

DNO ASA

Interim Results

First Quarter 2018



Key figures

USD million	Quarter		Full year
	Q1 2018	Q1 2017	2017
Key financials			
Revenues	142.3	76.7	347.4
Gross profit	66.9	46.7	145.2
Profit/-loss from operating activities	25.0	27.8	521.1
Net profit/-loss	18.4	14.7	495.0
EBITDA	86.0	55.4	735.6
Netback	86.0	55.1	231.8
Acquisition and development costs	18.4	32.3	130.4
Exploration costs expensed	23.3	1.6	33.0
Key performance indicators			
Lifting costs (USD/boe)	2.2	2.0	3.6
Netback (USD/boe)	12.1	8.6	8.6

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

Corporate overview – Q1 2018 and year-to-date

- Expanding and accelerating Kurdistan operations while building up North Sea exposure
- Added third operated license in Kurdistan following government and partner approvals of previously announced Baeshiqa transaction with ExxonMobil
- Three new wells drilling or about to undergo testing at Peshkabir field
- Three monthly Kurdistan export payments received in Q1 2018 totaling USD 138 million net to DNO, marking record quarter since independent exports commenced in 2014
- Received further net payment of USD 48 million in April
- Acquired 28.71 percent shareholding in North Sea-focused Faroe Petroleum plc in April
- Current cash balance of USD 356 million plus USD 280 million in treasury shares and marketable securities

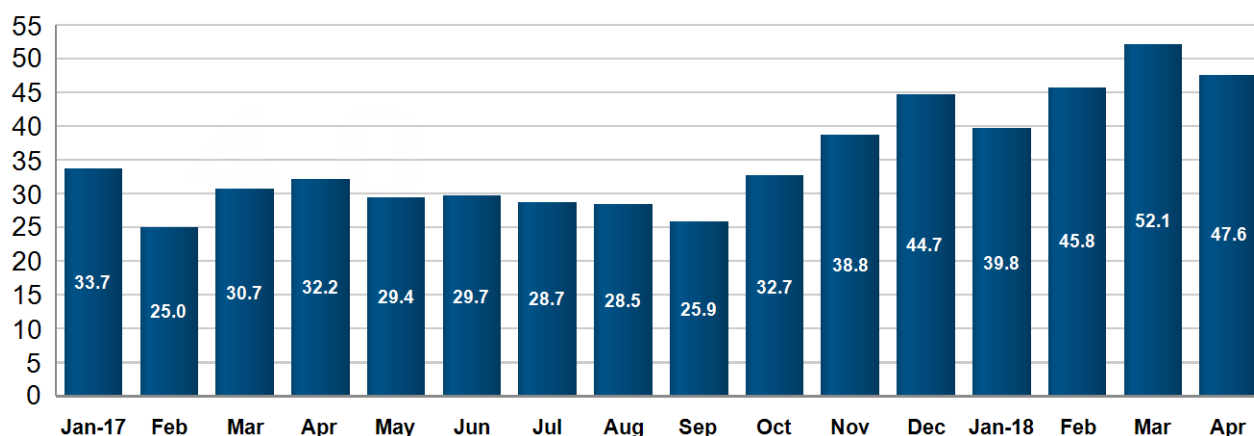
Q1 2018 operational highlights

- Operated production in Q1 2018 averaged 114,000 barrels of oil equivalent per day (boepd), up from 110,800 boepd in Q4 2017
- Of which Kurdistan represented 109,400 barrels of oil per day (bopd) and Oman 4,600 boepd
- Company Working Interest (CWI) production averaged 79,100 boepd in Q1 2018 and entitlement production averaged 30,500 boepd
- Three drilling rigs active in Kurdistan with plans to add at least one more
- Cumulative Tawke field production since inception approaching 235 million barrels
- Peshkabir field production steady at 15,000 bopd with 3 million barrels produced since startup

Q1 2018 financial highlights

- Q1 2018 revenues of USD 142 million (USD 77 million in Q1 2017) including Kurdistan export payments of USD 138 million (USD 89 million in Q1 2017)
- Exited Q1 2018 with cash balances of USD 518 million (USD 430 million at year-end 2017) plus USD 76 million in treasury shares and marketable securities (USD 58 million at year-end 2017)
- Average pipeline access fee, transportation tariff and quality discount to Brent of USD 13.15 per barrel retroactive to August 2017 applied to the January 2018 payment received in April 2018

