



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 988 714 526
Organisasjonsform: Aksjeselskap
Foretaksnavn: DNO IRAQ AS
Forretningsadresse: Dokkveien 1
0250 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2022 - 31.12.2022

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Hallgeir Uren
Dato for fastsettelse av årsregnskapet: 20.06.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 17.07.2024



Resultatregnskap

Beløp i: USD	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Operating revenues	2	820 067 000	594 275 000
Sum inntekter		820 067 000	594 275 000
Kostnader			
Production expense	3	125 189 000	99 820 000
Exploration expense		0	2 923 000
Depreciation	4	126 453 000	120 889 000
Other operating expenses	3	1 963 000	2 741 000
Sum kostnader		253 605 000	226 373 000
Driftsresultat		566 462 000	367 902 000
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern	5	11 697 000	9 786 000
Other financial income		11 000	24 303 000
Gain on foreign exchange transactions		772 000	0
Sum finansinntekter		12 480 000	34 089 000
Other financial expense		2 906 000	10 542 000
Sum finanskostnader		2 906 000	10 542 000
Netto finans		9 574 000	23 547 000
Ordinært resultat før skattekostnad		576 036 000	391 449 000
Tax income/-expense	6	8 344 000	1 365 000
Ordinært resultat etter skattekostnad		567 692 000	390 084 000
Årsresultat		567 692 000	390 084 000
Overføringer og disponeringer			
Retained earnings		567 692 000	390 084 000
Sum overføringer og disponeringer		567 692 000	390 084 000



Balanse

Beløp i: USD	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Exploration assets and license interests	4	13 647 000	15 522 000
Sum immaterielle eiendeler		13 647 000	15 522 000
Varige driftsmidler			
Oil and gas fields in development	4	0	77 775 000
Oil and gas fields in production	4	736 322 000	568 706 000
Sum varige driftsmidler		736 322 000	646 481 000
Finansielle anleggsmidler			
Non-current trade receivables	7	0	18 150 000
Sum finansielle anleggsmidler		0	18 150 000
Sum anleggsmidler		749 969 000	680 153 000
Omløpsmidler			
Varer			
Inventories	8	33 740 000	18 793 000
Sum varer		33 740 000	18 793 000
Fordringer			
Trade receivables	7	295 949 000	331 241 000
Other receivables	9	6 559 000	19 286 000
Sum fordringer		302 508 000	350 527 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	10	19 195 000	11 634 000
Sum bankinnskudd, kontanter og lignende		19 195 000	11 634 000
Sum omløpsmidler		355 443 000	380 954 000
SUM EIENDELER		1 105 412 000	1 061 107 000



Balanse

Beløp i: USD	Note	2022	2021
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	11	177 000	177 000
Overkurs	11	73 914 000	73 914 000
Annen innskutt egenkapital	11	89 957 000	89 957 000
Sum innskutt egenkapital		164 048 000	164 048 000
Opptjent egenkapital			
Other equity	11	701 668 000	603 558 000
Sum opptjent egenkapital		701 668 000	603 558 000
Sum egenkapital		865 716 000	767 606 000
Gjeld			
Langsiktig gjeld			
Asset retirement obligations	12	68 121 000	62 991 000
Sum avsetninger for forpliktelser		68 121 000	62 991 000
Annen langsiktig gjeld			
Sum langsiktig gjeld		68 121 000	62 991 000
Kortsiktig gjeld			
Kortsiktig konserngjeld	5	74 241 000	145 801 000
Other short-term liabilities	9	95 138 000	82 515 000
Asset retirement obligations	12	2 196 000	2 196 000
Sum kortsiktig gjeld		171 575 000	230 512 000
Sum gjeld		239 696 000	293 503 000
SUM EGENKAPITAL OG GJELD		1 105 412 000	1 061 109 000



Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Journalnummer: 2023 595436

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NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note
1

Regnskapsprinsipper
Se vedlagt filvedlegg.

Note
3

Antall årsverk i regnskapsåret
1140.00

Note
3

Spesifisering av resultatregnskapet

Lønnskostnader

<u>Lønn</u>	<u>Årets</u>	<u>Fjorårets</u>
	0.00	0.00
<u>Folketrygdavgift</u>	<u>Årets</u>	<u>Fjorårets</u>
	0.00	0.00
<u>Pensjonskostnader</u>	<u>Årets</u>	<u>Fjorårets</u>
	0.00	0.00
<u>Andre ytelser</u>	<u>Årets</u>	<u>Fjorårets</u>
	0.00	0.00
<u>Sum lønnskostnader</u>	<u>Årets</u>	<u>Fjorårets</u>
	0.00	0.00

Mer om årsverk og lønn
Se vedlagt filvedlegg.

Note

Ekstraordinære inntekter og kostnader

<u>Sum</u>	<u>Beløp</u>
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Note



Note

Fordringer

Fordringer som forfaller senere enn ett år etter regnskapsårets slutt

Mer om fordringer

Note

<u>Beholdning av egne aksjer</u>	<u>Antall</u>	<u>Pålydende</u>	<u>Andel av aksjek.</u>
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Erverv

Endringer i beholdning av aksjer i løpet av regnskapsåret

Avhendelse

Endringer i beholdning av aksjer i løpet av regnskapsåret

Samvirkeforetak

Vedtektbestemmelser/årsmøtevedtak/forslag til vedtak om medlemskapskonti

Mer om aksjer

Note

3

Lån og sikkerhetsstillelse til medlemmer

Er det gitt lån eller sikkerhetsstillelse til ledende personer: Nei

Opplysninger om:

Medlemmer av:

Mer om lån og sikkerhetsstillelse



Annual Report 2022 DNO Iraq AS

- Board of Director's report
- Income statement
- Balance sheet
- Cash flow statement
- Notes

Org.no.: 988714526



BOARD OF DIRECTORS' REPORT 2022

DNO Iraq AS, Org.no. 988 714 526

INTRODUCTION

DNO Iraq AS (DNO or the company) was established in 2005 and is a wholly owned subsidiary of DNO ASA (the parent company). The company's business address is in Oslo, with a branch office in Erbil.

The company is engaged in exploration, development and production of crude oil in the Kurdistan region of Iraq (Kurdistan), and holds interests in two licenses, both through Production Sharing Contracts (PSCs). The Tawke license contains the producing Tawke and Peshkabir fields. The Baeshiqa license contains the Baeshiqa and Zartik structures.

License	Type	Status	Participating interest (paying interest) in %	Operator	Partners (participating interest)
Tawke PSC	Onshore	Production	75 (75)	DNO Iraq AS	Genel Energy International Limited (25 percent)
Baeshiqa PSC	Onshore	Production	64 (80)	DNO Iraq AS	Turkish Energy Company Limited (16 percent), Kurdistan Regional Government (20 percent carried interest)

OPERATIONAL REVIEW

EXPLORATION, APPRAISAL, FIELD DEVELOPMENT AND PRODUCTION

Tawke license

Gross production from the Tawke license, containing the Tawke and Peshkabir fields, averaged 107,102 bopd during 2022 (108,713 bopd in 2021). The Tawke field contributed 45,065 bopd (46,933 bopd in 2021) and Peshkabir field contributed 62,037 bopd (61,780 bopd in 2021).

Following a production decline in the first quarter of 2022, the legacy Tawke field delivered three consecutive quarters of production growth in 2022, the first quarterly increases since 2015 as new wells were drilled, workovers conducted on existing ones and gas injection continued to counter natural field decline. During the fourth quarter of 2022, DNO completed a USD 25 million expansion of the Peshkabir-to-Tawke gas project, Kurdistan's only gas capture and enhanced recovery injection project. Since 2020, the project has captured 1.2 million tonnes of CO₂e through avoided flaring.

Baeshiqa license

After a fast-track field development, production commenced from the Zartik-1 discovery well in June 2022 with the Baeshiqa-2 discovery well coming onstream in late September. However, Baeshiqa license ramp-up has been slower than previously expected with a gross production average of 536 bopd for the year.

