KISTOS

ENERGY IN TRANSITION

Kistos plc

2021 Interim Report

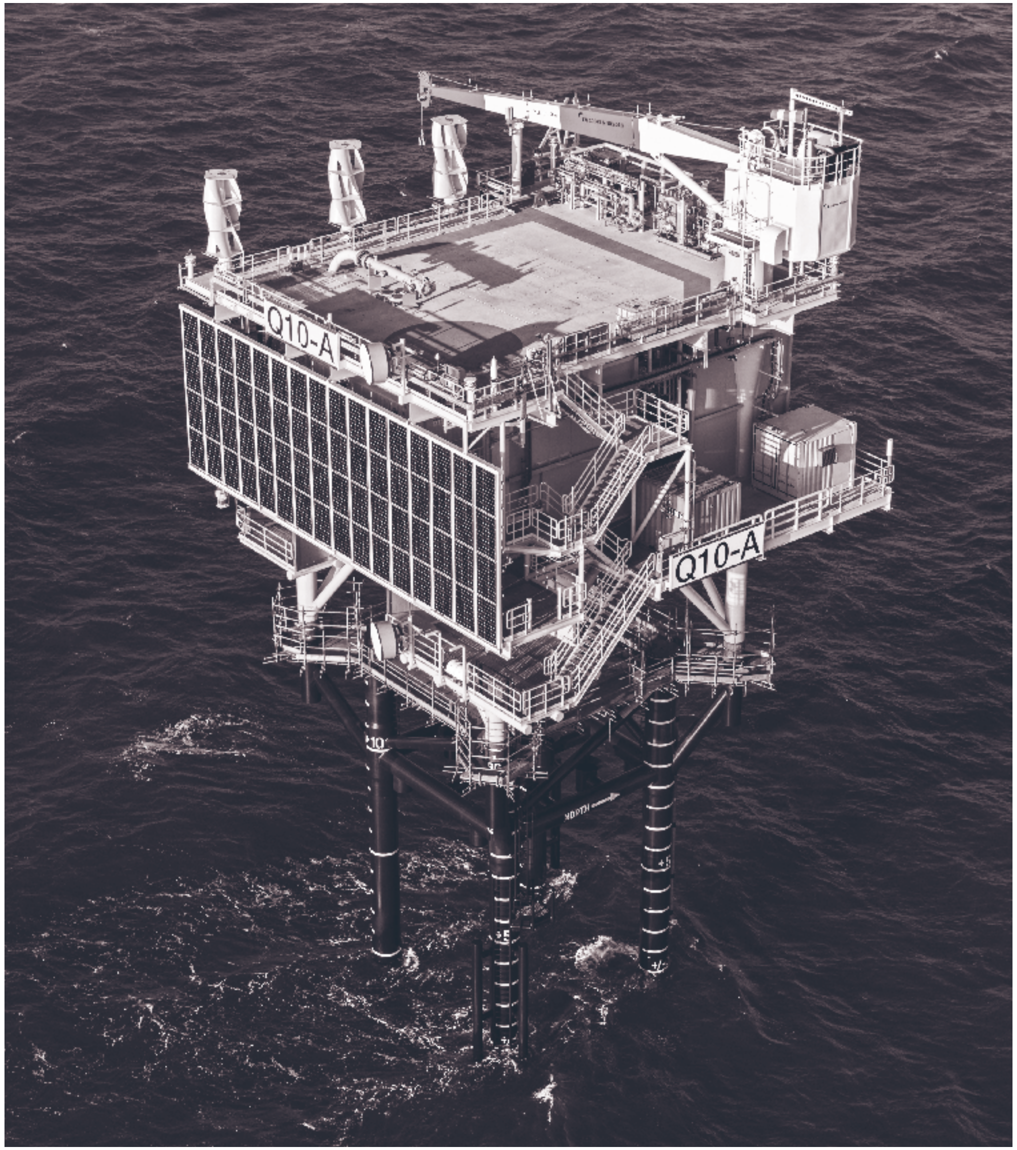
Highlights

Following the incorporation and listing on AIM of Kistos Plc in the final quarter of 2020, the Company completed the acquisition of Tulip Oil Netherlands B.V. and Tulip Oil Netherlands Offshore B.V. (subsequently renamed Kistos NL1 and Kistos NL2 respectively) for €223MM (comprising €140MM plus an €87MM bond refinancing and other adjustments) in May 2021.

This acquisition brought 2P reserves of 19.7 MMboe plus 2C resources of 99.1 MMboe. The Q10-A gas field, which is operated by Kistos NL2 with a 60% working interest, produced at an average rate of 1.42 MM Sm³/d (gross), equivalent to 48 MMcf/d or 8.6 kboe/d, in the six months to 30 June 2021.

Our Scope 1 emissions of 0.01 kg CO_2e/boe in 2020 are industry leading. Kistos expects that position to be maintained following the recent upgrade of wind turbines on the renewably powered Q10-A platform during the period.

