ANNUAL REPORT 2018

PETROSIBIR AB

556468-1491

Directors' report

Operations

Petrosibir AB (publ.) with corporate identification number 556468-1491 is a Swedish company with oil and gas exploration and production operations in Russia.

These 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 started producing oil in Bashkiria in 2011.

Petrosibir also has a 49% ownership in oil and gas operations in Komi, a constituent republic in the Russian Federation. These assets were acquired at the end of 2015. The shareholding in the Komi operations is held via the wholly owned Cypriot company Sonoyta Ltd ("Sonoyta") which in turn holds 49% of the Cypriot company Ripiano Holdings Ltd ("Ripiano"). Ripiano owns 100% of the operations in Komi.

Significant events during the year

In 2018 the Company produced 155,000 barrels of oil compared to 158 000 barrels in the preceding year. This corresponds to an average production of 425 (434) barrels per day. The stable production was achieved as a result of the Company actively working with the existing wells, including optimization of the pressure via water injection and optimization and replacement of pump system and fraccing. Wells #9 and #54 were fracced as reported earlier.

In the fourth quarter 2018 well #141, within the Aysky exploration license, was successfully re-entered and tested. The well was originally drilled in 1971 during the Soviet times but was abandoned due to operational problems. During the workover to re-enter it produced 150 barrels of oil in total which enabled the Company to announce a discovery and register a reserve report. The Company is now going through the process of registering the discovery and obtaining a production license for the new Aysky field.

In 2018 the Company started small volume oil trading, i.e. the sale of 3rd party crude oil. This activity produced 1.5 million SEK of additional income.

On 31 December 2018 the Rustamovskoye exploration license expired and since the Company saw no exploration potential in this area, the Company decided not to apply for an extension.

Political situation in Russia

The political situation in Russia is stable, at the same time certain types of oilfield operations, e.g. development of non-conventional and offshore oil fields, are currently adversely affected as a result of the sanctions imposed by both the EU and USA. The sanctions have been prolonged several times and are still effective. Petrosibir's operations are not subject to and are not affected by the sanctions.

Financial position

As at 31 December 2018 the Group had cash and cash equivalents amounting to SEK 22 (14) million. The equity/assets ratio was 93 (93) per cent. The equity in the Group amounted to SEK 279 (277) million, equal to SEK 9.37 (9.30) per share.

Result

Total revenue for the period January – December 2018 amounted to SEK 63 million (43) of which SEK 61 million (43) relates to revenue from the sale of our own oil. In Bashkiria the volume of our own oil sold amounted to 158,521 (156,344) barrels in 2018, while the production amounted to 154,996 barrels (158,344). The average daily production in 2018 amounted to 425 (434) barrels. A number of production enhancement measures has been undertaken during the year with the aim to slow down the natural production decline. The gross revenue from oil trading amounted to SEK 20 million (0) and the costs to SEK 19 million (0), i.e. a net of SEK 1.5 million (0). The Company reports the revenue from oil trading on a net basis in the income statement.

The operating costs in 2018 amounted to SEK -61 million (-45) and included production taxes relating to produced volumes and oil price. Slightly lower volumes were compensated by higher prices which resulted in higher production taxes compared to 2017. The operating costs also included a disposal / write-down of SEK 7 million (0) of the remaining capitalized costs on the Rustamovskoye exploration license. The exploration license expired on 31 December 2018 and the Company decided not to apply for an extension. Excluding the write-down and the production taxes, the operating costs amounted to SEK -27 million (-26). The increase is attributable to workovers and the re-entry of well #141 on Aysky.

Operating result amounted to SEK 2 million (-2), and adjusted for the write-down to SEK 9 million (-2). The cost saving program introduced in the end of 2016 now has full effect and the Russian operations cover not only their own costs but also the central costs of the Group.

Result before tax amounted to SEK 8 million (6). The financial items include Petrosibir's share of the net income in equity investments (Ripiano) SEK 7 million (7) and a writedown of the interest in Ripiano of SEK -2 million (0) in relation to reclassification, see below under Komi. Net income amounted to SEK 7 million (6).

Cash flow

Cash flow during 2018 amounted SEK 10 million (-2). The cost reduction program and limited investments in the oil and gas operations improved the cash flow compared to the previous year. Cost for workovers are reported in the income statement and are included in the cash flow from operating activities which amounted to net SEK 14 million (-0.5) in 2018. Capitalised investments amounted SEK -4 million (-1) and are reported in cash flow from investment activities. Cash balance at the end of the year amounted to SEK 22 (14) million.

Komi

Accounting treatment of Ripiano Holdings Ltd

Petrosibir owns 49% of the shares in Ripiano Holdings Ltd ("Ripiano") who in turn owns 100% of two operating companies in Komi in Russia. The companies are called Dinyu (owned 100% by Ripiano) and CNPSEI (owned 99% by Dinyu and 1% by Ripiano). Petrosibir has historically accounted for Ripiano under the equity method which means that Petrosibir's share of Ripiano's net income has been included in the income statement and increased (if a profit) or decreased (if a loss) the value in the balance sheet. Certain events, described below, have however led management and the board to conclude that Petrosibir has lost its significant influence over Ripiano and that the equity method of accounting can no longer be applied. In accordance with IAS 28 point 22 Petrosibir has, s of 1 November 2018, ceased using the equity method and reclassified the investment to financial assets at fair value in the balance sheet. In relation to the reclassification an impairment of SEK 2 million was recorded. See also note 3 for the effects this change has had.

The majority shareholder in Ripiano owning 51% of the shares is a Cypriot holding company called 1 Oil Holdings Ltd ("1 Oil"). 1 Oil is also the owner of other oil and gas companies in Russia. In November 2018 one such other company, named Pechoraneftegas CJSC ("PNG"), entered into a significant credit agreement with a large Russian bank. In relation to this CNPSEI signed a guarantee agreement for the loan with the bank, i.e. guaranteeing the loan of PNG. Part of the loan under the credit agreement was transferred by PNG to CNPSEI as a loan on similar terms. CNPSEI used the funds (i) to refinance an existing bank loan, and (ii) to acquire a put option from the same bank giving CNPSEI the right, but not the obligation, to sell a certain amount of oil at a fixed price during three years. The loan to CNPSEI amounted to approximately SEK 80 million and matures in April 2020. Petrosibir has requested full documentation and explanations to the transactions but received only a part of it. Petrosibir also believes that they are related party transactions and that they therefore should have been approved in advance by Petrosibir as a minority shareholder.

In February 2019 1 Oil initiated further transactions which Petrosibir has opposed. A new significant credit agreement was entered into by PNG with the same large Russian bank. As security for the loan Dinyu pledged its 99% interest in CNPSEI and also signed a guarantee agreement with the bank for the loan. In addition, Ripiano would pledge its 1% interest in CNPSEI, thus 100% of CNPSEI would be pledged, 1 Oil would pledge its 51% interest in Ripiano and a number of other arrangements were made as securities for the loan. After the local nominal director in Ripiano appointed two independent directors in Ripiano, the transactions were completed in April 2019, as far as Petrosibir understands. The newly appointed directors have so far have not responded to the inquiries from Petrosibir and refused to discuss the situation before making the decision on approving the transactions. At the end of March 2019 CNPSEI received a demand of early repayment of the loan from PNG. Petrosibir has no information whether the early repayment demand has been executed or not.

