PETROLIA

Q1 2013

PETROLIA SE (PDR) first quarter 2013 preliminary result

Summary of main events

- EBITDA excluding exploration costs was USD 6.5 million in Q1 2013.
- EBITDA was USD 4.2 million in Q1 2013 and Total Comprehensive income was USD 1.5 million in Q1 2013.
- Revenue was USD 25.7 million in Q1 2013.
- Shareholder's Equity per 31.03.2013 was USD 3.38 per share.
- 16 January: Petrolia Norway AS was awarded 50 per cent of PL674 licence (in blocks 16/3, 16/6, 17/1, 17/2, 17/4, 25/12 and 26/10) close to the Johan Sverdrup field in the 2012 APA round. E.ON E&P Norge AS holding the remaining 50 per cent will be the operator.
- 30 January: Petrolia completed bond buy back of NOK 101.1 million of ISIN NO 0010440258. Following the transaction Petrolia held own bonds of NOK 124.1 million as at 31 March 2013.
- 28 January: The Company's name was changed from Petrolia E&P Holdings SE to Petrolia SE.
- 13 March: Petrolia Norway AS entered into an agreement with Statoil Petroleum AS to purchase 10 per cent in PL 628 and an agreement granting Statoil Petroleum AS an option on 10 per cent in PL 506.
- 19 March: Oil Tools Supplier AS, a subsidiary of Petrolia, received a decision from Oslo District Court regarding the claim from the PetroMena ASA bankruptcy estate. The Court ruled in favour of the PetroMena ASA estate for USD 14 million. Oil Tool Supplier AS has filed an appeal.

Financial information

<u>Profit and loss for the first quarter of 2013 compared to the first quarter of 2012</u>

Total revenue was USD 25.7 million compared to USD 19.6 million in 2012.

EBITDA was USD 4.2 million compared to USD 6.4 million in 2012.

Operating expenses was USD 21.5 million compared to USD 13.2 in 2012.

Operating profit was USD 0.3 million including USD 4.0 million in depreciation. Operating loss in 2012 was USD 2.1 million including USD 8.5 million in depreciation. Economic life for tubulars has been estimated to 7 years compared to 5 years in the past.

Result from associated company was USD 0.1 million compared to USD -0.6 million in 2012.

Net financial result was USD -1.8 million compared to USD 7.2 million in 2012. The net result after tax was USD 7.0 million compared to USD 3.0 in 2012.

Book value of the rental drilling equipment as of 31 March 2013 was USD 61.4 million.

The USD/NOK exchange rate has changed from 5.69 as of 31 March 2012 to 5.83 as of 31 March 2013.

<u>Cash flow</u>

Cash flow from operations was USD 2.1 million in 2013 compared to USD 1.7 million in 2012. Cash flow from investments in 2013 was USD 0.0 million compared to USD -6.5 million in 2012. Cash flow from financing activities in 2013 was USD -1.1 million compared to USD -2.4 million in 2012.

Free cash as of 31 March 2013 was USD 7.9 million compared to USD 11.2 million as of 31 March 2012.

Statement of financial position

As of 31 March 2013, total assets amounted to USD 209.2 million. Investment in drilling equipment had a book value of USD 61.4 million, investment in land rigs had a book value of USD 13.6 million, investment in listed shares had a book value of USD 10.1 million and total cash was USD 23.9 million.

As per 31 March 2013, net interest bearing bond loans amounted to USD 37.8 million of which USD 3.9 million is recognised as a short term liability as it is due for payment in June 2013. The Group holds Borrower's Bonds of USD 21.3 million (so total bond loan is USD 59.1 million). In addition there are financial leasing facilities for rental equipment in the amount of USD 7.8 million.

Total equity was USD 92.0 million as per 31 March 2013, including a minority interest of USD 3.3 million. Book value of equity per share was USD 3.38 as per 31 March 2013, including minority interest of USD 0.12 per share.

Share information

As of 31 March 2013, the total number of shares outstanding in Petrolia SE equalled 27,235,867, each with a par value of USD 1.00. The company has no outstanding or authorized stock options, warrants or convertible debt. As of 31 March 2013, the company held 47,274 (0.17 per cent) treasury shares.

