11 September 2019
2019 Interim Results

SOCO International plc
("SOCO" or the "Company" or, together with its subsidiaries, the "Group")

INTERIM RESULTS FOR THE HALF YEAR TO 30 JUNE 2019

SOCO International plc, an international oil and gas exploration and production company, announces its Interim Results for the six months ended 30 June 2019. A conference call will take place at 0930 GMT today.

Ed Story, President and Chief Executive Officer, commented:
"We are pleased with the strategic progress SOCO has made in the first half of the year. We completed the acquisition of Merlon, and successfully integrated the business. The acquisition significantly increases group reserves, resources and production, and importantly gives SOCO the diversified base to grow production further. The Egyptian assets complement our Vietnamese portfolio and allow us to invest cash flow into activities focused on increasing reserves and production. We look forward to a busy second half of the year as we implement our increased drilling programme in Egypt and continue to focus on meeting production guidance in Vietnam. To further SOCO's ongoing commitment to operating a sustainable business, a new ESG Board Committee, to be chaired by John Martin, has been established to ensure that SOCO is striving for the highest standards across all Environment, Social and Governance matters."

2019 INTERIM RESULTS SUMMARY

- Total Group working interest production 12,541 boepd (1H 2018: 7,748 boepd)[1]
- Group revenue of $91.8m (1H 2018: $93.2m)[1,2]
- Cash operating costs under $10/bbl (1H 2018: $14/bbl)[1]
- Cash generated from operations $54.6m (1H 2018: $48.3m)[1]
- Group Net Debt $33.7m (1H 2018: Net Cash $128.8m)[3]
- 2018 full year dividend of $27.4m (1H 2018: $23.3m) paid 31 May 2019
- Initiatives for Greenhouse Gas (GHG) emissions reduction have been implemented in Egypt

1 Vietnam – full six months (181 days) | Egypt – from 02/04/2019 (91 days)
2 Stated after realised hedging loss of $0.9m
3 See Non-IFRS measures at page 27

OUTLOOK

- Egypt: production guidance for the El Fayum concession continues to be a 2019 exit rate of 6,500 bopd
- Vietnam: production guidance for 2019 remains unchanged at an average of 6,500-7,500 boepd for the full year
- Cash capital expenditure in 2019 is expected to be c. $50m
- Continued focus on growth through development of organic opportunities

SOCO will be hosting a Capital Markets Day on 29 October 2019. Please see full details below.

CORPORATE UPDATE

BOARD CHANGES

Ambassador António Monteiro, previously a Non-Executive Director and Chair of the Remuneration Committee retired from the Board of SOCO in May 2019, following ten years of service. SOCO would like to thank António for his contribution to SOCO, and to wish him all the very best for the future.

Marianne Daryabegui joined the Board of SOCO in March 2019 as an Independent Non-Executive Director. Marianne is a member of the Remuneration Committee, Nominations Committee and the Audit & Risk Committee.

As announced in our 2018 Annual Report and Accounts, the Board will seek to rebalance its composition during 2019 and has initiated an external search with process, with Korn Ferry, for a new independent Chair and a further Independent Non-Executive Director.

PROPOSED NAME CHANGE

SOCO is proposing to change its registered name to Pharos Energy plc. The proposed change of name, in order to take effect, requires SOCO shareholders to pass a special resolution at a general meeting of the Company. A circular to shareholders convening a general meeting for this purpose is expected to be posted by the end the month.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) COMMITTEE

To reflect SOCO ongoing commitment to operating a sustainable business, the Board has established a new committee, the ESG Committee, with direct delegated authority from the Board. The ESG Committee will take responsibility for overseeing and directing SOCO's work towards the goal of establishing and maintaining the highest operating standards across Environment, Social and Governance matters. The committee will be chaired by John Martin, also the chair of the Audit & Risk Committee, and will initially comprise a combination of executive and non-executive personnel.

UPCOMING EVENT: CAPITAL MARKETS DAY – 29 October 2019, 14:00 – 18:00 (GMT)

SOCO International plc will hold a Capital Markets Event for sell-side analysts and institutional investors during the afternoon of Tuesday 29 October 2019 in central London. Presentations will be given by members of the management team to provide insights into the Group's strategy and key areas of operations. The event will also be recorded and saved on our website.

ENQUIRIES:

SOCO International plc — Tel: 020 7747 2000
Ed Story, President and Chief Executive Officer
Jann Brown, Managing Director and Chief Financial Officer
Mike Watts, Managing Director
Sharan Dhami, Group Head of Investor Relations

Camarco — Tel: 020 3757 4980
Billy Clegg/Owen Roberts/Monique Perks

NOTES TO EDITORS

SOCO is an international oil and gas exploration and production company, headquartered in London and listed on the London Stock Exchange.
SOCO has production, development and exploration interests in Egypt and Vietnam.

In Egypt, SOCO holds a 100% working interest in the El Fayum oil concession in the Western Desert, one of Egypt's most established and prolific hydrocarbon basins. The concession produces from 10 fields and is located 80 km south west of Cairo. It is operated by Petrosilah a 50/50 JV between SOCO and Egyptian General Petroleum Corporation (EGPC). In Vietnam SOCO holds a 30.5% working interest in the Te Giac Trang Field in Block 16-1, which is operated by the Hoang Long Joint Operating Company. Block 16-1 is located in the shallow water Cuu Long Basin, offshore southern Vietnam and a 25% working interest in the Ca Ngu Vang field in Block 9-2, which is operated by the Hoan Vu Joint Operating Company. Block 9-2 is located in the shallow water Cuu Long Basin, offshore southern Vietnam. SOCO also holds a 70% interest in and is designated operator of Blocks 125 & 126, located in the moderate to deep water Phu Khanh Basin, offshore central Vietnam.

REVIEW OF OPERATIONS

EGYPT

The acquisition of Merlon completed on 2 April 2019. There are currently two drilling rigs and two workover rigs in operation at El Fayum.

Egypt Production

Production from the El Fayum concession averaged 5,262 barrels of oil per day (bopd) from 2 April to 30 June 2019.

The average realised crude oil price for H1 2019 was $64/bbl, a discount to Brent of $5/bbl.

The underinvestment in this concession in previous years now offers a clear near-term opportunity to reverse the decline in production and then steadily improve the production level.

Operations

Since completion of the acquisition of Merlon, four production development wells and one injector well have been drilled within the El Fayum concession, and a second drilling rig was contracted after completion. Drilling operations with the second rig commenced on 16 July when the first well was spudded. Operations have focused on restoring production from inactive wells, improving artificial lift performance, optimising existing waterflood activities and implementing new waterflood projects to offset decline, stabilise base production and move to growing production.

Crude off-take and sales arrangements

SOCO is evaluating various options to optimise the crude off-take and sales arrangements in Egypt. These studies include the evaluation of various refinery and pipeline options to provide maximum flexibility for future production growth. The produced crude oil has historically been trucked to the Tebeen pumping station, from where it was piped to the Mostorod refinery, north of Cairo, under payment of a transportation or handling fee. One of the changes made since the acquisition completed is to the delivery point of El Fayum crude, prompted by the upgrade of the Mostorod refinery. Oil deliveries are now being made directly to the Suez Oil Processing Company (SOPC) refinery, which provides a higher crude oil handling capacity and circumvents the need for pipeline evacuation. In addition, although a longer distance (and therefore c.$0.30 per bbl higher), the new trucking transport route avoids built-up and residential areas and offers safer driving conditions due to fully tarmacked roads leading directly to the refinery. Negotiations are ongoing to finalise the handling charges, previously $2.80 for deliveries to Tebeen at this stage they are not expected to be significantly different. SOCO will continue to evaluate off-take options as production increases, in order to optimise crude pricing of future production and to provide maximum flexibility.

