



PETROLIA

Q1 2014

PETROLIA SE first quarter results 2014:

Financial results

- Total comprehensive income of USD 4.8 million in Q1 2014 compared to USD 1.5 million in Q1 2013 (up 220%).
- Increase in EBITDAX (EBITDA excluding exploration costs) to USD 9.9 million in Q1 2014 compared to USD 6.5 million in Q1 2013 (up 52%).
- Revenue was USD 27.6 million in Q1 2014 compared to USD 25.7 million in Q1 2013 (up 7%).
- Shareholders' equity as at 31 March 2014 was USD 3.94 per share. Share price was NOK 11.90, or USD 1.99 at an exchange rate of USD/NOK 5.99.
- Earnings per share was USD 0.17 per share compared to USD 0.26 per share in Q1 2013 (down 34%)
- Extension of bond loan by two years from June 2015 to June 2017.

Oil and Gas

- Purchased 10% in PL 546 from Lundin Norway AS, located north and adjacent to PL 501 Johan Sverdrup.
- Awarded 20% in PL 739S in the Awards in Predefined Areas (APA) 2013 together with Statoil Petroleum AS as operator and Petoro AS.
- Drilled well 25/9-4 Tastaveden. The well was water wet.
- Multiple farm-in opportunities evaluated.

OilService

- OilService division returns solid results with improved performance across all geographic regions.

Well and Drilling Technology

- Drilling rig re-certified and is now being marketed.

Key figures

All figures in USD (million)	Q1 2014	Q1 2013
Operating revenues	27.6	25.7
EBITDAX	9.9	6.5
EBITDA	8.7	4.2
Total comprehensive income for the year	4.8	1.5
Earnings per share in USD	0.17	0.26
Equity per share in USD	3.94	3.38

Financial information

Profit and loss for the first quarter of 2014 compared to the first quarter of 2013

Total revenue was USD 27.6 million compared to USD 25.7 million in 2013. Operating expenses were USD 17.7 million compared to USD 19.3 million in 2013. EBITDAX was USD 9.9 million compared to USD 6.5 million in 2013. Exploration cost was USD 1.2 million compared to USD 2.3 million in 2013. EBITDA was USD 8.7 million compared to USD 4.2 million in 2013.

Depreciation was USD 4.0 million compared to USD 4.0 million in 2013. Operating profit was USD 4.8 million compared to USD 0.3 million in 2013. Result from associated company was USD -0.1 million compared to USD 0.1 million in 2013. Net financial result was USD -2.0 million compared to USD -1.8 million in 2013.

The net result after tax was USD 4.7 million compared to USD 7.0 in 2013. Total comprehensive income was USD 4.8 million compared to USD 1.5 in 2013.

Cash flow

Cash flow from operations was USD 3.3 million in 2014 compared to USD 1.2 million in 2013. Cash flow from investments in 2014 was USD 1.5 million compared to USD 0.0 million in 2013. Cash flow from financing activities in 2014 was USD -4.3 million compared to USD -1.1 million in 2013.

Free cash as at 31 March 2014 was USD 16.5 million compared to USD 7.9 million as at 31 March 2013.

Statement of financial position

As at 31 March 2014, total assets amounted to USD 194.0 million. Investment in OilService equipment had a book value of USD 54.0 million, investment in land rigs had a book value of USD 12.9 million, investment in listed shares had a book value of USD 11.8 million and total cash was USD 20.9 million. Total tax receivable was USD 24.1 million and relates to exploration expenses on the Norwegian Continental Shelf.

As at 31 March 2014, net interest bearing bond loans amounted to USD 34.9 million, of which USD 3.8 million is recognised as a short term liability as it is due for payment in June 2014. The Group holds Borrower's Bonds (bonds owned by the borrower) of USD 22.6 million (so total bond loan is USD 57.5 million). In addition there are financial leasing facilities for OilService equipment for USD 3.2 million and for one work-over rig for USD 4.4 million (total USD 7.6 million).

Total equity was USD 107.3 million as at 31 March 2014, including a minority interest of USD 4.4 million. Book value of equity per share was USD 3.94 as at 31 March 2014, including minority interests of USD 0.16 per share.

Share information

As at 31 March 2014, 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 March 2014, the company held 47,274 (0.17 per cent) treasury shares. These shares were sold in May 2014.

Operational development, market and outlook

Oil & Gas division

Within the Oil & Gas division, Petrolia Norway is actively developing the licence portfolio. The company 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. Petrolia Norway is targeting 20 – 30 MMbbl reserves within the four next years, with net annual capital expenditure after tax of USD 5 – 8 million.