Shutdown of DNO's Kurdistan oilfields due to pipeline closure

In 2014, the Federal Government of Iraq (FGI) initiated an arbitration case against the Turkish Government and its state-owned pipeline operator BOTAS relating to the Iraq-Turkey Pipeline (ITP). Following an arbitration ruling issued in parts in favor of Iraq against Turkey for exporting Kurdish oil without Baghdad's approval, there was a shutdown of oil production in the Kurdistan region of Iraq for export through Turkey to international markets commencing 25 March 2023. After initially diverting production to storage tanks with limited capacity, DNO announced an orderly shutdown of its production on 29 March 2023. Despite public reports of a 11 May 2023 agreement between the FGI and the KRG on measures to allow the resumption of oil exports through Turkey and that Iraq's State Oil Marketing Organization (SOMO) has officially requested Turkish authorities to allow Kurdistan's oil exports via the country's Ceyhan port, it is to date not clear when ITP will reopen or what hinders the reopening.

Given the uncertain timing of export resumption and, importantly, of payments by the KRG for previous oil sales, DNO has scaled back spend in Kurdistan for 2023, including drilling, following completion of



previously planned activities. Oil not produced during the Kurdistan shutdown, as well as volumes placed in storage, represents deferred volumes that will eventually be recovered and monetized.

Reserves

On a net basis at yearend 2022, proven (1P) reserves totaled 190.9 MMbbls (162.2 MMbbls at yearend 2021) and proven and probable (2P) reserves totaled 245.3 million barrels oil (MMbbls) (267.4 MMbbls at yearend 2021).

GOING CONCERN ASSUMPTION

As required under the Norwegian Accounting Act, the company's Board of Directors conducted a review of the going concern assumption considering all relevant information available up to the date these financial statements are issued and taking into account all available information about the future, for at least 12 months from the reporting date. The Board of Directors' review included in particular assessment of the company's projected cash flow generation and access to financing from the parent company considering its operational outlook and work program.

In making these assessments, the Board of Directors monitors developments following the shut-in of the ITP on 25 March 2023 (above). In the going concern assessment the Board of Directors has considered any delays to settlement of receivables from the KRG and prolonged suspension of exports. Stress testing was carried out at different production start-up dates and receivables settlement scenarios. Sufficient liquidity can be maintained through the going concern assessment period in the base case and the stress test.

Following its review, the Board of Directors confirmed, pursuant to the Norwegian Accounting Act section 3-3a, that the requirements of the going concern assumption are met and that these financial statements have been prepared on that basis.

ENTERPRISE RISK MANAGEMENT

The objective of the company's risk management is to identify potential exposures that may impact the company and to manage identified risks within strict guidelines while pursuing our business objectives. We continuously review our risk profile, incorporating industry-recognized risk identification and quantification processes. The Board of Directors of the parent company and its committees also regularly monitor the company's risk management systems and internal controls.

Financial risk

Risks related to commodity prices, liquidity risk, concentration risk and credit risk constitute financial risks for the company. In order to minimize any potentially adverse effects from such risks, financial risk is managed by the DNO group finance function under policies approved by the Board of Directors of the parent company. For more information about how we manage financial risk, see Note 1.

Entitlement risk

DNO has interests in two licenses in Kurdistan through PSCs and has based its entitlement calculations on the terms of these PSCs. In 2012, the FGI challenged the constitutional validity of the Kurdistan Oil and Gas Law No. 27/2007 (KOGI) and the right of the KRG to export oil independently of the FGI. DNO notes from public reports that on 15 February 2022, the Federal Supreme Court of Iraq (FSCI) ruled on this matter along with another related matter dating back to 2019. Reportedly, the FSCI found amongst other things that the KOGI is unconstitutional, that the KRG is to hand over all oil production from areas located in the KRI to the FGI and that the FGI has the right to pursue the nullity of the oil contracts concluded by the KRG. DNO was not a party to the legal proceedings. DNO has learned via media reports that on 4 July 2022, a commercial court in Baghdad ruled that PSCs signed between the KRG and four international oil companies including DNO should be voided. Likewise, DNO notes from media reports that on 21 August 2022, the KRG filed third party objections to the reported 4 July 2022 Baghdad rulings including those understood to concern DNO. These cases, along with other similar cases against international oil companies, are reported to be still pending. Furthermore and importantly, the KRG has issued repeated reassurances that the PSCs remain valid. The KRG has also initiated legal proceedings against the FGI in Erbil courts and there have been several rulings in Erbil courts affirming the validity of the PSCs. It is unclear how and when the KRG and the FGI will permanently address these matters.

Over the course of 2022, KRG payments to international oil companies were increasingly delayed. The unpaid invoices per yearend related to August and September 2022 oil deliveries were paid in January and March 2023, respectively. The invoices related to October 2022 to February 2023 are overdue. The company is in dialogue with the KRG, seeking timely payments. Moreover, in September 2022, the KRG proposed a change in the previously agreed pricing formula for oil such that prices should,



with effect from 1 September 2022, be based on the purported actual price realized by KRG during the delivery month. The KRG proposal has not been accepted by DNO and the company continues to invoice the KRG for oil sales based on the previously agreed pricing formula (including the September 2022 invoice) until such time that protocols are put in place to ensure that realized prices are transparent, based on arms-length transactions and subject to third-party audit. The payment for the September oil delivery received after yearend reflects the formula proposed and unilaterally applied by the KRG in September 2022. The payment received was USD 5.2 million (net to DNO) lower than invoiced (see notes 7 and 15). The company is in continuing dialogue with the KRG to resolve this matter and collect outstanding balances.

See also separate section regarding the shutdown of DNO's Kurdistan oilfields due to pipeline closure.

Operational risk

The company is exposed to operational risks across its portfolio. Operational risk applies to all stages of upstream operations, including exploration, development and production. Failure to manage operations efficiently can manifest itself in project delays, cost overruns, higher-than-estimated operating costs and lower-than-expected oil and gas production and/or reserves. Exploration activities are capital intensive and involve a high degree of geological risk. Sustained exploration failure can affect the future growth and upside potential of DNO.

Our ability to effectively manage and deliver value from our exploration, development and production activities is dependent on the quality of our staff and contractors. Inefficiency or interruption to our supply chain or the unwillingness of service contractors to engage in our areas of operation may also negatively affect operations.

Environmental risk

Oil and gas exploration and production, by its nature, involves exposure to potentially hazardous materials. The loss of containment of hydrocarbons or other dangerous substances could represent material risks. Through our operational controls, environmental impact assessments, asset integrity protocols and management systems related to health, safety and the environment, we aim to mitigate hazards with a potentially adverse impact on people, the environment, our assets, our profitability and our reputation.

Climate-related risk

Based on the company's assessment, the most important climate-related risks relate to uncertainty over future oil and gas demand, future commodity prices and CO₂ pricing. Increasing concerns about climate-related risk may affect investor appetite for oil and gas investments, inhibiting the parent company's ability to obtain funding, and also reduce the company's attractiveness as an employer and business partner.

In Kurdistan, the Government in 2021 introduced a requirement for oil companies to put plans in place to curb gas flaring and thus reduce emissions. While the company is a pioneer in flaring reduction measures in Kurdistan, having built the first gas capture and injection facilities in the region at the Tawke license, stricter policies or sanctions may add to the company's operational cost.

In preparing these financial statements, management has considered the impact of climate-related risks by assessing the potential effects of stricter climate policies on its oil and gas portfolio. To assess the robustness of its oil and gas assets, the company has run sensitivities with the oil and gas price assumptions described by scenarios outlined by the International Energy Agency (IEA), namely the Stated Policies Scenario, Announced Pledges Scenario and the Net Zero Emissions by 2050 Scenario (see Note 4).

In addition to the financial aspects mentioned above, climate change may represent a physical risk to personnel and facilities in the form of increased frequency and severity of extreme weather events.

Security risk

Although some of our operations are in regions with security risks, we continuously work to manage these risks through clearly defined protocols and practices. Nevertheless, we are often dependent on the quality of the security and protection provided by authorities in host countries.

Compliance risk

DNO has a policy of zero tolerance for corruption, bribery and other illegal or inappropriate business conduct. Violations of compliance laws and contractual obligations can result in fines and a deterioration in



the Group's ability to effectively execute its business plans. DNO adheres to a strict and comprehensive conflict of interest policy, trade sanctions and other policies focused on the Group's Code of Conduct to ensure regulatory and company expectations are met. The company encourages its personnel to raise concerns about unethical or illegal behavior and breaches of DNO's Code of Conduct or other Company policies. The company also has a confidential channel for those who wish to raise such matters in strict privacy or even anonymously.

Political risk

Relevant political developments on both the federal and regional level in Iraq is closely observed by the company.

