

Interim Report January – March 2014

Petrogrand AB (publ)

15 May 2014

First quarter of 2014

- **During the 1st quarter, the Group had no operating income (-). The operating result for the 1st quarter amounted to TSEK -9 578 (-7 901), which includes about TSEK -4 000 of extraordinary costs.**
- **Net financial items in the 1st quarter amounted to TSEK 627 (3 835).**
- **Net result after tax for the 1st quarter amounted to TSEK -8 951 (-4 066).**
- **Earnings per share for the period amounted to SEK -0,22 (-0,10).**

The figures in brackets represent the corresponding period 2013

MD's report

Dear shareholders,

I will revert with further information via a press release, once the result of the EGM is known.

Best regards,

Maks Grinfeld

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

Turnover and result

The Group had no operating income during the period January - March 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 -9 578 (-7 901), which includes about TSEK -4 000 of extraordinary costs.

The Operating result for the period amounted to TSEK -9 578 (-7 901).

Financial income amounted to TSEK 1 061 (2 181). In the first quarter of 2014, the company has no longer any funds under discretionary management, the liquid assets are placed on interest-bearing accounts.

Result before tax amounted to TSEK -8 851 (-4 066). There was no tax charged in the period - (TSEK -). Earnings per share for the period amounted to SEK -0,22 (-0,10).

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 first quarter.

The Group's investments in intangible assets during the period amounted to TSEK 0 (75), and consisted of expenses for site restorations in Nizhnepaninsky and Muromsky-2 license areas.

Financing and liquidity

During the period, no assets were placed under portfolio management.

Cash placed in Russia amounted to TSEK 2 051 (995) and in Sweden TSEK 264 598 (331 944) at the end of the period. As of 31 March 2014 the Groups available liquid assets in total amounted to TSEK 266 649 (332 939).

In September 2013 Petrogrand has subscribed two convertible debentures in total TSEK 215 249 issued by Shelton Petroleum AB ("Shelton"). Convertible 1 of TSEK 30 000 was converted 7 October 2013 to 1 500 000 B shares in Shelton at conversion rate 20 SEK per share.

Funds for convertible 2 was refunded to Petrogrand in the first week of January 2014, including accrued interest, totalling SEK 185 811. Petrogrand has further invested in Shelton Petroleum AB and has during the period purchased 2 750 529 B-shares

Stock price per 31 March 2014 was 18.20 SEK per share, meaning an unrealized depreciation amounting to TSEK -10 574, which are included under unrealized by shares in associated companies in the "consolidated statement of profit or loss and other comprehensive income" for the first quarter of 2014 (see page 7 and 9). Petrogrand AB owns at the end of the period 4 250 529 B shares in Shelton Petroleum.

Employees

The number of employees in Group companies at the end of the period was 14 (27), whereof women 7(12) and men 7 (15).

Comment on the Parent Company

Parent Company income statement includes write down of loans given to Russian subsidiaries under first quarter 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.

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

Notice to Extraordinary General Meeting

On Tuesday 14 January 2014 Petrogrand received a request to call for an EGM from Lars Lundmark, in which it was requested that part of the board would be changed. The EGM took place on Friday 7 March 2014, 2:00 pm, at Hotell Scandic Anglais in Stockholm.

The EGM 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.

Shelton Petroleum AB makes a public share offer Petrogrand AB

On 19 January 2014 Shelton Petroleum AB released information about a public bid to Petrogrands shareholders. On February 17, 2014 published a prospectus relating to the public offer.

Request for an Extraordinary General Meeting

On Tuesday 19 March 2014, Petrogrand received a request for an EGM from Shelton Petroleum AB, signed by Robert Karlsson, CEO, who has reported to represent approximately 25% of shares in Petrogrand AB. EGM convened 14 May 2014.

On 21 March 2014 Petrogrand AB announced a public cash offer to shareholders in Shelton Petroleum AB

Petrogrand AB announced a cash offer to acquire all shares, warrants and convertibles in Shelton Petroleum AB. For further information regarding the offer please visit www.petrogrand.se.

