



PETROLIA

H1 2022

PETROLIA SE ('the Company' or 'the Group') financial report for first half-year ended 30 June 2022:

Highlights and key variance analysis

- **Operating Revenues:** The Group's operating revenues for H1 2022 was USD 26.6 million compared to USD 23.5 million in H1 2021. Operating revenues was increased by 13.5% or USD 3.2 million compared to the corresponding half of 2021. 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 2021.
- **EBITDA:** EBITDA was at USD 6.2 million in H1 2022 compared to USD 7.4 million in H1 2021. The decrease in EBITDA is a consequence of higher costs in H1 2022 and higher reversal of impairments in H1 2021.
- **Total Comprehensive (loss)/ income for the year:** total comprehensive loss was USD 1.1 million in H1 2022 compared to total comprehensive income of USD 1.6 million in H1 2021. This variance was mainly due to the reduced EBITDA, higher currency loss and currency translation differences.
- Cash generated from operations of USD 2.8 million in H1 2022 compared to USD 5.1 in H1 2021.
- Loss from associated companies was USD 0.9 million in H1 2022 compared to a loss of USD 1.2 million in H1 2021.
- Currency losses were USD 1.6 million in 2022, compared to a currency loss of USD 0.2 million in 2021
- Investment in 49.9% owned associated company, Petrolia NOCO AS, is carried at USD 28 thousand in line with the equity method, compared to a share of the market capitalisation of USD 14.5 million (www.notc.no)
- Shareholders' equity as at 30 June 2022 was USD 0.65 per share, compared to USD 0.72 per share in H1 2021. Share price was NOK 7.80, or USD 0.78 at an exchange rate of NOK/USD of 0.1004 compared to a share price of NOK 8.46, or USD 0.99 at an exchange rate of NOK/USD of 0.1168 in H1 2021.
- CO₂ Management AS entered into a letter of intent with bremenports GmbH & Co. KG, the port management group of Bremen / Bremerhaven, whereby the parties agree to work towards establishing Germany's first hub for CO₂ handling.

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)	H1 2022	H1 2021
Operating revenue	26.6	23.5
EBITDA	6.2	7.4
Total comprehensive (loss)/income for the period/year	-1.1	1.6
(Loss)/earnings per share in USD (cents)	-1.52	1.57
Total equity per share in USD	0.65	0.72

Operating Revenues

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. $(-898,224 / 59,133,786 = -1.52 \text{ cent for H1 2022, } 927,443/59,133,786 = 1.57 \text{ cent for H1 2021})$

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 informationProfit and loss for the first half of 2022 compared to the first half of 2021

Total revenue was USD 26.6 million compared to USD 23.5 million in 2021. Operating expenses were USD 20.6 million compared to USD 16.7 million in 2021. EBITDA was USD 6.2 million compared to USD 7.4 million in 2021.

Depreciation was USD 3.5 million in 2022 compared to USD 4.2 million in 2021. Operating profit was USD 2.7 million compared to USD 3.3 million in 2021. Result from associated company was a loss of USD 0.9 million compared to a loss of USD 1.2 million in 2021. Net financial loss was USD 1.8 million compared to a loss of USD 0.5 million in 2021.

The net result after tax was a loss of USD 0.4 million compared to a profit of USD 1.1 million in 2021. Total comprehensive loss was USD 1.1 million compared to a profit of USD 1.6 million in 2021.

Cash flow the first half of 2022 compared to the first half of 2021

Cash flow from operations was USD 2.8 million in 2022, compared to USD 5.1 million in 2021. Cash outflow from investments in 2022 was USD 0.8 million compared to a cash outflow of USD 2.5 million in 2021. Cash outflow from financing activities in 2022 was USD 2.7 million compared to a cash outflow of USD 1.7 million in 2021.

Free cash as at 30 June 2022 was USD 14.6 million compared to USD 15.9 million as at 31 December 2021.

