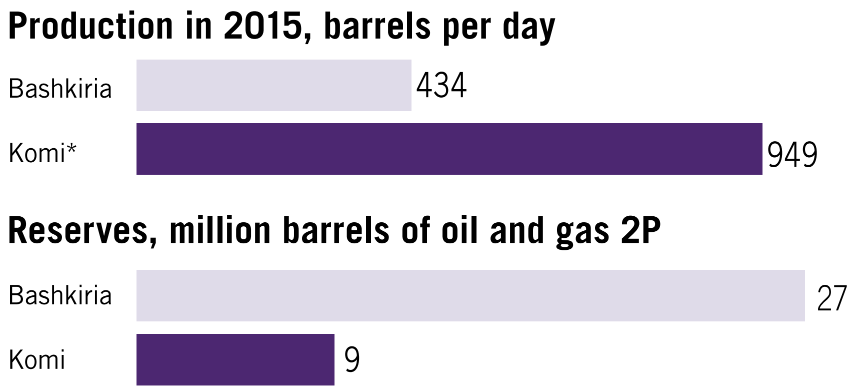
Selected Information from the Annual Report 2015

Petrosibir

This document contains a translation of selected parts of the Swedish original of the Annual Report 2015 for Petrosibir AB and consequently it does not include all the information that the Swedish original of the Annual Report contains. The information included in this document does therefore not necessarily enable the reader to get a full understanding of the operations, financial result, cash flows and financial position of the company for 2015 and 2014.

Contents



* The production in Komi refers only to the period 16 - 31 December 2015

License portfolio

License	Geographic location	Product	Reserves 1P	2P	3P	Working interest	Partner
Production onshore							
Rustamovskoye/ Ayazovskoye	Russia, Bashkiria	Oil	7.0	22.5	40.6	100%	
Rustamovskoye/ Ayazovskoye	Russia, Bashkiria	Gas	0.9	4.0	7.1	100%	
Dinyu-Savinoborskoye	Russia, Komi	Oil	0.7	2.9	2.9	49%	Karavados
Sosnovskoye	Russia, Komi	Oil	0.9	5.6	5.6	49%	Karavados
Yuzhno-Tebukskoye	Russia, Komi	Oil	0	0.4	0.4	49%	Karavados
Total			**9.5**	**35.4**	**56.6**		

Exploration onshore

			Contingent and risked prospective resources L	M	H		
Rustamovskoye	Russia, Bashkiria	Oil	0.6	3.5	5.6	100%	
Aysky	Russia, Bashkiria	Oil	4.2	13.0	19.9	100%	
Suyanovskoye	Russia, Bashkiria	Oil	47.0	47.0	47.0	100%	
Summa			**51.8**	**63.5**	**72.5**		

Amounts are reported in millions of barrels of oil equivalent net to Petrosibir. Calculations in the assessments have been made in accordance with SPE PRMS with the exception of Suyanovskoye resources, which are of category D according to Russian standards. AGR TRACS has made the assessment for Rustamovskoye and Aysky (2014). GeoSeis Group has made the assessment for Suyanovskoye (2014). Inkonko GeoStream Service Group, part of Key Energy Services, made assessment of the Komi licenses (2014).

Resources have a lower probability of extraction than reserves.

The year in brief 2015

- Revenue including discontinued operations SEK 78 million
- Operating profit, including discontinued operations, excluding one-off items, SEK 10 million
- The Ukrainian operations are distributed to the shareholders
- The Company acquires 49% of oil and gas assets in Komi (Russia). After this transaction the Company's oil production amounts to approximately 1,350 barrels per day. The acquisition provides the Company with USD 4 million for investments in the oil operations
- The Company changes name to Petrosibir AB
- The Disciplinary Committee of Nasdaq Stockholm resolves to delist the Company's shares due to a previous conflict between the Company and Petrogrand AB
- Bashkiria (Russia)

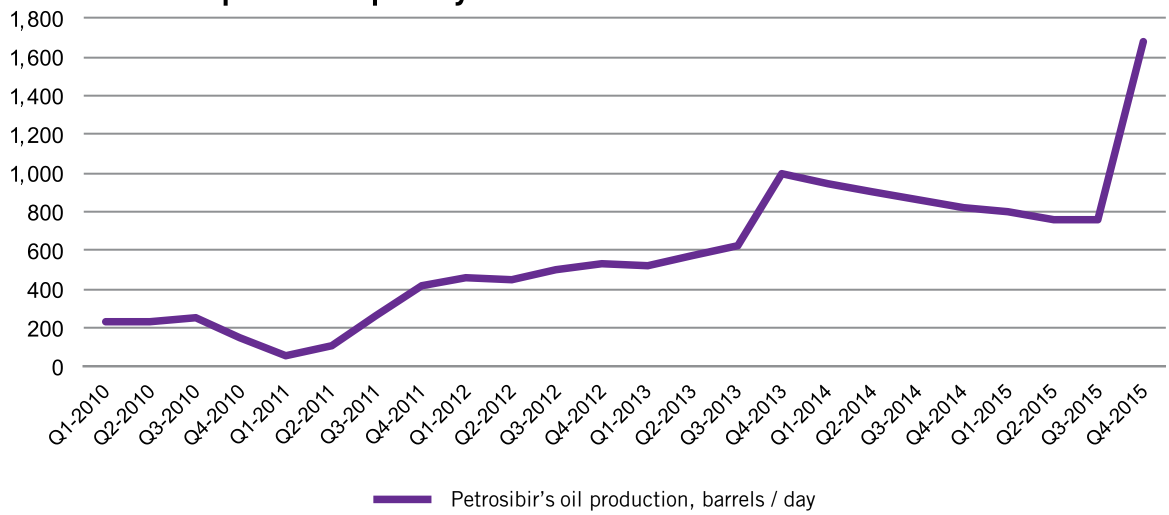
– Production 434 barrels per day

– The Company completes the construction of scalable infrastructure at the Rustamovskoye field aimed to improve efficiency in the handling of current and expected future oil production

– The Company collects, processes and interprets 142 kilometers of seismic data (in addition to the previously collected 95 kilometers) at the Suyanovskoye field, which provides the Company with important information in order to better delineate the structures and identify future drilling locations

– In addition, the Company collects 57 kilometers of seismic data at Aysky and the producing Ayazovskoye-field in order to establish future drilling locations.

Oil production per day 2010-2015



Key figures	2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2014	2013	2012	2011	2010	2009	2008	2007
Production, barrels	286,090	75,680	69,870	68,870	71,670	321,377	248,870	177,850	77,300	77,900	0	0	0
Total revenue, SEK thousand*	78,278	16,497	19,351	23,022	19,408	112,831	109,064	93,341	35,821	29,291	0	9	0
Operating profit/loss, SEK thousand*	10,183	960	4 384	3,550	1,289	28,150	29,510	23,040	-8,970	-11,440	-16,664	-8,791	-2,871

* - Excluding positive and negative one-off items. Including discontinued operations.

Director's report

Operations

Petrosibir AB (publ.) corporate identity number 556468-1491 is a Swedish company whose operations focus on the exploration and production of oil and gas in Russia. The Company changed its name from Shelton Petroleum AB (publ) in December 2015. Until 11 December 2015 the Company also produced oil in Ukraine. The Ukrainian operations were distributed to the shareholders on that date, see more in the section "Major events during the financial year". The governance of Petrosibir is described in the section Corporate Governance Report (available only in the Swedish original of the Annual Report).

In Russia, operations are conducted through the wholly owned subsidiary AO Ingeo Holding. Ingeo Holding is the holder of the licenses Rustamovskoye / Ayazovskoye, Aysky and Suyanovskoye in Bashkiria, a constituent republic in the Russian Federation. The Company has extracted oil in Bashkiria since 2011.

On 16 December 2015 Petrosibir acquired all shares in Sonoyta Ltd ("Sonoyta") from Petrogrand AB ("Petrogrand"). Sonoyta holds 49% of Ripiano Holdings Ltd ("Ripiano") which in turn owns 100% of certain oil and gas assets in the Russian constituent republic Komi. The transaction was one of several with the aim to dissolve the cross-ownership between Petrosibir and Petrogrand.

In Ukraine, operations were conducted through a so-called joint operation, in which the company Kashtan Petroleum Ltd operated the producing oil field Lelyaki in Chernigov near Poltava. Petrosibir owned 45 percent of Kashtan Petroleum. The remaining 55 percent are owned by Ukrnafta, the largest oil and gas company in Ukraine. In addition, the Group had a joint investment agreement with Chornomornaftogaz that gave the Group 50% interest in two offshore licenses in Ukraine.

Major events during the financial year

In Bashkiria, the Company has completed the construction of scalable infrastructure aimed to improve efficiency in the handling of current and expected future oil production. The infrastructure investments enable more efficient handling of oil from wellhead to the point of sales and include gathering, measurement, separation and storage of oil.

During the year Petrosibir has conducted a seismic survey of 142 kilometers at Suyanovskoye field (in addition to previously collected 95 kilometers) in order to confirm the resource estimations and to tighten the grid in order to delineate the structures and identify future drilling locations.

In addition, 57 kilometers of seismic have been collected, processed and interpreted on Aysky and the producing Ayazovskoye oil field in order to repeat the success of the previous drilling campaign where the latest #12 well encountered significantly thicker net pay and better flow rates than previous wells in 2013.

In Ukraine, the work program with workovers continued which allowed to keep the production volumes at a stable level.

An extraordinary general meeting on 26 January 2015 did not approve the board's proposal to dissolve the cross-ownership with Petrogrand.

On 7 October 2015 the Boards of Directors of Petrosibir and Petrogrand entered into an agreement to form a combined and enlarged oil group with exclusively Russian oil assets and to dissolve the cross-ownership between the companies. On 9 November 2015 the agreement was approved by extraordinary general meetings in both companies. The transaction consisted of the following steps: (i) Distribution of Petrosibir's Ukrainian operations to the Company's shareholders, (ii) Acquisition of all of the shares in Sonoyta Ltd, holding USD 4 million in cash and 49 % certain oil and gas assets in Komi, Russia, from Petrogrand for a total consideration of 17,500,000 newly issued shares of series B in the Company, (iii) Retirement of 6,387,385 shares of series B in Petrosibir, which the Company received when Petrogrand distributed its shares in Petrosibir to its shareholders, (iv) Appointment of a new Board of Directors consisting of Björn Lindström (Chairman), Hans Berggren, David Sturt, Sven-Erik Zachrisson and Dmitry Zubatyuk, following the closing of the transaction. Step (i) was completed on 11 December 2015. Steps (ii) and (iv) were completed on 16 December 2015. Step (iii) was completed in January 2016.