Kistos remains well-funded after issuing €150MM of Nordic Bonds and raising over £100MM from equity investors since incorporation. Cash balances on 30 June 2021 were €59.1MM. Given this financial strength and in line with its strategy, the Group continues to evaluate several business development opportunities in the energy transition space.



Proforma unaudited for six months ended 30 June 2021

		H1 2021	H1 2020	Change %
Production	MM Sm³	155	216	-19%
	000 MWh	1,598	2,230	-28%
Revenue	€'000	33,740	17,141	97%
Unit opex[2]	€/MWh	3.00	1.60	88%
Adjusted EBITDA[3]	€'000	29,243	12,415	136%
Average realised gas price[2]	€/MWh	20.76	7.69	170%

1. Proforma figures are based on six months of Kistos NL1 and Kistos NL2 in each half-year period and 37 weeks of Kistos Plc since incorporation.
2. Non-IFRS measures. Refer to the alternative performance measures definition within the glossary to the half-year financial report.
3. Adjusted EBITDA is calculated on a business performance basis. Refer to the alternative performance measures definition within the glossary to the half-year financial report.

Outlook

Kistos is currently undertaking a work programme to enhance production at the Q10-A field and appraise the Q11-B gas discovery and the Vlieland light oil discovery. Borr Drilling's Prospector-1 jack-up drilling rig has been on location since mid-July and is expected to remain on contract with Kistos until the end of November.

As a result of this campaign, Kistos expects the Q10-A field to exit 2021 with gross production of more than 2.0MM Sm^3/d (71 MMcf/d or 12.7 kboe/d). The appraisal drilling is designed to start the process of converting approximately 100 MMboe (gross) of 2C resources into 2P reserves. If successful, it could lead to a further significant uplift in Kistos' production by the mid-2020s.

We were pleased to report earlier this month that the initial results of the appraisal of the Vlieland sandstone formation, which was the first stage of the drilling campaign, were highly encouraging. After encountering the target formation on prognosis at a depth of 1,562 metres TVDss, an 825-metre horizontal section was drilled by the Prospector-1. The Q10-A-04 A well was then flow tested for five days between 26 and 31 August 2021.

During this time, a maximum stable rate of 3,200 barrels of oil per day (bopd) was achieved. This was higher than anticipated and the oil is of good quality with an API of 33 degrees. The information obtained from the well, along with reservoir and surface samples taken during the flow test, will be analysed as Kistos prepares a field development plan for this project. Kistos has previously estimated 2C resources for this accumulation of over 70 MMbbl (gross). This estimate was independently audited by Sproule and will be refined following review of all the data.

Chairman's comment

I am delighted to be able to report Kistos' maiden set of interim results covering the period from incorporation to 30 June 2021, which included approximately six weeks of production from the Q10-A field. I am also pleased to announce the successful integration of the two companies acquired from Tulip Oil Holdings into the wider Group.

After the success of the oil test from the Vlieland sandstone formation, we are looking forward to sharing further results of the current drilling campaign with stakeholders. In the meantime, the Company continues to mature further opportunities within its existing portfolio. This work is expected to lead to additional drilling in the medium term. We are also evaluating an active pipeline of business development opportunities.

On behalf of our shareholders, we are striving to build a first-class energy transition business. We have taken great strides in a short period of time, and we will continue to pursue rapid, disciplined growth both organically and through acquisitions.

Richard Benmore
14 September 2021

Financial Review

Unaudited results for the 37 weeks ended 30 June

		30 June 2021 (actual)	30 June 2021 (proforma)[4]
Production	MM Sm^3	24	155
	000 MWh	248	1,598
Revenue	€'000	6,638	33,740
Unit opex[1]	€/MWh	4.84	3.00
Adjusted EBITDA[2]	€'000	5,203	29,243
(Loss)/profit before tax[3]	€'000	(5,212)	2,625
Earnings per share	cents	(10.4)	n/a
Net cash from operations	€'000	2,894	n/a
Average realised gas price	€/MWh[3]	26.40	20.76
Total cash	€'000	59,146	59,146

Note: The financial results are prepared in accordance with IFRS, unless otherwise noted below:

1. Non-IFRS measures. Refer to the alternative performance measures definition within the glossary to the half-year financial report.
2. Adjusted EBITDA is calculated on a business performance basis. Refer to the alternative performance measures definition within the glossary to the half-year financial report.
3. Excludes the impact of realised and unrealised gain on commodity hedges.
4. Proforma information in respect of the enlarged Group is based on six months of Kistos NL1 and Kistos NL2 and 37 weeks of Kistos Plc.

