

## Interim report January - June 2017

### January – June 2017

- Total revenue: SEK 20 (11) million
- Operating result: SEK -2 (-11) million
- Result from equity investment SEK 6 (8)
- Net result: SEK 4 (-5) million
- Earnings per share: SEK 0.12 (-0.15)

	2017						Jan-Jun	2016
	Jan	Feb	Mar	Apr	May	Jun	TOTAL	TOTAL
<b>Total production</b>								
Bashkiria	13 280	12 030	13 290	12 660	13 045	12 605	76 910	77 260
Komi	32 820	27 720	29 150	29 390	27 910	26 415	173 405	171 460
<b>Total barrels</b>	<b>46 100</b>	<b>39 750</b>	<b>42 440</b>	<b>42 050</b>	<b>40 955</b>	<b>39 020</b>	<b>250 315</b>	<b>248 720</b>
<b>Per day</b>								
Bashkiria	428	430	429	422	421	420	425	425
Komi	1 059	990	940	980	900	881	958	942
<b>Total barrels per day</b>	<b>1 487</b>	<b>1 420</b>	<b>1 369</b>	<b>1 402</b>	<b>1 321</b>	<b>1 301</b>	<b>1 383</b>	<b>1 367</b>

### Statement from CEO

Dear Shareholders,

As you will see in this report Petrosibir is making a considerable progress in producing more oil, generating more revenue, optimising costs and improving the netback from the oil sales. Although we have benefited from the growth in the oil price, the improving indicators are mainly attributable to the professional teams running the operations in Bashkiria and Komi. We hope that the ongoing drilling and workover campaign will continue delivering encouraging results. In addition to focusing on operations we will be looking for opportunities to increase the shareholder value through M&A activities.

Pavel Tetyakov, CEO

## Financial information January – June 2017

The consolidated financial information in this interim report has been prepared in accordance with IAS 34 and in accordance with the same accounting principles, IFRS, that were applied for the financial year 2016 and as they are described in the annual report for 2016.

In 2016 Petrosibir corrected errors in prior periods. The corrections affected the opening balances in 2016. As a result of the corrections the statement of comprehensive income for the period January – June 2016 and the statement of financial position as of 30 June 2016 have been adjusted compared to what has been published earlier.

### Consolidated information

Revenue for the period January - June 2017 amounted to SEK 20,479 (11,341) thousand. The company's operating costs amounted to SEK -22,731 (-23,222) thousand and the company shows an operating result of SEK -2,252 (-11,011) thousand. The average Brent oil price January - June was USD 51 per barrel compared to USD 40 the same period in 2016. Higher prices in combination with stable volumes led to higher revenue as well as higher production taxes in 2017.

The operating costs are somewhat lower than in the same period 2016. Mainly personnel costs are lower but also other operating costs in the company have been reduced due to a cost reduction program that commenced in the end of 2016. These reductions were however offset by the cost of workovers, SEK 3,050 thousand, that the company has carried out on its field in Bashkiria during the period. This is described further below in the Bashkiria section. Due to changed base for depreciation in 2016 and due to commencing depreciation of well #9 and the central processing facility (CPF) the depreciation is higher than in prior year. Still, the operating result has improved by SEK 9 million compared to the same period last year.

Petrosibir's share of the result from the equity investment in Ripiano Holdings amounted to SEK 6,055 (7,923) for the period January – June 2017.

Non-current financial assets, SEK 118 million, relates to the equity investment in Ripiano which was acquired in the Sonoyta acquisition.

The company's consolidated cash position at 30 June 2017 amounted to SEK 11,315 thousand compared to SEK 16,139 at 31 December 2016. The cash flow for the period was -4,317. During the period the company paid a liability to Petrogrand AB in the amount of SEK 4,395. There were no new investments in Bashkiria.

Shareholders' equity per share at 30 June 2017 was SEK 9.39

### ***Bashkiria***

#### **January - June 2017**

Revenue in the period amounted to SEK 20,470 (11,184) thousand and the operating costs amounted to SEK -19,425 (-9,927) leading to an operating result of SEK 1,045 (1,257) thousand. The operating margin amounted to 5% (11%).