The distribution of the Ukrainian operations affected the Group's equity by SEK -44 million. Prior to the distribution of the Ukrainian operations, the carrying value was written down by SEK -43 million. The impairment is included in the profit/loss for discontinued operations. The consideration for the acquired Sonoyta Ltd amounted to approximately SEK 95 million and in conjunction with the acquisition a negative goodwill arose in the amount of SEK 34 million which is included in continuing operations. For a more detailed description of the effects of the transaction with Petrogrand see the section Result in the Directors' report and notes 2, 14 and 15 (notes 14 and 15 are available only in the Swedish original of the annual report).

On 4 December 2015 the Disciplinary Committee of Nasdaq Stockholm published its ruling in the case related to the events that took place between Petrosibir and Petrogrand during the spring 2014. The decision was to delist Petrosibir and that the last day for trading in Petrosibir's share on Nasdaq Stockholm should be 4 February 2016.

The basis for the decision by the Disciplinary Committee was that Petrosibir on the one hand had not clearly enough announced criticism from the Swedish Securities Council (Sw. Aktiemarknadsnämnden) in a press release, and on the other hand that Petrosibir announced the calculation of received acceptances in the public offer to the shareholders in Petrogrand shortly after the start of trading on the market instead of just before. In addition to the above the Disciplinary Committee is generally critical of the Company's and Petrogrand's actions in relation to the public offers that the companies directed to each other's shareholders. It is the opinion of Petrosibir that the sanction – delisting of the share from Nasdaq – is disproportional to the events that took place during a short and limited period of time and that it in a disproportionate manner is detrimental to the Company's large shareholder base.

The political situation in Russia

In March 2014 Crimea declared itself independent from Ukraine and requested to be part of the Russian Federation, which was granted by the Russian President and the Russian Parliament. The annexation of Crimea has not been accepted by the international community. Russia has been accused by the international community of being involved in the disturbances in Ukraine. As a consequence, sanctions against Russia were imposed by the EU and USA in 2014. The sanctions have been prolonged several times and are still effective. The sanctions, a significantly lower oil price and a weakened Russian currency have had negative effects on the Russian economy with higher inflation and uncertainty about future economic growth, among other things.

Financial position

As at the balance sheet date, the Group had liquid funds of SEK 36 (14) million. The equity/assets ratio was 94 (85) percent. The higher ratio is explained by the fact that the Group's total assets have decreased after the distribution of the Ukrainian operations. The Group's equity amounted to SEK 255 (286) million or SEK 8.55 (15.34) per share.

Result

Continuing operations

The total revenue for the period January–December 2015 related to continuing operations amounted to SEK 28 (44) million and refers to revenue from oil sales in Russia. Oil sales for 2015 totaled approximately 155,370 (191,550) barrels.

In 2015, the production in Bashkiria amounted to approximately 158,500 (196,200) barrels. The decrease is due to the natural production decline, which all wells are subject to when oil is extracted. In addition to the production in Bashkiria, the acquired assets in Komi contributed by 15,190 barrels starting from 16 December 2015, which corresponds to 949 barrels per day for that period. Production per day in Russia, excluding Komi, amounted to 434 (538) barrels. Operating expenses for 2015 amounted to SEK 4 (46) million for continuing operations. The operating expenses include one-off items, consisting of negative goodwill of SEK 34 (0) million as a result of the acquisition of Sonoyta, and impairment of goodwill SEK -7 (0) million. The remaining operating expenses mainly consisted of production taxes and personnel costs, as well as depreciation. After adjustments for the one-off items, the operating expenses are lower than for 2014, mainly due to lower oil production and lower oil price.

The operating profit for continuing operations amounted to SEK 26 (2) million for the year. After adjustment for the one-off items, mentioned above, the operating result amounts to SEK -1 (2) million and the operating margin to 0% (4%).

The profit before tax for continuing operations amounted to SEK –49 (2) million. Net financial income for continuing operations includes impairment of the shares in Petrogrand in the amount of SEK –74 (0) million, of which SEK –36 (0) million has been reclassified from other comprehensive income and SEK –38 million is the decrease in value of the share during the year. Net financial expense also includes Petrosibir's share of net loss in associated company SEK -2 (0) million.

Discontinued operations

The total revenue for the period January-December 2015 regarding the discontinued operations amounted to SEK 50 (69) million and refers to revenue from oil sales in Ukraine. Oil sales for 2015 totaled approximately 112,380 (126,630) barrels. In 2015, the production in Ukraine amounted to approximately 112,400 (125,000) barrels, and the production per day to 326 (343) barrels.

Operating expenses for discontinued operations for 2015 amounted to SEK -81 million (54). The operating expenses include one-off items, consisting of impairment of SEK -43 (-7) million of the Ukrainian operations. The operating expenses also consisted of production taxes and personnel costs, as well as depreciation.

The operating loss for discontinued operations for the year amounted to SEK -31 (14) million. After adjustment for the one-off items, mentioned above, the operating profit amounts to SEK 11 (21) million and the operating margin to 23% (31%).

The result before tax for discontinued operations amounted to SEK -115 (15) million and the result after tax to SEK -110 (11) million. Net financial income for the discontinued operations includes translation differences in the amount of SEK -84 (0) million and consist partially of accumulated translation differences through 2014, SEK -66 million, which were reclassified from other comprehensive income in conjunction to the distribution of the Ukrainian operations and partially of translation differences of SEK -18 million related to 2015.

Investments / Divestments

In accordance with the Company's accounting policies, expenditures relating to the exploration program have been capitalized in the balance sheet. The Group invested SEK 11 million, and the whole amount relates to the exploration and development program in Russia. Approximately SEK 7 million are investments in infrastructure and SEK 4 million are in seismic surveys.

Accounts receivable

The Group's accounts receivable amounted to SEK 0 million at the end of the year, compared to SEK 54 million per 31 December 2014. The whole balance was related to the Ukrainian operations which were distributed to the shareholders and therefore are not included in the balance sheet at the end of the year.

Employees

The average number of full-time employees during the financial year was 36 (36) including discontinued operations.

Risks

In its line of business, the Group is exposed to several different risks, such as those connected with the business and the markets, political and country-related risks. The Group has implemented risk management structures and control procedures in order to establish calculations, assessments and management of these exposures and related risks. For a more detailed description of the above risks, please see Note 1, section Risk management.

Environmental issues

Petrosibir's operations are subject to a number of laws and requirements concerning health, safety and environment, which incurs costs in order to adapt to and comply with these requirements and laws. The Group's subsidiaries are also subject to regular environmental inspections by the authorities, and must also limit the discharge of environmentally harmful substances. Refer to the section Environmental rules in note 1 and note 25 (note 25 is available only in the Swedish original of the Annual Report).

The work of the Board

Petrosibir's Board of Directors consists of five members including the Chairman. Until 16 December 2015 the Board consisted of seven members. At the AGM 2015 a Board consisting of Björn Lindström (Chairman), Hans Berggren, Peter Geijerman, Cheddi Liljeström, Zenon Potoczny, Katre Saard and Dmitry Zubatyuk was elected. At the extraordinary general meeting on 9 November 2015, a new board consisting of Björn Lindström (Chairman), Hans Berggren, David Sturt, Sven-Erik Zachrisson and Dmitry Zubatyuk was elected. The new board assumed its office on 16 December 2015, in conjunction to the completion of the transaction with Petrogrand. During the financial year 2015, the board had 21 board meetings. In addition, the Board has been in regular contact regarding the Company's operations and its development. For a more detailed description of the Board's work, please see the corporate governance report (available only in the Swedish original of the Annual Report).

Significant events after the financial year

In January 2016 Petrosibir settled a short-term loan from Pareto amounting to SEK 4 million and by doing so became free of interest bearing debt.

In January Petrosibir cancelled 6,387,385 shares of series B. The shares were received as dividend as part of the transaction between Petrosibir and Petrogrand.

In January 2016 the Board appointed Dmitry Zubatyuk as CEO of Petrosibir.

On 4 February 2016 the company was delisted from Nasdaq in accordance with the decision by the Disciplinary Committee of Nasdaq on 4 December 2015.

On 17 February 2016 Petrosibir's share of series B started trading on the OTC-list arranged by be Quoted.

On 1 April 2016 Petrosibir announced that Dmitry Zubatyuk had informed the board that he resigned as CEO. The Board has initiated a search process for a new CEO and Mr. Zubatyuk will remain CEO during this process and his notice period or until a new CEO has been recruited.

Future development

The Company plans to increase production at Ayazovskoye oil field with new production wells. The development program will be implemented as the financial situation allows. Steps will be taken to realize the potential in the exploration licenses. The work includes analysis of historic drilling data and collection of new seismic data to prepare for carefully selected drilling. In parallel with this, the Company will seek new opportunities to obtain new license areas by itself, or together with partners, as well as new assets in the oil and gas industry in Russia.

Annual General Meeting

An AGM will be held May 24, 2016 at 10:00 a.m. at Summit T-House, Engelbrektsplan 1, Stockholm, Sweden

Financial overview

Group	2015	2014	2013	2012	2011	2010
Turnover continuing operations, SEK thousand	28,649	44,252	29,786	20,868	22,664	0
Turnover discontinued operations, SEK thousand	49,629	68,578	79,278	79,046	24,519	29,291
Total turnover, SEK thousand	78,278	112,830	109,064	99,914	47,183	29,291
Operating profit/loss continuing operations, SEK thousand	26,458	1,953	627	2,117	-3,309	-12,109
Operating profit/loss discontinued operations, SEK thousand	-31,456	14,264	28,883	27,497	5,701	668
Total operating profit/loss, SEK thousand	-4,999	16,217	29,510	29,613	2,392	-11,441
Earnings per share continu-ing operations, SEK	-2.57	0.11	-1.09	0.15	-0.48	0.12
Earnings per share discontinued operations, SEK	-5.73	0.65	2.23	2.18	0.54	-1.58
Equity per share, SEK	8.55	15.34	26.20	25.43	23.82	25.23
Equity/Assets ratio %	94	85	55	80	78	80

Proposed guidelines for remuneration of senior executives

The board proposes that the AGM determines the guidelines for remuneration of senior executives with mainly the same content as the guidelines set at the 2015 Annual General Meeting. The remuneration of senior executives should be the going rate and enable the Company to retain qualified employees. For the individual senior executives the remuneration should be based on factors such as position, competence, experience and performance. In addition to the basic salary, senior executives shall receive variable remuneration, pension, additional benefits and incentive programs. The fixed salary, which should be individualized and differentiated based on individual responsibility, experience and achievements, is set in accordance with principles adjusted to market conditions. Variable remuneration is based on the Company's earnings growth and is designed to promote long term value creation for the Company.