During the first quarter, Petrolia Norway drilled well 25/9-4 Tastaveden in PL 628. The well, which was located approximately 35 km northeast of the Grane field, tested a prospect adjacent to the Utsira High and was drilled with the semi-submersible rig Ocean Vanguard. The main objective of Well 25/9-4, PL 628, was to prove hydrocarbons in the Hugin Formation of the Vestland Group. The well encountered Hugin Formation sandstones of good reservoir quality, but was water wet. The well was terminated 30 meters into the Sleipner Formation at 2397 meters subsea, on 18 February 2014.

14 January 2014, Petrolia Norway entered into an agreement to purchase 10 % in PL 546 from Lundin Norway AS. PL 546 is located north and adjacent to PL 501 Johan Sverdrup.

21 January 2014, Petrolia Norway was awarded 20 per cent of license PL 739S in the 2013 APA in Norway. Petrolia Norway only applied for one license which it was awarded and is looking forward to co-operating with the operator Statoil Petroleum AS and the license partner Petoro AS to identify the potential of the license. The license is stratigraphic divided and valid for post Jurassic strata.

The PL 739S license is located south of the Oseberg South field and encompasses parts of the blocks 26/1, 31/10 and 31/11. Statoil Petroleum AS is the operator with a 50 per cent share and Petoro AS holds the remaining 30 per cent of the license. The work programme is to acquire a 3D seismic survey before a drill or drop decision within the next 3 years.



OilService division

The OilService division continued to return improved performance during the first quarter across all geographic regions. The OilService division has established its position as a well-known service and rental equipment company. Based on modern equipment and craftsmanship, in addition to global scale and reach, the division serves some of the industry's global leaders. The division has been restructured over recent years and is experiencing continuous positive margins and equipment utilisation. The improvement in the operating performance has resulted in solid revenue and EBITDA growth, and subject to an oil price at current levels, this is expected to continue during 2014.

Some of the key market drivers for the OilService division are the oil companies' E&P Investments and the global rig activity. Based on the market and the division's present performance, the Board of Directors expects a continued satisfactory development for the OilService division going forward.

Drilling and Well Technology

The Drilling and Well Technology division currently has one drilling and one work over rig idle in Romania. The 21 well contract for the drilling rig expired in January 2014. The rig has demonstrated a solid operational performance and is being marketed in other regions where the day rates are expected to be higher. The work-over rig will be mobilised once an LOI is signed.

The rigs and the drilling competence may also be used for drilling in licences for the Oil & Gas division whenever such licences have a need for a drilling rig.

The Oil & Gas division is currently evaluating oil & gas licences where these rigs can make the difference.

Petrolia SE

Petrolia SE extended the maturity date of bond loan "12.00% Petrolia SE Senior Unsecured Bond Issue 2013/2015 with call options" ISIN: NO 0010683592 by two years from June 2015 to June 2017, as a part of the company's long term financing strategy.

Related party transactions

There have not been any new related party transactions during Q1.

About the company

Oil & Gas division:

Petrolia Norway AS maximizes field potential through innovative exploration in mature areas on the Norwegian Continental Shelf, leveraging on the extensive industry experience of the Petrolia Norway team. Petrolia Norway AS is qualified as a licensee on the Norwegian Continental Shelf. The company currently holds 20 per cent of the PL 739S license, 50 per cent of the PL 674 license, 30 per cent of PL 506S, PL 506BS, PL 506CS, PL 506DS, 10 per cent of PL 628 and 10 per cent of PL 546. The company has offices in Oslo, Bergen and Stavanger and is fully owned by Petrolia SE.

Through Petroresources Ltd (47.32 per cent owned) the division has economic interests in licenses in Africa.

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 200 million. The investments were largely financed by Petrolia 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 & auxiliary tools, pressure control equipment for on and offshore activities and other equipment. In addition, the division provides associated services like tubular running services through Premium Casing Services Pty Ltd in Australia and New Zealand.



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.

Drilling and Well Technology division:

In 2012, a subsidiary of Petrolia SE acquired two land rigs which are presently located in Romania. The drilling rig has completed 21 wells since it commenced a one and a half year contract in Romania. The rig has proven to be efficient in line with expectations for the drilling activities, including fast and efficient mobilisation and demobilisation between wells. The rig is currently being marketed to a number of potential customers within East Europe, Middle East and other commercially attractive areas.