During the period the average Brent price of oil was USD 51 per barrel compared to USD 40 per barrel in the same period 2016. Higher oil price combined with stable and improved netback led to higher revenue in the period compared to prior year. Also, a stronger Russian ruble against the Swedish krona increased revenue, and

costs, when translating from ruble to SEK. The operations in Bashkiria produced 76,910 (77,260) barrels of oil during January – June 2017 and sold 76,735 (77,650) barrels of oil. The operating costs include the cost of workovers on wells #9 and #11 during the period and which amounted to SEK 3,050 thousand. They also include a higher depreciation due to a change in the base on which depreciation is calculated and the fact that depreciation commenced on well #9 and the CPF in 2017. These costs affected the operating result and margin negatively.

Below are the income statements for the operations in Bashkiria for the period January – June 2017 and 2016, amounts in SEK thousand.

<b>Bashkirian operations</b>	<b>Jan - Jun</b>	
	<b>2017</b>	<b>2016</b>
<b>January - June</b>		
Revenue	20 470	11 184
Raw materials and consumables	-9 281	-6 637
Other operating expenses	-10 144	-3 290
<b>Operating profit</b>	<b>1 045</b>	<b>1 257</b>
<b>Operating margin</b>	<b>5%</b>	<b>11%</b>

The company is continuously working on some measures to stabilise and increase production through optimising well pump regimes and workovers. In the fourth quarter of 2016 and the first quarter of 2017 Petrosibir's focus was to intensify the flow rates from the key horizons (Bobrikovskiy, Orlovskiy and Kynovsko-Pashiyskiy) in wells #9 and #11. In spite of confirmation of the reservoir the actual flow rates were below expectation. To stabilise and increase the overall reservoir pressure in April 2017 the company resumed water injection through well #11 and we are now seeing a slight increase of production in well #2.

When looking for some low-hanging fruits we have identified well #54 in Ayazovskoye field, which is an old Soviet well drilled in the 1960s, as a potential candidate for re-entry and workover. If successful we will receive additional production. The workover operations have just started, we will inform shareholders about the result of these operations in due course.

Management in Bashkiria tries on a regular basis to expand the customer base, thereby enhancing competition and achieving better prices for our oil. Starting March 2017 we sell a part of the volume through the Transneft pipeline in the neighboring region of Tatarstan.

The CPF constructed during 2015-2016, was successfully put into operation in the course of the fourth quarter 2016 and commissioned in January 2017. The new equipment includes a gas processing facility considerably reducing energy consumption costs, environmental fees and other risks associated with gas utilization. We also achieved some savings thanks to connecting well#1 to the CPF by a low-cost intra-field pipeline. Previously the production from this well was trucked to the CPF.

## **Komi**

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

### **January - June 2017**

Revenue in the period amounted to SEK 149,358 (65,494) thousand and the operating costs to SEK -137,967 (-60,198) thousand which resulted in an operating profit of SEK 11,391 (5,296) thousand which corresponds to an operating margin of 8% (8%). Petrosibir's 49% share of the operating profit amounts to SEK 5,582 (2,595) thousand. During the period the export portion of the sales have continued to increase. This in combination with

a higher oil price and higher production volumes compared to the same period in the previous year led to a substantially higher revenue. Increased export sales also result in increased export duties and a higher oil price results in higher production taxes which explains the substantially higher operating costs compared to the same period in the previous year. The Komi operations shows a stable operating margin.

Ripiano Holdings showed a net profit for the period January – June 2017 of SEK 12,357 (16,169) thousand and Petrosibir's 49% share of the net profit is SEK 6,055 (7,923) thousand.

Production during January – June 2017 amounted to 173,405 (171,460) barrels of oil which is equal to an average daily production of 958 (942) barrels.

Below are the income statements for the Komi operations for January – June 2017 and 2016, amounts in SEK thousand.