Exploration

Over 100m of core was acquired in the Al Medina 1X exploration well, which was drilled in January 2019. Special core analysis was undertaken, which confirmed high total organic content. A contract to analyse the rock geochemistry, which will determine the optimum temperature and burial depth for oil expulsion, is expected to be awarded during September.

Focus in Egypt for remainder of 2019

The two drilling rigs will continue to focus on drilling new producers and injectors in core areas of the concession in order to roll-out new waterflood projects, to reverse the natural decline and to increase production.

The two workover rigs will focus on augmenting production from long-term inactive wells by perforating virgin zones behind-pipe where co-mingling is possible, restoring production from short-term shut-in wells, and completion of new wells. A contract for a third workover rig has been signed and is due to start work in October 2019. This third workover rig is intended to accelerate new well completions and perform well maintenance activities across the concession.

Additionally, reprocessing of 3D seismic data across El Fayum started in August, to improve resolution for future in-fill wells, and to optimise the location of new wells in the waterflood areas. The proposed new 3D seismic in the northern, under-explored, parts of El Fayum awaits military approval and clearance of unexploded ordinance across the firing range.

SOCO's production guidance for the El Fayum concession continues to be a 2019 exit rate of 6,500 bopd.

Egypt Outlook

- Expand waterflood deployment
- Continue in-fill drilling across the field in the Greater Silah area
- Selective drilling in satellite fields
- Continue defining appraisal targets/mature exploration targets in areas covered by existing 3D seismic
- Implementation of studies to further reduce GHG emissions using electricity from the grid to replace diesel generators, in addition to and expanding the Aggreko system

VIETNAM

Vietnam Production

Production from the TGT and CNV fields for the first half of 2019 net to the Group's working interest averaged 7,279 boepd (H1 2018: 7,748 boepd). This is in line with the Vietnam production guidance for 2019 which remains unchanged at 6,500 - 7,500 boepd.

TGT H1 2019 production averaged 18,469 boepd gross and 5,571 boepd net to SOCO (H1 2018: 20,486 boepd gross and 6,177 boepd net). CNV H1 2019 production averaged 6,832 boepd gross and 1,708 boepd net to SOCO (H1 2018: 6,287 boepd gross and 1,571 boepd net).

The average realised crude oil price for 1H 2019 was $69/bbl, a premium to Brent of over $4/bbl.

Production by field	1H 2019	1H 2018
TGT Production	5,571	6,177
Oil	5,227	5,765
Gas[1]	344	412
CNV Production	1,708	1,571
Oil	1,125	1,028
Gas[1]	583	543
Total Production	7,279	7,748
Oil	6,352	6,793
Gas[1]	927	955

Figures in boepd

[1] Assumes oil equivalent conversion factor of 6,000 standard cubic feet per barrel of oil equivalent.

Operations

Block 16-1 - TGT Field (30.5% interest; operated by HLJOC)

In January 2019, the TGT-H5 31P well, high temperature, high pressure (HTHP), was drilled through the main reservoir sections to total target depth. A single DST was conducted, and oil flowed to surface from the deeper D and E sections under controlled conditions. The well continues to produce from the Miocene and Oligocene.

Operations have focused on improving wells production by optimising gas-lift for key wells, increasing operations efficiency and up-time. An updated Full Field Development Plan (FFDP) is in progress, expected to be finalised by year end.

Block 9-2 - CNV Field (25% interest; operated by HVJOC)

Conversion of the water injection pipeline to gas is completed, the successful pipeline conversion, the focus for CNV field is on improving CNV-5P-ST3 well performance.

TGT Compressors and FPSO Tie-In Agreement (TIA)

Planned upgrade work to the compressors has commenced and completion is expected to be in 1H 2020.

Negotiations on a new TIA between the HLJOC and the current counterparty, the Thang Long Joint Operating Company (TLJOC) continue. In advance of this, a further interim agreement with a new cost sharing mechanism was put in place in August 2019.

2019 Work Programme

Block 16-1 - TGT Field (30.5% interest; operated by HLJOC)

The JOC has agreed to contract the Borr Idun rig through PV Drilling (PVD) to execute the approved 2019 work programme of two firm and two contingent infill wells. The first of the two firm wells, the TGT-H5-31I, injector well, is due to spud in November 2019. This well is anticipated to take approximately 30 days.

The rig will then move to the north to drill the TGT-H1-15X well in December, which will target not only Miocene and Oligocene producing sands but also appraise the deeper Oligocene D & E sequence HTHP play discovered by the TGT-H5 31P well in January 2019. The TGT-H1-15X well will be fracked before testing.

No drilling activities in CNV for the remainder of 2019.

Exploration

Blocks 125 & 126 (70% interest, SOCO-operated)

Acquisition of 7,000 km of new 2D seismic was completed on 31 May 2019 on time and within budget. The seismic data is being processed and analysed to identify areas for 3D seismic acquisition next year.

Vietnam Outlook

- Additional infill drilling to maintain and increase TGT field production
- Appraisal of the deeper Oligocene D & E sequence HTHP play at TGT
- Optimising production from CNV field using permanent gas lift facility from Bach Ho CPP-3 complex
- 2D interpretation and 3D Seismic acquisition over selected areas of Blocks 125 & 126

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Safety across our business is paramount. Since completion of the acquisition of Merlon in early April 2019, our recent activities and forward plans for Egypt have been focussed on improving HSSE standards. The PetroSilah JV has obtained ISO 14001 (Environmental) and ISO 45001 (Health and Safety) certification in Egypt. Initiatives for GHG reduction have been implemented. One such initiative is the recent installation of Aggreko associated-gas powered electricity generators rather than the diesel powered generators at North Silah Deep site that. We are looking at further initiatives to reduce CO_2 equivalent emissions. In evaluating new off-take options for El Fayum crude, HSSE standards are one of the key considerations in identifying the SOPC refinery as the current preferred option. The transport route to and from SOPC avoids built-up and residential areas and offers safer driving conditions on a fully tarmacked road leading directly to the refinery.

In Vietnam, we continue to work with our partners to maintain a high level of safety and we are proud of our record of Zero Lost time Injury (LTI) frequency rate in 24.19 million-man hours since inception. In Vietnam we continue to invest in long-term social projects through the HLHVJOC Charitable Donation programme. This year, partnerships and projects that have been supported by the charitable programme have included; support made to the Light Your Hope Scholarship Fund, which supports students from low-income backgrounds at colleges and universities in Vietnam to pursue their academic studies; contribution of equipment to the Medica Clinic in Nghe An Province and collaboration with HCMC University of Technology to help build rural infrastructure at Ben Tre Province. A training levy of $150,000 for each JOC, a total of $300,000 per year, is a ring-fenced fund to support developing future Vietnamese expertise in the industry.

