

Year-end report January - December 2019

January - December 2019

- Total revenue: SEK 58 (63) million
- Operating result: SEK 4 (2) million
- Net income SEK 4 (7) million
- Earnings per share:
SEK 0.14 (0.23)

July - December 2019

- Revenue: SEK 30 (31) million
- Operating result: SEK 2 (-3) million
- Net income SEK 2 (-4) million
- Earnings per share:
SEK 0.07 (-0.13)

TOTAL PRODUCTION, BBL

	2019						2019 Total	2018 Total
	Jan	Feb	Mar	Apr	May	Jun		
Bashkiria	11 884	10 607	9 826	9 892	10 227	9 833		
Komi	23 883	21 981	25 201	22 741	23 121	21 072		
Total barrels	35 767	32 587	35 026	32 632	33 348	30 905		
	Jul	Aug	Sep	Oct	Nov	Dec		
Bashkiria	10 563	10 746	10 505	10 592	10 315	10 643	125 633	154 996
Komi	24 362	28 326	26 640	27 106	23 975	23 209	291 615	333 340
Total barrels	34 925	39 071	37 144	37 699	34 290	33 852	417 248	488 336

PRODUCTION PER DAY, BBL

	2019						2019 Average	2018 Average
	Jan	Feb	Mar	Apr	May	Jun		
Bashkiria	383	379	317	330	330	328		
Komi	770	785	813	758	746	702		
Total barrels per day	1 154	1 164	1 130	1 088	1 076	1 030		
	Jul	Aug	Sep	Oct	Nov	Dec		
Bashkiria	341	347	350	342	344	343	344	425
Komi	786	914	888	874	799	749	799	914
Total barrels per day	1 127	1 260	1 238	1 216	1 143	1 092	1 143	1 339

Statement from CEO

Dear Shareholders,

I am pleased to announce the year-end results for 2019.

In spite of worse market conditions, i.e. lower oil prices, and natural production decline in Bashkiria we have further improved the operating margin and increased our cash reserves. We put the new Ayskoye oil field into pilot production, which demonstrated future development potential. Our oil trading activity has almost tripled in size and added to the successful year.

We also continued testing the market for a potential sale and in spite of the lengthy process have made some encouraging progress. At the same time we continue evaluating further exploration and development opportunities within our assets portfolio.

Pavel Tetyakov, CEO

Financial information January - December 2019

The consolidated financial information in this interim report has been prepared in accordance with IAS 34 and with the same accounting principles, IFRS, that were applied for the financial year 2018 as they are described in the annual report for 2018.

Consolidated information

Revenue from our own produced oil amounted to SEK 52,093 (61,515) thousand in 2019. In addition to selling its own produced oil, Petrosibir continued to purchase oil for resale. The gross revenue from the oil trading amounted to SEK 57,671 (20,355) thousand and the cost of the traded oil amounted to SEK -51,952 (-18,818) thousand, i.e. a net result of SEK 5,719 (1,537) thousand. The net amount is reported as revenue. The company's operating costs amounted to SEK -53,389 (-61,356) thousand and the company shows an operating profit of SEK 4,427 (1,696) thousand. The average Brent oil price in 2019 was USD 64 per barrel compared to USD 71 in 2018. Lower volumes combined with a lower oil prices led to a lower revenue compared to 2018. The lower oil price also meant lower production taxes in 2019.

The operating costs amounted to SEK -53,389 (-61,356) thousand and include Mineral Extraction Tax (MET) (previously called production tax) which is based both on produced volumes of oil and the oil price. In 2019 some changes to the tax regime related to MET and export duties were implemented. The changes include a reduction of the export duties on oil over a six-year period down to zero and an increase of the MET. Excluding MET the operating costs amounted to SEK -28,557 (-27,021) thousand. The increase compared to 2018 is mainly due to some additional legal costs on a group level and also due to a few well workovers, which included the re-entry the Ayskaya well #141 and regular workovers in the Ayazovskoye field.

The operating profit for 2019 amounts to SEK 4,427 (1,696) thousand.

As disclosed in the 2018 annual report the Company stopped reporting the investment in Ripiano Holdings Ltd under the equity method as of 1 November 2018 and reclassified it to financial assets held for sale in the balance sheet. Petrosibir does therefore not report any share of the net income Ripiano Holdings in the income statement in the period January – December 2019. In the period January – 31 October 2018 Petrosibir reported SEK 6,981 as share of the net income in Ripiano. See further comments on Ripiano below in the “Komi” section.

Non-current financial assets held for sale, SEK 129 (129) million, relates to the equity investment in Ripiano Holdings who owns 100% of two operating companies in the Russian republic of Komi.

The company's consolidated cash position on 31 December 2019 amounted to SEK 31,317 thousand compared to SEK 22,033 thousand on 31 December 2018, i.e. a positive cash flow of SEK 9 284 (8,052) thousand.

Shareholders' equity per share on 31 December 2019 was SEK 10.28 (9.37).