<b>Komi operations</b>	<b>Jan - Jun</b>	
	<b>2017</b>	<b>2016</b>
<b>January - June</b>		
Revenue	149 358	65 494
Raw materials and consumables	-87 022	-50 467
Other operating expenses	-50 945	-9 731
<b>Operating profit</b>	<b>11 391</b>	<b>5 296</b>
<b>Operating margin</b>	<b>8%</b>	<b>8%</b>
<b>Petrosibir's share of operating profit, 49%</b>	<b>5 582</b>	<b>2 595</b>

The drilling campaign in the Sosnovskoye oil field commenced in February 2017 with 4 wells drilled up to now. There are an additional two production wells to be drilled from the same pad. All wells are to be fraced to reach the target flow rates.

The company continued the expansion of the gas utilisation program with the installment of the second gas-processing unit that now covers the electricity demand within the Sosnovskoye and Dinyu-Savinoborskoye fields. All excess of locally generated electricity is supplied to the regional energy system allowing full compensation of electricity costs also in the Yuzhno-Tebukskoye oil field. As a result, lifting costs in all three fields in Komi have been substantially reduced.

The company has commenced the project to upgrade the field oil treatment facilities in the Sosnovskoye and Yuzhno-Tebukskoye fields and to build the pipelines connecting these fields to Transneft. Once the project is completed the company will benefit from the substantially reduced oil transportation costs compared to the current costs based on trucking the oil to Transneft.

## Significant events occurring after the reporting period

On 14 July 2017 Pavel Tetyakov was appointed CEO of Petrosibir.

## Risk factors and uncertainties

A detailed account of the risks facing the company can be found in the 2016 annual report. During the period, there has been no major change in material risk factors or uncertainties for the group or the parent company. Risks include exploration risk, oil price risk, exchange rate risk, liquidity risk, credit risk, interest rate risk and political risk, among others.

This information was released for publication on 25 August 2017 at 09:00 CET.

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

For more information, please contact:

Pavel Tetyakov, CEO, +46 8 407 1850  
Gunnar Danielsson, deputy CEO and CFO, +46 70 738 0585  
[www.petrosibir.com](http://www.petrosibir.com)

**Petrosibir AB**  
Swedish corporate identity number: 556468-1491  
Hovslagargatan 5B  
SE-111 48 Stockholm  
Tel: +46 8 407 18 50  
[www.petrosibir.com](http://www.petrosibir.com)

## About Petrosibir

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

## Petrosibir's exploration and production portfolio

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

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

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

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

## Note on the reserves and resources calculation

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

Resources have a lower probability of extraction than reserves.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

SEK thousand	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
<b>Total revenue</b>	<b>20 479</b>	<b>11 341</b>	<b>27 307</b>
Raw material and consumables	-9 281	-6 638	-11 792
Personnel costs	-3 889	-6 550	-10 528
Other external expenses	-7 473	-8 642	-16 515
Depreciation	-2 088	-522	-2 224
<b>Operating expenses</b>	<b>-22 731</b>	<b>-22 352</b>	<b>-41 059</b>
<b>Operating result</b>	<b>-2 252</b>	<b>-11 011</b>	<b>-13 752</b>
Financial income	144	71	181
Financial costs	-135	-1 512	-1 511
Share of result from equity investment	6 055	7 923	7 831
<b>Total financial items</b>	<b>6 064</b>	<b>6 482</b>	<b>6 501</b>
<b>Result before tax</b>	<b>3 812</b>	<b>-4 529</b>	<b>-7 251</b>
Income tax	-196	-82	4 467
<b>Result for the period</b>	<b>3 616</b>	<b>-4 611</b>	<b>-2 784</b>
<b>Other comprehensive income</b>			
Translation differences	-23 177	20 769	58 361
<b><i>Total items which may be re-classified to result for the period</i></b>	<b><i>-23 177</i></b>	<b><i>20 769</i></b>	<b><i>58 361</i></b>
<b>Total other comprehensive income</b>	<b>-19 561</b>	<b>16 157</b>	<b>55 577</b>
Earnings per share	0,12	-0,15	-0,09
Average number of shares	29 773 862	29 773 862	29 773 862

