



**PETROLIA**

**Q3 2013**

## PETROLIA SE (PDR) third quarter 2013 preliminary result

### Summary of main events

- Shareholder's Equity per 30 September 2013 was USD 3.97 per share, significantly more than the share price.
- Earnings per share was USD 0.28 per share for the quarter and USD 0.57 for the first nine months.
- OilService division continues to return improved results.
- Total comprehensive income was USD 15.5 million in Q3 2013 compared to USD 5.7 million in Q3 2012.
- Total comprehensive income was USD 17.6 million for the first nine months of 2013 compared to USD -5.4 million in 2012.
- EBITDAX (EBITDA excluding exploration costs) was USD 11.2 million in Q3 2013 and USD 27.5 million for the first nine months of 2013 compared to USD 7.2 million in Q3 2012 and USD 17.7 million for the first nine months of 2012.
- Revenue was USD 34.6 million in Q3 2013 and USD 90.1 million for the first nine months of 2013.

### Financial information

#### Profit and loss for the first nine months of 2013 compared to the first nine months of 2012

Total revenue was USD 90.1 million compared to USD 70.0 million in 2012.

Operating expenses were USD 62.6 million compared to USD 52.3 million in 2012.

EBITDAX was USD 27.5 million compared to USD 17.7 million in 2012.

Exploration cost was USD 24.0 million compared to USD 7.6 million in 2012.

EBITDA was USD 3.5 million compared to USD 10.1 million in 2012.

Depreciation was USD 12.1 million compared to 23.8 million in 2012. From 2013, the estimated economic life for tubulars has been extended to 7 years compared to 5 years in the past.

Operating loss was USD 8.6 million compared to USD 13.8 million in 2012.

Result from associated company was USD 0.1 million compared to USD -0.7 million in 2012.

Net financial result was USD -3.4 million compared to USD -1.8 million in 2012.

The net result after tax was USD 15.5 million compared to USD -6.6 million in 2012.

Total comprehensive income was USD 17.6 million compared to USD -5.4 in 2012.

Book value of the OilService equipment as at 30 September 2013 was USD 56.9 million compared to USD 64.9 million in 2012.

The USD/NOK exchange rate has changed from 5.70 as at 30 September 2012 to 6.01 as at 30 September 2013.

#### Profit and loss for the third quarter of 2013 compared to the third quarter of 2012

Total revenue was USD 34.6 million compared to USD 25.7 million in 2012.

Operating expenses were USD 23.4 million compared to USD 18.5 million in 2012.

EBITDAX was USD 11.2 million compared to USD 7.2 million in 2012.

Exploration cost was USD 3.7 million compared to USD 6.6 million in 2012.

EBITDA was USD 7.5 million compared to USD 0.5 million in 2012.

Depreciation was USD 4.1 million compared to USD 7.1 million in 2012.

Operating profit was USD 3.4 million compared to operating loss of USD 6.6 million in 2012.

Result from associated company was USD 0.0 million compared to USD 0.0 million in 2012.

Net financial result was USD -0.5 million compared to USD 3.9 million in 2012.

The net result after tax was USD 7.7 million compared to USD 3.9 in 2012.

Total comprehensive income was USD 15.5 million compared to USD 5.7 in 2012.

### Cash flow

Cash flow from operations was USD -7.1 million in 2013 compared to USD 4.8 million in 2012. Cash flow from investments in 2013 was USD -1.4 million compared to USD -8.8 million in 2012. Cash flow from financing activities in 2013 was USD 1.9 million compared to USD -4.3 million in 2012.

Free cash as at 30 September 2013 was USD 8.6 million compared to USD 10.1 million as at 30 September 2012.

### Statement of financial position

As at 30 September 2013, total assets amounted to USD 219.5 million. Investment in OilService equipment had a book value of USD 56.9 million, investment in land rigs had a book value of USD 13.0 million, investment in listed shares had a book value of USD 8.7 million and total cash was USD 16.2 million. Total tax receivable was USD 31.8 million and relates to exploration expenses on the Norwegian Continental Shelf.