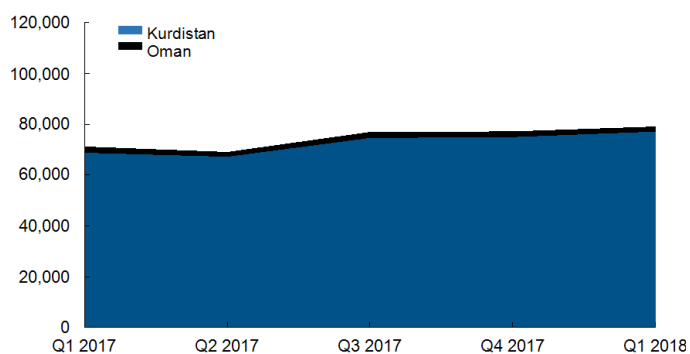
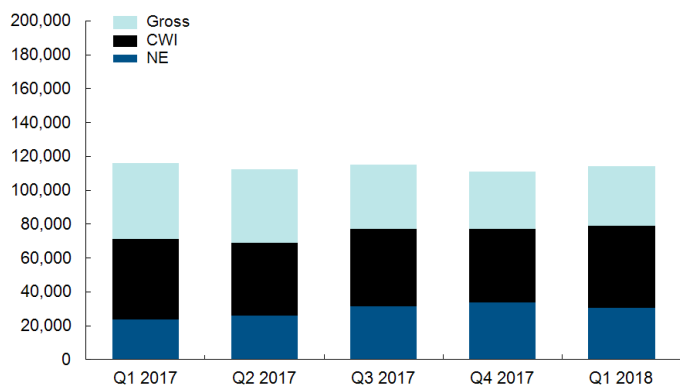
Kurdistan export payments net to DNO by month received
January 2017 - April 2018
USD million



Operational review

Production

Quarterly production (boepd)



Gross production averaged 113,997 boepd during the first quarter, of which 109,427 boepd was in Kurdistan and 4,569 boepd in Oman.

Company Working Interest (CWI) production during the first quarter stood at 79,146 boepd, up from 77,232 boepd in the fourth quarter of 2017. In Kurdistan, CWI production averaged 77,146 boepd, up from 74,976 boepd in the fourth quarter. In Oman, CWI production averaged 2,000 boepd, down from 2,256 boepd in the fourth quarter.

The Company's entitlement production averaged 30,516 boepd during the first quarter.

Gross production

boepd	Quarter		Full year 2017
	Q1 2018	Q1 2017	
Kurdistan	109,427	110,982	109,047
Oman	4,569	4,918	4,484
Total	113,997	115,900	113,530

Company Working Interest (CWI) production

boepd	Quarter		Full year 2017
	Q1 2018	Q1 2017	
Kurdistan	77,146	68,809	71,436
Oman	2,000	2,458	2,242
Total	79,146	71,267	73,678

Entitlement production

boepd	Quarter		Full year 2017
	Q1 2018	Q1 2017	
Kurdistan	29,771	22,228	27,033
Oman	745	1,586	1,675
Total	30,516	23,814	28,708

Activity overview

Appraisal and field development

Kurdistan region of Iraq

Tawke license

Gross production from the Tawke license averaged 109,427 bopd during the first quarter of 2018.

The Company fast tracked development of the Peshkabir field with three new wells. The recently completed Peshkabir-4 well will shortly undergo production testing and the Peshkabir-5 well is drilling ahead at 2,250 meters. The Peshkabir-6 well was spudded as a development well last week and will also explore the field's deeper Triassic formation. The Company recently commissioned a pipeline connecting the Peshkabir field to the export hub at Fish Khabur.

At the Tawke field, the Tawke-48 Cretaceous well was brought onstream earlier this month at more than 5,000 bopd. The Company will drill additional Tawke development wells in 2018 following mobilization of a fourth rig.

Erbil license

The Company has commenced long-term test production at the Hawler-1A well at the Benenan heavy oil field in the Erbil license. This follows completion of a re-entry and sidetrack of the well in order to appraise the field, achieving a technical milestone with the first ever multilateral well and first ever dual completion in Kurdistan. Estimates of oil-in-place at Benenan stand at more than two billion barrels.

Baeshiqqa license

The Company added a third license in Kurdistan following government and partner approvals of the previously announced transaction with ExxonMobil. Effective 10 April 2018, DNO assumed operatorship of the Baeshiqqa license with a 40 percent (32 percent participating) interest alongside ExxonMobil, Turkish Energy Company and the Kurdistan Regional Government.

Oman

Offshore at Block 8, the Bukha and West Bukha fields produced an average of 4,569 boepd during the first quarter of 2018. The Company plans to relinquish the asset prior to expiry of the license on 3 January 2019.

Yemen

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

Exploration

Tunisia

The Company's exploration activities are continuing in Tunisia.