NEW BUSINESS

Egypt - North Beni Suef

The North Beni Suef (NBS) concession, which is located immediately south of the El Fayum concession was awarded (100% Working interest) in February 2019 in the EGPC 2018 International Bid Round. Phase one commitments (over three years) include seismic and two exploration wells. Subject to Egyptian Government approvals it is anticipated that the North Beni Suef Concession Agreement will be executed by the end of 2019.

Israel

Following the end of the reporting period and subject to final completion matters, SOCO, together with Cairn Energy plc and Israel's Ratio Oil Exploration, were successful in their bid for eight blocks in the second offshore bid round in Israel. Each party has an equal working interest and Cairn is to be operator.

Licences will have an initial term of three years with a pair of two-year extension options. There will be a minimum work programme in the initial phases which include re-evaluation of the potential of the acreage by integrating all available data, and reprocessing of 3D seismic data over high-graded prospects in each Zone. There are no firm commitment wells in the first licence phase.

FINANCIAL REVIEW

Background

SOCO's results for this Half Year are the first to include our new concession in Egypt, El Fayum, acquired on 2 April 2019 through the Merlon transaction. The underinvestment in this concession in previous years now offers a clear, near term opportunity to reverse the decline in production and then steadily improve the production levels and cash flow generation. Our investment programme will continue to be allocated over our asset base in a disciplined manner to deliver sustainable returns. The investment required for our producing assets in both Vietnam and in Egypt is predominantly discretionary drilling; there are limited commitments and no large-scale capital-intensive developments to fund. Capital allocation across our portfolio in 2H 2019 and into 2020 will be focused on these drilling programmes. Importantly, capex will largely be funded by cash flow from production, as opposed to the large upfront capex requirement of an offshore development.

Highlights

	1H 2019	1H 2018
Production Volumes (boepd)	12,541	7,748
Oil Price Realised ($/bbl)	69.04	74.08
Oil & Gas Price Realised ($/boe)	61.96	66.06
Revenue ($m)[1]	91.8	93.2
Gross Profit ($m)	32.4	38.3
Operating Profit ($m)	20.7	27.8
Cash Operating Cost per ($/boe)[2]	9.41	13.83
Net (debt)/cash ($/m)[2]	(33.7)	128.8
EBITDAX ($/m)[2]	56.8	55.3
Gearing[2]	0.2	N/A

[1] Stated after realised hedging loss of $0.9m

[2] See Non-IFRS measures at page 27

El Fayum acquisition and inclusion in this Half Year Report

On 2 April 2019, SOCO completed the acquisition of Merlon and, through it, the El Fayum concession. The acquisition is a significant step forward in SOCO's key objective of expanding and diversifying its resource base to create a full-cycle, growth orientated E&P company of scale. SOCO views Merlon as a highly strategic platform to enable future organic and inorganic growth in Egypt and the wider Middle East & North Africa (MENA) region.

The consideration for the transaction was a mixture of cash and shares, with the cash element funded from internally generated free cash flow plus a Reserve Based Lending facility (RBL) over our assets in Vietnam.

Consideration	**$million**
Cash paid to Merlon shareholders	136.1
Value of shares issued to Merlon shareholders	59.7
Repayment of Merlon RBL	19.4
Total consideration	**215.2**

All assets and liabilities acquired in the El Fayum business as at 2 April 2019 have been brought on to the balance sheet at fair value and the results of that business from that date forward are included as a new and separate business segment.

In addition, an assignment fee of $13.6m was paid in Egypt to EGPC, for regulatory approvals from the Minister of Petroleum, through an offset against oil sales receivables due to Merlon. This fee has been recorded in Other/exceptional expenses

OPERATING PERFORMANCE

Group Production and Commodity Prices

Total group working interest production was 12,541 boepd (1H 2018: 7,748 boepd). The average realised oil price was $69.04/bbl (1H 2018: $74.08/bbl) and total revenues after hedging results were $91.8m (1H 2018: $93.2m). Market oil prices led to a loss of $0.9m on the realisation of hedges entered into by the group, reducing total revenue to $91.8m. See the section below headed "Derivative financial instruments" for further information. Hedges remain an important part of our overall risk management strategy at this stage.

The Vietnam crude continues to command a significant premium to Brent, averaging $4/bbl in the period. In Egypt the discount to Brent is $5/bbl and work is ongoing to improve the price realised.

Guidance for the full year 2019 remains as follows:

Vietnam production forecast:	6,500 – 7,500 boepd average throughout 2019
Egypt production forecast:	exit rate of 6,500 bopd

Group Operating costs, DD&A and expenses

Cash operating costs at group level (defined in the Non-IFRS measures section) amounted to $16.9m (1H 2018: $19.4m); $9.41/boe (1H 2018: $13.83/boe). The significant 34% decrease in the operating costs in Vietnam to $12.9m (1H 2018: $19.4m), is a direct result of two key negotiations (1) the reduced FPSO rate previously announced by SOCO in its interim results for the half year to 30 June 2018 and (2) the new cost sharing agreement with TLJOC relating to the FPSO TIA. Cash operating costs in Egypt were $4.0m in the period since acquisition which equate to $8.35/bbl.

Cash generated from operations (after administrative expenses) was $54.6m (1H2018: $48.3m). Adjusting for these costs gives a total of $66.3m (1H 2018: $58.8m) of net cash generated through our production.

DD&A charges on production and development assets amounted to $35.5m (1H 2018: $27.3m); $19.76/boe (1H 2018: $19.48/boe). The change per barrel is the result of a number of movements, the Egyptian assets being brought in at a lower $/boe and the impact on the impairment write back on CNV at the year-end increasing the DD&A rate on CNV in Vietnam.

Administrative expenses of $11.7m (1H 2018: $10.5m) are in line with the previous year, adjusted for Merlon G&A costs incurred in Houston. The Houston functions are currently being transferred to Cairo. $2.5m (1H 2018: $2.5m) was incurred on business development, reflecting an ongoing focus on portfolio management. The non-cash elements included in administration costs (share based payments and depreciation) totalled $2.2m (1H 2018: $1.3m).

London redundancy costs of $3.0m were included in Other/exceptional expenses.

Impairment

There were no impairment triggers in the period.

Exploration costs written off

There were no exploration costs written off in the period.

Derivative financial instruments

SOCO has one open hedge position, a swap over 822,000 boe for a period of twelve months to February 2020 with a floor of $64.80/bbl. As at 30 June 2019 the unrealised gain on this hedge stood at $0.6m and a realised loss of $0.9m was booked in the period.

Net financing costs

Net finance costs for the period were $5.5m (1H 2018: $0.8m). The change reflects the move from a large cash position to more fully invested one, funded in part by an RBL over the Vietnam assets. To improve the efficiency of the balance sheet and provide financial flexibility, we signed a $125m RBL secured against the Group's producing assets in Vietnam with a further $125m available on an uncommitted accordion basis in September 2018. In December 2018 we drew down $100m from the RBL facility in readiness for the Merlon acquisition.

Impact of IFRS 16

The impact on the Group having adopted IFRS 16 with effect from 1 January 2019 is relatively minor. The overall impact is to gross up both assets and liabilities by $8.2m as at 30 June 2019, of which $6.9m relates to office lease in London and $1.3m to oil and gas assets in Egypt.