The maximum annual variable remuneration may amount to 30 percent of the basic salary. For share and share price related incentive programs, the earning period, or the period from entering into an agreement to when a share may be acquired, may not be less than three years.

Other benefits should be equal to what is considered reasonable in relation to market practices. The parts are designed to create a balanced remuneration and benefits program that reflects the employees performance and responsibilities and the Company's financial performance. The Board may waive the guidelines for individual cases if there is special justification. The guidelines of previous years are consistent with this year's proposal. For more information on remuneration, see the corporate governance report (available only in the Swedish original of the Annual Report).

Parent company

The Swedish parent company Petrosibir AB is a public parent company and holding company for the Company's operational subsidiaries. The parent company is responsible for joint Group functions, such as finance, and has two employees. The parent company's net turnover was SEK 454 thousand (636). The result after tax was SEK -172,231 thousand (-49,904). The higher loss is mostly attributable to the impairment of the value on the holding in Petrogrand and impairment of the value of a loan granted by Petrosibir AB to a wholly-owned subsidiary. The equity amounted to SEK 239,020 thousand (350,067).

Proposal for the appropriation of profits

The following amounts are at the disposal of the AGM:

Share premium reserve	255,909,109
Retained earnings	-25,465,298
Loss for the year	-172,320,541
Total	**58,213,270**
The Board proposes: That part of the share premium reserve is used to cover the loss in the retained earnings and the loss for the year and to carry forward to the next year	SEK 58,213,270

For further information concerning the Group's results and position, we refer to the following Statement of comprehensive income and Statement of financial position with related supplementary information. For parent company results and financial position, see the following Income Statement and Balance Sheet with related supplementary information.

Consolidated statement of comprehensive income

SEK thousand	Note	2015	2014
Continuing operations			
Net sales		28,649	44,252
Total revenue		**28,649**	**44,252**
Capitalized work for own use		1,890	3,252
Operating costs			
Raw materials and necessities		-15,746	-17,363
Negative goodwill		34,261	-
Impairment charge		-6,807	0
Other external expenses		-6,559	-16,568
Personnel expenses		-8,480	-10,128
Depreciation of tangible and intangible assets		-750	-1,492
Total operating costs		**-4,081**	**-45,551**
Operating profit		**26,458**	**1,953**
Result from financial items			
Financial income		229	123
Share of net income from associated company		-1,620	0
Impairment of financial assets		-74,450	0
Financial expenses		-72	-83
Total financial items		**-75,913**	**40**
Result before tax		**-49,455**	**1,993**
Tax		23	-158
Result for the year attributable to the parent company's owners		**-49,432**	**1,832**
Discontinued operations			
Result for the year from discontinued operation	2	-110,193	11,129
Result for the year		**-159,625**	**12,694**
Result for the year attributable to the parent company's owners		**-159,625**	**12,964**
Other comprehensive income			
Financial assets available for sale		36,102	-36,102
Exchange rate differences		42,818	-109,897
Total items that may be or have been transferred to the period's result		78,920	-145,999
Total comprehensive income		**-80,705**	**-133,035**
Earnings per share before and after dilution			
Continuing operations, SEK		-2.57	0.11
Discontinued operations, SEK		-5.73	0.65
Average number of shares		**19,222,928**	**17,047,428**
Diluted average number of shares		**19,222,928**	**17,063,378**

Consolidated statement of financial position

SEK thousand	Note	2015	2014
ASSETS			
Non-current assets			
Goodwill		0	6,807
Exploration and evaluation assets		45,428	53,398
Oil and gas assets		83,662	153,314
Intangible assets		0	342
Machinery and equipment		706	649
Share in associate		95,010	0
Financial assets available for sale		0	47,963
Total non-current assets		**224,806**	**262,473**
Current assets			
Finished goods and commodities		132	179
Tax receivable		0	418
Accounts and other receivables		929	60,354
Prepaid expenses and accrued income		316	228
Cash and cash equivalents		36,134	13,674
Total current assets		**37,511**	**74,853**
Assets held for sale		9,616	-
TOTAL ASSETS		**271,933**	**337,326**
EQUITY AND LIABILITIES			
Equity			
Share capital		180,807	93,307
Other paid-in capital		274,395	269,395
Reserves		-104,017	-182,937
Retained earnings including result for the year		-96,657	106,533
Total equity attributable to the shareholders		**254,528**	**286,298**
Non-current liabilities			
Deferred tax		5,341	15,488
Provisions		240	322
Total non-current liabilities		**5,581**	**15,810**
Current liabilities			
Liabilities to credit institutions		4,000	0
Accounts payable		4,050	21,032
Tax liabilities		0	5
Other current liabilities		2,368	12,210
Accrued expenses and deferred income		1,406	1,971
Total current liabilities		**11,824**	**35,218**
TOTAL EQUITY AND LIABILITIES		**271,933**	**337,326**
Contingent liabilities		See note	See note

Consolidated statement of changes in equity

SEK thousand	Share capital	Other paid-in capital	Reserves	Retained earnings incl. profit for the year	Total equity
Opening balance January 1, 2014	**60,816**	**201,196**	**-36,938**	**93,569**	**318,643**
Comprehensive income					
Profit for the year				12,964	12,964
Other comprehensive income					
Financial assets available for sale			-36,102		-36,102
Exchange rate differences			-109,897		-109,897
Total comprehensive income	**0**	**0**	**-145,999**	**12,964**	**-133,035**
Transactions with shareholders					
New share issue	25,488	53,522			79,010
Issue / Exchange of convertibles	7,003	15,407			22,410
Issue expenditures		-730			-730
Total transactions with shareholders	**32,491**	**68,199**	**0**	**0**	**100,690**
Closing balance December 31, 2014	**93,307**	**269,395**	**-182,937**	**106,533**	**286,298**
Opening balance January 1, 2015	**93,307**	**269,395**	**-182,937**	**106,533**	**286,298**
Comprehensive income					
Result for the year				-159 625	-159 625
Other comprehensive income					
Financial assets available for sale			36,102		36,102
Exchange rate differences			42,818		42,818
Total comprehensive income	**0**	**0**	**78,920**	**-159,625**	**-80,705**
Transactions with shareholders					
New share issue	87,500	5,250			92,750
Dividend				-43,565	-43,565
Issue expenditures		-250			-250
Total transactions with shareholders	**87,500**	**5,000**	**0**	**-43,565**	**48,935**
Closing balance December 31, 2015	**180,807**	**274,395**	**-104,017**	**-96,657**	**254,528**

Consolidated statement of cash flow

SEK thousand	Note	2015	2014
Cash flow from operating activities			
Profit after financial items		-49,455	1,993
Adjustments for non-cash items			
Depreciation		750	1,492
Impairment charges		81,257	-
Negative goodwill		-34,261	-
Share in profits of associate		1,620	-
Other items not affecting cash flow		-2,035	-4,095
Taxes paid		0	0
Cash flow from operating activities before changes in working capital		**-2,124**	**-610**
Cash flow from operating activities before changes in working capital			
Increase (-) / Decrease (+) in inventory		21	-119
Increase (-) / Decrease (+) in current receivables		-3,800	4,540
Increase (+) / Decrease (-) in current liabilities		8,180	3,716
Cash flow from operating activities		**2,277**	**7,527**
Cash flow from investment activities			
Acquisition of exploration and evaluation assets		-4,539	-8,825
Acquisition of oil and gas assets		-6,646	-11,081
Acquisition of subsidiaries		29,977	-5,056
Cash flow from investment activities		**18,792**	**-24,962**
Cash flow from financing activities			
Issue expenditures		-250	-730
Borrowings		4,000	0
Cash flow from financing activities		**3,750**	**-730**
CASH FLOW FOR THE YEAR		**24,819**	**-18,165**
Cash flow from discontinued operations		-2,134	-387
Cash and cash equivalents at the beginning of the year		13,674	33,729
Exchange differences in cash and cash equivalents		-225	-1,503
Cash and cash equivalents at the end of the year		**36,134**	**13,674**
Supplementary information to cash flow			
The following components are included in cash and cash equivalents: Cash and bank		36,134	13,674
Received interest income		4	344
Paid interest expenses		-72	-25

Parent company income statement

SEK thousand	Note	2015	2014
Net sales		**454**	**636**
Operating costs			
Other external expenses		-4,453	-11,784
Personnel expenses		-5,343	-5,288
Total operating costs		**-9,796**	**-17,072**
Operating loss		**-9,342**	**-16,436**
Profit/loss from financial investments			
Interest income and similar items		4,660	4,019
Interest expenses and similar items		-72	-1,444
Impairment of financial assets		-167,477	-36,102
Total loss from financial investments		**-162,889**	**-35,527**
Loss before tax		**-172,231**	**-49,963**
Tax		0	59
Loss for the year		**-172,231**	**-49,904**

Other comprehensive income

Loss for the year	**-172,231**	**-49,904**
Total other comprehensive income	**0**	**0**
Total comprehensive income	**-172,231**	**-49,904**

Parent company balance sheet

SEK thousand	Note	2015	2014
ASSETS			
Non-current assets			
Shares in Group companies		183,793	175,555
Receivables from Group companies		42,545	110,724
Other long-term securities		0	47 963
Total non-current assets		**226,338**	**334,242**
Current assets			
Receivables from Group companies		19,993	16,105
Other receivables		782	370
Prepaid expenses and accrued income		316	227
Total current receivables		**21,091**	**16,702**
Cash and cash equivalents		708	6,797
Total current assets		**21,799**	**23,499**
Assets held for sale		9 616	–
TOTAL ASSETS		**257,753**	**357,741**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		180,807	93,307
Total restricted equity		**180,807**	**93,307**
Non-restricted equity			
Share premium reserve		287,225	282,225
Retained earnings		-56,782	24,439
Loss for the year		-172,231	-49,904
Total non-restricted equity		58,212	256,760
Total equity		**239,019**	**350,067**
Non-current liabilities			
Liabilities to Group companies		0	4,758
Total non-current liabilities		**0**	**4,758**
Current liabilities			
Liabilities to Group companies		9,635	0
Liabilities to credit institutions		4,000	0
Accounts payable		3,043	899
Tax liabilities		0	5
Other liabilities		897	301
Accrued expenses and deferred income		1,159	1,711
Total current liabilities		**18,734**	**2,916**
TOTAL EQUITY AND LIABILITIES		**257,753**	**357,741**
Memorandum items			
Pledged collateral		See note	See note
Contingent liabilities		See note	See note