Production and revenue

Actual production on a working interest basis totalled 24 MM Sm^3 (0.8 kboe/d) in the first half of 2021. This reflects the acquisition of Tulip Oil Netherlands Offshore (TONO) on 20 May 2021. Had Kistos acquired TONO on 1 January 2021, average production in the first half of 2021 would have been 155 MM Sm^3 or 0.86 MM Sm^3/d (5.1 kboe/d).

The Group's average realised gas price during the period was €26.40/MWh and total revenue from gas sales was €6.5MM. On a proforma basis, these figures were €20.76/MWh and €33.2MM. Revenue from condensate sales for the period ending 30 June 2021 was €0.1MM or €0.5MM on a proforma basis.

Costs

Operating expenses for the period following the acquisition of TONO were €1.2MM or €4.84 per MWh. The latter figure would have been 38% lower or €3.00 per MWh if the acquisition of TONO had completed on 1 January 2021. Operating expenses include certain pre-FID costs relating to the proposed new export pipeline to IJmuiden. Excluding those costs, the underlying proforma unit operating expense for the first half was €2.63 per MWh while the reported number would have been €3.00 per MWh. Because Q10-A did not require compression or annual structural surveys in the very early stages of its life, its underlying operating costs in the first half of 2020 were materially lower than in the first half of 2021.

Adjusted EBITDA

€'000	Unaudited 30 June 2020 (actual)	Unaudited 30 June 2021 (proforma)[1]
Adjusted EBITDA	**5,203**	**29,243**
Depreciation and amortisation	(2,267)	(9,238)
Impairment	–	(7,471)
Transaction costs	(2,864)	(2,864)
Operating profit	**72**	**9,670**

1. Proforma information in respect of the enlarged Group is based on six months of Kistos NL1 and Kistos NL2 and 37 weeks of Kistos Plc.

The Group reported adjusted EBITDA of €5.2MM or €20.98 per MWh in the 37 weeks to 30 June 2021. On a proforma basis, adjusted EBITDA was of €29.2MM or €18.30 per MWh in the period. The impairment of €7.47MM relates to amounts previously capitalised for the A-04 well at the Q10-A field, which is being recompleted as part of the Company's 2021 drilling campaign.

Profit/loss before tax

There was an actual operating profit of €0.1MM during the period but a loss before tax of €5.2MM. This deficit reflected a combination of interest charges relating to the €150MM of Nordic Bonds issued by Kistos NL2 during the period plus a loss on redemption of €3.5MM relating to an €87MM Nordic Bond refinancing. On a proforma basis, there was a €2.6MM pre-tax profit for the period. This figure reflects the redemption loss and interest charges on the new bonds as well as interest charges relating to the €87MM bond prior to its redemption.

Financial position

Before expenses, Kistos raised £102.1MM (€118.5m) from equity investors and issued €150.0MM of Nordic Bonds during the period. After paying €222.8MM (€140MM plus an €87MM bond refinancing and other adjustments) for the Tulip Oil acquisition and other expenses, this led to the Company holding cash and cash equivalents of €59.1MM on 30 June 2021.