Following a review of the contractual terms and commercial circumstances, the FPSO leased by HLJOC has not been recognised as a lease under IFRS 16 (lease commitments as of 31 December 2018: $54.0m).

Taxation

The overall net tax expense of $19.1m (1H 2018: $22.6m) relates exclusively to tax charges in Vietnam.

In Egypt, under the terms of the concession any local taxes arising are settled by EGPC.

Work on bringing all non-UK companies onshore is progressing.

Other/Exceptional expenses

Included in other and exceptional expenses is the assignment fee of $13.6m, to EGPC for regulatory approvals from the Minister of Petroleum, due on the acquisition of Merlon; and $3.0m incurred on redundancies in the London office.

Net loss

A net loss was recorded for the period from continuing operations of $19.0m (1H 2018: profit $5.6m), primarily driven by the assignment fee charged for the Merlon acquisition and the exceptional redundancy costs.

BALANCE SHEET

Impact of the Merlon deal

The following assets and liabilities were brought onto the balance sheet as at 2 April 2019 on a provisional fair value basis.

	$ million
Plant and equipment	183.8
Other fixed assets	0.9
Inventories	10.7
Trade receivables	29.9
Other receivables	5.6
Cash	2.4
Trade payables	(17.5)
Other payables	(0.6)
Total identifiable net assets acquired	215.2

Other than these additions from the Merlon acquisition, the key balance sheet items and movements are set out below.

Exploration and PP&E additions

	Vietnam $m	Egypt $m	Other $m	Group $m
Exploration				
El Fayum	-	0.9	-	0.9
Block 125 & 126	8.2	-	-	8.2
Total exploration additions	8.2	0.9	-	9.1
Developments				
El Fayum	-	7.0	-	7.0
TGT	6.3	-	-	6.3
Total	6.3	7.0	-	13.3

Net cash/debt

$100m was drawn down in December 2018 to part fund the cash element of the El Fayum acquisition cost. As at the balance sheet date, $100m remained drawn and there was cash of $66.3m, giving a net debt figure of $33.7m. Gearing has been calculated as total debt to equity of 0.19 (1H 2018: no debt).

See Non-IFRS measures at page 27

CASH FLOW

Capital allocation

The Group returned $27.4m to shareholders as a 2018 dividend paid in May 2019.

The cash investment on the assets in the period was $21.5m (1H 2018: $3.6m), being $3.6m on Blocks 125 & 126, $9.2m on completion of the TGT-H5-31P well earlier in the year, $8.0m on the drilling campaign in Egypt and $0.7m of office refurbishment.

The 2019 capital expenditure guidance for Vietnam has reduced from $33m and is expected to be in the region of $22m following the rescheduling of the start of the drilling campaign to late Q4, of which $10m is for development work on the TGT field, and the remaining $12m allocated for the purchase, processing and interpretation of seismic data on Blocks 125 & 126. In Egypt, capital expenditure for the period of ownership through to year end is expected to be approx. $28m.

Liquidity risk management and going concern

The Group closely monitors its liquidity risk. Cash forecasts are regularly produced and stress tested for a number of scenarios including a downturn in the oil price, changes in production rates, operating costs and capital expenditure. As at 30 June 2019, the Group had $66.3m of free cash and the forecasts show that the Group will have sufficient financial headroom for the period of 12 months from the date of approval of this half year results. The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these half year results.

Post balance sheet events

There have been no events since 30 June 2019 that have resulted in a material impact on the half year results.

Principal risks and uncertainties at Half Year 2019

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The principal risks and uncertainties facing SOCO and the Group for the remaining six months of the financial year include those identified in the 2018 Annual Report, at pages 36 to 41 of that document, other than the risk of non-completion of the proposed transaction to acquire Merlon. The other risks and uncertainties identified in the 2018 Annual Report and still applicable to the Group are:

Strategic:

1. Lack of Growth
2. Health, Safety, Environmental and Social risk
3. Climate change risk

Financial:

4. Commodity price risk
5. Financial discipline and governance risk

Operational:

6. Reserves risk
7. Partner alignment risk
8. Cyber risk
9. Human resource risk

Reputation:

10. Stakeholder risk
11. Political and regional risk
12. Business conduct and bribery

The risk mitigation activities identified for each of those risks in the 2018 Annual Report remain valid and in place.
In addition, following the acquisition of Merlon in April 2019 and new developments in our Vietnamese operations, a number of new risks have emerged and are listed below:

New Risk	Causes	Risk mitigation
Terrorist attack affecting our El Fayum operations, sites and offices	• Political / Social instability	• Commuting route - daily variation • New office security system/surveillance • Office and Production site security guards • Media monitoring
Oil invoice payments not up-to-date from EGPC JOC partner	• Devaluation of Egyptian pound resulting in decrease in available Government Forex	• Regular dialogue with EGPC payments section • Weekly EGPC visit
Delay to signing new Exploration Acreage in Egypt	• Reduction in priority of Oil sector matters at Government	• Maintain regular dialogue with EGPC/Ministry • Visits to EGPC Head Of Concessions
Major Oil spill (onshore) on site or offsite In Egypt	• Increased Drilling activities • Increased Production activities • Increased oil trucking activities	• Spill Prevention and containment systems • Driver Monitoring systems (GPS) • Clean up procedures and equipment • Corrosion treatment & pipeline inspections
Inadequate waterflood responses from existing / new wells re El Fayum concession area	• Subsurface permeability barriers affecting reservoir continuity, or misinterp retation of subsurface faults	• Plan and Drill additional injection wells • Fracking of injection zone

		• Peer review of injection well placements
Failure to negotiate a New Tie-in Agreement at Hoang Long JOC	• Expiration of current TIA	• Continued negotiations with TLJOC • Engagement with regulatory and political authorities • Collaboration with other FPSO users •

RESPONSIBILITY STATEMENT

The Directors confirm that to the best of their knowledge:

1. The interim condensed consolidated set of financial statements immediately following this report has been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the IASB and adopted by the EU; and

2. The interim report includes a fair review of the information required by:

    - DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

    - DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The directors of SOCO are listed on pages 66 and 67 of the Group's 2018 Annual Report and Accounts with the exception of Ambassador António Monteiro, who stepped down from the board at the conclusion of the annual general meeting of SOCO held on 23 May 2019.