Norway

The Company's wholly-owned subsidiary DNO Norge AS has been awarded participation in 10 exploration licenses under Norway's Awards in Predefined Areas (APA) 2017 licensing round. Of the 10 licenses, seven are in the North Sea, one in the Norwegian Sea and two in the Barents Sea. The Company currently holds direct interests in 16 offshore exploration licenses in Norway.

United Kingdom

The Company currently holds direct interests in three offshore exploration licenses in the United Kingdom.

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.

Financial review

Revenues, profits and cash flow

Revenues in the first quarter stood at USD 142.3 million, compared to USD 116.0 million in the previous quarter. Kurdistan contributed revenues of USD 137.7 million, with Oman contributing USD 4.6 million.

DNO reported an operating profit of USD 25.0 million during the first quarter.

The Company ended the quarter with USD 518.4 million in cash and USD 75.6 million in market value of treasury shares and marketable securities. This was up from USD 430.2 million in cash and USD 58.0 million in market value of treasury shares and marketable securities at yearend 2017.

Cost of goods sold

In the first quarter, the cost of goods sold was USD 75.4 million, compared to USD 57.1 million in the previous quarter. The increase in cost of goods sold is mainly due to higher depreciation.

Lifting costs

Lifting costs stood at USD 15.9 million in the first quarter, down from USD 21.6 million in the previous quarter. In Kurdistan, the average lifting cost during the first quarter stood at USD 1.8 per barrel of oil equivalent (boe). In Oman, the average lifting cost during the first quarter stood at USD 18.3 per boe.

Lifting costs

USD million	Quarter		Full year
	Q1 2018	Q1 2017	2017
Kurdistan	12.4	10.3	72.4
Oman	3.3	2.6	23.7
Other	0.2	0.1	-
Total	15.9	13.0	96.1

(USD/boe)	Quarter		Full year
	Q1 2018	Q1 2017	2017
Kurdistan	1.8	1.7	2.8
Oman	18.3	11.8	29.0
Other	-	-	-
Average	2.2	2.0	3.6

Depreciation, depletion and amortization (DD&A)

DD&A for assets in operation amounted to USD 58.9 million in the first quarter compared to USD 34.9 million in the previous quarter. The increase in DD&A was mainly driven by annual update of the reserves basis used for depreciation purposes (i.e. net entitlement reserves) at yearend 2017. Any changes in reserves affecting depreciation calculations are reflected prospectively.

DD&A

USD million	Quarter		Full year
	Q1 2018	Q1 2017	2017
Kurdistan	58.9	16.1	102.9
Oman	-	-	-
Total	58.9	16.1	102.9

(USD/boe)	Quarter		Full year
	Q1 2018	Q1 2017	2017
Kurdistan	22.0	8.1	10.4
Oman	-	-	-
Average	21.5	7.7	10.1

Exploration costs expensed

Expensed exploration costs of USD 23.3 million in the first quarter were mainly related to provisions in Tunisia and exploration costs in the United Kingdom.

Exploration costs expensed

USD million	Quarter		Full year
	Q1 2018	Q1 2017	2017
Oman	0.5	0.4	-0.4
Tunisia	15.9	0.9	5.5
Norway	1.8	-	22.9
Other	5.2	0.3	5.0
Total	23.3	1.6	33.0

Acquisition and development costs (including intangible assets)

Capital expenditures were USD 18.4 million in the first quarter.

Acquisition and development costs

USD million	Quarter		Full year
	Q1 2018	Q1 2017	2017
Kurdistan	18.1	14.4	87.3
Oman	-	17.8	41.8
Norway	-	-	-
Other	0.3	-	1.3
Total	18.4	32.2	130.4

Consolidated statements of comprehensive income

(unaudited, in USD million)	Note	Quarter		Full year
		Q1 2018	Q1 2017	2017
Revenues	2,3	142.3	76.7	347.4
Cost of goods sold	4	-75.4	-30.0	-202.2
Gross profit		66.9	46.7	145.2
Other operating income	3	-1.4	-	1.5
Other income past oil sales		-	-	556.0
Administrative expenses		-13.4	-5.0	-33.2
Other operating expenses		-2.3	-1.7	-7.0
Impairment oil and gas assets	7	-1.5	-10.6	-108.4
Exploration costs expensed	5	-23.3	-1.6	-33.0
Profit/-loss from operating activities		25.0	27.8	521.1
Financial income		2.5	3.3	11.8
Financial expenses		-13.0	-15.4	-57.9
Profit/-loss before income tax		14.6	15.7	475.1
Tax income/-expense	6	3.8	-1.0	20.0
Net profit/-loss		18.4	14.7	495.0
Other comprehensive income				
Currency translation differences		-	-	-0.4
Items that may be reclassified to profit or loss in later periods		-	-	-0.4
Net fair value changes from financial instruments	8	2.6	-0.6	3.4
Items that are not reclassified to profit or loss in later periods		2.6	-0.6	3.4
Total other comprehensive income, net of tax		2.6	-0.6	3.0
Total comprehensive income, net of tax		21.0	14.1	498.0
Net profit/-loss attributable to:				
Equity holders of the parent		18.4	14.7	495.0
Total comprehensive income attributable to:				
Equity holders of the parent		21.0	14.1	498.0
Earnings per share, basic		0.02	0.01	0.47
Earnings per share, diluted		0.02	0.01	0.47