Parent company changes in equity

SEK thousand	Share capital	Share premium reserve	Profit/loss carried forward	Profit / loss for the year	Total equity
Opening balance January 1, 2014	**60,816**	**214,026**	**30,461**	**-6,022**	**299,281**
Comprehensive income					
Loss for the year				-49,904	-49,904
Total comprehensive income	**0**	**0**	**0**	**-49,904**	**-49,904**
Transactions with shareholders					
New share issue	25,488	53,522			79,010
Issue / Exchange of convertibles	7,003	15,407			22,410
Issue expenditures		-730			-730
Allocation of profit/loss			-6,022	6,022	0
Total transactions with shareholders	**32,491**	**68,199**	**-6,022**	**6,022**	**100,690**
Closing balance December 31, 2014	**93,307**	**282,225**	**24,439**	**-49,904**	**350,067**
Opening balance January 1, 2015	**93,307**	**282,225**	**24,439**	**-49,904**	**350,067**
Comprehensive income					
Loss for the year				-172,231	-172,231
Total comprehensive income	**0**	**0**	**0**	**-172,231**	**-172,231**
Transactions with shareholders					
New share issue	87,500	5,250			92,750
Issue expenditures		-250			-250
Dividend			-31,317		-31,317
Allocation of profit/loss			-49,904	49,904	0
Closing balance December 31, 2015	**180,807**	**287,225**	**-56,782**	**-172,231**	**239,019**

Parent company statement of cash flow

SEK thousand	Note	2015	2014
Cash flow from operating activities			
Loss after financial items		-172,231	-49,963
Adjustments for non-cash items			
Impairment of financial assets		167,476	36,102
Taxes paid		0	0
Cash flow from operating activities before changes in working capital		**-4,755**	**-13,861**
Cash flow from changes in working capital			
Increase (-) / Decrease (+) in current receivables		-4,388	-3,331
Increase (+) / Decrease (-) in current liabilities		1,607	-2,478
Cash flow from operating activities		**-7,536**	**-19,670**
Cash flow from investment activities			
Extended loans		0	-200
Repayment of loans from subsidiaries		1,179	6,495
Borrowings		4,000	0
Acquisition of financial assets		-3,482	-5,056
Cash flow from investment activities		**1,697**	**1,239**
Cash flow from financing activities			
Issue expenditures		-250	-730
Cash flow from financing activities		**-250**	**-730**
CASH FLOW FOR THE YEAR		**-6,089**	**-19,161**
Cash and cash equivalents at the beginning of the year		6,797	25,958
Cash and cash equivalents at the end of the year		**708**	**6,797**
Supplementary information to cash flow			
Received interest income		1	70
Paid interest expenses		-72	-25

Notes

General information
Petrosibir AB (parent company), previously Shelton Petroleum AB, and its subsidiaries (collectively, the Group) are active in the oil industry and explore, prospect and exploit oil and gas deposits. Operations are conducted primarily in Russia. Until December 2015, when the Ukrainian operations were distributed to the shareholders, the company was active in Ukraine as well.

The parent company is a public limited liability company. Its registered office is in Stockholm, Sweden. The address of the head office is Hovslagargatan 5B, 111 48 Stockholm. The Company was listed on Nasdaq Stockholm until 4 February 2016.

On April 29, 2016 the Board has authorized the consolidated accounts for approval. The consolidated statement of comprehensive income and financial position will be presented to the Annual General Meeting for adoption on May 24, 2016.

NOT 1

Accounting and valuation policies, basis for preparing the Annual Report
The consolidated accounts are based on the historical acquisition cost, apart from certain financial instruments which are reported at fair value in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The principles have been applied consistently for all the years presented, unless otherwise stated. All amounts are reported, unless otherwise stated, in thousands of Swedish krona (SEK).

Statement of conformity with applied regulations
The consolidated accounts have been prepared in accordance with IFRS, International Financial Reporting Standards, and the interpretations issued by the IFRS Interpretations Committee, as endorsed by the EU, and in accordance with the Swedish Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Boards recommendation RFR 1 Supplementary Accounting Rules for Groups.

The parent company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554), and with the application of the Swedish Financial Accounting Standards Council Recommendation RFR 2 Reporting of Legal Entities. RFR 2 requires the parent company, in the annual report for the legal entity, to apply all the IFRS endorsed by the EU, provided it is possible within the framework of the Annual Accounts Act, and with due regard to the relation between accounting and taxation. The recommendation defines what exceptions and additions are to be made in relation to IFRS.

Shares in subsidiaries are reported at acquisition cost unless otherwise stated. The consolidated accounts have been prepared in accordance with the purchase method, and include the parent company and its subsidiaries.

Accounting according to IFRS
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are stated below in the section *Critical accounting estimates and judgments for accounting purposes*.

Amendments in accounting principles
No new or amended accounting principles, which the Group applies starting from 1 January 2015 have had any significant influence on the Group's accounts.

New standards that have not been adopted by the Group yet
– IFRS 9 “Financial instruments” shall according to the plans substitute IAS 39 ”Financial instruments: recognition and measurement” starting from 1 January 2018. EU has not adopted this standard yet. The Group has yet to evaluate the effects of this standard.

– IFRS 15 ”Revenue from contracts with customers”. The standard is mandatory starting from 1 January 2018. The standard is not expected to have any significant effect on Petrosibir's accounts, but it sets requirements regarding more detailed disclosures. There are three different ways to implement the new standard: Complete retroactive application, partial retroactive application or accumulated effect, where equity is adjusted per 1 January 2018 regarding the contracts still open in accordance to previous standards IAS 11 and IAS 18. EU has not adopted this standard yet.

– IFRS 16 ”Leasing”. The standard is mandatory starting from 1 January 2019. EU has not adopted this standard yet. The Group has yet to evaluate the effects of this standard. Early adoption is allowed in case the company has adopted IFRS 15 ”Revenue from contracts with customers”.

– Changes in IAS 16, and IAS 38: Clarifications in regards to accepted methods of depreciation and impairment.

– Yearly improvements of IFRS (2010–2012) and (2012–2014).

Basis of consolidation

The consolidated accounts have been prepared in accordance with the acquisition method, and cover the parent company and its subsidiaries. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

The acquisition cost also includes the fair value of all assets or liabilities that are a result of an agreement on conditional purchase price. Acquisition-related costs are recognized when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is reported directly in the Statement of comprehensive income. Inter-group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Associated companies

Associated companies are partly owned entities over which the Group has a significant influence, but not control, over the financial and operating policies. Normally this means a shareholding of between 20% and 50% of the voting rights. Interests in associated companies are recognized in accordance with the equity method in the consolidated financial statements. Under the equity method, the carrying amounts of interests in associated companies correspond to the recognized equity of associated companies, any goodwill and any other remaining fair value adjustments recognized at acquisition date. Petrosibir's share of the associated company's income, adjusted for dissolution of acquired surplus or deficit values, is recognized as a separate item in the consolidated income statement.

Joint ventures

The Group's interests in jointly controlled entities are accounted for in accordance with the proportional method. The Group combines its share of revenues and expenses, assets and liabilities and cash flows of the joint venture with the corresponding entries in its own consolidated accounts. The Group recognizes the portion of gains or losses from its sale of assets to a joint venture equal to the other owners' holdings. The Group does not report its share of the profits or losses of a joint venture that is a result of the Groups purchase of assets from the joint venture before the assets are resold to an independent party. However, a loss on the transaction is reported immediately if the loss means that an asset is recorded at a too high value.

Segment reporting

Information about the operating segments is presented in a way that corresponds to the internal reporting given to the chief operating decision-maker. The chief operating decision-maker is the function responsible for allocating resources and assessing the performance of the operating segments. In the Group, this function is identified as the Chief Executive Officer. The Group had prior to 11 December 2015 two operating segments, Russia and Ukraine. From 11 December 2015 the Group has only one segment - Russia.

Translation of subsidiaries in foreign currency

1. *Translation of subsidiaries in foreign currency*
   The consolidated accounts are presented in SEK, which is the Group's functional and presentation currency. Assets and liabilities in foreign operations are translated to SEK at the exchange rate at the balance sheet date. The income statements are translated at the average exchange rates for the year. Exchange rate differences arising from foreign currency translation of foreign operations are reported as other comprehensive income in the consolidated statement of comprehensive income. There are no currency futures to hedge flows between countries.

2. *Translation of foreign currency*
   The functional currency for each entity in the Group is determined with regards to the economic environment in which the entities operate their respective businesses which generally coincides with the local currency in each country. On the balance sheet date, monetary assets and liabilities expressed in foreign currencies are restated at the prevailing currency rates. All exchange rate differences are charged to the income statement

except the differences attributable to foreign currency loans which form a hedge of a net investment in foreign operations. These exchange differences are reported as other comprehensive income in the consolidated statement of comprehensive income. The following exchange rates have been used (preceding year's rates within brackets):

Exchange rates

	Rate on balance sheet date	Average rate
100 rubles in SEK	11.42 (13.75)	13.90 (18.09)
1 Euro in SEK	9.14 (9.52)	9.36 (9.10)
1 USD in SEK	8.35 (7.81)	8.44 (6.86)
1 CAD in SEK	6.03 (6.72)	6.60 (6.21)
100 UAH in SEK	35.04 (50.04)	38.28 (58.16)

Tangible fixed assets

Oil and gas assets

Oil and gas assets are depreciated using the unit-of-production method. Depreciation is thus based on total production during the year in relation to estimated total proved or probable reserves of oil and gas. No depreciation is made during the exploration and evaluation phase.

Machinery and equipment

Tangible fixed assets are reported at their acquisition cost less accumulated depreciation. The depreciation is based on the estimated useful life of the asset. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An assets' carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an assets net selling price and its value in use. The value in use is the value of future cash flows discounted at a rate of interest based on risk-free interest adjusted for the risk associated with the specific asset.

