



PETROLIA

1H 2020

PETROLIA SE ('the Company') half-year financial report to 30 June 2020:

Financial results

- Revenue was USD 22.3 million in H1 2020 compared to USD 30.4 million in H1 2019.
- Total comprehensive loss of USD 2.1 million in H1 2020, including a currency loss of USD 2.9 million, compared to a total comprehensive income of USD 2.8 million in H1 2019.
- EBITDA of USD 5.7 million in H1 2020 compared to USD 7.9 million in H1 2019.
- Losses from associated companies was USD 0.7 million in H1 2020 compared to a loss of USD 0.7 million in H1 2019.
- Shareholders' equity as at 30 June 2020 was USD 0.67 per share. Share price was NOK 3.00, or USD 0.31 at an exchange rate of NOK/USD of 0.1026.
- Loss was USD 0.05 per share in H1 2020 compared to earnings of USD 0.03 per share in H1 2019.
- Covid-19 pandemic resulted in a sharp drop in the oil price and reduced activity
- High focus on cost control continues
- Significant oil discovery at the Dugong well (PL882) by the Company's associated company Petrolia NOCO AS, refer to events after balance sheet date.

Key figures

All figures in USD (million)	H1 2020	H1 2019
Operating revenues	22.3	30.4
EBITDA	5.7	7.9
Total comprehensive (loss) /income for the year	-2.1	2.8
(Loss)/Earnings per share in USD	-0.05	0.03
Total equity per share in USD	0.67	0.75

Financial information

Profit and loss for the first half year of 2020 compared to the first half year of 2019

Total revenue was USD 22.3 million compared to USD 30.4 million in 2019. Operating expenses were USD 15.6 million compared to USD 22.7 million in 2019. EBITDA was USD 5.7 million compared to USD 7.9 million in 2019.

Depreciation was USD 4.1 million in 2020 compared to USD 4.3 million in 2019. Operating profit was USD 1.6 million compared to USD 3.6 million in 2019. Result from associated company was a loss of USD 0.7 million compared to a loss of USD 0.7 in 2019. Net financial cost was USD 3.2 million compared to USD 0.1 million in 2019.

The net loss after tax was USD 2.9 million compared to a profit of USD 2.2 million in 2019. Total comprehensive loss was USD 2.1 million compared to a profit of USD 2.8 million in 2019.

Cash flow for the first half year of 2020 compared to the first half year of 2019

Cash flow from operations was USD 6.5 million in the first six months of 2020, compared to USD 4.5 million in 2019. Cash outflow from investments in 2020 was USD 1.2 million compared to a cash outflow of USD 6.1 million in 2019. Cash outflow from financing activities in 2020 was USD 1.2 million compared to a cash outflow of USD 0.9 million in 2019.

Free cash as at 30 June 2020 was USD 11.5 million compared to USD 7.1 million as at 30 June 2019.

Statement of financial position

As at 30 June 2020, total assets amounted to USD 67.5 million. Investment in OilService equipment had a book value of USD 13.6 million, investment in listed shares had a book value of USD 0.1 million and total cash was USD 11.7 million.

As at 30 June 2020, 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 9.2 million.



Total equity was USD 39.3 million as at 30 June 2020, including a minority interest of USD 2.1 million. Book value of equity per share was USD 0.67 as at 30 June 2020, including minority interests of USD 0.04 per share.

Share information

As at 30 June 2020, the total number of shares outstanding in Petrolia SE was 59,133,786, (2019: 59,133,786), each with a par value of USD 0.10 (2019: USD 0.10). The Company has no outstanding or authorised stock options, warrants or convertible debt. As at 30 June 2020, 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. The company has a 0.825% working interest in the Flyndre unit and a 4.35% working interest in the Enoch unit and a small volume of production. The company now has a total of nine licences, one of which as operator. The company recently reported its first commercial oil discovery, refer to note 6.

OilService division

Since the oil price collapsed in March this year due to Covid-19 and subsequent drop in demand for oil, most oil companies have cut down on their activity and spending. This has adversely impacted the division in many of the locations of operation. As the anticipated downturn is expected to last for some time, cost cutting initiatives were rapidly implemented. It takes some time before the full effect of the cost cuttings will be seen. At the same time, there is a very high focus on business development and some regions have managed to increase their market share, this has largely offset the reduced activity among our clients in these areas.

