



**PETROLIA**

**Q4 2015**

## PETROLIA SE ('the Company') fourth quarter results 2015:

### Financial results

- Total comprehensive income of USD -9.7 million in Q4 2015 compared to USD -3.5 million in Q4 2014.
- EBITDAX (EBITDA excluding exploration costs) of USD -0.8 million in Q4 2015 compared to USD 14.8 million in Q4 2014.
- Revenue was USD 12.7 million in Q4 2015 compared to USD 24.2 million in Q4 2014.
- Shareholders' equity as at 31 December 2015 was USD 2.19 per share. Share price was NOK 4.80, or USD 0.54 at an exchange rate of USD/NOK 0.1135.
- Earnings per share was USD -0.40 per share in Q4 2015 compared to USD -0.14 per share in Q4 2014.

### Oil and Gas

- No new licenses acquired in the fourth quarter.
- High focus on capital discipline and cost saving initiatives.
- Petrolia Norway AS is consolidated from January to August, but from September the investment is reported as an investment in associates.

### OilService

- Challenging market conditions continue to impact negatively on activity levels in the OilService division.
- High focus on cost saving initiative and on maintaining market share.
- Drilling and work-over rigs continue to be marketed in Eastern Europe and parts of the Middle East region.

### Events after balance sheet day

- In January 2016, all bondholders accepted an offer to exchange existing bonds in a new bond denominated in USD and maturing in July 2019. The interest is 6% per year.
- Petrolia Norway AS was awarded 30 per cent of license PL 774 B in the APA 2015 (Awards in Predefined Areas).

### Key figures

All figures in USD (million)	Q4 2015	Q4 2014	YTD 2015	YTD 2014
Operating revenues	12.7	24.2	59.7	110.1
EBITDAX	-0.8	14.8	-5.5	38.4
EBITDA	-1.0	8.9	-19.0	30.4
Total comprehensive income for the year	-9.7	-3.5	-41.8	-1.0
Earnings per share in USD	-0.40	-0.14	-1.57	0.08
Equity per share in USD	2.19	3.73	2.19	3.73

### Financial information

#### Profit and loss for the fourth quarter of 2015 compared to the fourth quarter of 2014

Total revenue was USD 12.7 million compared to USD 24.2 million in the fourth quarter of 2014. Operating expenses were USD 12.8 million compared to USD 6.7 million in 2014. EBITDAX was USD -0.8 million compared to USD 14.8 million in the fourth quarter of 2014. Exploration cost was USD 0.2 million compared to USD 5.9 million in 2014. EBITDA was USD -1.0 million compared to USD 8.9 million in 2014.

Depreciation was USD 3.9 million in the fourth quarter of 2015 compared to USD 4.1 million in the corresponding quarter in 2014. Impairment was USD 4.5 million in the fourth quarter of 2015 compared to USD 7.3 million in 2014.

Operating loss was USD 9.3 million compared to USD 2.5 million in 2014. Result from associated company was a loss of USD 0.5 million compared to a loss of USD 2.0 million in 2014. Net financial cost was USD 0.4 million compared to USD 2.0 million in 2014.

The net result after tax was USD -10.9 million compared to USD -3.7 million in 2014. Total comprehensive income was USD -9.7 million compared to USD -3.5 million in 2014.

#### Profit and loss for 2015 compared to 2014

Total revenue was USD 59.7 million compared to USD 110.1 million in 2014. Operating expenses were USD 60.2 million compared to USD 68.9 million in 2014. EBITDAX was USD -5.5 million compared to USD 38.4 million in 2014. Exploration cost was USD 13.5 million compared to USD 8.0 million in 2014. EBITDA was USD -19.0 million compared to USD 30.4 million in 2014.

Depreciation was USD 15.9 million in 2015 compared to USD 17.2 million in 2014. Impairment was USD 12.5 million in 2015 compared to USD 8.3 million in 2014. Operating loss was USD 47.4 million compared to a profit of USD 4.9 million in 2014. Result from associated company was a loss of USD 1.6 million compared to a loss of USD 2.2 million in 2014. Net financial cost was USD 3.0 million compared to USD 0.0 million in 2014.

The net result after tax was USD -42.8 million compared to USD 2.2 million in 2014. Total comprehensive income was USD -41.8 million compared to USD -1.0 million in 2014.

