



PETROLIA

H2 2020

PETROLIA SE ('the Company' or 'the Group') financial report for second half-year ended 31 December 2020 and preliminary unaudited annual results 2020:

Financial results

- Revenue was USD 21.2 million in H2 2020 compared to USD 35.7 million in H2 2019.
- Total comprehensive income of USD 1.6 million in H2 2020 compared to a total comprehensive loss of USD 2.7 million in H2 2019.
- EBITDA of USD 3.6 million in H2 2020 compared to USD 7.8 million in H2 2019.
- Cash generated from operations of USD 8.9 million in H2 2020 compared to USD 6.0 in H2 2019.
- Loss from associated companies was USD 0.7 million in H2 2020 compared to a loss of USD 0.5 million in H2 2019.
- Shareholders' equity as at 31 December 2020 was USD 0.69 per share compared to USD 0.70 per share in H2 2019. Share price was NOK 8.40, or USD 0.98 at an exchange rate of NOK/USD of 0.1172 compared to Share price of NOK 3.00, or USD 0.34 at an exchange rate of USD/NOK 0.1139 in H2 2019.
- Earnings was USD 3.54 (cents) per share in H2 2020 compared to a loss of USD 4.07 (cents) per share in H2 2019.
- Covid-19 pandemic continued to depress the oil price in 2020
- High focus on cost control continues
- Significant oil discovery at the Dugong well (PL882) by the Company's associated company Petrolia NOCO AS

Key figures – Alternative Performance Measures

In reporting financial information, the Group is using Alternative Performance Measures (APMs).

All figures in USD (million)	H2 2020	H2 2019	2020	2019
Operating revenue	21.2	35.7	43.6	66.1
EBITDA	3.6	7.8	9.3	15.6
Total comprehensive income/(loss) for the period/year	1.6	-2.7	-0.5	0.08
Earnings/(loss) per share in USD (cents)	3.54	-4.07	-1.11	-1.46
Total equity per share in USD	0.69	0.70	0.69	0.70

Financial information

The Covid-19 pandemic reduced the demand for oil resulting in significantly suppressed oil prices. This reduced the activity in the industry, leading to the reduction in revenue and EBITDA for the group both for the period and for the year. The group has been able to offset parts of this by reducing the operating expenses.

Profit and loss for the second half of 2020 compared to the second half of 2019

Total revenue was USD 21.2 million compared to USD 35.7 million in 2019. Operating expenses were USD 16.7 million compared to USD 27.1 million in 2019. EBITDA was USD 3.6 million compared to USD 7.8 million in 2019.

Depreciation was USD 4.4 million in 2020 compared to USD 4.0 million in 2019. Operating loss was USD 0.8 million compared to a profit of USD 3.4 million in 2019. Result from associated company was a loss of USD 0.7 million compared to a loss of USD 0.5 million in 2019. Net financial income was USD 3.5 million compared to a cost of USD 1.3 million in 2019.

The net result after tax was a profit of USD 1.4 million compared to a loss of USD 2.2 million in 2019. Total comprehensive income was USD 1.6 million compared to a loss of USD 2.7 million in 2019.

Profit and loss for the year 2020 compared to the year 2019

Total revenue was USD 43.6 million compared to USD 66.1 million in 2019. Operating expenses were USD 32.3 million compared to USD 49.8 million in 2019. EBITDA was USD 9.3 million compared to USD 15.6 million in 2019.

Depreciation was USD 8.6 million in 2020 compared to USD 8.3 million in 2019. Operating profit was USD 0.8 million compared to USD 6.9 million in 2019. Result from associated company was a loss of USD 1.4 million compared to a loss of USD 1.3 million in 2019. Net financial income was USD 0.3 million compared to a cost of USD 1.5 million in 2019.

The net loss after tax was USD 1.4 million compared to USD 36 thousand in 2019. Total comprehensive loss was USD 0.5 million compared to an income of USD 80 thousand in 2019.

Cash flow for the year 2020 compared to the year 2019

Cash flow from operations was USD 15.4 million in 2020, compared to USD 10.5 million in 2019. Cash outflow from investments in 2020 was USD 5.7 million compared to a cash outflow of USD 8.5 million in 2019. Cash outflow from financing activities in 2020 was USD 2.1 million compared to a cash outflow of USD 3.5 million in 2019.

Free cash as at 31 December 2020 was USD 15.9 million compared to USD 7.7 million as at 31 December 2019.

Statement of financial position

As at 31 December 2020, total assets amounted to USD 71.2 million (2019: USD 71.3 million). Investment in OilService equipment had a book value of USD 15.1 million (2019: USD 14.3 million), investment in land rigs had a book value of USD 1.9 million (2019: USD 2.7 million), investment in right of use assets had a book value of USD 11.7 million (2019: USD 9.3 million), investment in listed shares had a book value of USD 0.1 million (2019: USD 0.2 million) and total cash was USD 16.2 million (2019: USD 7.8 million).