The market and outlook

Supported by the current high oil price level, the oil companies are increasing their E&P investments, with a record number of rigs coming into the market in 2012 and beyond. Consequently, the Board of Directors of Petrolia SE expects an increased activity level for the OilService division going forward.

At the same time, the company has implemented several measures for improving the operations in the OilService division and expects to see results from the on-going restructuring in the coming quarters.

Related party transactions

There have been no related party transactions in the quarter.

About the company

Oil & Gas division:

Petrolia Norway AS maximizes field potential through innovative exploration and increased oil recovery technology from 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 50 per cent of the PL674 license and 30 per cent of PL 506S, PL 506BS, PL 506CS and PL 506DS. The company is fully owned by Petrolia SE and has offices in Bergen, Stavanger and Oslo. The previously owned PL 356 Ulvetanna licence has been returned to the authorities.

Through Petroresources Ltd (47.08 per cent owned) the division has economic interests in licenses in Africa and the Middle East and through the announced possible merger with the oil division of Independent Oilfield Rentals Ltd the portfolio would increase and also include production.

OilService division:

The company's involvement in oilfield services began through the acquisition of Independent Oil Tools AS in 2007. Since then, the IOT Group has developed into a leading international equipment rental group with a global presence. This company owns drill pipes, test strings & tubing, handling & auxiliary tools and other equipment. In addition, the company provides associated services like Tubular Running Services through Premium Casing Services Pty Ltd in Australia and New Zealand. Trough Catch Fishing (85 per cent owned) we provide down-hole fishing services and other activities worldwide.

The IOT Group 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:

A subsidiary of Petrolia SE acquired in 2012 two land rigs presently located in Romania. The drilling rig has completed 11 wells of its 18 well contract in Romania. The contract is with a large oil company and is expected to be completed by the end of this year. The rig has proven to be efficient in line with expectations for the drilling activities as well as fast and efficient mobilisation and demobilisations between wells.

The work-over land rig is being marketed and will be mobilised once a LOI is signed. Both rigs are managed by TM Drill, a Romanian land drilling contractor, 19.66% owned by Petrolia. The division has started to build up in-house competence within land drilling activities and have employed a number of skilled employees to be able to expand within this segment.

Key risks and uncertainty

The activities and assets of the group are primarily in USD and the Bond Loan is in NOK. There is thus 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. Petrolia dismisses the claim. On 19 March 2013 Oslo District Court ruled in favour of the PetroMena ASA estate for USD 14 million. Oil Tool Supplier AS has filed an appeal.

Oil Tools Supplier AS has filed a claim of USD 8.5 million against the Estate of PetroMENA ASA. There is an uncertainty regarding any dividends so no dividend is included in the accounts.

The board of PetroMENA has filed a claim of NOK 7.4 billion against a bank for various breaches of law and governance.

Petrolia SE received on 2 November 2011, the decision from the Office of the City Recorder in Oslo in the case where Petrojack ASA, its bankruptcy estate claimed up to NOK 32.9 million related to Oil Tools Supplier AS' (Petrolia SE's 100% owned subsidiary) purchase of certain drilling equipment from Petrojack ASA in 2009. The bankruptcy estate asserted to have a claw back claim related to the transferred equipment. Petrolia SE dismissed the reasons for the claim, ref Stock Exchange notice dated 10 March 2011. The Office of the City Recorder in Oslo has ruled in favour of Petrojack ASA, its bankruptcy estate for NOK 18 million, approximately half of their claim. Petrolia SE has appealed and the case is expected to continue in Q4 2013.

Board of Directors, Petrolia SE, 30 May 2013

Financial report first quarter 2013 – preliminary

Consolidated Statement of Comprehensive Income

All figures in USD (1000)

	Q1 2013	YTD 2013	Q1 2012	YTD 2012
Operating revenues	25 719	25 719	19 571	19 571
Operating expenses	21 506	21 506	13 208	13 208
Operating profit before depreciation (EBITDA)	4 212	4 212	6 363	6 363
Depreciation	3 957	3 957	8 508	8 508
Impairment	0	0	0	0
Operating profit (loss-)	255	255	-2 145	-2 145
Result from associated companies	114	114	-584	-584
Net financial income/expenses(-)	-1 830	-1 830	7 173	7 173
Profit before income tax	-1 460	-1 460	4 444	4 444
Tax	-8 432	-8 432	1 467	1 467
Profit for the year	**6 971**	**6 971**	**2 977**	**2 977**
Other comprehensive income				
Currency translation differences	**-5 520**	**-5 520**	**-2 794**	**-2 794**
Total other comprehensive income	**-5 520**	**-5 520**	**-2 794**	**-2 794**
Total comprehensive income for the year	**1 451**	**1 451**	**183**	**183**
Number of shares	27 235 867	27 235 867	27 235 867	27 235 867
Earnings per share, basic	**0.33**	**0.33**	**0.11**	**0.11**

