PETROLIA

Q4 2012

PETROLIA SE (PDR) fourth quarter 2012 preliminary result

Summary of main events

- Revenue was USD 32.9 million in Q4 and USD 102.9 million in 2012.
- EBITDA was USD 8.2 million in Q4 (of which Oil and Gas was USD -3.7 million) and USD 18.3 million in 2012 (of which Oil and Gas was USD -16.2 million).
- Total Shareholder's Equity per 31.12.2012 was USD 95.0 million (USD 3.49 per share).
- 26 October, the cross-border merger between Petrolia ASA and Petrolia E&P Holdings Plc resulting in the creation of Petrolia E&P Holdings SE was completed.
- 23 November, the EGM resolved to simplify the company name to Petrolia SE. The change was recorded 29 January 2013.
- Petrolia Norway continued to build up the organization during Q4 and worked intensively with the Storbranden licence to be drilled in Q1 2013. The company 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.
- Improved operations and a solid EBITDA contribution from the IOT Group in Q4, resulting in revenues for 2012 of USD 99.5 million with an EBITDA of USD 39.2 million.

Financial information

Profit and loss for 2012 compared to 2011

Total revenue was USD 102.9 million compared to USD 83.9 million in 2011. Revenues are primarily from the OilService segment.

EBITDA was USD 18.3 million compared to USD 28.5 million in 2011. The OilServices segment had an EBITDA of USD 40.9 million and the Oil and Gas segment had an EBITDA of USD -16.2 million.

Adjusting for one-time effects and excluding the Oil and Gas segment, comparable EBITDAs were USD 34.5 million in 2012 compared to USD 24.3 million in 2011.

Operating expenses was USD 84.6 million compared to USD 55.4 in 2011.

Operating loss was USD 12.9 million (Oil and Gas operating loss was USD 16.6 million) including USD 31.2 million in depreciation. Operating loss in 2011 was USD 16.5 million including USD 40.9 million in depreciation and USD 4.1 million in impairment. Depreciation of rental equipment is linearly over 5 years although actual economic life is 7-12 years.

Net financial result was USD -3.2 million compared to USD -16.0 million in 2011. The net result after -tax was USD -7.1 million compared to USD -16.7 in 2011.

The Oil and Gas segment had a loss of 5.2 million and the OilService segment had a profit of 5.5 million.

The USD/NOK exchange rate has changed from 5.99 as of 31 December 2011 to 5.57 as of 31 December 2012.

Profit and loss for the fourth quarter of 2012 compared to the fourth quarter of 2011

Total revenue was USD 32.9 million compared to USD 20.5 million in 2011.

EBITDA was USD 8.2 million compared to USD 3.8 million in 2011. The OilServices segment had an EBITDA of USD 15.2 million and the Oil and Gas segment had an EBITDA of USD -3.7 million.

Operating expenses was USD 24.7 million compared to USD 16.7 in 2011.

Operating profit was USD 0.8 million (Oil and Gas operating loss was USD 3.9 million) including USD 7.4 million in depreciation. Operating loss in 2011 was USD 6.8 million including USD 10.6 million in depreciation.

Net financial result was USD -1.4 million compared to USD -1.7 million in 2011. The net result after-tax was USD -0.5 million compared to USD -24.1 in 2011.

Cash flow

Cash flow from operations was USD 12.4 million in 2012 compared to USD -21.0 million in 2011. Cash flow from investments in 2012 was USD -12.2 million compared to USD 75.2 million in 2011. Cash flow from financing activities in 2012 was USD -10.1 million compared to USD -67.1 million in 2011. Free cash as of 31 December 2012 was USD 7.9 million compared to USD 18.9 million as of 31 December 2011.

Statement of financial position

As of 31 December 2012, total assets amounted to USD 225.4 million. Investment in rental equipment had a book value of USD 62.4 million, investment in land rigs had a book value of USD 13.4 million, investment in listed shares had a book value of USD 12.5 million and total cash was USD 22.9 million.

Rental equipment is depreciated over five years and a significant part of the equipment is fully depreciated. Acquisition cost is USD 277.2 million compared to book value of USD 62.4 million.

As per 31 December 2012, net interest bearing bond loans amounted to USD 57.8 million. In addition there is a financial leasing facility for rental equipment in the amount of USD 10.0 million.

Total equity was USD 95.0 million as per 31 December 2012, including a minority interest of USD 3.5 million. Book value of equity per share was USD 3.49 as per 31 December 2012, including minority interest of USD 0.13 per share.