EQUAL OPPORTUNITIES, WORK ENVIRONMENT AND PERSONNEL

The company had a total workforce of 1,140 employees engaged in its operations in Kurdistan at yearend 2022 (1,042 at yearend 2021). The company aims to be a workplace with equal opportunities and has included in its policies regulations to prevent gender discrimination regarding salary, promotion and recruiting.

DIRECTORS' AND OFFICERS' INSURANCE

The company has directors' and officers' liability insurance which covers the cost of compensation claims made against the company's directors and key managers (officers) for alleged wrongful acts.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT (HSSE)

The parent company has a HSSE system and established HSSE standards, which apply to the company.

Our HSSE standards, procedures and protocols are based on the following principles:

- Avoid harm to all personnel involved in, or affected by, our operations;
- Minimize and where possible eliminate the impact of our operations on the environment;
- Comply with all applicable legal and regulatory requirements; and
- Achieve continuous improvement in HSSE performance.

The Norwegian Transparency Act, which entered into force on 1 July 2022, requires the Company to report on how it ensures compliance with fundamental human rights and decent working conditions in its operations, in its supply chain and with its business partners. The parent company DNO ASA, on behalf of all subsidiaries in the Group, will publish and make available its first such report on its website by the deadline date of 30 June 2023.

COMMENTS TO THE FINANCIAL STATEMENTS

Total revenue in 2022 stood at USD 820.1 million, up from USD 594.3 million in 2021 driven by high oil prices and solid operational performance.

Total operating expenses were USD 253.6 million in 2022 compared to USD 226.4 million in 2021.

The higher operating expenses are primarily driven by activities related to initiation of production at the Baeshiqā PSC and higher Tawke PSC production related activities.

The company reported an operating profit of USD 566.5 million in 2022, up from USD 367.9 million during 2021, mainly driven by higher oil price partly offset by higher production costs. Net profit for 2022 was USD 567.7 million (USD 390.1 million in 2021).

Net cash flows from operating activities was USD 659.7 million in 2022 (USD 520.9 million in 2021). Total investments for the company in 2022 amounted to USD 212.2 million (USD 98.1 million in 2021).

The company ended the year with USD 19.2 million in cash and cash equivalents (USD 11.6 million at yearend 2021).

Total assets at yearend 2022 were USD 1,105.4 million (USD 1,061.1 million in 2021) and the equity ratio was 78 percent (72 percent in 2021). Additional dividend of USD 440.0 million was recognized in 2022.



Oslo, 20 June 2023

Bjørn Dale
Managing Director

Haakon Sandborg
Board member

Christopher Spencer
Chairman

Geir Arne Skau
Board member



DNO Iraq AS

Income statement (USD thousand)

1 January - 31 December

	<u>Note</u>	<u>2022</u>	<u>2021</u>
OPERATING REVENUE			
Operating revenue, oil and gas	2	820,067	594,275
Total operating revenue		820,067	594,275
OPERATING EXPENSES			
Production expenses	3	125,189	99,820
Exploration expenses		-	2,923
Depreciation	4	126,453	120,889
Other operating expenses	3	1,963	2,741
Total operating expenses		253,605	226,373
OPERATING PROFIT/-LOSS			
		566,462	367,902
FINANCIAL INCOME AND EXPENSES			
Other financial income		11	24,303
Interest income from group entities	5	11,697	9,786
Net gain/-loss on foreign exchange transactions		772	-0
Other financial expenses		-2,907	-10,542
Net financial income/-expenses		9,574	23,547
PROFIT/-LOSS BEFORE TAX			
		576,036	391,449
Tax income/-expense	6	-8,344	-1,365
NET PROFIT/-LOSS			
		567,692	390,084



DNO Iraq AS

Balance sheet (USD thousand)

		Years ended 31 December	
<u>Assets</u>	<u>Note</u>	<u>2022</u>	<u>2021</u>
NON-CURRENT ASSETS			
Intangible assets			
Deferred tax asset	7		
Exploration assets and license interests	4	13,647	15,522
Total intangible assets		13,647	15,522
Fixed assets			
Oil and gas fields in development	4	-	77,775
Oil and gas fields in production	4	736,322	568,705
Total fixed assets		736,322	646,481
Financial assets			
Non-current trade receivables	7	-	18,150
Total financial assets		-	18,150
Total non-current assets		749,969	680,152
CURRENT ASSETS			
Inventories	8	33,740	18,793
Trade receivables	7	295,949	331,241
Other receivables	9	6,559	19,286
Cash and cash equivalents	10	19,195	11,834
Total current assets		355,443	380,954
TOTAL ASSETS		1,105,412	1,061,108



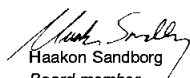
DNO Iraq AS

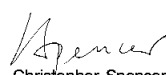
Balance sheet (USD thousand)

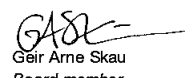
		Years ended 31 December	
	Note	2022	2021
Equity and liabilities			
EQUITY			
Paid-in capital			
Share capital	11	177	177
Share premium	11	73,914	73,914
Other paid-in capital	11	89,957	89,957
Total paid-in capital		164,048	164,048
Retained earnings			
Other equity	11	701,669	603,558
Total retained earnings		701,669	603,558
Total equity		865,716	767,606
LIABILITIES			
Non-current liabilities			
Asset retirement obligations	12	68,121	62,991
Total non-current liabilities		68,121	62,991
Current liabilities			
Intercompany liabilities	5	74,241	145,801
Other short-term liabilities	9	95,138	82,515
Asset retirement obligations	12	2,196	2,196
Total current liabilities		171,575	230,510
Total liabilities		239,696	293,503
TOTAL EQUITY AND LIABILITIES		1,105,412	1,061,108

Oslo, 20 June 2023


Bjørn Dale
Managing Director


Haakon Sandborg
Board member


Christopher Spencer
Chairman


Geir Arne Skau
Board member



DNO Iraq AS

Cash flow statement (USD thousand)

		1 January - 31 December	
	Note	2022	2021
Cash flows from operating activities			
Profit/loss before tax		576,036	391,449
Adjustments to add/deduct non-cash items:			
Taxes paid for the period	7	-	-
Depreciation	6	126,453	120,889
Impairment		-	-
Accretion	12	2,907	2,242
Other*		16,000	-19,162
Changes in working capital and provisions:			
- Inventories		-14,946	3,325
- Trade and other receivables		50,168	-54,624
- Other current assets and short-term liabilities		-96,862	76,812
Net cash flows from operating activities		659,756	520,931
Cash flows from investment activities			
Purchases of intangible and tangible assets	4	-212,196	-98,113
Net cash flows from investment activities		-212,196	-98,113
Cash flows from financing activities			
Payment of dividends		-440,000	-420,000
Net cash flows from financing activities		-440,000	-420,000
Net change in cash and cash equivalents		7,560	2,818
Cash and cash equivalents at the beginning of the period		11,634	8,816
Cash and cash equivalents at the end of the period		19,194	11,634

*In 2022, the other line consist mainly of non-cash adjustments to intercompany interest and ARO. In 2021, the other line consisted mainly of a non cash adjustment related to trade receivables and inventory in 2021.



Note 1 Accounting principles

Basis for preparation

The financial statements of DNO Iraq AS (the company or DNO) have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The accompanying notes are an integral part of the financial statements.

These financial statements have been prepared based on a going concern assumption.

The company is part of the consolidated financial statements of DNO ASA. The consolidated financial statements of DNO ASA can be retrieved from www.dno.no or printed copies can be ordered by an inquiry to DNO ASA.

Significant accounting estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues and expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the reporting date. Estimates and assumptions are based on management's best knowledge and historical experience and various other factors that are believed to be reasonable under the circumstances. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The company based its assumptions and estimates on parameters available when the company's financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the company. Such changes are reflected in the assumptions when they occur.

The key assumptions and key sources of estimation uncertainty for the company are:

- Risks associated with operating in Kurdistan;
- Reserves and resources estimate;
- Contingencies, provisions and litigations;
- Impairment/reversal of impairment of oil and gas assets;
- Measurement of fair values;
- Accounting for exploration costs; and
- Notional corporate income tax/deferred taxation in Kurdistan.