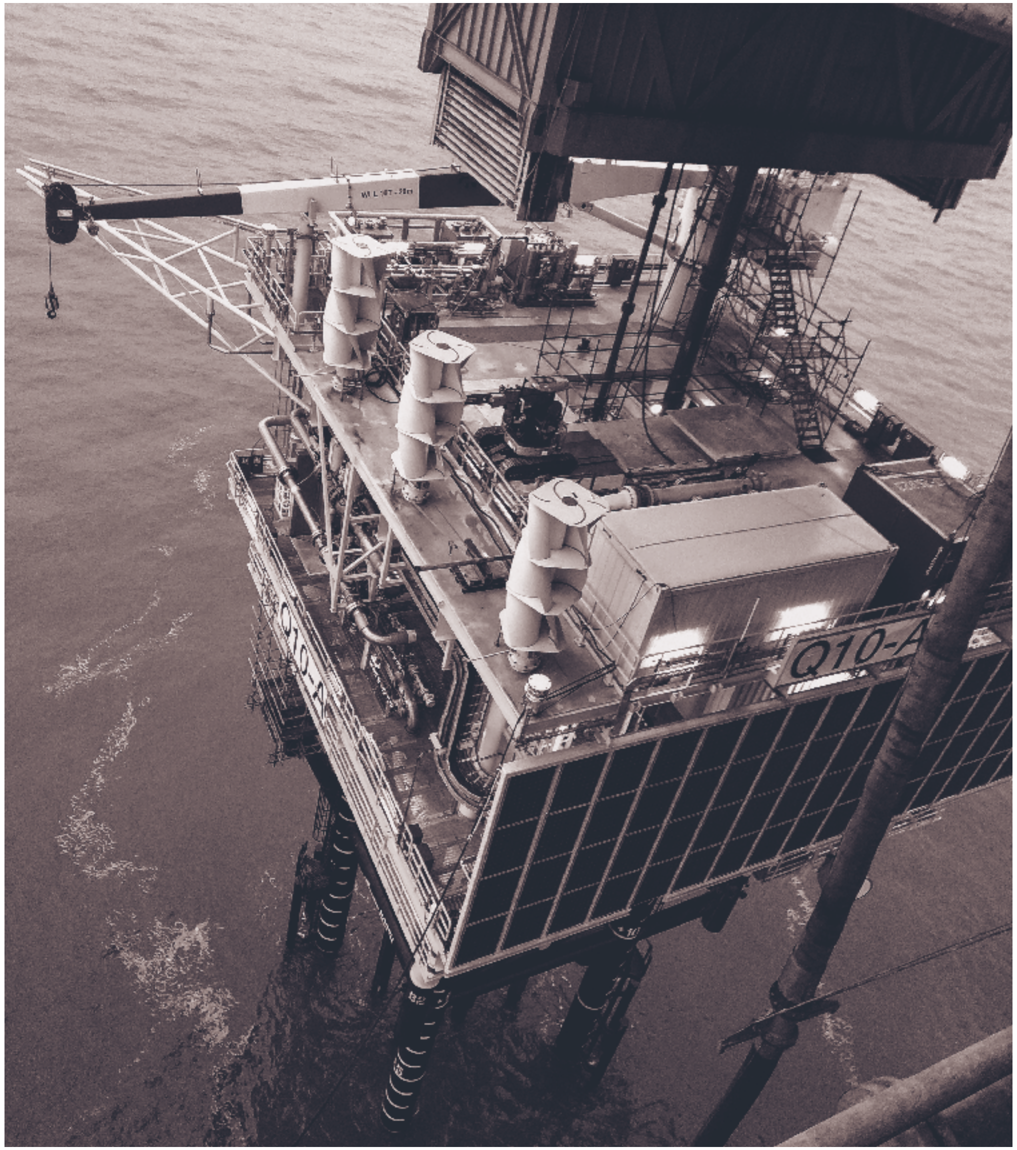
During the first half of 2021, Kistos hedged 100,000 MWh per month at a price of €25/MWh for the nine-month period from July 2021 to March 2022. Based on the prevailing gas price of €33/MWh, this resulted in the creation of a €8.4MM hedge reserve at mid-year.

Going concern

When assessing the going concern status of the Group, the Directors have considered in particular its financial position, including its significant balance of cash and cash equivalents. The Directors have also considered the Group's commodity price forecasts, expected production, operating cost profile, capital expenditure, abandonment spend and financing plans. The Directors have taken into consideration the key risks that could impact the prospects of the Group, with the most relevant risk being the gas price outlook. Robust down-side sensitivity analyses have been performed, assessing the impact of a significant deterioration in the gas price outlook. These stress tests all indicated results which could be managed in the normal course of business. Based on their assessment of the Group's prospects and viability, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of the condensed consolidated interim financial statements.

€'000	Unaudited 30 June 2021 (proforma)[1]
Cash and cash equivalents at beginning	**–**
Net cash generated from operating activities	2,894
Net cash used in investing activities	(100,733)
Net cash raised in financing activities	156,985
Net increase/(decrease) in cash and cash equivalents	59,146
Cash and cash equivalents at 30 June	**59,146**

1. Proforma information in respect of the enlarged Group is based on six months of Kistos NL1 and Kistos NL2 and 37 weeks of Kistos Plc.



Review of Operations

Q10-A
Production from the Q10-A gas field (Kistos 60% operated working interest) averaged 1.42 MM Sm^3/d (48 MMcf/d or 8.6 kboe/d) in the first half of 2021 from five producing wells. A planned upgrade of the wind turbines on the renewably powered Q10-A platform was undertaken during the period. The new configuration has resulted in improved generation capacity due to the wider operating window of the equipment. In turn, this has reduced diesel consumption by the back-up generator and ensured that the platform maintained its excellent emissions track record.

Export route
Kistos' plans to build a 23 km gas export pipeline from Q10-A to a new gas treatment facility (GTF) at IJmuiden continued to progress in the first half of 2021. Visits to the proposed onshore site were undertaken to verify and investigate that portion of the route and the GTF concept selection was completed in April. In May, an offshore geophysical survey of the proposed pipeline route was undertaken using a hybridised vessel.

Other options continue to be evaluated ahead of a final investment decision on the IJmuiden route. However, at the present time, Kistos continues to believe that the IJmuiden solution is best placed to meet the Company's objectives. These include:

- providing reliable infrastructure for the future of the field
- enhancing the Company's low-carbon credentials
- eliminating reliance on mature third-party infrastructure
- reducing operating costs.

On 1 September 2021, Kistos announced that it had entered into exclusive negotiations to acquire Windpark Ferrum. This comprises three wind turbines on the site in IJmuiden where Kistos proposes to reroute gas production from Q10-A and build a compression station adjacent to an existing facility. The wind farm can produce up to 7 MW of electricity and will enable Kistos to supply a material proportion of the power required by the new facility from a renewable source. This will have the effect of materially reducing the overall carbon emissions of the new plant.

