

Full Year Report January – December 2014

Petrogrand AB (publ)

27 February 2015

Fourth quarter of 2014

- During the 4th quarter, the Group had no operating income (-). The operating result for the 4th quarter amounted to TSEK -6 589 (-9 303).
- Net financial items in the 4th quarter amounted to TSEK 13 848 (592), including currency effects of approximately TSEK 15 953 (-3). The net financial items also include the change in real value of assets under portfolio management which amounted to TSEK -3 186 (583)
- Net result after tax for the 4th quarter amounted to TSEK 7 285 (-8 711).
- Earnings per share for the period amounted to SEK 0.18 (-0.22).

January – December 2014

- During the 2014, the Group had no operating income (-). The operating result for the period amounted to TSEK – 33 531 (-170 288), which includes about TSEK -10 000 of extraordinary costs.
- Net financial items in the period amounted to TSEK 20 542 (-869) including currency effects of TSEK 20 792 (-3 768) and change of real value of the assets under portfolio management of TSEK -3 197 (3 394).
- Net result after tax for the period amounted to TSEK -12 989 (-171 158)
- Earnings per share for the period amounted to SEK -0.32 (-4.25).
- The Company holds 4 900 563 B-Shares in Shelton Petroleum AB (publ) at the end of the period.

The figures in brackets represent the corresponding period 2013

MD's report

Dear shareholders,

2014 has been a turbulent and extraordinary year including both internal and external strain. In addition, we have witnessed political tensions with the Russian Federation due to the crisis in the Ukraine, as well as currency unrest and plummeting oil prices. Sanctions imposed also impact oil suppliers and service providers through aspects such as spare parts shortages. As a consequence, our ongoing investment negotiations have had to be reassessed on a continuous basis. Thus, while awaiting the result of a number of negotiations, the company has invested the majority of its liquid assets in US Dollars. Half of the sum has been invested in short-term, fixed-interest Eurobonds issued by Russian state-owned banks. This investment of liquid assets has turned out to be very profitable.

On December 18, the company entered into a share exchange agreement with Shelton Petroleum. As the transaction involved an affiliated company, it needed the approval of an Extraordinary General Meeting by both companies. However, the share exchange with Shelton, the aim of which was to dissolve cross-holdings, has not been implemented as Shelton did not get EGM approval for this action.

In spite of this, the two companies have continued exploring other options for dissolving cross-holdings, as they inhibit the development of both companies.

Our result for 2014 has been affected by unrealized currency items and a write-down of Shelton Petroleum shares. Cost-saving measures have been carried out and staff numbers reduced. The final result has definitely been impacted by currency gains of SEK 20.8 million, extraordinary charges for legal disputes amounting to around SEK 10 million, as well as the write-down of shares in Shelton at a value of SEK 33.6 million as per the closing day.

After advanced negotiations in a number of projects, we issued a press release announcing a Letter of Intent with the Ripiano group, with whom we hope to be able to conclude the signing of a Sell Purchase Agreement shortly. The owner and management of the group are well known to us through their good reputation. A partnership will be initiated, in which the experience of the staff and the management of both companies will be of great use when it comes to growing the potential of the jointly owned oil fields.

This acquisition will be of considerable importance to Petrogrand's continued development. First and foremost, half of the current production of 1,500 barrels a day will be brought into the company, as well as half of proven and probable reserves, amounting to 18.25 million barrels.

The shareholder structure in Petrogrand has also changed which may lead to requests concerning the composition of the board, as well as the company's continued development.

The board, with its highly competent directors, functions well and the staff are all working hard in order to deal with our various issues.

Best regards,
Maks Grinfeld
Managing Director
Petrogrand AB

Comment on the Group's result and financial position per 31 December 2014.

Turnover and result

The Group had no operating income during the period January - December 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 -33 531 (-31 680), which includes approximately TSEK -10 000 of extraordinary costs that mostly accrued during the first half of 2014.

The Operating result for the year amounted to TSEK -33 531 (-171 158).