Petrosibir has tried to convince the directors of Ripiano not to approve the transactions until obtaining all information that was required for decision making, and in parallel tried to initiate informal discussions with representatives of 1 Oil to solve the situation. There is a risk that PNG, who has signed the significant loan agreements with the Russian bank, defaults on the loans and cannot repay them as stipulated in the credit agreements.

In relation to changing the accounting method for Ripiano Petrosibir has included its share of Ripiano's net result for the period January – October 2018. The result that has been included is an estmation based on the full year result of Ripiano. Petrsobir's share amounts to SEK 7 million (7).

The drilling campaign that commenced on the Sosnovkoye field in 2017 was finalized in 2018 with fraccing of the wells.

Investments / Disposals

During the year only minor investments have been made and capitalized in the balance sheet. Cost for workovers have been expensed in the income statement.

Employees

The average number of full-time Group employees during the financial year was 31 (31).

Risks

The Group is exposed to several different risks, such as those connected with the business, 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. See also section Environmental rules in note 1.

The work of the Board

Petrosibir's Board of Directors consists of five members including the Chairman. The AGM 2018 elected a Board consisting of Richard Cowie (Chairman), Stefano Germani, Maxim Korobov, Timofei Kotenev, and David Sturt. During the financial year 2018 the board had 8 meetings. In addition, the Board has been in regular contact regarding the Company's operations and its development.

Future development

The short-term focus for the Company is to obtain the production license, build basic infrastructure and launch production in the newly discovered Aysky field that will help to compensate the natural depletion of production in Ayazovskoye. At the same time the Company will continue production enhancement measures to stabilize flow rates in Ayazovskoye field that will include active pumps management, water injection and exploring and deploying new intensification opportunities such as acidizing.

In the long term the Company is looking at different options to utilize available resources on Aysky and Suyanovskoye licenses. These include acquisition of new seismic data and evaluation of drilling opportunities. At the same time, the Company will keep actively seeking new opportunities to obtain and efficiently develop new license areas by itself, or together with partners, as well as new assets in the oil and gas industry in Russia.

Shares and ownership structure

Shares in Petrosibir are of series A and series B, where each share of series A has 10 votes and each share of series B has one vote. The Company's shares of series B are traded OTC at beQuoted under the ticker PSIB-B. the total number of shares and votes and the 10 largest shareholders sorted by capital as of 29 March 2019 are outlined in the tables below.

	Series A	Series B	Total
Number of shares	761 900	29 011 962	29 773 862
Number of votes	7 619 000	29 011 962	36 630 962

Shareholder	No. A-shares	No. B-shares	Capital %	Voting %
EFG Bank, Geneve	314 915	5 914 212	20,9%	24,7%
Euroclear Bank S.A/N.V, W8-IMY	296 875	1 331 174	5,5%	11,7%
LGT Bank Ltd, Liechtenstein	0	1 675 102	5,6%	4,6%
Avanza Pension	0	1 629 109	5,5%	4,4%
Mexor i Skellefteå AB	0	1 086 028	3,6%	3,0%
Skandinaviska Enskilda Banken S.A.	0	826 731	2,8%	2,3%
Credit Suisse AG, Zurich	0	645 590	2,2%	1,8%
SIX SIS AG, W8IMY	0	332 637	1,1%	0,9%
BNY Mellon New York	0	308 250	1,0%	0,8%
Bostadsrättsbyggarna	0	300 768	1,0%	0,8%
Other shareholders	150 110	14 962 361	50,8%	44,9%
Total	**761 900**	**29 011 962**	**100%**	**100%**

Annual General Meeting

The Annual General Meeting will be held on 28 May 2019 at Scandic Anglais, Humlegårdsgatan 23 in Stockholm.

Financial overview

The Group	2018	2017	2016	2015	2014	2013
Revenue from continuing operations, SEK th	63 052	42 946	27 307	28 649	44 252	29 786
Revenue from discontinued operations, SEK tl	0	0	0	49 629	68 578	79 278
Revenue total, SEK th	63 052	42 946	27 307	78 278	112 830	109 064
Operating result continuing operations, SEK tł	1 696	-1 813	-13 752	25 275	16 217	29 510
Earnings per share, continuing operations, SEł	0,23	0,19	-0,09	-2,70	0,11	-1,09
Earnings per share, discontinued operations, !	0,00	0,00	0,00	-5,73	0,65	2,23
Equity per share, SEK	9,37	9,30	10,05	8,18	14,76	26,20
Equity / assets ratio, %	93	93	92	90	82	55

The 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. In 2018 the wholly owned subsidiary Petrosibir Exploration AB was merged into Petrosibir AB. Petrosibir AB assumed all assets and liabilities. As a result of the merger a merger profit of SEK 17.3 million was recorded directly in equity. The parent company's net turnover was SEK 0 thousand (0) and the net income amounted to SEK 504 thousand (-8,067). Equity amounted to SEK 224,540 thousand (224,753).

Proposal for the appropriation of profits

At the disposal of the AGM		
Share premium reserv	221 592 207	
Fair value fund	-16 604 101	
Retained earnins	-161 756 881	
Result for the year	503 558	
	43 734 783	
The Board proposes:		
To carry forward to 2019	**43 734 783**	**SEK**

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 disclosures. For the parent company results and financial position, see the following Income statement and Balance sheet with related supplementary disclosures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	Not	2018	2017
Total revenue	2	**63 052**	**42 946**
Operating costs			
Supplies and necessities		-27 668	-19 973
Other external costs	5	-14 432	-12 810
Personnel	4	-8 304	-8 291
Depreciation and amortization of tangible and intangible assets	9, 10	-3 226	-3 685
Disposal/Writedown	9	-7 726	0
Total operating costs		**-61 356**	**-44 759**
Operating result		**1 696**	**-1 813**
Result from financial items			
Financial income	6	1 241	481
Share of net income in associated company	3	6 981	7 427
Capital loss / Writedown financial assets	3	-1 972	0
Financial costs	7	-322	-314
Total financial items		**5 928**	**7 594**
Result before tax		**7 624**	**5 781**
Tax	8	-873	-270
Net income		**6 751**	**5 511**
Profit / -loss attributable to:			
Owners of the parent company		6 751	5 511
Other comprehensive income			
Translation differences	17	-4 576	-27 815
Total items that can or have been transferred to net income		**-4 576**	**-27 815**
Total comprehensive income		**2 175**	**-22 304**
Total comprehensive income attributable to:			
Owners of the parent company		2 175	-22 304
Non-controlling interests		0	0
Earnings per share	23	0,23	0,19
Average number of shares		29 773 862	29 773 862

