



PETROLIA

Q2 2016

PETROLIA SE ('the Company') second quarter results 2016:

Financial results

- Total comprehensive income of USD -6.5 million in Q2 2016 compared to USD -10.9 million in Q2 2015.
- EBITDAX of USD 0.2 million in Q2 2016 compared to USD -5.2 million in Q2 2015.
- Revenue was USD 8.4 million in Q2 2016 compared to USD 15.8 million in Q2 2015.
- Shareholders' equity as at 30 June 2016 was USD 1.47 per share. Share price was NOK 4.42, or USD 0.53 at an exchange rate of USD/NOK 0.1194.
- Earnings per share was USD -0.16 per share in Q2 2016 compared to USD -0.40 per share in Q2 2015.
- Challenging market conditions impacting on activity levels in the OilService division.
- High focus on cost saving initiatives.

Key figures

| All figures in USD (million) | Q2 2016 | Q2 2015 | YTD 2016 | YTD 2015 |
|---|---------|---------|----------|----------|
| Operating revenues | 8.4 | 15.8 | 20.1 | 32.5 |
| EBITDAX | 0.2 | -5.2 | -0.4 | -4.5 |
| EBITDA | 0.2 | -6.5 | -0.4 | -16.9 |
| Total comprehensive income for the year | -6.5 | -10.9 | -8.8 | -19.7 |
| Earnings per share in USD | -0.16 | -0.40 | -0.21 | -0.65 |
| Equity per share in USD | 1.47 | 3.01 | 1.47 | 3.01 |

Financial information

Profit and loss for the second quarter of 2016 compared to the second quarter of 2015

Total revenue was USD 8.4 million compared to USD 15.8 million in the second quarter of 2015. Operating expenses were USD 9.0 million compared to USD 16.6 million in the second quarter of 2015. EBITDAX was USD 0.2 million compared to USD -5.2 million in the second quarter of 2015. Exploration cost was USD 0.0 million compared to USD 1.3 million in the second quarter of 2015. EBITDA was USD 0.2 million compared to USD -6.5 million in the second quarter of 2015.

Depreciation was USD 3.1 million in the second quarter of 2016 compared to USD 3.9 million in the corresponding quarter of 2015. Operating loss was USD 3.0 million compared to USD 10.4 million in the second quarter of 2015. Result from associated company was a loss of USD 0.0 million compared to USD 0.04 in the second quarter of 2015. Net financial cost was USD 0.6 million compared to USD 0.4 million in the second quarter of 2015.

The net result after tax was USD -4.5 million compared to USD -10.9 million in the second quarter of 2015. Total comprehensive income was USD -6.5 million compared to USD -10.9 million in the second quarter of 2015.

Profit and loss for the first half year of 2016 compared to the first half year of 2015

Total revenue was USD 20.1 million compared to USD 32.5 million in 2015. Operating expenses were USD 21.1 million compared to USD 32.6 million in 2015. EBITDAX was USD -0.4 million compared to USD -4.5 million in 2015. Exploration cost was USD 0.0 million compared to USD 12.4 million in 2015. EBITDA was USD -0.4 million compared to USD -16.9 million in 2015.

Depreciation was USD 6.5 million in 2016 compared to USD 7.9 million in 2015. Operating loss was USD 6.9 million compared to USD 24.8 million in 2015. Result from associated company was a profit of USD 0.7 million compared to a loss of USD 0.06 in 2015. Net financial income was USD 1.6 million compared to a cost of USD 1.6 million in 2015.

The net result after tax was USD -5.6 million compared to USD -17.8 million in 2015. Total comprehensive income was USD -8.8 million compared to USD -19.7 million in 2015.

Cash flow for the first six months of 2016 compared to the first six months of 2015

Cash flow from operations was USD 2.1 million in the first six months of 2016, compared to USD -8.7 million in 2015. Cash flow from investments in 2016 was USD -1.6 million compared to USD 2.6 million in 2015. Cash flow from financing activities in 2016 was USD -1.1 million compared to USD 13.4 million in 2015.

Free cash as at 30 June 2016 was USD 7.3 million compared to USD 9.6 million as at 30 June 2015.