#### Cash flow for 2015 compared to 2014

Cash flow from operations was USD 1.7 million in 2015, compared to USD 47.5 million in 2014. Cash flow from investments in 2015 was USD -6.4 million compared to USD -19.9 million in 2014. Cash flow from financing activities in 2015 was USD -16.4 million compared to USD -13.5 million in 2014.

Free cash as at 31 December 2015 was USD 8.0 million compared to USD 30.0 million as at 31 December 2014.

#### Statement of financial position

As at 31 December 2015, total assets amounted to USD 101.6 million. Investment in OilService equipment had a book value of USD 41.8 million, investment in land rigs had a book value of USD 0.4 million, investment in listed shares had a book value of USD 0.3 million and total cash was USD 8.3 million. Other financial fixed assets amounted to USD 16.8 million.

As at 31 December 2015, net interest bearing bond loans amounted to USD 17.7 million. The Group holds Borrower's Bonds (bonds owned by the borrower) of USD 15.0 million (total bond loan is USD 32.8 million). In addition, there are financial leasing facilities for OilService equipment of USD 5.3 million.

Total equity was USD 59.8 million as at 31 December 2015, including a minority interest of USD 1.6 million. Total equity is 59% of total assets compared to the 40% requirement in the financial covenant of the Bond loan. Book value of equity per share was USD 2.19 as at 31 December 2015, including minority interests of USD 0.06 per share.

In January 2016, all bondholders accepted an offer to exchange existing bonds in a new bond denominated in USD and maturing in July 2019. The interest is 6% per year.

#### Share information

As at 31 December 2015, the total number of shares outstanding in Petrolia SE was 27,235,867, each with a par value of USD 1.00. The company has no outstanding or authorised stock options, warrants or convertible debt. As at 31 December 2015, the company held no treasury shares.

## Operational development, market and outlook

### Oil & Gas division

Within the Oil & Gas division, Petrolia Norway AS ('Petrolia Norway') is actively developing its licence portfolio. It has established a cost efficient, robust and scalable business model, with the current drilling programme fully funded. Petrolia Norway will actively pursue farm-in opportunities and participate in upcoming APA rounds, but did not acquire any licenses during the fourth quarter of 2015. Petrolia Norway will continue to focus on capital discipline through an on-going cost saving programme, which is expected to yield positive financial benefits throughout 2016.

In July, following a strategic review, Petrolia Norway announced that it had commenced the preparation process to become pre-qualified as an operator on the Norwegian Continental Shelf. In parallel, Petrolia Norway raised NOK 50 million in new equity through a share issue offered to the 20 largest shareholders in Petrolia SE. Petrolia SE wanted to allow wider ownership of Petrolia Norway and as a result it did not subscribe to new shares in this issue. There is no plan to list the shares. With a larger investor base, Petrolia Norway AS will be better positioned to pursue the attractive opportunities that are expected to emerge in the present market of lower oil prices.

The transaction was completed 18 August 2015. Following the share issue, Petrolia SE owns 49.9% of the shares of Petrolia Norway AS and it is accounted for as an associated company.

### OilService division

Since the end of 2014, the industry has experienced a significant reduction in capital expenditure by oil companies, oil service companies and other customers of the OilService Division. This challenging environment has affected the activity levels and profit margins of this division, which has excellent customer relationships and is a well-known and respected service and rental equipment company. Consequently, it is well positioned to retain and expand its customer base in this increasingly competitive environment. Costs have been cut substantially in 2015 whilst at the same time there has been a higher focus on business development in order to maintain or even increase market share.

Overall, the Board expects continued weak revenues for this division during 2016 as activity remains low and margins reflect more cost conscious buyers of oil services.

Both the land-rigs are being marketed in the Middle East region where the day rates are expected to be higher than in Europe. The drilling rig has completed one short term work-over contract in Romania and in December commenced on a short term workover contract in the Kurdistan region of Iraq. This contract was completed end of January. The rig continues to operate well.

### Related party transactions

The liquidity loans of NOK 6 million from Independent Oil & Resources PLC and NOK 25 million from Increased Oil Recovery AS were repaid.

The work-over rig, which in Q2 2013 was sold to TOT Drilling Ltd and hired back on a bareboat contract, has been purchased through exercising the purchase option included in the agreement. The payment was completed in February 2016 when bonds of USD 2.5 million were transferred as payment. The bonds were valued at par value.



