

Interim report January - June 2018

January – June 2018

- Total revenue: SEK 32 (20) million
- Operating result: SEK 4 (-2) million
- Result from equity investment SEK 7 (6)
- Net result: SEK 11 (4) million
- Earnings per share: SEK 0.36 (0.12)

	2018						Jan-Jun	2017
	Jan	Feb	Mar	Apr	May	Jun	TOTAL	TOTAL
Total production, bbl								
Bashkiria	14 155	12 731	13 622	13 123	13 498	12 614	79 744	76 910
Komi	31 186	29 726	30 300	30 244	27 300	24 086	172 843	173 405
Total barrels	45 341	42 457	43 922	43 367	40 799	36 700	252 587	250 315
Average per day, bbl								
Bashkiria	457	455	439	437	435	420	441	425
Komi	1 006	1 062	977	1 008	881	803	955	958
Total barrels per day	1 463	1 517	1 417	1 446	1 316	1 223	1 396	1 383

Statement from CEO

Dear Shareholders,

I am pleased to announce results for the first half of 2018. The Company's focus on operations is continuing to yield encouraging results. Our team's constant efforts combined with favourable market conditions resulted in higher revenues and growing positive cash flow. The drilling and fracing campaign in Komi added approximately 1,000 bopd in line with the targets, the active management of the existing wells in Bashkiria has helped us to slow down the natural production decline. We have just fraced two more wells in the Ayzovskoye field and will announce the results after the wells clean up and stabilise. The efforts to enhance production and profitability in both regions will be continued along with exploring M&A opportunities that will help to increase the shareholder value.

Pavel Tetyakov, CEO

Financial information January – June 2018

The consolidated financial information in this interim report has been prepared in accordance with IAS 34 and in accordance with the same accounting principles, IFRS, that were applied for the financial year 2017 and as they are described in the annual report for 2017.

Consolidated information

Revenue for the period January - June 2018 amounted to SEK 31,592 (20,479) thousand. The company's operating costs amounted to SEK -27,109 (-22,731) thousand and the company shows an operating result of SEK 4,485 (-2,252) thousand. The average Brent oil price January - June was USD 71 per barrel compared to USD 51 the same period in 2017. Higher oil prices in combination with stable volumes led to higher revenue as well as higher production taxes, which are included in operating expenses, in 2018.

During the period Petrosibir has, in addition to selling its own produced oil, also purchased oil for resale. The gross revenue from the oil trading amounted to SEK 8,342 thousand and the cost of the traded oil amounted to SEK -7,983 thousand, i.e. a net result of SEK 359 thousand. The net amount is reported in revenue.

Excluding production taxes, which are dependent on the world oil price and produced volumes, the operating costs amounted to SEK -14,090 thousand during the period compared to SEK -13,786 thousand in the same period 2017. Operating costs are thus stable in both Russia and Sweden. The improved operating result is a result of higher oil prices, improved netbacks and continued cost control in the group.

Petrosibir's share of the result from the equity investment in Ripiano Holdings amounted to SEK 6,970 (6,055) thousand for the period January – June 2018.

Non-current financial assets, SEK 137 million compared to SEK 118 million at December 31 2017, relates to the equity investment in Ripiano and the increase is an effect of Petrosibir's share in Ripiano's net income and a higher exchange rate for the USD against the Swedish krona.

The company's consolidated cash position at June 30, 2018 amounted to SEK 24,305 thousand compared to SEK 13,980 thousand at December 31 2017. The company thus had a positive cash flow for the period of SEK 10,325 thousand. During the period the company has made limited investments.

Shareholders' equity per share at June 30, 2018 was SEK 10.18.

Bashkiria

January - June 2018

Revenue in the period amounted to SEK 31,592 (20,470) thousand. The operating costs amounted to SEK -24,316 (-19,425) thousand, leading to an operating result of SEK 7,276 (1,045) thousand. The operating margin amounted to 23% (5%).

