



**PETROLIA**

**H1 2017**

## PETROLIA SE ('the Company') half-year financial report to 30 June 2017:

### Financial results

- Total comprehensive income of USD -7.0 million in H1 2017 compared to USD -8.8 million in H1 2016.
- EBITDA of USD -1.0 million in H1 2017 compared to USD -0.4 million in H1 2016.
- Revenue was USD 17.2 million in H1 2017 compared to USD 20.1 million in H1 2016.
- The following capital changes were completed on 21 January:
  - Par value of the shares was reduced from USD 1.00 to USD 0.10 and the share capital thus reduced from USD 27.2 million to USD 2.7 million.
  - Bond loan of USD 13.3 million was converted to equity by issuing 26.5 million new shares at price USD 0.50 and the share capital thus increased to USD 5.4 million.
  - Number of shares increased from 27.2 million to 53.8 million.
- Shareholders' equity as at 30 June 2017 was USD 0.70 per share. Share price was NOK 3.68, or USD 0.44 at an exchange rate of USD/NOK 0.1192.
- Earnings per share was USD -0.11 per share in H1 2017 compared to USD -0.21 per share in H1 2016.
- Challenging market conditions continue to impact on activity levels in the OilService division.
- Drilling rig in continuous operation with order book into Q4 2017.
- High focus on cost saving initiatives.

### Key figures

All figures in USD (million)	H1 2017	H1 2016
Operating revenues	17.2	20.1
EBITDA	-1.0	-0.4
Total comprehensive income for the year	-7.0	-8.8
Earnings per share in USD	-0.11	-0.21
Equity per share in USD	0.70	1.47

### Financial information

#### Profit and loss for the first half year of 2017 compared to the first half year of 2016

Total revenue was USD 17.2 million compared to USD 20.1 million in 2016. Operating expenses were USD 18.4 million compared to USD 21.1 million in 2016. EBITDA was USD -1.0 million compared to USD -0.4 million in 2016.

Depreciation was USD 5.6 million in 2017 compared to USD 6.5 million in 2016. Operating loss was USD 6.5 million compared to USD 6.9 million in 2016. Result from associated company was a loss of USD 0.2 million compared to a profit of USD 0.7 in 2016. Net financial income was USD 0.9 million compared to an income of USD 1.6 million in 2016.

The net result after tax was USD -5.9 million compared to USD -5.6 million in 2016. Total comprehensive income was USD -7.0 million compared to USD -8.8 million in 2016.

#### Cash flow for the first six months of 2017 compared to the first six months of 2016

Cash flow from operations was USD -1.4 million in the first six months of 2017, compared to USD 2.2 million in 2016. Cash flow from investments in 2017 was USD -0.3 million compared to USD -1.6 million in 2016. Cash flow from financing activities in 2017 was USD -1.1 million compared to USD -1.1 million in 2016.

Free cash as at 30 June 2017 was USD 13.6 million compared to USD 7.3 million as at 30 June 2016.

### Statement of financial position

As at 30 June 2017, total assets amounted to USD 63.7 million. Investment in OilService equipment had a book value of USD 20.9 million, investment in listed shares had a book value of USD 0.4 million and total cash was USD 13.9 million.

As at 30 June 2017, net interest bearing bond loans amounted to USD 4.4 million. The Group holds Borrower's Bonds (bonds owned by the borrower) of USD 15.1 million (total bond loan is USD 19.5 million). In addition, there are financial leasing facilities for OilService equipment of USD 3.7 million.

Total equity was USD 37.6 million as at 30 June 2017, including a minority interest of USD 1.1 million. Book value of equity per share was USD 0.70 as at 30 June 2017, including minority interests of USD 0.02 per share.

### Share information

As at 30 June 2017, the total number of shares outstanding in Petrolia SE was 53,757,988 (2016: 27,235,867), each with a par value of USD 0.10 (2016: USD 1.00). The Company has no outstanding or authorised stock options, warrants or convertible debt. As at 30 June 2017, the Company held no treasury shares.

## Operational development, market and outlook

### E&P division

Within the E&P division, Petrolia NOCO AS ('Petrolia NOCO') is actively developing its licence portfolio. It has established a cost efficient, robust and scalable business model, with the current exploration programme fully funded. Petrolia NOCO will actively pursue farm-in opportunities and participate in upcoming APA rounds. Two new licences were awarded in January 2017. Petrolia NOCO will continue to focus on capital discipline.

