



PETROLIA

H2 2018

PETROLIA SE ('the Company' or 'the Group') financial report for second half-year ended 31 December 2018 and preliminary unaudited annual results 2018:

Financial results

- Total comprehensive income of USD 5.0 million in H2 2018 compared to a loss of USD -2.6 million in H2 2017.
- EBITDA of USD 6.7 million in H2 2018 compared to USD 1.7 million in H2 2017.
- Revenue was USD 28.7 million in H2 2018 compared to USD 22.2 million in H2 2017.
- Loss from associated companies (Petrolia NOCO AS, Norwegian exploration company) was USD 2.8 million in H2 2018 compared to USD 0.4 million in H2 2017. Petrolia NOCO AS' twelve licences have a book value of zero.
- Shareholders' equity as at 31 December 2018 was USD 0.70 per share. Share price was NOK 3.20, or USD 0.37 at an exchange rate of USD/NOK 0.1151.
- Earnings per share was USD 0.02 per share (59.1 million shares) in H2 2018 compared to USD -0.03 per share (53.8 million shares) in H2 2017.
- Improved market conditions increase activity levels in the OilService division.

Key figures

All figures in USD (million)	H2 2018	H2 2017	YTD 2018	YTD 2017
Operating revenues	28.7	22.2	55.0	39.4
EBITDA	6.7	1.7	12.6	0.7
Total comprehensive income for the year	5.0	-2.6	4.3	-9.6
Earnings per share in USD	0.02	-0.03	0.01	-0.14
Equity per share in USD	0.70	0.65	0.70	0.65

Financial information

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

Total revenue was USD 28.7 million compared to USD 22.2 million in 2017. Operating expenses were USD 21.3 million compared to USD 17.7 million in 2017. EBITDA was USD 6.7 million compared to USD 1.7 million in 2017.

Depreciation was USD 3.5 million in 2018 compared to USD 4.4 million in 2017. Reversal of impairment was USD 3.7 million in 2018 compared to impairment of USD 1.3 million in 2017. Operating profit was USD 7.0 million compared to a loss of USD 4.0 million in 2017. Result from associated company was a loss of USD 2.8 million compared to a loss of USD 0.3 million in 2017. Net financial cost was USD 1.8 million compared to an income of USD 1.2 million in 2017.

The net result after tax was a profit of USD 1.2 million compared to a loss of USD 1.7 million in 2017. Total comprehensive income was USD 5.0 million compared to a loss of USD 2.6 million in 2017.

Profit and loss for the year 2018 compared to the year 2017

Total revenue was USD 55.0 million compared to USD 39.4 million in 2017. Operating expenses were USD 42.2 million compared to USD 36.1 million in 2017. EBITDA was USD 12.6 million compared to USD 0.7 million in 2017.

Depreciation was USD 8.1 million in 2018 compared to USD 10.0 million in 2017. Reversal of impairment was USD 3.9 million in 2018 compared to an impairment of USD 1.2 million in 2017. Operating profit was USD 8.4 million compared to a loss of USD 10.5 million in 2017. Result from associated company was a loss of USD 3.3 million compared to a loss of USD 0.5 million in 2017. Net financial cost was USD 2.9 million compared to an income of USD 2.2 million in 2017.

The net result after tax was USD 1.0 million compared to USD -7.6 million in 2017. Total comprehensive income was USD 4.3 million compared to a loss of USD 9.6 million in 2017.

Cash flow for the year 2018 compared to the year 2017

Cash flow from operations was USD 8.9 million in 2018, compared to USD 0.9 million in 2017. Cash flow from investments in 2018 was minus USD 13.7 million compared to minus USD 2.0 million in 2017. Cash flow from financing activities in 2018 was USD 0.5 million compared to USD -1.7 million in 2017.

Free cash as at 31 December 2018 was USD 9.5 million compared to USD 14.0 million as at 31 December 2017.

