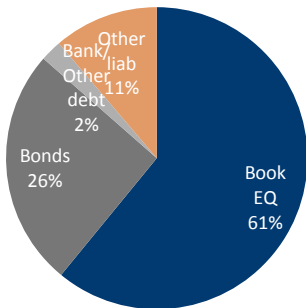




Capital structure - Last reported



Enterprise value

MCap (USDm/NOKm)	2 305/18 952
Net debt FQ0 (USDm/NOKm)	- 109/- 857
EV FQ0 (USDm/NOKm)	2 196/18 096
Shares outst. (m)	1,049

Share data (price at 08 Aug 18)

Price (USD/NOK)	2/ 18
Target (USD/NOK)	2.7/ 22
Upside/Downside	22%
52 wk range (NOK)	8.66- 18.35
12m perf/OSEBX	92%/ 22%

Valuation

NAV/sh (USD/NOK)	2.63/ 21.61
EV/GAV	-
P/NAV	0.84

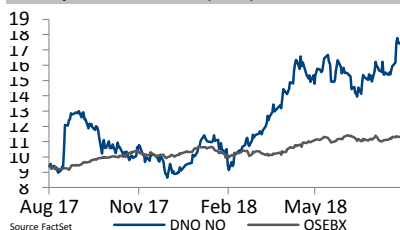
Credit Metrics

	2018e	2019e	2020e
Equity ratio	59%	65%	70%
NIBD / EBITDA	-0.3	-0.9	-1.5
OCF/NIBD	-297%	-105%	-60%
EBITDA/Int.	8.5	11.8	11.6
Current ratio	6.7	2.3	13.2

Stock information

Free float	56%
3 mth avg vol ('000)	6,114
Beta 1 yr	1.7
Spread 1 yr	0.17%
Velocity 1 yr	224%
Volatility 90 days	43%
Risk	High

Share price last 12 mth (NOK)



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When the Payback Period is Denominated in Hours

What's new: 2q18 results out Thursday 16 August

Our take: We lift our Tawke production profile by avg. 10% and see significant upside to reserve estimates as Peshkabir shows strength. TP upped to NOK 22/sh (20). Buy reiterated.

Peshkabir is something special, having swiftly emerged as a major contributor to gross production volumes at the Tawke license. We lift gross production for 2019/2020 to 132k/ 125k b/d (+12%/ +9%), and our EBITDA estimates for the two years now sits at USD 622/ 607m (+13%/ +9%), 11%/ 24% above consensus. DNO looks cheap by any metric, trading at 6.6x 2019 P/E and 2.9x 2019 EV/EBITDA, but it is the cash generation that really stands out; we estimate FCF in excess of USD 350m p.a, implying 17% FCF yield. We increase TP to NOK 22/sh (NOK 20/sh, 26.06.2018), reflecting 1.0x NAV, and reiterate our Buy recommendation (unchanged) on both equity and credit.

All eyes on Peshkabir

Current Peshkabir production of 35k b/d is already well above guided 30k b/d and with another four wells to be drilled 2H'18 we see further 50% upside to our 2P reserve estimates (which we already upped to 146m from 75m barrels 26.06.2018). To put things in perspective; the Peshkabir-4 well produces 12k b/d alone, leaving payback period of just over 300 hours. We believe Peshkabir will continue to surprise on the upside (output still hampered by surface capacity), and that total output from the license will be supported by workovers arresting decline at the legacy tawke field.

Positioned for growth

Its been a busy quarter for DNO also outside of Kurdistan and the company's aim to create a standing on the NCS is well in the making through the acquisition of c.28% of FPM (at 60% of our NAV). We estimate DNO's current cash positon to c. USD 0.6bn, implying that the company is once again approaching a net cash position following the issuance of USD 400m 2022 notes in May, complementing USD 200m of existing notes. At current share price, acquiring the remaining (72%) stake in FPM would require USD 479m, or USD 575m at a 20% premium. Such a move makes a whole lot of sense in our view; low-risk NCS barrels supplements super profitable but higher risk KRG barrels and brings down the overall risk of its project portfolio (and also WACC).

