PETROLIA

H2 2022

PETROLIA SE ('the Company' or 'the Group') financial report for second half-year ended 31 December 2022 and preliminary unaudited annual results 2022:

Highlights

- Stable activity in the Energy Service Division resulted in an EBITDA for the second half of 2022 of USD 6.3 million compared to USD 5.9 million during the same period in 2021.
- The Energy Division reported a loss from associated companies of USD 0.9 million for the second half of 2022 compared to a loss of USD 2.4 million in the same period in 2021
- Investment in associated company, Petrolia NOCO AS is carried at USD 0.6 million, in line with the equity method, compared to a share of the market capitalisation of USD 8.1 million (www.notc.no). This treatment is consistent with previous years
- Shareholders' equity as at 31 December 2022 was USD 0.66 per share, compared to USD 0.66 per share in 2021. Share price was NOK 4.02, or USD 0.41 at an exchange rate of NOK/USD of 0.1014 compared to a share price of NOK 4.65, or USD 0.53 at an exchange rate of NOK/USD of 0.1134 in 2021.

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 understand the financial performance of the Group.

All figures in USD (million)	H2 2022	H2 2021	2022	2021
Operating revenue	28.9	27.5	55.5	51.0
EBITDA	6.3	5.9	12.5	13.3
Total comprehensive income / (loss) for the period/year	0.8	-3.1	-0.3	-1.6
Loss per share in USD (cents)	-1.12	-3.59	-2.64	-2.02
Total equity per share in USD	0.66	0.66	0.66	0.66

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 outstanding shares of its common stock:

- -663,815/59,133,786 =-1.12 cent for H2 2022, -1,562,039/59,133,786 = -2.64 cent for 2022
- -2,120,720/59,133,786 =-3.59 cent for H2 2021, -1,193,277/59,133,786 = -2.02 cent for 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. 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.

Reconciliation of APM to the items presented in the financial statements

All figures in USD (1,000)	H2 2022	H2 2021	2022	2021
Operating revenue	**28,874**	**27,516**	**55,504**	**50,976**
Operating Profit	2,809	1,504	5,479	4,764
Depreciation	3,492	3,479	7,039	7,640
Impairment	0	934	0	934
EBITDA	**6,301**	**5,917**	**12,518**	**13,338**
Loss to the majority for the period	-664	-2,121	-1,562	-1,193
Number of shares	59,133,786	59,133,786	59,133,786	59,133,786
Loss per share (cents)	**-1.12**	**-3.59**	**-2.64**	**-2.02**
Loss for the period/year	-343	-2,261	-743	-1,170
Other comprehensive income/(loss)	1,123	-871	431	-392
Total comprehensive income/(loss) for the period	**780**	**-3,132**	**-312**	**-1,562**
Total Equity	38,980	39,292	38,980	39,292
Number of shares	59,133,786	59,133,786	59,133,786	59,133,786
Total equity per share in USD	**0.66**	**0.66**	**0.66**	**0.66**
Total Equity	38,980	39,292	38,980	39,292
Total Assets	63,850	69,295	63,850	69,295
Equity Ratio	**61.0%**	**56.7%**	**61.0%**	**56.7%**

Key variance analysis

Operating Revenue: The Group's operating revenue for H2 2022 was USD28.9 million compared to USD 27.5 million in H2 2021. Operating revenue was increased by 4.94% or USD 1.4 million compared to the corresponding half of 2021. The increase in operating revenue is due to the gradual recovery of the oil & gas sector where activity has increased in line with the oil price, stabilising at a higher level than in 2021.

EBITDA: EBITDA was at USD 6.3 million in H2 2022, compared to USD 5.9 million in H2 2021. The increase in EBITDA is a consequence of the recovery of the oil & gas sector.

Total Comprehensive income/(loss): Total comprehensive income was USD 0.8 million in H2 2022, compared to total comprehensive loss of USD 3.1 million in H2 2021. This variance was mainly due to the increased EBITDA and the improved result of the associated companies which resulted in a lower share of their loss in H2 2022.