Statement of financial position

As at 31 December 2018, total assets amounted to USD 62.8 million. Investment in OilService equipment had a book value of USD 16.7 million, investment in Land rigs had a book value of USD 3.6 million, investment in listed shares had a book value of USD 0.2 million and total cash was USD 9.8 million.

As at 31 December 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 2.2 million.

Total equity was USD 41.5 million as at 31 December 2018, including a minority interest of USD 1.3 million. Book value of equity per share was USD 0.70 as at 31 December 2018, including minority interest of USD 0.02 per share.

Share information

As at 31 December 2018, the total number of shares outstanding in Petrolia SE was 59,133,786 (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 31 December 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. 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. Five new exploration licences were awarded to the company in January 2019, one of which as Operator. The company acquired 0.825% working interest in the Flyndre unit and a small volume of production. The company now has twelve licences (book value of zero) and a decision has been made for a well with good prospectivity to be drilled, probably in 2020.

OilService 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 2019 as activity and margins slowly begin to recover, although margins remain low. The Board considers that the oil industry cycle has bottomed and oil prices have gradually recovered, but remain volatile.

The drilling rig had good utilisation during 2018 and a similar utilisation is expected for 2019. The market is slowly improving resulting in higher rates. The rig has operated excellently with very little downtime, generating a high degree of customer satisfaction. The two rigs are 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 second 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 and a new younger team of geologists and geophysicists. Petrolia NOCO currently holds 12 licences on the NCS including two operatorships. 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. 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 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, land drilling and work-over 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.

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 have an impact on the current and deferred income tax assets and liabilities in the period in which such determination is made.

Going Concern

Before the oil price collapse in 2014, the Board of Petrolia SE ('the Board') had already reduced the financial gearing of the Company, which has had no net debt for many years. 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.

Board of Directors, Petrolia SE, Limassol, Cyprus 27 February 2019



Financial report second half-year 2018 – preliminary unaudited

Consolidated Statement of Comprehensive Income				
All figures in USD (1,000)				
	H2 2018	H2 2017	YTD 2018	YTD 2017
Operating revenues	28,734	22,178	54,970	39,399
Impairment current assets	-702	-2,755	-139	-2,616
Operating expenses	-21,336	-17,691	-42,228	-36,059
EBITDA	6,696	1,732	12,603	724
Depreciation	-3,462	-4,426	-8,083	-9,985
Impairment	3,743	-1,267	3,926	-1,227
Operating profit (loss-)	6,977	-3,961	8,446	-10,488
Gain from sale of subsidiary	0	373	0	373
Result from associated companies	-2,793	-339	-3,301	-535
Interest income	203	128	354	279
Other financial income	1,291	0	1,291	0
Fair value through P&L	-69	210	25	180
Interest cost	-194	74	-422	-363
Other financial cost	-77	-28	-90	-43
Currency gain/loss	-2,988	843	-4,022	2,098
Profit / (loss-) before income tax	2,350	-2,700	2,281	-8,499
Tax on result	-1,130	974	-1,251	893
Profit / (loss-) for the year	1,220	-1,726	1,030	-7,606
Other comprehensive income				
Currency translation differences	3,734	-867	3,306	-2,016
Total other comprehensive income / (loss-)	3,734	-867	3,306	-2,016
Total comprehensive income / (loss-) for the year	4,954	-2,593	4,336	-9,622
Number of shares	59,133,786	53,757,988	59,133,786	53,757,988
Earnings per share, basic	0.02	-0.03	0.01	-0.14

Condensed Consolidated Statement of Financial Position

All figures in USD (1,000)