Consolidated statements of financial position

ASSETS		At 31 Mar		At 31 Dec
(unaudited, USD million)		Note	2018	2017
Non-current assets				
Deferred tax asset	6	4.6	-	3.5
Other intangible assets	7	29.6	85.0	31.4
Property, plant and equipment	7	824.0	410.2	863.3
Financial investments	8	20.0	13.4	17.4
Other non-current assets	9	0.5	10.5	0.5
Tax receivables	6	3.1	-	-
Total non-current assets		881.7	519.1	916.0
Current assets				
Inventories	4	6.4	54.6	7.4
Trade and other receivables	9	29.4	105.7	27.8
Tax receivables	6	35.6	-	33.7
Cash and cash equivalents		518.4	362.9	430.2
Total current assets		589.8	523.1	499.1
TOTAL ASSETS		1,471.5	1,042.2	1,415.1
EQUITY AND LIABILITIES		At 31 Mar		At 31 Dec
(unaudited, USD million)		Note	2018	2017
Equity				
Share capital		35.0	35.7	35.0
Other reserves		262.7	283.6	262.7
Retained earnings		599.1	93.9	578.2
Total equity		896.8	413.2	875.9
Non-current liabilities				
Interest-bearing liabilities	10	375.5	364.5	372.8
Provisions for other liabilities and charges	11	46.5	169.2	45.7
Total non-current liabilities		422.0	533.7	418.5
Current liabilities				
Trade and other payables		91.9	81.2	99.6
Income tax payable	6	1.0	0.7	0.7
Current interest-bearing liabilities	10	33.8	-	17.6
Provisions for other liabilities and charges	11	26.0	13.5	2.7
Total current liabilities		152.6	95.3	120.7
TOTAL EQUITY AND LIABILITIES		1,471.5	1,042.2	1,415.1

Consolidated cash flow statement

(unaudited, in USD million)	Note	Quarter		Full year
		Q1 2018	Q1 2017	2017
Operating activities				
Profit/-loss before income tax		14.6	15.7	475.1
Adjustments to add (deduct) non-cash items:				
Depreciation, depletion and amortization	4	59.5	17.0	106.1
Impairment oil and gas assets	7	1.5	9.7	108.4
Non-cash Kurdistan Receivable Settlement Agreement		-	-	-556.0
Other		2.2	21.6	64.4
Change in working capital items and provisions:				
- Inventories		-0.5	2.8	5.9
- Trade and other receivables		-1.6	11.8	72.4
- Trade and other payables		-7.7	48.1	54.1
- Provisions for other liabilities and charges		23.2	10.9	8.4
Cash generated from operations		91.2	137.7	338.8
Income taxes received/-paid		-	-0.7	-2.4
Tax refund received		-	-	33.2
Net interests received/-paid		0.5	-	-32.3
Net cash from/-used in operating activities		91.7	136.9	337.4
Investing activities				
Purchases of intangible assets	7	-	-	-1.3
Purchases of tangible assets	7	-18.4	-32.3	-129.1
Acquisition of subsidiary net of cash acquired		-	-	2.6
Net cash from/-used in investing activities		-18.4	-32.3	-127.8
Financing activities				
Proceeds from borrowings	10	15.0	-	14.5
Repayment of borrowings	10	-	-	-30.9
Purchase of treasury shares, including options		-	-2.9	-24.1
Net cash from/-used in financing activities		15.0	-2.9	-40.5
Net increase/-decrease in cash and cash equivalents		88.2	101.8	169.1
Cash and cash equivalents at beginning of the period		430.2	261.1	261.1
Cash and cash equivalents at the end of the period		518.4	362.9	430.2
Of which restricted cash		3.7	2.7	3.9