During the period the average Brent price of oil was USD 71 per barrel compared to USD 51 per barrel in the same period 2017. Higher oil price combined with improved netback led to higher revenue in the period compared to prior year. The operations in Bashkiria produced 79,744 (76,910) barrels of oil during January – June 2018 and sold 83,490 (76,735) barrels of own produced oil.

Below are the income statements for the operations in Bashkiria for the period January – June 2018 and 2017, amounts in SEK thousand.

Bashkirian operations	Jan-Jun	
	2018	2017
Revenue own production	31 233	20 470
Revenue oil trading, net	359	0
Raw materials and consumables	-13 567	-9 281
Other operating expenses	-10 749	-10 144
Operating profit	7 276	1 045
Operating margin	23%	5%

In the first half of 2018 the company continued its efforts to stabilise production through pump regimes optimisation and water injection by improving pressure maintenance system. The new plunger-based pump will replace the complex and less efficient reversed ESP in September 2018.

The old Soviet well #54, re-entered in the last quarter of 2017, produced about 20 bopd in the first half of 2018, and it was decided to frac it along with well #9. Fraccing was executed in mid-August 2018, and the results will be communicated in due course once the wells clean up and stabilise.

Starting 2018 the company has initiated oil trading activities to utilise all of its Transneft quota. The trading generated an incremental income of approximately USD 1 per barrel of traded oil. Over the first six months of 2018 such trading resulted in SEK 359 thousand of additional profit.

Komi

Petrosibir owns 49% of the operations in the republic of Komi, a Russian region. Petrosibir's wholly owned subsidiary Sonoyta Ltd owns 49% of Ripiano Holdings Ltd which in turn owns 100% of Dinyu LLC and CNPSEI LLC.

January - June 2018

Revenue in the period amounted to SEK 185,003 (149,358) thousand and the operating costs to SEK -169,958 (-137,967) thousand which resulted in an operating profit of SEK 16,045 (11,391) thousand which corresponds to an operating margin of 9% (8%). Petrosibir's 49% share of the operating profit amounts to SEK 7,862 (5,582) thousand. During the period the export portion of the sales remained on a stable level of 85-90%. This in combination with a higher oil price and flat production volumes compared to the same period in the previous year led to a substantially higher revenue partially offset by simultaneous increase of export duties and production taxes resulting in higher operating costs compared to the same period in the previous year. The Komi operations shows a stable operating margin.

Ripiano Holdings showed a net profit for the period January – June 2018 of SEK 14,224 (12,357) thousand and Petrosibir's 49% share of the net profit is SEK 6,970 (6,055) thousand.

Production during January – June 2018 amounted to 172,843 (173,405) barrels of oil which is equal to an average daily production of 955 (958) barrels.

Below are the income statements for the Komi operations for January – June 2018 and 2017, amounts in SEK thousand.

Komi operations	Jan-Jun	
	2018	2017
Revenue	185 003	149 358
Raw materials and consumables	-109 643	-87 022
Other operating expenses	-59 315	-50 945
Operating profit	16 045	11 391
Operating margin	9%	8%
Petrosibir's share of operating profit, 49%	7 862	5 582

The first part of the drilling campaign in the Sosnovskoye oil field (pad #1) was completed in the first half of 2018. Following the fracking, cumulative production of the new six wells reached the target flow rates of 980 bopd. Further drilling opportunities are evaluated within Sosnovskoye (pad #2) and Dinyu-Savinoborskoye field for 2019.

Production in Dinyu-Savinoborskoye field has been under pressure since the end of 2017 when the water cut levels in the wells #30 and #53 more than doubled to 42% and 36% respectively. Workovers to slow down the watering out and reduce the water cuts and water injection to increase the pressure in the reservoir are scheduled for the second half of 2018.

The company keeps developing a new infrastructure project of oil treatment capacity increase on Sosnovskoye field and pipelines construction from Sosnovskoye and Yuzhno-Tebukskoye fields to save on transportation costs. Additionally, more gas generator sets are planned for installation over 2018 – 2019 enabling a higher generation of electricity for internal consumption and external sale.