Statement of financial position

As at 30 June 2022, total assets amounted to USD 65.6 million (2021: USD 69.3 million). Investment in OilService equipment had a book value of USD 11.2 million (2021: USD 12.8 million), investment in land rigs had a book value of USD 1.7 million (2021: USD 1.7 million), investment in right of use land and building assets had a book value of USD 7.7 million (2021: USD 7.5 million), investment in right of use other assets had a book value of USD 7.2 million (2021: USD 5.7 million), investment in listed shares had a book value of USD 0.2 million (2021: USD 0.2 million) and total cash was USD 14.7 million (2021: USD 16.1 million).

As at 30 June 2022, net interest-bearing bond loans amounted to USD 4.6 million (2021: USD 4.6 million). The Group holds no Borrower's Bonds (bonds owned by the borrower) (2021: nil). Total bond loan is USD 4.6 million (2021: USD 4.6 million). In addition, there were leasing liabilities for land and buildings assets of USD 9.0 million (2021: USD 8.6 million) and for other assets of USD 5.5 million (2021: USD 5.2).

Total equity was USD 38.2 million as at 30 June 2022 (2021: USD 39.3 million), including a minority interest of USD 2.2 million (2021: USD 1.9 million). Book value of equity per share was USD 0.65 as at 30 June 2021, (2021: USD 0.66) including minority interest of USD 0.04 per share (2021: USD 0.03).

Share information

As at 30 June 2022, the total number of shares outstanding in Petrolia SE was 59,133,786 (2021: 59,133,786), each with a par value of USD 0.10 (2021: USD 0.10). The Company has no outstanding or authorised stock options, warrants or convertible debt. As at 30 June 2022, 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 with the shared objective of creating more value for stakeholders

Petrolia NOCO actively pursues farm-in and farm-out opportunities and participates in annual 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.

The company reported its first commercial oil discovery in 2020. The Dugong discovery in PL 882 was in 2021 reported to be in the lower end of 40 – 108 million barrels of oil equivalent. An appraisal well was drilled in the first quarter of 2021 and tested the flow of oil in August 2021 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. The PL 882 license partnership is currently contemplating new field development solutions and studies towards Snorre facilities.

Petrolia NOCO owns 20% in PL 882 and 30% in the adjacent licenses PL 992 and PL 994, which also hold interesting prospectivity. Two licenses were awarded in the APA 2021 Licensing round (PL 1150 S (30%) and PL 882 B (20%)).

The PL 935 license is located in the Frøya High area and was entered in 2020. In early 2022, Petrolia NOCO farmed down its equity interest in the license to 10% in exchange for a carry by Equinor. The exploration well, Bounty, was spudded in Q2 2022 but after the period end was announced as dry with traces of petroleum.

In 2024, 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

During the first half of 2022, we have seen dramatic events that have considerably impacted energy prices worldwide. Gas prices have at times surged to never seen levels, especially in Europe. In addition, oil prices rose to levels not seen since 2014, however oil price has been somewhat volatile but seems to level out at around 100 USD/bbl. The currency market has also been severely impacted where USD and Euro have reached parity. This has negatively affected many local currencies. As most of the world came out of the Covid pandemic, there has been a supply shortage of oil and considerable inflation in most regions. There is also a shortage of skilled personnel due to higher activity after the pandemic. The Energy service division has seen higher revenues but as costs have also increased, the results are in line with budgets. In Norway, the oil service activity has stayed at the same level that was experienced towards the end of 2021, at pre-pandemic level. Expectations are that it will stay at this level during 2022 and will increase in 2023 as more oil and gas projects will commence. Overall, the Board expects activity to increase in many regions. However, the Board considers that the oil industry will be somewhat volatile in the foreseeable future due to fluctuations in oil prices. In the long term, there will be a shortage of gas and we expect to see more projects with a focus on gas exploration.