INDEPENDENT REVIEW REPORT TO SOCO INTERNATIONAL PLC

We have been engaged by the company to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
10 September 2019

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**(unaudited) six months ended 30 Jun 19 $ million**	(unaudited) six months ended 30 Jun 18 $ million	year ended 31 Dec 18 $ million
Continuing operations				
Revenue	3, 10	**91.8**	93.2	175.1
Cost of sales	4	**(59.4)**	(54.9)	(104.6)
Gross profit		**32.4**	38.3	70.5
Administrative expenses		**(11.7)**	(10.5)	(28.4)
Reversal of impairment charge		-	-	37.8
Operating profit		**20.7**	27.8	79.9
Other/exceptional expense	5	**(16.6)**	-	-
Investment revenue		**1.5**	1.2	2.7
Finance costs		**(5.5)**	(0.8)	(2.5)
Profit for the period before tax	3	**0.1**	28.2	80.1
Tax	6	**(19.1)**	(22.6)	(56.0)
(Loss)/profit for the period from continuing operations		**(19.0)**	5.6	24.1
Discontinued operations	12			
Operating (loss)/profit from discontinued operations		**-**	(2.2)	3.6
Gain on disposal from discontinued operations		**0.3**	0.1	-
Profit/(loss) post-tax for the period from discontinued operations		**0.3**	(2.1)	3.6
(Loss)/profit for the period		**(18.7)**	3.5	27.7
(Loss)/Earnings per share from continuing operations (cents)	7			
Basic		**(5.3)**	1.7	7.3
Diluted		**(5.3)**	1.6	7.0
(Loss)/Earnings per share from continuing and discontinued operations (cents)				
Basic		**(5.2)**	1.1	8.4
Diluted		**(5.2)**	0.9	8.1

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**(unaudited) six months ended 30 Jun 19 $ million**	(unaudited) six months ended 30 Jun 18 $ million	year ended 31 Dec 18 $ million
(Loss)/profit for the period		**(18.7)**	3.5	27.7
Items that may be subsequently reclassified to profit or loss:				
Commodity hedge	10	**0.6**	-	-
Unrealised currency translation differences		**(0.2)**	(0.4)	0.2
Total comprehensive (loss)/profit for the period		**(18.3)**	3.1	27.9

The above condensed consolidated income statement and condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**(unaudited) 30 Jun 19 $ million**	(unaudited) 30 Jun 18 $ million	31 Dec 18 $ million
Non-current assets				
Intangible assets		**14.9**	4.8	5.8
Property, plant and equipment		**678.0**	477.1	507.2
Other assets		**42.1**	38.5	40.6
Financial asset	12	**-**	0.3	-
		735.0	520.7	553.6
Current assets				
Inventories		**16.6**	4.2	4.1
Trade and other receivables		**40.3**	28.2	19.6
Tax receivables		**0.7**	0.2	0.6
Financial asset	12	**-**	0.2	-
Liquid investments		**-**	25.3	-
Cash and cash equivalents		**66.3**	103.5	240.1
		123.9	161.6	264.4
Total assets		**858.9**	682.3	818.0
Current liabilities				
Trade and other payables		**(40.2)**	(14.9)	(22.9)
Borrowings		**(13.1)**	-	-
Tax payables		**(6.5)**	(9.7)	(5.2)
Liabilities associated with disposal assets classified as held for sale		**-**	(1.6)	-
		(59.8)	(26.2)	(28.1)
Non-current liabilities				
Deferred tax liabilities		**(139.1)**	(130.0)	(141.8)
Borrowings		**(83.5)**	-	(95.6)
Lease liability	13	**(7.2)**	-	-
Long term provisions		**(52.5)**	(50.1)	(51.7)
		(282.3)	(180.1)	(289.1)
Total liabilities		**(342.1)**	(206.3)	(317.2)
Net assets		**516.8**	476.0	500.8
Equity				
Share capital		**31.9**	27.6	27.6
Share premium		**55.4**	-	-
Other reserves		**249.2**	246.7	246.6
Retained earnings		**180.3**	201.7	226.6
Total equity		**516.8**	476.0	500.8

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called up share capital	Share Premium	Other reserves	Retained earnings	Total
	$ million	$ million	$ million	$ million	$ million
As at 1 January 2018	27.6	-	245.9	221.1	494.6
Profit for the period	-	-	-	3.5	3.5
Unrealised currency translation differences	-	-	-	(0.4)	(0.4)
Distributions	-	-	-	(23.3)	(23.3)
Share-based payments	-	-	1.6	-	1.6
Transfer relating to share-based payments	-	-	(0.8)	0.8	-
As at 30 June 2018 (unaudited)	27.6	-	246.7	201.7	476.0
Profit for the period	-	-	-	24.2	24.2
Unrealised currency translation differences	-	-	(1.4)	0.6	(0.8)
Distributions	-	-	-	-	-
Share-based payments	-	-	1.4	-	1.4
Transfer relating to share-based payments	-	-	(0.1)	0.1	-
As at 1 January 2019	**27.6**	-	**246.6**	**226.6**	**500.8**
Loss for the period	**-**	**-**	**-**	**(18.7)**	**(18.7)**
Unrealised currency translation differences	**-**	**-**	**0.2**	**(0.2)**	**-**
Shares issued	**4.3**	**55.4**	**-**	**-**	**59.7**
Distributions	**-**	**-**	**-**	**(27.4)**	**(27.4)**
Other comprehensive income	**-**	**-**	**0.6**	**-**	**0.6**
Share-based payments	**-**	**-**	**1.8**	**-**	**1.8**
As at 30 June 2019 (unaudited)	**31.9**	55.4	**249.2**	**180.3**	**516.8**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Notes	(unaudited) six months ended 30 Jun 19 $ million	(unaudited) six months ended 30 Jun 18 $ million	year ended 31 Dec 18 $ million
Net cash from continuing operating activities		**33.8**	26.6	55.9
Net cash used in discontinued operating activities		**-**	(1.7)	(1.7)
Net cash from operating activities	8	**33.8**	24.9	54.2
Investing activities				
Purchase of intangible assets		**(4.5)**	(1.6)	(2.4)
Purchase of property, plant and equipment		**(17.0)**	(2.0)	(16.6)
Payment for acquisition of subsidiary, net of cash acquired	11	**(153.1)**	-	-
Increase in liquid investments [1]		**-**	-	25.3
Payment to abandonment fund		**(1.7)**	(1.5)	(3.4)
Net cash (used in)/from continuing investing activities		**(176.3)**	(5.1)	2.9
Net cash (used in)/from/discontinued investing activities		**-**	(4.5)	0.5
Net cash (used in)/from investing activities		**(176.3)**	(9.6)	3.4
Financing activities				
Net proceeds from borrowings		**-**	-	95.6
Interest paid		**(3.9)**	-	-
Bank and other loans		**(0.3)**	-	-
Purchase of own shares into treasury		-	-	(1.3)
Distributions		**(27.4)**	(23.3)	(23.3)
Net cash (used in)/from continuing financing activities		**(31.6)**	(23.3)	71.0
Net cash (used in)/from financing activities		**(31.6)**	(23.3)	71.0
Net (decrease)/increase in cash and cash equivalents		**(174.1)**	(8.0)	128.6
Cash and cash equivalents at beginning of period		**240.1**	112.4	112.4
Effect of foreign exchange rate changes		**0.3**	(0.9)	(0.9)
Cash and cash equivalents at end of period [1]		**66.3**	103.5	240.1

[1] Liquid investments comprise short term liquid investments of between three to six month's maturity while cash and cash equivalents comprise cash at bank and other short term highly liquid investments of less than three month's maturity. The combined cash and cash equivalents and liquid investments balance at 30 June 2019 was $66.3m (1H 2018: $128.8m). No liquid investments were held as of 30 June 2019 and 31 December 2018.

The above condensed consolidated cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The information for the year ended 31 December 2018 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The half year financial report is presented in US dollars because that is the currency of the primary economic environment in which the Group operates.

