



PETROLIA

H2 2019

PETROLIA SE ('the Company' or 'the Group') financial report for second half-year ended 31 December 2019 and preliminary unaudited annual results 2019:

Financial results

- Total comprehensive loss of USD 2.0 million in H2 2019 compared to an income of USD 5.6 million in H2 2018.
- EBITDA of USD 8.1 million in H2 2019 compared to USD 7.6 million in H2 2018.
- Revenue was USD 35.4 million in H2 2019 compared to USD 28.6 million in H2 2018.
- Loss from associated companies (Petrolia NOCO AS, Norwegian exploration company) was USD 0.5 million in H2 2019 compared to USD 1.4 million in H2 2018.
- Loss from sale of subsidiary company USD 2.2 million in H2 2019 compared to nil in H2 2018 being a non-repetitive transaction.
- Shareholders' equity as at 31 December 2019 was USD 0.71 per share. Share price was NOK 3.00, or USD 0.34 at an exchange rate of USD/NOK 0.1139.
- Loss per share was USD -0.04 per share (59.1 million shares) in H2 2019 compared to Earnings per share was USD 0.06 per share (59.1 million shares) in H2 2018.
- Associate company, Petrolia NOCO AS, awarded a further five exploration licences, including one as Operator.
- OilService division maintains prudent cost control whilst benefitting from some improvement in margins.

Key figures

All figures in USD (million)	H2 2019	H2 2018	2019	2018
Operating revenues	35.4	28.6	65.9	54.8
EBITDA	8.1	7.6	15.9	13.5
Total comprehensive (loss) income for the year	-2.0	5.6	0.8	5.0
(Loss)/earnings per share in USD	-0.04	0.06	-0.01	0.05
Equity per share in USD	0.71	0.70	0.71	0.70

Financial information

Profit and loss for the second half of 2019 compared to the second half of 2018

Total revenue was USD 35.4 million compared to USD 28.6 million in 2018. Operating expenses were USD 27.2 million compared to USD 21.2 million in 2018. EBITDA was USD 8.1 million compared to USD 7.6 million in 2018.

Depreciation was USD 4.4 million in 2019 compared to USD 3.4 million in 2018. Reversal of impairment was nil in 2019 compared to USD 3.7 million in 2018. Operating profit was USD 3.7 million compared to USD 7.9 million in 2018. Result from associated company was a loss of USD 0.5 million compared to a loss of USD 1.4 million in 2018. Net financial cost was USD 1.5 million compared to USD 1.8 million in 2018.

The net result after tax was a loss of USD 2.1 million compared to a profit of USD 3.7 million in 2018. Total comprehensive loss was USD 2.0 million compared to an income of USD 5.6 million in 2018.

Profit and loss for the year 2019 compared to the year 2018

Total revenue was USD 65.9 million compared to USD 54.8 million in 2018. Operating expenses were USD 49.9 million compared to USD 42.1 million in 2018. EBITDA was USD 15.9 million compared to USD 13.5 million in 2018.

Depreciation was USD 8.7 million in 2019 compared to USD 8.0 million in 2018. Reversal of impairment was nil in 2019 compared to an impairment reversal of USD 3.9 million in 2018. Operating profit was USD 7.2 million compared to USD 9.4 million in 2018. Result from associated company was a loss of USD 1.3 million compared to a loss of USD 1.9 million in 2018. Net financial cost was USD 1.6 million compared to USD 2.9 million in 2018.

The net result after tax was USD 40 thousand compared to USD 3.5 million in 2018. Total comprehensive income was USD 0.8 million compared to USD 5.0 million in 2018.

Cash flow for the year 2019 compared to the year 2018

Cash flow from operations was USD 8.7 million in 2019, compared to USD 8.9 million in 2018. Cash flow from investments in 2019 was minus USD 8.6 million compared to minus USD 13.7 million in 2018. Cash flow from financing activities in 2019 was minus USD 2.2 million compared to USD 0.5 million in 2018.

Free cash as at 31 December 2019 was USD 7.7 million compared to USD 9.5 million as at 31 December 2018.

Statement of financial position

As at 31 December 2019, total assets amounted to USD 72.1 million. Investment in OilService equipment had a book value of USD 14.7 million, investment in land rigs had a book value of USD 2.7 million, investment in listed shares had a book value of USD 0.2 million and total cash was USD 7.8 million.