### 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 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 2017 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 both activity level and day rates have proven to be higher than in Europe.

The land drilling rig is being marketed in the Middle East region. The drilling rig has been in operation from September 2016 to January 2017 and again from March 2017 at low day rates. The current order book should see the rig operational into Q4 2017. The rig has operated excellently with little downtime, generating a high degree of customer satisfaction.

## Related party transactions

There have been no related party transactions during the first half-year.

## About the Company

### E&P division:

#### Petrolia NOCO (Associate Company):

Petrolia NOCO 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 NOCO currently holds 4 licences on the NCS. Petrolia SE holds 49.9% of the share capital of Petrolia NOCO 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. 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 NOCO AS (reported as 'other financial fixed asset') is in NOK. There is therefore a currency risk regarding the USD/NOK exchange rate.

In January 2017, the Bond Loan was re-financed and is now denominated in USD.

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

## 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 10, sections (3) (c) and (7) of the Cyprus Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Law of 2007 ("Law"), we the members of the Board of Directors and the other responsible persons for the drafting of the condensed consolidated interim financial statements of Petrolia SE for the period 1 January to 30 June 2017, confirm that, to the best of our knowledge:

- (a) The condensed consolidated interim financial statements for the period 1 January to 30 June 2017 that 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 10, 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 Interim Management Report gives a fair review of the developments and performance of the business and the financial position of Petrolia SE with a description of the principal risks and uncertainties that they are facing.

## Board of Directors, Petrolia SE, Limassol, Cyprus 24 August 2017

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 first half-year 2017 – preliminary

Consolidated Statement of Comprehensive Income		
All figures in USD (1,000)		
	H1 2017	H1 2016
Operating revenues	17,221	20,112
Impairment current assets	-139	666
Operating expenses	-18,368	-21,136
<b>EBITDA</b>	<b>-1,008</b>	<b>-358</b>
Depreciation	-5,559	-6,547
Impairment	40	0
<b>Operating profit (loss-)</b>	<b>-6,527</b>	<b>-6,905</b>
Result from associated companies	-196	732
Impairment other financial fixed assets	0	0
Interest income	151	85
Other financial income	0	0
Fair value through P&L	-30	178
Interest cost	-437	-718
Other financial cost	-15	-6
Currency gain/loss	1,255	2,037
<b>Profit / (loss-) before income tax</b>	<b>-5,799</b>	<b>-4,597</b>
Tax on result	-81	-1,011
<b>Profit / (loss-) for the year</b>	<b>-5,880</b>	<b>-5,608</b>
<b>Other comprehensive income</b>		
Currency translation differences	-1,149	-3,144
<b>Total other comprehensive income / (loss-)</b>	<b>-1,149</b>	<b>-3,144</b>
<b>Total comprehensive income / (loss-) for the year</b>	<b>-7,029</b>	<b>-8,752</b>
Number of shares	53,757,988	27,235,867
<b>Earnings per share, basic</b>	<b>-0.11</b>	<b>-0.05</b>

# Condensed Consolidated Statement of Financial Position

All figures in USD (1,000)

<b>Assets</b>	<b>30.06.2017</b>	<b>Audited 31.12.2016</b>
Deferred tax assets	278	278
Land rigs	0	0
OilService and other equipment	20,942	25,291
Land and buildings	3,127	2,970
Investments in associates	2,997	3,192
Other financial fixed assets	3,549	3,480
Restricted cash	43	19
<b>Total non-current assets</b>	<b>30,936</b>	<b>35,230</b>
Inventory	1,075	860
Tax receivables	56	295
Accounts receivable	14,468	13,154
Other current assets	2,900	2,516
Financial asset at fair value through P&L	379	409
Free cash	13,616	16,525
Restricted cash	283	303
<b>Total current assets</b>	<b>32,777</b>	<b>34,062</b>
<b>Total assets</b>	<b>63,713</b>	<b>69,292</b>
<b>Equity and liabilities</b>	<b>30.06.2017</b>	<b>31.12.2016</b>
Share capital	5,376	27 236
Other equity	31,111	3,284
Majority interest	36,487	30,520
Minority interest	1,101	836
<b>Total equity</b>	<b>37,588</b>	<b>31,356</b>
Bond loan	4,420	17,681
Deferred tax liability	278	278
Other long-term liabilities	3,199	3,069
<b>Total non-current liabilities</b>	<b>7,897</b>	<b>21,028</b>
Short-term portion of non-current liabilities	1,396	1,368
Accounts payable	9,649	8,856
Bank overdraft	328	274
Other current liabilities	6,855	6,213
<b>Total current liabilities</b>	<b>18,228</b>	<b>16,908</b>
<b>Total liabilities</b>	<b>26,125</b>	<b>37,936</b>
<b>Total equity and liabilities</b>	<b>63,713</b>	<b>69,292</b>
Total book equity per share (end of period shares)	0,70	1.15
Equity (total) ratio	59.00%	45.25%





