PETROLIA

H1 2021

PETROLIA SE ('the Company' or 'the Group') financial report for first half-year ended 30 June 2021:

Financial results

- Revenue was USD 23.5 million in H1 2021 compared to USD 22.3 million in H1 2020.
- Total comprehensive income of USD 1.6 million in H1 2021 compared to a total comprehensive loss of USD 2.1 million in H1 2020.
- EBITDA of USD 7.4 million in H1 2021 compared to USD 5.7 million in H1 2020.
- Cash generated from operations of USD 5.1 million in H1 2021 compared to USD 6.5 in H1 2020.
- Loss from associated companies was USD 1.2 million in H1 2021 compared to a loss of USD 0.7 million in H1 2020.
- Shareholders' equity as at 30 June 2021 was USD 0.72 per share compared to USD 0.69 per share in H2 2020. Share price was NOK 8.46, or USD 0.99 at an exchange rate of NOK/USD of 0.1168 compared to Share price of NOK 8.40, or USD 0.98 at an exchange rate of USD/NOK 0.1172 in H2 2020.
- Earnings was USD 1.57 (cents) per share in H1 2021 compared to a loss of USD 4.65 (cents) per share in H1 2020.
- Covid-19 pandemic continued to depress the oil price in 2021, although prices currently are back to the level prior to the pandemic.
- High focus on cost control continues.

Key figures – Alternative Performance Measures

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

All figures in USD (million)	H1 2021	H1 2020
Operating revenue	23.5	22.3
EBITDA	7.4	5.7
Total comprehensive income/(loss) for the period	1.6	-2.1
Earnings/(loss) per share in USD (cents)	1.57	-4.65
Total equity per share in USD	0.72	0.69

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

EBITDA
EBITDA is operating result before interest, tax, depreciation and amortisation.

The EBITDA is primarily used to measure the company's operational performance by removing the cost of debt financing, taxes and non-cash elements such as 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 profit /loss (before other comprehensive income) allocated to the majority divided by the outstanding shares of its common stock. (928 / 59,133,786 = 1.57 cent for the period ended 30.06.2021, -2,750/59,133,786= -4.65 cent for the period ended 30.06.2020)

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.

Financial information

The Covid-19 pandemic continues to cause uncertainty, however, the oil prices have improved during the period and are now back at similar levels as those prior to the pandemic. Activity is thus slowly increasing.

Profit and loss for the first half of 2021 compared to the first half of 2020

Total revenue was USD 23.5 million compared to USD 22.3 million in 2020. Operating expenses were USD 16.7 million compared to USD 15.6 million in 2020. EBITDA was USD 7.4 million compared to USD 5.7 million in 2020. The improvement is primarily due to a reversal of impairments of USD 0.7 million in 2021 compared to impairments of USD 1.0 in 2020.

Depreciation was USD 4.2 million in 2021 compared to USD 4.1 million in 2020. Operating profit was USD 3.3 million compared to a profit of USD 1.6 million in 2020. Result from associated company was a loss of USD 1.2 million compared to a loss of USD 0.7 million in 2020. Net financial cost was USD 0.5 million compared to a cost of USD 3.2 million in 2020.

The net result after tax was a profit of USD 1.1 million compared to a loss of USD 2.9 million in 2020. Total comprehensive income was USD 1.6 million compared to a loss of USD 2.1 million in 2020.

Cash flow for the first half year of 2021 compared to the first half year of 2020

Cash flow from operations was USD 5.1 million in 2021, compared to USD 6.5 million in 2020. Cash outflow from investments in 2021 was USD 2.5 million compared to a cash outflow of USD 1.2 million in 2020. Cash outflow from financing activities in 2021 was USD 1.7 million compared to a cash outflow of USD 1.2 million in 2020.

Free cash as at 30 June 2021 was USD 16.7 million compared to USD 15.9 million as at 31 December 2020.

Statement of financial position

As at 30 June 2021, total assets amounted to USD 72.3 million (2020: USD 71.4 million). Investment in OilService equipment had a book value of USD 14.0 million (2020: USD 14.8 million), investment in land rigs had a book value of USD 1.7 million (2020: USD 1.9 million), investment in right of use assets had a book value of USD 13.7 million (2020: USD 12.0 million), investment in listed shares had a book value of USD 0.1 million (2020: USD 0.1 million) and total cash was USD 16.8 million (2020: USD 16.2 million).

As at 30 June 2021, net interest-bearing bond loans amounted to USD 4.6 million (2020: USD 4.6 million). The Group holds Borrower's Bonds (bonds owned by the borrower) of USD 14.9 million (2020: USD 14.9 million). Total bond loan is USD 19.5 million (2020: USD 19.5 million). In addition, there were leasing liabilities for OilService equipment and offices of USD 13.8 million (2020: USD 12.4 million).