Bashkiria

January-December 2019

The revenue from selling own produced oil in the period amounted to SEK 52,093 (61,512) thousand and the operating costs amounted to SEK -46,917 (-55,908) thousand with the operating result of SEK 10,898 (7,141) thousand. The operating margin amounted to 21% (24%).

During 2019 the average Brent price of oil was USD 64 per barrel compared to USD 71 per barrel in 2018. A lower oil price combined with lower production and sales volumes led to lower revenue in the year compared to the prior year. The operations in Bashkiria produced 125,633 (154,996) barrels of oil during 2019 and sold 125,899 (158,521) barrels of oil.

Net revenue from oil trading amounted to SEK 5,722 (1,537) thousand.

July-December 2019

The revenue from selling own produced oil in the period amounted to SEK 25,735 (30,279) thousand. During the period 62,767 (75,029) barrels of oil were sold in Bashkiria. The average Brent price of oil was USD 62 per barrel during the period compared to USD 72 per barrel for the same period in 2018. The production amounted to 63,364 (75,251) barrels which corresponds to an average daily production of 344 (409) barrels. Lower production and sales volumes and lower Brent oil prices during the period compared to the same period in the prior year led to lower revenue. At the same time the team has successfully increased the netback from oil sales and expanded the oil trading activities that added an incremental revenue of SEK 4 578 (1,178) thousand.

The operating costs in the period amounted to SEK -25,553 (-23,866) thousand. The operating costs in the period reflect increased workover activity and the first payment of the discovery bonus for the new Ayskoye oil field. The higher costs were partially offset by lower production taxes due to lower production and oil prices. Altogether this resulted in a lower margin of 18% (25%) in the period compared to 2018.

Below are the income statements for the operations in Bashkiria for the period January – December 2019 and 2018 as well as for the period July – December 2019 and 2018, amounts in SEK thousand.

Bashkirian operations	Jan-Dec		Jul-Dec	
	2019	2018	2019	2018
Revenue	52 093	61 512	25 735	30 279
Revenue oil trading, net	5 722	1 537	4 578	1 178
Raw materials and consumables	-25 814	-27 668	-12 933	-14 101
Other operating expenses	-21 103	-20 514	-12 620	-9 765
Writedown	0	-7 726	0	-7 726
Operating profit	10 898	7 141	4 760	-135
Operating margin	21%	12%	18%	neg
Operating margin excl writedown	21%	24%	18%	25%

The production declined in the first half of 2019 but following a workover of the main producer the production in Ayazovskoye field has been stable. In November management completed the revision of available geophysical information and prepared an update of the hydrodynamic model of Ayazovskoye field and identified some new cost-efficient opportunities for production increase, which are being considered for execution in the first half of 2020.

In addition to continuing negotiations with potential buyers for our Bashkiria assets we are evaluating alternative scenarios for potential further exploration and development of our assets that may include seismic surveys and drilling.

Komi

January-December 2019

A set of geotechnical measures in Yuzhno-Tebukskoye and Dinyu-Savinoborskoye fields slowed down the production decline. The Dinyu-Savinoborskoye production declined by approximately 9% in 2019 compared to more than 70% drop in 2018 caused by a few producing wells watering out. Since 2016 the watercut level in the some of the wells increased by almost five times to 92% and 67% respectively, significantly reducing production. Sosnovskoye field was declining faster than forecasted in the first half of 2019 but in the second half the year the combination of continuing geotechnical measures and drilling new production wells helped reverse the trend.

The drilling program in the Sosnovskoye field (pad #3) in 2H 2019 demonstrated encouraging results. In accordance to the plan, five new wells were drilled in 2019 confirming the 3D seismic based structure map with net pay ranges from 4 - 6 meters. Towards the end of 2019 all new wells were fraced with average post-fracing flow rates of approximately 220bopd per well. This is reflected in the production reports starting January 2020. The total drilling program covers 7 more wells to be drilled in 2020 - 2021.

The company has also continued a project to upgrade the field oil treatment facilities in the Sosnovskoye including capacity expansion and four new gas generation sets for both internal consumption and market sales.

Significant events occurring after the reporting period

There have been no significant events after the reporting date.

Annual General Meeting and dividend

The annual general meeting is planned to be held on 28 May 2020 in Stockholm. The Board proposes that no dividend is paid for the financial year 2019.

Risk factors and uncertainties

A detailed account of the risks facing the Company can be found in the 2018 annual report. Risks include exploration risk, oil price risk, exchange rate risk, liquidity risk, credit risk, interest rate risk and political risk, among others. During the period, there has been no major changes in material risk factors or uncertainties for the group or the parent company compared to what was described in the 2018 annual report.

Upcoming financial reporting

Annual report 2019	April 2020
Annual General Meeting 2020	28 May 2020

This information was released for publication on 28 February 2020.

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

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About Petrosibir

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

Petrosibir's exploration and production portfolio

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

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

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

** - Petrosibir's share of the oil reserves 2P and 3P on the Yuzhno-Tebukskoye oil field is 0.4 million barrels of oil. Due to roundings it states "0" in the row for Yuzhno-Tebukskoye.