Risks associated with operating in Kurdistan

DNO has interests in two licenses in Kurdistan through PSCs and has based its entitlement calculations on the terms of these PSCs. In 2012, the FGI challenged the constitutional validity of the Kurdistan Oil and Gas Law No. 27/2007 (KOGI) and the right of the KRG to export oil independently of the FGI. DNO notes from public reports that on 15 February 2022, the Federal Supreme Court of Iraq (FSCI) ruled on this matter along with another related matter dating back to 2019. Reportedly, the FSCI found amongst other things that the KOGI is unconstitutional, that the KRG is to hand over all oil production from areas located in the KRI to the FGI and that the FGI has the right to pursue the nullity of the oil contracts concluded by the KRG. DNO was not a party to the legal proceedings. DNO has learned via media reports that on 4 July 2022, a commercial court in Baghdad ruled that PSCs signed between the KRG and four international oil companies including DNO should be voided. Likewise, DNO notes from media reports that on 21 August 2022, the KRG filed third party objections to the reported 4 July 2022 Baghdad rulings including those understood to concern DNO. These cases, along with other similar cases against international oil companies, are reported to be still pending. Furthermore and importantly, the KRG has issued repeated reassurances that the PSCs remain valid. The KRG has also initiated legal proceedings against the FGI in Erbil courts and there have been several rulings in Erbil courts affirming the validity of the PSCs. It is unclear how and when the KRG and the FGI will permanently address these matters.

Over the course of 2022, KRG payments to international oil companies were increasingly delayed. At the time of issuing this report, the invoices related to August and September 2022 oil deliveries were paid in January and March 2023, respectively. The invoices related to October 2022 to February 2023 are overdue. The company is in dialogue with the KRG, seeking timely payments. Moreover, in September 2022, the KRG proposed a change in the previously agreed pricing formula for oil such that prices should,



with effect from 1 September 2022, be based on the purported actual price realized by KRG during the delivery month. The KRG proposal has not been accepted by DNO and the company continues to invoice the KRG for oil sales based on the previously agreed pricing formula (including the September 2022 invoice) until such time that protocols are put in place to ensure that realized prices are transparent, based on arms-length transactions and subject to third-party audit. The payment for the September oil delivery received after yearend reflects the formula proposed and unilaterally applied by the KRG in September 2022. The payment received was USD 5.2 million (net to DNO) lower than invoiced (see notes 7 and 15). The company is in continuing dialogue with the KRG to resolve this matter and collect outstanding balances.

In 2014, the Federal Government of Iraq (FGI) initiated an arbitration case against the Turkish Government and its state-owned pipeline operator BOTAS relating to the Iraq-Turkey Pipeline (ITP). Following an arbitration ruling issued in parts in favor of Iraq against Turkey for exporting Kurdish oil without Baghdad's approval, there was a shutdown of oil production in the Kurdistan region of Iraq for export through Turkey to international markets commencing 25 March 2023. After initially diverting production to storage tanks with limited capacity, DNO announced an orderly shutdown of its production on 29 March 2023. Despite public reports of a 11 May 2023 agreement between the FGI and the KRG on measures to allow the resumption of oil exports through Turkey and that Iraq's State Oil Marketing Organization (SOMO) has officially requested Turkish authorities to allow Kurdistan's oil exports via the country's Ceyhan port, it is to date not clear when ITP will reopen or what hinders the reopening.

Given the uncertain timing of export resumption and, importantly, of payments by the KRG for previous oil sales, DNO has scaled back spend in Kurdistan for 2023, including drilling, following completion of previously planned activities. Oil not produced during the Kurdistan shutdown, as well as volumes placed in storage, represents deferred volumes that will eventually be recovered and monetized.

Reserves and resources estimate

The company's reserves and contingent resources are estimated and classified by the company in accordance with the rules and guidelines of the Society of Petroleum Engineers (SPE) and are in conformity with requirements from the Oslo Stock Exchange for the reporting of reserves and resources.

All estimates of reserves and resources involve uncertainty. Figures reported in Note 14 are the estimated proven (1P) and proven and probable (2P) quantities of oil and gas that can be recovered from a field or reservoir given the information available at yearend.

Important factors that could cause actual results to differ from the estimates include, but are not limited to: technical, geological and geotechnical conditions; economic and market conditions; oil and gas prices; changes in government regulations; political development; interest rates; and currency exchange rates. Specific parameters of uncertainty related to the field/reservoir include but are not limited to: reservoir pressure and porosity; recovery factors; water cut development; production decline rates; gas/oil ratios; and oil properties.

Changes in commodity prices and costs may impact economic cut-off and remaining reserves, which may change the timing of assumed decommissioning activities. Future changes to estimated reserves can also have a material effect on depreciation, impairment of oil and gas fields and operating results. The company may also not be able to commercially develop its contingent resources that are used in impairment assessments or acquisition accounting where the fair value approach is applied.

Contingencies, provisions and litigations

By their nature, contingencies will only be resolved when one or more uncertain future event occurs or fails to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

Management uses its judgment to evaluate certain provisions and legal disputes in order to ensure the correct accounting treatment. This includes the assessment of future asset retirement obligations (ARO), any provisions or contingent payments.



Asset retirement obligations

The company has recognized significant provisions relating to the decommissioning of oil and gas assets at the end of the production period. Obligations associated with decommissioning assets are recognized at present value of future expenditures on the date they incur. At the initial recognition of an obligation, the estimated cost is capitalized as property, plant and equipment (PP&E) and depreciated over the useful life of the asset (typically by unit-of-production).

It is difficult to estimate the costs for decommissioning at initial recognition as these estimates are based on currently applicable laws and regulations, and technology. Decommissioning activities will normally take place in the distant future, and the technology, regulatory requirements and related costs may change. Energy transition, amongst other, may bring forward the decommissioning activities and thereby increasing the present value of associated decommissioning provisions. Based on various scenario analysis performed by the company, management does not expect any reasonable change in the expected timeframe to have a material effect on the company's decommissioning provisions, assuming cost estimates (i.e., cash flows) remain unchanged. The estimates cover expected removal concepts based on known technology. As a result, the initial recognition of the liability and the capitalized cost associated with decommissioning obligations, and the subsequent adjustment of these balance sheet items, involve the application of significant judgement. Based on the described uncertainty, there may be significant adjustments in estimates of liabilities that can affect future financial results.

Impairment/reversal of impairment of oil and gas assets

The company has recognized significant investments in development and production assets (classified under PP&E) and exploration and evaluation assets (classified under intangible assets) in the consolidated statements of financial position. Changes in the circumstances or expectations of future performance of an individual asset or a group of assets may be an indicator that the asset is impaired, requiring the carrying amount to be written down to its recoverable amount. Management must determine whether there are circumstances indicating a possible impairment of the company's oil and gas assets. The estimation of the recoverable amount for the oil and gas assets includes assessments of expected future cash flows and future market conditions, including entitlement production, future oil and gas prices, cost profiles, country risk factors (i.e., discount rate) and the date of expiration of the licenses.

Impairments, other than those relating to goodwill, are reversed if the conditions for impairment are no longer present. Evaluating whether an asset is impaired or if an impairment should be reversed requires a high degree of judgment.

Climate considerations in impairment assessment

Climate change and transition to a lower carbon economy is considered in the impairment assessments. In the context of assessing the potential impact on the book values related to the company's oil assets, certain climate considerations are factored into the company's estimation of cash flows that are applied in the calculation of recoverable amount. This includes factoring in current legislation (e.g., environmental taxes/fees) and estimation of future levels of environmental taxes. An energy transition is likely to impact the future oil and gas prices which in turn may affect the recoverable amount of the oil and gas assets. Indirectly, climate considerations are also assessed in the forecasting of oil prices where supply and demand are considered.

In the context of testing robustness of the oil and gas assets against the scenarios from the International Energy Agency (IEA), the Company has applied the Net Zero Emissions Scenario, Announced Pledges Scenario and the Stated Policies Scenario as published by the IEA. These scenarios are commonly applied by peer companies and the company believes are useful to investors and other stakeholders in assessing portfolio resilience across companies in the industry. For more details, see Note 4.



Accounting for exploration costs

The company's accounting policy is to temporarily capitalize drilling expenditures related to exploration wells, pending an evaluation of potential oil and gas discoveries. If resources are not discovered, or if recovery of the resources is not considered technically or commercially viable, the costs of the exploration wells are expensed in the income statement. Decisions as to whether an exploration well should remain capitalized or expensed during the period may have a material effect on the financial results for the period.