Total equity was USD 42.4 million as at 30 June 2021 (2020: USD 40.9 million), including a minority interest of USD 1.8 million (2020: USD 1.5 million). Book value of equity per share was USD 0.72 as at 30 June 2021, (2020: USD 0.69) including minority interest of USD 0.03 per share (2020: USD 0.03).

Share information

As at 30 June 2021, the total number of shares outstanding in Petrolia SE was 59,133,786 (2020: 59,133,786), each with a par value of USD 0.10 (2020: USD 0.10). The Company has no outstanding or authorised stock options, warrants or convertible debt. As at 30 June 2021, 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 this, 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 eleven 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 – 108 million barrels of oil equivalent, following a successful appraisal well in the first quarter of 2021. The Dugong partners plan to drill an exploration well in the licence in the third quarter of 2021, targeting the Dugong Tail prospect and if successful, one additional prospect "Shamu" might be drilled in the fourth quarter of 2021. 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 took over as operator of the license in 2020. The license is currently evaluating new information relevant for the Molaris prospect. Consequently, the license will be unable to utilize the allocated rig slot for drilling the well in H2 2021 and the well timing has been put on hold.

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. However, during first half year of 2021 we have seen a gradual recovery where activity in the oil & gas sector has increased in line with the oil price having stabilized at a higher level than in 2020.

Cost cutting initiatives were rapidly implemented in 2020. A slight increase in costs is seen in 2021 as the number of employees is increasing in line with higher activity. The costs are however carefully monitored and controlled.

In Norway, the oil service activity has continued to increase during the first half of 2021 and is now back to a normal level. Expectations are that it will stay at this level during the rest of the year.

Overall, the Board expects activity to remain at the current level 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 is expected to increase in the second half of the year. The rigs are offered and operated in conjunction with other services provided by the division, giving increased revenues.

Through its subsidiary, CO_2 Management AS, the Group is reviewing ways of reducing emissions of CO_2 in various industries.

Related party transactions

In H1 2021 NOK 20 million of the loan from Petrolia AS to Petrolia NOCO AS has been repaid and the balance as at 30 June 2021 was NOK 34.75 million.

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 11 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 14.0 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

Petrolia AS received a repayment of NOK 20 million on its loan to Petrolia NOCO AS on 13 August 2021. The balance on this loan is now NOK 14.75 million. On 20 July 2021, Petrolia SE gave a secured loan of NOK 15 million and an unsecured loan of NOK 22 million to Petrolia NOCO AS, total NOK 37 million.

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 2021, confirm that, to the best of our knowledge:

(a) The condensed consolidated interim financial statements for the period 1 January to 30 June 2021 that are presented on pages 7 to 11:

- (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 26 August 2021

Berge Gerdt Larsen

George Hadjineophytou

Sjur Storaas

Polycarpos Protopapas

Financial report first half-year 2021 – preliminary unaudited

Consolidated Statement of Comprehensive Income		
All figures in USD (1,000)		
	H1 2021	**H1 2020**
Operating revenue	23,460	22,334
Impairment of current assets	677	-1,038
Operating expenses	-16,716	-15,582
EBITDA	7,421	5,714
Depreciation	-4,161	-4,135
Impairment	0	0
Operating profit	3,260	1,579
Result from associated companies	-1,202	-728
Interest income	176	287
Other financial income	0	0
Fair value through P&L	50	-99
Interest cost	-463	-391
Other financial cost	-20	-37
Currency loss	-210	-2,926
Profit/(loss-) before income tax	1,591	-2,315
Tax on result	-500	-571
Profit/(loss-) for the period	**1,091**	**-2,886**
Allocated to the majority	**928**	**-2,750**
Allocated to the minority	**163**	**-136**
Other comprehensive income		
Currency translation differences	**479**	**820**
Total other comprehensive income	**479**	**820**
Total comprehensive income/(loss-) for the period	**1,570**	**-2,066**
Number of shares	59,133,786	59,133,786
Earnings/(loss) per share, basic (USD cents)	**1.57**	**-4.65**