Drilling campaign
Borr Drilling's Prospector-1 jack-up drilling rig arrived on location at the Q10-A field in mid-July and commenced the Company's 2021 drilling campaign. This is scheduled to last approximately four months and will include:

- a flow test of the Vlieland light oil discovery, which is located in a naturally fractured reservoir overlying the producing Q10-A field. It is estimated to contain gross 2C resources of more than 70 MMbbl.
- a sidetrack of the Q10-A-04 well, which is not currently onstream, to a new location in the Slochteren formation. This is the field's primary producing reservoir.
- a re-perforation of the Q10-A-06 well to increase output.
- an appraisal well on the Q11-B gas discovery, which is estimated to contain 2C resources of over 170 Bcf or 30.8 MMboe (gross).

The recent success of the Vlieland light oil test could lead to over 70 MMbbl of gross 2C resources being converted to 2P reserves and to a further significant uplift in Kistos' production by the mid-2020s. Similarly, the forthcoming appraisal of the Q11-B gas discovery could convert over 30 MMboe of 2C resources to 2P reserves and result in the field coming onstream as early as 2023. In the meantime, the work programme is expected to boost production from the Q10-A field to more than 2.0 MMcm/d (71 MMcf/d or 12.7 kboe/d).

Principal Risks and Uncertainties

The Directors do not consider that the principal risks and uncertainties have changed since the publication of the Admission Document dated 20 April 2021. There are a number of potential risks and uncertainties that could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. A detailed explanation of the risks summarised below can be found in the section headed 'Risk Factors' in Part III of the Admission Document dated 20 April 2021, which is available at www.kistosplc.com.

Key headline risks relate to the following:

- operational performance
- production and revenues come from one field
- commodity prices
- reserve additions, development and project delivery
- fluctuations in exchange rates
- credit
- changes in environmental legislation.

Our Environmental, Social and Governance Ambitions

Our work is always in transition. We constantly explore opportunities for growth, adapting to support global sustainability efforts and adding value for our shareholders.

In 2021, Kistos will carry out a thorough materiality assessment to identify the environmental, social and governance (ESG) issues that are most important to the business and to our stakeholders. This exercise will enable us to develop a full sustainability strategy, formed around key performance indicators (KPIs) that align with the United Nations Sustainable Development Goals (SDGs).

We already have a Code of Business Conduct in place, along with policies to ensure consistency across the business for issues such as anti-bribery and corruption, whistleblowing, major accident prevention, health, environment, safety and security.

Taking a stewardship approach

Building on our existing health, safety and responsible business practices, we are broadening the scope of our stewardship approach to include enhanced environmental considerations. For example, our current Sustainability Policy outlines our dedication to working safely and avoiding unnecessary depletion of natural resources.

We are creating an environmentally aware work culture, working with suppliers to promote sustainable practices, learning from and reporting any incidents that occur. In alignment with the Paris Accord, the European Union (EU) has set a target to reduce greenhouse gas (GHG) emissions by 55% by 2030, aiming to reach net zero by 2050. As we operate in the Netherlands, an EU member state, this target may become legally binding.

In this era of transition to cleaner energy, many exploration, production and infrastructure companies have been slow to respond to sustainability challenges. The Kistos Directors fully embrace the net zero 2050 agenda as an opportunity to demonstrate leadership. Our forward-looking stewardship mindset, combined with our industry experience, instils confidence that we can drive sustainability without compromising business growth.

Making sustainability central to our projects

Since May 2021, we have been integrating sustainability considerations across our operations and continuing to review and improve upon our performance. We believe domestic offshore gas, which has a much lower carbon footprint than coal supplies, has a vital role to play as a transition fuel in the Netherlands.

We are well placed to become low-carbon producers of natural gas and we are committed to exploring opportunities to develop our existing assets in ways that contribute to realising a more sustainable future.

For example, our Q10-A platform, located in an oil field 20 km offshore from the Netherlands, was designed to minimise GHG emissions and will serve as a blueprint for future projects. It provides power from south-facing solar panels and two wind turbines, producing gas with minimal Scope 1 emissions.

To keep emissions as low as possible and exceed regulatory requirements, Kistos has implemented the Lead Detection and Repair (LDAR) program to identify and prevent methane leaks from its operations. We plan to perform a full platform inspection every year, surpassing the four-year inspection requirement. Access points that are not measured through LDAR are assessed using a Forward-Looking InfraRed (FLIR) camera to identify any leaks as quickly as possible.