Notional corporate income tax/deferred tax liability in Kurdistan

Under the terms of its PSCs in Kurdistan, DNO is not required to pay any corporate income taxes. The share of profit oil 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. Current and deferred taxation for accounting purposes arising from such notional corporate income tax is not recognized for Kurdistan as it has not been possible to measure reliably such notional corporate income tax paid on behalf of DNO. This is an accounting presentational matter and there is no corporate income tax required to be paid, see also section Income taxes and Note 6.

Interest in oil and gas licenses

The company recognizes its investments in oil and gas licenses by reporting its share of related revenues, expenses, assets, liabilities and cash flows under the respective items in the company's financial statements.

Functional currency

The financial statements are presented in US Dollars (USD), which is also the functional currency of the company. Cash items denominated in foreign currencies are converted using exchange rates on the balance sheet date. Realized and unrealized currency gains and losses are included in the annual profit or loss.

Transaction and balances

Foreign currency transactions are translated into functional currency of the company using the exchange rates prevailing at the dates of the transactions. Financial assets and financial liabilities in foreign currencies are translated into functional currency at the balance sheet date exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Those arising in respect of financial assets and liabilities are recorded on a net basis as a financial item.

Classification in the balance sheet

Current assets and current liabilities include items due less than one year from the balance sheet date, and if longer, items related to the operating cycle. The current portion of non-current liabilities is included under current liabilities. Other assets and liabilities are classified as non-current assets and non-current liabilities.

Property, plant and equipment

General

PP&E are recognized at historical cost and adjusted for depreciation, depletion and amortization (DD&A) and impairment charges.

Depreciation of PP&E other than oil and gas assets are generally depreciated on a straight-line basis over expected useful lives, normally varying from three to seven years. Expected useful lives are reviewed at each balance sheet date and, where there are changes in estimates, depreciation periods are changed accordingly.

The carrying amount of the PP&E in the balance sheet represents the cost less accumulated DD&A and accumulated impairment charges.



Ordinary repairs and maintenance costs, defined as day-to-day servicing costs, are charged to profit or loss during the financial period in which they are incurred. The cost of major repairs and maintenance is included in the asset's carrying amount when it is likely that the company will derive future financial benefits exceeding the originally assessed standard of performance of the existing asset.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit.

Assets held for sale are reported at the lower of the carrying amount and the fair value, less selling costs.

Exploration and development costs for oil and gas assets

Capitalized exploration expenditures are classified as intangible assets and reclassified to tangible assets (i.e., PP&E) at the start of the development. For accounting purposes, an oil and gas field is considered to enter the development phase when the technical feasibility and commercial viability of extracting oil and gas from the field are demonstrable, normally at the time of concept selection. All costs of developing commercial oil and gas fields are capitalized, including indirect costs. Capitalized development costs are classified as tangible assets. Pre-development expenditures up until development project sanction in general do not meet the criteria for capitalization and are expensed as incurred.

Acquired license rights are recognized as intangible assets at the time of acquisition. Acquired license rights related to fields in the exploration phase remain as intangible assets when the related fields enter the development or production phase.

Oil and gas assets in production

Capitalized costs for oil and gas assets are depreciated using the unit-of-production (UoP) method. The rate of depreciation is equal to the ratio of oil and gas production for the period over the estimated remaining 2P net entitlement (NE) reserves at the beginning of the period. The future development expenditures necessary to bring those reserves into production are included in the basis for depreciation and are estimated by the management based on current period-end un-escalated price levels. The reserve basis used for depreciation purposes is updated at least once a year. Any changes in the reserves affecting UoP calculations are reflected prospectively.

Component cost accounting/decomposition

The company allocates the amount initially recognized in respect of an item of PP&E to its significant parts and depreciates separately each such part over its useful life.

Borrowing costs

Interest costs directly attributable to the construction phase of PP&E assets are capitalized during the period required to complete and prepare the asset for its intended use. Borrowing costs consist of interest and other costs that the company incurs in connection with the borrowing of funds.

Other borrowing costs are expensed when incurred. The capitalization of borrowing costs is recorded based on the average interest rate for the company in the period. The capitalized borrowing costs cannot exceed the actual borrowing costs in each period.

Intangible assets

General

Intangible assets are stated at cost, less accumulated amortization and accumulated impairment charges. Intangible assets include acquisition costs for oil and gas licenses, expenditures on the exploration for oil and gas resources and other intangible assets.

The useful lives of intangible assets are assessed as either finite or infinite. Amortization of intangible assets is based on the expected useful economic life and assessed for impairment whenever there is an indication that the intangible asset might be impaired. The impairment assessment of intangible assets with infinite lives is undertaken annually or more often if indicators exist.



Exploration and evaluation assets

DNO uses the successful efforts method to account for its exploration and evaluation assets. All exploration costs (including purchase of seismic, geological and geophysical costs and general and administrative costs), except for acquisition costs of licenses and drilling costs of exploration wells, are expensed as incurred. Acquisition costs of licenses and drilling costs of exploration wells are temporarily capitalized pending the determination of oil and gas resources. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments to contractors. Continued capitalization of such costs is assessed for impairment at each reporting date. The main criterion is that there must be plans for future activity in the license or that a development decision is expected in the near future. If reserves or resources are not found, or if discoveries are assessed not technically or commercially recoverable, the costs of exploration wells and licenses are expensed.

Impairment/reversal of impairment

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. If an impairment indicator is concluded to exist, an impairment test is performed.

Indications of impairment may include a decline in the long-term oil and gas price (or short-term oil and gas price for late-life oil and gas fields), changes in future investments or significant downward revision of reserve and resource estimates. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separable identifiable cash inflows. For oil and gas assets, a Cash-generating-unit (CGU) may be individual oil and gas fields, or a group of oil and gas fields that are connected to the same infrastructure/production facilities, or a license.

An impairment loss is recognized when the carrying amount exceeds the recoverable amount of an asset. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Fair value less costs to sell determined through either the discounted cash flow method (income approach) or the market transactions method (market approach). The value in use can only be determined through the discounted cash flow method.

A previously recognized impairment loss is reversed through the income statement if the circumstances that gave rise to the impairment no longer exist. It is not reversed to an amount that would be higher than if no impairment loss had been recognized. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated selling expenses.

Revenue recognition Kurdistan

DNO generates revenues through the sale of oil produced from the licenses in Kurdistan which is exported by pipeline through Turkey. The title is considered to have passed on delivery of oil to the export pipeline at Fish Khabur. In addition, pursuant to a receivables settlement agreement with the KRG in August 2017, DNO was entitled to production overrides (override) representing three percent of gross Tawke license revenues until 31 July 2022. The company recognizes revenues in Kurdistan in line with the invoiced oil sales and overrides following monthly deliveries to the KRG. The PSCs held by the company are considered to be within the scope of the standard and sale of oil and gas to customers is recognized as Revenue from contracts with customers. Based on business practice, the KRG is responsible for exporting the oil produced in Kurdistan and it is assessed that DNO has a customer relationship with the KRG. It is considered that the contracts with customers contain a single performance obligation which is considered to be delivery of produced oil and gas to the customer.

The price for oil deliveries to the KRG is based on Brent prices with adjustments for oil quality and transportation fees.



Production Sharing Contracts (PSC)

A PSC is an agreement between a contractor and a host government, whereby the contractor bears all of the risks and costs for exploration, development and production in return for a stipulated share of production.

The contractor recovers the sum of its investment and operating costs from a percentage of production (cost oil). In addition, the contractor is entitled to receive a share of production in excess of cost oil (profit oil). The sum of cost oil attributable to the contractor's share of costs and the share of profit oil represents the contractor's entitlement under a PSC. The sum of royalties and the government's share of profit oil, including that of a government-controlled enterprise, represents the government take under a PSC.

DNO presents its operations governed by PSCs according to the sales method and only recognizes its sales as revenue after deduction of government take.

Income taxes

Tax income/-expense consists of taxes receivable/-payable and changes in deferred tax. Taxes payable are calculated based on taxable profits. Deferred tax and deferred tax assets are calculated on all taxable temporary differences, provided that both of the following conditions are satisfied:

- The company is able to control the timing of the reversal of the temporary differences; and
- It is probable that the temporary differences will reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are recognized irrespective of when the differences are reversed. They are recognized at their nominal value and classified as non-current assets (non-current liabilities) in the balance sheet.