Condensed Consolidated Statement of Financial Position		
All figures in USD (1,000)		
Assets	**30.06.2021**	**Audited 31.12.2020**
Deferred tax assets	418	424
Right of use assets	13,686	12,047
OilService and other equipment	13,972	14,771
Land rigs	1,692	1,902
Land and buildings	2,622	2,696
Investments in associates	3,690	2,491
Other financial fixed assets	4,281	6,417
Restricted cash	0	29
Total non-current assets	40,361	40,777
Inventory	1,759	1,870
Accounts receivable	10,842	10,325
Other current assets	2,389	2,135
Financial asset at fair value through P&L	160	110
Free cash	16,686	15,942
Restricted cash	129	200
Total current assets	31,965	30,582
Total assets	**72,326**	**71,359**
Equity and liabilities		
Share capital	5,913	5,913
Other equity	34,738	33,394
Majority interest	40,651	39,307
Minority interest	1,773	1,547
Total equity	42,424	40,854
Bond loan	4,620	4,620
Other long-term liabilities	11,848	9,869
Total non-current liabilities	16,468	14,489
Short-term portion of non-current liabilities	3,759	3,084
Accounts payable	6,040	7,161
Bank overdraft	0	104
Other current liabilities	3,635	5,667
Total current liabilities	13,434	16,016
Total liabilities	29,902	30,505
Total equity and liabilities	**72,326**	**71,359**
Total book equity per share (end of period shares)	0.72	0.69
Equity (total) ratio	58.7%	57.3%

Condensed Consolidated Statement of changes in Equity

All figures in USD (1,000)

	H1 2021	H1 2020
Equity period start 01.01	40,854	41,396
Total equity from shareholders in the period	0	0
Total comprehensive income/(loss-) for the period	1,570	-2,066
Total change of equity in the period	1,570	-2,066
Equity at period end	**42,424**	**39,330**

Condensed Consolidated Cash Flow Statement

All figures in USD (1,000)

	H1 2021	H1 2020
Net cash flow from operating activities	5,091	6,531
Net cash flow from investing activities	-2,536	-1,219
Net cash flow from financing activities	-1,700	-1,244
Net change in cash and cash equivalents	855	4,068
Free cash and cash equivalents at beginning of period	15,942	7,653
Exchange loss on cash and cash equivalents	-109	-184
Free cash and cash equivalents at period end	**16,686**	**11,537**

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 interim reporting. The first half-year accounts are based on the current IFRS standards and interpretations and were approved by the Board on 26 August 2021.

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 (2020). 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 (2020), have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in its annual report for 2020 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 2021:

All figures in USD (1,000)	Drilling- and Other Equipment	Right of Use Assets	Land rigs	Land and buildings	Total
Balance at 1 January 2021	**14,771**	12,047	1,902	2,696	31,416
Acquisition cost at 1 January 2021	**295,249**	**21,959**	**14,271**	**3,566**	**335,045**
Purchased tangibles in 2021	1,978	2,498	0	55	4,531
Disposal in 2021	-628	-4	0	0	-632
Translation differences	-197	488	0	-42	249
Acquisition cost at 30 June 2021	**296,402**	**24,941**	**14,271**	**3,579**	**339,193**
Balance depreciation at 1 January 2021	**-253,359**	**-9,894**	**-4,713**	**-811**	**-268,777**
Balance impairment at 1 January 2021	**-27,119**	**-18**	**-7,656**	**-59**	**-34,852**
Depreciation in 2021	-2,519	-1,345	-210	-87	-4,161
Disposal of depreciation in 2021	567	2	0	0	569
Depreciation/impairment as at 30 June 2021	**-282,430**	**-11,255**	**-12,579**	**-957**	**-307,221**
Carrying amount: **Balance at 30 June 2021** **Residual value**	13,972	13,686	1,692	2,622	31,972

Note 3 Investments in associates

All figures in USD (1,000) **Investments in associates**	**Petrolia NOCO AS**
Shareholding	49.9%
Business address	Bergen, Norway
Balance 1 January 2021	2,437
Investments	2,456
Translation differences	1,056
Share of result	-2,259
Balance at 30 June 2021	**3,690**

Note 4 Segment Information

All figures in USD (1,000)	H1 2021				H1 2020			
	Rental	Services	Sales	Total	Rental	Services	Sales	Total
Norway	6,650	1,104	307	8,061	5,057	1,429	478	6,964
Europe outside Norway	3,145	1,175	710	5,030	2,070	1,158	4,538	7,766
Asia and Australia	5,140	2,089	1,284	8,513	3,392	3,086	1,126	7,604
Other countries	27	24	1,805	1,856				
Total	14,962	4,392	4,106	23,460	10,519	5,673	6,142	22,334

Oil & Gas

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

OilService

In 2021, 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

Petrolia AS received a repayment of NOK 20 million on its loan to Petrolia NOCO AS on 13 August 2021. The balance on this loan is now NOK 14.75 million. On 20 July 2021, Petrolia SE gave a secured loan of NOK 15 million and an unsecured loan of NOK 22 million to Petrolia NOCO AS, total NOK 37 million.

There have been no other 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
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