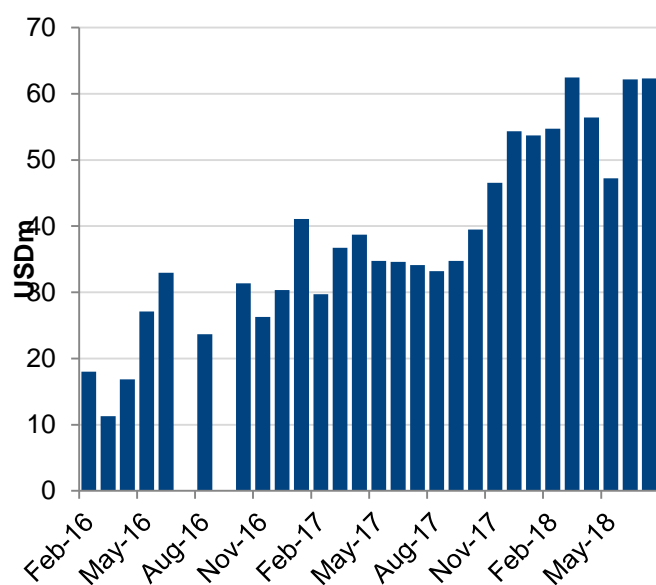
Key figures (USDm)	1Q17	2Q17	1Q18	2Q18E	2018E	2019E	2020E
Revenue	77	83	142	144	631	794	756
EBITDA	55	56	87	102	445	622	607
EBIT	28	-1	26	47	219	402	387
Pre-tax profit	16	-13	15	36	169	349	335
EPS adj.	0.01	-0.01	0.02	0.03	0.17	0.33	0.32
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
P/E adj.	nm	nm	nm	nm	13.3	6.6	6.9
EV/EBITDA (incl. wc)	6.7	5.9	6.9	8.6	4.9	2.9	2.4
EV/EBIT (incl. wc)	33.6	nm	nm	nm	10.1	4.5	3.7
EV/EBITDAX	6.3	6.2	5.4	6.8	4.3	2.6	2.2
P/B	2.2	2.4	1.8	2.5	2.2	1.6	1.3
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ROE	nm	nm	66.3%	61.5%	18.0%	28.5%	21.3%

Valuation

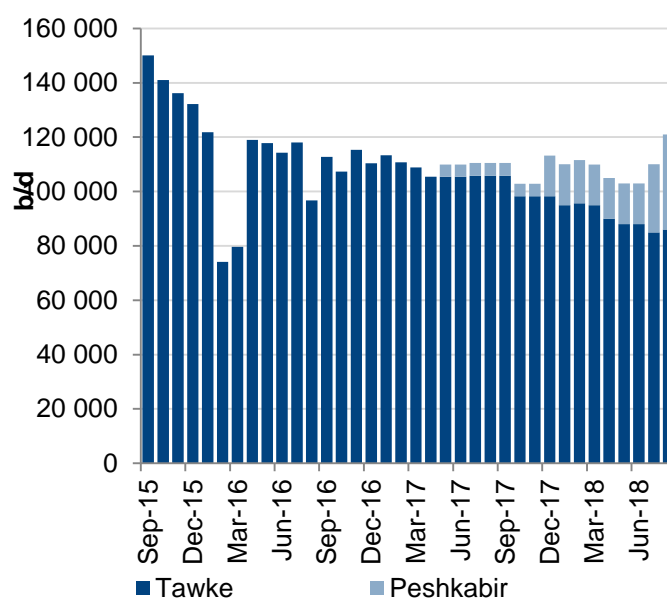
	Working Interest	Volume (mboe)	Risking	Risky Value		
				NOKm	USDm	NOK/sh
Producing Assets						
Tawke & Peshkibir	75%	423	100%	18,071	2,203	17
Discoveries						
Erbil (<i>Benenan/Bastora</i>)	46.5%	930	60%	1,037	126	1
Other assets						
KRG settlement payments (<i>Tawke, NPV</i>)			100%	2,415	294	2
Faroe Petroleum (@ NAV)	28.23%		100%	2,321	283	2
Other			100%	231	28	0
GAV				24,076	2,935	23
Net Interest bearing debt						
Bond				-4,922	-600	-5
Other long-term debt				-659	-80	-1
Cash and cash equivalents				4,793	584	5
NIBD				-788	-96	-1
NWC				-667	-81	-1
NAV				22,621	2,757	22

Gross LTV	23%
Net LTV	6%

Tawke Gross Monthly Payments



Tawke Gross Production



FS vs. Consensus

DNO (USDm)	2q18e	2q18e CS	1q18
Revenues	144	144	142
EBITDA (adj.)	102	94	87
EBIT (adj.)	47	45	26
Pre-tax profit	36	32	15
Net income, reported	36	31	18
Net income, adjusted	36	31	18
EPS (adj.)	0.03	0.06	0.02
DPS	0.00	0.00	0.00