Financial income amounted to TSEK 3 412 (3 444). Net financial items amounted to TSEK 20 542 (-869) which includes currency effects of approximately TSEK 20 792 (-3 940) mainly due to the valuation of the investment in RUB and USD on the day of closing.

Result before tax amounted to TSEK -12 989 (-171 158). There was no tax charged for the period. Earnings per share for the period amounted to SEK -0.32 (-4.25).

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 per 31 December 2014.

Financing and liquidity

At the end of the period, assets amounting to TSEK 91 754 (-) were placed under portfolio management in Russia. The evaluation of assets under portfolio management is made according to "market price" principal. However, the assets consist of Eurobonds with a nominal value of TUSD 11 900 or TSEK 92 959 with maturity in 2015. Thus total value of portfolio to nominal value inclusive aggregated, coupon payment is TSEK 94 404 per 31 December 2014. That will have positive unrealized change in value effects closer to maturity dates and Company expects to get full nominal value of the bonds during 2015.

Cash placed in Russia amounted to TSEK 16 165 (5 218) and in Sweden TSEK 142 583 (87 816) at the end of the period. As of 31 December 2014 the Groups available liquid assets in total amounted to TSEK 158 748 (93 034).

As of 31 December 2014 Petrogrand holds 4 900 563 B-shares in Shelton Petroleum AB(publ) ("Shelton"), price per share at the end of the period was SEK 12.30. The value of the investment based on the price amounts to TSEK 60 277. The unrealized depreciation amounting to TSEK -33 954 is stated as "Unrealised value change of available for sale financial assets" in "consolidated statement of profit or loss and other comprehensive income" (see page 7 and 9).

Total financial assets, including shareholding in Shelton, amount on 31 December 2014 to TSEK 310 780 (368 181).

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

Parent Company income statement includes write down of loans given to Russian subsidiaries during 2014. 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.

In the end of the fourth quarter 2014 the Parent Company has revaluated the shares in Shelton Petroleum to a market price of SEK 12.30, which means a negative effect on equity amounting to TSEK -39 594.

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.

The 19th of December 2014 the Company and Shelton petroleum have signed a share exchange agreement to eliminate the cross-ownership. The agreement was subject to approval by EGM in respective company. The EGM were held on January the 26th 2015. The EGM in Petrogrand has approved the agreement, however the shareholders of Shelton Petroleum have voted against the agreement.

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

On 25 September 2014 the Company has announced that following the results of the Petrogrand's well Zapadno-Ambarskaya No. 6 in Nizhnepaninsky license area, drilled in 2012, the Board of Directors was planning to undertake hydro-fracking on the well No. 6. However due to the sanction and other companies' activities the negotiations with involved parties were not concluded. The decision has not taken effect yet.

Major events after 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 an oil producing subsidiary in Russia (the "Company"). The purchase price amounts to about 180 MSEK and is paid in cash. The deal is subject to approval by the 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 that a nonbinding letter of intent with Gazprom Neft was signed, regarding cooperation in exploration of the license area Nizhnepaninasky. However the negotiations have not been concluded yet.

Production status as of 31 December 2014

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

Share data

As of 31 December 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 4

(All amounts in TSEK)	Oct-Dec 2014	Oct-Dec 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	-6 589	-9 303	-31 680
Other operating expenses	-	-	-
Intangible assets impairment	-	-	-138 608
Operating profit	-6 589	-9 303	-170 288
Result from financial investments			
Financial income	1 476	1 116	3 444
Change in fair value of assets through profit or loss	-3 186	583	3 394
Exchange rate effects	15 953	-3	-3 768
Other financial costs	-395	-1 104	-3 940
Result before tax	7 258	-8 711	-171 158
Tax on the period's result	-	-	-
The period's Net result	7 258	-8 711	-171 158
Whereof attributable to the shareholders of the parent company	7 258	-8 711	-171 158
Earnings per share before dilution, SEK	0.18	-0.22	-4.25
Earnings per share after dilution, SEK	0.18	-0.22	-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