As at 30 September 2013, net interest bearing bond loans amounted to USD 34.5 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 22.8 million (so total bond loan is USD 57.3 million). In addition there are financial leasing facilities for OilService equipment in the amount of USD 4.0 million and for one work-over rig in the amount of USD 5.0 million (total USD 9.0 million).

Total equity was USD 108.2 million as at 30 September 2013, including a minority interest of USD 3.9 million. Book value of equity per share was USD 3.97 as at 30 September 2013, including minority interests of USD 0.14 per share.

### Share information

As at 30 September 2013, 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 authorized stock options, warrants or convertible debt. As at 30 September 2013, the company held 47,274 (0.17 per cent) treasury shares.

## **The market and outlook**

Within the Oil & Gas division, Petrolia Norway actively looks to develop the licence portfolio. The company has established a cost efficient, robust and scalable business model, with the current drilling program fully funded. Petrolia Norway will actively pursue farm-in opportunities and participate in the 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.

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 a continuous positive margin and equipment utilization development. The improvement in the operating performance has resulted in solid revenue and EBITDA growth, and subject to a reasonable oil price, this is expected to continue in 2014.

Some of the key market drivers for the OilService division are the oil companies' E&P Investments and global rig activity, which are expected to continue to develop strongly, supported by high oil prices. Based on the positive

market and the division's present performance, the Board of Directors expects a continued high activity level for the OilService division going forward.

The Drilling and Well Technology division currently has one drilling rig on contract in Romania. The contract expires at the end of 2013. 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 mobilized once an LOI is signed.

## Related party transactions

There have not been any related party transactions during Q3.

## 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 for the Norwegian Continental Shelf. The company currently holds 50 per cent of the PL674 license, 30 per cent of PL 506S, PL 506BS, PL 506CS and PL 506DS and 10 per cent of PL 628. The company is wholly owned by Petrolia SE and has offices in Bergen, Stavanger and Oslo.

Through Petroresources Ltd (47.24 per cent owned) the division has economic interests in licenses in Africa and the Middle East.

### 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 leading international equipment rental group with a global presence. This division owns drill pipes, test strings & tubing, handling & auxiliary tools 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 18 wells since it commenced a one and a half year contract in Romania. The contract is with a large oil company and is 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 demobilisation between wells. The rig is currently being marketed to a certain number of potential customers within Europe 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 managed by TM Drill, a Romanian land drilling contractor, in which Petrolia has a 19.66% interest. The division has started to build in-house competence within land drilling activities and has 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 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. Petrolia has rejected the claim. 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.

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 of Oil Tools Supplier AS.

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.

## Corporate

Following the completion of the cross-border merger on 26 October 2012, the company is a European Public Limited Liability company (Societas Europaea or SE) with headquarter in Limassol, Republic of Cyprus.

At the Annual General Meeting in Limassol held on 28 June 2013 the following board of Directors was elected: Judith Parry, Berge Gerdt Larsen, Sjur Storaas and Erwin Joseph Pierre Godec.

## Board of Directors, Petrolia SE, 28 November 2013

## Financial report third quarter 2013 – preliminary

### Consolidated Statement of Comprehensive Income

All figures in USD (1000)

	Q3 2013	YTD 2013	Q3 2012	YTD 2012
Operating revenues	34 559	90 095	25 674	69 969
Operating expenses	23 405	62 591	18 508	52 269
<b>EBITDAX</b>	<b>11 154</b>	<b>27 504</b>	<b>7 167</b>	<b>17 700</b>
Exploration expenses	3 690	23 978	6 647	7 642
<b>EBITDA</b>	<b>7 464</b>	<b>3 526</b>	<b>520</b>	<b>10 058</b>
Depreciation	4 062	12 123	7 088	23 807
Impairment	0	0	0	0
<b>Operating profit (loss-)</b>	<b>3 400</b>	<b>-8 597</b>	<b>-6 568</b>	<b>-13 750</b>
Result from associated companies	-26	69	-4	-722
Net financial income/expenses(-)	-533	-3 361	3 941	-1 849
<b>Profit before income tax</b>	<b>2 838</b>	<b>-11 889</b>	<b>-2 632</b>	<b>-16 321</b>
Tax on result	4 825	27 346	6 483	9 718
<b>Profit for the year</b>	<b>7 663</b>	<b>15 457</b>	<b>3 851</b>	<b>-6 603</b>
<b>Other comprehensive income</b>				
Currency translation differences	7 801	2 173	1 852	1 237
<b>Total other comprehensive income</b>	<b>7 801</b>	<b>2 173</b>	<b>1 852</b>	<b>1 237</b>
<b>Total comprehensive income for the year</b>	<b>15 464</b>	<b>17 630</b>	<b>5 703</b>	<b>-5 366</b>
Number of shares	27 235 867	27 235 867	27 235 867	27 235 867
<b>Earnings per share, basic</b>	<b>0.28</b>	<b>0.57</b>	<b>0.01</b>	<b>-0.02</b>