Source: Factset

DNO (USDm)	New estimates			Consensus			Delta vs CS		
	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
Revenues	631	794	756	648	724	710	-3%	10%	6%
EBITDA (adj.)	445	622	607	461	560	491	-3%	11%	24%
EBIT (adj.)	219	402	387	230	342	308	-5%	17%	26%
Pre-tax profit	169	349	335	186	291	287	-9%	20%	17%
Net income, reported	173	349	335	211	311	287	-18%	12%	17%
Net income, adjusted	173	349	335	211	311	287	-18%	12%	17%
EPS (adj.)	0.17	0.33	0.32	0.23	0.27	0.26	-28%	25%	23%
DPS	0.00	0.00	0.00	0.23	0.27	0.26	-100%	-100%	-100%

Source: Factset

Estimate changes

DNO (USDm)	New estimates			Old estimates			Changes		
	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
Revenues	631	794	756	634	722	710	0%	10%	6%
EBITDA (adj.)	445	622	607	446	551	559	0%	13%	9%
EBIT (adj.)	219	402	387	220	331	339	0%	21%	14%
Pre-tax profit	169	349	335	170	278	287	0%	26%	17%
Net income, reported	173	349	335	174	278	287	0%	26%	17%
Net income, adjusted	173	349	335	174	278	287	0%	26%	17%
EPS (adj.)	0.17	0.33	0.32				n/a	n/a	n/a
DPS	0.00	0.00	0.00				n/a	n/a	n/a

Production	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
Avg. Brent (USD/bbl)	75	85	90	75	85	90	0%	0%	0%
Tawke gross production (bbl/d)	116,125	131,964	125,411	115,925	117,537	115,517	0%	12%	9%
Oman gross production (bbl/d)	4,238	0	0				n/a	n/a	n/a
Erbil gross production (bbl/d)	0	0	6,787				n/a	n/a	n/a
WI production	89,213	98,973	97,214				0%	0%	0%

Quarterly estimates									
PROFIT & LOSS (USDm)	4Q17	1Q18	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E
Operating revenue	116	142	144	160	185	199	203	198	194
Cost of goods sold	-22	-16	-17	-19	-20	-18	-18	-18	-18
SG&A	-9	-13	-10	-10	-10	-10	-10	-10	-10
Exploration expenses	-24	-23	-12	-12	-12	-12	-12	-12	-12
Other operating expenses	0	-2	-2	-2	-2	-2	-2	-2	-2
EBITDA	61	87	102	116	140	156	160	155	151
Depr. & Amort.	-36	-61	-55	-55	-55	-55	-55	-55	-55
EBIT	26	26	47	61	85	101	105	100	96
Income from associates /JV's	0	0	0	0	0	0	0	0	0
Net interest expense	-11	-12	-11	-13	-13	-13	-13	-13	-13
Other net financials	0	0	0	0	0	0	0	0	0
Non-recurring items	0	0	0	0	0	0	0	0	0
Pre-tax profit	15	15	36	47	72	88	92	87	83
Minority interests	0	0	0	0	0	0	0	0	0
Tax expense	16	4	0	0	0	0	0	0	0
Net earnings	31	18	36	47	72	88	92	87	83
Net earnings adj.	31	18	36	47	72	88	92	87	83
EBITDAX	85	111	114	128	152	168	172	167	163
BALANCE SHEET (USDm)									
Intangibles	31	30	30	30	30	30	30	30	30
Tangible fixed assets	863	824	994	983	937	927	916	906	896
Deferred income tax assets	0	0	0	0	0	0	0	0	0
Tax refunds non current	0	0	0	0	0	0	0	0	0
Other non current assets	21	28	28	28	28	28	28	28	28
Total non-current assets	916	882	1,052	1,041	995	985	974	964	953
Inventory	7	6	6	6	6	6	6	6	6
Receivables	62	65	65	65	65	65	65	65	65
Assets held for sale	0	0	0	0	0	0	0	0	0
Tax refunds current	0	0	0	0	0	0	0	0	0
Other current assets	0	0	0	0	0	0	0	0	0
Cash and cash equivalents	430	518	584	642	726	824	926	1,024	1,117
Total current assets	499	590	656	713	798	896	998	1,095	1,189
Total assets	1,415	1,472	1,707	1,755	1,793	1,880	1,972	2,059	2,142
Shareholders equity	876	897	932	980	1,052	1,139	1,231	1,318	1,401
Minority interest	0	0	0	0	0	0	0	0	0
Interest-bearing debt	373	376	576	576	576	576	176	176	176
Deferred income tax liability	0	0	0	0	0	0	0	0	0
Other long-term debt	46	47	47	47	47	47	47	47	47
Total non-current debt	419	422	622	622	622	622	222	222	222
Interest-bearing debt	18	34	34	34	0	0	400	400	400
Trade payables	100	92	92	92	92	92	92	92	92
Other payables	0	0	0	0	0	0	0	0	0
Liability associated with assets held for sale	0	0	0	0	0	0	0	0	0
Other current liabilities	3	27	27	27	27	27	27	27	27
Total current debt	121	153	153	153	119	119	519	519	519
Total liabilities & equity	1,415	1,472	1,707	1,755	1,793	1,880	1,972	2,059	2,142
CASH FLOW (USDm)									
Cash earnings	88	78	91	102	162	143	147	142	138
Change in working capital	0	13	0	0	0	0	0	0	0
Net cash from operations	88	92	91	102	162	143	147	142	138
Investments in fixed assets	-28	-18	-45	-45	-45	-45	-45	-45	-45
Proceeds from sale of asset	0	0	0	0	0	0	0	0	0
Other investments	0	0	-180	0	0	0	0	0	0
Net cash from investments	-28	-18	-225	-45	-45	-45	-45	-45	-45
Free cash flow	60	73	-134	58	118	98	102	97	93
Net change in Equity	0	0	0	0	0	0	0	0	0
Net change in Debt	-29	15	200	0	-34	0	0	0	0
Other items	0	0	0	0	0	0	0	0	0
Net cash from financials	-29	15	200	0	-34	0	0	0	0
Currency effect on cash	0	0	0	0	0	0	0	0	0
Net change in cash	31	88	66	58	84	98	102	97	93