Taxes payable and deferred tax are recognized directly in the equity to the extent that they relate to items charged directly to equity.

A deferred tax asset is recognized only to the extent that it is probable that the future taxable income will be available against which the asset can be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset in the balance sheet if there is a legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time.

Under the terms of the PSCs in Kurdistan, the company is not required to pay any corporate income taxes. The share of profit oil which the KRG is entitled to is deemed to include a portion representing the notional corporate income tax paid by the KRG on behalf of the company. Current and deferred taxation arising from such notional corporate income tax is not calculated for Kurdistan, as there is uncertainty related to the tax laws of the KRG and there is currently no well-established tax regime for international oil companies. As such, it has not been possible to reliably measure such notional corporate income tax deemed to have been paid on behalf of the company. This is an accounting presentational issue and there is no tax required to be paid by the company.

Profits/-losses by Norwegian companies from foreign upstream activities outside of Norway are not taxable/deductible in Norway in accordance with the General Tax Act, section 2-39. Under these rules only certain financial income and expenses are taxable in Norway.

Farm-in and farm-out

A farm-in or farm-out of an oil and gas license takes place when the owner of a working interest (the farmor) transfers all or a portion of its working interest to another party (the farmee) in return for an agreed upon consideration and/or action, such as conducting subsurface studies, drilling wells or developing the asset. Any cash consideration received directly from the farmee is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal. The farmee capitalizes or expenses its costs as incurred according to the accounting method it is using. There are no accruals for future commitments in farm-in/farm-out agreements in the exploration and evaluation phase and no profit or loss is recognized by the farmor. In the development or production phase,



a farm-in/farm-out agreement will be treated as a transaction recorded at fair value as represented by the costs carried by the farmee. Any gain or loss arising from the farm-in/farm-out is recognized in the income statement.

Provisions and contingent liabilities

A provision is recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is likely that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation amount. When the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only if the reimbursement is certain. The expense related to any provision is presented in profit or loss, net of any reimbursement. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The amount of the provision is the present value of the risk-adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk-free interest rate and a credit margin as the discount rate. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognized as other financial expenses.

Asset retirement obligations

Provisions for ARO are initially recognized at the present value of the estimated future costs determined in accordance with local conditions and requirements.

A corresponding ARO asset (included in PP&E) of an amount equivalent to the provision is also recognized initially. This is subsequently depreciated as part of the capital costs of the production and transportation facilities.

The ARO provisions and the discount rates are reviewed at each balance sheet date. The discount rates used in the calculation of the present value of the ARO are pre-tax risk-free rates with the addition of a credit margin. The risk-free rate used has a maturity date that is expected to coincide with the time the removal will be affected and denominated in the same currency as the expected future expenditures. Changes in the measurement of the ARO resulting from a change in the timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, are added to or deducted from the cost of the related asset. Changes in the estimated ARO provisions impact the ARO asset in the period in which the estimate is revised.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash held in banks, cash in hand and short-term deposits with an original maturity of three months or less.

Cash flow statement

The cash flow statement is based on the indirect method. Cash equivalents include bank deposits.

Dividend

In accordance with Norwegian accounting standards, the company recognizes a liability to pay dividend for proposed ordinary dividend and additional or extraordinary dividend resolved after yearend but before or on the date of approval of the financial statements by the Board of Directors.



Note 2 Operating revenues

USD thousand	1 January - 31 December	
	2022	2021
Sale of oil	820,067	594,275
Total revenues	820,067	594,275

The company's revenues are generated from the Tawke PSC (USD 813,160 thousand) and Baeshiqa PSC (USD 6,905 thousand) in Kurdistan region of Iraq.

Note 3 Remuneration, employees and other compensations

The company had 1,140 employees engaged in the operations in Kurdistan at yearend 2022 (1,042 at yearend 2021), all working in Kurdistan. No salaries or fees have been paid to Managing Director or to the Board in 2022. No loans or guarantees have been made to senior management in the parent company, shareholders, members of the Board or related parties to these.

Pensions

The company has no employees in Norway and is not required to have a mandatory occupational pension ("obligatorisk tjenstepensjon").

Auditors' fees, excluding VAT

For 2022, USD 139,465 has been expensed as auditors' fees (USD 172,314 in 2021).

Note 4 Intangible assets/ Fixed assets

USD thousand	Exploration assets	Development assets	License interests	Oil and gas fields in production	Other fixed assets	Total
Cost 1 January 2022	-	77,775	83,508	1,955,822	2,518	2,119,623
Additions*	-	16,730	-	197,689	-	214,419
Disposals	-	-	-	-	-	-
License acquisition	-	-	-	-	-	-
Transfers**	-	-94,504	-	94,504	-	-
Cost 31 December 2022	-	-	83,508	2,248,015	2,518	2,334,042
Acc. Depreciations and impairments 1 January	-	-	-67,985	-1,387,116	-2,518	-1,457,620
Depreciations	-	-	-1,876	-124,577	-	-126,453
Impairment	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Acc. Depr. and impairment 31 December	-	-	-69,861	-1,511,693	-2,518	-1,584,073
Book value 31 December 2022	-	-	13,647	736,322	-	749,969
Book value 31 December 2021	-	77,775	15,522	568,705	-	662,003

Depreciation rates	Unit of production method	Unit of production method	20-30% Linear method
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License costs, capitalized exploration costs and field under development are not depreciated until production commences.

* Includes changes in estimate of asset retirement, see Note 12.

** Transfers relate to reclassification of the book value of Baeshiqa license from development phase to production phase.

Impairment testing

At each reporting date, the company 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. Impairment is recognized when the carrying amount of an asset or a CGU, 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. The impairment testing is performed based on discounted cash flows. The expected future cash flows are discounted to the net present value by applying a discount rate after tax. Cash flows are projected for the estimated lifetime of the fields or license, which may exceed periods longer than five years.

Below is an overview of the key assumptions applied for impairment assessment purposes as of 31 December 2022.

Oil prices

Forecasted oil prices are based on management's estimates and market data. The near-term price assumptions are based on forward curve pricing over the period for which there is deemed to be a sufficient liquid market and observable broker and analyst consensus. The long-term price assumptions reflect management's best estimate of the oil price development over the life of the company's oil and gas fields based on its view of current market conditions and future developments. Management's assessment also includes comparison with long-term oil price assumptions communicated by peer companies and other external forecasts. Oil price assumptions applied for impairment testing are reviewed and, where necessary, adjusted on a periodic basis.



The nominal oil price assumptions applied for impairment assessments at yearend 2022 were as follows (yearend 2021 in brackets):

	2023	2024	2025	2026
Brent Blend (USD/bbl)	86.6 (76.9)	88.5 (70.4)	85.0 (88.3)	78.4 (70.0)

For periods after year 2026, the long-term oil price assumptions applied was USD 65 per barrel (in real terms, basis year 2022).

Oil price differential

The estimated net oil price is based on the above nominal price assumptions adjusted for price differentials due to quality and transportation for each individual field.

Oil reserves and resources

Future cash flows are calculated on the basis of expected production profiles and estimated proven and probable remaining reserves. For more information about reserves and resources estimate, see Note 1 and Note 14.

Discount rate and inflation

The discount rate is derived from the company's weighted average cost of capital (WACC). The capital structure considered in the WACC calculation is derived from DNO's debt and equity to enterprise value ratio at yearend. The cost of equity is calculated on a country-by-country basis using the Capital Asset Pricing Model (CAPM) and adding a country risk premium. The beta factor is based on publicly available data about the company's beta in the value in use calculations. The cost of debt is based on yield-to-maturity on the DNO Group's outstanding bond loans with an upward adjustment to reflect a potential extension. The relevant post-tax discount rate used in the impairment assessments at yearend 2022 for Kurdistan assets were 16.1 percent (13.6 percent at yearend 2021). The long-term inflation rate is assumed to be 2 percent independent of the underlying country or currency (unchanged from 2021).

Impairment charge and reversal

As of yearend 2022 the company did not identify any impairment indicators and as such no impairment testing was performed. In addition, no impairment nor reversals was recognized in 2022 nor 2021.