The amounts may not add up due to roundings.

Note on the reserves and resources calculation

Amounts are reported in millions of barrels of oil equivalent. Reserves and resources refer to the amounts of oil and gas attributable to Petrosibir's share in the fields where the company conducts joint operations via joint ventures and joint investment agreements. Calculations in the assessments have been made in accordance with SPE PRMS with the exception of Suyanovskoye resources, which are of category D according to Russian standards. AGR TRACS has made the assessment for Rustamovskoye and Aysky (2014). GeoSeis Group has made the assessment for Suyanovskoye (2014). Enkonko GeoStream Service Group, part of Key Energy Services, made assessment of the Dinyu-Savinoborskoye, Sosnovskoye and Yuzhno-Tebukskoye licenses (2014).

Resources have a lower probability of extraction than reserves.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Total revenue	30 313	31 460	57 815	63 052
Raw material and consumables	-12 933	-14 101	-25 814	-27 668
Personnel costs	-4 460	-4 427	-9 015	-8 304
Other external expenses	-9 371	-6 564	-15 588	-14 432
Write down	0	-7 726	0	-7 726
Depreciation	-1 551	-1 431	-2 972	-3 226
Operating expenses	-28 315	-34 249	-53 389	-61 356
Operating result	1 998	-2 789	4 427	1 696
Financial income	925	758	1 786	1 241
Financial expenses	-50	-294	-97	-322
Share of result from equity investments	0	11		
Impairment financial assets	0	-1 972	0	-1 972
Total financial items	875	-1 497	1 689	-1 053
Result before tax	2 873	-4 286	6 116	643
Income tax	-824	280	-1 916	-873
Result for the period	2 049	-4 006	4 200	-230
Other comprehensive income				
Translation differences	3 950	-20 201	22 965	-4 576
Total items which may be or have been re-classified to result for the period	3 950	-20 201	22 965	-4 576
Total comprehensive income for the period	5 999	-24 207	27 165	-4 806
Earnings per share	0,07	-0,13	0,14	0,23
Average number of shares	29 773 862	29 773 862	29 773 862	29 773 862

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousand	Dec 31 2019	Dec 31 2018
ASSETS		
Non-current assets		
Exploration and evaluation assets	50 527	41 779
Oil and gas assets	118 725	102 909
Other fixed assets	2 901	2 539
Financial assets held for sale	129 182	129 182
Total non-current assets	301 335	276 409
Current assets		
Inventory	697	471
Other current receivables	1 522	964
Cash and cash equivalents	31 317	22 033
Total current assets	33 536	23 468
Total ASSETS	334 871	299 877
EQUITY AND LIABILITIES		
Equity	306 207	279 042
Non-current liabilities		
Deferred income tax liabilities	16 077	12 761
Other provisions	2 389	918
Total non-current liabilities	18 466	13 679
Current liabilities		
Accounts payable	847	836
Other current liabilities	9 351	6 320
Total current liabilities	10 198	7 156
Total EQUITY AND LIABILITIES	334 871	299 877

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Cash flow from operating activities				
Before change in working capital	3 907	6 172	8 296	14 220
Change in working capital	1 864	-3 004	1 726	-229
Cash flow from operating activities	5 771	3 168	10 022	13 991
Investment in oil and gas assets	-3 276	-3 462	-4 373	-4 034
Investment in exploration and evaluation assets	0	34	0	0
Cash flow from investing activities	-3 276	-3 428	-4 373	-4 034
Cash flow from financing activities	0	0	0	0
Cash flow for the period	2 495	-260	5 649	9 957
Cash and cash equivalents at beginning of the period	28 144	24 305	22 033	13 981
Cash flow for the period	2 495	-260	5 649	9 957
Exchange differences in cash and cash equivalents	678	-2 012	3 635	-1 905
Cash and cash equivalents at end of the period	31 317	22 033	31 317	22 033

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousand	2019	2018
Opening balance January 1	279 042	276 868
Total comprehensive income for the period	27 165	2 174
Closing balance December 31	306 207	279 042

Notes to the financial statements

Note 1. Information about the company

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

Note 2. Accounting principles

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

The accounting policies are consistent with those applied in the preparation of the Annual report 2018 and in the way they were described in the 2018 Annual report, except for the adoption of new standards effective January 1, 2019. None of the new or revised standards, interpretations or amendments adopted by the EU had any significant effect on the group.

The interim report does not contain all the information that appears in the annual report and, accordingly, the interim report should be read in conjunction with the 2018 annual report.

Note 3. Fair value

Financial instruments are classified in the following categories:

	Dec 31 2019	Dec 31 2018
Loans and accounts receivable	31 557	22 033
Financial assets held for sale	129 182	129 182
Total assets	160 739	151 215
Other financial liabilities	847	837
Total liabilities	847	837

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

Note 4. Non-current financial assets held for sale

The equity investment in Ripiano Holding, SEK 129 (129) million, is reported as non-current financial assets held for sale.

Note 5. Related party transactions

There have been no related party transactions.