Yearly estimates									
PROFIT & LOSS (USDm)	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Operating revenue	2,852	503	455	189	220	349	631	794	756
Cost of goods sold	-596	-111	-118	-107	-70	-78	-73	-72	-73
SG&A	-102	-30	-30	-29	-31	-33	-45	-42	-42
Exploration expenses	-78	-10	-51	-24	-20	-33	-60	-49	-24
Other operating expenses	-16	-4	-4	0	-5	-7	-9	-9	-9
EBITDA	2,060	348	252	29	93	198	445	622	607
Depr. & Amort.	-643	-280	-495	-203	-88	-214	-226	-220	-220
EBIT	1,417	68	-244	-174	5	-16	219	402	387
Income from associates /JV's	0	0	0	0	0	0	0	0	0
Net interest expense	-95	-10	-9	-63	-39	-47	-50	-53	-53
Other net financials	0	0	0	0	3	0	0	0	0
Non-recurring items	0	0	0	0	-2	537	0	0	0
Pre-tax profit	1,322	58	-252	-237	-34	474	169	349	335
Minority interests	0	0	0	0	0	0	0	0	0
Tax expense	-283	-31	26	24	-2	19	4	0	0
Net earnings	1,040	27	-226	-213	-35	493	173	349	335
Net earnings adj.	1,040	27	-226	-213	-33	-44	173	349	335
EBITDAX	2,138	358	302	53	114	231	505	671	632
BALANCE SHEET (USDm)									
Intangibles	177	158	151	133	78	31	30	30	30
Tangible fixed assets	698	725	529	397	412	863	937	896	854
Deferred income tax assets	0	0	3	0	0	0	0	0	0
Tax refunds non current	0	0	0	0	0	0	0	0	0
Other non current assets	8	21	40	11	44	21	28	28	28
Total non-current assets	884	904	722	541	534	916	995	953	912
Inventory	41	51	78	62	57	7	6	6	6
Receivables	124	114	187	168	117	62	65	65	65
Assets held for sale	0	0	0	0	0	0	0	0	0
Tax refunds current	0	0	0	0	0	0	0	0	0
Other current assets	0	0	0	0	0	0	0	0	0
Cash and cash equivalents	271	266	114	238	261	430	726	1,117	1,494
Total current assets	436	431	379	468	436	499	798	1,189	1,565
Total assets	1,320	1,335	1,101	1,008	970	1,415	1,793	2,142	2,477
Shareholders equity	721	759	533	436	402	876	1,052	1,401	1,736
Minority interest	0	0	0	0	0	0	0	0	0
Interest-bearing debt	238	230	215	351	362	373	576	176	576
Deferred income tax liability	140	102	34	26	0	0	0	0	0
Other long-term debt	34	93	100	71	167	46	47	47	47
Total non-current debt	412	425	349	448	529	419	622	222	622
Interest-bearing debt						18		400	
Trade payables	40	57	140	53	33	100	92	92	92
Other payables	0	16	2	2	0	0	0	0	0
Liability associated with assets held for sale	0	0	0	0	0	0	0	0	0
Other current liabilities	146	80	78	70	5	3	27	27	27
Total current debt	186	152	219	124	39	121	119	519	119
Total liabilities & equity	1,320	1,335	1,101	1,008	970	1,415	1,793	2,142	2,477
CASH FLOW (USDm)									
Cash earnings	2,120	315	203	-21	43	216	434	569	555
Change in working capital	-533	-45	-22	-53	18	121	13	0	0
Net cash from operations	1,587	270	181	-74	61	338	447	569	555
Investments in fixed assets	-981	-288	-297	-51	-47	-130	-152	-178	-178
Proceeds from sale of asset	0	0	0	0	0	0	0	0	0
Other investments	-275	-10	-38	0	12	1	-180		
Net cash from investments	-1,256	-298	-335	-51	-36	-128	-332	-178	-178
Free cash flow	331	-28	-153	-125	26	209	115	391	377
Net change in Equity	-107			115	-2	-24			
Net change in Debt	-279			133		-16	181		
Other items	-1	0	0	0	0	0	0	0	0
Net cash from financials	-387	0	0	248	-2	-41	181	0	0
Currency effect on cash	-77	23	1	0	0	0	0	0	0
Net change in cash	-133	-5	-152	124	24	169	296	391	377

