

Interim Report January – June 2014

Petrogrand AB (publ)

29 August 2014

Second quarter of 2014

- During the 2nd quarter, the Group had no operating income (-). The operating result for the 2nd quarter amounted to TSEK -11 699 (-8 281), which includes about TSEK -6 000 of extraordinary costs.
- Net financial items in the 2nd quarter amounted to TSEK 750 (-2 737).
- Net result after tax for the 2nd quarter amounted to TSEK -10 949 (-11 018).
- Earnings per share for the period amounted to SEK -0.27 (-0.27).

January - June 2014

- During the first half of the 2014, the Group had no operating income (-). The operating result for the period amounted to TSEK -21 277 (-16 182), which includes about TSEK -10 000 of extraordinary costs.
- Net financial items in the period amounted to TSEK 1 377 (1 098).
- Net result after tax for the period amounted to TSEK -19 901 (-13 986)
- Earnings per share for the period amounted to SEK -0.49 (-0.35).
- The Company holds 4 983 756 B-Shares at the end of the period.

The figures in brackets represent the corresponding period 2013

MD's report

Dear shareholders,

The second quarter has been very intensive with public offers and counter-offers, summons to extraordinary general meetings, meetings and negotiations.

At the extraordinary general meeting on 7 March, the majority of the Petrogrand AB shareholders voted in favour for the Company's continued activities and elected three new industry-savvy members to the Board of Directors.

On May 14 was held an extraordinary general meeting, called by Shelton Petroleum, where suggestion of a new Board of Directors was on the agenda. This proposal was voted down.

Annual General Meeting on June 27 re-elected the Board, and the undersigned got the Board's confidence to continue as CEO.

This means that the company's organization and management continues its work with great enthusiasm.

On March 27, Petrogrand made a public offer to Shelton Petroleum's shareholders, that nevertheless was not concluded. At the same time, Petrogrand extended its holding to nearly 5 million shares in Shelton Petroleum.

Furthermore, Shelton Petroleum has concluded public share offer, and as a result acquired about 11 million shares in Petrogrand.

The increased cross-ownership with Shelton Petroleum and disputes during the past year, led to that the parties signed a so-called "stand still agreement" before the general meetings in June 2014. The agreement is valid until 30 September 2014 and in good spirit, the parties will find a long-lasting solution to the situation that has arisen.

Given the cross-shareholdings in companies, there are motives to positively see that both parties' share prices develop well.

As the report states the public offers and legal disputes caused considerable extraordinary costs. However, we have continued reduction of the company's cost as well as developing the efficiency of the organization.

We have a stable and functioning situation in Russia and intensive discussions with various partners to proceed with the company's business focus.

During third quarter 2014, a portion of the Company's cash deposited on the Company's account with Sberbank, in order to generate improved returns.

I look with great confidence into the future, as the Company has a potential in the Russian market.

Best regards,
Maks Grinfeld
Managing Director
Petrogrand AB

Comment on the Group's result and financial position per 30 June 2014.

Turnover and result

The Group had no operating income during the period January - June 2014 (-) and did not have any production related operating expenses (-).

The Group did not have any costs for sales and distribution during the period (-). Administration costs amounted to TSEK -21 277 (-16 182), which includes approximately TSEK -10 000 of extraordinary costs that mostly accrued during the second quarter 2014.

The Operating result for the first two quarters amounted to TSEK -21 277 (-16 182).

Financial income amounted to TSEK 1 697 (1 441). Net financial items amounted to TSEK 1 377 (1 098). In the first half of 2014, the company had no longer any funds under discretionary management, the liquid assets are placed on interest-bearing accounts.

Result before tax amounted to TSEK -19 901 (-13 986). There was no tax charged for the period. Earnings per share for the period amounted to SEK -0,49 (-0,35).

Investments

At the end of the third quarter 2013, the reserves for intangible assets impairment were made, thus no intangible fixed assets are reported on the Group's balance sheet at the end of the second quarter.

Financing and liquidity

During the period, no assets were placed under portfolio management (TSEK 200 244).

Cash placed in Russia amounted to TSEK 2 892 (44 163) and in Sweden TSEK 236 649 (127 270) at the end of the period. As of 30 June 2014 the Groups available liquid assets in total amounted to TSEK 239 541 (372 522).

