PETROLIA

H2 2021

PETROLIA SE ('the Company' or 'the Group') financial report for second half-year ended 31 December 2021 and preliminary unaudited annual results 2021:

Highlights

- Increased activity in the Energy Service Division resulted in increased results as EBITDA for the year increased by USD 4.7 million, from USD 9.9 million in 2020 to USD 14.6 million in 2021. Activity level is expected to remain high in the foreseeable future, in line with a high oil price
- Increased activity in the Energy Division resulted in a loss from associated companies of USD 3.6 million in 2021, compared to a loss of USD 1.5 million in 2020
- Currency losses were USD 0.8 million in 2021, compared to a currency gain of USD 1.2 million in 2020
- Investment in associated company, Petrolia NOCO AS is carried at USD 1.3 million in line with the equity method, compared to a share of the market capitalisation of USD 15.8 million (www.notc.no)
- Shareholders' equity as at 31 December 2021 was USD 0.69 per share, compared to USD 0.69 per share in H2 2020. Share price was NOK 4.65, or USD 0.53 at an exchange rate of NOK/USD of 0.1134 compared to a share price of NOK 8.40, or USD 0.98 at an exchange rate of NOK/USD of 0.1172 in H2 2020.

Key figures – Alternative Performance Measures

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

APMs aim to enable users of financial Information to better understand the financial and operating results of the Group, its financial position and cash flow statement. APMs should always be considered in conjunction with the financial results prepared in accordance with the IFRSs and they are not considered to be a substitute or superior to IFRSs.

The use of the APMs referred herewith below are used to assist users of the report to better realize the financial performance of the group.

All figures in USD (million)	H2 2021	H2 2020	2021	2020
Operating revenue	27.5	21.2	51.0	43.6
EBITDA	7.1	4.2	14.6	9.9
Total comprehensive (loss)/income for the period/year	-1.8	1.5	-0.3	-0.5
(Loss)/earnings per share in USD (cents)	-1.70	5.69	-0.13	1.03
Total equity per share in USD	0.69	0.69	0.69	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).

(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. (-1,004,952 / 59,133,786 = -1.70 cent for H2 2021, -77,509/59,133,786= -0.13 cent for 2021, 3,361,806/59,133,786 = 5.69 cent for H2 2020, 611,091/59,133,786= 1.03 cent for 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.

KEY VARIANCE ANALYSIS

Operating Revenues: The Group's operating revenues for H2 2021 was USD27.5 million compared to USD 21.2 million in H2 2020. Operating revenues was increased by 22.55% or USD 6.3 million compared to the corresponding half of 2020. The increase of operating revenues is due to the gradual recovery of the oil & gas sector where activity has increased in line with the oil price stabilized at a higher level than in 2020.

EBITDA: EBITDA was at USD 7.1 million in H2 2021 compared to USD 4.2 million in H2 2020. The increase in EBITDA is a consequence of the recovery of the oil & gas sector.

Total Comprehensive (loss)/ income for the year: total comprehensive loss for the year was USD 1.8 million in H2 2021 compared to total comprehensive income of USD 1.5 million in H2 2020. This variance was mainly due to the increased EBITDA, the higher activity of associated companies and the currency losses.

Financial information

During 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. This has led to an increase in revenue and EBITDA for the group both for the period and for the year. This increased EBITDA has largely been offset by a larger loss from the associated company and currency losses.

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

Total revenue was USD 27.5 million compared to USD 21.2 million in 2020. Operating expenses were USD 20.1 million compared to USD 16.2 million in 2020. EBITDA was USD 7.1 million compared to USD 4.2 million in 2020.

Depreciation was USD 3.5 million in 2021 compared to USD 3.8 million in 2020. Operating profit was USD 2.7 million compared to a loss of USD 0.1 million in 2020. Result from associated company was a loss of USD 2.4 million compared to a loss of USD 0.8 million in 2020. Net financial loss was USD 1.1 million compared to an income of USD 4.0 million in 2020.

The net result after tax was a loss of USD 1.1 million compared to a profit of USD 2.7 million in 2020. Total comprehensive loss was USD 1.8 million compared to a profit of USD 1.5 million in 2020.

Profit and loss for the year 2021 compared to the year 2020

Total revenue was USD 51.0 million compared to USD 43.6 million in 2020. Operating expenses were USD 36.8 million compared to USD 31.7 million in 2020. EBITDA was USD 14.6 million compared to USD 9.9 million in 2020.

Depreciation was USD 7.6 million in 2021 compared to USD 7.9 million in 2020. Operating profit was USD 6.0 million compared to USD 1.5 million in 2020. Result from associated company was a loss of USD 3.6 million compared to a loss of USD 1.5 million in 2020. Net financial cost was USD 1.6 million compared to an income of USD 0.8 million in 2020.

The net loss after tax was USD 23 thousand compared to USD 210 thousand in 2020. Total comprehensive loss was USD 251 thousand compared to a loss of USD 0.5 million in 2020.