Quarterly valuation									
PER SHARE DATA (USD)	4Q17	1Q18	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E
Shares outstanding dil.	1,049	1,049	1,049	1,049	1,049	1,049	1,049	1,049	1,049
EPS	0.03	0.02	0.03	0.05	0.07	0.08	0.09	0.08	0.08
EPS adj.	0.03	0.02	0.03	0.05	0.07	0.08	0.09	0.08	0.08
CEPS	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BVPS	0.8	0.9	0.9	0.9	1.0	1.1	1.2	1.3	1.3
VALUATION	4Q17	1Q18	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E
Price (NOK)	9.5	12.4	15.1	18.1	18.1	18.1	18.1	18.1	18.1
P/E	2.4	3.3	4.2	17.5	13.3	9.5	7.7	6.8	6.6
P/E adj.	nm	nm	nm	17.5	13.3	9.5	7.7	6.8	6.6
P/CE	5.6	7.1	8.2	6.4	5.3	4.6	4.2	3.9	4.0
P/Sales	3.5	4.0	4.9	4.1	3.7	3.4	3.1	2.9	2.9
EV/Sales, incl. wc	3.4	3.7	4.9	4.0	3.4	3.0	2.6	2.4	2.2
EV/EBITDA, incl. wc	6.1	6.9	8.6	6.3	4.9	4.1	3.5	3.1	2.9
EV/EBITDA	6.0	6.7	8.4	6.2	4.8	4.0	3.4	3.0	2.8
EV/EBITDAX	5.1	5.4	6.8	5.2	4.3	3.7	3.2	2.8	2.6
P/B	1.4	1.8	2.5	2.4	2.2	2.0	1.9	1.7	1.6
FCF yield	4.9%	4.4%	-5.8%	2.5%	5.1%	4.3%	4.4%	4.2%	4.1%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
MARGINS AND GROWTH	4Q17	1Q18	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E
Return on equity (ROE)	78.2%	66.3%	61.5%	14.3%	17.9%	23.6%	27.1%	28.5%	27.5%
Return on capital employed (ROCE)	0.5%	1.1%	6.6%	21.0%	25.6%	32.8%	40.1%	45.7%	47.5%
Sales growth YOY	178.2%	85.5%	76.2%	119.0%	59.7%	39.8%	41.0%	23.9%	4.6%
EBITDA margin	52.8%	61.4%	70.8%	72.4%	75.6%	78.3%	78.8%	78.3%	77.9%
EBIT margin	22.2%	18.6%	32.5%	38.0%	45.9%	50.7%	51.7%	50.5%	49.6%
Net margin	26.4%	12.9%	24.8%	29.6%	38.7%	44.1%	45.2%	43.9%	42.8%
Tax rate	-105.4%	-26.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
GEARING AND CREDIT	4Q17	1Q18	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E
Gross interest-bearing debt (GIBD)	390	409	609	609	576	576	576	576	576
Net interest-bearing debt (NIBD)	-40	-109	25	-33	-151	-249	-351	-448	-542
Equity ratio	61.9%	60.9%	54.6%	55.8%	58.7%	60.6%	62.4%	64.0%	65.4%
GIBD / EBITDA	2.0	1.8	2.2	1.7	1.3	1.1	1.0	0.9	0.9
NIBD / EBITDA	-0.2	-0.5	0.1	-0.1	-0.3	-0.5	-0.6	-0.7	-0.9
GIBD / Total assets	27.6%	27.8%	35.7%	34.7%	32.1%	30.6%	29.2%	28.0%	26.9%
NIBD / Total assets	-2.8%	-7.4%	1.5%	-1.9%	-8.4%	-13.2%	-17.8%	-21.8%	-25.3%
OCF / GIBD	0.2	0.2	0.1	0.2	0.3	0.2	0.3	0.2	0.2
FCF / GIBD	0.2	0.2	-0.2	0.1	0.2	0.2	0.2	0.2	0.2
Interest coverage ratio (EBITDA)	4.7	5.9	9.1	8.7	10.6	11.9	12.2	11.8	11.5
Current ratio	4.1	3.9	4.3	4.7	6.7	7.5	1.9	2.1	2.3