As of 30 June 2014 Petrogrand holds 4 983 756 B-shares in Shelton Petroleum AB(publ) ("Shelton"), price per share at the end of the period SEK 20,30. The value of the investment based on the price amounts to TSEK 101 170. The unrealized appreciation amounting to TSEK 5 339 are stated as "*Unrealised value change of shares in Shelton Petroleum AB*" in "consolidated statement of profit or loss and other comprehensive income" (see page 9).

Total financial assets amount on 30 June 2014 to TSEK 340 711 (382 964).

Employees

The number of employees in Group companies at the end of the period was 14 (24), whereof women 7(11) and men 7 (13).

Comments on the Parent Company

Parent Company income statement includes write down of loans given to Russian subsidiaries under first two quarters 2014. Previous loans were written down before the start of the year, thus the value loans in the balance sheet of the Parent Company is equal to SEK 0.

On the Parent Company's balance sheet the shares in Shelton are valued at the purchase price of the shares.

Transactions with related parties

James Smith, a member of the Board, has a consultant agreement with Petrogrand regarding advice on geology.

Major events during the report period

On 19 January 2014 Shelton Petroleum AB released information about a public bid to Petrogrand's shareholders. After conclusion of the offer Shelton have reported to have acquired 28,8% of shares and votes in Petrogrand.

Extraordinary General Meeting, which took place on Friday 7 March 2014, resolved to re-elect Maks Grinfeld and Mikael Wallgren as Board members, new election of Lars Jacobsson. Timur Rodionov and James Smith previous deputies were elected Board Members. Mikael Wallgren was appointed by the EGM to serve as chairman of the Board.

On 21 March 2014 Petrogrand AB announced a cash offer to acquire all shares, warrants and convertibles in Shelton Petroleum AB. The acceptance period stretched to 1 July 2014. After acceptance period's end Petrogrand has decided not to conclude the offer to Shelton shareholders as the goal of acquiring 50% of shares and votes in Shelton was not achieved.

On 26 June 2014 Shelton and Petrogrand have reached an agreement, that among other restricted the right of the companies to request EGMs in corresponding company as well as not to vote on any general meetings until the end of September 2014. The companies continue the dialog in order to resolve cross-shareholding in a long-term perspective.

Annual General Meeting on 27 June 2014 has resolved to re-elect the sitting board.

Operations

Petrogrand AB is an independent Swedish oil company within exploration and production assets operated only in the Tomsk region in western Siberia in Russia. Following the sale of its production subsidiary STS-Service early in 2010, a new business plan for future operations was developed. Petrogrand's general business concept is to carry on oil production through acquired Russian oil companies and oil licenses. Petrogrand will also manage, enhance the value of and sell Russian oil assets.

The first investment in line with the new business plan was the Nizhnepaninsky license area in the Tomsk region. The license area was discovered in the 1960's and in 2013 the State Committee for Natural Resources has registered the resources at 31,3 million tons, according to the Russian classification C3 (approximately 235 mmbbl). During winter and spring 2011, seismic surveys were carried out in the license area and the results laid the ground for exploration drilling which took place during the winter 2012.

Another project was the Muromsky-2 license area, also in the Tomsk region. After drilling an exploration well and seismic surveys were carried out during 2012 the license area's estimated resources amount to 20.5 million tons, according to the Russian classification of C3 (about 154 mmbbl).

The company is seeking partners

The company has continued to seek Russian partners for its Tomsk licences to maximise the exploration potential. In the end of February 2014 the Company has made an announcement regarding a nonbinding letter of intent was signed with Gazprom Neft, regarding cooperation in exploration of the license areas Muromsky-2 and Nizhnepaninsky.

Production status as of 30 June 2014

The Group did not produce any oil during January- June 2014.

Share data

As of 31 March 2014 the share capital of Petrogrand AB amounts to SEK 40 265 898 divided into 40 265 898 outstanding shares, each with a new par value of SEK 1.

According to the Incentive Programme 2011/2014 the Company's employees have purchased 473 000 warrants. Each warrant entitled the holder to subscribe to one new share in the Company. All warrants have been cancelled on 15 July 2014.