Cautionary Statement About Forward-Looking Statements

This half-year results announcement contains certain forward-looking statements. All statements other than historical facts are forward-looking statements. Examples of forward-looking statements include those regarding the Group's strategy, plans, objectives or future operating or financial performance, reserve and resource estimates, commodity demand and trends in commodity prices, growth opportunities, and any assumptions underlying or relating to any of the foregoing. Words such as "intend", "aim", "project", "anticipate", "estimate", "plan", "believe", "expect ", "may", "should", "will", "continue" and similar expressions identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that are beyond the Group's control. Given these risks, uncertainties and assumptions, actual results could differ materially from any future results expressed or implied by these forward-looking statements, which speak only as at the date of this report.

Important factors that could cause actual results to differ from those in the forward-looking statements include: global economic conditions, demand, supply and prices for oil, gas and other long-term commodity price assumptions (as they materially affect the timing and feasibility of future projects and developments), trends in the oil and gas sector and conditions of the international markets, the effect of currency exchange rates on commodity prices and operating costs, the availability and costs associated with production inputs and labour, operating or technical difficulties in connection with production or development activities, employee relations, litigation, and actions and activities of governmental authorities, including changes in laws, regulations or taxation. Except as required by applicable law, rule or regulation, the Group does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Past performance cannot be relied on as a guide to future performance.

Financial Statements

Profit and loss account

	Note	Unaudited 37 weeks ended 30 June 2021 €'000
Revenue	2	**6,638**
Exploration expenses		(59)
Production costs		(1,500)
Depreciation and amortisation	9	(2,267)
Other operating expenses		(2,740)
Total operating expenses		**(6,566)**
Operating profit		**72**
Interest and other income	6	15
Interest expenses	6	(1,620)
Other financial expenses	6	(3,679)
Net finance costs		**(5,284)**
(Loss)/profit before taxes		**(5,212)**
Tax (charge)/credit	7	508
(Loss)/profit for the period		**(4,704)**
Basic (loss)/earnings per share (cents)	**4**	**(10.4)**

Other comprehensive income

	Unaudited 37 weeks ended 30 June 2021 €'000
(Loss)/profit for the period	**(4,704)**
Items that may be reclassified to the income statement in subsequent periods:	
Cash flow hedge:	
Foreign currency translation reserve	(151)
Gain/(loss) arising in the period	(8,425)
Tax relating to components of other comprehensive (expense)/income	4,213
Total comprehensive expense for the period	**(9,067)**

Balance sheet

	Note	Unaudited 30 June 2021 €'000
Assets		
Goodwill	5	19,100
Intangible exploration and evaluation assets	5, 8	67,500
Property, plant and equipment	9	136,686
Deferred tax assets	7	19,810
Total non-current assets		**243,096**
Inventories		780
Trade receivables		8,340
Other receivables		464
Cash and cash equivalents		59,146
Total current assets		**68,730**
Total assets		**311,826**
Equity and liabilities		
Equity		
Share capital		9,627
Share premium		106,560
Hedge reserves[1]		(8,425)
Foreign currency translation reserve[2]		(151)
Retained earnings		(4,704)
Total equity		**102,907**
Non-current liabilities		
Abandonment provision	10	12,967
Borrowings	11	146,733
Deferred tax liability	7	29,523
Other liabilities		33
Current liabilities		
Trade and other payables		6,521
Abandonment provision	10	1,199
Other current financial liabilities		1,621
Other liabilities		10,322
Total current liabilities		**19,663**
Total liabilities		**208,919**
Total equity and liabilities		**311,826**

1. The hedge reserve represents gains and losses on derivatives classified as effective cash flow hedges.
2. The foreign currency translation reserve represents exchange gains and losses arising on translation of foreign currency subsidiaries.

Group statement of changes in equity (unaudited)

	Share capital €'000	Share premium €'000	Retained earnings €'000	Foreign currency translation reserve €'000	Hedge reserve €'000	Total equity €'000
Equity as of beginning of the period	–	–	–	–	–	–
Profit/(loss) for the period	–	–	(4,704)	–	–	(4,704)
Shares issued in the period	9,627	108,915	–	–	–	118,542
Shares issued payment charges	–	(2,355)	–	–	–	(2,355)
Movement in the period	–	–	–	(151)	(8,425)	(8,576)
Equity as of 30 June 2021	**9,627**	**106,560**	**(4,704)**	**(151)**	**(8,425)**	**102,907**

Cash flow statement

	Note	Unaudited 37 weeks ended 30 June 2021 €'000
Cash flow from operating activities		
Profit/(loss) for the period		(4,704)
Tax charge/(credit)	7	(508)
Net finance costs	6	5,284
Depreciation and amortisation	9	2,267
(Increase)/decrease in trade and other receivables		(366)
Increase/(decrease) in trade, other payables and provisions		1,086
(Increase)/decrease in inventories		(165)
Net cash flow from operating activities		**2,894**
Cash flow from investment activities		
Payments for acquisition of Kistos NL1 and NL2		(100,696)
Payments to acquire tangible fixed assets		(37)
Net cash flow from investment activities		**(100,733)**
Cash flow from financing activities		
Proceeds from bond issue		60,000
Proceeds from share issue		102,442
Repayment of long-term payables		(16)
Costs incurred for share issue		(2,356)
Costs incurred in respect of bond refinancing		(3,069)
Other finance charges (net)		(16)
Interest paid		–
Net cash flow from financing activities		**156,985**
Increase/(decrease) in cash and cash equivalents		59,146
Cash and cash equivalents at beginning		–
Cash and cash equivalents at 30 June		**59,146**