Yearly valuation									
PER SHARE DATA (USD)	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Shares outstanding dil.	1,011	1,011	1,011	1,084	1,084	1,049	1,049	1,049	1,049
EPS	1.02	0.03	-0.22	-0.20	-0.03	0.47	0.17	0.33	0.32
EPS adj.	1.02	0.03	-0.22	-0.20	-0.03	-0.04	0.17	0.33	0.32
CEPS	2.1	0.3	0.2	0.0	0.0	0.2	0.4	0.5	0.5
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BVPS	0.7	0.8	0.5	0.4	0.4	0.8	1.0	1.3	1.7
VALUATION	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Price (NOK)	9.3	24.2	16.0	6.0	8.5	9.5	18.1	18.1	18.1
P/E	1.6	nm	nm	nm	nm	2.5	13.3	6.6	6.9
P/E adj.	1.6	nm	nm	nm	nm	nm	13.3	6.6	6.9
P/CE	0.8	12.8	10.7	nm	24.7	5.6	5.3	4.0	4.2
P/Sales	0.6	8.0	4.8	3.9	4.9	3.5	3.7	2.9	3.0
EV/Sales, incl. wc	0.6	7.9	4.9	4.0	4.7	3.5	3.5	2.3	1.9
EV/EBITDA, incl. wc	0.8	11.4	8.9	25.5	11.1	6.1	4.9	2.9	2.4
EV/EBITDA	0.8	11.5	9.1	29.1	12.5	6.0	4.8	2.8	2.3
EV/EBITDAX	0.8	11.1	7.5	16.1	10.3	5.1	4.3	2.6	2.2
P/B	2.3	5.3	4.1	1.7	2.7	1.4	2.2	1.6	1.3
FCF yield	19.6%	-0.7%	-7.0%	-16.8%	2.4%	17.2%	5.0%	17.0%	16.3%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
MARGINS AND GROWTH	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Return on equity (ROE)	72.2%	3.7%	nm	nm	nm	77.1%	18.0%	28.5%	21.3%
Return on capital employed (ROCE)	121.4%	6.8%	nm	nm	0.8%	0.4%	26.6%	47.2%	47.9%
Sales growth YOY	37.3%	-82.3%	-10.1%	-58.5%	7.4%	72.6%	81.7%	25.7%	-4.8%
EBITDA margin	72.2%	69.2%	55.4%	15.5%	42.5%	56.6%	70.5%	78.3%	80.3%
EBIT margin	49.7%	13.5%	-53.6%	-92.3%	2.2%	-4.6%	34.7%	50.6%	51.2%
Net margin	36.4%	5.4%	-49.7%	-112.9%	-16.0%	141.2%	27.4%	44.0%	44.3%
Tax rate	21.4%	53.6%	10.3%	10.2%	nm	nm	nm	0.0%	0.0%
GEARING AND CREDIT	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Gross interest-bearing debt (GIBD)	238	230	215	351	362	390	576	576	576
Net interest-bearing debt (NIBD)	-33	-36	101	113	101	-40	-151	-542	-918
Equity ratio	54.7%	56.8%	48.4%	43.3%	41.4%	61.9%	58.7%	65.4%	70.1%
GIBD / EBITDA	0.1	0.7	0.9	12.0	3.9	2.0	1.3	0.9	0.9
NIBD / EBITDA	0.0	-0.1	0.4	3.9	1.1	-0.2	-0.3	-0.9	-1.5
GIBD / Total assets	18.0%	17.3%	19.5%	34.8%	37.3%	27.6%	32.1%	26.9%	23.2%
NIBD / Total assets	-2.5%	-2.7%	9.2%	11.2%	10.4%	-2.8%	-8.4%	-25.3%	-37.1%
OCF / GIBD	6.7	1.2	0.8	-0.2	0.2	0.9	0.8	1.0	1.0
FCF / GIBD	1.4	-0.1	-0.7	-0.4	0.1	0.5	0.2	0.7	0.7
Interest coverage ratio (EBITDA)					4.6	3.4	8.5	11.8	11.6
Current ratio	2.3	2.8	1.7	3.8	11.2	4.1	6.7	2.3	13.2