The work-over land rig is being marketed and will be mobilised once a LOI is signed. Both rigs are jointly operated and managed by TM Drill, a Romanian land drilling contractor and IO&R Ltd Dubai. The division has a 19, 66% share in TM Drill. TM Drill owns 5 rigs that are currently on contract. To be able to expand within the segment, the division has started to build in-house competence within land drilling activities and has employed a number of skilled employees.

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.

The Estate of PetroMENA ASA (51 % owned by Petrolia) is, through a writ of summons ("stevning"), seeking to invalidate an equipment purchase on 13 November 2008 whereby Oil Tools Supplier AS (formerly Petrolia Services AS) purchased drilling equipment for USD 34.7 million from PetroMENA ASA. On 19 March 2013 Oslo District Court ruled in favour of the PetroMena ASA estate for USD 14 million. Oil Tools Supplier AS has filed an appeal. Oil Tools Supplier AS is a subsidiary of Petrolia Drilling II AS, owned by Petrolia SE.

The board of PetroMENA ASA, under bankruptcy proceedings, has filed a claim of USD 1.2 billion against Deutsche Bank for various breaches of law and governance.

Board of Directors, Petrolia SE, 30 May 2014

Financial report first quarter 2014 – preliminary

Consolidated Statement of Comprehensive Income

All figures in USD (1000)

	Q1 2014	YTD 2014	Q1 2013	YTD 2013
Operating revenues	27 638	27 638	25 719	25 719
Operating expenses	17 729	17 729	19 257	19 257
EBITDAX	9 909	9 909	6 462	6 462
Exploration expenses	1 200	1 200	2 250	2 250
EBITDA	8 709	8 709	4 212	4 212
Depreciation	3 951	3 951	3 957	3 957
Impairment	0	0	0	0
Operating profit (loss-)	4 758	4 758	255	255
Result from associated companies	-146	-146	114	114
Net financial income/expenses(-)	-1 955	-1 955	-1 830	-1 830
Profit before income tax	2 657	2 657	-1 460	-1 460
Tax on result	-2 038	-2 038	-8 432	-8 432
Profit for the year	4 695	4 695	6 971	6 971
Other comprehensive income				
Currency translation differences	144	144	-5 520	-5 520
Total other comprehensive income	144	144	-5 520	-5 520
Total comprehensive income for the year	4 839	4 839	1 451	1 451
Number of shares	27 235 867	27 235 867	27 235 867	27 235 867
Earnings per share, basic	0.17	0.17	0.26	0.26

Condensed Consolidated Statement of Financial Position

All figures in USD (1000)

	31.03.2014	Audited 31.12.2013
Assets		
Goodwill	1 947	1 947
Deferred tax assets	9 760	9 214
Exploration costs and licences	0	0
Land rigs	12 850	13 048
OilService and other equipment	54 000	54 715
Land and buildings	2 643	2 674
Investments in associates	2 187	2 334
Other financial fixed assets	4 131	4 023
Restricted cash	3 801	3 665
Total non-current assets	91 318	91 620
Inventory	2 192	1 740
Tax receivables	24 066	21 436
Accounts receivable	38 987	39 016
Other current assets	8 434	6 736
Financial asset at fair value through P&L	11 835	15 296
Free cash	16 539	15 813
Restricted cash	602	760
Total current assets	102 655	100 797
Total assets	193 973	192 417
Equity and liabilities	31.03.2014	31.12.2013
Share capital	27 236	27 236
Treasury shares	-47	-47
Other equity	75 669	71 159
Majority interest	102 858	98 348
Minority interest	4 448	4 119
Total equity	107 306	102 467
Bond loan	31 017	30 063
Deferred tax liability	6 945	6 725
Other long-term liabilities	6 162	6 629
Total non-current liabilities	44 124	43 417
Short-term portion of non-current liabilities	6 028	6 715
Accounts payable	11 903	12 184
Provisions	13 048	13 048
Bank loan	851	3 503
Other current liabilities	10 712	11 084
Total current liabilities	42 543	46 534
Total liabilities	86 666	89 951
Total equity and liabilities	193 973	192 418
Book equity per share (end of period shares)	3.94	3.76
Equity (majority) ratio	53%	49 %



Condensed Consolidated Statement of changes in Equity

All figures in USD (1000)

	YTD 2014	YTD 2013
Equity period start 01.01	102 467	90 578
Total equity from shareholders in the period	0	0
Total comprehensive income/loss (-) for the period	4 838	1 451
Total change of equity in the period	4 838	1 451
Equity at period end	107 305	92 029