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. There are signs of increased rig activity in the second half of 2022. The rigs are offered and operated in conjunction with other services provided by the division, resulting in increased revenues.

Through CO₂ Management AS, the division is working towards the reduction of CO₂ emissions in the oil- and various other industries.

CO₂ Management AS has entered into a letter of intent with bremenports GmbH & Co. KG, the port management group of Bremen / Bremerhaven, whereby the parties agree to work towards establishing Germany's first hub for CO₂ handling. Germany is Europe's largest CO₂ emitter. The hub will serve as a central element in the logistics involved in capturing CO₂ at the factories, transporting it to the hub, transporting it by ship to permanent storage in North Sea reservoirs or other use.



The letter of intent represents an important milestone for CO₂ Management AS after working with this project several years and having recently concluded a techno-economic feasibility study on liquid CO₂ handling, transport and interim storage aimed at decarbonising hard-to-abate industries through CCUS (Carbon Capture Utilisation and Storage). Additional years remain for planning, approval and construction of the necessary infrastructure before the hub can be put into operation.

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 relatively new management team and experienced technical team.

Petrolia NOCO currently holds 12 licences on the NCS. 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 340 million. The present book value of the equipment is USD 11.2 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

The Bond Loan (USD 4.6 million) was repaid as planned at the maturity date on 21 July 2022.

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 2022, confirm that, to the best of our knowledge:

- (a) The condensed consolidated interim financial statements for the period 1 January to 30 June 2022 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 30 August 2022



Financial report first half-year 2022 – preliminary unaudited

Consolidated Statement of Comprehensive Income		
All figures in USD (1,000)		
	H1 2022	H1 2021
Operating revenue	26,630	23,460
Reversal of impairment of current assets	157	677
Operating expenses	-20,570	-16,716
EBITDA	6,217	7,421
Depreciation	-3,547	-4,161
Operating profit	2,670	3,260
Result from associated companies	-934	-1,202
Interest income	311	176
Other financial income	3	0
Fair value through P&L	25	50
Interest cost	-544	-463
Other financial cost	-22	-20
Currency loss	-1,557	-210
(Loss) / Profit before income tax	-48	1,591
Tax on result	-352	-500
(Loss-)/profit for the period	-400	1,091
Allocated to the majority	-897	928
Allocated to the minority	497	163
Other comprehensive income		
Currency translation differences	-692	479
Total other comprehensive (loss-)/income	-692	479
Total comprehensive (loss-)/income for the period	-1,092	1,570
Number of shares	59,133,786	59,133,786
(Loss)/earnings per share, basic (USD cents)	-1.52	1.57

Condensed Consolidated Statement of Financial Position

All figures in USD (1,000)

Assets	30.06.2022	Audited 31.12.2021
Goodwill	249	249
Deferred tax assets	189	169
Right of use assets, land and buildings	7,698	7,494
Right of use assets, other	7,209	5,658
OilService and other equipment	11,203	12,820
Land rigs	1,660	1,741
Land and buildings	1,719	1,820
Investments in associates	28	1,087
Other financial fixed assets	7,142	7,001
Restricted cash	3	3
Total non-current assets	37,100	38,042
Inventory	1,756	1,933
Accounts receivable	10,151	10,225
Other current assets	1,674	2,803
Financial asset at fair value through P&L	187	162
Free cash	14,560	15,908
Restricted cash	129	222
Total current assets	28,457	31,253
Total assets	65,557	69,295
Equity and liabilities		
Share capital	5,913	5,913
Other equity	30,061	31,528
Majority interest	35,974	37,441
Minority interest	2,227	1,851
Total equity	38,201	39,292
Bond loan	0	0
Other long-term liabilities	10,562	9,818
Total non-current liabilities	10,562	9,818
Short-term portion of bond loan	4,620	4,620
Short-term portion of other non-current liabilities	4,256	3,653
Accounts payable	2,742	5,354
Bank loan and overdraft	99	106
Income tax payable	723	568
Other current liabilities	4,354	5,884
Total current liabilities	16,794	20,185
Total liabilities	27,356	30,003
Total equity and liabilities	65,557	69,295
Total book equity per share (end of period shares)	0.65	0.66
Equity (total) ratio	58.3%	56.7%