Condensed Consolidated Statement of Financial Position		
All figures in USD (1000)		
Assets	**31.03.2013**	**Audited 31.12.2012**
Goodwill	1 947	1 947
Deferred tax assets	15 727	15 727
Land rigs	13 596	13 360
OilService and other equipment	61 393	62 881
Land and buildings	2 049	2 117
Investments in associates	4 360	4 246
Other financial fixed assets	5 306	5 410
Restricted cash	14 741	14 671
Total non-current assets	123 412	124 100
Inventory	1 404	1 271
Tax receivables	16 517	13 199
Accounts receivable	37 735	38 968
Other current assets	10 977	29 726
Financial asset at fair value through P&L	10 060	12 455
Free cash	7 906	7 827
Restricted cash	1 203	396
Total current assets	85 802	103 842
Total assets	**209 214**	**227 942**
Equity and liabilities	**31.03.2013**	**31.12.2012**
Share capital	27 236	27 236
Treasury shares	-47	-47
Other equity	61 516	60 258
Majority interest	88 704	87 447
Minority interest	3 325	3 131
Total equity	92 029	90 578
Bond loan	33 884	53 625
Retirement benefit obligations	314	328
Deferred tax liability	15 727	15 727
Other long-term liabilities	2 542	4 827
Total non-current liabilities	52 467	74 507
Short-term portion of non-current liabilities	9 222	10 820
Accounts payable	20 418	22 132
Provisions	11 848	11 848
Other current liabilities	19 574	14 230
Total current liabilities	64 718	62 857
Total liabilities	117 185	137 364
Total equity and liabilities	**209 214**	**227 942**
Book equity per share (end of period shares)	3.38	3.33
Equity ratio	42 %	38 %

Total cash is USD 23.9 million. Restricted cash includes USD 5.6 million on a Bond Loan interest security account, USD 3.0 million in escrow connected to the sale of the shares of Deepwater Driller Ltd, USD 2.2 million in escrow connected to sale of disputed equipment and USD 3.4 million as security for the Petrojack claw-back case.

Condensed Consolidated Statement of changes in Equity		
All figures in USD (1000)		
	YTD 2013	**YTD 2012**
Equity period start 01.01	90 578	84 098
Total equity from shareholders in the period	0	13 041
Total comprehensive income/loss (-) for the period	1 451	183
Total change of equity in the period	1 451	13 224
Equity at period end 31.03	**92 029**	**97 322**

Condensed Consolidated Cash Flow Statement				
All figures in USD (1000)				
	Q1 2013	**YTD 2013**	**Q1 2012**	**YTD 2012**
Net cash flow from operating activities	2 091	2 091	1 740	1 740
Net cash flow from investing activities	1	1	-6 525	-6 525
Net cash flow from financing activities	-1 136	-1 136	-2 412	-2 412
Net change in cash and cash equivalents	959	956	-7 197	-7 197
Cash and cash equivalents at beginning of period	22 894	22 894	32 834	32 834
Exchange gain/loss (-)on cash and cash equivalents				
Cash and cash equivalents at period end	**23 850**	**23 850**	**25 637**	**25 637**

Investment activities in Q1 2013 are: equipment investments of USD 2.7 million and divestment in other shares of USD 2.7 million. Financing activities in Q1 2013 are interests received of USD 1.3 million and lease payments of USD 2.5 million.

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 30 May 2013 at 13:00hours.

