

Interim report January - June 2020

January – June 2020

- Total revenue: SEK 20 (28) million
- Operating result: SEK 0 (2) million
- Impairment of Ripiano SEK -31 million (0)
- Net income: SEK -30 (2) million
- Earnings per share: SEK -1.01 (0.07)

	2020						Jan-Jun	2019
	Jan	Feb	Mar	Apr	May	Jun	TOTAL	TOTAL
Total production, bbl								
Bashkiria	10 622	9 782	10 373	9 694	10 096	9 709	60 276	62 269
Komi	36 428	35 649	35 227	28 814	24 106	27 509	187 734	137 998
Total barrels	47 050	45 431	45 600	38 508	34 202	37 218	248 010	200 267
Average per day, bbl								
Bashkiria	343	337	335	323	326	324	331	344
Komi	1 175	1 229	1 136	960	778	917	1 032	762
Total barrels per day	1 518	1 567	1 471	1 283	1 103	1 241	1 363	1 106

Statement from CEO

Dear Shareholders,

The first half of 2020 was definitely the most difficult time for many years. Nevertheless, I am pleased to announce that in spite of some hits Petrosibir has survived, is stable and set for development. I am glad to inform you that none of the employees of the group have so far tested positive for COVID-19 and we are continuing to monitor the situation.

As you all know, the drop in oil prices in March 2020 badly hit oil companies around the globe and Petrosibir was not an exception. At a point in time in April the prices were 3-7 times lower than in February. In spite of such severe conditions we managed to minimise losses by optimising oil sales and cutting costs where possible, and as a result finished the first half 2020 with a slightly positive operating result.

Unfortunately, the situation on the oil market affected the completion of negotiations on the potential sale of some of our assets, and our current focus is 100% on operations. At the same time, we have managed to come to a preliminary agreement with a potential investor to jointly explore and develop the Suyanovskoye licence in Bashkiria, a very promising exploration block adjacent to our producing asset. Once the deal is completed the new JV will launch an exploration drilling campaign targeting the two best prospects. This could potentially become a new stage in the life of Petrosibir.

Pavel Tetyakov, CEO

Financial information January – June 2020

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 2019 and as they are described in the annual report for 2019. Certain reclassifications have been made in the balance sheet compared to the annual report 2019.

Consolidated information

Revenue for the period January - June 2020 amounted to SEK 19,798 (27,502) thousand. The company's operating costs amounted to SEK -19,649 (-25,074) thousand and the company showed an operating result of SEK 0.149 (2,428) thousand. The average Brent oil price January - June was USD 43 per barrel compared to USD 65 the same period in 2019. Lower oil prices and lower volumes of oil led to lower revenue as well as lower production taxes, which are included in operating expenses, in 2020.

During the period Petrosibir continued to purchase oil for resale. The gross revenue from the oil trading amounted to SEK 21,885 (15,845) thousand and the cost of the traded oil amounted to SEK -17,945 (-14,701) thousand, i.e. a net result of SEK 3,940 (1,144) thousand. Petrosibir traded 75,200 (37,300) barrels of oil. The net amount is reported in revenue.

Excluding production taxes, which are dependent on the world oil price and produced volumes, the operating costs amounted to SEK -12,156 thousand during the period compared to SEK -12,193 thousand in the same period 2019, i.e. more or less unchanged. Operating costs are thus stable in both Russia and Sweden. The lower operating result is mainly due to the lower oil price and the lower volumes of oil that were produced and sold.

In the period Petrosibir recorded an impairment loss of SEK -31,017 (0) thousand related to the investment in Ripiano. The carrying value of the Ripiano investment is SEK 98 (129) million after the impairment. The outbreak of COVID-19 in 2020 caused countries globally to put severe measures in place to stop or slow down the spreading of the infection. The demand for oil has decreased globally and the prices have fallen sharply. At the same time the oil producing countries have reduced their output but not enough to hinder lower oil prices. After the spring drop in oil prices the Brent price has partially recovered and now appears to be stable at around USD 40 per barrel. Petrosibir consider the effects of the COVID-19 outbreak an impairment event and have therefore tested the assets in Bashkiria and Komi for impairment. As noted above an impairment loss was recorded related to Komi but not to Bashkiria.

