

Interim Report January – March 2015

Petrogrand AB (publ)

May 29, 2015

First quarter of 2015

- **During the first quarter, the Group had no operating income (-). The operating result for the first quarter amounted to TSEK -7 841 (-9 578).**
- **Net financial items in the first quarter amounted to TSEK 26 021 (627), including currency effects of approximately TSEK 24 447 (-411).**
- **Net result after tax for the first quarter amounted to TSEK 18 180 (-8 951).**
- **Earnings per share for the period amounted to SEK 0.45 (-0.22).**
- **Total comprehensive result for the first quarter of 2015 was TSEK 13 687 (-22 629)**

The figures in brackets represent the corresponding period 2014

MD's report

Dear shareholders of Petrogrand,

I was appointed CEO of Petrogrand only a month ago after the end of the first quarter. Therefore I want to keep this report section relatively short. Petrogrand publishes its annual report for 2014 next week, and then I will elaborate my view on the company's development.

In the first four months of 2015 we finally saw the end of the long, costly and loud power struggle with our associated company Shelton Petroleum AB. This process reached its peak at an Extraordinary Shareholders' Meeting on April 10, after the end of the report period, when a new Board of Directors was appointed, and I was appointed as CEO.

No oil was produced by Petrogrand in the first quarter 2015. However, in early April the acquisition of 49% of the oil producing company Ripiano Ltd was completed, and Ripiano's Russian subsidiaries currently produce around 1,600 barrels of oil per day, whereof 49% is attributable to Petrogrand.

With this short introduction I welcome you to study this quarterly report more in detail on the following pages. I am honored to be CEO of Petrogrand, and I look forward to communicating with you, the shareholders of Petrogrand, on a more regular basis.

Sincerely,

Dmitry Zubatyuk
Managing Director

Comments on the Group's result and financial position as per 31 March 2015.

Turnover and result

The Group had no operating income during the period January - March 2015 (-) and did not have any production related operating expenses (-).

The Group did not have any costs for sales and distribution during the report period (-). Administration costs amounted to TSEK -7 841 (-9 578).

Financial income amounted to TSEK 2 885 (1 061). Net financial items amounted to TSEK 26 021 (627), which includes currency effects of approximately TSEK 24 447 (-411) mainly due to the revaluation of the investment in RUB and USD on the period closing date. Both RUB and USD have appreciated significantly during the first three months of 2015.

Result before tax amounted to TSEK 18 180 (-8 951). There was no tax charged for the period. Earnings per share for the period amounted to SEK 0.45 (-0.22).

Investments

At the end of the third quarter 2013, the intangible fixed assets of the group were fully impaired. Thus no intangible fixed assets are reported on the Group's balance sheet as per 31 March 2015.

Financing and liquidity

As of 31 March 2015 the Group's available liquid assets in total amounted to TSEK 207 547 (266 649).

At the end of the report period, assets amounting to TSEK 63 186 (-) were invested in Eurobonds in Russia. These assets are reported as "financial assets at fair values through profit and loss" on Group's and Parent Company's balance sheets.

As of 31 March 2015, Petrogrand group holds 4 900 563 B-shares in Shelton Petroleum AB (publ) ("Shelton"). Thereof 4 700 000 shares were held by Tenaziltan Ltd and 200 563 were held by Petrogrand AB. The market price per Shelton share at the end of the period was SEK 11.30. The value of the investment based on the market price amounts to TSEK 55 376.

Total financial assets, including shares in Shelton, on 31 March 2015 amounted to TSEK 326 109 (338 009).

Employees

The number of employees in Group companies at the end of the period was 12 (14), whereof women 6 (7) and men 6 (7).

Comments on the Parent Company

The Parent Company income statement during first quarter 2015 includes a write-down of loans given to Russian subsidiaries. Previous loans were written down before the start of the year, thus the value of loans in the balance sheet of the Parent Company is equal to SEK 0.

The 4 700 000 B shares that were transferred on March 26, 2015 as a shareholders' contribution from Petrogrand AB via (fully owned) Sonoyta Ltd to Tenaziltan Ltd (fully owned by Sonoyta) have generated a realised loss in the Parent Company, that amounts to TSEK -35 855.