Financial information

We experienced a stable activity in the oil & gas sector during 2022, in line with the oil price, stabilising at a higher level than in 2021. This led to the increased revenue for the Group, both for the period and for the year. The increased revenues came from activities with lower margins and as inflation picked up, EBITDA was modestly higher in H2 2022 compared to H2 2021 and lower in 2022 compared to 2021.

Profit and loss for the second half of 2022 compared to the second half of 2021

Total revenue was USD 28.9 million compared to USD 27.5 million in 2021. Operating expenses were USD 22.6 million compared to USD 20.0 million in 2021. EBITDA was USD 6.3 million compared to USD 5.9 million in 2021.

Depreciation was USD 3.5 million in both 2022 and 2021. Operating profit was USD 2.8 million compared to USD 1.5 million in 2021. Result from associated companies was a loss of USD 0.9 million compared to a loss of USD 2.4 million in 2021. Net financial loss was USD 0.9 million compared to USD 1.0 million in 2021.

The net result after tax was a loss of USD 343 thousand compared to a loss of USD 2.3 million in 2021. Total comprehensive income was USD 0.8 million compared to a loss of USD 3.1 million in 2021.

Profit and loss for the year 2022 compared to the year 2021

Total revenue was USD 55.5 million compared to USD 51.0 million in 2021. Operating expenses were USD 43.2 million compared to USD 36.7 million in 2021. EBITDA was USD 12.5 million compared to USD 13.3 million in 2021.

Depreciation was USD 7.0 million in 2022 compared to USD 7.6 million in 2021. Operating profit was USD 5.5 million compared to USD 4.8 million in 2021. Result from associated companies was a loss of USD 1.9 million compared to a loss of USD 3.6 million in 2021. Net financial cost was USD 2.7 million compared to USD 1.4 million in 2021.

The net loss after tax was USD 743 thousand compared to USD 1.2 million in 2021. Total comprehensive loss was USD 312 thousand compared to a loss of USD 1.6 million in 2021.

Cash flow for the year 2022 compared to the year 2021

Cash flow from operations was USD 6.8 million in 2022, compared to USD 10.3 million in 2021. Cash outflow from investments in 2022 was USD 0.6 million compared to a cash outflow of USD 5.7 million in 2021. Cash outflow from financing activities in 2022 was USD 10.1 million compared to a cash outflow of USD 4.6 million in 2021.

Free cash as at 31 December 2022 was USD 11.6 million compared to USD 15.9 million as at 31 December 2021.

Statement of financial position

As at 31 December 2022, total assets amounted to USD 63.9 million (2021: USD 69.3 million). Investment in Energy service equipment had a book value of USD 11.0 million (2021: USD 12.8 million), investment in land rigs had a book value of USD 1.6 million (2021: USD 1.7 million), investment in right of use land and building assets had a book value of USD 6.8 million (2021: USD 7.5 million), investment in right of use other assets had a book value of USD 8.5 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 11.9 million (2021: USD 16.1 million).

In July 2022 the bond loan was fully repaid, so as at 31 December 2022, net interest-bearing bond loans amounted to USD nil (2021: USD 4.6 million). The Group holds no Borrower's Bonds (bonds owned by the borrower) (2021: USD nil). In addition, there were leasing liabilities for Energy service equipment and offices of USD 14.7 million (2021: USD 13.1 million).

Total equity was USD 39.0 million as at 31 December 2022 (2021: USD 39.3 million), including a minority interest of USD 2.6 million (2021: USD 1.9 million). Book value of equity per share was USD 0.66 as at 31 December 2022, (2021: USD 0.66) including minority interest of USD 0.04 per share (2021: USD 0.03).

Share information

As at 31 December 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 31 December 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 — sharing openly and transparently instead of selectively. All this, with the shared objective of creating more value for the next generation.