Sensitivities

The estimated recoverable amount related to the Tawke license is substantially higher than the carrying amount and the following sensitivity tests would only cause minor changes to the surplus and would not lead to any impairment charges:

- Oil price: +/- 30%
- Production profile: +/-30%
- Discount Rate (WACC): +/- 1%

Climate considerations in impairment assessment

Certain climate considerations are factored into the company's estimation of cash flows that are applied in the calculation of recoverable amount. This includes factoring in current legislation (e.g., environmental taxes/fees) and estimation of future levels of environmental taxes. In Kurdistan, the KRG introduced in 2021 a requirement for oil companies to put plans in place to curb gas flaring to reduce emissions. The company has run sensitivities for its Kurdistan oil assets with the CO2 tax assumptions as described in the scenarios described by the International Energy Agency (IEA).

An energy transition is likely to impact the future oil and gas prices which in turn may affect the recoverable amount of the oil and gas assets. Indirectly, climate considerations are also assessed in the forecasting of oil and gas prices where supply and demand are considered.

To assess the robustness of the company's oil assets, the company has run sensitivities with the oil price assumptions described by scenarios outlined by the IEA, namely the Net Zero Emissions Scenario by 2050, Announced Pledges Scenario and the Stated Policies Scenario. These scenarios are commonly applied by peer companies and the Company believes that these are useful for investors and other stakeholders in assessing portfolio resilience across companies in the industry. The oil price assumptions in the scenarios have been provided by the IEA for the years 2030 and 2050 (in 2021 real terms), and for the sensitivity calculation a linear development between average actual 2022 and 2030, as well as between 2030 and 2050 have been applied.

License expiry and economic cut-off dates for development and production assets

In Kurdistan, the Tawke license expires in 2026 but DNO has the right to one automatic five-year extension (i.e., to 2031) and, if commercial production is still possible at the end of this extended period, DNO is entitled to, upon request to the KRG, a further five-year extension (i.e., to 2036). Based on DNO's current assessments, the production from Tawke license will be commercial for the duration of its contractual term and through subsequent extensions. On the Baeshiqa license, commerciality was declared by the contractor on 1 August 2021, terminating the exploration period and moving into the PSC development period, which has as a 20-year duration. If commercial production is still possible at the end of the 20-year period, DNO is entitled to a five-year extension.



Note 5 Intercompany

Intercompany loans are interest bearing. The intercompany interest rate used by the parent company DNO ASA and its subsidiaries is based on country specific weighted average cost of capital.

The short-term intercompany liability of USD 81.0 million (USD 145.8 million at yearend 2021) is mainly with parent company DNO ASA and includes this years' additional dividends amounting to USD 440.0 million and the group contribution of USD 9.8 million.

Note 6 Taxes

Tax income/-expense

	1 January - 31 December	
USD thousand	2022	2021
Taxes payable	-8,344	-1,365
Change in deferred taxes	-	-
Change in tax expense from prior years	-	-
Tax income/-expense	-8,344	-1,365

Tax effects on temporary differences relate to the following items:

	Years ended 31 December	
USD thousand	2022	2021
Tax losses carried forward	-	-
Total deferred tax assets/-liabilities	-	-
Deferred tax asset allowance	-	-
Recognized deferred tax assets	-	-
Recognized deferred tax liabilities	-	-

The current tax rate in Norway in 2022 was 22 percent (2021: 22 percent). If applicable, tax rates effective from 1 January 2023 have been used to calculate deferred taxes.

Income tax receivable/-payable

	Years ended 31 December	
USD thousand	2022	2021
Income tax payable	-8,344	-1,365
Tax effect group contribution	8,344	1,365
Net tax receivable/-payable	-	-

Under the terms of the PSCs in Kurdistan, the company is not required to pay any corporate income taxes. The share of profit oil 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 Iraq AS. Current and deferred taxation arising from such notional corporate income tax is not calculated for Kurdistan, as there is uncertainty related to the tax laws of the KRG and there is currently no well-established tax regime for international oil companies. As such, it has not been possible to reliably measure such notional corporate income taxes deemed to have been paid on behalf of the company. This is an accounting presentational issue and there is no tax required to be paid by the company. See also Note 1.

Profits/losses by Norwegian companies from upstream activities outside of Norway are not taxable/deductible in Norway in accordance with the General Tax Act, section 2-39. Under these rules, only certain financial income and expenses are taxable in Norway.



Note 7 Trade receivables

USD thousand	Years ended 31 December	
	2022	2021
Non-current trade receivables	-	18,150
Total non-current trade receivables	-	18,150
Trade receivables	295,949	331,241
Total current trade receivables	295,949	331,241

Total book value of trade debtors of USD 295.9 million at yearend 2022 relate mainly to outstanding invoices for Kurdistan oil deliveries for the months August through December 2022.

Normal payment terms apply to amounts owed to DNO by the KRG for oil sales and override invoices from the Tawke and the Baeshiqa license in Kurdistan. Since late 2015, DNO received the payment due to it from oil sales and overrides on a monthly basis from the KRG until early 2020.

At yearend 2020, the company had accumulated a receivable against the KRG of USD 259 million after certain 2019 and 2020 entitlement and override payments to DNO and other Kurdistan oil exporters were withheld early in 2020 by the KRG in connection with the hardships and uncertainties brought about by the Covid-19 pandemic. Entitlement payments resumed in March 2020 and override payments in early 2021. A payment plan was put in place by the KRG in December 2020 and subsequently revised in May 2021 to pay the outstanding arrears. As a part of the May 2021 revision, the KRG also informed the international oil companies that all invoices, including towards the arrears, will be settled within 60 days of the end of the respective production month. During 2022, the outstanding arrears were reduced from USD 169 million at the start of the year to USD 2 million at yearend, excluding interest.

Over the course of 2022, KRG payments to international oil companies were increasingly delayed. The company is in dialogue with the KRG, seeking timely payments to support timely investments. Moreover, in September 2022, the KRG proposed a change in the previously agreed pricing formula for oil such that prices should, with effect from 1 September 2022, be based on the purported price realized by KRG during the delivery month. The KRG proposal has not been accepted by DNO and the company continues to invoice the KRG for oil sales based on the previously agreed pricing formula (including the September 2022 invoice) until such time that protocols are put in place to ensure that realized prices are transparent, based on arms-length transactions and subject to third-party audit. The payment for the September oil delivery received after yearend reflects the formula proposed and unilaterally applied by the KRG in September 2022 resulting in an approximately USD 11/bbl reduction in realized price compared to current pricing formula based on Dated Brent. The payment received was USD 5.2 million (net to DNO) lower than invoiced. The company is in continuing dialogue with the KRG to resolve this matter and collect outstanding balances. DNO estimates that using the KRG proposed prices, the impact of the change in pricing would have resulted in approximately USD 23 million lower revenues compared to the reported September through December 2022 Kurdistan revenues.

See also note 1 regarding the shutdown of DNO's Kurdistan oilfields due to pipeline closure.

Note 8 Inventories

USD thousand	Years ended 31 December	
	2022	2021
Spare parts and drilling equipment	33,740	18,793
Total inventory	33,740	18,793

In 2022, the provision for obsolete inventory in Kurdistan was USD 15.0 million, unchanged from yearend 2021.

Note 9 Other receivables and short-term liabilities

Other receivables and other short-term liabilities comprise mainly of working capital in the license, including license accruals and are presented under the respective items in the company's balance sheet (other receivables, cash and cash equivalent and other short term liabilities).

All of the company's other receivables and short-term liabilities are due within one year.

Note 10 Restricted bank deposits

The company has no restricted bank deposits.



Note 11 Shareholders' equity

Movement in shareholders' equity:

USD thousand	Share capital	Share premium	Other paid in capital	Other equity	Total
Shareholders' equity as of 1 January 2022	177	73,914	89,957	603,558	767,606
Net profit/-loss for the period	-	-	-	567,692	567,692
Ordinary dividend				-	-
Additional dividend (31 August 2022)				-340,000	-340,000
Additional dividend (24 March 2023)				-100,000	-100,000
Group contribution received/-given				-29,582	-29,582
Shareholders' equity as of 31 December 2022	177	73,914	89,957	701,669	865,716

	2022
Share capital, NOK	1,200,000
Number of shares	600,000
Par value, NOK	2.00

The company is fully owned by DNO ASA.

Note 12 Asset retirement obligations, Provisions for other liabilities and charges

The ARO comprises the future cost of decommissioning oil wells, facilities and related pipelines in Kurdistan.

Net increase of USD 5.1 million, from USD 65.2 million at yearend 2021 to USD 70.3 million at yearend 2022, was related to Baeshiqa which started producing in mid-June 2022 (USD 3.5 million), estimate change (USD -1.2 million) and accretion expenses (unwinding of discount) (USD 2.8 million).