In the end of the first quarter of 2015 the Parent Company has revaluated the remaining shares in Shelton Petroleum to a market price of SEK 11.30, which means a negative effect on equity amounting to TSEK -200.

Transactions with related parties during the report period

James Smith, a member of the Board up to 10 April 2015, had a consultant agreement with Petrogrand regarding geologic services. This agreement has now been terminated.

Major events during the report period

On Tuesday the 10th of February, Petrogrand AB (publ) ("Petrogrand") signed a Letter of Intent (LOI) regarding the acquisition of 49 percent of the shares and votes in Ripiano Holding Ltd, a Cyprus holding company with two subsidiaries in Russia ("Ripiano"). Ripiano's subsidiaries produce some 1,600 barrels of oil per day as per the report date.

The purchase price amounts to MUSD 21.5. The deal was subject to approval by the board.

Mikael Wallgren and Lars Jacobsson resigned from the board on 12 March 2015.

On 13 March 2015 the board announced that a Share Subscription Agreement was signed with Ripiano. The agreement implied the purchase of 49% of newly issued shares and votes in Ripiano for MUSD 21.5.

Major events after the report period

On 8 April 2015 all Russian personnel employed by LLC Petrogrand in Moscow were laid off with the last day off employment on 10 April 2015.

The final payment for subscribed shares in Ripiano was made by Petrogrand AB's subsidiary Sonoyta Ltd on 9 April 2015.

A new board of directors in Petrogrand AB was elected at an Extraordinary General Meeting on 10 April 2015. Cheddi Liljeström, Dmitry Zubatyuk, Sven-Eric Zachrisson, Torbjörn Ranta and David Sturt were elected as ordinary Board Members. Cheddi Liljeström was elected as Chairman of the board of directors.

Following the EGM, the board of directors resolved to replace Maks Grinfeld with Dmitry Zubatyuk as new managing director and Sven-Eric Zachrisson as deputy managing director.

The newly elected board reversed the deal regarding a sale of Shelton shares that was announced on 9 April 2015. Petrogrand group as at the time of this report holds 4 700 000 B-shares in Shelton Petroleum. The remaining 200 563 shares were sold on the stock exchange before the EGM on 10 April 2015.

Operations

Petrogrand AB is an independent Swedish oil company. Up to the end of the first quarter of 2015, the Company only owned exploration assets operated in the Tomsk region in western Siberia in Russia. Following the sale of its oil production subsidiary STS-Service early in 2010, a new business plan for future operations was developed. Petrogrand's general business concept is to engage in oil exploration and production through Russian oil companies and oil licenses.

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 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 carrying out seismic surveys 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 exploration work performed on both these license blocks was however not successful enough. As described above this resulted in Petrogrand fully impairing the value of immaterial fixed assets related to said license blocks in 2013.

Following this, Petrogrand has in April 2015 through the acquisition of the 49% interest in Ripiano Ltd re-emerged as a Russian oil producer.

Production status as of 31 March 2015

The Group did not produce any oil during January-March 2015.

Share data

As of 31 March 2015 the share capital of Petrogrand AB amounts to SEK 40 265 898 divided into 40 265 898 outstanding shares, each with a par value of SEK 1.

CONSOLIDATED INCOME STATEMENT

QUARTER 1

(All amounts in TSEK)	Jan-Mar 2015	Jan-Mar 2014	Full year 2014
Operating income			
Net sales of oil	-	-	-
Other operating income	-	-	-
Total operating income	-	-	-
Cost of sales			
Production costs	-	-	-
Amortization/depreciation of fixed assets	-	-	-
Gross profit	-	-	-
Selling and distribution expenses	-	-	-
Administration costs	-7 841	-9 578	-33 531
Other operating expenses	-	-	-
Intangible assets impairment	-	-	-
Operating profit	-7 841	-9 578	-33 531
Result from financial investments			
Financial income	2 885	1 061	3 412
Change in fair value of assets through profit and loss	-1 125	-	-3 197
Interest effect on short term financial investment	-	-	-
Exchange rate effects	24 447	-411	20 792
Other financial costs	-186	-23	-465
Result before tax	18 180	-8 951	-12 989
Tax on the period's result	-	-	-
The period's Net result	18 180	-8 951	-12 989
Whereof attributable to the shareholders of the parent company	18 180	-8 951	-12 989
Earnings per share before dilution, SEK	0.45	-0.22	-0.32
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	-