CONSOLIDATED INCOME STATEMENT

QUARTER 2

(All amounts in TSEK)	Apr-Jun 2014	Apr-Jun 2013	Full Year 2013
Operating income			
Net sales of oil	-	-	-
Other operating income	-	-	-
Total operating income	-	-	-
Cost of sales			
Production costs	-	-	-
Amortization	-	-	-
Gross profit	-	-	-
Selling and distribution expenses	-	-	-
Administration costs*)	-11 699	-8 281	-31 680
Other operating expenses	-	-	-
Intangible assets impairment	-	-	-138 608
Operating profit	-11 699	-8 281	-170 288
Result from financial investments			
Financial income	636	500	3 444
Change in real value of assets under external management	-	-1 997	3 394
Interest effect on short term financial investment	-	-	-
Exchange rate effects	136	-1 212	-3 768
Other financial costs	-22	-28	-3 940
Result before tax	-10 949	-11 018	-171 158
Tax on the period's result	-	-	-
The period's Net result	-10 949	-11 018	-171 158
Whereof attributable to the shareholders of the parent company	-10 949	-11 018	-171 158
Earnings per share before dilution, SEK	-0.27	-0.27	-4.25
Earnings per share after dilution, SEK	-0.27	-0.27	-4.25
Number of shares issued at end of period	40 265 898	40 265 898	40 265 898
Average number of shares outstanding for the period	40 265 898	40 265 898	40 265 898
Outstanding number of warrants at end of period (1 warrant corresponding to 1 share)**)	40 265 898	40 265 898	40 265 898
	473 000	473 000	473 000

*) Which includes about TSEK 6 000 of extraordinary costs

***) Of the options programme approved by the AGM on 15 June 2011 473 000 warrants have been assigned

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
QUARTER 2**

(All amounts in TSEK)	Apr-Jun 2014	Apr-Jun 2013	Full year 2013
Income for the period	-10 949	-12 203	-171 158
Items that may be reclassified subsequently to income statement			
Translation difference	302	-7 126	-12 525
Unrealised value change of shares in Shelton Petroleum AB	15 913	-	6 000
Other comprehensive income for the period, net of taxes	5 266	-19 329	-177 683
Total result attributable to:			
Parent company shareholders	5 266	-19 329	-177 683

CONSOLIDATED INCOME STATEMENT

January-June

(All amounts in TSEK)	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Operating income			
Net sales of oil	-	-	-
Other operating income	-	-	-
Total operating income	-	-	-
Cost of sales			
Production costs	-	-	-
Amortization	-	-	-
Gross profit	-	-	-
Selling and distribution expenses	-	-	-
Administration costs*	-21 277	-16 182	-31 680
Other operating expenses	-	-	-
Intangible assets impairment	-	-	-138 608
Operating profit	-21 277	-16 182	-170 288
Result from financial investments			
Financial income	1 697	1 441	3 444
Change in real value of assets under external management	-	2 065	3 394
Interest effect on short term financial investment	-	-	-
Exchange rate effects	-275	-2 366	-2 368
Other financial costs	-45	-42	-5 340
Result before tax	-19 901	-13 986	-171 158
Tax on the period's result	-	-	-
The period's Net result	-19 901	-13 986	-171 158
Whereof attributable to the shareholders of the parent company	-19 901	-13 986	-171 158
Earnings per share before dilution, SEK	-0.49	-0.35	-4.25
Earnings per share after dilution, SEK	-0.49	-0.35	-4.25
Number of shares issued at end of period	40 265 898	40 265 898	40 265 898
Average number of shares outstanding for the period	40 265 898	40 265 898	40 265 898
Outstanding number of warrants at end of period (1 warrant corresponding to 1 share)**)	473 000	473 000	473 000

*) Which includes about TSEK 10 000 of extraordinary costs

* *) Of the options programme approved by the AGM on 15 June 2011 473 000 warrants have been assigned

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

January - June

(All amounts in TSEK)	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Income for the period	-19 901	-15 084	-171 158
Items that may be reclassified subsequently to income statement			
Translation difference	-2 802	-7 002	-12 525
Unrealised value change of shares in Shelton Petroleum AB	5 339	-	6 000
Other comprehensive income for the period, net of taxes	-17 363	-22 086	-177 683
Total result attributable to:			
Parent company shareholders	-17 363	-22 086	-177 683