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

SEK thousand	<b>Jun 30 2017</b>	<b>Jun 30 2016</b>	<b>Dec 31 2016</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Exploration and evaluation assets	48 598	53 411	50 761
Oil and gas assets	116 190	92 313	124 963
Other fixed assets	3 310	778	2 378
Equity investments	117 635	105 704	127 504
<b>Total non-current assets</b>	<b>285 733</b>	<b>252 206</b>	<b>305 606</b>
<b>Current assets</b>			
Inventory	230	93	243
Other short-term receivables	2 532	1 068	2 385
Cash and cash equivalents	11 315	32 509	16 139
<b>Total current assets</b>	<b>14 077</b>	<b>33 670</b>	<b>18 767</b>
<b>Total ASSETS</b>	<b>299 810</b>	<b>285 876</b>	<b>324 373</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>279 610</b>	<b>259 751</b>	<b>299 171</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	13 187	15 449	13 500
Other provisions	625	240	758
<b>Total non-current liabilities</b>	<b>13 812</b>	<b>15 689</b>	<b>14 258</b>
<b>Current liabilities</b>			
Accounts payable	795	1 252	1 267
Other current liabilities	5 593	9 184	9 677
<b>Total current liabilities</b>	<b>6 388</b>	<b>10 436</b>	<b>10 944</b>
<b>Total EQUITY AND LIABILITIES</b>	<b>299 810</b>	<b>285 875</b>	<b>324 373</b>



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**

	<b>Jan-Jun 2017</b>	<b>Jan-Jun 2016</b>	<b>Jan-Dec 2016</b>
<b>Cash flow from operating activities</b>			
Before change in working capital	-19	-8 058	-11 124
Change in working capital	-4 298	1 369	-242
<b>Cash flow from operating activities</b>	<b>-4 317</b>	<b>-6 689</b>	<b>-11 366</b>
Investment in oil and gas assets	0	-829	-14 147
Investment in exploration and evaluation assets	0	-802	-224
Sale of financial assets	0	8 029	8 029
<b>Cash flow from investing activities</b>	<b>0</b>	<b>6 398</b>	<b>-6 342</b>
<b>Cash flow from financing activities</b>	<b>0</b>	<b>-4 016</b>	<b>-4 016</b>
<b>Cash flow for the period</b>	<b>-4 317</b>	<b>-4 307</b>	<b>-21 724</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>16 139</b>	<b>36 134</b>	<b>36 134</b>
Cash flow for the period	-4 317	-4 307	-21 724
Exchange differences in cash and cash equivalents	-507	682	1 729
<b>Cash and cash equivalents at end of the period</b>	<b>11 315</b>	<b>32 509</b>	<b>16 139</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<b>SEK thousand</b>	<b>2017</b>	<b>2016</b>
<b>Opening balance January 1</b>	<b>299 171</b>	<b>243 610</b>
Total comprehensive income for the period	-19 561	16 157
Issue costs	0	-16
<b>Closing balance June 30</b>	<b>279 610</b>	<b>259 751</b>

## 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 same accounting principles have been applied during the period as were applied during the financial year 2016 and in the way they were described in the 2016 annual report. No new or revised standards, interpretations or amendments adopted by the EU had an effect on the group.

The interim report does not contain all the information that appears in the annual report and, accordingly, the interim report should be read in conjunction with the 2016 annual report.

### Note 3. Fair value

Financial instruments are classified in the following categories:

	<b>Jun 30 2017</b>	<b>Dec 31 2016</b>
Loans and accounts receivable	11 315	32 509
Non-current financial assets	117 635	105 704
<b>Total assets</b>	<b>128 950</b>	<b>138 213</b>
Other financial liabilities	795	1 252
<b>Total liabilities</b>	<b>795</b>	<b>1 252</b>

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

### Note 4. Non-current financial assets

The equity investment in Ripiano Holding, SEK 118 million, which was acquired in the Sonoyta acquisition is reported as non-current financial assets.

### Note 5. Related party transactions

There have been no related party transactions.