Notes to the financial statements (unaudited)

Note 1a: General information

The condensed financial statements for the six-month period ended 30 June 2021 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting and the requirements of the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority (FCA) in the United Kingdom as applicable to interim financial reporting. The condensed financial statements represent a ‘condensed set of financial statements’ as referred to in the DTR issued by the FCA. Accordingly, they do not include all the information required for a full annual financial report. The condensed financial statements are unaudited and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

These interim financial statements for Kistos Plc are the first interim financial statements of the Company and Group following incorporation on 14 October 2020. The initial period for Kistos Plc covers the 37 weeks ended 30 June 2021. On 20 May 2021, Kistos Plc completed the acquisition of Tulip Oil Netherlands B.V. (now called Kistos NL1) and Tulip Oil Netherlands Offshore B.V. (now called Kistos NL2). The financial results include the results of Kistos NL1 and Kistos NL2 from this date onwards. Further details of the acquisition are included in note 5.

These unaudited interim financial statements were authorised for issue by Kistos Plc’s (‘Kistos’) Board of Directors on 13 September 2021.

Note 1b: Accounting principles

The accounting principles used for this interim report are consistent with the principles used in the Kistos NL2 annual financial statements as at 31 December 2020.

In preparing these unaudited interim financial statements, management has made judgements, estimates and assumptions concerning the future that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Different estimates, assumptions and judgements could significantly affect the information reported, and actual results may differ from the amounts included in these financial statements and notes.

Note 2: Segment analysis

	Netherlands	Unaudited 37 weeks ended 30 June 2021 €’000
Revenue by product	Sale of crude oil	101
	Sale of gas	6,537
Revenue		**6,638**
Adjusted EBITDA		**5,203**
Production (gas)	MM Sm³	24
	‘000 MWh	248

Note 3: Reconciliation of adjusted EBITDA to operating profit

	Unaudited 37 weeks ended 30 June 2021 €’000
Adjusted EBITDA	**5,203**
Depreciation and amortisation expense	(2,267)
Impairment	–
Transaction costs	(2,864)
Operating profit	**72**

Proforma unaudited six months ended 30 June 2021	Unaudited 6 months ended 30 June 2021 €’000
Adjusted EBITDA	**29,243**
Depreciation and amortisation expense	(9,238)
Impairment	(7,471)
Transaction costs	(2,864)
Operating profit	**9,670**

The impairment of €7.47MM relates to amounts previously capitalised for the A-04 well at the Q10-A field, which is being abandoned as part of the Company’s 2021 drilling campaign.

Note 4: (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the period after taxation attributable to equity holders of the parent of €4.7MM and a weighted average number of shares in issue of 45.4 MM.

Note 5: Acquisition

On 20 May 2021, Kistos Plc completed the 100% acquisition of Tulip Oil Netherlands B.V. (now called Kistos NL1) and Tulip Oil Netherlands Offshore B.V. (now called Kistos NL2) for €140MM.

The transaction assets constitute a business and the acquisition has been accounted for using the acquisition method, in accordance with IFRS3 business combinations. The consolidated financial statements include the fair value of the identifiable assets and liabilities as at the acquisition date and the results of Kistos NL1 and Kistos NL2 from 21 May 2021 till 30 June 2021.

	Unaudited Provisional fair value €'000
Deferred tax assets	19,477
Cash and cash equivalents	23,529
Trade and other receivables	8,602
Inventory	615
Property, plant and equipment	138,781
Exploration and evaluation assets	67,500
Trade and other payables	(4,500)
Provisions	(17,710)
Deferred tax liability	(30,000)
Borrowings	(85,419)
Net assets acquired	**120,875**
Total consideration paid	**139,975**
Goodwill	**19,100**

The table above shows management's assessment of the provisional calculated fair values. As the date of the acquisition is close to the reporting date, management's assessment of the provisional fair values is ongoing. Any adjustments made to the provisional assessment of fair values within 12 months will result in the fair values being revised. Any adjustments made beyond 12 months will be recognised in the income statement as a change in estimate.