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

QUARTER 1

(All amounts in TSEK)	Jan-Mar 2015	Jan-Mar 2014	Full year 2014
Income for the period	18 180	-8 951	-12 989
Items that may be subsequently reclassified to profit and loss			
Currency translation difference	-1 002	-3 104	2 286
Change in value of available for sale financial assets	-3 491	-10 574	-39 954
Other comprehensive income for the period, net of taxes	13 687	-22 629	-50 657
Total result attributable to:			
Parent company shareholders	13 687	-22 629	-50 657

CONSOLIDATED BALANCE SHEET

(All amounts in TSEK)	2015-03-31	2014-03-31	2014-12-31
ASSETS			
FIXED ASSETS			
Investment in associated companies*	185 399	-	-
Financial assets that can be sold	55 376	71 360	60 277
Tangible fixed assets	306	534	326
Total fixed assets	241 081	71 894	60 603
CURRENT ASSETS			
Inventories	1 306	1 979	1 440
Other current receivables	2 218	4 240	1 965
Financial assets at fair value through profit and loss	63 186	-	91 794
Cash and bank	207 547	266 649	158 708
Total current assets	274 256	272 868	253 907
TOTAL ASSETS	515 338	344 761	314 510
EQUITY AND LIABILITIES			
TOTAL EQUITY	324 617	338 958	310 930
LONG-TERM LIABILITIES	-	-	-
SHORT-TERM LIABILITIES			
Accounts payable	1 439	1 458	224
Other short-term liabilities	1 290	2 367	40
Short-term liabilities to associated company *	185 399	-	-
Accrued costs and prepaid income	2 594	1 978	3 317
Total short-term liabilities	190 722	5 803	3 581
TOTAL EQUITY AND LIABILITIES	515 338	344 761	314 510

* As per the end of the report period the decided and executed, but not yet paid, subscription agreement regarding new shares of Ripiano Ltd is treated as a fixed asset. At the same time the corresponding amount is being accrued as a short term liability. These items in the group balance sheet thus lead to a significantly increased total asset amount as compared to year end 2014.

CONSOLIDATED CASH FLOW STATEMENT

(All amounts in TSEK)	Jan-Mar 2015	Jan-Mar 2014	Full year 2014
Cash flow from current operations			
Operating result	-7 841	-9 578	-33 531
Adjustment for items not included in cash flow	11 819	-228	2 662
Interest received	75	1 026	3 412
Interest paid	-	-21	-2
Tax	-	-	-
Cash flow from current operations before changes in working capital	4 053	-8 801	-27 459
Cash flow from changes in working capital			
Decrease(+)/increase(-) in inventory	134	260	798
Decrease(+)/increase(-) in receivables	29 115	49 096	51 371
Decrease(-)/increase(+) in liabilities	1 597	-408	-3 094
Total changes in working capital	30 846	48 948	49 075
Cash flow from current operations	34 899	40 147	21 616
Investment operations			
Investment in associated companies	-	-	-
Investment in tangible fixed assets	-	-	-
Change in intangible assets	-	-	-
Investment in / Repayment of Short financial loan	-	185 811	185 811
Change in financial assets	-	-51 933	-157 361
Cash flow from investment operations	-	133 878	28 450
Financing operations			
Dividend	-	-	-
Cash flow from financing operations	-	-	-
Decrease(-)/increase(+) in liquid assets	34 899	174 026	50 066
Liquid assets at beginning of period	158 708	93 034	93 034
Exchange rate differences in liquid assets	13 940	-411	15 608
Liquid assets at end of period	207 547	266 649	158 708

