



PETROLIA

H1 2018

PETROLIA SE ('the Company') half-year financial report to 30 June 2018:

Financial results

- Total comprehensive income of USD -0.6 million in H1 2018 compared to USD -7.0 million in H1 2017.
- EBITDA of USD 5.9 million in H1 2018 compared to USD -1.0 million in H1 2017.
- Revenue was USD 26.2 million in H1 2018 compared to USD 17.2 million in H1 2017.
- Equity increase of USD 2.2 million
- Shareholders' equity as at 30 June 2018 was USD 0.62 per share. Share price was NOK 3.54, or USD 0.43 at an exchange rate of USD/NOK 0.1226.
- Earnings per share was USD -0.01 per share in H1 2018 compared to USD -0.11 per share in H1 2017.
- Improved market conditions increase activity levels in the OilService division.
- High focus on cost saving initiatives.

Key figures

All figures in USD (million)	H1 2018	H1 2017
Operating revenues	26.2	17.2
EBITDA	5.9	-1.0
Total comprehensive income for the year	-0.6	-7.0
Earnings per share in USD	-0.01	-0.11
Equity per share in USD	0.62	0.70

Financial information

Profit and loss for the first half year of 2018 compared to the first half year of 2017

Total revenue was USD 26.2 million compared to USD 17.2 million in 2017. Operating expenses were USD 20.9 million compared to USD 18.4 million in 2017. EBITDA was USD 5.9 million compared to USD -1.0 million in 2017.

Depreciation was USD 4.6 million in 2018 compared to USD 5.6 million in 2017. Operating profit was USD 1.5 million compared to a loss of USD 6.5 million in 2017. Result from associated company was a loss of USD 0.5 million compared to a loss of USD 0.2 in 2017. Net financial cost was USD 1.0 million compared to an income of USD 0.9 million in 2017.

The net result after tax was USD -0.2 million compared to USD -5.9 million in 2017. Total comprehensive income was USD -0.6 million compared to USD -7.0 million in 2017.

Cash flow for the first six months of 2018 compared to the first six months of 2017

Cash flow from operations was USD 4.0 million in the first six months of 2018, compared to USD -1.4 million in 2017. Cash flow from investments in 2018 was USD -8.1 million compared to USD -0.3 million in 2017. Cash flow from financing activities in 2018 was USD 1.4 million compared to USD -1.1 million in 2017.

Free cash as at 30 June 2018 was USD 11.1 million compared to USD 13.6 million as at 30 June 2017.

Statement of financial position

As at 30 June 2018, total assets amounted to USD 65.1 million. Investment in OilService equipment had a book value of USD 16.8 million, investment in listed shares had a book value of USD 0.3 million and total cash was USD 11.3 million.

As at 30 June 2018, 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 2.6 million.

Total equity was USD 36.5 million as at 30 June 2018, including a minority interest of USD 1.1 million. Book value of equity per share was USD 0.62 as at 30 June 2018, including minority interests of USD 0.02 per share.

Share information

As at 30 June 2018, the total number of shares outstanding in Petrolia SE was 59,133,786, including the 5,375,798 new shares allocated 14 May 2018, which were fully paid in June 2018 and formally issued and listed on 4 July 2018, (2017: 53,757,988), each with a par value of USD 0.10 (2017: USD 0.10). The Company has no outstanding or authorised stock options, warrants or convertible debt. As at 30 June 2018, the Company held no treasury shares.

Operational development, market and outlook

E&P division

Within the E&P division, the 49.9% owned associated company Petrolia NOCO AS ('Petrolia NOCO') is actively developing its licence portfolio in new and existing areas of the NCS. It has established a cost efficient, robust and scalable business model. Petrolia NOCO will actively pursue farm-in opportunities and participate in upcoming APA rounds focusing on new plays as well as plays in the more mature parts of the NCS. Four new exploration licences were awarded to the company in January 2018, including its first Operatorship.