The company's consolidated cash position at June 30, 2020 amounted to SEK 28,217 thousand compared to SEK 31,317 thousand at December 31, 2019. During the period the company invested SEK 0.9 million in intangible and tangible oil and gas assets.

Shareholders' equity per share at June 30, 2020 was SEK 8.82.

Bashkiria

January - June 2020

Revenue in the period amounted to SEK 17,798 (27,502) thousand. The operating costs amounted to SEK -16,069 (-21,364) thousand, leading to an operating result of SEK 3,728 (6,138) thousand. The operating margin amounted to 19% (22%).

During the period the average Brent price of oil was USD 43 per barrel compared to USD 65 per barrel in the same period 2019. Lower oil price and lower volumes led to lower revenue in the period compared to prior year. The operations in Bashkiria produced 60,276 (62,269) barrels of oil during January – June 2020 and sold 60,554 (63,132) barrels of own produced oil.

The oil trading activities to utilise all of the Transneft pipeline quota have developed and increased during the period. Over the first six months of 2020 the oil trading resulted in gross revenue of SEK 21,885 (15,845) thousand and the cost of purchasing the oil amounted to SEK -17,945 (-14,701) thousand with a net margin of SEK 3,940 (1,144) thousand.

Below are the income statements for the operations in Bashkiria for the period January – June 2020 and 2019, amounts in SEK thousand.

Bashkirian operations	Jan-Jun	
	2020	2019
Revenue own production	15 857	26 358
Revenue oil trading, net	3 940	1 144
Raw materials and consumables	-7 493	-12 881
Other operating expenses	-8 576	-8 483
Operating profit	3 728	6 138
Operating margin	19%	22%

In the first half of 2020 the company continued its efforts to slow down the natural production decline by fine tuning pump regimes and timely revision of the bottom-hole equipment. Management has also identified a few cost-efficient opportunities to exploit adjacent intervals and optimise current well fund to ensure all wells generate profit.

In March-June significant efforts were put in place to mitigate risks of production interruptions caused by COVID-19 related restrictions. Management implemented flexible work regimes for office staff and longer shift mode for field personnel, none of the employees or contractors working with the company have been detected for the virus. A quick reallocation of oil sales from the pipeline to the well-head and engaging a few new buyers softened the overall negative economic impact on the business which resulted in a positive financial result for the period in spite of harsh market conditions.

In the second half of 2020, on the back of positive oil price trend, the company plans to resume workovers activities targeting to keep the production on Ayazovskoye field stable and to further evaluate potential of the new Ayskoye field.

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.

The information flow from Ripiano continues to be limited, including both operational and financial information.

January - June 2020

The company drilled six new wells on the Sosnovskoye field over 2019-2020, five of them were successfully fraced delivering on average 226 bopd and confirming a structure map based on 3D seismic with a netpay range of 2,6-5,8 meters. Total drilling plan has been reduced from 12 to 8 due to the changes on the oil market, remaining wells are planned to be drilled in 2021.

Effective management of pump regimes equipment in Sosnovskoye and Yuzhno-Tebukskoye fields helped slowing down the production decline. Despite water injection enhancement measures and workovers of Dinyu-Savinoborskoye main producers, it was decided to shut-down the field in April for economic reasons until oil prices recover to pre-crisis levels or above.

For the second half of the year the company will focus on sustaining production of the recently drilled wells in Sosnovskoye field and preparing for the next drilling cycle in 2021. At the same time projects of oil treatment center expansion and oil pipeline constructions will have to be updated to reflect latest changes in business and future potential.

Significant events occurring after the reporting period

Over the last couple of years the company has been looking for a partner to jointly explore the potential of the highly promising Suyanovskoye licence, a highly promising licence yet requiring significant and risked capital investment. In the meantime the company has worked on improving the understanding of the asset that included reinterpretation of available geological and geophysical information to select the most attractive prospects and well locations. In the spring 2020 the process moved forward and we have recently signed a preliminary agreement on the terms of a potential farm-out. The initial stage will involve drilling of two exploration wells on two separate prospects within the Suyanovskoye licence. More information on the transaction will be provided once the negotiations are completed and binding documentation is in place.

Risk factors and uncertainties

A detailed account of the risks facing the company can be found in the 2019 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 28 August 2020 at 14:00 CET.