Petrolia NOCO actively pursues farm-in and farm-down 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 thirteen licences, one of which as operator.

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. The PL 882 license partnership is currently contemplating 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 as 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 which allows a fast-track, cost efficient development.

Energy service division

During 2022, we saw dramatic events that considerably impacted energy prices worldwide. Gas prices have at times surged to never seen levels, especially in Europe. Presently, gas prices have come significantly down and the Board expects gas prices to trend towards international LNG prices. 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 80 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 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.

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. Rig activity increased 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 CO_2 Management AS, the division is working on CO_2 mitigation measures for the European hard-to-abate industry.

CO_2 Management AS, in collaboration with partner bremenports GmbH & Co. KG, have continued to mature the multimodal CO_2 hub project in the Bremen region. Germany is Europe's biggest CO_2 emitter. The Bremen project focuses on solutions for inland transport and interim storage of liquid CO_2, which allows for an efficient and flexible infrastructure without the need of a CO_2 backbone pipeline. Multimodal hubs will have an instrumental role in the future CCS value chain by connecting inland CO_2 sources with offshore storage opportunities below the North Sea or elsewhere.

Consultancy services by the company include general CCS advisory, solutions for CO_2 transport and storage, and decarbonisation pathways for the upstream O&G industry. Additionally, CO_2 Management AS and its subdivisions are closely monitoring the ongoing energy transition and have invested, and will continue to invest, in low carbon technology with high overall impact.

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 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 11.0 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, 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.

Board of Directors, Petrolia SE, Limassol, Cyprus 28 February 2023

Financial report second half-year 2022 – preliminary unaudited

Consolidated Statement of Comprehensive Income				
All figures in USD (1,000)				
	H2 2022	**H2 2021**	**2022**	**2021**
Operating revenue	28,874	27,516	55,504	50,976
Reversal/(impairment) of current assets	54	-1,601	211	-924
Operating expenses	-22,627	-19,998	-43,197	-36,714
EBITDA	6,301	5,917	12,518	13,338
Depreciation	-3,492	-3,479	-7,039	-7,640
Impairment	0	-934	0	-934
Operating profit	2,809	1,504	5,479	4,764
Result from associated companies	-920	-2,434	-1,854	-3,636
Interest income	295	296	606	472
Other financial income	8	3	11	3
Fair value through P&L	-23	2	2	52
Interest cost	-457	-546	-1,001	-1,009
Other financial cost	-41	-122	-63	-142
Currency loss	-652	-585	-2,209	-795
Profit/(loss) before income tax	1,019	-1,882	971	-291
Tax on result	-1,362	-379	-1,714	-879
Loss for the period/year	**-343**	**-2,261**	**-743**	**-1,170**
Other comprehensive income				
Currency translation differences	**641**	**-871**	**-51**	**-392**
Fair value through OCI	**482**	**0**	**482**	**0**
Total other comprehensive income/(loss)	**1,123**	**-871**	**431**	**-392**
Total comprehensive income/(loss) for the period/year	**780**	**-3,132**	**-312**	**-1,562**
Number of shares	59,133,786	59,133,786	59,133,786	59,133,786
Loss per share, basic (USD cents)	**-1.12**	**-3.59**	**-2.64**	**-2.02**