Overall, the Board expects a decrease in revenues for the division during the second half of 2020 as activity is expected to remain weak in most regions. The Board considers that the oil industry will be volatile in the foreseeable future due to fluctuations in oil prices caused by oversupply of oil, reduced economic growth and the ongoing pandemic. The market is expected to be very competitive and margins are and will be under pressure.

The division has two land drilling rigs in Iraq, one rig is owned by a Turkish company. Only the latter had utilisation during first quarter of 2020. Some utilisation for both rigs is expected in the second half but this is very dependent on local Covid-19 constraints. The rigs have operated excellently with very little downtime, generating a high degree of customer satisfaction. The two rigs are offered and operated in conjunction with other services provided by the division, giving increased revenues for the division.

The Company is reviewing ways of reducing emissions of CO₂ in the oil industry and has started an associated company named CO₂ Management AS.

Related party transactions

There have been no significant related party transactions.

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 announced its first commercial oil discovery, refer to note 6.

Petrolia NOCO currently holds 9 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. 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 13.6 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 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.

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

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.

Events after the balance sheet date

The 49.9% owned associated company, Petrolia NOCO AS, reported on the 4th of August 2020 a commercial discovery of oil at the Dugong well in the Norwegian sector of the North Sea, the largest discovery in Norway so far this year. The volumes are estimated to be in the range of 6.3 – 19.0 million standard cubic meters (MSm³) of recoverable oil equivalent, or 40 – 120 million barrels of oil equivalent. In addition, the Dugong discovery has identified another prospect estimated by the Operator at 5.2 million standard cubic meters (MSm³) of recoverable oil equivalent, or 33 million barrels of oil equivalent.

The forward appraisal and commercialisation strategy for the Dugong discovery will be based upon a full evaluation of the information collected at both the main bore and side-track well. Dugong is located nearby existing production facilities.

The discovery enhances the prospectivity of the entire PL 882 license, where the Company owns 20%, in particular the adjacent Dugong Tail prospect where there is considerable resource upside. Additional prospects and leads have also been identified by the PL882 partnership. Petrolia NOCO also holds 30% shares in two adjacent licenses (PL992 and PL994).



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 2020, confirm that, to the best of our knowledge:

- (a) The condensed consolidated interim financial statements for the period 1 January to 30 June 2020 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 27 August 2020



Berge Gerdt Larsen
Chairman of the Board



George Hadjineophytou
Vice Chairman



Sjur Storaas
Board Member



Polycarpus Protopapas
Board Member
Managing Director

Financial report first half-year 2020 – preliminary

Consolidated Statement of Comprehensive Income		
All figures in USD (1,000)		
	H1 2020	H1 2019
Operating revenues	22,334	30,446
(Impairment) / reversal of current assets	-1,038	118
Operating expenses	-15,582	-22,707
EBITDA	5,714	7,857
Depreciation	-4,135	-4,298
Operating profit	1,579	3,559
Loss from associated companies	-728	-743
Interest income	287	219
Fair value through P&L	-99	50
Other financial income	0	3
Interest cost	-391	-365
Other financial cost	-37	-54
Currency loss	-2,926	0
(Loss)/profit before income tax	-2,315	2,669
Tax on result	-571	-489
(Loss)/profit for the period	-2,886	2,180
Other comprehensive income		
Currency translation differences	820	572
Total other comprehensive income	820	572
Total comprehensive (loss)/income for the period	-2,066	2,752
Number of shares	59,133,786	59,133,786
(Loss)/earnings per share, basic in USD	-0.05	0.03

Condensed Consolidated Statement of Financial Position

All figures in USD (1,000)

Assets	30.06.2020	Audited 31.12.2019
Deferred tax assets	717	709
Right of use assets	8,964	9,330
OilService and other equipment	13,635	14,348
Land rigs	2,315	2,728
Land and buildings	3,350	3,444
Investments in associates	968	1,588
Other financial fixed assets	9,723	10,791
Restricted cash	27	27
Total non-current assets	39,699	42,965
Inventory	2,089	1,475
Accounts receivable	11,768	15,816
Other current assets	2,228	3,043
Financial asset at fair value through P&L	81	180
Free cash	11,537	7,653
Restricted cash	92	150
Total current assets	27,795	28,317
Total assets	67,494	71,282
Equity and liabilities		
Share capital	5,913	5,913
Other equity	31,293	33,417
Majority interest	37,206	39,330
Minority interest	2,124	2,066
Total equity	39,330	41,396
Bond loan	4,620	4,620
Other long-term liabilities	6,620	6,700
Total non-current liabilities	11,240	11,320
Short-term portion of non-current liabilities	2,646	2,549
Accounts payable	6,857	8,337
Bank overdraft	167	68
Other current liabilities	7,254	7,612
Total current liabilities	16,924	18,566
Total liabilities	28,164	29,886
Total equity and liabilities	67,494	71,282
Total book equity per share (end of period shares)	0.67	0.70
Equity (total) ratio	58.3%	58.1%