Statement of financial position

As at 30 June 2016, total assets amounted to USD 85.7 million. Investment in OilService equipment had a book value of USD 30.6 million, investment in land rigs had a book value of USD 0.1 million, investment in listed shares had a book value of USD 0.5 million and total cash was USD 7.6 million.

As at 30 June 2016, net interest bearing bond loans amounted to USD 17.7 million. The Group holds Borrower's Bonds (bonds owned by the borrower) of USD 15.1 million (total bond loan is USD 32.8 million). In addition, there are financial leasing facilities for OilService equipment of USD 4.9 million.

Total equity was USD 40.1 million as at 30 June 2016, including a minority interest of USD 1.0 million. Book value of equity per share was USD 1.47 as at 30 June 2016, including minority interests of USD 0.04 per share.

Share information

As at 30 June 2016, the total number of shares outstanding in Petrolia SE was 27,235,867, each with a par value of USD 1.00. The Company has no outstanding or authorised stock options, warrants or convertible debt. As at 30 June 2016, the Company held no treasury shares.

Operational development, market and outlook

E&P division

Within the E&P division, Petrolia Norway AS ('Petrolia Norway') is actively developing its licence portfolio. It has established a cost efficient, robust and scalable business model, with the current drilling programme fully funded. Petrolia Norway will actively pursue farm-in opportunities and participate in upcoming APA rounds. One new licence was awarded in January 2016. Petrolia Norway will continue to focus on capital discipline through an on-going cost saving programme, which is expected to yield positive financial benefits throughout 2016.

In July 2015, following a strategic review, Petrolia Norway announced that it had commenced the preparation process to become pre-qualified as an operator on the Norwegian Continental Shelf. In parallel, Petrolia Norway raised NOK 50 million in new equity through a share issue offered to the 20 largest shareholders in Petrolia SE. Petrolia SE wanted to allow wider ownership of Petrolia Norway and as a result it did not subscribe to new shares in this issue. There is no plan to list the shares. With a larger investor base, Petrolia Norway AS will be better positioned to pursue the attractive opportunities that are expected to emerge in the present market of lower oil prices.

The transaction was completed on 18 August 2015. Following the share issue, Petrolia SE owns 49.9% of the shares of Petrolia Norway AS and it is accounted for as an associated company.

On 1 July 2016 an extraordinary general assembly in Petrolia Norway AS resolved to raise NOK 50 million in new equity and the issue was fully subscribed.

OilService division

Since the end of 2014, the industry has experienced a significant reduction in capital expenditure by oil companies, oil service companies and other customers of the OilService Division. This challenging environment has affected the



activity levels and profit margins of this division, which has excellent customer relationships and is a well-known and respected service and rental equipment company. Costs have been cut substantially in 2015 and 2016 whilst at the same time there has been a higher focus on business development in order to maintain or even increase market share.

Overall, the Board expects continued weak revenues for this division during 2016 as activity remains low and margins reflect more cost conscious buyers of oil services.

Both the land-rigs are being marketed in the Middle East region where the day rates are expected to be higher than in Europe. The drilling rig completed one short term work-over contract in the Kurdistan region of Iraq in January and has secured another short term contract with expected mobilisation in September. The rig continues to operate well.

Related party transactions

There have been no related party transactions during the quarter.

About the Company

E&P division:

Petrolia Norway (Associate Company):

Petrolia Norway seeks to maximise field potential through innovative exploration in mature areas of the Norwegian Continental Shelf ('NCS'), leveraging on the extensive industry experience of its management team. Petrolia Norway AS currently holds 6 licences on the NCS. Petrolia SE holds 49.9% of the share capital of Petrolia Norway and is the main shareholder.

OilService division:

The Company's involvement in oilfield services began through the acquisition of Independent Oil Tools AS in 2007. Total investment in equipment has subsequently exceeded USD 310 million. The investments were largely financed by Petrolia SE and in addition financial leases of more than USD 40 million were obtained. The division has developed into a well-respected, international equipment rental group with a global presence. This division owns drill pipes, test strings & tubing, handling and auxiliary tools, pressure control equipment for on and offshore activities and other equipment. In addition, the division provides associated services such as tubular running services.

The OilService division benefits from an excellent track record of availability, technical compliance, experience and performance. It has a well-established, large, international client base, including a portfolio of contracts in place with numerous major oil service companies, oil companies and drilling contractors.