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousand	Not	2018	2017
ASSETS			
Non-current assets			
Exploration and evaluation assets	9	41 779	48 709
Oil and gas assets	9	102 909	116 421
Machinery & Equipment	10	2 539	3 223
Equity investments	3	0	114 217
Financial assets	11	129 182	0
Total non-current assets		**276 410**	**282 570**
Current assets			
Inventory	12	471	1 589
Accounts and other receivables	13	637	781
Prepaid expenses		327	355
Cash and cash equivalents		22 033	13 980
Total current assets		**23 468**	**16 705**
TOTAL ASSETS		**299 878**	**299 275**
EQUITY AND LIABILITIES			
Equity	16		
Share capital		180 807	180 807
Other paid in capital		274 379	274 379
Reserves	17	-72 391	-67 815
Retained earnings		-103 753	-110 504
Total equity attributable to the shareholders		**279 042**	**276 867**
Non-current liabilities			
Deferred tax	8	12 761	13 296
Provisions	19	918	637
Total non-current liabilities		**13 679**	**13 933**
Current liabilities			
Accounts payable		836	1 334
Tax liabilities		0	0
Other liabilities	14	4 504	5 416
Accrued expenses	15	1 816	1 725
Total current liabilities		**7 157**	**8 475**
TOTAL EQUITY AND LIABILITIES		**299 878**	**299 275**
Contingent liabilities	21	Se not	Se not

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK th	Share capital	Other paid-in capital	Reserves	Retained earnings	Total equity
Opening balance Jan 1, 2017	**180 807**	**274 379**	**-40 000**	**-116 015**	**299 171**
Comprehensive income					
Net income				5 511	5 511
Other comprehensive income					
Translation differences			-27 815		-27 815
Total comprehensive income	**0**	**0**	**-27 815**	**5 511**	**-22 303**
Closing balance Dec 31, 2017	**180 807**	**274 379**	**-67 815**	**-110 503**	**276 868**
Opening balance Jan 1, 2018	**180 807**	**274 379**	**-67 815**	**-110 503**	**276 868**
Comprehensive income					
Net income				6 751	6 751
Other comprehensive income					
Translation differences			-4 576		-4 576
Total comprehensive income	**0**	**0**	**-4 576**	**6 751**	**2 175**
Closing balance Dec 31, 2018	**180 807**	**274 379**	**-72 391**	**-103 753**	**279 042**

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousand	Not	2018	2017
Cash flow from operating activities			
Result after financial items		7 624	5 781
Adjustment for non-cash items			
Depreciation	9, 10	3 226	3 685
Writedown	9	7 726	0
Capital loss on equity investment	3	1 972	0
Share of net income in associated company	3	-6 981	-7 427
Other items		824	296
Taxes paid		-171	0
Cash flow from operating activities before changes in operating capital		**14 220**	**2 335**
Cash flow from changes in operating capital			
Increase (-)/Decrease (+) in inventory		1 036	-1 891
Increase (-)/Decrease (+) in current receivables		-236	-182
Increase (-)/Decrease (+) in current liabilities		-1 030	-736
Cash flow from operating activities		**13 991**	**-474**
Cash flow from investing activities			
Acquisition of exploration and evaluation assets	9	0	-7
Acquisition of oil and gas assets	9, 10	-4 034	-1 235
Cash flow from investing activities		**-4 034**	**-1 242**
Cash flow from financinging activities		**0**	**0**
CASH FLOW FOR THE YEAR		**9 957**	**-1 716**
Cash and cas equivalents at the beginning of the year		13 981	16 139
Translation difference		-1 905	-442
Cash and cas equivalents at the end of the year		**22 033**	**13 981**
Supplementary information to the cash flow			
Components that are included in cash and cash equivalents: Cash and bank		22 033	13 981
Received interest income		1 209	481
Paid interest expenses		-54	-53

INCOME STATEMENT, PARENT COMPANY

SEK thousand	Not	2018	2017
Net turnover	2	0	12
Total revenue		**0**	**12**
Operating costs			
Other external costs	5	-1 772	-8 201
Personnel	4	-3 466	-3 513
Total operating costs		**-5 237**	**-11 714**
Operating result		**-5 237**	**-11 702**
Result from financial items			
Interest income and similar items	6	7 073	4 924
Interest expense and similar items	7	-1 333	-1 069
Capital loss / Writedown financial assets		0	-220
Total financial items		**5 741**	**3 635**
Result before tax		**504**	**-8 067**
Tax	8	0	0
Net income		**504**	**-8 067**

COMPREHENSIVE INCOME

Net income	**504**	**-8 067**
Translation differences	-17 990	3 545
Total comprehensive income	**-17 486**	**-4 522**

STATEMENT OF FINANCIAL POSITION, PARENT COMPANY

SEK thousand	Not	2018	2017
ASSETS			
Non-current assets			
Shares in Group companies	26	126 600	179 567
Loans to Group companies		126 137	79 401
Total non-current assets		**252 736**	**258 968**
Current assets			
Receivables from Group companies		11 105	456
Other receivables	13	35	154
Prepaid expenses		327	355
Total current receivables		**11 468**	**965**
Cash and cash equivalents		656	884
Total current assets		**12 124**	**1 849**
TOTAL ASSETS		**264 860**	**260 817**
EQUITY AND LIABILITIES			
Equity	16		
Restricted equity			
Share capital		180 807	180 807
Total restricted equity		180 807	180 807
Non-restricted equity			
Share premium reserve		287 209	287 209
Fair value fund		-16 604	1 386
Merger result		17 274	0
Retained earnings		-244 649	-236 582
Net income		504	-8 067
Total non-restricted equity		43 733	43 946
Total equity		**224 540**	**224 753**
Non-current liabilities			
Liabilities to Group companies		34 987	32 106
Total non-current liabilities		**34 987**	**32 106**
Current liabilities			
Accounts payable		344	372
Other liabilities	14	70	159
Accrued expenses	15	4 919	3 427
Total current liabilities		**5 333**	**3 958**
TOTAL EQUITY AND LIABILITIES		**264 860**	**260 817**
Memorandum items			
Pledged collateral	21	Se not	Se not
Contingent liabilities	21	Se not	Se not

STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY

SEK th	Share capital	Merger result	Share premium	Fair value fund	Retained earnings	Net income	Total equity
Opening balance Jan 1, 2017	**180 807**	**0**	**287 209**	**-2 159**	**-229 013**	**-7 569**	**229 275**
Comprehensive income							
Net income						-8 067	-8 067
Other comprehensive income				3 545			3 545
Total comprehensive income	**0**	**0**	**0**	**3 545**	**0**	**-8 067**	**-4 522**
Transactions with shareholders							
Allocation of net income					-7 569	7 569	0
Total transactions with shareholders	**0**	**0**	**0**	**0**	**-7 569**	**7 569**	**0**
Closing balance Dec 31, 2017	**180 807**	**0**	**287 209**	**1 386**	**-236 582**	**-8 067**	**224 753**
Opening balance Jan 1, 2018	**180 807**	**0**	**287 209**	**1 386**	**-236 582**	**-8 067**	**224 753**
Comprehensive income							
Net income						504	504
Merger result		17 274					17 274
Other comprehensive income				-17 990			-17 990
Total comprehensive income	**0**	**17 274**	**0**	**-17 990**	**0**	**504**	**-213**
Transactions with shareholders							
Allocation of net income					-8 067	8 067	0
Total transactions with shareholders	**0**	**0**	**0**	**0**	**-8 067**	**8 067**	**0**
Closing balance Dec 31, 2018	**180 807**	**17 274**	**287 209**	**-16 604**	**-244 649**	**504**	**224 540**