Consolidated statement of changes in equity

(unaudited, in USD million)	Share capital	Other reserves	Retained earnings	Total equity
Equity at 1 January 2017	35.8	286.4	79.8	401.9
Fair value changes from equity instruments	-	-	-0.6	-0.6
Currency translation differences	-	-	-	-
Other comprehensive income/-loss	-	-	-0.6	-0.6
Profit/-loss for the period	-	-	14.7	14.7
Total comprehensive income	-	-	14.1	14.1
Issue of share capital	-	-	-	-
Purchase of treasury shares	-0.1	-2.8	-	-2.9
Sale of treasury shares	-	-	-	-
	-0.1	-2.8	-	-2.9
Equity at 31 March 2017	35.7	283.6	93.9	413.2

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

Notes to the interim consolidated financial statements

Note 1 | Basis of preparation and accounting policies

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting and IFRS standards issued and effective at date of reporting as adopted by the EU. The interim report has also been prepared in accordance with Oslo Stock Exchange regulations.

The interim consolidated financial statements do not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the group's Annual Report and Accounts for 2017. The interim financial information for 2018 and 2017 is unaudited.

The interim consolidated financial statements have been prepared on a historical cost basis, with the following exception; liabilities related to share-based payments and financial assets classified as equity instruments are recognized at fair value.

A detailed description of the accounting policies applied is included in the DNO Annual Report and Accounts for 2017. The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the group's annual accounts for 2017.

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

With effect from 1 January 2018, the group has adopted the following standards:

IFRS 15 Revenue from contracts with customers

IFRS 15 covers the recognition of revenue in the financial statements and related disclosure, and has replaced existing revenue recognition guidance, including IAS 18 Revenue. DNO has applied the modified retrospective transition approach when implementing IFRS 15 with no restatement of prior reporting periods as allowed by the standard. Revenue from contracts with customers in the scope of IFRS 15 is recognized when the customer obtains control of the oil and gas, which normally will be when title passes at point of delivery. Adjustments for imbalances between oil and gas production and sales previously included in revenues under the entitlement method do not qualify as revenue from contracts with customers and is presented as other revenue. DNO combines "Revenues from contracts with customers" and "Other revenues" into a single line item, Revenues, in the consolidated statement of comprehensive income with details provided in the note disclosures. The transition to IFRS 15 will not affect the revenues from Kurdistan as these revenues are currently recognized upon cash receipt.

IFRS 9 Financial instruments

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement. DNO has implemented the IFRS 9 retrospective with no restatement of comparative information in accordance with the standard. The group has not identified any significant impacts on the measurement of its financial assets and financial liabilities as a result of the classification and measurement requirements of the new standard when reclassifying financial instruments into the new categories. However, for existing equity instruments classified as available-for-sale under IAS 39 Financial Instruments, the group has chosen to continue recognizing the fair value changes through other comprehensive income (FVTOCI). Prospectively, fair value changes on new equity instruments may be recognized either through profit and loss or through other comprehensive income as an election on an instrument-by-instrument basis on initial recognition.

Note 2 | Segment information

From the first quarter of 2018, DNO is reporting the following three operating segments: Kurdistan (KUR), Oman (OMAN) and Norway (NOR). The operating segments Yemen (YEM), Ras Al Khaimah (UAE), Tunisia (TUN) and United Kingdom (UK) are included in the reporting segment Other based on a materiality assessment. For the operating segment UAE all licenses are relinquished, while the segment YEM holds one license. The segment assets do not include internal receivables.

Three months ending 31 March 2018 USD million	Note	KUR	OMAN	NOR	Other	Total reporting segment	Un-allocated/eliminated	GROUP
Income statement information								
Revenues*	3	137.7	4.6	-	-0.0	142.3	-	142.3
Inter-segment revenues		-	-	0.1	0.1	0.2	-0.2	-
Cost of goods sold	4	-71.4	-3.3	-	-0.1	-74.8	-0.7	-75.4
Gross profit		66.3	1.3	0.1	0.1	67.7	-0.9	66.9
Segment operating result		64.5	0.7	-6.5	-25.3	33.5	-8.4	25.0
Financial income/-expense (net)								-10.4
Tax income/-expense		-	-0.3	4.0	0.1	3.8	-	3.8
Net profit/-loss								18.4
Segment assets		983.3	20.4	51.3	4.9	1,060.0	411.5	1,471.5

* For more information, see Note 1 and 3.