# Condensed Consolidated Statement of Financial Position

All figures in USD (1000)

<b>Assets</b>	<b>30.09.2013</b>	<b>Audited 31.12.2012</b>
Goodwill	1 947	1 947
Deferred tax assets	18 031	15 727
Exploration costs and licences	1	3 741
Land rigs	12 959	13 360
OilService and other equipment	56 924	62 881
Land and buildings	2 654	2 117
Investments in associates	4 814	4 246
Other financial fixed assets	5 669	5 410
Restricted cash	6 874	14 671
<b>Total non-current assets</b>	<b>109 874</b>	<b>124 100</b>
Inventory	1 515	1 271
Tax receivables	31 801	13 199
Accounts receivable	45 488	38 968
Other current assets	12 780	29 726
Financial asset at fair value through P&L	8 655	12 455
Free cash	8 629	7 827
Restricted cash	722	396
<b>Total current assets</b>	<b>109 590</b>	<b>103 842</b>
<b>Total assets</b>	<b>219 464</b>	<b>227 942</b>
<b>Equity and liabilities</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
Share capital	27 236	27 236
Treasury shares	-47	-47
Other equity	77 161	60 258
Majority interest	104 207	87 447
Minority interest	3 858	3 131
<b>Total equity</b>	<b>108 207</b>	<b>90 578</b>
Bond loan	30 691	53 625
Retirement benefit obligations	323	328
Deferred tax liability	13 839	15 727
Other long-term liabilities	4 243	4 827
<b>Total non-current liabilities</b>	<b>49 095</b>	<b>74 507</b>
Short-term portion of non-current liabilities	10 516	10 820
Accounts payable	23 156	22 132
Provisions	11 703	11 848
Bank loan	4 077	3 827
Other current liabilities	12 710	14 230
<b>Total current liabilities</b>	<b>62 161</b>	<b>62 857</b>
<b>Total liabilities</b>	<b>111 257</b>	<b>137 364</b>
<b>Total equity and liabilities</b>	<b>219 464</b>	<b>227 942</b>
Book equity per share (end of period shares)	3.97	3.33
Equity (majority) ratio	48 %	38 %

Total cash is USD 16.2 million. Restricted cash includes USD 1.2 million on a Bond Loan interest security account, USD 2.2 million in escrow connected to sale of disputed equipment and USD 3.3 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	17 630	-5 366
<b>Total change of equity in the period</b>	<b>17 630</b>	<b>7 674</b>
<b>Equity at period end 30.09</b>	<b>108 208</b>	<b>91 772</b>

### Condensed Consolidated Cash Flow Statement

All figures in USD (1000)

	Q3 2013	YTD 2013	Q3 2012	YTD 2012
Net cash flow from operating activities	-707	-7 101	-3 050	4 797
Net cash flow from investing activities	-2 400	-1 439	1 411	-8 785
Net cash flow from financing activities	-2 100	1 871	3 088	-4 291
<b>Net change in cash and cash equivalents</b>	<b>-5 207</b>	<b>-6 669</b>	<b>1 449</b>	<b>-8 279</b>
Cash and cash equivalents at beginning of period	21 432	22 894	23 106	32 834
Exchange gain/loss (-) on cash and cash equivalents				
<b>Cash and cash equivalents at period end</b>	<b>16 225</b>	<b>16 225</b>	<b>24 555</b>	<b>24 555</b>

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.