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 (2012). 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 (2012) have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in its annual report for 2012 available at the Company's homepage 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 2013:

All figures in USD (1000)	Drilling- and other equipment	Land rigs	Exploration cost & licences	Goodwill	Land and buildings	Total
Balance at 1 Jan 2013	62 881	13 360	3 741	1 947	2 117	84 046
Acquisition cost:						
Acquisition cost at 1 Jan 2013	276 186	13 745	3 741	1 947	2 989	298 608
Purchased tangibles in 2013	1 883	141	719	0	0	2 742
Disposal in 2013	-321	0	0	0	0	-321
Acquisition cost at 31 March 2013	277 748	13 886	4 460	1 947	2 989	301 029
Depreciation/impairment:						
Balance depreciation at 1 January 2013	202 529	385	0	0	872	203 786
Balance impairment at 1 January 2013	10 776	0	0	0	0	10 776
Depreciation in 2013	3 520	197	0	0	14	3 957
Impairment in 2013	0	0	0	0	0	0
Disposal of depreciation in 2013	-28	0	0	0	0	-28
Disposal of impairment in 2013	0	0	0	0	0	0
Balance at 31 March 2013	217 023	582	0	0	886	218 491
Translation differences	668	292	-166	0	-54	740
Carrying amount: **Balance at 31 March 2013** **Residual value**	61 393	13 596	4 294	1 947	2 049	83 278

Note 3 Investments in associates

All figures in USD (1000) **Investments in associates**	**Petroresources Ltd**
Shareholding	47.08%
Business address	Limassol,Cyprus
Balance 1 January 2012	4 246
Investments	0
Share of result	114
Balance at 31 March 2012	**4 360**

Note 4 Segment Information

All figures in USD (1000)	**Oil & Gas**	**Drilling & Well Technology**	**OilService**	**Other**	**Total**
Revenue	0	396	25 323		25 719
EBITDA	-4 382	-134	9 915	-1 187	4 212
Tax	3 655	0	4 777	0	8 432
Result	-1 524	-429	8 687	237	6 971
Rental equipment, land rigs, licences	4 293	13 596	61 393		79 282
Property			2 049		2 049

Oil & Gas

Petrolia Norway was awarded the promising PL 674 license, close to the Johan Sverdrup field, in the 2012 Awards in Predefined Areas (APA) announced in January 2013. The Storbarden well in PL 506 was dry.

Petrolia announced on 3 October 2011 a possible merger of the oil department of Independent Oilfield Rentals Ltd (IOR). IOR has production and exploration license interests both in the Middle East and in North Africa (MENA).

Drilling & Well Technology

The new land drilling rig is on an 18 well contract and has proven to be efficient in line with expectations. The work-over land rig is being marketed and will be mobilised once a LOI is signed. Both rigs are managed by TM Drill, a Romanian Drilling contractor, 19.66% owned by Petrolia.

OilService

The IOT Group maintains its strong performance and the outlook the next few years is good.

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. Petrolia dismisses the claim. On 19 March 2013 Oslo District Court ruled in favour of the PetroMena ASA estate for USD 14 million. Oil Tool Supplier AS has filed an appeal.

Oil Tools Supplier AS has filed a claim of USD 8.5 million against the Estate of PetroMENA ASA. There is an uncertainty regarding any dividends so no dividend is included in the accounts.

The board of PetroMENA ASA has filed a claim of NOK 7.4 billion against a bank for various breaches of law and governance.

Petrolia SE received on 2 November 2011, the decision from the Office of the City Recorder in Oslo in the case where Petrojack ASA, its bankruptcy estate claimed up to NOK 32.9 million related to Oil Tools Supplier AS' (Petrolia SE's 100% owned subsidiary) purchase of certain drilling equipment from Petrojack ASA in 2009. The bankruptcy estate asserted to have a claw back claim related to the transferred equipment. Petrolia SE dismissed the reasons for the claim, ref Stock Exchange notice dated 10 March 2011. The Office of the City Recorder in Oslo has ruled in favour of Petrojack ASA, its bankruptcy estate for NOK 18 million, approximately half of their claim. Petrolia SE has appealed and the case is expected to continue in Q4 2013.

Note 6 Events after the balance sheet date

10 April: Petrolia SE sold NOK 10 million of outstanding bonds at par value plus accrued interests.

24 April: IO&R Ltd sold the workower rig for USD 5.5 million and at the same time hired it back under a 3 year bareboat charter.

29 April: regarding the Storbarden well. The drilling rig "Borgland Dolphin" has completed drilling of the main reservoir and the secondary target in the Storbarden well in PL 506S in the North Sea. The well has completed with costs below budget, but did not encounter hydrocarbons.