Cash flow for the year 2021 compared to the year 2020

Cash flow from operations was USD 11.4 million in 2021, compared to USD 10.9 million in 2020. Cash outflow from investments in 2021 was USD 6.4 million compared to a cash outflow of USD 0.1 million in 2020. Cash outflow from financing activities in 2021 was USD 4.5 million compared to a cash outflow of USD 2.9 million in 2020.

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

Statement of financial position

As at 31 December 2021, total assets amounted to USD 70.6 million (2020: USD 71.4 million). Investment in OilService equipment had a book value of USD 12.8 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 13.2 million (2020:

USD 12.0 million), investment in listed shares had a book value of USD 0.2 million (2020: USD 0.1 million) and total cash was USD 16.1 million (2020: USD 16.2 million).

As at 31 December 2021, net interest-bearing bond loans amounted to USD 4.6 million (2020: USD 4.6 million). The Group holds no Borrower's Bonds (bonds owned by the borrower) (2020: USD 14.9 million). Total bond loan is now reduced to USD 4.6 million following a redemption of the Borower's Bonds (2020: USD 19.5 million). In addition, there were leasing liabilities for OilService equipment and offices of USD 13.1 million (2020: USD 12.2 million).

Total equity was USD 40.6 million as at 31 December 2021 (2020: USD 40.9 million), including a minority interest of USD 1.9 million (2020: USD 1.6 million). Book value of equity per share was USD 0.69 as at 31 December 2021, (2020: USD 0.69) including minority interest of USD 0.03 per share (2020: USD 0.03).

Share information

As at 31 December 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 31 December 2021, the Company held no treasury shares.

Operational development, market and outlook

Energy division

Within the Energy 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 was drilled in the first quarter of 2021 and tested the flow of oil in August to collect the data necessary to help provide certainty related to the reservoir, structure and recoverable resources. The Dugong partners also drilled the Dugong Tail prospect in the third quarter of 2021. The well did not discover hydrocarbons. The acquisition of new seismic data has identified further prospectivity in PL882 which may lead to further exploration drilling in late 2022. As of the latest results, the estimated reserves in Dugong is now at the lower end of the interval previously published.

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.

PNO intends to drill the Bounty prospect in PL935 in Q3-Q4 2022. The prospect located in the Frøya High area is a low cost, high risk but high potential exploration well. Petrolia holds 20% in PL 935 but has announced a farm down to 10% with Equinor Energy AS farming in.

In 2023, PNO intends to drill the Rafiki prospect in license (1013 B). The prospect is located close to facilities which could facilitate a fast-track development. PNO has recently announced a farm-down of its interest in the license from 60% to 20%, with Equinor taking over the operatorship from PNO.

Energy service 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 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. Also, employee salary support from local authorities has now come to an end. The costs are however carefully monitored and controlled.

In Norway, the oil service activity has continued to increase during 2021 and is now back to a pre pandemic level. Expectations are that it will stay at this level during 2022.

Overall, the Board expects activity to increase in most regions. However, the Board considers that the oil industry will be somewhat volatile in the foreseeable future due to local Covid restrictions and the ongoing pandemic. It's also expected fluctuations in oil prices continue.

The Energy service 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 2022. The rigs are offered and operated in conjunction with other services provided by the division, giving increased revenues.

Through CO_2 Management AS, the division is working with managing the reduction of CO_2 emissions in the oil- and various other industries.

Related party transactions

There have been no significant related party transactions.

About the Group

Energy 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.

Energy service division: The division´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 12.8 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, work-over services and various other sustainable services.

The Energy service 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. The Group does not expect the present political conflict to significantly affect its activities going forward.

Board of Directors, Petrolia SE, Limassol, Cyprus 28 February 2022

Financial report second half-year 2021 – preliminary unaudited

Consolidated Statement of Comprehensive Income

All figures in USD (1,000)

	H2 2021	H2 2020	2021	2020
Operating revenue	27,516	21,262	50,976	43,596
(Impairment) / reversal of impairment of current assets	-331	-938	346	-1,976
Operating expenses	-20,056	-16,152	-36,772	-31,734
EBITDA	7,129	4,172	14,550	9,886
Depreciation	-3,479	-3,753	-7,640	-7,888
Impairment	-934	-470	-934	-470
Operating profit/(loss-)	2,716	-51	5,976	1,528
Result from associated companies	-2,406	-804	-3,608	-1,532
Interest income	296	301	472	588
Other financial income	3	1	3	1
Fair value through P&L	2	29	52	-70
Interest cost	-546	-417	-1,009	-808
Other financial cost	-312	-39	-332	-76
Currency (loss)/gain	-586	4,085	-796	1,159
(Loss-)/profit before income tax	-833	3,105	758	790
Tax on result	-281	-429	-781	-1,000
(Loss-)/profit for the period/year	**-1,114**	**2,676**	**-23**	**-210**
Other comprehensive income				
Currency translation differences	**-707**	**-1,152**	**-228**	**-332**
Total other comprehensive loss	**-707**	**-1,152**	**-228**	**-332**
Total comprehensive (loss-)/income for the period/year	**-1,821**	**1,524**	**-251**	**-542**
Number of shares	59,133,786	59,133,786	59,133,786	59,133,786
(Loss-)/earnings per share, basic (USD cents)	**-1,70**	**5.69**	**-0.13**	**1.03**