## About the Company

### Oil & Gas division:

#### Petrolia Norway (Associate Company):

Petrolia Norway seeks to maximise field potential through innovative exploration in mature areas of the Norwegian Continental Shelf ('NCS'), leveraging on the extensive industry experience of its management team. Petrolia Norway AS currently holds 7 licences on the NCS. Petrolia SE, holds 49.9% of the share capital of Petrolia Norway and is the main shareholder.

#### Petroresources Ltd (Associate Company):

The Company's investment in Petroresources Ltd, representing 47.39% of the share capital, has been sold to Independent Oil & Resources PLC.

### OilService division:

The Company's involvement in oilfield services began through the acquisition of Independent Oil Tools AS in 2007. Total investment in equipment has subsequently exceeded USD 275 million. The investments were largely financed by Petrolia SE and in addition financial leases of more than USD 40 million were obtained. The division has developed into a well-respected, international equipment rental group with a global presence. This division owns drill pipes, test strings & tubing, handling and auxiliary tools, pressure control equipment for on and offshore activities and other equipment. In addition, the division provides associated services such as tubular running services.

The OilService division benefits from an excellent track record of availability, technical compliance, experience and performance. It has a well-established, large, international client base, including a portfolio of contracts in place with numerous major oil service companies, oil companies and drilling contractors.

## Key risks and uncertainty

The activities and assets of the group are primarily in USD and the Bond Loan is in NOK. There is therefore a currency risk regarding the USD/NOK exchange rate. In January 2016, the Bond Loan has been re-financed and denomination is now in USD.

## Board of Directors, Petrolia SE

Limassol, Cyprus 29 February 2016



## Financial report fourth quarter 2015 – preliminary

Consolidated Statement of Comprehensive Income				
All figures in USD (1,000)				
	Q4 2015	YTD 2015	Q4 2014	YTD 2014
Operating revenues	12,682	59,721	24,241	110,071
Impairment current assets	-659	-5,064	-2,740	-2,740
Operating expenses	-12,816	-60,158	-6,678	-68,928
<b>EBITDAX</b>	<b>-793</b>	<b>-5,501</b>	<b>14,823</b>	<b>38,403</b>
Exploration expenses	-168	-13,496	-5,912	-8,001
<b>EBITDA</b>	<b>-961</b>	<b>-18,997</b>	<b>8,911</b>	<b>30,402</b>
Depreciation	-3,891	-15,921	-4,089	-17,219
Impairment	-4,451	-12,487	-7,326	-8,329
<b>Operating profit (loss-)</b>	<b>-9,303</b>	<b>-47,405</b>	<b>-2,504</b>	<b>4,854</b>
Result from associated companies	-532	-1,567	-2,040	-2,239
Impairment of goodwill	0	0	-1,947	-1,947
Impairment other financial fixed assets	-706	-2,759	-345	-345
Interest income	49	101	363	485
Other financial income	-1	1,748	7	75
Fair value through P&L	-1,346	-1,591	-2,891	-5,029
Interest cost	-655	-2,921	-1,243	-5,297
Other financial cost	336	28	-183	-482
Currency gain/loss	1,190	-319	1,946	1
<b>Profit / (loss-) before income tax</b>	<b>-10,968</b>	<b>-54,685</b>	<b>-8,837</b>	<b>-9,924</b>
Tax on result	-22	-11,845	-5,145	-12,117
<b>Profit / (loss-) for the year</b>	<b>-10,946</b>	<b>-42,840</b>	<b>-3,692</b>	<b>2,193</b>
<b>Other comprehensive income</b>				
Currency translation differences	1,287	1,055	187	-3,163
<b>Total other comprehensive income / (loss-)</b>	<b>1,287</b>	<b>1,055</b>	<b>187</b>	<b>-3,163</b>
<b>Total comprehensive income / (loss-) for the year</b>	<b>-9,659</b>	<b>-41,785</b>	<b>-3,505</b>	<b>-970</b>
Number of shares	27 235 867	27 235 867	27 235 867	27 235 867
<b>Earnings per share, basic</b>	<b>-0.40</b>	<b>-1.57</b>	<b>-0.14</b>	<b>0.08</b>



# Condensed Consolidated Statement of Financial Position

All figures in USD (1,000)