Three months ending 31 March 2017 USD million	Note	KUR	OMAN	NOR	Other	Total reporting segment	Un-allocated/eliminated	GROUP
Income statement information								
Revenues	3	71.7	5.0	-	-	76.7	-	76.7
Inter-segment revenues		-	-	-	-	-	-	-
Cost of goods sold	4	-26.4	-2.6	-	-0.1	-29.2	-0.8	-30.0
Gross profit		45.3	2.3	-	-0.1	47.5	-0.8	46.7
Segment operating result		44.9	-9.6	-	-2.5	32.8	-5.0	27.8
Financial income/-expense (net)								-12.1
Tax income/-expense		-	-0.8	-	-	-0.8	-0.2	-1.0
Net profit/-loss								14.7
Segment assets		622.8	26.3	-	24.8	673.9	368.3	1,042.2

Note 3 | Revenues

USD million	Quarter		Full year
	Q1 2018	Q1 2017	2017
Sale of petroleum products	137.7	76.7	347.4
Revenue from contracts with customers	137.7	76.7	347.4
Other revenues	4.6	-	-
Total revenues	142.3	76.7	347.4

During the first quarter of 2018, DNO received a total of USD 180.9 from the Kurdistan Regional Government as payment for crude oil deliveries to the export market from the Tawke license, of which USD 137.7 million was net to DNO recognized as sale of petroleum products.

Other revenues reflect revenue adjustments for imbalances between oil and gas production and sales related to Oman Block 8 following implementation of IFRS 15. See Note 1 for more information.

Other operating income of USD -1.4 million is related to adjustments to provisional amounts made during the measurement period for the acquisition of Origo Exploration Holding AS (Origo).

Note 4 | Cost of goods sold/ inventory

USD million	Quarter		Full year
	Q1 2018	Q1 2017	2017
Lifting costs	-15.9	-13.0	-96.1
Depreciation, depletion and amortization	-59.5	-17.0	-106.1
Total cost of goods sold	-75.4	-30.0	-202.2

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. The lifting costs in 2017 included a provision for obsolete inventory of USD 19.0 million related to Kurdistan.

USD million	At 31 Mar		At 31 Dec
	2018	2017	2017
Spare parts	6.4	53.6	7.4
Other inventory	-	1.0	-
Total inventory	6.4	54.6	7.4

Total inventory of USD 6.4 million is entirely related to Kurdistan. At yearend 2017, spare parts of USD 19.6 million were reclassified to Property, Plant and Equipment (PP&E) in Kurdistan.

Note 5 | Exploration expenses

USD million	Quarter		Full year
	Q1 2018	Q1 2017	2017
Exploration expenses (G&G and field surveys)	-0.8	-0.5	-3.1
Seismic costs	-1.0	-	-19.7
Exploration costs capitalized this year carried to cost	-4.0	-	-3.6
Other exploration cost expensed	-17.0	-1.0	-6.6
Total exploration cost expensed	-23.3	-1.6	-33.0

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

Note 6 | Income taxes

USD million	Quarter		At 31 Dec
	Q1 2018	Q1 2017	2017
Tax income/-expense			
Change in deferred taxes	1.1	-	2.3
Income tax receivable/-payable	2.8	-1.0	17.7
Total tax income/-expense	3.8	-1.0	20.0

USD million	At 31 Mar		At 31 Dec
	Q1 2018	Q1 2017	2017
Income tax receivable/-payable			
Tax receivables (non-current)	3.1	-	-
Tax receivables (current)	35.6	-	33.7
Income tax payable	-1.0	-0.7	-0.7
Net tax receivable/-payable	37.7	-0.7	33.1
Deferred tax asset/-liability			
Deferred tax asset on losses carried forward NCS	4.6	-	3.5
Total deferred tax asset/-liability	4.6	-	3.5

The tax income, tax receivable and deferred tax asset mainly relate to activity on the Norwegian Continental Shelf (NCS) subject to Norwegian Petroleum Taxation Act. DNO Norge AS is not yet in a tax payable position and 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.

Under the terms of the Production Sharing Contracts in the Kurdistan region of Iraq, the Company is not required to pay any taxes. The share of profit oil of which the government is entitled to is deemed to include a portion representing the notional corporate income tax paid by the government on behalf of DNO. No tax has been presented in relation to operations in Kurdistan as it is considered there is currently no established tax regime for international oil companies.

From 2013, Norway introduced new rules for upstream petroleum activities abroad which exempt Norwegian entities conducting such activities abroad from taxation except for financial items which will still be taxable in accordance with the ordinary tax rules.

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		Full Year
	Q1 2018	Q1 2017	2017
Acquisitions of PP&E*	18.4	32.3	593.8
Acquisitions of Other intangible assets**	-	-	1.1
PP&E at end of reporting date	824.0	410.2	863.3
Other intangible assets at end of reporting date	29.6	85.0	31.4
Impairment oil and gas assets	-1.5	-10.6	-108.4

* Acquisitions related to development assets, assets in operation and other PP&E. For acquisitions during the full-year 2017, see DNO's Annual Report and Accounts for 2017.