Investment activities in Q2 2013 are: equipment investments of USD 2.4 million and divestment in other shares of USD 3.4 million. Financing activities in Q2 2013 are Bond interests paid of USD 3.4 million, Bond interests received of USD 1.0 million, lease payments of USD 1.7 million, net Bond purchase of USD 2.2 million, liquidity loan of USD 5.8 million and sale/bareboat of work-over rig of USD 5.6 million.

Investment activities in Q3 2013 are: equipment investments of USD 2.4 million. Financing activities in Q3 2013 are lease payments of USD 2.1 million.





## Notes to the unaudited condensed consolidated figures:

### Note 1 Applied accounting principles

This third 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 28 November 2013 at 20:45 hours.

This third 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 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 30 September 2013:

All figures in USD (1000)	Drilling- and other equipment	Land rigs	Exploration cost & licences	Goodwill	Land and buildings	Total
<b>Balance at 1 Jan 2013</b>	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	5 995	197	719	0	610	7 521
Disposal in 2013	-1 847	0	-4 460	0	0	-6 307
<b>Acquisition cost at 30 September 2013</b>	<b>280 334</b>	<b>13 942</b>	<b>0</b>	<b>1 947</b>	<b>3 599</b>	<b>299 822</b>
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	11 482	598	0	0	43	12 123
Impairment in 2013	0	0	0	0	0	0
Disposal of depreciation in 2013	-1 104	0	0	0	0	-1 104
Disposal of impairment in 2013	0	0	0	0	0	0
<b>Balance at 30 September 2013</b>	<b>223 683</b>	<b>983</b>	<b>0</b>	<b>0</b>	<b>915</b>	<b>225 581</b>
Translation differences	273	0	0	0	-30	243
<b>Carrying amount:</b>						
<b>Balance at 30 September 2013</b>	<b>56 924</b>	<b>12 959</b>	<b>0</b>	<b>1 947</b>	<b>2 654</b>	<b>74 484</b>
<b>Residual value</b>						

## Note 3 Investments in associates

All figures in USD (1000)	Petroresources Ltd
<b>Investments in associates</b>	
Shareholding	47.24%
Business address	Limassol, Cyprus
<b>Balance 1 January 2012</b>	4 246
Investments	499
Share of result	69
<b>Balance at 30 September 2013</b>	<b>4 814</b>

## Note 4 Segment Information

All figures in USD (1000)	Oil & Gas	Drilling & Well Technology	OilService	Other	Total
Revenue	0	1 315	88 646	138	90 095
EBITDAX	- 5 434	-341	36 818	-3 539	27 504
EBITDA	-29 412	-341	36 818	-3 539	3 526
Rental equipment, land rigs, licences	633	13 251	55 982	19	69 885
Property	0	0	2 654	0	2 654

### 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 Norway has also purchased 10 per cent of license PL 628 from Statoil Petroleum AS against granting an option on 10 percent of the PL 506 licenses to Statoil.

Petrolia SE has since the end of 2011 negotiated to purchase and carried out due diligence on producing assets and exploration licences in North Africa and the Middle East, refer to stock exchange notice dated 3 October 2011. Petrolia expects to finalise a transaction for the Tunisian license before year-end, concluding the process.

### OilService

The division is maintaining a strong performance with a solid outlook, subject to a reasonable oil price.

## Drilling & Well Technology

The new land drilling rig is on a one year 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, 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. Petrolia has rejected the claim. 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.

Oil Tools Supplier AS has filed a claim of USD 8.5 million against the Estate of PetroMENA ASA.

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.

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' purchase of certain drilling equipment from Petrojack ASA on 13 November 2008. The bankruptcy estate asserted to have a claw back claim related to the transferred equipment. Petrolia SE dismissed the reasons for the claim, refer to 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 USD 3 million, approximately half of their claim. The parties reached an agreement in November 2013 and the case has been closed. The settlement will have a minor positive financial effect, accounted for in Q4.

## Note 6 Events after the balance sheet date

The Petrojack ASA case was settled outside of the courts in November 2013. The settlement will have a minor positive financial effect, accounted for in Q4.