As at 31 December 2020, net interest-bearing bond loans amounted to USD 4.6 million (2019: USD 4.6 million). The Group holds Borrower's Bonds (bonds owned by the borrower) of USD 14.9 million (2019: USD 14.9 million). Total bond loan is USD 19.5 million (2019: USD 19.5 million). In addition, there were leasing liabilities for OilService equipment and offices of USD 12.2 million (2019: USD 9.2 million).

Total equity was USD 40.9 million as at 31 December 2020 (2019: USD 41.4 million), including a minority interest of USD 1.6 million (2019: USD 2.1 million). Book value of equity per share was USD 0.69 as at 31 December 2020, (2019: USD 0.70) including minority interest of USD 0.03 per share (2019: USD 0.03).

Share information

As at 31 December 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 31 December 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 and aims to change the traditional license partnership model from an organisation consisting of different partners to one collaborative team — sharing openly and transparently instead of selectively. All with the shared objective of creating more value for the next generation.

Temporary COVID-19 measures to the petroleum tax law have reduced the Company's need for funding and allowed a higher level of activity.

Petrolia NOCO actively pursues 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 twelve licences, two of which as operator.

The company reported its first commercial oil discovery in 2020. The Dugong discovery in PL 882 was reported to be between 40 – 120 million barrels of oil equivalent. An appraisal well will be drilled in the first quarter of 2021 to collect the data necessary to help provide certainty related to the reservoir, structure and recoverable resources, so the

partnership can optimise the development solution. The Dugong partners also plan to drill an exploration well in the licence in the third quarter of 2021, targeting the Dugong Tail prospect. Petrolia NOCO owns 20% in PL 882 and 30% in the adjacent licenses PL 992 and PL 994, which hold interesting prospectivity. PL 1106 (20%) and PL 1107 (30%) awarded in January 2021 are located in the same area.

As operator, Petrolia NOCO has successfully matured the Molaris prospect in PL 933 into a positive drill decision and as planned, Equinor has now taken over as operator of the license. The well is planned to be drilled in the third quarter of 2021.

OilService division

Since the oil price collapsed in March 2020 due to Covid-19 and subsequent drop in demand for oil, many oil companies reduced their activity. This adversely impacted the division in many of the locations of operation.

As the anticipated downturn was expected to last for some time, cost cutting initiatives were rapidly implemented. At the same time, there were high focus on business development and some regions have managed to increase their market share. This has largely offset the impact of reduced activity among our clients in these areas.

In Norway, the collapse in the oil price in the first half of the year resulted in a dramatic reduction in activity. The authorities therefore offered improved depreciation terms for the oil companies. Thereby, the oil service activity improved in the second half of the year. We therefore avoided layoffs of employees and the activity returned back to normal going into 2021.

Overall, the Board expects activity 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 will remain under pressure.

The OilService division owns and operates two land rigs in Iraq and also provides drilling contracting services by using a hired-in land rig. The rig activity has been limited in 2020 due to the low oil price. The rigs are offered and operated in conjunction with other services provided by the division, giving increased revenues.

With fluctuating oil price, the rig activity will remain limited in 2021. The rigs have operated excellently, with very little downtime, obtaining a solid track record.

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 Group

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.

Petrolia NOCO currently holds 12 licences on the NCS including two operatorships. The Group 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 Group'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 15.1 million. The investments were largely financed by the Group. In addition, financial leases of more than USD 40 million were obtained and repaid. 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

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

Board of Directors, Petrolia SE, Limassol, Cyprus 25 February 2021



Financial report second half-year 2020 – preliminary unaudited

Consolidated Statement of Comprehensive Income				
All figures in USD (1,000)				
	H2 2020	H2 2019	2020	2019
Operating revenue	21,249	35,694	43,583	66,140
Impairment of current assets	-929	-890	-1,967	-772
Operating expenses	-16,702	-27,068	-32,284	-49,775
EBITDA	3,618	7,736	9,332	15,593
Depreciation	-4,418	-4,038	-8,553	-8,336
Impairment	0	-344	0	-344
Operating (loss)/profit	-800	3,354	779	6,913
Loss from sale of subsidiary	0	-2,186	0	-2,186
Result from associated companies	-672	-543	-1,400	-1,286
Interest income	301	337	588	556
Other financial income	1	3	1	6
Fair value through P&L	29	-67	-70	-17
Interest cost	-424	-417	-815	-782
Other financial cost	-281	-40	-318	-94
Currency gain/(loss)	3,833	-1,155	907	-1,155
Profit/(loss-) before income tax	1,987	-714	-328	1,955
Tax on result	-542	-1,502	-1,113	-1,991
Profit/(loss-) for the period/year	1,445	-2,216	-1,441	-36
Other comprehensive income				
Currency translation differences	139	-456	959	116
Total other comprehensive income/(loss-)	139	-456	959	116
Total comprehensive income/(loss-) for the period/year	1,584	-2,672	-482	80
Number of shares	59,133,786	59,133,786	59,133,786	59,133,786
Earnings/(loss) per share, basic (USD cents)	3.54	-4.07	-1.11	-1.46