Change of functional currency for the Company

IAS 21 'The effects of changes in foreign exchange rates' describes functional currency as 'the currency of the primary economic environment in which an entity operates'. Determining when the functional currency of an entity has changed is a matter of judgement as the determining factors may move gradually over time. However, the Board has concluded that the functional currency of the Company changed from GBP to US dollars with effect from 1 January 2019. The main reason for the change is due to the new financing activities being in US dollars.

A dividend of 5.5 pence per share for 2018 was approved at the Annual General Meeting on 23 May 2019 and $27.4m was paid on the 31 May 2019. See Note 9.

The results for the period ended 30 June 2019 include those of the Merlon Egyptian business acquired, from the date on which the acquisition completed, 2 April 2019. Further details are set out in Note 11.

The half year financial report for the six months ended 30 June 2019 was approved by the Directors on 10 September 2019.

2. Significant accounting policies

The half year financial report, which is unaudited, has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') as adopted by the European Union and the disclosure requirements of the Listing Rules and using the same accounting policies and methods of computation as applied by the Company in its 2018 Annual Report and Accounts for the year ended 31 December 2018, except for the adoption of new and amended standards, as highlighted in 2(a) below, which were effective as at 1 January 2019 without restatement of prior years.

The condensed set of financial statements included in this half year financial report has been prepared on a going concern basis of accounting for the reasons set out in the Financial Results section of this report and in accordance with International Accounting Standard IAS 34 'Interim Financial Reporting', as adopted by the European Union, and the requirements of the UK Disclosure and Transparency Rules of the Financial Services Authority in the United Kingdom as applicable to interim financial reporting.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by SOCO during the interim reporting period.

(a) New and amended standards adopted by SOCO

IFRS 16 Leases

On 1 January 2019, SOCO adopted IFRS 16 'Leases', which replaced IAS 17 'Leases'. The Group applied the simplified approach and did not restate comparative amounts for the year prior to first adoption.

Refer to Note 13 for further details.

3. Segment information

The Group has one principal business activity being oil and gas exploration and production. There are no inter-segment sales.

The Group's operations are located in South East Asia and Egypt and these geographic areas form the basis on which the Group reports its segment information. The Africa geographical area was fully disposed of during 2018.

Segment results are presented below:

Six months ended 30 June 2019 (unaudited)	**SE Asia**	**Egypt**	**Unallocated**	**Group**
	$ million	**$ million**	**$ million**	**$ million**
Oil and gas sales	**80.2**	**12.5**	**-**	**92.7**
Commodity hedge	**-**	**-**	**(0.9)**	**(0.9)**
Total revenue	**80.2**	**12.5**	**(0.9)**	**91.8**
Profit/(loss) before tax from continuing operations	**29.6**	**(11.3)**	**(18.2)**	**0.1**
Non-current assets (*)	**496.3**	**189.1**	**7.5**	**692.9**
Six months ended 30 June 2018 (unaudited)				
Oil and gas sales	93.2	-	-	93.2
Profit/(loss) before tax from continuing operations	37.9	-	(9.7)	28.2
Non-currents assets (*)	481.6	-	0.3	481.9
Year ended 31 December 2018				
Oil and gas sales	175.1	-	-	175.1
Profit/(loss) before tax from continuing operations	107.7	-	(27.6)	80.1
Non-currents assets (*)	512.8	-	0.2	513.0

(*) excludes other assets

4. Cost of sales

	(unaudited)	(unaudited)	
	six months ended	six months ended	year ended
	30 Jun 19	30 Jun 18	31 Dec 18
	$ million	$ million	$ million
Production operating costs	**19.0**	19.9	37.6
Inventory movements	**(1.6)**	-	0.1
Production based taxes	**6.5**	7.7	15.1
Depreciation, depletion and amortisation	**35.5**	27.3	51.8
Total cost of sales	**59.4**	54.9	104.6

5. Other/exceptional expense

	(unaudited)	(unaudited)	
	six months ended	six months ended	year ended
	30 Jun 19	30 Jun 18	31 Dec 18
	$ million	$ million	$ million
Assignment fee – Egypt acquisition cost (Note 11)	**13.6**	-	-
Redundancy cost	**3.0**	-	-
Total other/exceptional expense	**16.6**	-	-

6. Tax

	(unaudited) six months ended 30 Jun 19 $ million	(unaudited) six months ended 30 Jun 18 $ million	year ended 31 Dec 18 $ million
Current tax	**21.8**	25.2	46.8
Deferred tax	**(2.7)**	(2.6)	9.2
	19.1	22.6	56.0

The Group's corporation tax is calculated at 50% (1H 2018: 50%) of the estimated assessable profit for each period in Vietnam.
In Egypt, under the terms of the concession, any local taxes arising are settled by EGPC.

During each period both current and deferred taxation have arisen in overseas jurisdictions only.

7. Earnings/(loss) per share

The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

	(unaudited) six months ended 30 Jun 19 $ million	(unaudited) six months ended 30 Jun 18 $ million	year ended 31 Dec 18 $ million
(Loss)/profit for the purpose of basic (loss)/profit per share	**(18.7)**	3.5	27.7
Effect of dilutive potential ordinary shares - share awards and options	**(0.3)**	(0.3)	(0.7)
Total (loss)/profit for the purpose of basic and diluted (loss)/earnings per share	**(19.0)**	3.2	27.0

	(unaudited) six months ended 30 Jun 19 $ million	(unaudited) six months ended 30 Jun 18 $ million	year ended 31 Dec 18 $ million
(Loss)/profit from continuing operations for the purpose of basic (loss)/profit per share	**(19.0)**	5.6	24.1
Effect of dilutive potential ordinary shares - share awards and options	**(0.3)**	(0.3)	(0.7)
Total (loss)/profit from continuing operations for the purpose of basic and diluted (loss)/earnings per share	**(19.3)**	5.3	23.4

	Number of shares (million)		
	(unaudited)	(unaudited)	
	six months ended	six months ended	year ended
	30 Jun 19	30 Jun 18	31 Dec 18
Weighted average number of ordinary shares for the purpose of basic earnings per share	**361.3**	329.8	329.8
Effect of dilutive potential ordinary shares - share awards and options	**6.6**	3.2	4.6
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**367.9**	333.0	334.4

In accordance with IAS 33 "Earnings per Share", the effects of antidilutive potential shares have not been included when calculating dilutive loss per share.

8. Reconciliation of operating profit to operating cash flows

	(unaudited)	(unaudited)	
	six months ended	six months ended	year ended
	30 Jun 19	30 Jun 18	31 Dec 18
	$ million	$ million	$ million
Operating profit	**20.7**	27.8	79.9
Share-based payments	**1.8**	1.2	2.5
Depreciation, depletion and amortisation	**36.1**	27.5	52.1
Reversal of impairment charge	**-**	-	(37.8)
Operating cash flows before movements in working capital	**58.6**	56.5	96.7
(Increase)/decrease in inventories	**(1.8)**	-	0.1
Decrease/(increase) in receivables	**2.8**	(7.8)	1.2
(Decrease)/increase in payables	**(5.0)**	(0.4)	3.4
Cash generated by operations	**54.6**	48.3	101.4
Interest received, net	**1.8**	1.1	2.5
Other/exceptional expense outflow	**(1.1)**	-	-
Income taxes paid	**(21.5)**	(22.8)	(48.0)
Net cash from continuing operating activities	**33.8**	26.6	55.9
Net cash generated used in discontinuing operating activities	**-**	(1.7)	(1.7)
Net cash from operating activities	**33.8**	24.9	54.2

9. Dividend

On 31 May 2019, following approval at the Annual General Meeting (on 23 May 2019), the Company paid a dividend of 5.5 pence per share, being a total of $27.4m (1H 2018: $23.3m) to Shareholders.