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 2014	40 266	1 432 114	-98 087	-1 012 706	361 589
Result for the period	-	-	-13 678	-8 951	-22 631
Balance on 31 March 2014	40 266	1 432 114	-111 765	-1 021 657	338 958
Result for the period	-	-	-23 990	-4 038	-28 028
Balance on 31 December 2014	40 266	1 432 114	-135 755	-1 025 695	310 930
Result for the period	-	-	-1 002	14 689	13 687
Outgoing balance on 31 March 2015	40 266	1 432 114	-136 757	-1 011 006	324 617

KEY RATIOS

	3 months 2015-03-31	3 months 2014-03-31	12 months 2014-12-31
Group			
Total assets, TSEK	515 338	344 761	314 510
Total equity, TSEK	324 617	338 958	310 930
Equity ratio (%)	63.0%	98.3%	98.9%
Interest bearing debt, TSEK	-	-	-
Employees at end of period	12	14	12
Return on equity (%)	5.72%	-6.46%	-3.86%
Per share data			
Earnings per share, SEK	0.45	-0.22	-0.32
Equity per share, SEK	8.06	8.42	7.72

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 QUARTER 1

(All amounts in TSEK)	Jan-Mar 2015	Jan-Mar 2014	Full year 2014
Operating income			
Other operating income	-	-	-
Total operating income	-	-	-
Cost of sales	-	-	-
Gross profit	-	-	-
Administration costs	-5 329	-7 059	-23 176
Other operating expenses	-	-	-
Operating profit	-5 329	-7 059	-23 176
Result from financial investments			
Financial income	2 885	1 060	3 411
Change in fair value of assets through profit and loss	-36 980	-	-3 197
Interest effect on short term financial investment	-	-	-
Exchange rate effects	24 447	-411	20 792
Other financial costs	-2 583	-4 478	-10 615
Result before tax	-17 559	-10 888	-12 785
Tax on the period's result	-	-	-
The period's Net result	-17 559	-10 888	-12 785

PARENT COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All amounts in TSEK)	Jan-Mar 2015	Jan-Mar 2014	Full year 2014
Income for the period	-17 559	-10 888	-12 785
Items that may be subsequently reclassified to profit and loss			
Currency translation difference	-	-	-
Change in value of available for sale financial assets	32 364	-	-39 954
Other comprehensive income for the period, net of taxes	14 805	-10 888	-52 739
Total result attributable to:			
Parent company shareholders	14 805	-10 888	-52 739

PARENT COMPANY BALANCE SHEET

(All amounts in TSEK)	2015-03-31	2014-03-31	2014-12-31
ASSETS			
FIXED ASSETS			
Shares in Subsidiaries	215 451	-	-
Tangible fixed assets	22	40	26
Financial fixed assets	-	585	585
Financial assets available for sale	2 266	81 933	60 277
		-	-
Total fixed assets	217 739	82 558	60 888
CURRENT ASSETS			
Short term financial investment	-	-	-
Other current receivables	1 426	2 903	1 294
Financial assets at fair value through profit and loss	63 186	-	91 794
Cash and bank	45 838	264 598	158 219
Total current assets	110 450	267 501	251 307
TOTAL ASSETS	328 189	350 059	312 195
EQUITY AND LIABILITIES			
TOTAL EQUITY	323 657	344 704	308 852
LONG-TERM LIABILITIES	-	-	-
SHORT-TERM LIABILITIES			
Accounts payable	1 262	1 418	177
Other short-term liabilities	2 074	2 302	2 083
Accrued costs and prepaid income	1 196	1 635	1 083
Total short-term liabilities	4 532	5 354	3 343
TOTAL EQUITY AND LIABILITIES	328 189	350 059	312 195

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 Q2 2015: To be published on 28 August 2015.

Interim report Q3 2015: To be published on 27 November 2015.

Petrogrand AB's AGM 2015 will take place on 23 June 2015 in Stockholm.

Company information

The full name of the parent company is Petrogrand AB (publ). It is a public limited liability 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
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Certified Adviser

Certified Adviser First North: Mangold Fondkommission AB, +46 8 503 015 50,
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This report has not been subject to review by the company's auditors.

Stockholm, 29 May 2015

Dmitry Zubatyuk

Managing Director 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.