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

In the first quarter of 2018, the total impairment charge of USD 1.5 million was related to the Sfax Offshore Exploration Permit in Tunisia. In the first quarter of 2017, the total impairment charge of USD 10.6 million was related to Block 8 in Oman.

In 2017, the total impairment charge of USD 108.4 million was related to Oman Block 8 (47.8 million), the Erbil license in Kurdistan (USD 59.1 million) and the Sfax Offshore Exploration Permit in Tunisia (USD 1.6 million).

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 of 2018, a total impairment loss of USD 1.5 million was recognized and related to the Sfax Offshore Exploration Permit in Tunisia.

USD million	Year to date Q1 2018	At 31 Mar 2018	Full year 2017	At 31 Dec 2017
	Impairment (-)/ reversal (+)	Recoverable/ carrying amount	Impairment (-)/ reversal (+)	Recoverable/ carrying amount
Erbil, Kurdistan	-	22.7	-59.1	20.7
Block 8, Oman	-	-	-47.8	-
Sfax Offshore Exploration Permit, Tunisia	-1.5	-	-1.6	1.5
Total	-1.5	22.7	-108.4	22.2

The table shows the recoverable/carrying amount for the cash generating units which have been impaired in 2017 and 2018. The impairment charge of USD 1.5 million in 2018 was recognized on inventories.

Note 8 | Financial investments

Financial investments are related to equity instruments and are recorded at fair value (market price, where available) at the end of each period. Fair value changes are included in other comprehensive income (FVTOCI). See Note 1 for more details.

USD million	Quarter		Full year
	Q1 2018	Q1 2017	2017
Beginning of the period	17.4	14.0	14.0
Fair value changes through OCI	2.6	-0.6	3.4
Total financial investments end of the period	20.0	13.4	17.4
Non-current portion	20.0	13.4	17.4
Current portion	-	-	-

Financial investments include the following:

USD million	At 31 Mar 2018	At 31 Dec 2017	At 31 Dec 2017
	Listed securities:		
RAK Petroleum plc (quoted)	20.0	13.4	17.4
Total financial investments	20.0	13.4	17.4

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 31 Mar 2018	At 31 Mar 2017	At 31 Dec 2017
Underlift	12.4	63.9	7.8
Other short-term receivables	17.1	41.8	20.0
Total trade and other short-term receivables	29.4	105.7	27.8

The outstanding underlift receivable at 31 March 2018 is related to Block 8 in Oman. Other short-term receivables relate to items of working capital in oil and gas licenses.

Note 10 | Interest-bearing liabilities

USD million	At 31 Mar 2018	At 31 Mar 2017	At 31 Dec 2017
Non-current			
Bonds	400.0	400.0	400.0
Capitalized borrowing issue costs (bonds)	-24.5	-35.5	-27.2
Exploration financing facility (non-current portion)	-	-	-
Total non-current interest-bearing liabilities	375.5	364.5	372.8
Current			
Exploration financing facility (current portion)	33.8	-	17.6
Total current interest-bearing liabilities	33.8	-	17.6
Total interest-bearing liabilities	409.3	364.5	390.4

Interest-bearing liabilities:

USD million	Facility currency	Facility amount	Interest	Maturity	At 31 Mar 2018	At 31 Mar 2017	At 31 Dec 2017
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 bond					-24.5	-35.5	-27.2
Exploration financing facility	NOK	500.0	see below	see below	33.8	-	17.6
Total interest-bearing liabilities					409.3	364.5	390.4

Security and pledges

USD million	At 31 Mar 2018	At 31 Mar 2017	At 31 Dec 2017
Exploration tax refund	38.7	-	33.7
Restricted cash	0.9	-	0.7
Total book value of assets pledged	39.5	-	34.4

DNO Norge AS has available a revolving exploration facility in an aggregate amount of NOK 500 million (equivalent to USD 64.3 million as of 31 March 2018). Utilization 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. The Company shall repay each loan when the tax refunds have been received. The interest rate equals 3 months NIBOR plus a 1.2 percent margin. The current portion of the exploration financing facility is scheduled to be repaid by the end of 2018 when the exploration tax refund is received.