CONSOLIDATED BALANCE SHEET

(All amounts in TSEK)	2014-06-30	2013-06-30	2013-12-31
ASSETS			
FIXED ASSETS			
Intangible fixed assets	-	144 475	-
Shares in company of interest	101 170	-	36 000
Tangible fixed assets	577	895	648
Total fixed assets	101 748	145 370	36 648
CURRENT ASSETS			
Inventories	2 185	2 332	2 239
Short term convertible loan	-	-	185 811
Other current receivables	6 051	3 140	53 336
Assets under discretionary management	-	200 244	-
Cash and bank	239 541	172 278	93 034
Total current assets	247 776	377 994	334 420
TOTAL ASSETS	349 524	523 364	371 068
 EQUITY AND LIABILITIES			
TOTAL EQUITY	344 226	517 187	361 589
LONG-TERM LIABILITIES	-	-	-
SHORT-TERM LIABILITIES			
Accounts payable	2 056	1 849	971
Other short-term liabilities	2 610	2 279	4 377
Accrued costs and prepaid income	632	2 050	4 131
Total short-term liabilities	5 298	6 177	9 478
TOTAL EQUITY AND LIABILITIES	349 524	523 364	371 068

CONSOLIDATED CASH FLOW STATEMENT

(All amounts in TSEK)	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Cash flow from current operations			
Operating result	-21 277	-16 182	-170 288
Adjustment for items not included in cash flow	95	536	140 755
Interest received	1 659	355	2 729
Interest paid	-2	37	-75
Tax	-	-	357
Cash flow from current operations before changes in operating capital	-19 525	-15 254	-26 522
Cash flow from changes in operating capital			
Decrease(+)/increase(-) in inventory	54	608	701
Decrease(+)/increase(-) in receivables	47 285	4 278	-46 294
Decrease(-)/increase(+) in liabilities	-1 014	-1 526	-202
Total changes in operating capital	46 325	3 360	-45 795
Cash flow from current operations	26 800	-11 894	-72 317
Investment operations			
Investment in intangible fixed assets	-	-75	-662
Investment in tangible fixed assets	-	-	-
Change in intangible assets	-	-	-
Investment in Financial assets under discretionary management	-	-201 520	52 409
Investment in / Repayment of Short financial loan	185 811	-	-185 811
Change in financial assets	-65 830	8 662	-30 000
Cash flow from investment operations	119 981	-192 933	-164 064
Financing operations			
Dividend	-	-	-
Cash flow from financing operations	-	-	-
Decrease(-)/increase(+) in liquid assets	146 782	-204 827	-236 381
Liquid assets at beginning of period	93 034	332 938	332 939
Exchange rate differences in liquid assets	-275	3	-3 524
Liquid assets at end of period	239 541	128 115	93 034

STATEMENT OF CHANGES IN EQUITY

Attributable to shareholders of the Parent company

(All amounts in TSEK)	Share capital	Additional paid in capital	Other reserves	Retained earnings	Total equity capital
Incoming equity on 1 January 2013	268 410	1 432 114	-91 562	-1 069 690	539 272
Result for the period	-	-	-7 002	-15 084	-22 085
Balance on 30 June 2013	268 410	1 432 114	-98 564	-1 084 774	517 187
Result for the period	-228 144	-	477	72 069	-155 597
Balance on 31 December 2013	40 266	1 432 114	-98 087	-1 012 705	361 589
Result for the period	-	-	2 538	-19 901	-17 363
Outgoing balance on 30 June 2014	40 266	1 432 114	-95 549	-1 032 606	344 225

KEY RATIOS

	6 months 2014-06-30	6 months 2013-06-30	12 months 2013-12-31
Group			
Total assets, TSEK	349 524	523 364	371 068
Total equity, TSEK	344 226	517 187	361 589
Equity ratio (%)	98.5%	98.8%	97.40%
Interest bearing debt, TSEK	-	-	-
Employees at end of period	14	24	14
Return on equity (%)	-5.71%	-2.86%	-38.00%
Per share data			
Earnings per share, SEK	-0.49	0.37	-4.25
Equity per share, SEK	8.55	12.84	8.98

Key ratio definitions

Total assets, TSEK	Total assets at end of period
Total equity, TSEK	Total equity at end of period
Equity ratio (%)	Total equity according to above divided by total assets expressed as a percentage
Interest bearing debt, TSEK	Total interest bearing debt at end of period
Earnings per share, SEK	Net result after tax for the period divided by the average number of outstanding shares for the period before dilution
Equity per share, SEK	Total equity according to above at end of period divided by the total number of shares outstanding at end of period
Return on equity (%)	Net result after tax for the period divided by the average equity for the same period