Share information

As of 31 December 2012, 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 December 2012, the company held 47 274 (0.17 per cent) treasury shares. The Cross-Border merger was completed 26 October 2012. The merger effectively included a reversed split whereby 11.10547 old shares became 1 new share.

Detailed information about the merger can be found in the Information Memorandum that was made: http://petrolia.eu/publish_files/2012-10-25_IM_Cyprus_Merger.pdf.

The market and outlook

The Board of Directors in Petrolia SE is pleased with the results from the company´s on-going restructuring process and the new business initiatives implemented in 2012. The focus for the company going forward is to continue building up the new E&P Company, Petrolia Norway AS, focusing on the NCS and to continue improving the operations of the IOT Group. Petrolia SE has finalized the re-domiciling process to Cyprus, thereby getting closer to key markets for the group, and at the same time keeping its European presence and its listing on the Oslo Stock Exchange.

In January 2013, Petrolia Norway AS was awarded a new licence in the 2012 Awards in Predefined Areas (APA) in Norway. The promising PL 674 exploration licence, 50 per cent held by Petrolia Norway AS, is located close to the Johan Sverdrup field. The company is looking forward to work with the operator E.ON E&P Norge AS, holding 50 per cent of the licence, to explore the PL674. New models for migration and maturation of oil east of the Utsira High will be tested and could possibly identify large volumes in this underexplored part of the North Sea.

Petrolia Norway AS also holds 30 per cent of PL 506S, PL 506BS, PL 506CS and PL 506DS. The high volume potential, high risk, PL 506, Storbarden, is to be spudded by Borgland Dolphin late first quarter of 2013. This will be the first test of Petrolia Norway AS's effort to challenge the consensus and prove possible large oil reserves east of the Utsira High. Gross un-risked volume estimate is 100-1,800 mmboe according to the latest update from the operator. Leveraging on the experienced geological and engineering expertise of the team, Petrolia Norway AS will actively pursue future farm-in opportunities in addition to accessing acreage through the annual APA Rounds..

The process of improving the operations and the equipment utilization in IOT Group will continue in 2013. In addition, the process of implementing a more efficient organization is progressing. The IOT Group delivered strong Q4 2012 results and the Board of Directors expects the development to continue in 2013.

Petrolia SE announced 3 October 2012 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). The process will continue during the first half of 2013.

In January 2013 Petrolia SE completed the announced bond buy back of NOK 101.1 million of it´s outstanding NOK 344.5 million bond loan. Following the transaction, the company holds NOK 124.1 million of it´s own bonds. The company has no other long-term outstanding debt. The holding of own bonds will be used as a part of the company´s long-term funding program. The maturity of the bond is June 2015.

Supported by the continuing high oil price level, the oil companies are increasing their E&P investments, with a record number of rigs coming into the market in 2013 and beyond. With a positive EBITDA contribution from the IOT Group in addition to the long term bond financing, the company has a solid platform for leveraging on the expected improved market in 2013 and the next few years.

Related party transactions

There have been no related party transactions this 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 9 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 have 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. The claw-back claims from the estates of PetroMENA ASA remain open and the court case was conducted in December 2012, and the ruling is pending.

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, 27 February 2013

Financial report fourth quarter 2012 – preliminary

Consolidated Statement of Comprehensive Income

All figures in USD (1000)

	Q4 2012	YTD 2012	Q4 2011	YTD 2011
Operating revenues	32 924	102 893	20 504	83 862
Operating expenses	24 683	84 594	16 665	55 356
Operating profit before depreciation (EBITDA)	8 242	18 299	3 839	28 505
Depreciation	7 434	31 241	10 589	40 862
Impairment	0	0	0	4 115
Operating profit (loss-)	808	-12 942	-6 751	-16 471
Result from joint venture	0	0	-10 764	-658
Result from associated companies	-25	-747	-8 393	-8 402
Net financial income/expenses(-)	-1 384	-3 233	-1 660	-15 985
Profit before income tax	-601	-16 922	-27 568	-41 517
Tax	-69	-9 787	-3 475	-24 854
Profit for the year	**-532**	**-7 135**	**-24 093**	**-16 663**
Other comprehensive income				
Currency translation differences	**3 757**	**4 994**	**16 801**	**46**
Total other comprehensive income	**3 757**	**4 994**	**16 801**	**46**
Total comprehensive income for the year	**3 225**	**-2 142**	**-7 292**	**-16 617**
Number of shares	27 235 867	27 235 867	167 078 463	167 078 463
Earnings per share, basic	**-0.02**	**-0.26**	**-0.14**	**-0.10**