Note 10 | Interest-bearing liabilities (continued)

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

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

USD million	At 1 Jan 2017	Cash flows	Non-cash changes Amortization	Currency	At 31 Mar 2017
Bond loan	400.0	-	-	-	400.0
Borrowing issue costs	-38.3	-	2.8	-	-35.5
Total	361.7	-	2.8	-	364.5

Note 11 | Provisions for other liabilities and charges

USD million	At 31 Mar 2018	At 31 Mar 2017	At 31 Dec 2017
Non-current			
Asset retirement obligations	32.3	21.2	31.9
Other long-term provisions and charges	14.2	148.0	13.8
Total non-current provisions for other liabilities and charges	46.5	169.2	45.7
Current			
Other provisions and charges	26.0	13.5	2.7
Total current provisions for other liabilities and charges	26.0	13.5	2.7
Total provisions for other liabilities and charges	72.5	182.6	48.5

At yearend 2017, provisions for a water purification project in the Kurdistan region of Iraq and provision for production bonuses for the Tawke license previously included in other long-term and charges were derecognized as part of the Kurdistan Receivables Settlement Agreement in August 2017.

Note 12 | Events after the reporting period

DNO acquires shares in Faroe Petroleum plc

The Company acquired 28.71 percent of Faroe Petroleum plc at a price of GBP 1.25 per share through four separate transactions during April 2018. Following the four transactions, DNO owns a total of 105,247,866 shares in Faroe Petroleum. The share acquisition will be recognized in the second quarter of 2018.

Faroe Petroleum is an independent oil and gas company listed on the UK's Alternative Investment Market (AIM) since 2003 and focused on exploration, appraisal and production activities in Norway and the United Kingdom. At yearend 2017, Faroe Petroleum had stated proven and probable (2P) reserves of 97.7 million barrels of oil equivalent (MMboe) and contingent (2C) resources of 78.6 MMboe; 2017 daily production averaged 14,300 boe.

DNO reports payment for Tawke deliveries

On 18 April 2018, the Company reported receipt of USD 56.44 million from the Kurdistan Regional Government as payment for January 2018 crude oil deliveries to the export market from the Tawke license. The funds will be shared by DNO and partner Genel Energy plc pro-rata to the companies' interests in the license. Separately, a payment of USD 5.24 million from the Kurdistan Regional Government was received net to DNO, representing three percent of gross Tawke license revenues during January, as provided for under last August's receivables settlement agreement.

DNO assumes operatorship of Baeshiqa license

The Company has added a third license in Kurdistan following government and partner approval of the previously announced transaction with ExxonMobil. Effective 10 April 2018, DNO assumed operatorship of the Baeshiqa license with a 40 percent (32 percent participating) interest alongside ExxonMobil, Turkish Energy Company and the Kurdistan Regional Government.

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

USD million	Quarter		Full year
	Q1 2018	Q1 2017	2017
Revenues	142.3	76.7	347.4
Lifting costs	-15.9	-13.0	-96.1
Exploration expenses	-23.3	-1.6	-33.0
Administrative expenses	-13.4	-5.0	-33.2
Other income past oil sales	-	-	556.0
Other operating income/expenses	-3.6	-1.7	-5.4
EBITDA	86.0	55.4	735.6
Netback			
USD million	Q1 2018	Q1 2017	2017
EBITDA	86.0	55.4	735.6
Provision for obsolete inventory	-	-	19.0
Other income past oil sales	-	-	-556.0
Taxes received/-paid	-	-0.3	33.2
Netback	86.0	55.1	231.8
	Q1 2018	Q1 2017	2017
Netback (USD million)	86.0	55.1	231.8
Company Working Interest production (MMboe)	7.1	6.4	26.9
Netback (USD/boe)	12.1	8.6	8.6
Lifting costs			
	Q1 2018	Q1 2017	2017
Lifting costs (USD million)	-15.9	-13.0	-96.1
Company Working Interest production (MMboe)	7.1	6.4	26.9
Lifting costs (USD/boe)	2.2	2.0	3.6
Operational spend			
USD million	Q1 2018	Q1 2017	2017
Lifting costs	-15.9	-13.0	-96.1
Exploration expenses	-23.3	-1.6	-33.0
Capital expenditures	-18.4	-31.8	-130.4
Operational spend	-57.6	-46.3	-259.5
Equity ratio			
USD	Q1 2018	Q1 2017	2017
Equity	896.8	413.2	875.9
Total assets	1,471.5	1,042.2	1,415.1
Equity ratio	60.9%	39.6%	61.9%

Free cash flow

USD million	Quarter		Full year
	Q1 2018	Q1 2017	2017
Cash generated from operations	91.2	137.7	338.8
Purchases of intangible assets	-	-	-1.3
Purchases of tangible assets	-18.4	-32.3	-129.1
Free cash flow	72.8	105.4	208.4
Net debt			
USD million	Q1 2018	Q1 2017	2017
Cash and cash equivalents	518.4	362.9	430.2
Bond loan	400.0	400.0	400.0
Net cash/-debt	118.4	-37.1	30.2

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 10.

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