STATEMENT OF CASH FLOWS, PARENT COMPANY

SEK thousand	Note	2018	2017
Cash flow from operating activities			
Result after financial items		504	-8 067
Cash flow from operating activities			
before changes in operating capital		**504**	**-8 067**
Cash flow from changes in operating capital			
Increase (-)/Decrease (+) in current receivables		-6 847	5 447
Increase (-)/Decrease (+) in current liabilities		1 116	-2 944
Cash flow from operating activities		**-5 227**	**-5 564**
Cash flow from investing activities			
Proceeds (+) / Repayment (-) of loans from subsidiaries		4 999	-4 699
Cash flow from investing activities		**4 999**	**-4 699**
Cash flow from financing activities		**0**	**0**
CASH FLOW FOR THE YEAR		**-228**	**-10 263**
Cash and cas equivalents at the beginning of the year		884	11 147
Cash and cas equivalents at the end of the year		**656**	**884**
Supplementary information to the cash flow			
Received interest income		20	4
Paid interest expenses		-1	-1

NOTES

General information

Petrosibir AB (parent company), and its subsidiaries (collectively, the Group) are active in the area of oil & gas exploration and operations are conducted in Russia.

The parent company is a public limited liability company. Its registered office is in Stockholm, Sweden. The address of the head office is P.O. Box 5216, 102 45 Stockholm. The Company's share is traded OTC at beQuoted under the ticker PSIB-B.

On 30 April 2019 the Board has authorized the consolidated accounts for publication. The consolidated statement of comprehensive income and financial position will be presented to the Annual General Meeting for adoption on 28 May 2019.

NOTE 1

Accounting and valuation principles, basis for preparation of 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).

Basis of preparation

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 acquisition method and include the parent company and its subsidiaries and equity investments.

Reporting in accordance with 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 judgements for accounting purposes.*

New or changed accounting standards 2018

None of the new or changed accounting standards that the Group adopted 1 January 2018 have had a significant effect on the consolidated financial statements

IFRS 9 Financial instruments

The standard specifies how an entity should classify and measure financial assets, a forward looking expected credit loss model is introduced and hedge accounting aligned to how the entity manages risk. Classification and measurement under IFRS 9 are based on the business model that a company applies to the management of financial assets and the characteristics of the contracted cash flows from the financial assets. The transition to IFRS 9 did not have any significant effect since the implementation on 1 January 2018 and no write downs have been recorded. Future losses will be reported for all financial assets that are reported at amortised cost.

IFRS 15 Revenue from Contracts with Customers

This new standard replaces existing standards and interpretations on revenue recognition and establishes a principle-based standard for all businesses. The standard establishes a new five step model of recognizing revenue from customer contracts. It requires revenue to be recognized when control of goods and services are transferred to the customer point in time or over time. Recognized revenue will reflect the expected and entitled consideration for transferring goods and/or services to customers. The Group has chosen to apply the full retrospective method for the transition to IFRS 15. The transition did, however, not have any effect on the Group’s financial reporting as the Group’s revenue stems from sale of crude oil where the only significant obligation is the delivery of the oil either directly into a pipeline or to refinery trucks and where customer payments are made either directly at delivery or in advance.

New standards that have not yet been adopted

The following standards, interpretations and amendments were issued but had not yet become effective as of 31 December 2018 and have not been adopted by the Group.

IFRS 16 Leases

IFRS 16 is effective from 1 January 2019 and is adopted by the EU. The Group will adopt the standard as of that date and has chosen to use the cumulative catch-up approach where comparative information is not restated.

IFRS 16 will impact almost all lease and rent agreements. Instead of reporting the lease payments as an operating cost it will be reported as a right-of-use asset and a financial liability. The asset will be depreciated and an interest calculated and reported on the liability.

The Group has chosen to apply the simplified catch-up approach when transitioning to the new standard. The right-of-use asset has been deemed to equal the leasing liability at the time of transition. The right-of-use period has been determined with the subsequent knowledge of how cancellation and extension clauses have been used. Right-of-use agreements shorter than 12 months or those that expire within 12 months at the date of transition are classified as short term and not included in the reported right-of-use assets or liabilities. The Group has also excluded right-of-use agreements with a value of lower than USD 5,000 from the right-of-use assets and liabilities.

SEK thousand	Closing balance 31 Dec 2018 before transition to IFRS 16	Assessed reclassification due to transition to IFRS 16	Assessed adjustments due to transition to IFRS 16	Assessed adjusted opening balance 1 Jan 2019
Right-of-use asset	-	-	914	914
Long-term lease liabilities,	-	-	-	-
Short term lease liabilities	-	-	914	914

IFRIC 23 Uncertainty over income tax treatments.

IFRIC 23 clarifies how tax receivables and payables should be reported and measured when there is an uncertainty regarding the tax treatment. An uncertain tax treatment exists when there is an uncertainty whether the treatment will be accepted by the tax authorities. The interpretation is not expected to have any significant effect on Petrosibir's financial reports.

Other than the above there were no changes or amendments that the Group believe will have any significant effect on the Group.

Basis of consolidation

The consolidated accounts have been prepared in accordance with the acquisition method and include 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 acquisition 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 consideration transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange.

The cost of acquisition 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 on the date of acquisition, 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

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 has only one segment - Russia.

Translation of operations in foreign currency

1. *Translation of foreign operations*

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):

	Balanc sheet date rate	Average rate
100 rubles / SEK	12,91 (14,31)	13,88 (14,64)
1 Euro / SEK	10,27 (9,85)	10,28 (9,63)
1 USD /SEK	8,97 (8,23)	8,69 (8,54)

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.

Useful lives

The Group	Years
Office equipment	5-12
Computers	5-8
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.

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

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 entity 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 entity'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 entity). An impairment loss is recognized when an asset, or a cash-generating entity'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 charges

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.

Financial instrument

Financial instruments are initially recognized at fair value on the settlement date basis, including any direct transaction costs. Company management determines the classification of the instruments at the first reporting date, and reviews this decision at each reporting date. The Group uses derivative instruments only to a limited extent.

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. In 2018 shares and other interests in companies, where the Group owns more than 20% of voting rights and capital but does not have significant influence were reclassified to this category. 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 22, Financial Instruments.

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. Borrowings are classified as current unless the Group has an unconditional right to postpone repayment of the debt at least 12 months after the end of the reporting period.

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.

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 and Russia 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.

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. Revenue is recognized 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 in the period it refers to.

Oil trading

Except selling own produced oil the Group, starting 2018, is also selling crude oil produced by others. The Group’s obligation is limited to, as an agent, ensure that the oil is delivered directly from the producer to the customer. The Group does not control the crude oil. The revenue from oil trading is reported on a net basis in the statement of comprehensive income, which means that the revenue from customers is reduced by the cost of acquiring the crude oil and other costs related to the transaction.

Production taxes
Applicable legislation require that production taxes are paid for the extraction of oil.

Sale of services
Sale 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.

Risks associated with operations and markets

Risks related 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's interest in the licenses in the Russian republic Komi are not owned by Petrosibir but by other parties. The Group does therefore not alone have influence over the operations on those 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 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.