Condensed Consolidated Statement of Financial Position		
All figures in USD (1000)		
Assets	**31.12.2012**	**Audited 31.12.2011**
Deferred tax assets	20 297	20 297
Exploration costs and licences	3 741	0
Land rigs	13 360	0
Drilling equipment and other equipment	62 437	79 388
Land and buildings	2 117	2 281
Investments in associates	3 246	5 727
Other financial fixed assets	5 410	1 202
Restricted cash	14 671	8 517
Total non-current assets	125 279	117 412
Inventory	1 271	987
Tax receivables	13 199	1 830
Accounts receivable	38 968	27 251
Other current assets	25 968	11 619
Financial asset at fair value through P&L	12 455	15 779
Other liquid assets	0	15
Free cash	7 827	18 920
Restricted cash	396	5 397
Total current assets	100 083	81 797
Total assets	**225 362**	**199 209**
Equity and liabilities	**31.12.2012**	**31.12.2011**
Share capital	27 236	1 226
Treasury shares	-47	-2 153
Share premium fund	0	0
Other equity	64 293	82 410
Majority interest	91 482	81 483
Minority interest	3 516	2 615
Total equity	94 997	84 098
Bond loan	57 757	0
Retirement benefit obligations	328	267
Deferred tax liability	20 297	20 297
Other long-term liabilities	4 827	7 485
Total non-current liabilities	83 209	28 049
Short-term portion of non-current liabilities	6 687	43 208
Accounts payable	21 789	24 099
Provisions	3 948	3 948
Other current liabilities	14 731	15 807
Total current liabilities	47 155	87 062
Total liabilities	130 364	115 111
Total equity and liabilities	**225 362**	**199 209**
Book equity per share (end of period shares)	3.49	0.83
Equity ratio	41 %	41 %

Total cash is USD 22.9 million. Restricted cash includes USD 5.9 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 3.6 million as security for the Petrojack claw-back case.

Condensed Consolidated Statement of changes in Equity		
All figures in USD (1000)		
	YTD 2012	**YTD 2011**
Equity period start 01.01	84 098	95 248
Total equity from shareholders in the period	13 041	5 468
Total comprehensive income/loss (-) for the period	-2 142	-16 617
Total change of equity in the period	10 899	-11 150
Equity at period end 31.12	**94 997**	**84 098**

Condensed Consolidated Cash Flow Statement				
All figures in USD (1000)				
	Q4 2012	**YTD 2012**	**Q4 2011**	**YTD 2011**
Net cash flow from operating activities	6 586	12 366	-758	-20 999
Net cash flow from investing activities	-2 445	-12 213	-6 506	75 163
Net cash flow from financing activities	-5 802	-10 093	-21 920	-67 079
Net change in cash and cash equivalents	-1 661	-9 940	-29 184	-12 915
Cash and cash equivalents at beginning of period	24 555	32 834	62 018	45 749
Exchange gain/loss (-)on cash and cash equivalents				
Cash and cash equivalents at period end	**22 894**	**22 894**	**32 834**	**32 834**

Investment activities in Q1 2012 are: equipment investments of USD 5.1 million, investment in Catch Fishing Services BV of USD 3.1 million and divestment in other shares of USD 1.7 million. Financing activities in Q1 2012 are leasing payments of USD 2.4 million

Investment activities in Q2 2012 are: equipment investments of USD 3.0 million and net investments in shares of USD 0.7 million. Financing activities in Q2 2012 are payment of bond interests and fee of USD 4.0 million, leasing payments of USD 2.3 million and proceeds from bond sale of USD 1.4 million.

Investment activities in Q3 2012 are: equipment investments of USD 6.5 million (of which USD 1.3 million was new leasing) and net divestment in shares of USD 6.6 million. Financing activities in Q3 2012 include buy back of Borrower's Bonds by USD 4.0 million, leasing payments of USD 2.4 million, a new credit facility of USD 3.6 million and receipts regarding previous sale of Borrower's Bond of USD 6.0 million.

Investment activities in Q4 2012 are: equipment investments of USD 3.8 million (of which USD 0.9 million was new leasing) and net investment in shares of USD 0.5 million. Financing activities in Q4 2012 include leasing payments of USD 2.1 million and payment of bond interests of USD 3.7 million.

