PETROLIA

H1 2023

PETROLIA SE ('the Company' or 'the Group') financial report for first half-year ended 30 June 2023:

Highlights

- Stable activity in the Energy Service Division resulted in an EBITDA for the first half of 2023 of USD 6.9 million compared to USD 6.2 million during the same period in 2022.
- The Energy Division reported a loss from associated companies of USD 0.6 million for the first half of 2023 compared to a loss of USD 0.9 million in the same period in 2022.
- Investment in associated company, Petrolia NOCO AS is carried at USD 0.8 million, in line with the equity method, compared to a share of the market capitalisation of USD 3.7 million (www.notc.no). This treatment is consistent with previous periods.
- Shareholders' equity as at 30 June 2023 was USD 0.68 per share, compared to USD 0.65 per share as at 30 June 2022. Share price was NOK 3.86, or USD 0.36 at an exchange rate of NOK/USD of 0.0928 compared to a share price of NOK 7.80, or USD 0.78 at an exchange rate of NOK/USD of 0.1004 as at 30 June 2022.

Key figures

All figures in USD (million)	H1 2023	H1 2022
Operating revenue	29.1	26.6
EBITDA	6.9	6.2
Total comprehensive income / (loss) for the period	1.3	-1.1
Earnings/(loss) per share in USD (cents)	1.86	-1.52
Total equity per share in USD	0.68	0.65

Key variance analysis

Operating Revenue: The Group's operating revenue for H1 2023 was USD29.1 million compared to USD 26.6 million in H1 2022. Operating revenue was increased by 9.5% or USD 2.5 million compared to the corresponding half of 2022. The increase in operating revenue is due to the gradual recovery of the oil & gas sector where activity has increased as the oil price has remained stable, impacting positively on the revenue of our Energy Services division.

EBITDA: EBITDA was at USD 6.9 million in H1 2023, compared to USD 6.2 million in H1 2022. The increase in EBITDA is a consequence of the recovery of the oil & gas sector and the results of the Energy Services division.

Total Comprehensive income/(loss): Total comprehensive income was USD 1.3 million in H1 2023, compared to total comprehensive loss of USD 1.1 million in H1 2022. This variance was mainly due to the increased EBITDA, the results from associated companies and the improved currency effects.

Financial information

Profit and loss for the first half of 2023 compared to the first half of 2022

Total revenue was USD 29.1 million compared to USD 26.6 million in 2022. Operating expenses were USD 22.3 million compared to USD 20.6 million in 2022. EBITDA was USD 6.9 million compared to USD 6.2 million in 2022.

Depreciation was USD 3.3 million compared to USD 3.5 million in 2022. Operating profit was USD 3.5 million compared to USD 2.7 million in 2022. Result from associated companies was a loss of USD 0.6 million compared to a loss of USD 0.9 million in 2022. Net financial loss was USD 1.0 million compared to a loss of USD 1.8 million in 2022.

The net result after tax was a profit of USD 1.5 million compared to a loss of USD 0.4 million in 2022. Total comprehensive income was USD 1.3 million compared to a loss of USD 1.1 million in 2022.

Cash flow for the first half of 2023 compared to the first half of 2022

Cash flow from operations was USD 3.8 million in 2023, compared to USD 2.2 million in 2022. Cash outflow from investments in 2023 was USD 1.7 million compared to a cash outflow of USD 0.8 million in 2022. Cash outflow from financing activities in 2023 was USD 3.0 million compared to a cash outflow of USD 2.7 million in 2022.

Free cash as at 30 June 2023 was USD 10.8 million compared to USD 14.6 million as at 30 June 2022 and USD 11.6 million as at 31 December 2022. On 21 July 2022, the Bond Loan of USD 4.6 million was repaid.

Statement of financial position

As at 30 June 2023, total assets amounted to USD 65.8 million (audited 31 December 2022: USD 63.9 million). Main balances are:

- Investment in right of use land and building assets had a book value of USD 6.1 million (audited 31 December 2022: USD 6.6 million)
- Investment in right of use other assets had a book value of USD 9.0 million (audited 31 December 2022: USD 8.5 million)
- Investment in Energy service equipment had a book value of USD 11.1 million (audited 31 December 2022: USD 11.4 million)
- Accounts receivable had a book value of USD 15.3 million (audited 31 December 2022: USD 11.0 million)
- Total cash was USD 10.9 million (audited 31 December 2022: USD 11.9 million).

As at 30 June 2023, total liabilities amounted to USD 25.6million (audited 2022: USD 24.8 million)

- Leasing liabilities for Energy Service equipment were USD 6.1 million (audited 2022: USD 6.8 million).
- Leasing liabilities for offices were USD 8.2 million (audited 2022: USD 8.0 million).