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 to limit the investments of the company and at the same time maximise the potential of the exploration. 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 31 March 2014

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

Major events following the end of the report period

Shelton Petroleum AB completes a public share offer Petrogrand's shareholders

Shelton Petroleum completed the public takeover offer to the shareholders in Petrogrand and announced that per 14 April 2014 Shelton owned 11 585 308 shares in Petrogrand, or approximately 28.8% of shares and votes in Petrogrand.

Extraordinary General Meeting 14 May 2014

At the Extra General Meeting held on 14 May 2014 Shelton Petroleum AB's proposal for the dismissal of the current board was rejected.

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 entitles the holder to subscribe to one new share in the Company.

Assuming full exercise of all subscription warrants, the share capital will increase by no more than SEK 473 000, equivalent to a dilution of about 1,17 per cent of share capital and voting rights.

CONSOLIDATED INCOME STATEMENT

QUARTER 1

(All amounts in TSEK)	Jan-Mar 2014	Jan-Mar 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	-9 578	-7 901	-31 680
Other operating expenses	-	-	-
Intangible assets impairment	-	-	-138 608
Operating profit	-9 578	-7 901	-170 288
Result from financial investments			
Financial income	1 061	2 181	3 444
Change in real value of assets under external management	-	2 823	3 394
Interest effect on short term financial investment	-	-	-
Exchange rate effects	-411	-1 154	-3 768
Other financial costs	-23	-15	-3 940
Result before tax	-8 951	-4 066	-171 158
Tax on the period's result	-	-	-
The period's Net result	-8 951	-4 066	-171 158
Whereof attributable to the shareholders of the parent company	-8 951	-4 066	-171 158
Earnings per share before dilution, SEK	-0.22	-0.10	-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	1 553 000	1 553 000

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

**) Of the options programme approved by the AGM on 21 June 2010, 1 080 000 warrants have been assigned. All the warrants have expired 14 June 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

QUARTER 1

(All amounts in TSEK)	Jan-Mar 2014	Jan-Mar 2013	Full year 2013
Income for the period	-8 951	-4 066	-171 158
Items that may be reclassified subsequently to income statement			
Translation difference	-3 104	125	-12 525
Unrealised value change of shares in Shelton Petroleum AB	-10 574	-	6 000
Other comprehensive income for the period, net of taxes	-22 629	-3 941	-177 683
Total result attributable to:			
Parent company shareholders	-22 629	-3 941	-177 683

CONSOLIDATED BALANCE SHEET

(All amounts in TSEK)	2014-03-31	2013-03-31	2013-12-31
ASSETS			
FIXED ASSETS			
Intangible fixed assets	-	148 510	-
Shares in company of interest	71 360		36 000
Tangible fixed assets	534	1 021	648
Total fixed assets	71 894	149 531	36 648
CURRENT ASSETS			
Inventories	1 979	2 586	2 239
Short term convertible loan	-	-	185 811
Other current receivables	4 240	7 703	53 336
Assets under discretionary management	-	250 586	-
Cash and bank	266 649	132 378	93 034
Total current assets	272 868	393 253	334 420
TOTAL ASSETS	344 761	542 784	371 068
EQUITY AND LIABILITIES			
TOTAL EQUITY	338 958	535 331	361 589
LONG-TERM LIABILITIES	-	-	-
SHORT-TERM LIABILITIES			
Accounts payable	1 458	605	971
Other short-term liabilities	2 367	2 828	4 377
Accrued costs and prepaid income	1 978	4 020	4 131
Total short-term liabilities	5 803	7 453	9 478
TOTAL EQUITY AND LIABILITIES	344 761	542 784	371 068

