognized in 1H 2020.

Tax receivables consist of an exploration tax refund on the NCS for 2019 (GBP 68.9 million), refund of the tax value of incurred losses on the NCS for 2020 (GBP 62.9 million), a decommissioning tax refund on the UK Continental Shelf (GBP 15.8 million) and a tax refund in relation to cessation of petroleum activity on the NCS of DNO North Sea (Norge) AS (GBP 41.9 million). The tax refund of losses in 2020 is paid out in six instalments every two months with the first instalment of GBP 19.0 million received in August 2020. The majority of the tax receivables classified as short term will be received in the second half of 2020.

## Note 6 | Other intangible assets/ Property, plant and equipment (PP&E)/ Right-of-use (RoU) assets

(unaudited, GBP thousand)	First Half-Year		Full year
	2020	2019	2019
Additions of Other intangible assets	23,695	21,228	61,414
Additions of Other intangible assets through business combination	-	-	2,760
Additions of PP&E	36,337	38,465	129,080
Additions of PP&E through business combination	-	119,465	113,504
Additions of PP&E through acquisition of business	-	-	707
Additions of RoU assets	2,231	1,340	5,825

Additions of other intangible assets are related to capitalized exploration costs, license interests and administrative software. Additions of PP&E are related to development assets, production assets including estimate change on asset retirement obligations and other PP&E. Additions of RoU assets are related to lease contracts under IFRS 16 Leases.

### Impairments

At each reporting date, DNO North Sea assesses whether there is an indication that an asset may be impaired. An assessment of the recoverable amount is made when an impairment indicator exists. Goodwill is tested for impairment annually or more frequently when there are impairment indicators. Impairment is recognized when the carrying amount of an asset or a cash-generating unit ("CGU"), including associated goodwill, exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and the value in use.

During H1 2020, a total impairment charge of GBP 13.4 million was recognized, triggered by the decrease in the near-term oil and gas price forecast. GBP 6.8 million was related to impairment of technical goodwill (with no tax impact) on the Vilje field; GBP 1.2 million was related to the impairment of PP&E and GBP 2.3 million was related to the impairment of technical goodwill (with no tax impact) on the Marulk field; GBP 3.0 million was related to the impairment of PP&E on the East Foinaven field; and GBP 0.1 million was related to impairment of PP&E in other CGUs.

As of 30 June 2020, DNO North Sea performed a calculation of estimated recoverable amounts for its oil and gas assets, applying updated oil and gas price assumptions. In line with methodology and practice, the oil and gas price assumptions were updated based on the forward curve for 2020 and observable broker and analyst consensus for the next four years. From 2025, the oil and gas prices are based on DNO North Sea's long-term price assumption, which is kept unchanged from yearend 2019 (oil price assumption USD 66/bbl, real terms). The estimated recoverable amounts of the assets tested, approximately equalled their net book values and therefore no additional impairment was recognized. Sensitivity analysis shows that a further 15 percent decrease in DNO North Sea's oil and gas price assumptions would lead to an impairment of GBP 27 million (post-tax). This sensitivity analysis is for indicative purposes only and has been prepared on the assumption that all other factors would remain unchanged.

During 2019, a total impairment charge of GBP 38.3 million was recognized, of which GBP 29.8 million was due to an upward revision in the cost estimate for decommissioning the Schooner and Ketch fields in the UK and GBP 5.0 million was related to impairment of technical goodwill with no tax impact on the Marulk and Vilje fields, and GBP 2.7 million on Oselvar in Norway mainly triggered by updated production and cost profiles at yearend 2019. The remaining GBP 0.9 million is related other assets.

(unaudited, GBP thousands)	Half-Year ending 30 June 2020	
	Impairment (-)/ reversal (+)	Recoverable amount
East Foinaven	-3,019	-
Marulk	-3,456	10,511
Vilje	-6,766	21,429
Others	-115	-
<b>Total</b>	<b>-13,356</b>	<b>31,940</b>

(unaudited, GBP thousands)	Full-Year ending 31 December 2019	
	Impairment (-)/ reversal (+)	Recoverable amount
Schooner and Ketch	-29,807	-
Oselvar	-2,665	-
Vilje (book value of Goodwill)	-1,535	28,377
Marulk (book value of Goodwill)	-3,449	14,932
Others	-873	-
<b>Total</b>	<b>-38,329</b>	<b>43,309</b>

## Note 7 | Trade and other receivables

(unaudited, GBP thousand)	At 30 June		At 31 Dec
	2020	Restated 2019	2019
Trade debtors	2,002	6,559	1,513
Underlift	40,981	16,127	28,520
Other receivables	46,618	42,165	35,367
Prepayments and accrued income	5,526	9,092	48,262
<b>Total trade and other receivables</b>	<b>95,127</b>	<b>73,943</b>	<b>113,662</b>

## Note 8 | Trade and other payables

(unaudited, GBP thousand)	At 30 June		At 31 Dec
	2020	Restated 2019	2019
Trade creditors	24,826	21,992	19,102
Deferred income	33,323	-2,099	37,910
Other payables	3,346	1,061	3,551
Accruals	59,525	63,178	65,324
Derivatives	-	1,259	-
Overlift	679	1,298	7,069
<b>Total trade and other payables</b>	<b>121,699</b>	<b>86,689</b>	<b>132,956</b>