10. Hedge transaction

SOCO entered into a swap commodity, on 822,000 bbls of Vietnam production for a period of twelve months, to protect its cash position and to ensure future compliance with its obligations under the RBL over the assets in Vietnam. The swap commodity is settled monthly.

SOCO has designated the swap as cash flow hedge, measured at Fair Value through Other Comprehensive Income (FVOCI). This means that any unrealised gains or losses on open positions will be reflected in Other Comprehensive Income. Every month, the realised gain or loss will be reflected in the Revenue line of the Income Statement.

The carrying amount of the swap is based on the fair value determined by a financial institution. As all material inputs are observable, they are categorised within Level 2 in the fair value hierarchy. It is presented in “Trade and other receivables” or “Trade and other payables” in the consolidated statement of financial position. The asset position as of June 2019 is $0.8m.

The reclassification to profit or loss corresponding to the recognition of profit or loss hedged item is included in “Revenue” in the consolidated income statement (as at 30 June 2019 amounts to a loss of $0.9m). The outstanding unrealised gain on open position as at 30 June 2019 amounts to $0.6m.

11. Acquisition of Egypt Assets

On 2 April 2019, SOCO announced the completion of the acquisition of 100% Merlon Petroleum El Fayum Company ("Merlon") from Merlon International LLC. SOCO agreed to acquire Merlon in consideration for approximately $136m in cash and the issue of 65,561,041 new SOCO ordinary shares of £0.05 each. In addition, debt of $19.4m due by Merlon was repaid.

Merlon’s principal asset is a 100% working interest in the onshore El Fayum concession in Egypt. The El Fayum concession covers an area of 1,826 km^2 and is located c.80 km south west of Cairo.

The Egyptian Minister of Petroleum and Mineral Resources approved the transaction on 28 March 2019 and the transaction completed on 2 April 2019. All Merlon assets and liabilities were valued at that date in accordance with IFRS 3 and incorporated into SOCO’s balance sheet at those values. The results of the Merlon operations are included in the income statement from that date as a new operating segment (Note 3).

The acquisition of Merlon is a significant step forward in SOCO's stated objective of expanding and diversifying its resource base to create a full-cycle, growth orientated E&P company of scale. SOCO views Merlon as a highly strategic platform to enable future organic and inorganic growth in Egypt and the wider Middle East & North Africa (“MENA”) region.

Acquisition-related costs

SOCO incurred acquisition related costs in the period of $1.0m on legal fees and due diligence costs. These costs have been included in ‘administrative expenses’.

An assignment fee of $13.6m, payable to EGPC for regulatory approvals from the Minister of Petroleum, was later settled through an offset against receivables due from EGPC.

Consideration paid

Details of the purchase consideration and the provisional fair value of the net assets acquired are as follows:

Purchase consideration:	02.04.19 $ million
Cash paid	136.1
Ordinary shares issued – equity	4.3
Ordinary shares issued – share premium	55.4
RBL repayment	19.4
Total purchase consideration	215.2

The net cash paid for the acquisition was $153.1m, being $136.1m in cash, plus the repayment of $19.4m for the RBL, offset by the balance acquired of $2.4m.

The fair value of the 65,561,041 shares issued as part of the consideration paid was based on the published share price on 02/04/19 of £0.699 per share and converted at the exchange rate as of 02/04/19 of 1.3031.

Identifiable assets acquired and liabilities assumed

The provisional fair value of assets and liabilities recognised as a result of the acquisition are as follows:

	02.04.19 $ million
Plant and equipment	183.8
Other fixed assets	0.9
Inventories	10.7
Trade receivables	29.9
Other receivables	5.6
Cash	2.4
Trade payables	(17.5)
Other payables	(0.6)
Total identifiable net assets acquired	215.2

Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

The fair values of the oil and gas properties acquired have been determined using valuation discounted cash flows, forward curve commodity prices at the acquisition date, a discount rate based on market observable data and cost and production profiles consistent with the proved and probable reserves acquired with each asset.

The fair value of trade receivables has been made using the credit default rate for the Egyptian Government (as no direct reference point for EGPC is available), which is considered to represent a Level 2 fair value under the IFRS 13 fair value hierarchy, as it is based on quoted prices for identical or similar assets in markets that are not active.

For the date of acquisition to 30 June 2019, Merlon contributed $12.5m to Group revenue and decreased the Group’s profit before tax from continuing operations by $11.3m, which includes the Assignment fee payment of $13.6m.

If the acquisition of Merlon had taken place at the beginning of the year, Merlon contribution to Group revenue for the period ended 30 June 2019 would be $24.6m and would have reduced the Group’s profit before tax from continuing operations by $9.9m.

12. Disposal of Congo interest

On 24th June 2018, SOCO signed and completed a sale and purchase agreement with Coastal Energy Congo Limited (Coastal Energy), to sell its entire shareholding in SOCO Congo Limited, a Cayman Islands Company, which holds the Group's exploration interests in Congo (Brazzaville).

Under the terms of the Agreement the Group is entitled to receive a cash consideration of up to $10m plus subsequent payments based on future oil and condensate production sold from those interests in Congo (royalty). The fair value of the financial asset at 31 December 2018 was $0.49m.

As at 30 June 2019, SOCO understands that Coastal Energy has not been and may never be recognised as operator by the Congolese Ministry of Hydrocarbons. As a consequence, SOCO has revised the fair value of the consideration to $0. In addition, accrued balances of $0.8m held on SOCO's balance sheet have now been released to the income statement as they are deemed highly unlikely ever to be incurred. The overall net gain from these discontinued operations as of 30 June 2019 amounts to $0.3m.

13. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policy in relation to leases that has been applied from 1 January 2019.

On adoption of IFRS 16, the Group recognised lease labilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. For short term leases (lease term less than 12 months) and leases of low value assets the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease (if available), or the incremental borrowing rate as of 1 January 2019 or start of the lease, whichever is earlier. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.43%.

The Group impact of the transition has resulted in an upward revision of both property, plant and equipment and current and non-current lease liabilities. Financing cash flows represent repayment of principal and interest. In prior periods operating lease payments were all presented as operating cash flows under IAS 17.

	$ million
Operating lease commitments disclosed as at 31 December 2018	55.9
Lease commitments as at 31 December 2018 from acquisition	-
Lease commitments not recognised as such under IFRS 16	(54.0)
New lease during 2019	1.4
Renewal of lease during 2019	6.9
Undiscounted total	10.2
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(1.8)
Lease liability recognised	8.4
Liability Interest Expense	0.2
Liability Principal Repayment	(0.4)
Lease liability recognised as at 30 June 2019	8.2
Of which are:	
Current lease liabilities	1.0
Non—current lease liabilities	7.2
Oil & Gas properties	1.3
Other assets	6.9

Following a review of the contractual terms and commercial circumstances, the FPSO leased by HLJOC has not been recognised as a lease under IFRS 16 (lease commitments as of 31 December 2018: $54.0m).