Key risks and uncertainty

The activities and assets of the group are primarily in USD and the loan to Petrolia Norway AS (reported as 'other financial fixed asset') is in NOK. There is therefore a currency risk regarding the USD/NOK exchange rate. In January 2016, the Bond Loan was re-financed and is now denominated in USD.

Going Concern

The Board closely monitors the cash position of the group and the cash flow forecasts, and remains confident in the Group's ability to maintain sufficient financial resources to enable it to continue as a going-concern for the foreseeable future.



Responsibility statement

In accordance with Article 9, sections (3) (c) and (7) of the Cyprus Transparency Requirements (Securities for Trading on Regulated Market) Law of 2007 ("Law"), we the members of the Board of Directors and the other responsible persons for the financial statements of Petrolia SE for the period 1 January to 30 June 2016, we confirm that, to the best of our knowledge:

- (a) The financial statements for the period 1 January to 30 June 2016 are presented on pages 6 to 10:
 - (i) were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, and in accordance with the provisions of Article 9, section (4), of the Law; and
 - (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or losses of Petrolia SE; and
- (b) The Director's Report gives a fair review of the developments and performance of the business and the financial position of Petrolia SE together with a description of the principal risks and uncertainties that they are facing.

Board of Directors, Petrolia SE, Limassol, Cyprus 26 August 2016

Berge Gerdt Larsen
Chairman of the Board

Judith Parry
Board Member

Erwin Joseph Pierre Godec
Board Member
Managing Director

Sjur Storaas
Board Member

Demos Demou
Finance Manager



Financial report second quarter 2016 – preliminary

| Consolidated Statement of Comprehensive Income | | | | |
|--|---------------|---------------|----------------|----------------|
| All figures in USD (1,000) | | | | |
| | Q2 2016 | YTD 2016 | Q2 2015 | YTD 2015 |
| Operating revenues | 8,362 | 20,112 | 15,776 | 32,457 |
| Impairment current assets | 763 | 666 | -4,378 | -4,378 |
| Operating expenses | -8,968 | -21,136 | -16,557 | -32,607 |
| EBITDAX | 157 | -358 | -5,159 | -4,528 |
| Exploration expenses | 0 | 0 | -1,292 | -12,363 |
| EBITDA | 157 | -358 | -6,451 | -16,891 |
| Depreciation | -3,129 | -6,547 | -3,901 | -7,899 |
| Impairment | 0 | 0 | 0 | 0 |
| Operating profit (loss-) | -2,972 | -6,905 | -10,352 | -24,790 |
| Result from associated companies | -8 | 732 | -39 | -60 |
| Impairment other financial fixed assets | 0 | 0 | -2,050 | -2,050 |
| Interest income | 42 | 85 | 20 | 39 |
| Other financial income | 0 | 0 | -30 | 1,749 |
| Fair value through P&L | 142 | 178 | 30 | -137 |
| Interest cost | -336 | -718 | -733 | -1,653 |
| Other financial cost | -4 | -6 | -86 | -102 |
| Currency gain/loss | -420 | 2,037 | 362 | -1,498 |
| Profit / (loss-) before income tax | -3,556 | -4,597 | -12,878 | -28,502 |
| Tax on result | -922 | -1,011 | 1,994 | 10,703 |
| Profit / (loss-) for the year | -4,478 | -5,608 | -10,884 | 17,799 |
| Other comprehensive income | | | | |
| Currency translation differences | -1,982 | -3,144 | -20 | -1,873 |
| Total other comprehensive income / (loss-) | -1,982 | -3,144 | -20 | -1,873 |
| Total comprehensive income / (loss-) for the year | -6,460 | -8,752 | -10,904 | -19,672 |
| Number of shares | 27,235,867 | 27,235,867 | 27,235,867 | 27,235,867 |
| Earnings per share, basic | -0.16 | -0.05 | -0.40 | -0.65 |