Total equity was USD 40.3 million as at 30 June 2023 (audited 31 December 2022: USD 39.0 million), including a minority interest of USD 3.2 million (audited 31 December 2022: USD 2.6 million). Book value of equity per share was USD 0.68 as at 30 June 2023, (audited 31 December 2022: USD 0.66) including minority interest of USD 0.05 per share (audited 31 December 2022: USD 0.04).

Share information

As at 30 June 2023, the total number of shares outstanding in Petrolia SE was 59,133,786 (audited 31 December 2022: 59,133,786), each with a par value of USD 0.10 (audited 31 December 2022: USD 0.10). The Company has no outstanding or authorised stock options, warrants or convertible debt. As at 30 June 2023, a subsidiary of the Company held 100,000 treasury shares (audited 31 December 2022: NIL treasury shares).

On 31 May 2023, the Annual General Meeting resolved to make the merger reserve of USD 67.1 million a distributable reserve of the Company. All formalities have now been completed and are effective from 13 July 2023.

Operational development, market and outlook

Energy division

Within the Energy division, the 49.9% owned associated company Petrolia NOCO AS ('Petrolia NOCO') is actively pursuing exploration and production opportunities and aims at becoming an independent license holder and operator of producing fields on the Norwegian Continental Shelf ("NCS"). With a robust platform for further growth and extending its exploration success to the entire NCS, PNO plans to develop an effective hands-on operating organisation, extracting the maximum value from every asset while securing profitable growth through smart reinvestment of cash flow from producing fields into exploration, development and acquisitions. The company now has a total of thirteen licences, of which one is as operator.

The company has a 0.825% working interest in the Flyndre unit and a 4.35% working interest in the Enoch unit, The Flyndre unit did not have any production during H1 2023. Following an unsuccessful attempt to restart production, Flyndre was shut down permanently in July 2023. The working interest of the production at the Enoch Field averaged 29 barrels of oil equivalents per day (Boe/day) for Petrolia NOCO during the first half of 2023.

The company reported its first commercial oil discovery in 2020. The recoverable resources of the Dugong discovery in PL 882 are estimated to be between 29 - 84 million barrels of oil equivalent. The PL 882 license partnership is currently evaluating new field development solutions and studies involving tieback to the Snorre facilities. 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) and PL 1181 (60%, awarded in January 2023) are located in the same area.

PNO drilled the Bounty prospect in PL 935 in Q2 2022. The well was determined to be a dry well with shows and was permanently plugged and abandoned. The partners are now evaluating the data obtained to consider if additional wells shall be drilled. The prospect is located in the Frøya High area. Petrolia holds 10% in PL 935.

In 2021 PNO farmed down 40% of its interests (from 60% to 20%) in licences PL 1013 and 1013 B, including operatorships, to facilitate drilling of the Løvmeis prospect in 2024. The prospect is located close to existing infrastructure, allowing fast-track, cost-efficient development.

The company also aims to become a value-focused ESG stakeholder through lower emissions license management and active participation as the operator in CCS projects.

Energy Service division

Gas prices have trended towards international LNG prices. Oil price has been less volatile and seems to level out at around 80 USD/bbl. The Energy Service division has seen higher revenues, costs, and results. Overall, the Board expects activity to remain good. However, the Board considers that the oil industry will remain volatile in the foreseeable future due to fluctuations in oil prices and growing concerns about recession.

The Energy Service division owns and operates one land rig in Iraq. Drilling contracting services by using a hired-in land rig have now stopped and the rig has been returned to its owners. Rig activity was good in the first half of 2023, but lower utilisation is expected for the second half of 2023. The rig is offered and operated in conjunction with other services provided by the division, resulting in increased revenues.

Through CO_2 Management AS, the division focuses on decarbonisation efforts for the European hard-to-abate industry, including waste-to-energy, lime and cement production. In Bremen, Germany, a multimodal CO_2 Hub is being planned by CO_2 Management AS and project partner bremenports GmbH & Co. KG. The Bremen hub is part of the coalition agreement of the elected state government.

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 the extensive industry experience of its management team and a young and dynamic technical team.

Petrolia NOCO currently holds 13 licences on the NCS, including one as operator. 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 11.1 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, 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.

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 2023, confirm that, to the best of our knowledge:

(a) The condensed consolidated interim financial statements for the period 1 January to 30 June 2023 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 developments and performance of the business and the financial position of Petrolia SE with a description of the principal risks and uncertainties that they are facing in accordance with the provisions of Article 10, section (6) of the law.