Depreciation periods

Group	Number of years
Office equipment	5–12
Computers	5–8
Computer software	3–6

Exploration and evaluation assets

Under IFRS 6, the Company is required to establish a principle defining what expenditures should be reported as exploration and evaluation assets, and should apply this consistently. Under the standard, exploration and evaluation assets should be valued at cost. The Group reports its exploration and evaluation assets using the Full Cost Method. This method means that all expenditures for the acquisition of concessions and licenses, as well as on exploration, drilling, and the evaluation of such interests, should be capitalized. Under IFRS 6, exploration and evaluation assets are classified as either tangible or intangible assets, depending on the nature of the assets acquired, and the classification must be applied consistently. Under the standard, after initial recognition, either the acquisition value or the restatement method must be applied to the exploration and evaluation assets. The Group applies the acquisition method, which means that the accounting is done at cost, less any accumulated depreciation and any accumulated impairment losses.

The Group reports its capitalized exploration and evaluation assets as described below. Once the technical and commercial feasibility of extracting oil or gas can be demonstrated, the classification as exploration and evaluation assets ceases, and the assets are, instead, reclassified to Oil and gas assets.

Reporting, evaluation and depreciation of exploration and evaluation assets

Capitalized exploration and evaluation expenditures are classified as intangible or tangible assets in accordance with IFRS 6. Exploration and evaluation assets are reported at cost, less any impairment losses. Capitalized exploration and evaluation assets relate to the following:

- Acquisition of exploration rights.
- Exploration expenditures – relates to capitalized expenditures for seismic, geophysical, geological and other surveys.
- Drilling – refers to capitalized expenditures for drilling wells and drilling for oil.
- Technical installations – refers to capitalized expenditures to be able to drill for oil.
- Equipment – refers to capitalized expenditures for fittings, computers and other technical equipment.

All expenditure for the acquisition of concessions, licenses or shares in production sharing agreements, and for investigating, drilling and expanding these, is capitalized in separate cost centers, one for each field. Each field covers one deposit.

At the end of 2015, the Group had carried out exploration work on the Rustamovskoye, Aysky and Suyanovskoye blocks, located north of Ufa in Bashkiria, Russia.

Depreciation

Exploration and evaluation assets are not depreciated. Instead, there is an assessment as to whether there is an impairment loss. For further information, please see the section Impairment losses below.

Impairment losses

The Group assesses its intangible assets, its exploration and evaluation assets, and its oil and gas assets for any impairment loss in the light of events or changed circumstances indicating that the reported values of the assets cannot be justified. Such indications comprise changes in the Group business plans, changes in raw material prices leading to lower revenues, and, for oil and gas holdings, a reduction of the estimated quantities of reserves. The test for impairment loss is done in accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources, and IAS 36, Impairment of Assets. The assessment of an impairment loss is done for each cash-generating unit which corresponds to each license and concession right, as well as the oil and gas assets owned by the Group. A cash-generating unit therefore corresponds to each separately acquired license and concession right, plus a proportion of the oil deposits in each country where the Group operates its exploration and extraction business. The assessment of an impairment loss means that the cash-generating unit's carrying value is compared with the recoverable amount for the assets, which in turn is the higher of the net realizable value and the value in use. The value in use of these assets is the present value of future cash flows discounted at a rate of interest based on risk-free interest adjusted for the risk associated with the specific asset. If it is not possible to determine substantial independent cash flows for a particular asset, then in the test for any impairment loss, the assets are grouped to the lowest level where it is still possible to identify substantial independent cash flows (a cash-generating unit). An impairment loss is recognized when an asset, or a cash-generating unit's reported value, exceeds its value in use. An impairment loss is charged to the income statement. Impairment testing is carried out at least once a year in order to establish that the values for capitalized expenditure can be justified by the expected future net flows from oil and gas reserves which can be attributed to the Group's interests in the fields concerned.

Reversal of impairment losses

At least once a year, there is an assessment as to whether there are any indications that previously recognized impairment losses are no longer justified, or have reduced in scale. If there are such indications, a new estimate is made of the recoverable amount.

A previously recognized impairment loss is only reversed to the extent that the recognized value of the asset after reversal does not exceed the recognized value the asset would have had if no impairment loss had been recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount.

After a reversal, the depreciation over future periods are adjusted in order to distribute the asset's recognized book value over the asset's remaining expected production life.

Reclassification and depreciation

Once the technical and commercial feasibility of extracting oil or gas assets can be demonstrated, the capitalized exploration and extraction expenditures are reclassified as tangible oil and gas assets, or to a separate part of intangible assets, based on their nature. Once the technical and commercial feasibility can be demonstrated, depreciation of the assets is commenced. Depreciation is recognized in line with the year's production, in relation to estimated total proved or probable reserves of oil and gas in accordance with the unit of production method.

Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill are not amortized, but tested annually for impairment. Assets which are amortized are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment is done with the amount of the assets carrying amount that exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost of sales and its value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). For assets other than financial assets and goodwill, previously written down, a determination is made at each year-end regarding the reversal that can be done. The Group has financial instruments in the following categories:

1. *Financial assets available for sale*

Financial assets available for sale are assets that are not derivatives and that have been identified as being available for sale. Petrosibir sees this as a residual category with the investment of non-current assets that do not fit into any other category, at present there are shares and other interests in companies, where the Group owns less than 20% of voting rights and capital and does not have controlling influence. Valuation is at fair value directly to other comprehensive income.

2. *Loans and accounts receivable*

Loans and accounts receivable are non-derivative financial assets with fixed or ascertainable payments not listed on an active market. A distinguishing feature is that they arise when the Group provides money, goods or services directly to the customer without the intention of trading with the receivable thus arising.

Loans and accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment. A provision for impairment of loans and accounts receivable is made when there is objective evidence that the Group will not receive all the amounts falling due under the original terms of the receivables. The size of the provision is determined by the difference between the asset's recorded value, and the present value of estimated future cash flows, discounted by the effective interest rate. The amount of the provision is reported in the statement of comprehensive income.

3. *Other financial liabilities*
Loans and other financial liabilities, such as trade and other payables, are included in this category. The debts are valued at the amortized cost. Debts less than three months are reported at the acquisition cost.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legal right to offset the reported amounts and an intention to settle them on a net basis or to divest the asset and settle the liability at the same time.

The category to which the Group's financial assets and liabilities are attributed is presented in Note 25, Financial Instruments (available only in the Swedish original of Annual Report 2015).

Cash and cash equivalents

Cash and cash equivalents consists of cash and bank balances, as well as short-term liquid investments with a duration from the time of acquisition of not more than 90 days, and which are exposed to an insignificant risk of fluctuations in value. Short term investment consists of investments with a duration below 90 days.

Borrowings

Borrowings are initially reported at fair value, which represents the amount received with a deduction for any transaction costs, and thereafter at amortized cost. Any premium or discount from the issue is charged over the duration of the loan, using the effective interest rate method and reported as a financial item.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are reported as part of the acquisition value of such assets. Capitalization ceases when all the activities necessary for preparation of the asset for its intended use or sale are substantially completed.

Financial income accrued while particular borrowed capital is temporarily invested pending use for financing the asset reduces the capitalization of borrowing costs.

All other borrowing costs are expensed as they occur.

Convertible loans

The compound financial instruments issued by the Group include convertible loans where the owner can demand that they be converted to shares, and where the number of shares to be issued is not affected by changes in the fair value of the shares.

The liability component of a compound financial instrument is initially reported at fair value for a similar liability that does not entail the right to conversion into shares. The equity component is reported initially as the difference between the fair value for the entire compound financial instrument and the fair value of the liability. Directly attributable transaction costs are allocated to debt and equity components in proportion to their initial carrying amounts.

After the date of acquisition, the debt component of a compound financial instrument is valued at amortized cost using the effective interest method. The equity component of a compound financial instrument is not revalued subsequent to the acquisition date, except at conversion or redemption. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer payment of the debt for at least twelve months after the end of the reporting period.

Inventory

Inventory is valued at the lowest of the weighted cost of the acquisition and fair value. Fair value is the market value less cost to sell. The cost of the acquisition includes the cost of materials, labor, and certain fixed costs.

Accounts payable

Trade and other payables are reported initially at fair value and subsequently at amortized cost in the Statement of financial position.

Equity

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

Current tax

Current tax is tax that shall be paid and received for the current year, applying the tax rates and legislation that are in force on the date of the balance sheet. Also included are any adjustments to the current tax of previous periods valued at the amount that is expected to be received from or claimed by the tax authority. Current tax receivables and liabilities for each company are reported net in the balance sheet.

Deferred tax

Deferred income tax is reported in full, using the balance sheet method, on temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the consolidated financial statement. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business acquisition that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Provisions

Provision for environmental measures, restructuring costs and legal obligations are reported when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and that the amount has been calculated in a reliable manner. Provisions for restructuring include costs for terminating leases and for severance payments. Provisions are not made for future operating losses.

Remuneration to employees

Pension obligations

Group companies in Sweden, Russia and Ukraine have arranged defined contribution pension plans for employees. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they fall due.

Option program

In 2012, a total of 320,000 share options were issued, entitling the bearers to purchase 320,000 class B shares. The subscription price was SEK 18.67 per share and the subscription period was June 1-15, 2015.

Revenue

The Group's revenue comes mainly from the sale of crude oil.

Sale of oil

The oil produced in Russia is sold to a network of local buyers. In Ukraine, oil was sold via monthly auctions. The auction system reduces transaction risks and counterparty risks in supplying oil. Revenue is assessed at fair value when the significant risks and benefits associated with ownership of the goods are transferred to the buyer, when rights of sale transfer to the customer and to the extent to which it is probable that the financial benefits will come to the Group and when revenue can be calculated in a reliable manner. Revenue is reported during the period it refers to.

Production taxes

For the producing oil fields where the Group is extracting oil production taxes must be paid pursuant to applicable legislation. The production taxes are reported gross in the income statement and are thus included both in total revenues and raw materials and supplies.

Sales of services

Sales of services are reported in the accounting periods in which the services are rendered. Sales of services only take place in the parent company which invoices subsidiaries for certain intra-group services.

Interest income

Interest income is recognized on an accrual basis using the effective interest method.

Leasing

In accordance with IAS 17 Leases item 2a, IAS 17 is not applied to leasing contracts related to exploration for mineral assets, or oil and gas deposits. Costs relating to leases that, according to IFRS can be capitalized, are capitalized in accordance with IFRS 6.