CONSOLIDATED CASH FLOW STATEMENT

(All amounts in TSEK)	2014-01-01 2014-03-31	2013-01-01 2013-03-31	Full year 2013
Cash flow from current operations			
Operating result	-9 578	-7 901	-170 288
Adjustment for items not included in cash flow	-228	1 654	140 755
Interest received	1 026	2 145	2 729
Interest paid	-21	-15	-75
Tax	-	-	357
Cash flow from current operations before changes in operating capital	-8 801	-4 117	-26 522
Cash flow from changes in operating capital			
Decrease(+)/increase(-) in inventory	260	356	701
Decrease(+)/increase(-) in receivables	49 096	-660	-46 294
Decrease(-)/increase(+) in liabilities	-408	-1 060	-202
Total changes in operating capital	48 948	-1 364	-45 795
Cash flow from current operations	40 147	-5 481	-72 317
Investment operations			
Investment in intangible fixed assets	-	-77	-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	-51 933	6 517	-30 000
Cash flow from investment operations	133 878	-195 080	-164 064
Financing operations			
Dividend	-		-
Cash flow from financing operations	-		-
Decrease(-)/increase(+) in liquid assets	174 026	-200 561	-236 381
Liquid assets at beginning of period	93 034	332 939	332 939
Exchange rate differences in liquid assets	-411	-	-3 524
Liquid assets at end of period	266 649	132 378	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	-	-	125	-4 066	-3 941
Balance on 31 March 2013	268 410	1 432 114	-91 437	-1 073 756	535 331
Result for the period	-228 144	-	-6 650	61 051	-177 683
Balance on 31 December 2013	40 266	1 432 114	-98 087	-1 012 705	361 589
Result for the period	-	-	-13 678	-8 951	-22 629
Outgoing balance on 31 March 2014	40 266	1 432 114	-111 765	-1 021 657	338 958

KEY RATIOS

	3 months 2014-03-31	3 month 2013-03-31	12 month 2013-12-31
Group			
Total assets, TSEK	344 761	542 784	371 068
Total equity, TSEK	338 958	535 331	361 589
Equity ratio (%)	98,3%	98,6%	97,4%
Interest bearing debt, TSEK	-	-	-
Employees at end of period	14	27	14
Return on equity (%)	-6,46%	-0,69%	-38,00%
Per share data			
Earnings per share, SEK	-4,25	-0,10	-4,25
Equity per share, SEK	8,42	13,29	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-MARCH

(All amounts in TSEK)	Jan-Mar 2014	Jan-Mar 2013	Full year 2013
Operating income			
Other operating income	-	-	-
Total operating income	-	-	-
Cost of sales	-	-	-
Gross profit	-	-	-
Administration costs	-7 059	-2 415	-13 668
Other operating expenses	-	-	-209 358
Operating profit	-7 059	-2 415	-223 026
Result from financial investments			
Financial income	1 060	5 268	3 444
Change in real value of assets under discretionary management	-	2 823	3 394
Interest effect on short term financial investment	-	-	-3 768
Exchange rate effects	-411	-1 154	-
Other financial costs	-4 478	-5 698	-19 343
Result before tax	-10 888	-1 176	-239 299
Tax on the period's result	-	-	-
The period's Net result	-10 888	-1 176	-239 299

PARENT COMPANY BALANCE SHEET

(All amounts in TSEK)	2014-03-31	2013-03-31	2013-12-31
ASSETS			
FIXED ASSETS			
Intangible fixed assets	-	-	-
Tangible fixed assets	40	91	44
Financial fixed assets	585	211 886	585
Shares in companies of interest	81 933	-	30 000
Total fixed assets	82 558	211 977	30 629
CURRENT ASSETS			
Short term financial investment	-	-	185 811
Other current receivables	2 903	4 542	52 018
Assets under discretionary management	-	250 586	-
Cash and bank	264 598	131 867	92 686
Total current assets	267 501	386 995	330 515
TOTAL ASSETS	350 059	598 972	361 144
EQUITY AND LIABILITIES			
TOTAL EQUITY	344 704	593 716	355 592
LONG-TERM LIABILITIES	-	-	-
SHORT-TERM LIABILITIES			
Accounts payable	1 418	472	779
Other short-term liabilities	2 302	2 169	2 204
Accrued costs and prepaid income	1 635	2 615	2 569
Total short-term liabilities	5 354	5 256	5 552
TOTAL EQUITY AND LIABILITIES	350 059	598 972	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 Q2 2014: To be published on 29 August 2014.

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

Petrogrand AB's AGM 2014 is planned to take place 30 June in Stockholm.

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

Certified Adviser

Certified Adviser First North: Mangold Fondkommission AB, +46 8 503 015 50,
Web site: www.mangold.se

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

Stockholm, 28 February 2013

The Board of Petrogrand AB (publ)

For further information, please contact:

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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.