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 related to interest in equity investments or interest in other companies

The Group has interests in equity investments where the majority interest is held by another party. Risks and uncertainties are always associated with a minority interest. There is a risk that shareholder agreements are unsatisfactory or contains insufficient provisions, in a case where the interest of the Group and its partners interests differ. The Group and its partners can from time to time have different views on how the operations should be developed and which rights and obligations the parties have. There is no guarantee that the Group's partners will act in the interests of the Group.

Risks related 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. The infrastructure 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.

Sale of oil and 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 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 Russia, the Group is exposed to political risks both nationally and internationally. Due to geopolitical conflicts and differences the EU and the USA have implemented sanctions against Russia and Russia has implemented countersanctions against the EU and the USA. If these sanctions and countersanctions are extended and made more strict in the future they may adversely affect the Group's ability to plan and implement its long-term strategy.

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.

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 22 for a description of the Group's financial instruments. 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 preparing 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 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, 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

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 2018, the value of the Russian currency weakened against the Swedish krona by 10 per cent.

The Russian economy may also be subject to inflation pressure that 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.

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. 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.

Testing for 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 (15) percent
- Reserves of 9 (9) million barrels of oil
- Future world market oil prices per barrel of oil: USD 58 (USD 54) in 2019 (2018) and forward.

The value of exploration and evaluation assets amounts to approximately SEK 42 (49) 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

The Group's continued operation and expansion 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 where deferred tax assets are recognized to the extent it is probable that they can be utilized.

NOTE 2

Revenue

The Group's revenue mainly comes from the sale of own produced crude oil. In 2018 the subsidiary in Russia started selling oil produced by others, below called oil trading. The revenue from oil trading is reported on a net basis, i.e. received revenue less cost for acquiring the oil and related sales costs.

	Group		Parent company	
	2018	**2017**	**2018**	**2017**
Sale of crude oil, own production	61 512	42 934	0	0
Oil trading	1 540	0	0	0
Sale of services, third party	0	12	0	12
Total revenue	**63 052**	**42 946**	**0**	**12**

NOTE 3

Equity investment

Since December 2015 Petrosibir AB owns 100% of the shares in the Cypriot company Sonoyta Ltd ("Sonoyta") which owns 49% of the shares in Ripiano Holdings Ltd which in turn owns 100% of the shares in two operating Russian companies which holds production and exploration licenses in the Russian republic of Komi.

Changes during the year	2018	2017
As of January 1	114 217	127 504
Share of net income	6 981	7 427
Share of other comprehensive income	-5 943	-2 478
Impairment	-1 972	0
Translation differences	15 899	-18 236
Reclassification to Financial assets	-129 182	0
As of December 31	**0**	**114 217**

As described in the Directors' report Petrosibir stopped using the equity method of accounting as of 1 November 2018. Petrosibir's share of Ripianos's net income is included for the period 1 January – 31 October 2018. Petrosibir's share of the Ripiano group statement of comprehensive income for the period 1 January – 31 October 2018 and 1 January – 31 December 2017 are disclosed below, amounts in thousand SEK.

	1 Jan - 31 Oct 2018	1 Jan - 31 Dec 2017
Revenue	157 735	145 837
Production and other costs	-150 689	-136 327
Operating income	**7 047**	**9 510**
Financal net	-325	-344
Income before tax	**6 721**	**9 166**
Tax	260	-1 739
Net income	**6 981**	**7 427**

Petrosibir's share of the net income is reported as a financial item in the Group's statement of comprehensive income and increases the item Equity investments in the Group's statement of financial position.

NOTE 4

Remuneration to personnel and senior management during the financial year 2018 (SEK thousand)

	Basic salary/fee	Variable	Other remuneration	Other benefits	Pension	Total
Richard Cowie, Chairman	180	0	0	0	0	180
Stefano Germani, Director	120	0	0	0	0	120
Maxim Korobov, Director **	60	0	0	0	0	60
Timofei Kotenev, Director	120	0	0	0	0	120
David Sturt, Director	120	0	0	0	0	120
Nikolay Millionshchikov, Director *	60	0	0	0	0	60
Pavel Tetyakov, CEO	1 617	0	0	0	0	1 617
Other senior management, 1 person	1 093	0	0	0	204	1 297
Totalt board and management	**3 371**	**0**	**0**	**0**	**204**	**3 575**

Remuneration to personnel and senior management during the financial year 2017

	Basic salary/fee	Variable	Other remuneration	Other benefits	Pension	Total
Björn Lindström, Chairman *	180	0	0	0	0	180
Hans Berggren, Director *	120	0	0	0	0	120
Peter Geijerman, Director *	120	0	0	0	0	120
Sven-Erik Zachrisson, Director*	120	0	0	0	0	120
Dmitry Zubatyuk, CEO and Director *	1 308	0	0	0	0	1 308
Richard Cowie, Chairman **	703	0	0	0	0	703
Other senior management, 1 person	1 086	0	0	0	203	1 289
Totalt board and management	**3 637**	**0**	**0**	**0**	**203**	**3 840**

* Remuneration as CEO 1 Jan - 14 Jul 2017 and as director 14 Jul - 31 Dec 2017

** For the period 14 Jul - 31 Dec 2017

Senior management benefits

Principles

Remuneration to the Board, including the Chairman, is determined by the shareholders at the AGM, and applies for the period until the next AGM.

Remuneration and benefits to the Board

The total remuneration to the Board for the financial year 2018 amounted to SEK 660 thousand. The amounts relate to the Board fee, there is no remuneration for committee work. The remuneration to the board is disclosed in the table above.

Remuneration and benefits to the CEO

During 2018 the remuneration to the CEO amounted to SEK 1,617 thousand. The CEO is remunerated in USD and the monthly remuneration amounts to USD 15 thousand, which includes social security fees. There are no other benefits and there are no pension payments in favour of the CEO.

Pension plans

The Company has an established pension plan for personnel and senior management which is a defined contribution plan.

Severance agreements

There are no severance agreements in the Company. The notice period for the CEO is three months both from the side of the CEO and the Company.

Gender distribution

The number of directors and CEO in the parent company total 6 persons where 6 are men and no women.

	2018			2017		
Average no of employees	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**
Sweden*	2	2	0	2	2	0
Russia	29	22	7	29	22	7
Total	**31**	**24**	**7**	**31**	**24**	**7**

* Sweden refers to the parent company

	Group		Parent company	
Remuneration to employees and board	**2018**	**2017**	**2018**	**2017**
Senior management and board	3 371	3 689	3 371	3 689
Pension costs	204	203	204	203
Other employees	3 813	3 805	0	43
Pension costs	105	92	0	1
Social security fees	1 472	1 154	551	229
Total	**8 964**	**8 942**	**4 126**	**4 164**

Remuneration to the board is included in other external costs in the statement of comprehensive income.