Oil Service division

Since the oil price collapsed at the end of 2014, the industry has experienced a significant reduction in capital expenditure by oil companies, drilling 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 to maintain or even increase market share.

Overall, the Board expects a slight improvement in revenues for this division during 2018 as activity and margins slowly begin to recover, although margins remain low. The Board considers that the oil cycle now has bottomed as the oil prices have recovered.

Both the land-rigs are being marketed in the Middle East region.

The drilling rig has been in operation approximately four months of the first half of 2018 and a similar utilisation is expected for the rest of the year. The rig has operated excellently with very little downtime, generating a high degree of customer satisfaction. The rig is offered and operated in conjunction with services provided by the oil service division, giving increased revenues for the group.

Related party transactions

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

About the Company

E&P division:

Petrolia NOCO (Associate Company):

Petrolia NOCO seeks to create value through innovative exploration in new plays as well as in mature areas of the Norwegian Continental Shelf ('NCS'), leveraging on the extensive industry experience of its management team and a new younger team of geologists and geophysicists. Petrolia NOCO currently holds six licences on the NCS including one operatorship. Petrolia SE directly and indirectly 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 and investment in land rigs is USD 14 million. The book value of the equipment is now only USD 17 million and the land rigs have been fully depreciated/impaired. The investments were largely financed by Petrolia SE. The division has developed into a well-respected, international equipment rental and oil service group with a global presence. This division owns drill pipes, test strings & tubing, handling and auxiliary tools and pressure control equipment for onshore and offshore activities. In addition, the division provides associated services such as tubular running services, fishing services and land drilling services.

The Oil Service 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.

The Group is subject to various taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for 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. It 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

STATEMENT OF MEMBERS OF THE BOARD OF DIRECTORS AND OTHER RESPONSIBLE PERSONS OF THE COMPANY FOR THE INTERIM CONDENSED FINANCIAL STATEMENTS.

In accordance with Article 10, 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 drafting of the condensed consolidated interim financial statements of Petrolia SE for the period 1 January to 30 June 2018, confirm that, to the best of our knowledge:

- (a) The condensed consolidated interim financial statements for the period 1 January to 30 June 2018 that are presented on pages 6 to 10:
 - (i) were prepared in accordance with the International Financial Reporting Standards IAS 34 "Interim Financial Reporting", 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 information required by Article 10, section 6 of the Law.

Board of Directors, Petrolia SE, Limassol, Cyprus 23 August 2018

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 2018 – preliminary

Consolidated Statement of Comprehensive Income		
All figures in USD (1,000)		
	H1 2018	H1 2017
Operating revenues	26,236	17,221
Reversal / (impairment) current assets	563	-139
Operating expenses	-20,892	-18,368
EBITDA	5,907	-1,008
Depreciation	-4,621	-5,559
Reversal of impairment	183	40
Operating profit (loss-)	1,469	-6,527
Result from associated companies	-508	-196
Interest income	151	151
Fair value through P&L	94	-30
Interest cost	-228	-437
Other financial cost	-13	-15
Currency gain/loss	-1,034	1,255
Profit / (loss-) before income tax	-69	-5,799
Tax on result	-121	-81
Profit / (loss-) for the year	-190	-5,880
Other comprehensive income		
Currency translation differences	-428	-1,149
Total other comprehensive income / (loss-)	-428	-1,149
Total comprehensive income / (loss-) for the year	-618	-7,029
Number of shares	59,133,786	53,757,988
Earnings per share, basic	-0.01	-0.11

Condensed Consolidated Statement of Financial Position

All figures in USD (1,000)