As at 31 December 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 were leasing liabilities for OilService equipment and offices of USD 9.2 million.

Total equity was USD 42.1 million as at 31 December 2019, including a minority interest of USD 2.0 million. Book value of equity per share was USD 0.71 as at 31 December 2019, including minority interest of USD 0.03 per share.

Share information

As at 31 December 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 31 December 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 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 equipment rental 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 activity 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, ongoing trade conflicts and other factors affecting the world economic situation.

The Company owns two land rigs, which are located in Iraq, one is operational. The rig has had satisfactory utilisation during 2019 and this is expected to continue in 2020. 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. In 2019 the Company took on the management of a third rig which is owned by a third party. The rig has had satisfactory

utilisation during 2019 and this continued into the beginning of 2020. However the rig has now come off contract and is expected to be sent out of the country and operated by the owner.

CO² Management AS

The Company is committed to making a positive contribution to global sustainability and to protecting the environment. Our newly established company, CO² Management AS, aims to mitigate this risk by taking steps to reduce the Group's carbon footprint. The Company will look to make investments aimed at reducing CO² emissions in the oil industry, including Carbon Capture & Storage ('CCS') and Hydrogen Production technologies in Norway.

Related party transactions

In November 2019, the Board of Independent Oil Tools AS Group divested of the minor, loss making subsidiary Independent Oil Tools Limited (Dubai) to a related party, Petroresources Ltd (Cyprus), for EUR 1.

About the Company

E&P division:

Petrolia NOCO AS, Associate Company (Petrolia NOCO):

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 twelve 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 marketplace 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 in this division 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.

Board of Directors, Petrolia SE, Limassol, Cyprus 27 February 2020

Financial report second half-year 2019 – preliminary unaudited

Consolidated Statement of Comprehensive Income				
All figures in USD (1,000)				
	H2 2019	H2 2018	2019	2018
Operating revenues	35,417	28,587	65,863	54,823
Impairment current assets	-205	251	-87	814
Operating expenses	-27,150	-21,211	-49,857	-42,103
EBITDA	8,062	7,627	15,919	13,534
Depreciation	-4,383	-3,426	-8,681	-8,047
Impairment	0	3,709	0	3,892
Operating profit	3,679	7,910	7,238	9,379
Loss from sale of subsidiary	-2,186	0	-2,186	0
Result from associated companies	-535	-1,387	-1,278	-1,895
Interest income	337	203	556	354
Other financial income	3	1,291	6	1,291
Fair value through P&L	-67	-69	-17	25
Interest cost	-418	-181	-783	-409
Other financial cost	-296	-86	-350	-99
Currency loss	-1,030	-2,987	-1,030	-4,021
(Loss-)/profit before income tax	-513	4,694	2,156	4,625
Tax on result	-1,627	-1,008	-2,116	-1,129
(Loss-)/profit for the period/year	-2,140	3,686	40	3,496
Other comprehensive income				
Currency translation differences	188	1,947	760	1,519
Total other comprehensive income	188	1,947	760	1,519
Total comprehensive (loss-)/income for the year	-1,952	5,633	800	5,015
Number of shares	59,133,786	59,133,786	59,133,786	59,133,786
(Loss-)/earnings per share, basic	-0.04	0.06	-0.01	0.05

Condensed Consolidated Statement of Financial Position

All figures in USD (1,000)

Assets	31.12.2019	Audited 31.12.2018
Deferred tax assets	709	1,363
Right of use assets	9,729	0
OilService and other equipment	14,744	16,947
Land rigs	2,728	3,554
Land and buildings	3,444	3,109
Investments in associates	1,596	2,828
Other financial fixed assets	11,019	7,366
Restricted cash	27	28
Total non-current assets	43,996	35,195
Inventory	1,540	936
Accounts receivable	15,823	12,203
Other current assets	2,723	3,709
Financial asset at fair value through P&L	180	197
Free cash	7,666	9,650
Restricted cash	150	269
Total current assets	28,082	26,964
Total assets	72,078	62,159
Equity and liabilities		
Share capital	5,913	5,913
Other equity	34,158	34,145
Majority interest	40,071	40,058
Minority interest	2,045	1,258
Total equity	42,116	41,316
Bond loan	4,620	4,420
Other long-term liabilities	6,741	1,202
Total non-current liabilities	11,361	5,622
Short-term portion of non-current liabilities	2,561	907
Accounts payable	8,286	7,206
Bank overdraft	0	280
Other current liabilities	7,754	6,828
Total current liabilities	18,601	15,221
Total liabilities	29,962	20,843
Total equity and liabilities	72,078	62,159
Total book equity per share (end of period shares)	0.71	0.70
Equity (total) ratio	58.4%	66.5%