## Note 9 | Interest-bearing liabilities

### Interest-bearing liabilities

(unaudited, GBP thousand)	Ticker	Facility currency	Facility amount	Interest	Maturity	At 30 June		At 31 Dec
						2020	2019	2019
<b>Non-current</b>								
Bond loan (ISIN NO0010811268)	FAPE01	USD	85,800	8.00%	28/04/23	69,910	66,262	63,066
Reserve based lending facility - USD drawdowns				See below	07/11/26	4,074	-	3,787
Reserve based lending facility - GBP drawdowns				See below	07/11/26	40,000	-	20,000
Reserve based lending facility - NOK drawdowns				See below	07/11/26	77,407	-	4,873
<b>Total non-current interest-bearing liabilities</b>						<b>191,391</b>	<b>66,262</b>	<b>91,726</b>
<b>Current</b>								
Exploration financing facility		NOK	1,000,000	see below	see below	83,617	28,532	63,828
Bond loan (ISIN NO0010811268) (current portion)	FAPE01	USD	85,800	8.00%	28/04/23	-	-	966
<b>Total current interest-bearing liabilities</b>						<b>83,617</b>	<b>28,532</b>	<b>64,794</b>
<b>Total interest-bearing liabilities</b>						<b>275,008</b>	<b>94,794</b>	<b>156,520</b>

On 21 November 2017, the Company issued a USD 100 million senior unsecured bond in the Nordic bond market, with a fixed coupon of 8.00 percent payable semi-annually. The final maturity is on 28 April 2023. The senior notes are listed on the Nordic ABM. In February 2019, due to the change in control, some bond holders exercised their put rights leading to a repayment of USD 14.2 million.

DNO North Sea has available a revolving exploration financing facility (EFF) with a total amount of NOK 1 billion with an accordion option of NOK 500 million. Utilization requests need to be delivered for each proposed loan. The facility is secured against the Norwegian exploration tax refund and is repaid when the refund is received which is approximately 11 months after the end of the financial year. The interest rate equals NIBOR plus a margin of 1.70 percent. Utilizations can be made until 31 December 2022. Due to temporary changes to the taxation of oil and gas companies in Norway, DNO North Sea has chosen to not utilize the EFF in relation to exploration spend in 2020 and instead utilize the new scheme with refund of tax losses every two months. Draw downs on the EFF in relation to spend in 2020 of GBP 18.3 million have been repaid during July. Amount utilized as of the reporting date is disclosed in the table above.

DNO North Sea has a reserve-based lending (RBL) facility in relation to its Norway and UK licenses with a total facility limit of USD 350 million which is available for both debt and issuance of letters of credit. An additional tranche of USD 350 million is available on an uncommitted accordion basis. The borrowing base amount of the facility as of the reporting date was USD 235.5 million. Interest charged on utilizations is based on the LIBOR, NIBOR, or EURIBOR rates (depending on the currency of the drawdown) plus a margin ranging from 2.75 to 3.25 percent. The facility will amortize over the loan life with a final maturity date of 7 November 2026. The amount utilized as of the reporting date is disclosed in the table above. In addition, GBP 69.0 million is utilized in respect of letters of credit.

For additional information about DNO North Sea's interest-bearing liabilities, refer to the DNO North Sea plc Annual Report & Consolidated Financial Statements 2019.

## Note 10 | Provisions for other liabilities and charges/ Lease liabilities

(unaudited, GBP thousand)	At 30 June		At 31 Dec
	2020	2019	2019
<b>Non-current</b>			
Asset retirement obligations	254,705	279,385	271,361
Lease liabilities	5,908	943	4,365
Other long-term provisions and charges	167	-	1,609
<b>Total non-current provisions for other liabilities and charges and lease liabilities</b>	<b>260,780</b>	<b>280,328</b>	<b>277,335</b>
<b>Current</b>			
Asset retirement obligations	54,125	33,559	56,780
Other provisions and charges	3	-	-
Current lease liabilities	933	422	998
<b>Total current provisions for other liabilities and charges and lease liabilities</b>	<b>55,061</b>	<b>33,981</b>	<b>57,778</b>
<b>Total provisions for other liabilities and charges and lease liabilities</b>	<b>315,841</b>	<b>314,309</b>	<b>335,113</b>

### Asset retirement obligations

The provisions for asset retirement obligations are based on the present value of estimated future cost of decommissioning oil and gas assets in the NCS and the UKCS. The discount rates before tax applied were between 3.5 percent and 3.7 percent.

### Lease liabilities

The identified lease liabilities have no significant impact on DNO North Sea's financing or loan covenants. DNO North Sea does not have any residual value guarantees. Extension options are included in the lease liability when, based on the management's judgement, it is reasonably certain that an extension will be exercised.

## Note 11 | Subsequent events

### Appraisal of the Hades discovery

On 29 July 2020, the Norwegian Petroleum Directorate (NPD) announced that the operator of production license 644, OMV Norway AS, is in the process of concluding the drilling of appraisal well 6506/11-12 S on the Hades discovery. DNO Norge AS, a subsidiary of DNO North Sea, holds a 20 percent interest in the license. According to the NPD announcement, the operator's preliminary updated estimate of the size of discovery is between 13 and 44 million barrels of oil equivalent (MMboe), compared to earlier estimates of between 19 and 145 MMboe. The licensees will evaluate the updated resources in the Hades discovery along with resources in the Iris discovery which was drilled in October 2019. Upon completion of this evaluation, DNO North Sea will assess the accounting impact on the current net book values of the combined Iris and Hades discoveries which stood at GBP 8 million as of 30 June 2020.

## Glossary

boepd	barrels of oil equivalent per day
CWI	Company working interest
DD&A	depletion, depreciation and amortization
mmboe	million barrels of oil equivalent
PP&E	Property, plant and equipment
RoU	Right-of-use
Lifting costs	Lifting costs comprise of expenses related to the production of oil and gas, including operation and maintenance of installations, well intervention activities and insurances.