Geographical distribution	**2018**	**2017**
Sweden	4 126	4 164
Russia	4 839	4 778
Total	**8 964**	**8 942**

NOTE 5
Remuneration to auditors

	Group		Parent company	
	2018	**2017**	**2018**	**2017**
Winthers				
Audit	261	228	261	228
Audit outside audit assignment	0	0	0	0
Tax advice	0	0	0	0
Other	0	2	0	2
Total Winthers	**261**	**230**	**261**	**230**
KPMG				
Audit	0	832	0	832
Audit outside audit assignment	0	0	0	0
Tax advice	0	0	0	0
Other	0	0	0	0
Total KPMG	**0**	**832**	**0**	**832**
AO Auditsistema				
Audit	68	72	0	0
Audit outside audit assignment	0	0	0	0
Tax advice	0	0	0	0
Other	0	0	0	0
Total Auditsistema	**68**	**72**	**0**	**0**
	329	**1 133**	**261**	**1 062**

Audit engagements include reviewing the financial statements and accounting records along with the administration of the Company by the Board and CEO, other tasks that the Company's auditor is required to perform and consulting. Audit activities other than audit engagement mainly concerns consultations and reviews regarding the preparation of prospectuses and issuance of auditors' certificates.

Winthers Revisionsbyrå were re-appointed as auditors in Petrosibir at the AGM 2018. Audit fees have been provided for in accordance with generally accepted accounting principles.

Audit fee to AO Auditsistema refers to audit of the Russian subsidiary.

NOTE 6
Financial income

	Group		Parent company	
	2018	**2017**	**2018**	**2017**
Translation differences	32	0	31	0
Interest income, Group	0	0	7 022	4 920
Interest income, other	1 209	481	20	4
Total	**1 241**	**481**	**7 073**	**4 924**

*Of which received interest 1,209 (481) in the Group and 20 (4) in the parent company.

NOTE 7
Financial expense

	Group		Parent company	
	2018	**2017**	**2018**	**2017**
Translation differences	0	-261	0	-257
Interest expense, group	0	0	-1 332	-1 031
Interest expense, other	-54	-53	-1	-1
Total	**-54**	**-314**	**-1 333**	**-1 289**

*Of which paid interest -54 (-53) in the Group and -1 (-1)

NOTE 8
Income tax

	Group		Parent comany	
	2018	2017	2018	2017
Current tax	-362	-1	0	0
Deferred tax	-511	-269	0	0
Total	**-873**	**-270**	**0**	**0**

Reconciliation of reported tax for the period	**2018**	**2017**	**2018**	**2017**
Profit before tax	7 624	5 781	504	-8 067
Tax at the statutory income tax rate	-2 750	-1 272	-111	1 775
Difference in tax rate foreign operations	1 038	354	0	0
Non-taxable items	-51	216	-1	-526
Deductible items not included in net income	3 901	687	3 901	-780
Other	167	254	0	0
Not utilized loss carry forwards	-3 178	-510	-3 790	-469
Reported tax	**-873**	**-270**	**0**	**0**

The tax rates are 22% in Sweden in 2018, 21.4% in 2019 and 20.6 in 2020, 20% in Russia and 12.5% in Cyprus.

As of 31 December 2018, the Group had tax losses of approximately SEK 208 (195) million. Deferred tax assets attributable to tax losses are recognized only to the extent that it is probable that they will be utilized. The Company assess that the loss carry forwards in the Russian subsidiary can be utilized and the Group recognizes a deferred tax asset related to those losses. In other parts of the Group the future utilization of tax losses are uncertain and no deferred tax assets have been recognized for those losses. The calculated value of the loss carry forwards amounts to SEK 43 (42) million. Tax loss carry forwards can be utilized indefinitely in Sweden and Russia, while in Russia not more than 50% of current period income can be deducted for previous periods losses. In Cyprus loss carry forwards can be utilized over a period of 5 years.

The Group's deferred tax assets and liabilities are attributable to the following:

Deferred tax assets	**2018**	**2017**
	5 250	**6 242**

Deferred tax liabilities	**2018**	**2017**
Intangible assets	9 330	10 347
Tangible fixed assets	5 779	6 205
Captialized interest	2 899	2 985
Other	2	2
Total deferred tax liabilities	**18 010**	**19 538**
Net Deferred tax liability	**12 761**	**13 297**

Deferred taxes net, 2018	Opening balance	Reported in comprensive income	Translation difference	Closing balance
Intangible assets	**10 347**	0	-1 016	**9 330**
Tangible fixed assets	**6 205**	185	-611	**5 779**
Captialized interest	**2 985**	-86	0	**2 899**
Capitalized loss carry forward	**-6 242**	412	580	**-5 250**
Other	**2**	0	0	**2**
Total	**13 297**	**512**	**-1 048**	**12 761**

Deferred taxes net, 2017	Opening balance	Reported in comprensive income	Translation difference	Closing balance
Intangible assets	**10 827**	0	-480	**10 347**
Tangible fixed assets	**5 360**	1 104	-260	**6 205**
Captialized interest	**3 110**	-125	0	**2 985**
Capitalized loss carry forward	**-5 801**	-714	273	**-6 242**
Other	**3**	0	-1	**2**
Total	**13 499**	**265**	**-467**	**13 297**

NOTE 9
Exploration and evaluation assets and oil and gas assets

	Group	
	Exploration and evaluation assets	Oil and gas assets
Cost of acquisition		
Accum cost of acquisition 2017-01-01	**52 700**	**137 534**
Acquisitions	7	-11 857
Prepayments	-308	11 083
Reclassifications	884	-37
Translation differences	-2 419	-5 057
Accum cost of acquisition 2017-12-31	**50 864**	**131 666**
Acquisitions	2 747	1 444
Disposals	-4 939	-2 788
Translation differences	-4 857	-10 642
Accum cost of acquisition 2018-12-31	**43 816**	**119 680**
Depreciation and writedown		
Accum depreciation 2017-01-01	**-1 940**	**-12 571**
Disposals	0	3
Depreciation for the period	-114	-3 024
Writedown	-195	0
Translation differences	93	347
Accum depreciation 2017-12-31	**-2 156**	**-15 245**
Disposals	0	0
Depreciation for the period	-96	-2 590
Disposals	0	75
Translation differences	216	989
Accum depreciation 2018-12-31	**-2 037**	**-16 771**
Net book value:		
As of 2017-12-31	**48 708**	**116 421**
As of 2018-12-31	**41 779**	**102 909**

Exploration and evaluation assets are the non-producing assets and Oil and gas assets are the producing assets.

Exploration and evaluation assets have been allocated to cash generating units and tested for impairment. The cash generating unit of the Group is the part of the Rustamovskoye field in Russia which is producing oil, Ayazovskoye. The Group assesses its exploration and evaluation assets and its oil and gas assets for impairment loss in the light of events or changed circumstances indicating that the reported values of the assets cannot be justified. Such indications include changes in the Groups operational plans, changes in oil prices leading to lower revenue and for oil and gas assets a reduction in the estimated reserves. The significant assumptions that have been used are:

- Discount factor of 15 (15) per cent;
- 2P reserves of 9 (9) million barrels of oil;
- Future oil price of USD 58 (USD 54) per barrel for 2019 (2018) and onwards.

The carrying value of the Group's exploration and evaluation assets amount to SEK 42 (49) million.

The carrying value of the Group's oil and gas assets amount to SEK 103 (116) million. The carrying values are affected by changes in the exchange rates.

When testing the exploration and evaluation assets and oil and gas assets for impairment, no impairment losses were identified.