PARENT COMPANY INCOME STATEMENT

January-June

(All amounts in TSEK)	Jan-Jun 2014	Jan-Jun 2014	Full year 2013
Operating income			
Other operating income	-	-	-
Total operating income	-	-	-
Cost of sales	-	-	-
Gross profit	-	-	-
Administration costs	-16 574	-6 436	-13 668
Other operating expenses	-	-	-209 358
Operating profit	-16 574	-6 436	-223 026
Result from financial investments			
Financial income	1 696	1 441	3 444
Change in real value of assets under discretionary management	-	2 065	3 394
Interest effect on short term financial investment	-	-	-3 768
Exchange rate effects	-275	-2 366	-
Other financial costs	-5 693	-11 950	-19 343
Result before tax	-20 846	-17 245	-239 300
Tax on the period's result	-	-	-
The period's Net result	-20 846	-17 245	-239 300

PARENT COMPANY BALANCE SHEET

(All amounts in TSEK)	2014-06-30	2013-06-30	2013-12-31
ASSETS			
FIXED ASSETS			
Intangible fixed assets	-	-	-
Tangible fixed assets	35	82	44
Financial fixed assets	585	209 032	585
Shares in companies of interest	95 831		30 000
Total fixed assets	96 451	209 113	30 629
CURRENT ASSETS			
Short term financial investment	-	-	185 811
Other current receivables	4 701	1 620	52 018
Assets under discretionary management	-	200 244	-
Cash and bank	238 411	171 405	92 686
Total current assets	243 112	373 269	330 515
TOTAL ASSETS	339 563	582 382	361 144
EQUITY AND LIABILITIES			
TOTAL EQUITY	334 746	577 646	355 592
LONG-TERM LIABILITIES	-	-	-
SHORT-TERM LIABILITIES			
Accounts payable	1 853	1 698	779
Other short-term liabilities	2 332	2 045	2 204
Accrued costs and prepaid income	632	993	2 569
Total short-term liabilities	4 817	4 736	5 552
TOTAL EQUITY AND LIABILITIES	339 563	582 382	361 144

Accounting policy

Basis for the preparation of the interim report

This interim report has been prepared in accordance with IAS 34, Interim reporting. The consolidated group accounting has been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by EU and the Annual Accounts Act.

The interim report does not include all the information and notes included in the annual report.

Parent company

The interim report for the parent company has been prepared in accordance with the Annual Accounts Act and the Securities Market Act, which is in accordance with the rules in RFR 2 Accounting for Legal Entities.

Future reporting dates

Interim report Q3 2014: To be published on 7 November 2014.

Company information

The full name of the parent company is Petrogrand AB (publ). It is a public limited company with head offices in Stockholm and the corporate registration number 556615-2350. The address of the parent company is Birger Jarlsgatan 41A, SE-111 45 Stockholm. Phone: +46 8 5000 7810
Web site: www.petrogrand.se

This report has not been subject to review by the Company's auditors.

Certified Adviser

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Web site: www.mangold.se

This report has not been subject to review by the company's auditors.

Stockholm, 29 August 2014

The Board of Petrogrand AB (publ)

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For further information on Petrogrand AB, see the website www.petrogrand.se

Reasonable caution notice: The statement and assumptions made in the company's information regarding Petrogrand AB's ("Petrogrand") current plans, prognoses, strategies, concepts and other statements that are not historical facts are estimations or "forward looking statements" concerning Petrogrand's future activities. Such future estimations comprise but are not limited to statements that include words such as "may occur", "concerning", "plans", "expects", "estimates", "believes", "evaluates", "prognosticates" or similar expressions. Such expressions reflect the management of Petrogrand's expectations and assumptions made on the basis of information available at that time.

These statements and assumptions are subject to a large number of risks and uncertainties. These, in their turn, comprise but are not limited to i) changes in the financial, legal and political environment of the countries in which Petrogrand conducts business, ii) changes in the available geological information concerning the company's projects in operation, iii) Petrogrand's capacity to continuously guarantee sufficient financing to perform their activities as a "going concern", iv) the success of all participants in the group, or of the various interested companies, joint ventures or secondary alliances, v) changes in currency exchange rates, in particular those relating to the RUB/USD rate. Due to the background of the many risks and uncertainties that exist for any oil-prospecting venture and oil production company in its initial stage, Petrogrand's actual future development may significantly deviate from that indicated in the company's informative statements.

This report has been prepared both in Swedish and English. In case of any divergence in the content of the two versions, the Swedish version shall have precedence.