Risk management

In its line of business, the Group is exposed to several different risks, such as those connected with the business and market, political and country-related risks and financial risks. The Group has implemented risk management structures and control procedures in order to establish calculations, assessments and management of these exposures and related risks. Petrosibir's risk management is described in the Group's corporate governance report (available only in the Swedish original of Annual Report 2015).

Risks connected with the business and market

Risks relating to production and exploration licenses and permits

The Group's exploration and its current and future production depend on licenses and/or permits that are granted by governments and authorities. Applications for future licenses and permits may be delayed or rejected and current licenses and permits may have restrictions imposed on them or be recalled by the issuing body, thus delaying or stopping the Group's possibility of commercializing a certain area. Even though licenses and permits can normally be renewed after they have expired, there is no guarantee that this will happen or on what terms.

The Group may have interests in licenses that are not owned by Petrosibir, but by other parties. The Group does therefore not have sole determining influence over operations regarding these licenses. Since the Group does not have sole control over all licenses, the Group is dependent on its partners maintaining or helping to maintain such licenses. If the Group or its partners are not considered to have fulfilled their obligations regarding a license, this may lead to the Group's or its partners' licenses being completely or partly withdrawn.

The Group may also come into conflict with one or more of its partners if their interests should differ.

The rights and obligations involved in the Group's and its partners' licenses may be subject to interpretation and may also be affected by circumstances that lie outside the Group's control. In the event of disputes, it is not certain that the Group's interpretation will prevail or that the Group will be able to validate its rights in other respects, which in turn could have negative effects on the Group.

Maintaining licenses is normally subject to certain license obligations being fulfilled. If the Group or any of its partners should be deemed not to have fulfilled their obligations under the license or other agreement, this may also lead to the Group's rights in respect of these to be wholly or partially withdrawn, which might involve a negative effect on the Group's future prospects. If a license holder, on the basis of exploration results and or world economic conditions, should open a discussion with the licensing authority with the intention of reducing license obligations, there is no guarantee that they will come to agreement and there is therefore always a risk of the Group or its partners losing licenses if license conditions are not fulfilled, which could lead to negative effects on the Group's assets and thereby its prospects.

The Group continually reviews license agreements to ensure that all terms and conditions of the agreements are fulfilled. The Group also maintains contact with relevant authorities and partners during the license periods to create favorable conditions for the extension of the Group's licenses.

Risks in exploring for and producing oil and natural gas

The Group's operations are subject to risks and uncertainties that are associated with companies involved in exploration, development, production, refining, transport and marketing of oil and natural gas. This can involve risks such as fire and explosion when drilling, leakage and spillage of oil and substances that are hazardous to the environment and the loss of heavy equipment. Every one of these risks can result in damage to the Group's oil and natural gas wells, production facilities, other property or the environment, or lead to personal injury. The Group's collection system and processing facilities are also subject to many of these risks. Any major damage to the systems and facilities upon which the Group depends could have a negative effect on the Group's ability to sell its production and thereby on the Group's financial position and future prospects. The Group cannot insure itself completely against these risks. There is a risk that the Group may suffer uninsured losses, which could have a negative effect on the Group's financial position and prospects. The Group has undertaken to comply with Russian and Ukrainian environmental legislation, which is both extensive and complex, and it is Shelton Petroleum's policy to comply with the environmental and safety requirements that apply to the market in which the Company operates. The Company's objective is to set an example in minimizing the environmental risks in the Company's exploration program.

Geological risk

There is uncertainty regarding the prognoses of the size of the reserves that can be developed and produced in the future, since all estimates of recoverable oil and natural gas reserves are based on probability. No method exists that can determine with certainty the amount of oil or natural gas to be found in a geological layer below the surface of the earth. Reported reserves are based on estimates that have been made by geologists. These estimates are based on factors such as seismic data, measurement data from existing boreholes, core samples, computer simulation models, actual oil flow and pressure data from existing wells, oil prices, etc. Thus, estimates of oil and natural gas reserves fluctuate over time. There is no guarantee that the estimated reserves or resources as presented will not be amended over time.

If the assessments are reviewed, this may entail an adverse effect on the value of the Group's assets and future prospects of the Group.

The Group manages its geological risks by employing individuals with a high level of geological expertise and by using independent parties to review and confirm the estimates and assessments made by the Group.

Mergers, acquisitions and partners

The Group has acquired assets and companies and may from time to time consider acquiring further assets or companies. Such acquisitions are always subject to risk and uncertainty with regard to counterparties, ownership rights, other rights, assets, liabilities, licenses and permits, claims, legal proceedings, the environment and other aspects. Even if the Group takes the precaution of carefully analyzing acquisitions, unforeseen problems and events can arise. The risks involved can be greater or more difficult or expensive to analyze and limit in the countries and regions in which the Group is active than would be the case in more developed markets.

The Group has entered into, and may in future be dependent on entering into, agreements with partners for exploration and production. There is a risk that partnership agreements that the Group is currently party to may include unsatisfactory or inadequate conditions, in the event that the Group's interests and those of its partners may come to differ. The Group and its partners may from time to time have different viewpoints on how operations should be run and on what the partners' rights and obligations are. There is no guarantee that the Group's partners will always act in the Group's interests. The Group is also dependent on other operators of fields where the Group is not itself or is not the sole license holder or operator. In such partnerships, the Group cannot solely influence how operations under the license are run and there is no guarantee that the Group's partners will fulfill the obligations of the license or the agreement that has been entered into. In such cases, the Group is thus dependent on, or affected by, how these partners run their businesses. It is not possible for the Group to predict all the risks that might arise in the event that such partners, or their sub-contractors, do not fulfill license obligations or other obligations.

Risks relating to infrastructure

The Group depends on having an available and functioning infrastructure for the areas where there are operations, such as roads, electricity and water supplies, pipelines and a collection system. If any breakdowns occur to infrastructure or systems, or if these do not meet the Group's needs, the Group's activities may be made considerably more difficult, which may lead to lower production and sales and/or higher costs. Much infrastructure in Russia and Ukraine, such as pipelines, railroads, roads, power grids and communication systems, has historically shown weaknesses that could have a negative effect on the Group's operations through stoppages or disturbances, which could lead in turn to lower production or higher costs for the Group. The Group manages infrastructure risks to some degree through measures such as building new roads or reinforcing existing roads near the license areas, installing its own power supply, building its own pipelines that can be connected to larger systems, etc.

Sales of oil and natural gas

The Group's ability to sell its produced oil and gas depends among others on the availability and capacity of collection systems, pipelines and other production and transport systems, the effect of current regulations, prevailing economic conditions and the general availability of and demand for oil. Defects could lead to a reduction in the Group's net income from production and cause a lessening of the Group's operations in oil and natural gas exploration and development.

Price risks for oil and natural gas

The Group's income and profitability will depend on the prices of oil and natural gas, which are affected by a number of factors outside the Group's control. These factors include market fluctuations in combination with export limitations and taxes, the proximity and capacity of oil and natural gas pipelines and economic and political developments. Market prices of oil and natural gas have historically been volatile, a situation which is expected to continue for the foreseeable future. The prices may also be directly affected by political decisions.

The unpredictable nature of energy markets, as well as the effects of regional policy and OPEC's influence on these markets and the policies that are applied, make it particularly difficult to predict future price trends for oil and natural gas. Any major and lasting fall in the price of oil or natural gas could have a negative effect on the Group's operations, future prospects and profits. The economic conditions for oil and natural gas production are also changed in the event of lower oil and natural gas prices. A fall in prices could lead to a reduction in the volumes of the reserves that the Group could economically extract, since the Group may cease production from wells if prices fall below a certain level.

These factors could lead to a reduction in the Group's net income from production and cause a lessening of the Group's operations in oil and natural gas exploration and development.

At present, the Group does not hedge the oil price of future sales.

Access to equipment and personnel

The Group's exploration and production operations for oil and natural gas depend on access to drilling and associated equipment, as well as qualified personnel in the areas where such operations are carried out or will be carried out. The Group may also on occasions be dependent on third parties such as drilling and transport companies to implement its business plan. A lack of drilling rigs or personnel or the like could affect the availability of the necessary equipment and personnel for the Group, which could lead to increased costs and thereby affect the Group's profits, and delay the Group's exploration and development activities and lead to reduced production, which would in turn have a negative effect on the Group's operations, financial position and position generally.

Significance of key personnel

The Group's future development depends on the knowledge, experience, abilities and commitment of senior management and other key persons. The Group has agreed contracts of employment with such persons on terms that the Group feels are appropriate to the market. If the Group should be unsuccessful in attracting and keeping key personnel, this could have negative consequences for the Group's operations, profits and financial position, for example if the Group were unable to achieve its development goals or strategies.

Limited insurance coverage

In the industries and regions in which the Group operates, it is not possible to obtain well developed insurance cover. The Group therefore cannot guarantee that it has complete insurance coverage for the risks and losses that might affect operations.

The Group manages insurance risks by continually examining insurance possibilities in the regions in which it operates.

Political and country-related risks

Through its operations in countries in the former Soviet Union, the Group is exposed to political risks both regionally and nationally. Russia and other countries in the region have seen major political change, from a communist state with a planned economy to today's more democratic, market economics model. This gradual transition exposes Russia's political system to dissatisfaction among some of the country's inhabitants. Domestic conflicts in Russia may adversely affect the Group's ability to plan and implement long-term strategies.

Legal system and legal proceedings

The Group's operations are subject to regulations regarding the environment, safety, health, currency exchange, exports and customs, as well as trade restrictions. Amendments of such regulations may affect the Group's operations and development adversely. In addition, the Group's assets, oil production and exploration activities are located in countries with legal systems that are different from that of Sweden.

Exploration rights and related agreements are subject to the laws of Russia where the activities are carried out. Rules, regulations and legal principles can differ both in terms of material law and as regards issues such as court procedures and execution.

For example, protection of ownership rights is not as well developed in Russia as it is in Sweden. Also, rules at local and regional level may conflict with each other. Courts may lack knowledge of business conditions, corruption exists and respect for court decisions may be low. This means that the ability of the Group and its partners to exercise or pursue their rights and obligations and to protect and maintain their ownership rights over assets may be different from in Sweden and from what the outcome might have been if these rights and obligations were subject to Swedish law and jurisdiction. There is thus a considerable investment risk in Russia.