Condensed Consolidated Statement of Financial Position

All figures in USD (1,000)

| Assets | 30.06.2016 | Audited 31.12.2015 |
|--|-------------------|-------------------------------|
| Deferred tax assets | 7,035 | 6,268 |
| Land rigs | 63 | 438 |
| OilService and other equipment | 30,571 | 35,680 |
| Land and buildings | 3,066 | 3,071 |
| Investments in associates | 1,878 | 1,130 |
| Other financial fixed assets | 17,883 | 16,631 |
| Restricted cash | 19 | 19 |
| Total non-current assets | 60,515 | 63,237 |
| Inventory | 1,071 | 947 |
| Tax receivables | 975 | 857 |
| Accounts receivable | 13,251 | 15,799 |
| Other current assets | 1,860 | 2,989 |
| Financial asset at fair value through P&L | 463 | 285 |
| Free cash | 7,273 | 8,005 |
| Restricted cash | 285 | 312 |
| Total current assets | 25,178 | 29,194 |
| Total assets | 85,693 | 92,431 |
| | | |
| Equity and liabilities | 30.06.2016 | 31.12.2015 |
| Share capital | 27 236 | 27 236 |
| Other equity | 11,864 | 20,029 |
| Majority interest | 39,100 | 47,265 |
| Minority interest | 980 | 1,567 |
| Total equity | 40,080 | 48,832 |
| Bond loan | 17,681 | 17,672 |
| Deferred tax liability | 6,268 | 6,268 |
| Other long-term liabilities | 3,858 | 4,327 |
| Total non-current liabilities | 27,807 | 28,267 |
| Short-term portion of non-current liabilities | 1,564 | 1,650 |
| Accounts payable | 11,849 | 11,643 |
| Bank loan | 346 | 60 |
| Other current liabilities | 4,047 | 1,979 |
| Total current liabilities | 17,806 | 15,332 |
| Total liabilities | 45,613 | 43,599 |
| Total equity and liabilities | 85,693 | 92,431 |
| Total book equity per share (end of period shares) | 1.47 | 1.79 |
| Equity (total) ratio | 46.77% | 52.83% |



Condensed Consolidated Statement of changes in Equity

All figures in USD (1,000)

| | YTD 2016 | YTD 2015 |
|--|---------------|----------------|
| Equity period start 01.01 | 48,832 | 101,544 |
| Total equity from shareholders in the period | 0 | 0 |
| Total comprehensive income/loss (-) for the period | -8,752 | -19,672 |
| Total change of equity in the period | -8,752 | -19,672 |
| Equity at period end | 40,080 | 81,872 |

Condensed Consolidated Cash Flow Statement

All figures in USD (1,000)

| | Q2 2016 | YTD 2016 | Q2 2015 | YTD 2015 |
|---|--------------|---------------|---------------|----------------|
| Net cash flow from operating activities | 2,179 | 2,138 | -1,812 | -8,660 |
| Net cash flow from investing activities | -690 | -1,638 | -1,327 | 2,610 |
| Net cash flow from financing activities | -466 | -1,149 | -3,497 | -13,358 |
| Net change in cash and cash equivalents | 1,023 | -0,649 | -6,636 | -19,408 |
| Free cash and cash equivalents at beginning of period | 6,411 | 8,005 | 16,282 | 29,975 |
| Exchange gain/loss (-) on cash and cash equivalents | -161 | -0,083 | 0 | -921 |
| Free cash and cash equivalents at period end | 7,273 | 7,273 | 9,646 | 9,646 |

Notes to the unaudited condensed consolidated figures:

Note 1 Applied accounting principles

This second quarter report is prepared according to the International Financial Reporting Standards (IFRS as adopted by the EU) and the appurtenant standard for quarterly reporting (IAS 34). The quarterly accounts are based on the current IFRS standards and interpretations and were approved by the Board on 26 August 2016.

This second quarter report is prepared according to the same principles as the most recent annual financial statements, but does not include all the information and disclosures required in the annual financial statements. Consequently, this report should be read in conjunction with the latest annual report for the Company (2015). Changes in standards and interpretations may result in other figures.

The same accounting principles and methods for calculation, which were applied in the latest annual report (2015), have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in its annual report for 2015 which is available on the Company's website www.petrolia.eu.

The consolidated accounts are based on historical cost, with the exception of items required to be reported at fair value.