Total non-current assets other than financial assets located in Sweden amounts to SEK 0 (0) million and those located outside Sweden amounts to SEK 148 (168) million.

NOTE 10
Machinery and equipment

	Group
	Machinery and equipment
Cost of acquisition	
Accum cost of acquisition 2017-01-01	**3 746**
Acquisitions	1 517
Disposals	-24
Translation differences	-206
Accum cost of acquisition 2017-12-31	**5 032**
Acquisitions	159
Disposals	-158
Translation differences	-518
Accum cost of acquisition 2018-12-31	**4 515**
Depreciation	
Accum depreciation 2017-01-01	**-1 368**
Depreciation for the period	-547
Disposals	24
Translation differences	81
Accum depreciation 2017-12-31	**-1 809**
Depreciation for the period	-539
Disposals	140
Translation differences	231
Accum depreciation 2018-12-31	**-1 976**
NBV	
As of 2017-12-31	**3 223**
As of 2018-12-31	**2 539**

NOTE 11
Financial assets

	Group	
Change during the period	**2018**	**2017**
As of 1 January	0	0
Reclassified from Equity investment	129 182	0
As at 31 December	**129 182**	**0**

As described in the Directors' report and note 3 the equity investment, i.e. the interest in Ripiano Holdings Ltd, been re-classified to Financial assets as of 1 November 2018.

NOTE 12
Inventory

	Group	
	2018	**2017**
Crude oil	112	1 389
Other	359	200
Total	**471**	**1 589**

NOTE 13
Accounts and other receivables

	Group		Parent company	
	2018	**2017**	**2018**	**2017**
VAT	35	29	35	29
Accounts receivable	0	386	0	0
Prepayments	543	147	0	0
Other receivables	59	219	0	125
Total	**637**	**781**	**35**	**154**

NOTE 14
Other current liabilities

	Group		Parent company	
	2018	**2017**	**2018**	**2017**
Withholding tax	39	42	39	42
Social security fees	76	78	76	78
VAT	2 064	1 657	0	0
Production tax	1 635	2 100	0	0
Other taxes	182	281	0	0
Prepayments from customers	449	1 219	0	0
Other	59	40	-45	39
Total	**4 504**	**5 417**	**70**	**159**

NOTE 15
Accrued expenses

	Group		Parent company	
	2018	**2017**	**2018**	**2017**
Interest	0	0	3 687	2 099
Audit	230	300	230	300
Vacation and social security	1 105	828	583	498
Board fee	368	527	368	527
Other	113	70	51	3
	1 816	**1 725**	**4 919**	**3 427**

NOTE 16
Equity

There were no changes in the number of shares in the Company. The total number of shares amounts to 761,900 shares of series A and 29,011,962 shares of series B. The total number of shares amounts to 29,773,862.

Financing

The Group has historically to a large extent used equity to finance its business and expansion in Russia by issuing new shares or other financial instruments when there has been a need for additional capital. Previously issued convertible bonds or loans have either been converted to shares or repaid. As of 31 December 2018 there are no outstanding loans in the Group.

Translation differences in equity

Translation differences reported in other comprehensive income amounted to SEK -4,576 (-27,815) thousand in 2017 and as of 31 December 2018 the accumulated translation differences in equity amounts to SEK -72,391 (-67,815) thousand. The translation differences arise when foreign subsidiaries' balance sheets are translated to SEK using the exchange rate applicable on the balance sheet day, and income statements using the average exchange rates.

Translation differences also arise when translating monetary assets and liabilities in foreign currencies, as these are restated on the balance sheet day at the exchange rate applicable that day. These exchange rate differences are normally reported in the income statement, however with the exception of loans in foreign currencies that constitute a currency hedge of a net investment in a foreign operation. These translation differences are reported in other comprehensive income.

Management of capital

The managed capital of the Company consists of equity. Management manages capital that has not yet been used for investments or in operations by investing liquid funds in various credit institutions with a high credit rating and at the best possible return.

NOTE 17
Reserves

	Translation differences	Financial assets held for sale	Total reserves
Opening balance January 1, 2017	**-40 000**	**0**	**-40 000**
Change	-27 815	0	-27 815
Closing balance December 31, 2017	**-67 815**	**0**	**-67 815**
Opening balance January 1, 2018	**-67 815**	**0**	**-67 815**
Change	-4 576	0	-4 576
Closing balance December 31, 2018	**-72 391**	**0**	**-72 391**

NOTE 18
Borrowings

	Parent company	
	2018	2017
Current		
Loans from credit institutions	0	0
Loans from Group companies	0	0
Total current loans	*0*	*0*
Non-current		
Loans from Group companies	34 987	32 106
Total non-current loans	*34 987*	*32 106*
Total	**34 987**	**32 106**

NOTE 19
Provisions

	Group	
	2018	2017
Asset retirement obligations	918	637
Total	**918**	**637**

Costs for asset retirement obligations are reported as provisions based on the present value of the costs that are estimated to be needed to meet the obligation to restore drilling sites when production is closed down, using estimated cash flows. The discount rate reflects a market assessment of the time value of money and risks specific to the obligation. The obligations are reviewed annually and changes in provisions are capitalized or reversed against the relevant asset. No provisions have been reversed or utilized during the year.

NOTE 20
Commitments
Operational leasing
The Group is to some extent dependent on leased premises and equipment. The leasing fees are expensed in the period they relate to. Future minimum lease payments are summarized below:

	Group	
	2018	2017
Lease payments within 1 year	274	294
Lease payments after 1 year and within 3 years	548	867
Lease payments after 3 years	0	0
	822	**1 161**

Leasing fees amounted to SEK 279 (294) thousand in 2018.

NOTE 21
Contingent liabilities

Contingent liabilities
There are no known disputes which can have a significant negative impact on the Group or the parent company.

(i) Contingent liabilities related to tax
The tax system in Russia is characterized by many taxes that are subject to frequent change and inconsistent application at federal, regional and local level.

The application of new laws is highly dependent on how they are interpreted by local tax authorities. Furthermore, many existing problems may not be taken into account in new laws. There is a lack of clarity about how new laws shall be implemented. This creates difficulties for the Group's tax planning and the associated business decisions.

The Russian tax authorities have up to three years to reopen tax audits of previous income tax returns. Changes in the tax system that are applied retroactively by the authorities can affect previously submitted tax returns.

All these circumstances and uncertainties can lead to tax risks that are significantly higher than in other countries. Even if the Group estimate 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 courts in Russia may have a different interpretation. This uncertainty means there is a risk of additional taxation and fines that can amount to substantial amounts.

(ii) Contingent liabilities related to oil and gas operations

There is an obligation to restore the Group's drilling sites to their original condition once oil extraction ceases. See note 19 Provisions for the provisions the Group has made for asset retirement obligations.

(iii) Contingent liabilities related to Russia

Russia is a developing market, and as such do not have a fully developed regulatory framework for commerce, such as a stable banking and legal system, as those in more developed market economies. The Russian economy is characterized by a currency which is not fully convertible outside, foreign exchange controls, low liquidity in bond and equity markets and continued inflation. Operating in Russia therefore involves risks not normally associated with operations in more developed markets.

The stability and success of the Russian economy depends on the effectiveness of the Government's economic policies, and the continued development of the legal and economic systems.

