PETROLIA

H1 2019

PETROLIA SE ('the Company') half-year financial report to 30 June 2019:

Financial results

- Total comprehensive income is now positive for the second consecutive reporting period.
- Revenue was USD 30.4 million in H1 2019 compared to USD 26.2 million in H1 2018.
- Total comprehensive income of USD 2.8 million in H1 2019 compared to USD -0.6 million in H1 2018.
- EBITDA of USD 7.9 million in H1 2019 compared to USD 5.9 million in H1 2018.
- Losses from associated companies was USD 0.7 million in H1 2019 compared to USD 0.5 million in H1 2018.
- Shareholders' equity as at 30 June 2019 was USD 0.75 per share. Share price was NOK 3.08, or USD 0.36 at an exchange rate of USD/NOK 0.1174.
- Earnings per share was USD 0.03 per share in H1 2019 compared to USD -0.01 per share in H1 2018.
- Improved market conditions increase activity levels in the OilService division.
- High focus on cost control continues.

Key figures

All figures in USD (million)	H1 2019	H1 2018
Operating revenues	30.4	26.2
EBITDA	7.9	5.9
Total comprehensive income for the year	2.8	-0.6
Earnings per share in USD	0.03	-0.01
Equity per share in USD	0.75	0.62

Financial information

Profit and loss for the first half year of 2019 compared to the first half year of 2018

Total revenue was USD 30.4 million compared to USD 26.2 million in 2018. Operating expenses were USD 22.7 million compared to USD 20.9 million in 2018. EBITDA was USD 7.9 million compared to USD 5.9 million in 2018.

Depreciation was USD 4.3 million in 2019 compared to USD 4.6 million in 2018. Operating profit was USD 3.6 million compared to USD 1.5 million in 2018. Result from associated company was a loss of USD 0.7 million compared to a loss of USD 0.5 in 2018. Net financial cost was USD 0.1 million compared to USD 1.0 million in 2018.

The net result after tax was USD 2.2 million compared to a loss of USD 0.2 million in 2018. Total comprehensive income was USD 2.8 million compared to a loss of USD 0.6 million in 2018.

Cash flow for the first six months of 2019 compared to the first six months of 2018

Cash flow from operations was USD 4.5 million in the first six months of 2019, compared to USD 4.0 million in 2018. Cash flow from investments in 2019 was minus USD6.1 million compared to minus USD 8.1 million in 2018. Cash flow from financing activities in 2019 was minus USD 0.9 million compared to a contribution of USD 1.4 million in 2018.

Free cash as at 30 June 2019 was USD 7.1 million compared to USD 11.1 million as at 30 June 2018.

Statement of financial position

As at 30 June 2019, total assets amounted to USD 72.8 million. Investment in OilService equipment had a book value of USD 15.6 million, investment in listed shares had a book value of USD 0.2 million and total cash was USD 7.3 million.

As at 30 June 2019, net interest-bearing bond loans amounted to USD 4.6 million. The Group holds Borrower's Bonds (bonds owned by the borrower) of USD 14.9 million (total bond loan is USD 19.5 million). In addition, there are leasing liabilities for OilService equipment and offices of USD 8.4 million. Effect of adoption of IFRS 16 was USD 8.1 million, primarily related to office and warehouse rentals.

Total equity was USD 44.1 million as at 30 June 2019, including a minority interest of USD 1.9 million. Book value of equity per share was USD 0.75 as at 30 June 2019, including minority interests of USD 0.03 per share.

Share information

As at 30 June 2019, the total number of shares outstanding in Petrolia SE was 59,133,786, (2018: 59,133,786), each with a par value of USD 0.10 (2018: USD 0.10). The Company has no outstanding or authorised stock options, warrants or convertible debt. As at 30 June 2019, 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 and farm-out 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 has a 0.825% working interest in the Flyndre unit and a small volume of production. The company now has a total of 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 Oil Service 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 second half of 2019 as activity is expected to remain satisfactory in most regions. There have been some improvements in margins during the year. The Board considers that the oil industry will be volatile in the foreseeable future due to fluctuations in oil prices caused by the oversupply of oil, reduced economic growth and ongoing trade conflicts.