*) Of the options programme approved by the AGM on 15 June 2011 473 000 warrants have been assigned. All warrants have been cancelled on 15 July 2014

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
QUARTER 4**

(All amounts in TSEK)	Oct-Dec 2014	Oct-Dec 2013	Full year 2013
Income for the period	7 258	-8 711	-171 158
Items that may be reclassified subsequently to income statement			
Translation difference	-771	692	-12 525
Unrealised value change of shares in Shelton Petroleum AB	-28 828	6 000	6 000
Other comprehensive income for the period, net of taxes	-22 341	-2 019	-177 683
Total result attributable to:			
Parent company shareholders	-22 341	-2 019	-177 683

CONSOLIDATED INCOME STATEMENT

January-December 2014

(All amounts in TSEK)	Full Year 2014	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*	-33 531	-31 680
Other operating expenses	-	-
Intangible assets impairment	-	-138 608
Operating profit	-33 531	-170 288
Result from financial investments		
Financial income	3 412	3 444
Change in fair value of assets		
Through profit or loss	-3 197	3 394
Exchange rate effects	20 792	-3 768
Other financial costs	-465	-3 940
Result before tax	-12 989	-171 158
Tax on the period's result	-	-
The period's Net result	-12 989	-171 158
Whereof attributable to the shareholders of the parent company	-12 989	-171 158
Earnings per share before dilution, SEK	-0.32	-4.25
Earnings per share after dilution, SEK	-0.32	-4.25
Number of shares issued at end of period	40 265 898	40 265 898
Average number of shares outstanding for the period	40 265 898	40 265 898
Outstanding number of warrants at end of period (1 warrant corresponding to 1 share)**)	-	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. All warrants were cancelled on 15 July 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

January – December 2014

(All amounts in TSEK)	Full Year 2014	Full Year 2013
Income for the period	-12 989	-171 158
Items that may be reclassified subsequently to income statement		
Translation difference	-3 786	-12 525
Unrealised value change of shares in Shelton Petroleum AB	-33 954	6 000
Other comprehensive income for the period, net of taxes	-50 729	-177 683
Total result attributable to:		
Parent company shareholders	-50 729	-177 683

CONSOLIDATED BALANCE SHEET

(All amounts in TSEK)	2014-12-31	2013-12-31
ASSETS		
FIXED ASSETS		
Intangible fixed assets	-	-
Shares in company of interest	60 277	36 000
Tangible fixed assets	331	648
Total fixed assets	60 608	36 648
CURRENT ASSETS		
Inventories	1 440	2 239
Short term convertible loan	-	185 811
Other current receivables	1 889	53 336
Financial assets at fair value through profit or loss	91 754	-
Cash and bank	158 749	93 034
Total current assets	253 832	334 420
TOTAL ASSETS	314 440	371 068
 EQUITY AND LIABILITIES		
TOTAL EQUITY	310 860	361 589
LONG-TERM LIABILITIES	-	-
SHORT-TERM LIABILITIES		
Accounts payable	224	971
Other short-term liabilities	1 021	4 377
Accrued costs and prepaid income	2 336	4 131
Total short-term liabilities	3 581	9 478
TOTAL EQUITY AND LIABILITIES	314 440	371 068