Glossary Non-IFRS measures

The Group uses certain measures of performance that are not specially defined under IFRS or other generally accepted accounting principles. These non-IFRS measures include cash operating costs per barrel and DD&A per barrel.
For the new RBL covenant compliance, three new Non-IFRS measures have been added: net debt, EBITDAX and Gearing.

Cash-operating costs per barrel

Cash-operating costs for the period calculated over barrels of oil equivalent produced. This is a useful indicator of cash operating costs incurred to produce oil and gas from the Group's producing assets.

	(unaudited) six months ended	(unaudited) six months ended	year ended
	30 Jun 19	30 Jun 18	31 Dec 18
	$ million	$ million	$ million
Cost of sales	**59.4**	54.9	104.6
Less:			
Depreciation, depletion and amortisation	**(35.5)**	(27.3)	(51.8)
Production based taxes	**(6.5)**	(7.7)	(15.1)
Inventories	**1.6**	-	(0.1)
Other cost of sales	**(2.1)**	(0.5)	(1.4)
Cash operating cost	**16.9**	19.4	36.2
Production (BOEPD)	**12,541**	7,748	7,274
Cash operating cost per BOE	**$9.41**	$13.83	$13.63

DD&A per barrel

DD&A per barrel is calculated as net book value of oil and gas assets in production, together with estimated future development costs over the remaining 2P reserves.

This is a useful indicator of ongoing rates of depreciation, depletion and amortisation of the Group's producing assets.

	(unaudited)	(unaudited)	
	six months ended	six months ended	year ended
	30 Jun 19	30 Jun 18	31 Dec 18
	$ million	$ million	$ million
Depreciation, depletion and amortisation	**35.5**	27.3	51.8
Production (BOEPD)	**12,541**	7,748	7,274
DD&A per BOE	**$19.76**	$19.48	$19.51

(unaudited) six months ended 2019 - Cash-operating costs per barrel by Segment

	Vietnam	Egypt	Total
	$ million	**$ million**	**$ million**
Cost of sales	50.0	9.4	59.4
Less:			
Depreciation, depletion and amortisation	(30.7)	(4.8)	(35.5)
Production based taxes	(6.5)	-	(6.5)
Inventories	1.6	-	1.6
Other cost of sales	(1.5)	(0.6)	(2.1)
Cash operating cost	12.9	4.0	16.9
Production (BOEPD)	7,279	5,262	12,541
Cash operating cost per BOE	$9.79	$8.35	$9.41

DD&A per barrel

	Vietnam	Egypt	Total
	$ million	**$ million**	**$ million**
Depreciation, depletion and amortisation	30.7	4.8	35.5
Production (BOEPD)	7,279	5,262	12,541
DD&A per BOE	$23.30	$10.02	$19.76

Net Debt

Net debt comprises interest-bearing bank loans, less cash and short-term deposits.

	(unaudited)	(unaudited)	
	six months ended	six months ended	year ended
	30 Jun 19	30 Jun 18	31 Dec 18
	$ million	$ million	$ million
Cash and cash equivalents	**66.3**	128.8	240.1
Borrowings	**(100.0)**	-	(100.0)
Net (Debt)/Cash	**(33.7)**	128.8	140.1

EBITDAX

EBITDAX is earnings from continuing activities before interest, tax, depreciation, amortisation, reversal of impairment, and exploration expenditure and DD&A in the current period/year.

	(unaudited)	(unaudited)	
	six months ended	six months ended	year ended
	30 Jun 19	30 Jun 18	31 Dec 18
	$ million	$ million	$ million
EBIT	**20.7**	27.8	79.9
Depreciation, depletion and amortisation	**36.1**	27.5	52.1
Reversal of impairment charge	**-**	-	(37.8)
EBITDAX	**56.8**	55.3	94.2

Gearing

Debt to equity ratio is calculated by dividing interest-bearing bank loans by stockholder's equity. The debt to equity ratio expresses the relationship between external equity (liabilities) and internal equity (stockholder's equity).

	(unaudited)	(unaudited)	
	six months ended	six months ended	year ended
	30 Jun 19	30 Jun 18	31 Dec 18
Total debt ($m)	**100.0**	-	100.0
Total equity ($m)	**516.8**	476.0	500.8
Debt to Equity	**0.19**	-	0.20

Glossary of Terms

$
United States Dollar

£
UK Pound Sterling

1C
Low estimate scenario of Contingent Resources

1P
Equivalent to Prove Reserves; denotes low estimate scenario of Reserves

2C
Best estimate scenario of Contingent Resources

2C Contingent Resources
Best estimate scenario of Contingent Resources

2P Reserves
Equivalent to the sum of Proved plus Probable Reserves; denotes best estimate scenario of Reserves. Also referred to as 2P Commercial Reserves

AGM
Annual General Meeting

APIº
American Petroleum Institute gravity

bbl
Barrel

blpd
Barrels of liquids per day

Bn
Billion

boe
Barrels of oil equivalent

boepd
Barrels of oil equivalent per day

bopd
Barrels of oil per day

CASH or cash
Cash, cash equivalent and liquid investments

CAPEX or capex
Capital Expenditure

CEO
Chief Executive Officer

CNV
Ca Ngu Vang

Congo (Brazzaville)
The Republic of the Congo

Contingent Resources
Those quantities of petroleum to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies

DD&A
Depreciation, depletion and amortisation

Directors
The directors of SOCO International plc at the date of this announcement

E&P
Exploration & Production

EBITDAX
Earnings before Interest, Tax, Depreciation, Amortization and Exploration Expenses

E&E
Exploration and Evaluation

EGP
Egyptian Pound

EGPC
Egyptian General Petroleum Corporation

FPSO
Floating, Production, Storage and Offloading Vessel

FY
Full year

G&A
General and administration

GHG
greenhouse gas or greenhouse gases

HLHVJOC
Hoang Long and Hoan Vu Joint Operating Companies

HLJOC
Hoang Long Joint Operating Company

HVJOC
Hoan Vu Joint Operating Company

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards

JOC
Joint Operating Company

JV
Joint venture

km
Kilometre

km^2
Square kilometre

m
million

M&A
Mergers and Acquisitions

MENA
Middle East and North Africa region

Merlon
Merlon Petroleum El Fayum Company, an exempt company incorporated in the Cayman Islands with number 78257, renamed Pharos El Fayum on 2 April 2019

mmbbl
Million barrels

mmboe
Million barrels of oil equivalent

OOIP
Original Oil in Place

Opex
Operational expenses

Petrosilah
An Egyptian joint stock company to be held 50 / 50 between the Group and the Egyptian General Petroleum Corporation.

Petrovietnam
Vietnam Oil and Gas Group

Reserves
Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial and remaining based on the development projects applied

RBL
Reserve Based Lending Facility

Shares
Ordinary Shares

STOIIP
Stock Tank Oil Initially In Place

TGT
Te Giac Trang

UK
United Kingdom

US
United States of America

YTD
Year-to-Date