<b>Assets</b>	<b>31.12.2015</b>	<b>Audited 31.12.2014</b>
Deferred tax assets	8,197	10,545
Exploration costs and licences	0	983
Land rigs	438	8,400
OilService and other equipment	41,796	54,221
Land and buildings	3,492	3,563
Investments in associates	1,130	344
Other financial fixed assets	16,785	4,173
Restricted cash	19	352
<b>Total non-current assets</b>	<b>71,857</b>	<b>82,581</b>
Inventory	947	927
Tax receivables	1,246	9,639
Accounts receivable	16,355	32,047
Other current assets	2,597	5,792
Financial asset at fair value through P&L	285	6,516
Free cash	8,005	29,975
Restricted cash	312	3,990
<b>Total current assets</b>	<b>29,747</b>	<b>88,886</b>
<b>Total assets</b>	<b>101,604</b>	<b>171,467</b>
<b>Equity and liabilities</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
Share capital	27,236	27,236
Other equity	30,929	70,081
Majority interest	58,165	97,317
Minority interest	1,594	4,227
<b>Total equity</b>	<b>59,759</b>	<b>101,544</b>
Bond loan	17,737	0
Deferred tax liability	4,578	5,425
Other long-term liabilities	3,704	5,422
<b>Total non-current liabilities</b>	<b>26,019</b>	<b>10,847</b>
Short-term portion of non-current liabilities	1,650	29,225
Accounts payable	11,632	16,684
Bank loan	60	4,390
Other current liabilities	2,484	8,777
<b>Total current liabilities</b>	<b>15,826</b>	<b>59,076</b>
<b>Total liabilities</b>	<b>41,845</b>	<b>69,923</b>
<b>Total equity and liabilities</b>	<b>101,604</b>	<b>171,467</b>
Book equity per share (end of period shares)	2.19	3.73
Equity (majority) ratio	57%	57 %

### Condensed Consolidated Statement of changes in Equity

All figures in USD (1,000)

	YTD 2015	YTD 2014
Equity period start 01.01	101,544	102,467
Total equity from shareholders in the period	0	0
Total comprehensive income/loss (-) for the period	-41,785	-970
Sale of own shares	0	47
<b>Total change of equity in the period</b>	<b>-41,785</b>	<b>-923</b>
<b>Equity at period end</b>	<b>59,759</b>	<b>101,544</b>

### Condensed Consolidated Cash Flow Statement

All figures in USD (1,000)

	Q4 2015	YTD 2015	Q4 2014	YTD 2014
Net cash flow from operating activities	14,727	1,745	33,605	47,530
Net cash flow from investing activities	-8,562	-6,399	-8,110	-19,874
Net cash flow from financing activities	-4,099	-16,395	-12,477	-13,495
<b>Net change in cash and cash equivalents</b>	<b>2,066</b>	<b>-21,049</b>	<b>13,018</b>	<b>14,161</b>
Free cash and cash equivalents at beginning of period	5,939	29,975	17,399	15,814
Exchange gain/loss (-) on cash and cash equivalents	0	-921	-442	0
<b>Free cash and cash equivalents at period end</b>	<b>8,005</b>	<b>8,005</b>	<b>29,975</b>	<b>29,975</b>

## Notes to the unaudited condensed consolidated figures:

### Note 1 Applied accounting principles

This fourth quarter report is prepared according to the International Financial Reporting Standards (IFRS as adopted by the EU) and the appurtenant standard for quarterly reporting (IAS 34). The quarterly accounts are based on the current IFRS standards and interpretations and were approved by the Board on 29 February 2016.

This fourth quarter report is prepared according to the same principles as the most recent annual financial statements, but does not include all the information and disclosures required in the annual financial statements. Consequently, this report should be read in conjunction with the latest annual report for the Company (2014). Changes in standards and interpretations may result in other figures.

The same accounting principles and methods for calculation, which were applied in the latest annual report (2014), have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in its annual report for 2014 which is available on the Company's website [www.petrolia.eu](http://www.petrolia.eu).

The consolidated accounts are based on historical cost, with the exception of items required to be reported at fair value.