Condensed Consolidated Statement of Financial Position		
All figures in USD (1,000)		
Assets	**31.12.2022**	**Audited 31.12.2021**
Goodwill	249	249
Deferred tax assets	0	169
Right of use assets, land and buildings	6,775	7,494
Right of use assets, other	8,537	5,658
Energy service and other equipment	11,022	12,820
Land rigs	1,579	1,741
Land and buildings	1,758	1,820
Investments in associates	637	1,087
Other financial fixed assets	5,366	7,001
Restricted cash	3	3
Total non-current assets	35,926	38,042
Inventory	1,965	1,933
Accounts receivable	10,950	10,225
Other current assets	2,982	2,803
Financial asset at fair value through P&L	163	162
Free cash	11,627	15,908
Restricted cash	237	222
Total current assets	27,924	31,253
Total assets	**63,850**	**69,295**
Equity and liabilities		
Share capital	5,913	5,913
Other equity	30,483	31,528
Majority interest	36,396	37,441
Minority interest	2,584	1,851
Total equity	38,980	39,292
Other long-term liabilities	10,238	9,818
Total non-current liabilities	10,238	9,818
Short-term portion of bond loan	0	4,620
Short-term portion of other non-current liabilities	4,989	3,653
Accounts payable	3,381	5,354
Bank loan and overdraft	121	106
Income tax payable	1,169	568
Other current liabilities	4,972	5,884
Total current liabilities	14,632	20,185
Total liabilities	24,870	30,003
Total equity and liabilities	**63,850**	**69,295**
Total book equity per share (end of period shares)	0.66	0.66
Equity (total) ratio	61.0%	56.7%

Condensed Consolidated Statement of changes in Equity		
All figures in USD (1,000)		
	2022	**2021**
Equity period start 01.01	39,292	40,854
Total equity from shareholders in the year	0	0
Total comprehensive loss for the year	-312	-1,562
Total change of equity in the period	-312	-1,562
Equity at year end	**38,980**	**39,292**

Condensed Consolidated Cash Flow Statement				
All figures in USD (1,000)				
	H2 2022	**2022**	**H2 2021**	**2021**
Net cash flow from operating activities	3,986	6,786	5,211	10,302
Net cash flow from investing activities	243	-562	-3,212	-5,748
Net cash flow from financing activities	-7,388	-10,095	-2,888	-4,588
Net change in cash and cash equivalents	-3,159	-3,871	-889	-34
Free cash and cash equivalents at beginning of period	14,560	15,908	16,688	15,942
Exchange (loss-)/gain on cash and cash equivalents	226	-410	109	0
Free cash and cash equivalents at period end	**11,627**	**11,627**	**15,908**	**15,908**

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 (IFRSs 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 2023.

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 (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 31 December 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	2,498	109	5,052	0	13	7,672
Modifications in 2022	1	1,457	13	0	0	1,471
Reclassification of cost in 2022	610	0	-610	0	0	0
Disposal in 2022	-4,541	0	-127	0	0	-4,668
Translation differences	-571	-244	-519	-1	-48	-1,383
Acquisition cost at 31 December 2022	**294,888**	**14,603**	**16,439**	**14,270**	**3,428**	**343,628**
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	-3,384	-2,041	-1,219	-161	-234	-7,039
Impairment in 2022	0	0	0	0	0	0
Reclassification of depreciation in 2022	-458	0	251	0	207	0
Reclassification of impairment in 2022	0	0	0	0	0	0
Disposal of depreciation in 2022	4,056	0	38	0	0	4,094
Disposal of impairment in 2022	-9	0	0	0	0	-9
Depreciation/impairment as at 31 December 2022	**-283,866**	**-7,828**	**-7,902**	**-12,691**	**-1,670**	**-313,957**
Carrying amount: Balance at 31 December 2022 Residual value	11,022	6,775	8,537	1,579	1,758	29,671

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 2022	1,087
Investments	1,503
Translation differences	-99
Share of result	-1,854
Balance at 31 December 2022	**637**

Note 4 Segment Information

All figures in USD (1,000)	2022				2021			
	Rental	Services	Sales	Total	Rental	Services	Sales	Total
Norway	7,838	4,195	408	12,441	11,448	3,488	515	15,451
Europe outside Norway	4,227	5,442	8,206	17,875	6,866	2,845	5,171	14,882
Asia and Australia	14,183	7,880	3,085	25,148	12,239	6,469	1,935	20,643
Other	24	16	0	40	0	0	0	0
Total	26,272	17,533	11,699	55,504	30,553	12,802	7,621	50,976

Energy

Petrolia NOCO was awarded one new operated licence in January 2023 and now holds thirteen 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 2022, 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)
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