NOTE 22
Financial instruments

Group 2018

Chategory	Loan and accounts receivable	Other financial liabilities	Fin assets that can be sold	Assets and liabilities at fair value	Total
Assets					
Cash	22 033				22 033
Total	**22 033**	**0**	**0**	**0**	**22 033**
Liabilities					
Accounts payable		836			836
Total	**0**	**836**	**0**	**0**	**836**

Group 2017

Chategory	Loan and accounts receivable	Other financial liabilities	Fin assets that can be sold	Assets and liabilities at fair value	Total
Assets					
Accounts receivable			386		386
Cash	13 980				13 980
Total	**13 980**	**0**	**386**	**0**	**14 366**
Liabilities					
Accounts payable		1 334			1 334
Total	**0**	**1 334**	**0**	**0**	**1 334**

The Group applies the amendment to IFRS 7 for financial instruments, valued at fair value in the statement of financial position. Disclosures are required of the fair value at the level of the following fair value hierarchy:

- Quoted prices (unadjusted) on active markets for identical assets or liabilities (level 1);
- Other observable data for assets or liabilities other than quoted prices included in Level 1, either directly (i.e., as quotations) or indirectly (i.e., derived from quotations) (level 2); and
- Data for assets or liabilities that is not based on observable market data (i.e. not observable data) (level 3).

As at 31 December 2018 and 2017 the Group had no financial assets available for sale at fair value in levels 1, 2 or 3.

Maturity
The Group's financial liabilities matures as follows:

	December 31, 2018					
	< 3 months	Between 3 and 6 months	Betweem 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Accounts and other payable	836	0	-	-	-	-
Total	**836**	**0**	**-**	**-**	**-**	**-**

	December 31, 2017					
	< 3 months	Between 3 and 6 months	Betweem 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Accounts and other payable	1 334	0	-	-	-	-
Total	**1 334**	**0**	**-**	**-**	**-**	**-**

NOTE 23
Earnings per share

Earnings per share before dilution are calculated by dividing the profit/loss attributable to shareholders of the parent company by the weighted average number of ordinary shares during the year, excluding ordinary shares repurchased by the parent company and held as treasury shares. The parent company holds no treasury shares.

The average number of shares is then adjusted by the estimated number of shares from the convertible bonds and stock options. Potential shares from stock options are only included when the share price of the shares is equal to or exceeds the average stock exchange price for the shares during the period. In the presented periods there were no convertible bonds or stock options that could give rise to potential shares.

The calculation of diluted earnings per share is made by dividing the adjusted result by the adjusted average number of shares.

The Board proposed to the AGM that there be no dividend distribution for the financial year 2017.

	2018	**2017**
Result attributable to the shareholders of the parent company (SEK th)	6 751	5 511
Weighted average number of shares	29 773 862	29 773 862
Earnings per share, SEK / share	0,23	0,19

NOTE 24
Subsequent events

Starting January 1, 2019, the new taxation system of the oil industry in Russia came into effect. The system generally aims to reduce the export taxes on oil over a six-year period to zero and over the same period increase the production taxes on oil. To avoid immediate increases in the prices on oil products to the end consumers Russia has put a cap on prices on various oil products, such as petrol and diesel, until April 2019. Due to the uncertainty of the development of the oil prices related to the taxation changes Petrosibir cannot at the moment estimate the effect this will have on its revenue. Petrosibir has however taken steps to mitigate the potential impact.

In February 2019 the State Reserves Committee in Russia approved the Company's reserve report for the new oil field on Aysky of 7.3 million barrels of C1+C2 reserves (recoverable).

For events related to Ripiano Holdings Ltd please see the Directors' report which describes events both in 2018 and events after the balance sheet date.

NOTE 25
Related parties

The parent company's related parties are its subsidiaries and associated companies and its board directors and management. The directly and indirectly owned subsidiaries and associated companies are outlined in note 26.

There have been no related party transactions to physical persons in addition to what is disclosed in note 4 Remuneration to employees and senior management.

None (none) of the parent company revenue were revenue from group companies and none (none) of the operating costs were from group companies. The parent company does not have any loans to associated companies and there are no guarantees issued by the parent company to associated companies. All transactions are on arm's length terms.

NOTE 26
Shares in group companies and associated companies

Change during the year	**2018**	**2017**
As of January 1	179 567	187 696
Acquisitions (in relation to merger)	25 459	0
Disposals (in relation to merger)	-78 426	0
Impairment	0	-8 129
As of December 31	**126 600**	**179 567**

For carrying values in equity investments, see note 3.

In 2018 the wholly owned subsidiary Petrosibir Exploration AB was merged into Petrosibir AB. The carrying value of the shares is reported as disposals above. In relation to the merger Petrosibir assumed ownership over the shares in Novats Investments Limited and the carrying value of those shares is reported as acquisitions above.

The table below is a specification of the Group's subsidiaries and associated companies as at 31 December 2018. Sonoyta Ltd and Novats Investments Ltd are owned directly, while, AO Ingeo Holding, OOO Ufa Petroleum and Ripiano Holdings Ltd are owned indirectly.

Company	Domicile	Participation, %	Equity	Net income	Operations
Novats Investments Ltd	Cyprus	100	47 094	-2 491	Holding company
AO Ingeo Holding	Russia	100	58 995	3 607	Exploration for and production of oil & gas
OOO Company Ufa Petroleum	Russia	100	3 966	-369	Exploration for and production of oil
Sonoyta Ltd	Cyprus	100	231 964	1 207	Holding company
Ripiano Holding Ltd	Cyprus	49	63 997	6 981	Holding company

NOTE 27
Appropriation of profits

At the disposal of the AGM		
Share premium reserv	221 592 207	
Fair value fund	-16 604 101	
Retained earnins	-161 756 881	
Result for the year	503 558	
	43 734 783	
The Board proposes:		
To carry forward to 2019	**43 734 783**	**SEK**

The Parent Company financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with International Accounting Standards as prescribed by the European Parliament and the Regulation (EC) No 1606/2002 dated July 19, 2002 on the application of International Accounting Standards. The Parent Company financial statements and the consolidated financial statements give a true and fair view of the Parent Company's and the Group's financial position and results of operations.

The administration report for the Group and Parent Company provides a true and fair overview of the development of the Group's and Parent Company's business activities, financial position and results of operations as well as the significant risks and uncertainties which the Parent Company and its subsidiaries are exposed to.

The consolidated statements of comprehensive income and financial position and the parent company's income statements and balance sheets will be presented to the annual general meeting for adoption of 28 May 2019.

Stockholm 30 April 2019

Richard Cowie Chairman	Stefano Germani	Maxim Korobov
Timofei Kotenev	David Sturt	Pavel Tetyakov CEO

Our audit report was submitted on 7 May 2019
Winthers Revisionsbyrå AB

Ragnar Santesson
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Petrosibir AB (publ)
corporate identity number 556468-1491

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Petrosibir AB (publ) for the year 2018.

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 parent company as of 31 December 2018 and its financial performance and cash flow 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 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Petrosibir AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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 Directors be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation.

We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. 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.

Stockholm 7 May 2019

Winthers Revisionsbyrå AB

Ragnar Santesson
Authorized Public Accountant