The ARO provision in the balance sheet consist of a current ARO of USD 2.2 million and a long-term ARO of USD 68.1 million.

The discount rates before tax applied at yearend 2022 were between 4.5 percent and 4.8 percent (3.2 percent and 3.7 percent in 2021). The credit margin included in the discount rates at yearend 2022 was 0.8 percent (2.3 percent in 2021).

Note 13 Guarantees and commitments

Contractual obligations/license commitments

At yearend 2022, the company has no contractual obligations relating to its interests in own and partner-operated oil and gas fields. All commitment wells have been drilled to date.

Lease obligations

The company's non-cancellable operating leases are related to office rent (Erbil office), and rent of storage and warehouse. The related lease expense is included in the financial statement line "Production expenses" and is recorded through the monthly billing statements.

Future minimum lease payments under non-cancellable operating leases as of 31 December 2022 are as follows:

USD million	2022	2021
Within 1 year	0.2	0.5
1 to 5 years	-	0.2
After 5 years	-	-
Total	0.2	0.7

Liability for damages/insurance

Installations and operations are covered by various insurance policies.



Note 14 Net reserves and net entitlement reserves (unaudited)

Development of proven (1P) and proven and probable (2P) reserves (net to DNO)*

MMbbls	Proven (1P)	Proven and probable (2P)
As of 31 December 2020	175.8	295.4
Production	-29.8	-29.8
Acquisitions	-	-
Divestments	-	-
Extensions and discoveries	-	-
New developments	-	-
Revision of previous estimates	16.1	1.8
As of 31 December 2021	162.2	267.4
Production	-29.3	-29.3
Acquisitions	-	-
Divestments	-	-
Extensions and discoveries	-	-
New developments	-	-
Revision of previous estimates	58.1	7.2
As of 31 December 2022	190.9	245.3

The reserves and contingent resources are according to the Annual Statement of Reserves and Resources (ASRR) dated 15 March 2023. The reported reserves fall within class 1-3 of the Norwegian Petroleum Directorate (NPD) classification and 2C resources fall within classes 4, 5 and 7 of the NPD classification.

International petroleum consultants DeGolyer and MacNaughton carried out an independent assessment of the Tawke license (containing the Tawke and Peshkabar fields) and the Baeshiqa license (containing the Baeshiqa and Zartik structures) in the Kurdistan region of Iraq.

The estimation of oil and gas reserves involves uncertainty. The figures above represent management's best judgment of the most likely quantity of economically recoverable oil and gas estimated at yearend, given the information at the time of reporting. The estimates have a large spread especially for fields for which there is limited data available. The uncertainty will be reduced as more information becomes available through production history and reservoir appraisal. In addition, for fields in the decline phase with limited remaining volumes, fluctuations in oil prices will have a significant impact on the profitability and hence the economic cut-off for production.

The Net Entitlement (NE) reserves are net to DNO after royalty and include DNO's additional share of cost oil covering its advances towards the government carried interest (if any) as well as volumes attributed to the three percent of gross Tawke license production under the August 2017 Receivables Settlement Agreement.

The NE reserves 1P developed reserves were 63.8 MMbbls at yearend 2022. The corresponding figure at yearend 2021 was 56.5 MMbbls. The NE reserves 2P developed, relevant for depreciation, were 74.3 MMbbls at yearend 2022 (2021: 77.7 MMbbls).

Net reserves reflect pre-tax shares while NE reserves reflect post-tax shares. NE reserves are based on economic evaluation of the license agreements, incorporating projections of future production, costs and oil and gas prices. NE reserves may therefore fluctuate over time, even if there are no changes in the underlying gross and net volumes.



Note 15 Significant events after the balance sheet date

Payments from Kurdistan

After yearend 2022, DNO has received a total of USD 114.1 million from the KRG (net to DNO) representing DNO's entitlement share of the August and September 2022 oil deliveries to the export market from the Tawke license and the Baeshiqa license. The payment received for September oil deliveries reflects changed oil pricing as proposed by the KRG in September 2022 (see notes 12 and 18) resulting in USD 5.2 million (net to DNO) lower payment compared to the invoices issued by DNO for the respective month.

Shutdown of DNO's Kurdistan oilfields due to pipeline closure

In 2014, the Federal Government of Iraq (FGI) initiated an arbitration case against the Turkish Government and its state-owned pipeline operator BOTAS relating to the Iraq-Turkey Pipeline (ITP). Following an arbitration ruling issued in parts in favor of Iraq against Turkey for exporting Kurdish oil without Baghdad's approval, there was a shutdown of oil production in the Kurdistan region of Iraq for export through Turkey to international markets commencing 25 March 2023. After initially diverting production to storage tanks with limited capacity, DNO announced an orderly shutdown of its production on 29 March 2023. Despite public reports of a 11 May 2023 agreement between the FGI and the KRG on measures to allow the resumption of oil exports through Turkey and that Iraq's State Oil Marketing Organization (SOMO) has officially requested Turkish authorities to allow Kurdistan's oil exports via the country's Ceyhan port, it is to date not clear when ITP will reopen or what hinders the reopening.

Given the uncertain timing of export resumption and, importantly, of payments by the KRG for previous oil sales, DNO has scaled back spend in Kurdistan for 2023, including drilling, following completion of previously planned activities. Oil not produced during the Kurdistan shutdown, as well as volumes placed in storage, represents deferred volumes that will eventually be recovered and monetized.



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of DNO Iraq AS

Opinion

We have audited the financial statements of DNO Iraq AS (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the Board of Directors and Managing Director) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the



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going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 28 June 2023
ERNST & YOUNG AS

The auditor's report is signed electronically

Jon-Michael Grefsrød
State Authorised Public Accountant (Norway)

Independent auditor's report - DNO Iraq AS 2022

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Jon-Michael Grefsrød

Statsautorisert revisor

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Skattedirektoratet

Saksbehandler
Jan Hoelstad

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Vår dato
14.12.2010

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Deres referanse
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Vår referanse
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DNO International ASA
Postboks 1345 Vika
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Dispensasjon fra kravet om utarbeidelse av årsregnskap og årsberetning på norsk

Det vises til deres brev av 24. november 2010 hvor det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende heleide datterselskap av DNO International ASA:

- DNO Iraq AS Og. nr: 988 714 526
- DNO Yemen AS Og. nr: 984 308 736
- DNO Mozambique AS Og. nr: 995 739 879

Bakgrunn:

Fra deres brev gjengis:

"DNO International ASA er notert på Oslo Børs og fikk 28. mai 2010 dispensasjon fra regnskapslovens § 3-4 om å utarbeide årsregnskap og årsberetning på engelsk. Datterselskapenes virksomhet drives i sin helhet i henholdsvis Irak, Jemen og Mozambique. Selskapene har ingen ekstern finansiering, kun en lånefasilitet fra morselskapet. Selskapene har heller ingen ansatte. All kommunikasjon og alle avtaler blir gjort på engelsk.

De norske regnskapene utarbeides kun for å oppfylle språkkravene i regnskapsloven og foretaksregisteret. Årsregnskapene til datterselskapene publiseres heller ikke. Brukerne av regnskapene har i hovedsak vært ansatte i konsernet, slik at norsk oversettelse er følgelig et rent ekstraarbeid som påfører selskapene unødvendige kostnader og merarbeid."

Skattedirektoratets vurdering og konklusjon

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at

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ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet. Offentlige myndigheter må også anses som en sentral regnskapsbruker, idet ulike myndigheter, som lignings- og tilsynsmyndigheter, benytter regnskapene som et verktøy i sin kontrollvirksomhet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir negativt berørt ved en eventuell dispensasjon.

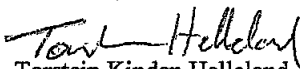
Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjonen som skal vurderes ved en dispensasjonssøknad. Selskapenes virksomhet skjer i sin helhet i utlandet, og de har ikke egne ansatte. Selskapenes eier er allerede innvilget tilsvarende dispensasjon.

Skattedirektoratet gir på bakgrunn av en helhetsvurdering de ovenfor nevnte selskapene dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at engelsk språk benyttes i stedet ved utarbeidelsen, og at øvrige opplysninger som vedtaket baserer seg på, heller ikke endres vesentlig.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen


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