Condensed Consolidated Statement of Financial Position

All figures in USD (1,000)

Assets	31.12.2020	Audited 31.12.2019
Deferred tax assets	317	709
Right of use assets	11,676	9,330
OilService and other equipment	15,090	14,348
Land rigs	1,902	2,728
Land and buildings	2,696	3,444
Investments in associates	2,482	1,588
Other financial fixed assets	6,417	10,791
Restricted cash	32	27
Total non-current assets	40,612	42,965
Inventory	1,867	1,475
Accounts receivable	10,338	15,816
Other current assets	2,136	3,043
Financial asset at fair value through P&L	110	180
Free cash	15,937	7,653
Restricted cash	200	150
Total current assets	30,588	28,317
Total assets	71,200	71,282
Equity and liabilities		
Share capital	5,913	5,913
Other equity	33,417	33,417
Majority interest	39,330	39,330
Minority interest	1,584	2,066
Total equity	40,914	41,396
Bond loan	4,620	4,620
Other long-term liabilities	10,525	6,700
Total non-current liabilities	15,145	11,320
Short-term portion of non-current liabilities	3,011	2,549
Accounts payable	7,139	8,337
Bank overdraft	68	68
Other current liabilities	4,923	7,612
Total current liabilities	15,141	18,566
Total liabilities	30,286	29,886
Total equity and liabilities	71,200	71,282
Total book equity per share (end of period shares)	0.69	0.70
Equity (total) ratio	57.5%	58.1%

Condensed Consolidated Statement of changes in Equity

All figures in USD (1,000)

	2020	2019
Equity period start 01.01	41,396	41,316
Total equity from shareholders in the year	0	0
Total comprehensive (loss-)/income for the year	-482	80
Total change of equity in the period	-482	80
Equity at year end	40,914	41,396

Condensed Consolidated Cash Flow Statement

All figures in USD (1,000)

	H2 2020	2020	H2 2019	2019
Net cash flow from operating activities	8,881	15,412	5,951	10,493
Net cash flow from investing activities	-4,433	-5,652	-2,340	-8,456
Net cash flow from financing activities	-844	-2,088	-2,572	-3,517
Net change in cash and cash equivalents	3,604	7,672	1,039	-1,480
Free cash and cash equivalents at beginning of period	11,537	7,653	7,083	9,650
Exchange gain/(loss-) on cash and cash equivalents	796	613	-469	-517
Free cash and cash equivalents at period end	15,937	15,937	7,653	7,653

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 25 February 2021.

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 (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 31 December 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	4,777	5,747	0	29	10,553
Disposal in 2020	-1,432	-179	0	0	-1,611
Translation differences	1,239	-513	0	-606	120
Acquisition cost at 31 December 2020	293,358	23,994	14,271	3,565	335,188
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	-4,740	-2,815	-826	-172	-8,553
Disposal of depreciation in 2020	898	106	0	1	1,005
Depreciation/impairment as at 31 December 2020	-278,268	-12,318	-12,369	-869	-303,824
Carrying amount:					
Balance at 31 December 2020	15,090	11,676	1,902	2,696	31,364
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%	28.5%	
Business address	Bergen, Norway	Bergen, Norway	
Balance 1 January 2020	1,544	44	1,588
Investments	2,194	100	2,294
Result	-1,311	-89	-1,400
Balance at 31 December 2020	2,427	55	2,482

Note 4 Segment Information

All figures in USD (1,000)	2020				2019			
	Rental	Services	Sales	Total	Rental	Services	Sales	Total
Norway	9,326	2,954	971	13,251	9,636	1,351	796	11,783
Europe outside Norway	3,842	4,014	7,082	14,938	6,736	3,715	9,706	20,157
Asia and Australia	7,355	5,920	2,119	15,394	11,094	16,462	4,519	32,075
Other countries	0	0	0	0	1,173	732	220	2,125
Total	20,523	12,888	10,172	43,583	28,639	22,260	15,241	66,140

Oil & Gas

Petrolia NOCO was awarded three new licences in January 2021 and now holds twelve licences on the NCS.

OilService

In 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

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

Glossary

APA	Awards in Predefined Areas
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

Alternative Performance Measures

Operating Revenues

Is the revenue that a company generates from its primary business activities.

EBITDA

EBITDA is operating result before depreciation and amortisation.

Total comprehensive (loss) /income for the year

Net Income (Loss) + / – Other Comprehensive Income (Other Comprehensive Loss).

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.