Significant events occurring after the reporting period

In August 2018 amendments to the tax laws and export duties in the Russian oil industry have been ratified. In the period 2019 – 2023 export duties will be gradually reduced and production taxes gradually increased. Management is evaluating the possible impact on profitability of both the Bashkirian and Komi operations to be reflected in 2019 budget going forward.

Risk factors and uncertainties

A detailed account of the risks facing the company can be found in the 2017 annual report. During the period, there has been no major change in material risk factors or uncertainties for the group or the parent company. Risks include exploration risk, oil price risk, exchange rate risk, liquidity risk, credit risk, interest rate risk and political risk, among others.

This information was released for publication on 24 August 2018 at 08:30 CET.

This report has not been reviewed by the Company's auditors.

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About Petrosibir

Petrosibir is a Swedish company focused on exploring and developing concessions in Russia. Petrosibir's Ukrainian operations have been distributed to its shareholders. The company holds licences in the Russian republics of Bashkiria and Komi. Petrosibir's 2P oil and gas reserves amount to 35 million barrels of oil equivalent. Petrosibir shares are traded on the OTC-list at beQuoted starting from 17 February 2016 under the symbol PSIB-B.

Petrosibir's exploration and production portfolio

Production onshore					
License	Product	Reserves			Working interest
		1P	2P	3P	
Rustamovskoye / Ayazovskoye*	Oil	7	23	41	100%
Rustamovskoye / Ayazovskoye*	Gas	1	4	7	100%
Dinyu-Savinoborskoye	Oil	1	3	3	49%
Sosnovskoye	Oil	1	6	6	49%
Yuzhno-Tebukskoye**	Oil	0	0	0	49%
Total		10	35	57	

Exploration onshore					
License	Product	Contingent and risked prospective resources			Working interest
		L	M	H	
Rustamovskoye	Oil	1	4	6	100%
Aysky	Oil	4	13	20	100%
Suyanovskoye	Oil	47	47	47	100%
Total		52	64	73	

* - The original Rustamovskoye licence has been divided into two licences: Ayazovskoye - production licence and Rustamovskoye - exploration licence. Both licences are held by Petrosibir's wholly-owned subsidiary AO IngeoHolding.

** - Petrosibir's share of the oil reserves 2P and 3P on the Yuzhno-Tebukskoye oil field is 0.4 million barrels of oil. Due to roundings it states "0" in the row for Yuzhno-Tebukskoye. The amounts may not add up due to roundings.

Note on the reserves and resources calculation

Amounts are reported in millions of barrels of oil equivalent. Reserves and resources refer to the amounts of oil and gas attributable to Petrosibir's share in the fields where the company conducts joint operations via joint ventures and joint investment agreements. 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). Enkonko GeoStream Service Group, part of Key Energy Services, made assessment of the Dinyu-Savinoborskoye, Sosnovskoye and Yuzhno-Tebukskoye licences (2014).

Resources have a lower probability of extraction than reserves.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Total revenue	31 592	20 479	42 946
Raw material and consumables	-13 567	-9 281	-19 973
Personnel costs	-3 877	-3 889	-6 912
Other external expenses	-7 868	-7 473	-14 190
Depreciation	-1 795	-2 088	-3 685
Operating expenses	-27 107	-22 731	-44 760
Operating result	4 485	-2 252	-1 814
Financial income	483	144	481
Financial costs	-28	-135	7 427
Share of result from equity investment	6 970	6 055	-314
Total financial items	7 425	6 064	7 594
Result before tax	11 910	3 812	5 780
Income tax	-1 153	-196	-270
Result for the period	10 757	3 616	5 510
Other comprehensive income			
Translation differences	15 625	-23 177	-27 815
<i>Total items which may be re-classified to result for the period</i>	15 625	-23 177	-27 815
Total other comprehensive income	26 382	-19 561	-22 305
Earnings per share	0,36	0,12	0,19
Average number of shares	29 773 862	29 773 862	29 773 862