Condensed Consolidated Statement of changes in Equity

All figures in USD (1,000)

	H1 2020	H1 2019
Equity period start 01.01	41,386	41,316
Total comprehensive (loss)/income for the period	-2,066	2,752
Total change of equity in the period	-2,066	2,752
Equity at period end	39,330	44,068

Condensed Consolidated Cash Flow Statement

All figures in USD (1,000)

	H1 2020	H1 2019
Net cash flow from operating activities	6,531	4,542
Net cash flow from investing activities	-1,219	-6,116
Net cash flow from financing activities	-1,244	-945
Net change in cash and cash equivalents	4,068	-2,519
Free cash and cash equivalents at beginning of period	7,653	9,650
Exchange loss on cash and cash equivalents	-184	-47
Free cash and cash equivalents at period end	11,537	7,083

Notes to the unaudited condensed consolidated figures:

Note 1 Applied accounting principles

The 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 27 August 2020.

The 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 (2019). 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 (2019), have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in its annual report for 2019 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 2020:

All figures in USD (1,000)	Drilling- and Other Equipment	Right of Use Assets	Land rigs	Land and buildings	Total
Balance at 1 January 2020	14,348	9,330	2,728	3,444	29,850
Acquisition cost at 1 January 2020	288,774	18,939	14,271	4,142	326,126
Purchased tangibles in 2020	1,515	1,740	0	0	3,255
Disposal in 2020	-255	-131	0	0	-386
Translation differences	150	-762	0	-13	-625
Acquisition cost at 30 June 2020	290,184	19,786	14,271	4,129	328,370
Balance depreciation at 1 January 2020	-247,777	-9,591	-3,887	-639	-261,894
Balance impairment at 1 January 2020	-26,649	-18	-7,656	-59	-34,382
Depreciation in 2020	-2,343	-1,299	-413	-81	-4,136
Disposal of depreciation in 2020	220	86	0	0	306
Depreciation/impairment as at 30 June 2020	-276,549	-10,882	-11,956	-779	-300,106
Carrying amount:					
Balance at 30 June 2020	13,635	8,964	2,315	3,350	28,264
Residual value					

Note 3 Investments in associates

All figures in USD (1,000)	Petrolia NOCO AS	CO2 Management AS	Total
Investments in associates			
Shareholding	49.9%	40.0%	
Business address	Bergen, Norway	Bergen, Norway	
Balance 1 January 2020	1,544	44	1,588
Investments	0	100	100
Share of result	-705	-15	-720
Balance at 30 June 2020	839	129	968

Note 4 Segment Information

	YTD 2020				YTD 2019			
	Rental	Services	Sales	Total	Rental	Services	Sales	Total
Norway	5,057	1,429	478	6,964	3,963	488	332	4,783
Europe outside Norway	2,070	1,158	4,538	7,766	2,603	1,763	4,461	8,827
Asia and Australia	3,392	3,086	1,126	7,604	5,313	8,224	1,998	15,535
Other countries					627	478	196	1,301
Total	10,519	5,673	6,142	22,334	12,506	10,953	6,987	30,446

Oil & Gas

Petrolia NOCO now holds nine licences on the NCS.

OilService

In the first half-year of 2020, the OilService division has seen reduced activity following the decreased oil price levels.

Note 5 Legal disputes

There are no legal disputes.

Note 6 Events after the balance sheet date

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Glossary

APA	Awards in Predefined Areas
BOEPD	Barrels of oil equivalent per day
EBITDA	Earnings Before Interest, Tax, Depreciation & Amortisation
EBIT	Earnings before Interest and taxes
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)
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
USD	United States Dollars

EBITDA

EBITDA is operating result before depreciation and amortisation

Earnings Per Share

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability

Equity Ratio

Shareholder equity ratio, expressed as a percentage, is calculated by dividing total shareholders' equity by the total assets of the Company.

Book value of Shareholders' equity per share

Book value of shareholders' equity per share is the ratio of equity available to common shareholders divided by the average number of outstanding (issued) shares.