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 27 February 2013 at 18 hours.

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 (2011). 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 (2011) have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in its annual report for 2011 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 Fixed assets

The table below outlines the development of fixed assets as of 31 December 2012:

All figures in USD (1000)	Oil service and other equipment	Land rigs	Land and buildings	Exploration cost and licences	Total
Balance at 1 Jan 2012	79 388	0	2 281	0	81 669
Acquisition cost:					
Acquisition cost at 1 Jan 2012	262 356	0	2 979	0	265 335
Purchased tangibles in 2012	13 056	2 721	10	3 741	19 528
Rigs merger	1 993	11 024	0	0	13 017
Disposal in 2012	-163	0	0	0	-163
Acquisition cost at 31 December 2012	277 242	13 745	2 989	3 741	297 717
Depreciation/impairment:					
Balance depreciation at 1 January 2012	170 692	0	697	0	171 389
Balance impairment at 1 January 2012	12 276	0	0	0	12 276
Depreciation in 2012	30 765	385	35	0	31 185
Impairment in 2012	0	0	0	0	0
Disposal of depreciation in 2012	217	0	0	0	217
Disposal of impairment in 2012	0	0	0	0	0
Balance at 31 December 2012	213 950	385	732	0	215 067
Translation differences	-855	0	-139	0	-994
Carrying amount: **Balance at 31 December 2012** **Residual value**	62 437	13 360	2 117	3 741	81 656

Note 3 Investments in associates

All figures in USD (1000) **Investments in associates**	**Petroresources Ltd**	**TM Drill***
Shareholding	47.08%	19.66%
Business address	Limassol,Cyprus	Ernei, Romania
Balance 1 January 2011	1 785	3 941
Investments	1 498	0
Share of result	-38	-709
Balance at 31 December 2012	**3 245**	**3 233**

** From Q3 TM Drill is no longer reported as an associated company. The investment is now reported as other financial fixed assets.*

Note 4 Segment Information

All figures in USD (1000)	**Oil & Gas**	**Drilling & Well Technology**	**OilService**	**Other**	**Total**
Revenue	700	251	101 942		102 893
EBITDA	-16 180	-996	40 911	-5 436	18 299
Tax	12 774		-2 988		9 787
Result	-5 249	-1 691	5 475	-5 670	-7 135
Rental equipment, land rigs, licences	3 741	13 360	62 437		79 538
Property			2 117		2 117

Oil & Gas

Petrolia Norway continued to build up the organization during Q4 and worked intensively with the Storbranden licence to be drilled in Q1 2013. The company 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.

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 is by far the largest part of the OilService segment. The IOT Group improved its operations and delivered a solid EBITDA contribution, resulting in revenues for 2012 of USD 99.5 million with an EBITDA of USD 39.2 million, compared with the 2012 guidance of USD 80 – 90 million and an EBITDA of 30 – 40 million. The outlook for 2013 is strong.

Petrolia announced on 3 October 2012 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).

Note 5 Legal disputes

Reference is made to the above-mentioned part: Key risks and uncertainties:

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. The claw-back claims from the estates of PetroMENA ASA remain open and the court case was conducted in December 2012, and the ruling is pending.

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 Business combination

8 February 2012 85 per cent of Catch Fishing Services BV was acquired. The transaction also included a loan. Total consideration was USD 3.1 million and did not result in any goodwill. The company strengthen the services offered in the OilService division.

Catch had revenues of USD 1.3 million and EBITDA of USD 0.1 million per Q4 2012. Total assets was USD 1.2 million and total equity was USD - 2.6 million.

Note 7 Events after the balance sheet date

16 January, Petrolia Norway AS, a subsidiary of Petrolia SE, was awarded a new licence in the 2012 Awards in Predefined Areas (APA) in Norway. The licence is PL 674 in blocks 16/3, 16/6, 17/1, 17/2, 17/4, 25/12 and 26/10, close to the Johan Sverdrup field. Petrolia Norway holds 50 per cent share and E.ON E&P Norge AS is the operator holding the remaining 50 per cent share of the licence.

29 January, Petrolia SE completed a bond buy back of NOK 101.1 million of ISIN NO 0010440258. Following the transaction Petrolia holds own bonds for NOK 124.1 million. The outstanding balance of ISIN NO 0010440258 is NOK 344.5 million. The company has no other long-term outstanding debt.

15 February, Petrolia Norway signed the licence agreement with E.ON E&P Norge AS regarding PL674.