Note 2 Tangible fixed assets

The table below outlines the development of tangible fixed assets as of 30 June 2016:

| All figures in USD (1,000) | Drilling- and other equipment | Land rigs | Land and buildings | Total |
|---|-------------------------------|----------------|--------------------|-----------------|
| Balance at 1 Jan 2016 | 35,680 | 438 | 3,071 | 39,189 |
| Acquisition cost: | | | | |
| Acquisition cost at 1 Jan 2016 | 310,815 | 14,243 | 3,495 | 328,553 |
| Purchased tangibles in 2016 | 1,639 | 28 | 0 | 1,667 |
| Disposal in 2016 | -1,887 | 0 | 0 | -1,887 |
| Translation differences | -8 | 0 | 20 | 12 |
| Acquisition cost at 30 June 2016 | 310,559 | 14,271 | 3,515 | 328,345 |
| Depreciation/impairment: | | | | |
| Balance depreciation at 1 January 2016 | -245,154 | -2,595 | -119 | -247,868 |
| Balance impairment at 1 January 2016 | -29,981 | -11,210 | -305 | -41,496 |
| Depreciation in 2016 | -6,119 | -403 | -25 | -6,547 |
| Impairment in 2016 | 0 | 0 | 0 | 0 |
| Disposal of depreciation in 2016 | 892 | 0 | 0 | 892 |
| Disposal of impairment in 2016 | 374 | 0 | 0 | 374 |
| Depreciation/impairment as at 30 June 2016 | -279,988 | -14,208 | -449 | -294,645 |
| Carrying amount: | | | | |
| Balance at 30 June 2016 | 30,571 | 63 | 3,066 | 33,700 |
| Residual value | | | | |

Note 3 Investments in associates

| All figures in USD (1,000) | Petrolia Norway AS |
|----------------------------------|--------------------|
| Investments in associates | |
| Shareholding | 49.9% |
| Business address | Bergen, Norway |
| Balance 1 January 2016 | 1,130 |
| Investments | 0 |
| Share of result | 748 |
| Balance at 30 June 2016 | 1,878 |

Note 4 Segment Information

| All figures in USD (1,000) YTD 2016 | Oil & Gas | OilService | Total |
|--|-----------|------------|--------|
| Revenue | Na | 20,112 | 20,112 |
| EBITDA | Na | -358 | -358 |
| Rental equipment, land rigs, licences | Na | 30,634 | 30,634 |
| Property | Na | 3,066 | 3,066 |

Oil & Gas

Petrolia Norway was awarded one new license in the 2015 APA and now holds 6 licences on the NCS.

OilService

In the second quarter of 2016, the OilService division has continued the ongoing business improvement programme with emphasis on business development, cost savings, equipment utilisation and equipment lifetime optimisation.

Note 5 Legal disputes

The board of PetroMENA ASA, under bankruptcy proceedings, has filed a claim of USD 1.2 billion against Deutsche Bank for various breaches of law and governance. Petrolia understands that the parties are in a process of negotiating an out of court settlement which will have a limited financial effect for Petrolia SE.

Note 6 Events after the balance sheet date

On 1 July 2016 an extraordinary general assembly in Petrolia Norway AS resolved to raise NOK 50 million in new equity and the issue was fully subscribed.

The drilling rig has secured a short term contract in the Kurdish region of North Iraq. Mobilisation is expected to start in September.

Glossary

| | |
|------------------|--|
| APA | Awards in Predefined Areas |
| BOEPD | Barrels of oil equivalent per day |
| BOE | Barrels of oil equivalents |
| BOPD | Barrels of oil per day |
| EBIT | Earnings before Interest and taxes |
| EBITDAX | Earnings before interest, taxes and explorations costs |
| EPS | Earnings per share |
| Exploration | A general term referring to all efforts made in the search for new deposits of oil and gas |
| Exploration well | A well drilled in the initial phase in petroleum exploration |
| Farm out | A contractual agreement with an owner who holds a working interest in an area to assign all or parts of that interest to other parties |
| MMbbl | Million barrels (oil reserves) |
| LOI | Letter of intent |
| NOK | Norwegian crowns |
| Oil field | An accumulation of hydrocarbons in the subsurface |
| Prospect | An area of exploration in which hydrocarbons have been predicted to exist |
| Spud | To start drilling a well |
| USD | United States Dollars |