	Cash	**Non-cash**	**Unaudited Total** €'000
Cash	60,000	–	60,000
Cash raised through additional borrowings	60,000	–	60,000
Surplus cash extraction	5,108	–	5,108
Other SPA adjustments	(883)	–	(883)
Shares in Kistos Plc	–	15,750	15,750
Total consideration paid	**124,225**	**15,750**	**139,975**
Cash held in Kistos NL2	**(23,529)**		
Cash outflow on acquisition	**100,696**		

Note 6: Net finance costs

	Unaudited 37 weeks ended 30 June 2021 €'000
Interest income	–
Other financial income	(15)
Total financial income	**(15)**
Interest expenses	1,619
Other interest charges	1
Total interest expenses	**1,620**
Loss on redemption	**3,528**
Unwinding of bond discount	–
Accretion expenses	8
Amortised bond costs	143
Total other financial expenses	**151**
Net finance costs	**5,284**

Note 7: Taxes

Deferred tax assets of €19.8MM at the end of June 21 mainly comprise State Profit Share (SPS) losses in Kistos NL2.

The tax losses are made up of SPS losses. SPS losses can be carried forward indefinitely. Provisions relate to temporary differences on abandonment provisions and other relates to temporary differences on abandonment fixed assets and other provisions/liabilities.

The deferred tax liability of €29.5MM at the end of June 21 arises on the fair value step-up recognised on the acquisition of Kistos NL1 and Kistos NL2.

Note 8: Intangible exploration and evaluation assets

Exploration and evaluation intangible assets of €67.5MM relates to the step-up on assets acquired following the acquisition of Kistos NL2.

The assets relate principally to Q11-B, Q10 Gamma and Q10-B Gas in the Netherlands.

Note 9: Property, plant and equipment

€'000	Assets under construction	Production and wells	Fixtures & fittings	Unaudited Total
Cost at beginning of the period	–	–	–	–
Additions	35	121	16	172
Acquisition of Kistos NL2	5,796	132,844	141	138,781
Cost on 30 June 2021	**5,831**	**132,965**	**157**	**138,953**
Depreciation at beginning of the period	–	–	–	–
Depreciation for the period	–	(2,247)	(20)	(2,267)
Impairment	–	–	–	–
Depreciation on 30 June 2021	**–**	**(2,247)**	**(21)**	**(2,267)**
Net book value at beginning of the period	**–**	**–**	**–**	**–**
Net book value on 30 June 2021	**5,831**	**130,718**	**137**	**136,686**

Impairment tests of individual cash-generating units are performed when impairment triggers are identified. Kistos Plc and its subsidiaries have taken measures in response to the COVID-19 outbreak, including provisions for business continuity and a reduction in expenditure levels. Given the COVID-19 situation, the Q10-A asset has been retested for impairment. No impairment has been identified.

Note 10: Provision for abandonment liabilities

	Unaudited 30 June 2021 €'000
Provisions as of beginning of the period	–
Accretion expense	8
Additions	14,158
Change in estimates and incurred liabilities	–
Total abandonment provision at period end	**14,166**
Analysis of the abandonment provision to short-term and long-term liabilities	
Short term	1,199
Long term	12,967
Total abandonment provision	**14,166**

Following clarifications of the proposed legislative changes regarding abandonment requirements, the cost to abandon is now estimated based on cleaning and leaving the pipeline between Q10-A and P15 in place. Abandonment provisions are determined using an inflation rate of 1.0% (2020: 1.0%) and a discount rate of 0.5% (2020: 0.5%) in line with publicly available economic forecasts.

Note 11: Borrowings

	Unaudited 30 June 2021 €'000
9.15% Senior secured bond €60m *due 2026*	60,000
8.75% Senior secured bond €90m *due 2024*	90,398
Bond issue costs	(3,726)
Total borrowings	**146,672**

During the period, Kistos NL2 refinanced an existing €87MM bond with a new €90MM bond that has a coupon of 8.75% per annum and a maturity date of November 2024. An additional €60MM bond, with a coupon of 9.15% and a maturity date of May 2026, was issued to Tulip Oil Holdings in conjunction with the acquisition of Kistos NL2 by Kistos Plc. The refinancing incurred a loss on redemption of €3.5MM disclosed under finance charges.

Included under borrowings in the balance sheet are also other ROU liabilities of €61K.

Glossary

Adjusted EBITDA – the Board uses Adjusted EBITDA as a measure to assess the performance of the Group. This measure excludes the effects of significant items of income and expenditure which may have an impact on the quality of earnings such as reversal of provisions and impairments when the impairment is the result of an isolated non-recurring event.

Average realised oil/gas price – calculated as revenue divided by sales production for the period. Sales production for the period may be different from production for the period.

Boe – barrels of oil equivalent.

Boepd – barrels of oil equivalent produced per day.

Company – Kistos or Kistos Plc.

Earnings per share – calculated as profit for the financial period divided by weighted average number of shares for the period.

Group – Kistos Plc and its subsidiaries.

ROU – right of use.

Unit opex – calculated as production costs divided by production.

KISTOS
ENERGY IN TRANSITION

Kistos Energy
9th Floor
107 Cheapside
London
EC2V 6DN