Assets	30.06.2018	Audited 31.12.2017
Deferred tax assets	751	751
OilService and other equipment	16,826	18,025
Land and buildings	3,608	3,841
Investments in associates	4,216	2,531
Other financial fixed assets	5,393	2,864
Restricted cash	5	31
Total non-current assets	30,799	28,043
Inventory	800	699
Tax receivables	71	0
Accounts receivable	17,832	15,489
Other current assets	3,965	3,195
Financial asset at fair value through P&L	275	181
Free cash	11,140	13,956
Restricted cash	178	299
Total current assets	34,261	33,819
Total assets	65,060	61,862
Equity and liabilities	30.06.2018	31.12.2017
Share capital	5,913	5,376
Other equity	29,469	28,843
Majority interest	35,382	34,219
Minority interest	1,145	776
Total equity	36,527	34,995
Bond loan	4,420	4,420
Other long-term liabilities	1,882	2,623
Total non-current liabilities	6,302	7,043
Short-term portion of non-current liabilities	1,174	1,298
Accounts payable	12,069	10,288
Bank overdraft	326	348
Other current liabilities	8,662	7,890
Total current liabilities	22,231	19,824
Total liabilities	28,533	26,867
Total equity and liabilities	65,060	61,862
Total book equity per share (end of period shares)	0.62	0.65
Equity (total) ratio	56.14%	56.57%

Condensed Consolidated Statement of changes in Equity

All figures in USD (1,000)

	H1 2018	H1 2017
Equity period start 01.01	34,995	31,356
Total equity from shareholders in the period	2,150	13,261
Total comprehensive income/loss (-) for the period	-618	-7,029
Total change of equity in the period	1,532	6,232
Equity at period end	36,527	37,588

Condensed Consolidated Cash Flow Statement

All figures in USD (1,000)

	H1 2018	H1 2017
Net cash flow from operating activities	3,992	-1,411
Net cash flow from investing activities	-8,070	-263
Net cash flow from financing activities	1,353	-1,105
Net change in cash and cash equivalents	-2,725	-2,779
Free cash and cash equivalents at beginning of period	13,956	16,525
Exchange gain/loss (-) on cash and cash equivalents	-91	-130
Free cash and cash equivalents at period end	11,140	13,616

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 23 August 2018.

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 (2017). 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 (2017), have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in its annual report for 2017 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 2018:

	Drilling- and other equipment	Land rigs	Land and buildings	Total
All figures in USD (1,000)				
Balance at 1 January 2018	18,025	0	3,841	21,866
Acquisition cost:				
Acquisition cost at 1 January 2018	311,633	14,271	4,286	330,190
Purchased tangibles in 2018	2,854	0	0	2,854
Disposal in 2018	-6,745	0	-49	-6,794
Translation differences	405	0	-61	344
Acquisition cost at 30 June 2018	308,147	14,271	4,176	326,594
Depreciation/impairment:				
Balance depreciation at 1 January 2018	-262,353	-3,061	-386	-265,800
Balance impairment at 1 January 2018	-31,255	-11,210	-0,059	-42,524
Depreciation in 2018	-4,494	0	-118	-4,612
Reversal of impairment in 2018	183	0	0	183
Disposal of depreciation in 2018	2,504	0	-5	2,499
Disposal of impairment in 2018	4,094	0	0	4,094
Depreciation/impairment as at 30 June 2018	-291,321	-14,271	-568	-306,160
Carrying amount:				
Balance at 30 June 2018	16,826	0	3,608	20,434
Residual value				

Note 3 Investments in associates

All figures in USD (1,000)	Petrolia NOCO AS
Investments in associates	
Shareholding	49.9%
Business address	Bergen, Norway
Balance 1 January 2018	2,531
Investments	2,192
Translation differences	1
Share of result	-508
Balance at 30 June 2018	4,216

Note 4 Segment Information

All figures in USD (1,000) YTD 2018	Oil & Gas	OilService	Total
Revenue	0	26,236	17,221
EBITDA	0	5,907	-1,008
Rental equipment, land rigs, licences	0	16,826	20,942
Property	0	3,608	3,127

Oil & Gas

Petrolia NOCO was awarded four new licenses in January 2018, including its first operated licence, and now holds six licences on the NCS.

OilService

In the first half-year of 2018, the OilService division has seen increased activity following the increased oil price levels.

Note 5 Legal disputes

There are no legal disputes.

Note 6 Events after the balance sheet date

There are no significant events 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