Assets	31.12.2018	Audited 31.12.2017
Deferred tax assets	1,365	751
Land rigs	3,554	0
OilService and other equipment	16,683	18,025
Land and buildings	3,551	3,841
Investments in associates	2,932	2,531
Other financial fixed assets	7,366	2,864
Restricted cash	28	31
Total non-current assets	35,479	28,043
Inventory	958	699
Accounts receivable	12,998	15,489
Other current assets	3,354	3,195
Financial asset at fair value through P&L	197	181
Free cash	9,511	13,956
Restricted cash	269	299
Total current assets	27,287	33,819
Total assets	62,766	61,862
Equity and liabilities	31.12.2018	31.12.2017
Share capital	5,913	5,376
Other equity	34,267	28,843
Majority interest	40,180	34,219
Minority interest	1,301	776
Total equity	41,481	34,995
Bond loan	4,420	4,420
Other long-term liabilities	1,588	2,623
Total non-current liabilities	6,008	7,043
Short-term portion of non-current liabilities	907	1,298
Accounts payable	7,409	10,288
Bank overdraft	280	348
Other current liabilities	6,681	7,890
Total current liabilities	15,277	19,824
Total liabilities	21,285	26,867
Total equity and liabilities	62,766	61,862
Total book equity per share (end of period shares)	0.70	0.65
Equity (total) ratio	66.09%	56.57%

Condensed Consolidated Statement of changes in Equity

All figures in USD (1,000)

	YTD 2018	YTD 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	4,336	-9,622
Total change of equity in the period	6,486	3,639
Equity at period end	41,481	34,995

Condensed Consolidated Cash Flow Statement

All figures in USD (1,000)

	H2 2018	YTD 2018	H2 2017	YTD 2017
Net cash flow from operating activities	4,940	8,932	2,332	921
Net cash flow from investing activities	-5,656	-13,726	-1,729	-1,992
Net cash flow from financing activities	-893	460	-563	-1,668
Net change in cash and cash equivalents	-1,609	-4,334	40	-2,739
Free cash and cash equivalents at beginning of period	11,140	13,956	13,616	16,525
Exchange gain/loss (-) on cash and cash equivalents	-19	-110	300	170
Free cash and cash equivalents at period end	9,512	9,512	13,956	13,956

Notes to the unaudited condensed consolidated figures:
Note 1 Applied accounting principles

This second half-year report is prepared according to the International Financial Reporting Standards (IFRS as adopted by the EU) and the appurtenant standard for interim reporting. The half-year accounts are based on the current IFRS standards and interpretations and were approved by the Board on 27 February 2019.

This second 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 31 December 2018:

	Drilling- and other equipment	Land rigs	Land and buildings	Total
All figures in USD (1,000)				
Balance at 1 Jan 2018	18,025	0	3,841	21,866
Acquisition cost:				
Acquisition cost at 1 Jan 2018	311,633	14,271	4,286	330,190
Purchased tangibles in 2018	6,663	0	0	6,663
Disposal in 2018	-7,445	0	-43	-7,488
Translation differences	5	0	-91	-86
Acquisition cost at 31 December 2018	310,856	14,271	4,152	329,279
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	-59	-42,524
Depreciation in 2018	-7,923	0	-152	-8,075
Impairment in 2018	371	3,554	0	3,925
Disposal of depreciation in 2018	2,893	0	-4	2,889
Disposal of impairment in 2018	4,094	0	0	4,094
Depreciation/impairment as at 31 December 2018	-294,173	-10,717	-601	-305,491
Carrying amount:				
Balance at 31 December 2018	16,683	3,554	3,551	23,788
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	1,510
Share of result	-3,301
Balance at 31 December 2018	2,932

Note 4 Segment Information

All figures in USD (1,000) YTD 2018	Oil & Gas	OilService	Total
Revenue	0	54,970	54,970
EBITDA	0	12,603	12,603
Rental equipment, land rigs, licences	0	20,237	20,237
Property	0	3,551	3,551

Oil & Gas

In January 2018 Petrolia NOCO was awarded 4 new licences including its first operated licence.

OilService

In 2018, the OilService division has witnessed a recovery, but is maintaining a focus on disciplined cost management.

Note 5 Legal disputes

There are no legal disputes.

Note 6 Events after the balance sheet date

In January 2019 Petrolia NOCO was awarded 5 new licences including its second operated licence. The company now holds a total of 12 licences.

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