The Company owns two land rigs, one of which is operational, which are located in Iraq. The rig has had satisfactory utilisation during first half of 2019 and full-time utilisation is expected for the second half. The rig has operated excellently with very little downtime, generating a high degree of customer satisfaction. The second rig is being actively marketed. The market for rigs is still very competitive and no significant changes in rates are expected. The two rigs are offered and operated in conjunction with services provided by the oil service division, giving increased revenues for the group. The Company has recently taken on the management of a third rig which is owned by a third party and is presently on a drilling contract.

The Company is reviewing ways of reducing emissions of CO^2 in the oil industry and has started an associated company named CO^2 Management AS.

Related party transactions

In March, the Company sold USD 200 000 of the Borrower's Bonds in the Bond Loan "6.0 per cent Petrolia SE Callable Bond Issue 2016/2019" with ISIN: NO 0010755762 to the Chairman of the Company. The price was par value of USD 1 plus accrued interests after 21 January 2019. The Company offered the same terms to any other interested parties, but received no enquiries. The Bond Loan is denominated in USD, carries an interest of 6% and matures July 21st 2022.

About the Company

E&P division:

Petrolia NOCO AS (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 young and dynamic technical team. Since the end of the reporting period, the company has appointed Linn Katrine Høie as its new Managing Director. Linn Katrine has broad technical and management experience in the exploration & production sector.

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. The shares are registered in the Norwegian Central Securities Depository ("Verdipapirsentralen", VPS) with ISIN: NO0010844301. The shares are registered with ticker "PNO" on the NOTC (www.notc.no), a market place for unlisted shares.

OilService division:The Company´s involvement in oilfield services began with the acquisition of Independent Oil Tools AS in 2007. Total investment in equipment has subsequently exceeded USD 310 million. The present book value of the equipment is USD 15.6 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 two land rigs, 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.

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 2019, confirm that, to the best of our knowledge:

(a) The condensed consolidated interim financial statements for the period 1 January to 30 June 2019 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 28 August 2019

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 2019 – preliminary

Consolidated Statement of Comprehensive Income		
All figures in USD (1,000)		
	H1 2019	**H1 2018**
Operating revenues	30,446	26,236
Reversal / (impairment) current assets	118	563
Operating expenses	-22,707	-20,892
EBITDA	7,857	5,907
Depreciation	-4,298	-4,621
Reversal of impairment	0	183
Operating profit (loss-)	3,559	1,469
Result from associated companies	-743	-508
Interest income	219	151
Fair value through P&L	50	94
Other financial income	3	0
Interest cost	-365	-228
Other financial cost	-54	-13
Currency gain/loss	0	-1,034
Profit / (loss-) before income tax	2,669	-69
Tax on result	-489	-121
Profit / (loss-) for the year	**2,180**	**-190**
Other comprehensive income		
Currency translation differences	**572**	**-428**
Total other comprehensive income / (loss-)	**572**	**-428**
Total comprehensive income / (loss-) for the year	**2,752**	**-618**
Number of shares	59,133,786	59,133,786
Earnings per share, basic	**0.03**	**-0.01**

Condensed Consolidated Statement of Financial Position		
All figures in USD (1,000)		
Assets	**30.06.2019**	**Audited 31.12.2018**
Deferred tax assets	1,361	1,363
Right of use assets	9,285	0
OilService and other equipment	15,640	16,947
Land rigs	3,141	3,554
Land and buildings	3,380	3,109
Investments in associates	2,131	2,828
Other financial fixed assets	10,061	7,366
Restricted cash	28	28
Total non-current assets	45,027	35,195
Inventory	1,509	936
Accounts receivable	15,496	12,203
Other current assets	3,199	3,709
Financial asset at fair value through P&L	247	197
Free cash	7,083	9,650
Restricted cash	195	269
Total current assets	27,729	26,964
Total assets	**72,756**	**62,159**
Equity and liabilities		
Share capital	5,913	5,913
Other equity	36,289	34,145
Majority interest	42,202	40,058
Minority interest	1,866	1,258
Total equity	44,068	41,316
Bond loan	4,620	4,420
Other long-term liabilities	6,956	1,202
Total non-current liabilities	11,576	5,622
Short-term portion of non-current liabilities	1,787	907
Accounts payable	8,600	7,206
Bank overdraft	0	280
Other current liabilities	6,725	6,828
Total current liabilities	17,112	15,221
Total liabilities	28,688	20,843
Total equity and liabilities	**72,756**	**62,159**
Total book equity per share (end of period shares)	0.75	0.70
Equity (total) ratio	60.6%	66.5%