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousand	Jun 30 2018	Jun 30 2017	Dec 31 2017
ASSETS			
Non-current assets			
Exploration and evaluation assets	48 772	48 598	48 709
Oil and gas assets	113 865	116 190	116 421
Other fixed assets	2 955	3 310	3 223
Equity investments	137 075	117 635	114 217
Total non-current assets	302 667	285 733	282 570
Current assets			
Inventory	524	230	1 589
Other short-term receivables	749	2 532	1 136
Cash and cash equivalents	24 305	11 315	13 980
Total current assets	25 578	14 077	16 705
Total ASSETS	328 245	299 810	299 275
EQUITY AND LIABILITIES			
Equity	303 249	279 610	276 867
Non-current liabilities			
Deferred income tax liabilities	14 292	13 187	13 296
Other provisions	663	625	637
Total non-current liabilities	14 955	13 812	13 933
Current liabilities			
Accounts payable	2 145	795	1 334
Other current liabilities	7 896	5 593	7 141
Total current liabilities	10 041	6 388	8 475
Total EQUITY AND LIABILITIES	328 245	299 810	299 275

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Cash flow from operating activities			
Before change in working capital	8 048	-19	2 335
Change in working capital	2 775	-4 298	-2 809
Cash flow from operating activities	10 823	-4 317	-474
Investment in oil and gas assets	-572	0	-1 235
Investment in exploration and evaluation assets	-34	0	-7
Cash flow from investing activities	-606	0	-1 242
Cash flow from financing activities	0	0	0
Cash flow for the period	10 217	-4 317	-1 716
Cash and cash equivalents at beginning of the period	13 981	16 139	16 139
Cash flow for the period	10 217	-4 317	-1 716
Exchange differences in cash and cash equivalents	107	-507	-443
Cash and cash equivalents at end of the period	24 305	11 315	13 980

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousand	2018	2017
Opening balance January 1	276 867	299 171
Total comprehensive income for the period	26 382	-19 561
Closing balance June 30	303 249	279 610

Notes to the financial statements

Note 1. Information about the company

Petrosibir AB (publ) is a Swedish legal entity, with corporate identity number 556468-1491 and registered office in Stockholm, Sweden. The Petrosibir share of series B is traded OTC at beQuoted under the ticker PSIB-B. The company's and its subsidiaries' operations are described under "About Petrosibir" herein.

Note 2. Accounting principles

The interim report has been prepared in accordance with IAS 34 and the Swedish Annual Reports Act (Sw. *Årsredovisningslagen*). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Reports Act. The parent company's financial statements have been prepared in accordance with the Swedish Annual Reports Act and the recommendation RFR 2 "Financial Reporting for Legal Entities" issued by the Swedish Financial Reporting Board (Sw. *Rådet för finansiell rapportering*).

The same accounting principles have been applied during the period as were applied during the financial year 2017 and in the way they were described in the 2017 annual report. No new or revised standards, interpretations or amendments adopted by the EU had an effect on the group.

The interim report does not contain all the information that appears in the annual report and, accordingly, the interim report should be read in conjunction with the 2017 annual report.

Note 3. Fair value

Financial instruments are classified in the following categories:

	Jun 30 2018	Dec 31 2017
Loans and accounts receivable	24 305	14 366
Non-current financial assets	137 075	114 217
Total assets	161 380	128 583
Other financial liabilities	2 145	1 334
Total liabilities	2 145	1 334

The reported values equal, in all material respects, the fair value. Petrosibir has not offset any financial assets and liabilities and has no agreements that allows set-off.

Note 4. Non-current financial assets

The equity investment in Ripiano Holding, SEK 137 million, is reported as non-current financial assets.

Note 5. Related party transactions

There have been no related party transactions.