Board of Directors, Petrolia SE, Limassol, Cyprus 31 August 2023

Berge Gerdt Larsen
Chair of the Board

Polycarpos Protopapas
Board member
Managing director

Sjur Storaas
Board member

George Hadjineophytou
Board member

Sølve Nilsen
Finance manager

Financial report first half-year 2023 – preliminary unaudited

Consolidated Statement of Comprehensive Income		
All figures in USD (1,000)		
	H1 2023	**H1 2022**
Operating revenue	29,114	26,630
Reversal of impairment of current assets	34	157
Operating expenses	-22,281	-20,570
EBITDA	6,867	6,217
Depreciation	-3,320	-3,547
Operating profit	3,547	2,670
Result from associated companies	-610	-934
Interest income	235	311
Other financial income	4	3
Fair value through P&L	-20	25
Interest cost	-455	-544
Other financial cost	-42	-22
Currency loss	-752	-1,557
Profit/(loss) before income tax	1,907	-48
Tax on result	-441	-352
Profit/(loss) for the period	**1,466**	**-400**
Allocated to the majority	**1,100**	**-897**
Allocated to the minority	**366**	**497**
Other comprehensive income		
Currency translation differences	**-177**	**-692**
Total other comprehensive loss	**-177**	**-692**
Total comprehensive income/(loss) for the period	**1,289**	**-1,092**
Number of shares	59,133,786	59,133,786
Earnings/(loss) per share, basic (USD cents)	**1.86**	**-1.52**

Condensed Consolidated Statement of Financial Position		
All figures in USD (1,000)		
Assets	**30.06.2023**	**Audited 31.12.2022**
Goodwill	249	249
Right of use assets, land and buildings	6,084	6,631
Right of use assets, other	9,001	8,537
Energy Service and other equipment	11,121	11,421
Land rigs	1,499	1,579
Land and buildings	1,677	1,758
Investments in associates	817	547
Other financial fixed assets	5,089	1,004
Restricted cash	3	3
Total non-current assets	35,540	31,729
Inventory	2,111	1,965
Accounts receivable	15,271	10,950
Other current assets	2,028	2,826
Financial asset at fair value through P&L	32	163
Other financial fixed assets	0	4,362
Free cash	10,762	11,627
Restricted cash	103	237
Total current assets	30,307	32,130
Total assets	**65,847**	**63,859**
Equity and liabilities		
Share capital	5,913	5,913
Treasury shares	-39	0
Other equity	31,174	30,477
Majority interest	37,048	36,390
Minority interest	3,216	2,624
Total equity	40,264	39,014
Other long-term liabilities	9,966	10,543
Total non-current liabilities	9,966	10,543
Short-term portion of other non-current liabilities	5,075	4,989
Accounts payable	4,915	3,381
Bank loan and overdraft	76	121
Income tax payable	953	971
Other current liabilities	4,598	4,840
Total current liabilities	15,617	14,302
Total liabilities	25,583	24,845
Total equity and liabilities	**65,847**	**63,859**
Total book equity per share (end of period shares)	0.68	0.66
Equity (total) ratio	61.1%	61.1%

Condensed Consolidated Statement of changes in Equity		
All figures in USD (1,000)		
	H1 2023	H1 2022
Equity period start 01.01	39,014	39,292
Purchase of treasury shares	-39	0
Total comprehensive profit/(loss) for the period	1,289	-1,091
Total change of equity in the period	1,250	-1,091
Equity at period end	**40,264**	**38,201**

Condensed Consolidated Cash Flow Statement		
All figures in USD (1,000)		
	H1 2023	H1 2022
Net cash flow from operating activities	3,843	2,164
Net cash flow from investing activities	-1,716	-805
Net cash flow from financing activities	-2,992	-2,707
Net change in cash and cash equivalents	-865	-1,348
Free cash and cash equivalents at beginning of period	11,627	15,908
Free cash and cash equivalents at period end	**10,762**	**14,560**

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 (IFRSs 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 31 August 2023.

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 (2022). 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 (2022), have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in its annual report for 2022 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 2023:

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 2023	**11,421**	6,631	8,537	1,579	1,758	29,926
Acquisition cost at 1 January 2023	**295,347**	**14,440**	**16,439**	**14,270**	**3,497**	**343,993**
Purchased tangibles in 2023	1,089	-13	1,450	0	0	2,526
Modifications in 2023	0	1,233	0	0	0	1,233
Reclassification of cost in 2023	645	-45	-600	0	0	0
Disposal in 2023	-1,581	0	-24	0	0	-1,605
Translation differences	-174	-717	-1	0	12	-880
Acquisition cost at 30 June 2023	**295,326**	**14,898**	**17,264**	**14,270**	**3,509**	**345,267**
Balance depreciation at 1 January 2023	**-255,957**	**-7,809**	**-7,884**	**-5,035**	**-1,070**	**-277,755**
Balance impairment at 1 January 2023	**-27,969**	**0**	**-18**	**-7,656**	**-669**	**-36,312**
Depreciation in 2023	-1,419	-1,005	-723	-80	-93	-3,320
Impairment in 2023	0	0	0	0	0	0
Reclassification of depreciation in 2023	-349	0	349	0	0	0
Reclassification of impairment in 2023	0	0	0	0	0	0
Disposal of depreciation in 2023	1,489	0	13	0	0	1,502
Disposal of impairment in 2023	0	0	0	0	0	0
Depreciation/impairment as at 30 June 2023	**-284,205**	**-8,814**	**-8,263**	**-12,771**	**-1,832**	**-315,885**
Carrying amount: Balance at 30 June 2023 Residual value	11,121	6,084	9,001	1,499	1,677	29,382