Condensed Consolidated Statement of Financial Position		
All figures in USD (1,000)		
Assets	**31.12.2021**	**Audited 31.12.2020**
Deferred tax assets	443	424
Right of use assets	13,152	12,047
OilService and other equipment	12,812	14,771
Land rigs	1,741	1,902
Land and buildings	1,820	2,696
Investments in associates	1,285	2,491
Other financial fixed assets	6,768	6,417
Restricted cash	17	29
Total non-current assets	38,038	40,777
Inventory	1,933	1,870
Accounts receivable	11,495	10,325
Other current assets	2,839	2,135
Financial asset at fair value through P&L	162	110
Free cash	15,908	15,942
Restricted cash	208	200
Total current assets	32,545	30,582
Total assets	**70,583**	**71,359**
Equity and liabilities		
Share capital	5,913	5,913
Other equity	32,836	33,394
Majority interest	38,749	39,307
Minority interest	1,854	1,547
Total equity	40,603	40,854
Bond loan	0	4,620
Other long-term liabilities	9,825	9,869
Total non-current liabilities	9,825	14,489
Short-term portion of bond loan	4,620	0
Short-term portion of other non-current liabilities	3,752	3,084
Accounts payable	5,354	7,161
Bank overdraft	0	104
Other current liabilities	6,429	5,667
Total current liabilities	20,155	16,016
Total liabilities	29,980	30,505
Total equity and liabilities	**70,583**	**71,359**
Total book equity per share (end of period shares)	0.69	0.69
Equity (total) ratio	57.5%	57.3%

Condensed Consolidated Statement of changes in Equity		
All figures in USD (1,000)		
	2021	**2020**
Equity period start 01.01	40,854	41,396
Total equity from shareholders in the year	0	0
Total comprehensive loss for the year	-251	-542
Total change of equity in the period	-251	-542
Equity at year end	**40,603**	**40,854**

Condensed Consolidated Cash Flow Statement				
All figures in USD (1,000)				
	H2 2021	**2021**	**H2 2020**	**2020**
Net cash flow from operating activities	6,309	11,400	4,332	10,863
Net cash flow from investing activities	-3,879	-6,415	1,102	-117
Net cash flow from financing activities	-2,844	-4,544	-1,664	-2,908
Net change in cash and cash equivalents	-414	441	3,770	7,838
Free cash and cash equivalents at beginning of period	16,686	15,942	11,537	7,653
Exchange (loss-)/gain on cash and cash equivalents	-364	-475	635	450
Free cash and cash equivalents at period end	**15,908**	**15,908**	**15,942**	**15,942**

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 28 February 2022.

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 (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 31 December 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	3,420	3,805	0	55	7,280
Disposal in 2021	-1,303	-113	0	0	-1,416
Translation differences	-485	261	0	-89	-313
Acquisition cost at 31 December 2021	**296,881**	**25,912**	**14,271**	**3,532**	**340,596**
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**	**-34852**
Depreciation in 2021	-4,368	-2,878	-161	-232	-7,639
Impairment in 2021	-324	0	0	-610	-934
Disposal of depreciation in 2021	1,095	30	0	0	1,125
Disposal of impairment in 2021	6	0	0	0	6
Depreciation/impairment as at 31 December 2021	**-284,069**	**-12,760**	**-12,530**	**-1,712**	**-311,071**
Carrying amount: Balance at 31 December 2021 Residual value	12,812	13,152	1,741	1,820	29,525

Note 3 Investments in associates

All figures in USD (1,000) **Investments in associates**	**Petrolia NOCO AS**	**CO2 Management AS**	**Total**
Shareholding	49.9%	100%	
Business address	Bergen, Norway	Bergen, Norway	
Balance 1 January 2021	2,437	54	2,491
Investments	2,456	0	2,456
Translation differences	-170	0	-170
Transferred to subsidiary	0	-54	-54
Share of result	-3,438	0	-3,438
Balance at 31 December 2021	**1,285**	**0**	**1,285**

Note 4 Segment Information

All figures in USD (1,000)	2021				2020			
	Rental	Services	Sales	Total	Rental	Services	Sales	Total
Norway	11,448	3,488	515	15,451	9,326	2,954	971	13,251
Europe outside Norway	6,866	2,845	5,171	14,882	3,879	4,105	7,041	15,025
Asia and Australia	12,239	6,469	1,935	20,643	7,283	5,918	2,119	15,320
Total	30,553	12,802	7,621	50,976	20,488	12,997	10,131	43,596

Energy

Petrolia NOCO was awarded two new licences in January 2022 and now holds eleven licences on the NCS.

Two wells were drilled and the Dugong discovery was tested. No new discoveries were made and recoverable resources are now expected to be in the lower end of the previously reported 40-108 million barrels of oil equivalent.

Energy services

In 2021, the Energy service division has seen improved activity following the increased 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. The Group does not expect the present political conflict to significantly affect its activities going forward.

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