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

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About Petrosibir

Petrosibir is a Swedish company focused on exploring and developing concessions in Russia. Petrosibir's Ukrainian operations have been distributed to its shareholders. The company holds licences in the Russian republics of Bashkiria and Komi. Petrosibir's 2P oil and gas reserves amount to 35 million barrels of oil equivalent. Petrosibir shares are traded on the OTC-list at beQuoted 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 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 2020	Jan-Jun 2019	Jan-Dec 2019
Total revenue	19 798	27 502	57 815
Raw material and consumables	-7 493	-12 881	-25 814
Personnel costs	-3 923	-4 555	-9 015
Other external expenses	-6 421	-6 217	-15 588
Depreciation	-1 812	-1 421	-2 972
Operating expenses	-19 649	-25 074	-53 389
Operating result	149	2 428	4 426
Financial income	740	861	1 786
Financial costs	-307	-47	-97
Impairment of financial assets	-31 017	0	0
Total financial items	-30 584	814	1 689
Result before tax	-30 435	3 242	6 115
Income tax	355	-1 092	-1 916
Result for the period	-30 080	2 150	4 199
Other comprehensive income			
Translation differences	-19 748	19 015	22 965
<i>Total items which may be re-classified to result for the period</i>	<i>-19 748</i>	<i>19 015</i>	<i>22 965</i>
Total other comprehensive income	-49 828	21 165	27 164
Earnings per share	-1,01	0,07	0,14
Average number of shares	29 773 862	29 773 862	29 773 862

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousand	Jun 30 2019	Jun 30 2019	Dec 31 2019
ASSETS			
Non-current assets			
Exploration and evaluation assets	44 859	45 857	50 527
Oil and gas assets	105 203	117 024	118 725
Other fixed assets	2 287	2 932	2 901
Equity investments	0	0	0
Financial assets held for sale	98 165	129 182	129 182
Total non-current assets	250 514	294 995	301 336
Current assets			
Inventory	408	456	697
Other short-term receivables	916	972	1 523
Cash and cash equivalents	28 217	28 144	31 317
Total current assets	29 541	29 572	33 537
Total ASSETS	280 055	324 567	334 872
EQUITY AND LIABILITIES			
Equity	256 378	300 207	306 206
Non-current liabilities			
Deferred income tax liabilities	14 155	15 052	16 078
Non-current loans	2 028	0	0
Other provisions	2 169	1 092	2 389
Total non-current liabilities	18 352	16 144	18 467
Current liabilities			
Accounts payable	725	633	849
Other current liabilities	4 600	7 583	9 351
Total current liabilities	5 325	8 216	10 200
Total EQUITY AND LIABILITIES	280 055	324 567	334 872

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Cash flow from operating activities			
Before change in working capital	2 104	4 389	8 297
Change in working capital	-1 163	-138	1 726
Cash flow from operating activities	941	4 251	10 023
Investment in oil and gas assets	-514	-1 097	-4 434
Investment in exploration and evaluation assets	-343	0	0
Sale of financial assets	0	0	61
Cash flow from investing activities	-857	-1 097	-4 373
Cash flow from financing activities	0	0	0
Cash flow for the period	84	3 154	5 650
Cash and cash equivalents at beginning of the period	31 317	22 033	22 033
Cash flow for the period	84	3 154	5 650
Exchange differences in cash and cash equivalents	-3 184	2 957	3 634
Cash and cash equivalents at end of the period	28 217	28 144	31 317

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousand	2020	2019
Opening balance January 1	306 206	279 042
Total comprehensive income for the period	-49 828	21 165
Closing balance June 30	256 378	300 207

Notes to the financial statements

Note 1. Information about the company

Petrosibir AB (publ) is a Swedish legal entity, with corporate identity number 556468-1491 and registered office in Stockholm, Sweden. The Petrosibir share of series B is traded OTC at beQuoted under the ticker PSIB-B. The company 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 2019 and in the way they were described in the 2019 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 2019 annual report.

Note 3. Fair value

Financial instruments are classified in the following categories:

	Jun 30 2020	Dec 31 2019
Loans and accounts receivable	28 217	31 317
Non-current financial assets	98 165	129 182
Total assets	126 382	160 499
Other financial liabilities	725	849
Total liabilities	725	849

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. Related party transactions

There have been no related party transactions.