DISCLOSURES AND DISCLAIMERS FOR RECOMMENDATIONS (EQUITY AND FIXED INCOME)**Issued by Fearnley Securities on July 27, 2017****1. Introduction**

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2. Equity Recommendations**Basis and Methods for Assessment**

Recommendations regarding shares and share related instruments (“Equities”) are based on price targets fixed with different valuation methods that may include analysis of earnings multiples (absolute and relative), valuation of a company using DCF (discounted cash flow) calculations and by carrying out net asset value (NAV) assessments. Price targets are changed when earnings and cash flow forecasts are changed. They may also be changed when the underlying value of the assets of the issuer that is the subject of the Recommendation (the “Recommendation Subject”) changes or when factors impacting the required rate of return change. Unless otherwise stated, our recommendations have a twelve-month horizon.

Definitions of Key Terms

Buy:	When price target is more than 15 % above market price.	
Accumulate:	When target price is within 5-15 % above market price.	
Reduce:	When target price is +5 % to -15 % below market price.	
Sell:	When target price is 15 % or more below market price.	

Risks

There is an element of risk attached to all investments in financial instruments. There may be uncertainties with respect to the accurateness and reliability of any information, interpretation and assessment. There are uncertainties and risks attached to the correctness of any Recommendation and with respect to forward looking statements and expectations.

High risk:	beta above	1.2
Medium risk:	beta range	1.0 – 1.2
Low risk:	beta at or less than	1.0

Fearnley Securities AS assesses risk in Recommendations relative to the Oslo Børs Benchmark index (OSEBX). Fearnley Securities AS applies the beta as main risk assessment criterion to its Recommendations. The risk assessment is in addition based on a consideration of the individual company’s business and financial risk profile.

Note that equity coverage of Fearnley Securities AS encompasses solely companies within the following sectors: Shipping, Oil services, Seafood and Oil E&P. These sectors are cyclical by nature and will over time presumably have a higher volatility than the overall market. Fearnley Securities AS utilizes the Oslo Stock Exchange as a benchmark in its risk assessment given the high concentration of sector participants on that exchange.

3. Fixed Income Recommendations

Basis and Methods for Assessment

Recommendations for bonds and other fixed income instruments are based on assessment of credit risk (the creditworthiness of a particular Recommendation Subject or instrument as of a given date) relative to risk premium (risk premium inherent in yield relative to investment amount).

Fearnley Securities AS mainly analyses fixed income instruments in the high yield segment where the credit risk is regarded as high. This includes rated instruments with ratings below BBB (S&P) or Baa3 (Moody's) (below "investment grade") where Fearnley Securities AS will quote the ratings to the extent these are known to Fearnley Securities AS.

Definitions of Key Terms

Buy: The risk premium is considered as favorable relative to credit risk

Hold: The risk premium is considered as acceptable relative to credit risk (Prior to April 11, 2016, defined as Accumulate)

Sell: The risk premium is considered as not acceptable relative to risk (Prior to April 11, 2016, defined as Reduce)

Unless otherwise stated, fixed income Recommendations are valid until maturity of the bonds.

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The information contained herein may include forward-looking statements within the meaning of U.S. federal securities laws that are subject to risks and uncertainties. Factors that could cause a company's actual results and financial condition to differ from expectations include, without limitation: political uncertainty, changes in general economic conditions that adversely affect the level of demand for the company's products or services, changes in foreign exchange markets, changes in international and domestic financial markets and in the competitive environment, and other factors relating to the foregoing. All forward-looking statements contained in this Recommendation are qualified in their entirety by this cautionary statement.

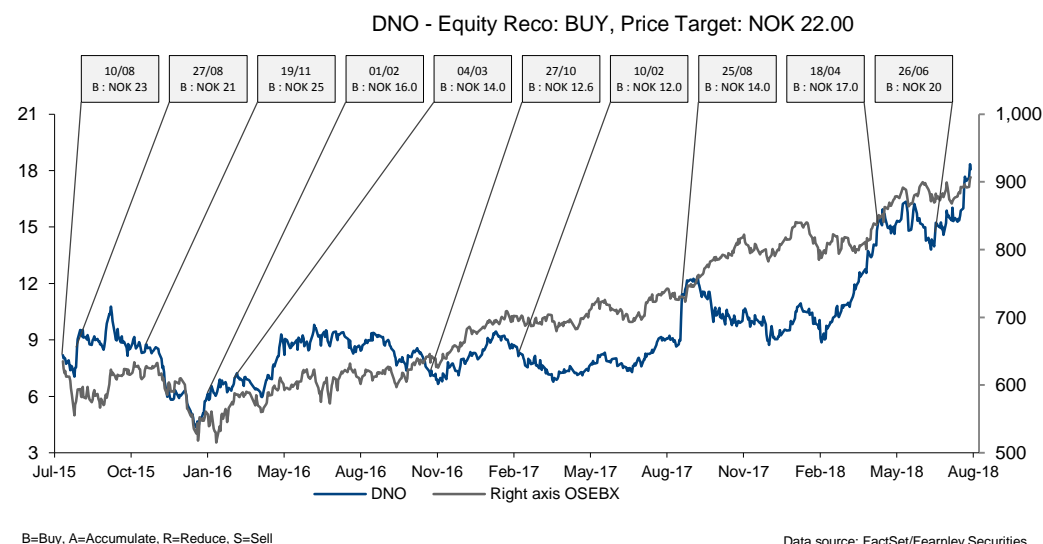
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9. Previous Recommendations