The Group's operations and assets are also to a great extent subject to complex laws and regulations and detailed provisions in licenses and agreements that are governed by these countries' legislation. This in itself involves a risk in regions where corruption exists both within and outside various forms of the exercise of authority. If the Group should become involved in legal disputes for the purpose of defending or exercising its rights under such licenses or agreements or assets, the legal proceedings may be both expensive and time consuming.

The outcome of such disputes is always uncertain. Even if the Group's case is upheld, uncertainty around such disputes and other legal proceedings can have a negative effect on the value of the Group's assets and thereby on the Group and its operations.

Environmental rules

Drilling, production, handling, transport and sale of oil, natural gas and by-products of petroleum are subject to comprehensive regulation in accordance with national and local environmental legislation where the Group currently has its operations. Environmental rules can include restrictions, undertakings and obligations in connection with water and atmospheric pollution, waste handling and requirements for permits and restrictions on operations, as well as costly administrative or legal proceedings and ultimately the closing down of operations in environmentally sensitive areas. Environmental rules can be tightened, leading to increased costs. Also, any charges or other orders against the Group in the event of actual or claimed failures to comply with environmental rules or in the event of accidents could have a negative effect on the Group's operations, future prospects and operating revenues.

Neither is there any guarantee that the Group's present or future partners will fulfill their environmental obligations.

The Group has undertaken to comply with Russian environmental legislation, which is both extensive and complex, and it is Petrosibir's policy to comply with the environmental and safety requirements that apply to the market in which the Company operates. The Company's objective is to set an example in minimizing the environmental risks in the Company's exploration program.

Financial risks

Capital and liquidity risk

The Group's aim for the capital structure is to safeguard the Group's capacity to continue with its business, so that it can generate sufficient yield for the shareholders and benefit other stakeholders, and to maintain an optimal capital structure in order to hold down the cost of capital. Group management manages capital that has not yet been distributed to investors or in operations by investing liquid funds in various credit institutions with a high credit rating and at the best possible return. See note 25 for a description of the Group's financial instruments and note 18 for a description of the Group's receivables (both notes are available in the Swedish original of Annual Report 2015). As the Group has hitherto mainly raised finance by issuing shares, no target for the debt/equity ratio has yet been set. This policy is continually reviewed as the business develops.

The Group may require external financing to meet costs and finance planned investments. No guarantee can be made that such financing will be available to the Group or, if it is available, that it will be offered on terms that are acceptable to the Group. If further financing is obtained by e.g. issuing shares or convertible bonds, control of the Group may change and the owners' interests in the Group may be diluted. If the Group cannot secure financing on acceptable terms, the Group may need to curb or defer parts of its planned exploration and development activities and may not be able to exploit future acquisition opportunities. This may mean that the Group cannot fulfill working obligations in license agreements, which may in turn entail that these are terminated early. Since the Group's activities depend on such licenses, such a development could have a negative effect on the Group's future prospects.

This may also mean that the Group must divest assets at a time when such realization is difficult or impossible to complete on acceptable or appropriate terms for the Group. It may thus be impossible for the Group to sell or otherwise realize any available values in the Group at the desired time or indeed at all. If the Group cannot gain access to capital to perform investments, the Group may also need to offer other companies part of the future earnings from a license against that company assuming costs responsibility for all or part of the work that must be associated with a license. This would mean that the Group would be able to fulfill any license obligations and carry out planned investments, but could at the same time have a negative effect on the Group's returns and cash flow in the longer term.

There is no guarantee that the Ruble will be liquid or effective methods of payment in the future. Changes in the currency market regulations may have an unfavorable effect on the Group's activities. Furthermore, the Group's liquidity could be affected if the Russian companies had liquidity problems. Russian companies could run into liquidity problems as a result of limited access to domestic savings, few foreign sources of finance, high taxes and limited borrowing.

The Group manages its financial risk by drawing up earnings and liquidity budgets, which it continually monitors and follows up. Planned investments are adapted to the forecasted financial situation.

Impairment risk / Valuation

A large part of the Group's assets are represented by capitalized exploration and evaluation expenditures. The value of these depends on the Group's ability to successfully determine the existence of commercially exploitable oil and gas. The Group also has shareholdings of considerable value that are assessed at fair value. The value of such assets is always subject to uncertainty. The Group is exposed to price risk with regard to shares because of investments made by the Group that are classified in the consolidated statement of financial position as financial instruments that are available for sale and that had a value at year end of SEK 10 (48) million.

Tax risk and capital repatriation possibilities

The net value of the Group's assets is greatly affected by the tax status of the Russian subsidiaries. The tax system in Russia is at a relatively early stage of development and is characterized by many taxes that are subject to frequent change and inconsistent application at federal, regional and local level. In addition the tax authorities have up to three years to perform tax audits on previously submitted income tax returns. Changes in the tax system that are applied retroactively by the authorities can affect previously submitted tax returns.

Even if the Group judges that adequate provisions have been made based on the Group's interpretation of current and previous tax legislation, the risk remains that the tax authorities in Russia may have a different interpretation. This entails a risk that the Group may be subject to further taxes or fines that may add up to considerable amounts and have a negative effect on the value of the Group's assets.

Value added tax is normally returned in Russia. However, this is dependent on a certificate that shows that the project has been completed or that export has occurred being presented and approved by the tax authorities. There have been cases in Russia where returns only occurred after court proceedings, which involves a risk of a negative effect on the Group's liquidity.

The Group's legal structure is based on assumptions regarding applicable legislation. Changes to legislation in Russia could involve negative tax consequences. Revision of the Swedish, Canadian or Cypriot tax system could also involve, for example, a change in income tax or company tax and might involve a changed tax situation for the Group that could have a negative effect on the Group's financial position.

Currency risk

Exchange rate fluctuations and any Russian currency regulations can affect the Group's assets and revenues. The Group's subsidiary in Russia uses the Ruble as its base currency and prepares its reports in Rubles. The costs are to a large extent Ruble based. For the time being, the Group has chosen not to hedge any part of its currency exposure. The official exchange rates therefore both directly and indirectly affect the value of the subsidiaries' assets and thereby also the Group's financial position. The Russian central bank has attempted to stabilize the Ruble, but there is no guarantee that such action will be taken in future or lead to a favorable result. A negative development of exchange rates for the Group can thereby have a negative effect on the Group's results and financial position.

During 2015, the values of the Russian and Ukrainian currencies weakened against the Swedish krona by 17 and 30 per cent respectively.

The Russian economy may also be subject to inflation pressure. Even though loan costs currently represent a small part of the Group's costs, inflation may bring higher production costs in general for the Group and affect its profits. The Group has no significant exposure in foreign currencies other than the above. In the event of a change of the ruble rate of exchange by 10 per cent, the Group's assets and net result would change by SEK 11 million and SEK 0.1 million, respectively.

Interest rate risk

The Group is currently financed largely by equity and internally generated funds from the oil sales. As the Group does not have any significant interest-bearing loan financing with variable rates of interest, Management considers that the interest risk does not constitute a material risk. If and when the Group utilizes external loan financing at variable rates, the Group will be exposed to rising market interest rates. Rising market interest rates could then have a negative effect on the Group's financial results.

Counterparties, partners and credit

The Group is exposed to various credit risks, for example in the form of prepaid costs or credit being given where collaterals do not cover the Group's claims. The Group is also exposed to sold and delivered oil. The Group's credit risk in this respect was to a large extent attributable to the Ukrainian operations where payments were made late. Full or partial nonpayment from buyers may have a negative impact on the Company's operations, result and financial position.

The Group is also exposed to counterparty risks in the form of partnership agreements and joint ventures that the Group has entered into or may enter into in the future.

The interests of the Group and its partners may differ, which may have a negative effect on the Group's operations. Neither can it be guaranteed that the Group's partners will always be able or willing to fulfill any financial or other obligations towards the Group or a third party. Since the Group does not have sole control of all licenses, there is a risk that licenses may lapse or be recalled due to circumstances over which the Group has no control. There is also a risk that the parties do not interpret their agreement obligations in the same way. On the other hand, there is a risk of the Group's partners, with or without grounds, claiming that the Group is not fulfilling its obligations. This may lead to the Group, with or without grounds, being subject to sanctions or that the Group's partners will take some other action that conflicts with the Group's interests or strategy, which could lead in turn to a considerable negative effect on the Group's financial position, profits and future prospects

Reporting practice and other information

Reporting, financial reporting and auditing in Russia differ from what is found in the West. This is mainly because accounting and reporting primarily filled a function in relation to tax legislation. Even if more extensive reporting is made and even if it is done in accordance with international standards, no complete guarantee can be given with regard to the completeness or reliability of the information.

Critical accounting estimates and judgments for accounting purposes

Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

Need for provisions regarding accounts receivable

The Group assesses the accounts receivable on a continuous basis and whether any provision is required. The Group's accounts receivable amounted to SEK 0 (54) million at the end of 2015. Of these, SEK 0 (53) million were attributable to the Ukrainian operations. The Ukrainian operations have been distributed to the shareholders and Company's risk in regards to accounts receivable has been thus reduced significantly.

Impairment of capitalized costs related to exploration and evaluation of mineral resources and Goodwill

The Group annually tests whether there has been any impairment loss on capitalized expenditure for exploration and the evaluation of mineral assets, and goodwill in accordance with the accounting policy described above for non-financial assets. In assessing the value of goodwill and the value of oil and gas assets, the value of goodwill has been written down to zero, but no circumstances or facts indicating that a write-down would be justified in regards to oil and gas assets have been identified.

The following material assumptions have been used:

• Discount rate of 15 (17) percent

• Reserves of 27 (27) million barrels of oil

• Future world market oil prices per barrel of oil: USD 30 in 2016, USD 50 in 2017 and USD 55 in 2018 and afterwards.

The value of exploration and evaluation assets amounts to approximately SEK 53 (80) million. Should the conditions for the assumptions on which the value of intangible assets is based change and facts and circumstances arise, the value may need to be written down. No circumstances or facts indicating that a write-down would be justified have been identified. The value of assets is contingent on among others:

• Obtaining permission to drill for oil

• That production can start

• That the total of expenditure incurred, plus the discounted value of future expenditure in order to extract the minerals, is less than the present value of the income that the extraction of the minerals is expected to generate.

The value of the assets, in the form of the capitalized development expenditure for oil drilling, is contingent on the Company obtaining production permits in the places where exploration is taking place.

Going concern

For the Group's continued operation and expansion it is dependent on being able to raise capital through equity by issuing new shares, external borrowings and cash flows from the extraction of oil and gas in Russia. The financial statements have been prepared with the assumption of going concern, taking into account existing cash and the assumption that the Group can finance itself through one or more of the above ways.

