

Press release  
Stockholm, 9 September 2016

## Zhoda Petroleum Ukraine gives notice of EGM to widen its business operations and strengthen its capital base

The shareholders in Zhoda Petroleum Ukraine AB (publ) (“Company”) have today been given notice of an extraordinary general meeting to widen its business operations and strengthen its capital base. The objective is to develop a portfolio of investments where the Company creates shareholder value through entrepreneurship and active ownership in unlisted European entities. In parallel, the Company will continue to develop the current oil operations. The board further proposes a preferential rights issue that will provide SEK 22 million upon full subscription and a name change to Zhoda Investments AB to reflect the new business operations. Following a consolidation of the shareholder base earlier this year, there is strong shareholder support for the funding process and widening of operations proposed by the board.

### The new investment operations

It is the opinion of the Company’s board and management that the oil operations in Ukraine have further strong potential both in terms of profitability and growth. In addition, the board and management have identified several attractive business opportunities beyond the current scope in terms of sector and geography. Through the Company’s investment in these opportunities, its shareholders will gain exposure to new potentially high yield ventures. The objective is to develop a portfolio of investments in unlisted European companies where the Company through entrepreneurship and active ownership will contribute to value creation via high profitability and growth. The board has already identified several potential investments through its extensive network.

### Update on the oil operations

The Company has been active within the oil sector in Ukraine for several years. The Company’s main asset is a 45 per cent interest and ownership through a subsidiary in the Lelyaki oil field. The Company’s net interest in the proven and probable 2P oil reserves amounts to 8 million barrels.

The production volumes at the Lelyaki have been stable for many years and the operator posted operating profits even when the oil price bottomed out earlier in 2016.

<i>Amounts in SEK th excl one-off items</i>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Revenue	49,628	68,578	79,278	79,046
Raw materials and consumables	-31,194	-41,368	-43,485	-41,852
Other operating expenses	-7,256	-2,775	-2,819	-4,593
<b>Operating profit</b>	<b>11,178</b>	<b>24,435</b>	<b>32,974</b>	<b>32,601</b>
<i>Operating margin</i>	23%	36%	42%	41%

<i>Oil production at Lelyaki oil field</i>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Barrels	119,170	125,141	126,565	119,950
Barrels per day	326	343	347	328

*The amounts above reflect Zhoda’s 45 per cent working interest in the operator Kashtan Petroleum’s operations  
Source: Interim reports published by Shelton Petroleum  
The amounts for 2015 are unaudited pro-forma*

As previously announced, the operator has submitted an application to the Ukrainian authorities for extension of the Lelyaki license for another 20 years. In the opinion of the Company, to receive an approval of the extension application, it is necessary (i) for the Ukrainian license authorities to recommence licensing procedures following the recent complete change in government and (ii) for the license operator to either settle or reach a restructuring agreement with the Ukrainian state regarding a specific royalty payment that the operator and several other oil companies in Ukraine did not pay for a single quarter due to a shift and ambiguity in legislation. The Company's partner in the Lelyaki oil field is Ukrnafta, Ukraine's largest oil company, in which the Ukrainian state is the majority shareholder. As was announced in May this year, the operator has resolved, as a precautionary measure, to temporarily shut in production until the authorities have granted the license extension.

The Company has previously accounted for that the operator receives payments for oil sold on a regular basis but with delays, and in order to balance this the operator has in turn opted to delay certain payments. As of the last of July, the Company's share of the operator's accounts receivable and oil inventory amounts to SEK 57 million and the Company's share of the operator's short-term liabilities amounts to SEK 40 million, of which SEK 8 million are related to royalty. It is the operator's objective to reduce working capital by securing payments for accounts receivable, selling oil inventory and paying off the payables. The Company has identified new sales channels that would significantly reduce actual payment terms for future oil sales.

#### **Preferential rights issue to strengthen the capital base**

The Company has today given notice of an extraordinary general meeting where the board proposes the shareholders to resolve on a preferential rights issue that would provide SEK 22 million upon full subscription. The Company's three largest shareholders have committed to subscribe for their share of approximately 35 per cent, which equals approximately SEK 8 million.

Zhoda Petroleum Ukraine is free of debt and has a cash position of approximately SEK 7 million. In addition to this, it holds through subsidiaries a 45 per cent ownership in the operator of the Lelyaki oil field, with a balance sheet as described broadly in the section above.

Funds raised in the issue of new shares will be committed to both the new investment operations and the current oil operations.

The Company has already identified several promising investment opportunities, and upon shareholder approval of the proposals at the EGM it is the intention of the Company to present these opportunities to the shareholders and execute a transaction. Important criteria for the composition of the investment portfolio are entrepreneurship, strong profitability, growth potential and opportunity for the Company to develop the investment through active ownership.

It is the opinion of the Company that there is further high potential in the Lelyaki oil field. Zhoda's working interest amounts to proven and probable 2P oil reserves of 8 million barrels and it is possible to significantly increase both reserves and production levels through proven Western enhancement technology. Zhoda has recently met with its partner Ukrnafta's new management in order to initiate a long-term development plan for the field. The short-term prioritized objective is to reach a 20-year extension, which in turn requires either a settlement agreement with the state or payment of the royalty debt. The operator's objective is to free up funds by collecting receivables and/or selling its oil inventory, but it may be necessary for the operator's shareholders to contribute funds to settle the debt to reach a prolongation.

#### **Changes in shareholder structure and board composition**

Following the dividend distribution of the Company at the end of 2015, the shareholder structure has been consolidated. The board directors Björn Lindström, Peter Geijerman and Katre Saard now hold

approximately two hundred thousand A shares and two million B shares each. Their shareholdings together amount to approximately 35 per cent of the capital and 48 per cent of the votes. They make up the Company's three largest shareholders and have committed to subscribing for their preferential share in the rights issue. To the knowledge of the Company, neither Petrogrand nor Appointed Board Ltd has any substantial ownership in the Company.

It is proposed that Björn Lindström, Peter Geijerman, Katre Saard and Zenon Potoczny continue as board directors. Dmitry Zubatyuk has declined to be re-elected. Depending on the development of the new investment operations, the proposal for board composition may be amended to include additional candidates in order to broaden the board's competence and experience to new sectors.

### **General meeting of shareholders**

The general meeting will be held on 7 October 2016 at 10.00 a.m. at Summit Hitechbuilding Sveavägen 9, plan 17 i Stockholm. For more information, please see the notice of the EGM available on the Company's website [www.zhodapetroleum.com](http://www.zhodapetroleum.com).

*For more information, please contact:*

Robert Karlsson, CEO Zhoda Petroleum Ukraine AB  
+46 709 565 141, [robert.karlsson@zhodapetroleum.com](mailto:robert.karlsson@zhodapetroleum.com)

### **About Zhoda Petroleum**

Zhoda Petroleum is an oil and gas company focused on exploring and developing concessions in Ukraine. Zhoda Petroleum's wholly owned subsidiary has a joint venture with Ukrnafta (via Zhoda 2001 Corp) and Chornomornaftogaz (via Shelton Canada Corp). Zhoda Petroleum's main asset is a 45 per cent interest in the producing Lelyaki field. The company's oil and reserves amount to 8 million barrels of 2P. Zhoda Petroleum's shares are traded on Pareto Securities OTC. For more information, visit [zhodapetroleum.com](http://zhodapetroleum.com).

*This is an English translation of the Swedish original. In case of discrepancies, the Swedish original shall prevail.*