Condensed Consolidated Statement of changes in Equity

All figures in USD (1,000)

	2019	2018
Equity period start 01.01	41,316	34,151
Total equity from shareholders in the year	0	2,150
Total comprehensive income for the year	800	5,015
Total change of equity in the period	800	7,165
Equity at year end	42,116	41,316

Condensed Consolidated Cash Flow Statement

All figures in USD (1,000)

	H2 2019	2019	H2 2018	2018
Net cash flow from operating activities	4,178	8,720	5,742	9,734
Net cash flow from investing activities	-2,463	-8,579	-6,224	-14,294
Net cash flow from financing activities	-1,267	-2,212	-880	473
Net change in cash and cash equivalents	448	-2,071	-1,362	-4,087
Free cash and cash equivalents at beginning of period	7,083	9,650	11,140	13,956
Exchange gain/loss (-) on cash and cash equivalents	135	88	-127	-218
Free cash and cash equivalents at period end	7,666	7,666	9,651	9,651

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 second half-year accounts are based on the current IFRS standards and interpretations and were approved by the Board on 27 February 2020.

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 (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 31 December 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	9,742	0	0	7,559
Adjusted balance at 1 January 2019	14,764	9,742	3,554	3,109	31,169
Acquisition cost at 1 January 2019	295,293	0	14,271	3,646	313,210
Adjusted, IFRS 16	-9,181	16,740	0	0	7,559
Adjusted acq. cost at 1 January 2019	286,112	16,740	14,271	3,646	320,769
Purchased tangibles in 2019	5,544	4,038	0	313	9,895
Disposal in 2019	-2,106	-244	0	0	-2,350
Translation differences	2,278	-864	0	183	1,597
Acquisition cost at 31 December 2019	291,828	19,670	14,271	4,142	329,911
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	-26,322	0	-7,656	-59	-34,037
Adjusted, IFRS 16	18	-18	0	0	0
Adjusted bal. imp. at 1 January 2019	-26,304	-18	-7,656	-59	-34,037
Depreciation in 2019	-5,082	-2,612	-826	-161	-8,681
Business combination at cost in 2019	-7,909	-1,734	0	0	-9,643
Business combination depreciation	5,270	1,272	0	0	6,542
Disposal of depreciation in 2019	1,984	131	0	0	2,115
Disposal of impairment in 2019	0	0	0	0	0
Depreciation/impairment as at 31 December 2019	-277,084	-9,941	-11,543	-698	-299,266
Carrying amount:					
Balance at 31 December 2019	14,744	9,729	2,728	3,444	30,645
Residual value					

Note 3 Investments in associates

All figures in USD (1,000)	Petrolia NOCO AS	CO ₂ Management AS	Total
Investments in associates			
Shareholding	49.9%	40.0%	
Business address	Bergen, Norway	Bergen, Norway	
Balance 1 January 2019	2.828	0	2.828
Investments	0	46	46
Result	-1.276	-2	-1.278
Balance at 31 December 2019	1.552	44	1.596

Note 4 Segment Information

All figures in USD (1,000) YTD 2019	Rental	Services	Sales	Total
Norway	9.476	1.351	796	11.623
Europe outside Norway	6.736	3.659	9.655	20.050
Asia and Australia	11.084	16.462	4.519	32.065
Other countries	1.173	732	220	2.125
Total	28.469	22.204	15.190	65.863

Oil & Gas

In January 2019, Petrolia NOCO was awarded five new licences including its second operated licence.

OilService

In 2019, the OilService division has maintained a focus on disciplined cost management.

Note 5 Legal disputes

There are no legal disputes.

Note 6 Events after the balance sheet date

There have been no significant events after the balance sheet date.