Condensed Consolidated Cash Flow Statement

All figures in USD (1000)

	Q1 2014	YTD 2014	Q1 2013	YTD 2013
Net cash flow from operating activities	3 345	3 345	1 214	1 214
Net cash flow from investing activities	1 516	1 516	1	1
Net cash flow from financing activities	-4 290	-4 290	-1 136	-1 136
Net change in cash and cash equivalents	571	571	79	79
Free cash and cash equivalents at beginning of period	15 813	15 813	7 827	7 827
Exchange gain/loss (-) on cash and cash equivalents	156	156		
Free cash and cash equivalents at period end	16 540	16 540	7 906	7 906

Notes to the unaudited condensed consolidated figures:**Note 1 Applied accounting principles**

This first 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 30 May 2014 at 14:00 hours.

This first 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 (2013). 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 (2013), have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in its annual report for 2013 available on the Company's website www.petrolia.eu.

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

Note 2 Tangible fixed assets

The table below outlines the development of tangible fixed assets as of 31 March 2014:

All figures in USD (1000)	Drilling- and other equipment	Land rigs	Exploration cost & licences	Goodwill	Land and buildings	Total
Balance at 1 Jan 2014	54 715	13 048	0	1 947	2 674	72 384
Acquisition cost:						
Acquisition cost at 1 Jan 2014	285 516	14 234	0	1 947	3 438	305 135
Purchased tangibles in 2014	2 710	0	0	0	0	2 710
Disposal in 2014	-934	0	0	0	0	-934
Acquisition cost at 31 March 2014	276 474	14 246	0	1 947	2 794	295 461
Depreciation/impairment:						
Balance depreciation at 1 January 2014	216 529	1 186	0	0	764	218 479
Balance impairment at 1 January 2014	14 272	0	0	0	0	14 272
Depreciation in 2014	3 736	198	0	0	16	3 950
Impairment in 2014	0	0	0	0	0	0
Disposal of depreciation in 2014	-876	0	0	0	0	-876
Depreciation/impairment as at 31 March 2014	233 661	1 384	0	0	780	235 825
Translation differences	248	0	0	0	105	353
Carrying amount:						
Balance at 31 March 2014	53 879	12 850	0	1 947	2 763	71 439
Residual value						

Note 3 Investments in associates

All figures in USD (1000)	Petroresources Ltd
Investments in associates	
Shareholding	47.32%
Business address	Limassol, Cyprus
Balance 1 January 2014	2 334
Investments	0
Share of result	-146
Balance at 31 March 2014	2 188

Note 4 Segment Information

All figures in USD (1000)	Oil & Gas	Drilling & Well Technology	OilService	Other	Total
Revenue	0	0.2	27.3	0.2	27.7
EBITDAX	-1.8	-0.8	14.0	-1.6	9.8
EBITDA	-3.0	-0.8	14.0	-1.6	8.6
Rental equipment, land rigs, licences	0.4	15.6	50.8	0	66.8
Property	0	0	2.6	0	2.6

Oil & Gas

Petrolia Norway has purchased 10 per cent of license PL 546 from Lundin. PL 546 is located north adjacent to PL 501 Johan Sverdrup.

Petrolia Norway AS was awarded a new licence in the 2013 APA in Norway. The 20% share awarded is licence PL 739S located south of the Oseberg South field and encompasses parts of the blocks 26/1, 31/10 and 31/11. Statoil Petroleum AS is the operator with a 50 per cent share and Petoro AS hold the remaining 30 per cent of the license.

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Both rigs are jointly managed by TM Drill, a Romanian Drilling contractor, in which Petrolia has a 19.66 % interest.

Note 5 Legal disputes

The Estate of PetroMENA ASA (51 % owned by Petrolia) is, through a writ of summons ("stevning"), seeking to invalidate an equipment purchase on 13 November 2008 whereby Oil Tools Supplier AS (formerly Petrolia Services AS) purchased drilling equipment for USD 34.7 million from PetroMENA ASA. On 19 March 2013 Oslo District Court ruled in favour of the PetroMena ASA estate for USD 14 million. Oil Tools Supplier AS has filed an appeal. Oil Tools Supplier AS is a subsidiary of Petrolia Drilling II AS, owned by Petrolia SE.

The board of PetroMENA ASA, under bankruptcy proceedings, has filed a claim of USD 1.2 billion against Deutsche Bank for various breaches of law and governance.

Note 6 Events after the balance sheet date

There have not been any significant events after the balance sheet date.

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	American dollars