Credit Recommendation changes for DNO

Date	Credit Recommendation
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Please contact fondsweb@fearnleys.no to receive additional information about Recommendations in the financial instruments of the issuing company the last 36 months, including data on changes in Recommendations. Please be aware that certain informal Recommendations may be excluded.

10. Previous Reports

Date	Title	Reason
26-Jun-18	Lifting oil price and reserve assumptions	Update
27-Apr-18	Don't Worry	Results Review
26-Apr-18	USD 0.6bn of 1q18 liquidity shows NCS investment ability	Newsflash
18-Apr-18	Best of both worlds	Results preview
08-Feb-18	Turning into net cash position, steps up activity	Newsflash
19-Oct-17	Now Is the Time	Update
10-Oct-17	Dark Skies Over a Prosperous Region	Newsflash
25-Aug-17	Settlement With KRG – Set For Growth	Update
24-Aug-17	Substantial FCF despite higher lifting cost at Tawke	Newsflash

11. Disclosure of Positions

The following table presents holdings in financial instruments under the Norwegian Securities Trading Regulations section 3-10 (2) and section 3-11 (1), as well as Section 13(d) of the U.S. Securities Exchange Act of 1934. Fearnley Securities AS - consolidated with related companies and associated persons – has the following holdings of (a) equities of the Recommendation Subject that exceed 1% of the total share capital of the Recommendation Subject and (b) bonds of the Recommendation Subject in a nominal amount that exceeds 1% of the total outstanding bonds of such Recommendation Subject. The aggregate of all Fearnley analyst holdings are disclosed)

Company Name	Analyst's holding		Others		Last updated
	Equities	Bonds	Equities	Bonds	
AWILCO LNG	-	-	8 692 270	-	03.07.2018
OET-ME	-	-	371 500	-	03.07.2018
RDC US	800				03.07.2018
ESV US	5.000				03.07.2018

The shares in Awilco LNG are held by a parent company and represents 6,56% of the total equity in this issuer.

The shares in Okeanis Eco Tankers Corp are held by Fearnley Securities AS and represents 1,36% of the total equity in this issuer.

12. Disclosure of Assignments and Mandates

The following list presents information regarding any:

- (i) participation by any Fearnley party as manager or co-manager of a public offering relating to a Recommendation Subject in the preceding twelve months;
- (ii) receipt of compensation by a Fearnley party for investment banking services from a Recommendation Subject in the preceding twelve months;
- (iii) expectation that a Fearnley party will receive, or intends to seek, compensation for investment banking services from the Recommendation Subject in the following three months; and
- (iv) receipt of compensation by a Fearnley party for products or services other than investment banking services in the preceding twelve months, as well as identification of all categories of services offered (investment banking, non-investment banking securities-related, or non-securities services).

Last updated: 5 July 2018

- Awilco Drilling Plc
- Borr Drilling Ltd
- Eagle Bulk Shipping Inc
- Fjord1 ASA
- Genco Shipping & Trading Limited
- Hunter Group ASA
- MPC Container Ships AS
- Navios Maritime Containers Inc
- Navios Maritime Partners L.P.
- Northern Drilling Ltd
- Ocean Rig UDW Inc
- Ocean Yield ASA
- Pangaea Logistics Solutions Ltd

13. Statistics

The following table presents information pursuant to the Investment Recommendation Regulation § 2-5 (4), including quarterly statistics regarding the ratio of Recommendation categories issued by Fearnley Securities AS, as well as the corresponding ration of Recommendation categories issued with respect to Recommendation Subjects for which Fearnley Securities AS provided investment banking services during the preceding twelve months.

Last updated 6 July 2018

Rating distribution				Investment banking relationship			
Buy	Accumulate	Reduce	Sell	Buy	Accumulate	Reduce	Sell
64%	18%	10%	8%	100%	0%	0%	0%