CONSOLIDATED CASH FLOW STATEMENT

(All amounts in TSEK)	Full year 2014	Full year 2013
Cash flow from current operations		
Operating result	-33 531	-170 288
Adjustment for items not included in cash flow	2 638	140 755
Interest received	3 360	2 729
Interest paid	-2	-75
Tax	-	357
Cash flow from current operations before changes in operating capital	-27 535	-26 522
Cash flow from changes in operating capital		
Decrease(+)/increase(-) in inventory	799	701
Decrease(+)/increase(-) in receivables	51 447	-46 294
Decrease(-)/increase(+) in liabilities	-3 094	-202
Total changes in operating capital	49 151	-45 795
Cash flow from current operations	21 616	-72 317
Investment operations		
Investment in intangible fixed assets	-	-662
Investment in tangible fixed assets	-	-
Change in intangible assets	-	-
Investment in Financial assets under discretionary management	-	52 409
Investment in / Repayment of Short financial loan	184 475	-185 811
Change in financial assets	-155 985	-30 000
Cash flow from investment operations	28 490	-164 064
Financing operations		
Dividend	-	-
Cash flow from financing operations	-	-
Decrease(-)/increase(+) in liquid assets	50 106	-236 381
Liquid assets at beginning of period	93 034	332 939
Exchange rate differences in liquid assets	15 608	-3 524
Liquid assets at end of period	158 748	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	-228 144	-	6 525	56 986	-177 683
Balance on 31 December 2013	40 266	1 432 114	-98 087	-1 012 705	361 589
Result for the period	-	-	-37 740	-12 989	-50 739
Outgoing balance on 31 December 2014	40 266	1 432 114	-135 825	-1 025 695	310 860

KEY RATIOS

	12 months 2014-12-31	12 months 2013-12-31
Group		
Total assets, TSEK	314 440	371 068
Total equity, TSEK	310 860	361 589
Equity ratio (%)	98.9%	97.40%
Interest bearing debt, TSEK	-	-
Employees at end of period	12	14
Return on equity (%)	-3.86%	-38.00%
Per share data		
Earnings per share, SEK	-0.32	-4.25
Equity per share, SEK	7.72	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-December

(All amounts in TSEK)	Jan-Dec 2014	Full year 2013
Operating income		
Other operating income	-	-
Total operating income	-	-
Cost of sales	-	-
Gross profit	-	-
Administration costs	-23 176	-13 668
Other operating expenses	-	-209 358
Operating profit	-23 176	-223 026
Result from financial investments		
Financial income	3 411	3 444
Change in fair value of assets through profit or loss	-3 197	3 394
Exchange rate effects	20 792	-3 768
Other financial costs	-10 615	-19 343
Result before tax	-12 785	-239 300
Tax on the period's result	-	-
The period's Net result	-12 785	-239 300

PARENT COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All amounts in TSEK)	Full Year 2014	Full year 2013
Income for the period	-12 785	-239 300
Items that may be reclassified subsequently to income statement		
Translation difference	-	-
Unrealised value change of available for sale financial assets*	-39 954	6 000
Other comprehensive income for the period, net of taxes	-52 739	-233 300
Total result attributable to:		
Parent company shareholders	-52 739	-233 300

*For Fiscal Year 2013 there were noted a mistake regarding the evaluation of financial assets available for sale. The mistake amount to TSEK 6 000 and have been corrected retroactively in the Parent Company Balance Sheet as well as in Parent Company Statement of profit or loss and other comprehensive income

PARENT COMPANY BALANCE SHEET

(All amounts in TSEK)	2014-12-31	2013-12-31
ASSETS		
FIXED ASSETS		
Intangible fixed assets	-	-
Tangible fixed assets	26	44
Financial fixed assets	585	585
Shares in companies of interest*	60 277	36 000
Total fixed assets	60 888	36 629
CURRENT ASSETS		
Short term financial investment	-	185 811
Other current receivables	1 294	52 018
Assets under discretionary management	91 754	-
Cash and bank	158 259	92 686
Total current assets	251 307	330 515
TOTAL ASSETS	312 195	367 144
EQUITY AND LIABILITIES		
TOTAL EQUITY	308 852	361 592
LONG-TERM LIABILITIES	-	-
SHORT-TERM LIABILITIES		
Accounts payable	177	779
Other short-term liabilities	2 083	2 204
Accrued costs and prepaid income	1 083	2 569
Total short-term liabilities	3 343	5 552
TOTAL EQUITY AND LIABILITIES	312 195	367 144

*For Fiscal Year 2013 there were noted a mistake regarding the evaluation of financial assets available for sale. The mistake amount to TSEK 6 000 and have been corrected retroactively in the Parent Company Balance Sheet as well as in Parent Company Statement of profit or loss and other comprehensive income

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.

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

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, 27 February 2015

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.