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 2023	547
Investments	930
Translation differences	-50
Share of result	-610
Balance at 30 June 2023	**817**

Note 4 Segment Information

All figures in USD (1,000)	H1 2023				H1 2022			
	Rental	Services	Sales	Total	Rental	Services	Sales	Total
Norway	3,823	1,561	1,014	6,398	3,971	2,211	474	6,656
Europe outside Norway	4,709	1,733	4,353	10,795	1,904	2,448	3,626	7,978
Asia and Australia	7,050	3,785	1,084	11,919	7,050	3,618	1,288	11,959
Other	0	0	2	2	24	16	0	40
Total	15,582	7,079	6,453	29,114	12,949	8,293	5,388	26,630

Energy

Petrolia NOCO holds thirteen licences on the NCS.

The Dugong discovery recoverable resources are estimated to be between 29 – 84 million barrels of oil equivalent. Petrolia NOCO has a 20% working interest in the licence. The PL 882 license partnership is working on several field development scenarios. First oil is expected in 2029.

Energy services

In 2023, the Energy Service division has seen stable activity in line with more stable 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)
NCS	Norwegian Continental Shelf
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

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 understand the financial performance of the Group.

All figures in USD (million)	H1 2023	H1 2022
Operating revenue	29.1	26.6
EBITDA	6.9	6.2
Total comprehensive income / (loss) for the period	1.3	-1.1
Earnings/(loss) per share in USD (cents)	1.86	-1.52
Total equity per share in USD	0.68	0.65

Operating Revenue
Operating revenue is the revenue that a company generates from its primary business activities.

Operating Profit
Operating profit is the profit from the company's operations (gross profit minus operating expenses) before deduction of interest and taxes. Operating profit serves as a highly accurate indicator of a company's health because it removes all extraneous factors from the calculation. All expenses that are necessary to keep the business running are included.

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 income / (loss) for the year
Net Income (Loss) + / – Other Comprehensive Income / (Other Comprehensive Loss).

Earnings/(loss) Per Share
Earnings/(loss) per share (EPS) is calculated as profit/loss (before other comprehensive income) allocated to the majority, divided by the average outstanding shares of its common stock:

- 1,100,646/59,133,786 =1.86 cent for H1 2023,
- -898,224/59,133,786 =-1.52 cent for H1 2022,

The resulting number serves as an indicator of a company's profitability. Earnings per share is intended to provide a measure of the proportion of each ordinary share in the performance that the company has had in the reporting period. It can be used to compare the performance between different entities in the same period, as well as between different periods for the same entity.

Equity Ratio
Shareholder equity ratio, expressed as a percentage, is calculated by dividing total shareholders' equity by the total assets of the Company. The result represents the percentage of the assets on which shareholders have a residual claim.

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. A measure of the amount of equity that exists at the end of the period per average outstanding share and is used for measuring the shareholder's equity attributable per share. It can be used to compare the equity per share between different entities in the same period, as well as between different periods for the same entity and also to compare the market price of the share against the Equity per share between different entities in the same period, as well as between different periods for the same entity.

Reconciliation of APM to the items presented in the financial statements

All figures in USD (1,000)	H1 2023	H1 2022
Operating revenue	**29,114**	**26,630**
Operating Profit	3,547	2,670
Depreciation	3,320	3,547
Impairment	0	0
EBITDA	**6,867**	**6,217**
Profit/(loss) to the majority for the period	1,100	-897
Number of shares	59,133,786	59,133,786
Earnings/(loss) per share (cents)	**1.86**	**-1.52**
Profit/(loss) for the period	1,466	-400
Other comprehensive loss	-177	-692
Total comprehensive income/(loss) for the period	**1,289**	**-1,092**
Total Equity	40,264	38,201
Number of shares	59,133,786	59,133,786
Total equity per share in USD	**0.68**	**0.65**
Total Equity	40,264	38,201
Total Assets	65,847	65,557
Equity Ratio	**61.1%**	**58.3%**