### Condensed Consolidated Statement of changes in Equity

All figures in USD (1,000)

	H1 2017	H1 2016
Equity period start 01.01	31,356	48,832
Total equity from shareholders in the period	13,261	0
Total comprehensive income/loss (-) for the period	-7,029	-8,752
<b>Total change of equity in the period</b>	<b>6,232</b>	<b>-8,752</b>
<b>Equity at period end</b>	<b>37,588</b>	<b>40,080</b>

### Condensed Consolidated Cash Flow Statement

All figures in USD (1,000)

	H1 2017	H1 2016
Net cash flow from operating activities	-1,411	2,138
Net cash flow from investing activities	-263	-1,638
Net cash flow from financing activities	-1,105	-1,149
<b>Net change in cash and cash equivalents</b>	<b>-2,779</b>	<b>-0,649</b>
Free cash and cash equivalents at beginning of period	16,525	8,005
Exchange gain/loss (-) on cash and cash equivalents	-130	-0,083
<b>Free cash and cash equivalents at period end</b>	<b>13,616</b>	<b>7,273</b>

## Notes to the unaudited condensed consolidated figures:

### Note 1 Applied accounting principles

This first half-year 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 half-yearly accounts are based on the current IFRS standards and interpretations and were approved by the Board on 24 August 2017.

This first half-year 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 (2016). 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 (2016), have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in its annual report for 2016 which is available on the Company's website [www.petrolia.eu](http://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 2017:

All figures in USD (1,000)	Drilling- and other equipment	Land rigs	Land and buildings	Total
<b>Balance at 1 Jan 2017</b>	25,291	0	2,970	28,261
Acquisition cost:				
Acquisition cost at 1 Jan 2017	325,104	14,283	3,895	343,854
Purchased tangibles in 2017	478	0	222	700
Disposal in 2017	-501	0	0	-501
Translation differences	504	0	1	505
<b>Acquisition cost at 30 June 2017</b>	<b>325,586</b>	<b>14,283</b>	<b>4,117</b>	<b>344,559</b>
Depreciation/impairment:				
Balance depreciation at 1 January 2017	-277,873	-6,925	-620	-285,849
Balance impairment at 1 January 2017	-21,941	-7,358	-305	-29,744
Depreciation in 2017	-5,493	0	-66	-5,559
Impairment in 2017	40	0	0	40
Disposal of depreciation in 2017	634	0	0	634
Disposal of impairment in 2017	-11	0	0	-11
<b>Depreciation/impairment as at 30 June 2017</b>	<b>-304,644</b>	<b>-14,283</b>	<b>-990</b>	<b>-320,489</b>
<b>Carrying amount:</b>				
<b>Balance at 30 June 2017</b>	<b>20,942</b>	<b>0</b>	<b>3,127</b>	<b>24,069</b>
<b>Residual value</b>				

## Note 3 Investments in associates

All figures in USD (1,000)	Petrolia Norway AS
<b>Investments in associates</b>	
Shareholding	49.9%
Business address	Bergen, Norway
<b>Balance 1 January 2017</b>	<b>3,192</b>
Investments	0
Share of result	195
<b>Balance at 30 June 2017</b>	<b>2,997</b>

## Note 4 Segment Information

All figures in USD (1,000) YTD 2017	Oil & Gas	OilService	Total
Revenue	0	17,221	17,221
EBITDA	0	-1,008	-1,008
Rental equipment, land rigs, licences	0	20,942	20,942
Property	0	3,127	3,127

### Oil & Gas

Petrolia NOCO was awarded two new license in January 2017 and now holds 4 licences on the NCS.

### OilService

In the first half-year of 2017, 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

There are no legal disputes.

## Note 6 Events after the balance sheet date

There are no significant effects after the balance sheet date.

## 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