Condensed Consolidated Statement of changes in Equity		
All figures in USD (1,000)		
	H1 2019	**H1 2018**
Equity period start 01.01	41,316	34,995
Effect of adoption of new accounting standards	0	-844
Adjusted equity period start 01.01	41,316	34,151
Total equity from shareholders in the period	0	2,150
Total comprehensive income/loss (-) for the period	2,752	-618
Total change of equity in the period	2,752	1,532
Equity at period end	**44,068**	**35,683**

Condensed Consolidated Cash Flow Statement		
All figures in USD (1,000)		
	H1 2019	**H1 2018**
Net cash flow from operating activities	4,542	3,992
Net cash flow from investing activities	-6,116	-8,070
Net cash flow from financing activities	-945	1,353
Net change in cash and cash equivalents	-2,519	-2,725
Free cash and cash equivalents at beginning of period	9,650	13,956
Exchange gain/loss (-)on cash and cash equivalents	-47	-91
Free cash and cash equivalents at period end	**7,083**	**11,140**

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 28 August 2019.

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 (2018). 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 (2018), have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in its annual report for 2018 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 2019:

All figures in USD (1,000)	Drilling- and Other Equipment	Right of Use Assets	Land rigs	Land and buildings	Total
Balance at 1 January 2019	16.947	0	3.554	3,109	23.610
Adjusted, IFRS 16	-2.183	10,256	0	0	8,073
Adjusted balance at 1 January 2019	**14.764**	10,256	3.554	3,109	31,683
Acquisition cost at 1 January 2019	295,293	0	14,271	3,646	313,210
Adjusted, IFRS 16	-9,181	17,254	0	0	8,073
Adjusted acq. cost at 1 January 2019	**286,112**	**17,254**	**14,271**	**3,646**	**321,283**
Purchased tangibles in 2019	3,545	488	0	137	4,170
Disposal in 2019	-125	-19	0	0	-144
Translation differences	-188	-83	0	207	-64
Acquisition cost at 30 June 2019	**289,344**	**17,640**	**14,271**	**3,990**	**325,245**
Depreciation/impairment:					
Balance depreciation at 1 January 2019	-252,023	0	-3,061	-478	-255,562
Adjusted, IFRS 16	6,980	-6,980	0	0	0
Adjusted bal. depr. at 1 January 2019	**-245,043**	**-6,980**	**-3,061**	**-478**	**-255,562**
Balance impairment at 1 January 2019	-26,323	0	-7,656	-59	-34,038
Adjusted, IFRS 16	18	-18	0	0	0
Adjusted bal. imp. at 1 January 2019	**-26,305**	**-18**	**-7,656**	**-59**	**-34,038**
Depreciation in 2019	-2,440	-1,372	-413	-73	-4,298
Reversal of impairment in 2019	0	0	0	0	0
Disposal of depreciation in 2019	84	15	0	0	99
Disposal of impairment in 2019	0	0	0	0	0
Depreciation/impairment as at 30 June 2019	-273,704	-8,355	-11,130	-610	-293,799
Carrying amount: Balance at 30 June 2019 Residual value	15,640	9,285	3,141	3,380	31,446

Note 3 Investments in associates

All figures in USD (1,000) **Investments in associates**	Petrolia NOCO AS	CO2 Management AS	Total
Shareholding	49.9%	40.0%	
Business address	Bergen, Norway	Bergen, Norway	
Balance 1 January 2019	2,828	0	2,828
Investments	0	46	46
Share of result	-743	0	-743
Balance at 30 June 2019	**2,085**	**46**	**2,131**

Note 4 Segment Information

	YTD 2019				YTD 2018			
	Rental	Services	Sales	Total	Rental	Services	Sales	Total
Norway	3,963	488	332	4,783	5,102	763	465	6,330
Europe outside Norway	2,603	1,763	4,461	8,827	5,150	1,659	3,763	10,572
Asia and Australia	5,313	8,224	1,998	15,535	7,411	890	0	8,301
Other countries	627	478	196	1,301	391	281	361	1,033
Total	12,506	10,953	6,987	30,446	18,054	3,593	4,589	26,236

Oil & Gas

Petrolia NOCO was awarded five new licenses in January 2019, including its second operated licence, and now holds twelve licences on the NCS.

OilService

In the first half-year of 2019, 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

The 49.9% owned associated company, Petrolia NOCO AS, has employed Linn Katrine Høie as new Managing Director and has been listed with ticker "PNO" on www.notc.no.

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