Deferred tax

The Group reports mainly deferred tax liabilities which are mainly attributable to value adjustments on intangible and tangible assets of acquired subsidiaries. The Group also has tax losses for which no deferred tax assets have been recorded on the basis that it is uncertain when these will be utilized.

NOTE 2

Continuing operations (SEK thousand)

The consolidated statement of comprehensive income of the Group is divided into continuing operations and discontinued operations. The continuing operations consist of the operations in Russia and central costs. The continuing operations include one-off items in both operating costs and financial items. After adjustments for one-off items the operating result amounts to SEK -996 (1,953) thousand and result for the year to SEK -2,459 (1,993) thousand for continuing operations, see below. The one-off items regarding operating costs consist, partially of negative goodwill of SEK 34,261 thousand, which arose in the acquisition of Sonoyta and partially of impairment loss regarding goodwill of SEK -6,807 thousand. The one-off items in financial items are a re-classification of previous year's impairment of Petrogrand from other comprehensive income and impairment of Petrogrand in 2015.

SEK thousand	2015	2014
Reported operating profit	**26,458**	**1,953**
Adjusted for one-off items:		
Negative goodwill	-34,261	0
Impairment	6,807	0
Adjusted operating result	**-996**	**1,953**
Reported financial items	-75,913	40
Adjusted one off items:		
Reclassified impairment of Petrogrand	36,102	0
Impairment of Petrogrand for the year	38,348	0
Adjusted result for the year	**-2,459**	**1,993**

Discontinued operations (SEK thousand)

As a consequence of the distribution of the Ukrainian operations to Petrosibir's shareholders on 11 December 2015 they are reported as discontinued operations in accordance with IFRS 5. The Ukrainian operations are included for the period 1 January – 11 December 2015 and are reported as discontinued operations below the result for continuing operations in the consolidated statement of comprehensive income both for 2015 and 2014. The comparative year 2014 has thus been recalculated. In the consolidated statement of financial position the items regarding the Ukrainian operations are included in the respective balance sheet items for 2014, but not for 2015 since the operations have been distributed.

In the consolidated statement of comprehensive income result for the year regarding discontinued operations amounts to SEK -110,193 (11,129) thousand. A summary of the income statement of the discontinued operations is shown below.

It includes several one-off items. Adjusted for these items, profit for the year regarding discontinued operations equals SEK 8,420 (16,863) thousand, see the table below.

Despite the profitability in the operations, but taking into account the oil price and that the geopolitical situation in Ukraine will probably stay unstable in the future, the Company has chosen to adjust the value of the Ukrainian operations by SEK 43 million in the third quarter.

Furthermore, in conjunction to the distribution, accumulated translation differences attributable to the Ukrainian operations, which were previously reported in other comprehensive income, have been reclassified to financial items. SEK -65,567 thousand, accumulated to 2014 inclusive have been reclassified. The translation differences for 2015 amount to SEK -18,084 thousand, and a total SEK -83,651 thousand is thus reported as financial items of the discontinued operations.

SEK thousand	2015	2014
Revenue	**49,629**	**68,578**
Raw materials and necessities	-31,194	-41,368
Other external expenses	-4,833	-3,281
Personnel expenses	-1,763	-1,602
Impairment	-42,636	-6,993
Depreciation	-661	-1,069
Total operating costs	**-81,087**	**-54,313**
Operating profit/loss	**-31,458**	**14,265**
Result from financial items		
Interest income	129	258
Interest expenses	0	-38
Exchange rate differences	-83,439	-280
Total financial items	**-83,310**	**-60**
Profit before tax	**-114,768**	**14,205**
Deferred tax	8,261	1,924
Current tax	-3,686	-5,000
Profit for the year from discontinued operations	**-110,193**	**11,129**
Profit for the year from discontinued operations	**-110,193**	**-1,259**
Adjustments for one-off items:		
Impairment loss in the Ukrainian operations	42,636	6,993
Deferred tax on impairment	-7,674	-1,259
Reclassified exchange rate differences 2014	65,567	0
Exchange rate differences 2015	18,084	0
Adjusted profit for the year from discontinued operations	**8,420**	**16,863**
Cash flow from discontinued operations	**-2,132**	**-387**

The Board and the CEO certify that the consolidated accounts have been prepared in accordance with international accounting standards, IFRS, as adopted by the EU and provide a true and fair picture of the Group's position and performance. The Annual Report has been prepared in accordance with generally accepted accounting principles and provide a true and fair picture of the parent company's financial position and results.

The statutory Directors' report for the Group and the parent company provides a fair review of the development of the Group and parent company's operations, financial position and results and describes principal risks and uncertainties which the parent company and the companies in the Group face.

The consolidated statement of comprehensive income and financial position and the parent company's income statement and balance sheet will be presented to the Annual General Meeting on May 24, 2016 for adoption.

Stockholm April 29, 2016

Björn Lindström Chairman	Hans Berggren	David Sturt
Sven-Erik Zachrisson	Dmitry Zubatyuk CEO and Board member	

Our audit report was issued on April 29, 2016
Ernst & Young AB

Per Hedström
Authorized Public Accountant

Translation of the Swedish original
Auditor's report

TO THE ANNUAL GENERAL MEETING OF PETROSIBIR AB (PUBL.)
CORPORATE IDENTITY NUMBER 556468-1491

Report on the annual accounts and consolidated accounts
We have audited the annual accounts and consolidated accounts of Petrosibir AB (publ) for the year 2015 except for the corporate governance report on pages 32-38. The annual accounts and consolidated accounts of the Company are included in the printed version of this document on pages 28–84.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts
The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 32-38. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopts the income statement and balance sheet for the parent company and the consolidated statement of comprehensive income and consolidated statement of financial position for the Group.

Report on other requirements in accordance with laws and other statues

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the Company's profit or loss and the administration of the Board of Directors and the Managing Director of Petrosibir AB (publ) for the year 2015. We have also conducted a statutory examination of the corporate governance report.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the Company's profit or loss. The Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance report on pages 32–38 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the Company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the Company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the Company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the Company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence which we have obtained is sufficient and appropriate in order to provide a basis for our opinions.

Furthermore, we have read the corporate governance report and based on that reading and our knowledge of the Company and the Group we believe that we have obtained a sufficient basis for our opinion. This means that our statutory examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance report has been prepared, and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Stockholm, April 29, 2016
Ernst & Young AB

Per Hedström
Authorized Public Accountant

Financial overview

Key figures	2015	2014	2013	2012	2011	2010
Turnover continuing operations, SEK thousand	28,649	44,252	29,786	20,868	22,664	0
Turnover discontinued operations, SEK thousand	49,629	68,578	79,278	79,046	24,519	29,291
Total turnover, SEK thousand	78,278	112,830	109,604	99,914	47,183	29,291
Operating profit/loss continuing operations, SEK thousand	26,458	1,953	627	2,117	-3,309	-12,109
Operating profit/loss discontinued operations, SEK	-31,456	14,264	28,883	27,497	5,701	668
Total operating profit/loss, SEK thousand	-4,999	16,217	29,510	29,613	2,392	-11,441
Result attributable to shareholders in the parent company continuing operations, SEK thousand	-49,432	1,835	-11,911	1,608	-5,101	-13,416
Result attributable to shareholders in the parent company discontinued operations, SEK thousand	-110,193	11,129	24,313	23,207	5,735	999
Total result attributable to shareholders in the parent company, SEK thousand	-159,625	12,964	12,402	24,815	634	-12,417
Earnings per share continuing operations, SEK	-2.57	0.11	-1.09	0.15	-0.48	0.12
Earnings per share discontinued operations, SEK	-5.73	0.65	2.23	2.18	0.54	-1.58
Total earnings per share, SEK	-8.30	0.76	1.13	2.23	0.06	-1.46
Earnings per share after dilution continuing operations, SEK	-2.57	0.11	-1.09	0.13	-0.44	-1.58
Earnings per share after dilution discontinued operations, SEK	-5.73	0.65	2.22	1.92	0.50	0.12
Total earnings per share after dilution, SEK	-8.30	0.76	1.13	2.23	0.06	-1.46
Equity per share, SEK	8.55	15.34	26.20	25.43	23.82	25.23
Equity/Assets ratio %	94	85	55	80	78	80
Cash and cash equivalents, SEK thousand	36,134	13,674	33,729	30,764	45,986	22,171
Investment in exploration and production assets, SEK thousand	11,185	23,468	57,093	29,357	19,845	26,917
Number of shares at the end of the period	36,161,247	18,661,247	12,163,088	10,640,588	10,640,588	8,498.582
Average number of shares	19,222,928	17,047,428	10,911,656	10,640,588	10,640,428	8,498,582
Average number of shares after dilution	19,222,928	17,063,378	10,972,019	12,063,713	11,483,857	8,516,395

The average number of shares for 2010 has been adjusted for the reverse split of shares 1:50, which was implemented in July 2011.

Information for the financial years 2015, 2014, 2013, 2012, 2011 and 2010 has been obtained from Petrosibir's audited annual accounts for the years 2015, 2014, 2013, 2012, 2011 and 2010, in which consolidated accounts have been prepared in accordance with the IFRS, International Financial Reporting Standards, and in accordance with the Annual Accounts Act and the parent company's accounts in accordance with the Annual Accounts Act.

Key figure definitions:
Number of shares at end of period: The number of issued shares of class A and B at the end of the period.
Average number of shares: The average number of issued shares during the period.
Average number of shares after dilution: Average number of shares during the period after full utilization of the outstanding subscription options and convertible bonds that lead to dilution.
Income: As of January 1, 2010, the Company has had income from the sale of crude oil.
Operating profit: Operating income minus operating costs.
Earnings per share: The period's profit/loss after tax in relation to the average number of shares for the period
Earnings per share after dilution: The result after tax for the period in relation to the average number of shares for the period adjusted for potential dilution effect of convertible bonds and options.
Equity per share: Equity in relation to the number of shares at the end of the period.
Equity/assets ratio: Equity as percent of balance sheet total at the end of the period.
Cash and cash equivalents: Cash and cash equivalents at the end of the period.
Investment in exploration and production assets: Investments in exploration assets that affected cash flow during the relevant period.

Production: Nimbus Communication
Print: E-Print AB
Photo: Petrosibir
Paper: MultiArt Silk

MILJÖMÄRKT
341 865