Condensed Consolidated Statement of changes in Equity

All figures in USD (1,000)

	H1 2022	H1 2021
Equity period start 01.01	39,293	40,854
Total equity from shareholders in the year	0	0
Total comprehensive (loss-)/profit for the year	-1,092	1,570
Total change of equity in the period	-1,092	1,570
Equity at year end	38,201	42,424

Condensed Consolidated Cash Flow Statement

All figures in USD (1,000)

	H1 2022	H1 2021
Net cash flow from operating activities	2,800	5,091
Net cash flow from investing activities	-805	-2,536
Net cash flow from financing activities	-2,707	-1,700
Net change in cash and cash equivalents	-712	855
Free cash and cash equivalents at beginning of period	15,908	15,942
Exchange loss on cash and cash equivalents	-636	-109
Free cash and cash equivalents at period end	14,560	16,686

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 30 August 2022.

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 (2021). 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 (2021), have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in its annual report for 2021 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 2022:

All figures in USD (1,000)	Drilling- and Other Equipment	Right of Use Land & Buildings	Right of Use Other Assets	Land rigs	Land and buildings	Total
Balance at 1 January 2022	12,820	7,494	5,658	1,741	1,820	29,533
Acquisition cost at 1 January 2022	296,891	13,281	12,630	14,271	3,463	340,536
Purchased tangibles in 2022	973	215	2,482	0	51	3,721
Modifications in 2022	0	1,456	0	0	0	1,456
Disposal in 2022	-1,679	0	-69	0	0	-1,748
Translation differences	-719	-398	-308	0	-69	-1,494
Acquisition cost at 30 June 2022	295,466	14,554	14,735	14,271	3,445	342,471
Balance depreciation at 1 January 2022	-256,634	-5,787	-6,954	-4,874	-974	-275,223
Balance impairment at 1 January 2022	-27,437	0	-18	-7,656	-669	-35,780
Depreciation in 2022	-1,731	-1,069	-582	-81	-83	-3,546
Impairment in 2022	0	0	0	0	0	0
Disposal of depreciation in 2022	1,539	0	28	0	0	1,567
Disposal of impairment in 2022	0	0	0	0	0	0
Depreciation/impairment as at 30 June 2022	-284,263	-6,856	-7,526	-12,611	-1,726	-312,982
Carrying amount:						
Balance at 30 June 2022	11,203	7,698	7,209	1,660	1,719	29,489
Residual value						

Note 3 Investments in associates

All figures in USD (1,000)	Petrolia NOCO AS
Investments in associates	
Shareholding	49.9%
Business address	Bergen, Norway
Balance 1 January 2022	1,087
Investments	0
Translation differences	-125
Share of result	-934
Balance at 30 June 2022	28

Note 4 Segment Information

All figures in USD (1,000)	H1 2022				H1 2021			
	Rental	Services	Sales	Total	Rental	Services	Sales	Total
Norway	3,971	2,211	474	6,656	6,650	1,104	307	8,061
Europe outside Norway	1,904	2,448	3,626	7,978	3,145	1,175	710	5,030
Asia and Australia	7,050	3,618	1,288	11,956	5,140	2,089	1,284	8,513
Other countries	24	16	0	40	27	24	1,805	1,856
Total	12,949	8,293	5,388	26,630	14,962	4,392	4,106	23,460

Energy

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

The Dugong discovery recoverable resources are expected to be in the lower end of the previously reported 40-108 million barrels of oil equivalent.

Energy services

In the first half of 2022, 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

The Bond Loan (USD 4.6 million) was repaid as planned at the maturity date on 21 July 2022.

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