## Note 2 Tangible fixed assets

The table below outlines the development of tangible fixed assets as of 31 December 2015:

All figures in USD (1,000)	Drilling- and other equipment	Land rigs	Exploration cost & licences	Land and buildings	Total
<b>Balance at 1 Jan 2015</b>	54,221	8,400	983	3,563	67,167
Acquisition cost:					
Acquisition cost at 1 Jan 2015	304,019	14,243	983	3,632	322,877
Purchased tangibles in 2015	10,994	0	0	-112	10,882
Disposal in 2015	-1,594	0	-983	0	-2,577
Translation differences	-2,913	0	0	396	-2,517
<b>Acquisition cost at 31 December 2015</b>	310,506	14,243	0	3,916	328,665
Depreciation/impairment:					
Balance depreciation at 1 January 2015	231,049	1,991	0	69	233,109
Balance impairment at 1 January 2015	18,749	3,852	0	0	22,601
Depreciation in 2015	15,250	604	0	50	15,904
Impairment in 2015	4,824	7,358	0	305	12,487
Disposal of depreciation in 2015	-1,162	0	0	0	-1,162
Disposal of impairment in 2015	0	0	0	0	0
<b>Depreciation/impairment as at 31 December 2015</b>	268,710	13,805	0	424	282,939
Carrying amount:					
<b>Balance at 31 December 2015</b>	41,796	438	0	3,492	45,726
<b>Residual value</b>					

## Note 3 Investments in associates

All figures in USD (1,000)	Petroresources Ltd	Petrolia Norway AS	Total
<b>Investments in associates</b>			
Shareholding	0%	49.90%	
Business address	Limassol, Cyprus	Bergen, Norway	
<b>Balance 1 January 2015</b>	344	0	344
Investments	23	2,420	2,443
Share of result	-277	-1,290	-1,567
Divestment	-90	0	-90
<b>Balance at 31 December 2015</b>	0	1,130	1,130

## Note 4 Segment Information

All figures in USD (1,000)	Oil & Gas	OilService	Total
Revenue	0	59,721	59,721
EBITDAX	-2,970	-2,531	-5,501
EBITDA	-16,466	-2,531	-18,997
Rental equipment, land rigs, licences	0	42,234	42,234
Property	0	3,492	3,492

### Oil & Gas

In July, the Petrolia Norway announced the preparation process of becoming pre-qualified as an operator at the Norwegian Continental Shelf. In parallel, the company raised NOK 50 million in new equity through a share issue towards the 20 largest shareholders in Petrolia SE. Petrolia SE wished to let other investors take direct ownership in Petrolia Norway and did not subscribe new shares at this issue. There is no plan to list the shares. With a larger investor base, Petrolia Norway AS will be better positioned to pursue attractive opportunities expected to emerge in the present market of lower oil price.

The transaction was completed 18 August 2015. Following the share issue, Petrolia SE owns 49.9% of the shares of Petrolia Norway AS.

### OilService

In the third quarter of 2015, the OilService division has continued the ongoing business improvement programme with emphasis on cost savings, equipment utilisation and equipment lifetime optimisation.

Both the land-rigs are being marketed in the Middle East region where the day rates are expected to be higher than in Europe. The drilling rig has completed one short term work-over contract in Romania and in December commenced on a short term workover contract in the Kurdistan region of Iraq. This contract was completed end of January. The rig continues to operate well.

## Note 5 Legal disputes

There are no legal disputes.

## Note 6 Events after the balance sheet date

In January 2016, all bondholders accepted an offer to exchange existing bonds in a new bond denominated in USD and maturing in July 2019. The interest is 6% per year.

## Glossary

APA	Awards in Predefined Areas
BOEPD	Barrels of oil equivalent per day
BOE	Barrels of oil equivalents
BOPD	Barrels of oil per day
EBIT	Earnings before Interest and taxes
EBITDAX	Earnings before interest, taxes and explorations costs
EPS	Earnings per share
Exploration	A general term referring to all efforts made in the search for new deposits of oil and gas
Exploration well	A well drilled in the initial phase in petroleum exploration
Farm out	A contractual agreement with an owner who holds a working interest in an area to assign all or parts of that interest to other parties
MMbbl	Million barrels (oil reserves)
LOI	Letter of intent
NOK	Norwegian crowns
Oil field	An accumulation of hydrocarbons in the subsurface
Prospect	An area of exploration in which hydrocarbons have been predicted to exist
Spud	To start drilling a well
USD	United States Dollars