

Interim Report January – September 2016

Petrogrand AB (publ)

December, 30 2016

Financial Results Summary - January - September 2016

- During the first three quarters of 2016, the Group had no operating income (-). The operating result for the period amounted to TSEK -5 525 (-19 674).
- Net financial result in the period amounted to TSEK -1 268 (23 125), including sale of shares in Zhoda Petroleum Ukraine AB TSEK -6 035 (-)
- Net result after tax for the period amounted to TSEK -6 794 (-90 572).
- Earnings per share for the period amounted to SEK -0.17 (-2.25).
- Total comprehensive result for the period was TSEK -6 794 (-90 572).

The figures in brackets represent the corresponding period 2015

CEO's statement

Dear Shareholders,

First of all, I would like to use this opportunity to wish you Merry Christmas and a Happy New Year.

Over the past three quarters our main goals have been and continue to be:

- Identify an opportunity for Petrogrand to invest into which maximizes shareholder value. We have had to carefully balance the limited resources of the company with the available opportunities and have considered a broad base of investments.
- Create liquidity for the shares. This has been a challenging task given the global economic environment, history and company size.
- Cut costs - the headcount is down from 11 in 2015 (12 – in 2014) to the current 3 people: the only Russian employee is myself, when necessary we use inexpensive part-time and temporary specialists; our travel costs are eight times lower; consultancy services – twice as low; legal fees – ten times, and so on.
- Achieve an exit of the company's holding in Zhoda Petroleum. This was achieved in May 2016.

Our intention is to deliver to the shareholder at the next general meeting a plan for the future of the company. I look forward to seeing you then to discuss this plan. If you have any questions in the meantime, please do not hesitate to contact me.

Pavel Tetyakov,

Chief Executive Officer

Comments on the Group's result and financial position as per 30 September 2016.

Turnover and result

The Group had no operating income during the period January-September 2016 (-) 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, which consist of HR costs, professional consultancy services and other operational charges, amounted to TSEK - 5 525 (-19 674).

Net financial result amounted to TSEK -1 268 (23 125), including TSEK -6 035(-) – the result from sale of shares in Zhoda Petroleum Ukraine AB (“**Zhoda**”), that were distributed to Petrogrand in the end of 2015 and valued back then as 25% of the equity in Zhoda or TSEK 10 786. Financial Items also include the receivable from Petrosibir AB (publ) of TSEK 4 395.

The Group reports currency effects of TSEK 550 (22 928) for January-September 2016, due revaluation of liquid assets held in USD at the end of the period.

Result before tax amounted to TSEK -6 794 (-20 248). There was no tax charged for the period.

Earnings per share for the period amounted to SEK -0,17(-2.25).

Financing and liquidity

As of 30 September 2016 the Group's available liquid assets in total amounted to TSEK 35 132 (74 185).

Operations

Until recently Petrogrand held two licence areas in the Tomsk region of Russia for Nizhnepaninskiy and Muromskiy-2 blocks. The significant yet unsuccessful volume of exploration work performed within both licence blocks led to a decision to relinquish Muromsky- 2 due to little potential combined with high risk and costs of any additional exploration, and hold Nizhnepaninsky trying to sell or farm it out. So far, we have approached a number of potentially interested parties but have seen no interest so far.

Organisation

The headcount in the Group at the end of the period was 3 (11), whereof women 0 (2) and men 3 (9).

The AGM, held on 28 June 2016, resolved to re-elect Richard Cowie and Alexander Ulanovskiy, and elect Pavel Tetyakov as a new member of the board. As a result Timofei Kotenev left the board. The AGM resolved to appoint Richard Cowie as the chairman of the Board of Directors.

Transactions with related parties during the report period

There have been no transactions with related parties.

Share data

As of 30 September 2016 the share capital of Petrogrand AB amounted to SEK 10 066 474.50 with each share having a par value of SEK 0.25.

Delisting from NASDAQ First North

On 4 February 2016 the shares of Petrogrand were in accordance with the decision of The Disciplinary Committee of NASDAQ Stockholm delisted from trading on NASDAQ First North.

Annual General Meeting in Petrogrand AB (publ)

At the Ordinary General Meeting (AGM) in Petrogrand AB (publ) (the "Company") held on 28 June 2016 the following was resolved:

It was resolved to discharge all of the previous board members and managing directors from liability against the Company for the past financial year.

The AGM resolved to re-elect Richard Cowie and Alexander Ulanovskiy, and elect Pavel Tetyakov as a new member of the board. As a result Timofei Kotenev left the board. The AGM resolved to appoint Richard Cowie as the chairman of the Board of Directors.

The audit firm Winthers Revisionsbyrå AB with Mr. Ragnar Santesson as principally responsible auditor, was elected as the Company's Auditor.

Sale of shares in Zhoda Petroleum Ukraine AB

On 12 December 2015, Petrogrand received 25% of the shares in Zhoda Petroleum at a value of TSEK 10 786, which was reported as dividend from associated company in "*Consolidated income Statement*". As Petrogrand had an obligation to sell or distribute these shares in the short term, the shares were reported as "Assets Held for Sale" on the Group's "*Consolidated Balance Sheet*".

Petrogrand has complied with its obligation under the share purchase agreement ("SPA") with Shelton Petroleum AB (now Petrosibir AB) and through a competitive tender divested the shareholding in Zhoda Petroleum Ukraine AB ("Zhoda"). The total cash consideration amounted to SEK 4 751 700. The divestment was made public 13 May 2016. The sale causes a write down of assets held for sale with TSEK -6 035, reported as *Result from sale of assets held for sale*.

Events after the report period

Compensation from Petrosibir

Due to a breach of a warranty in the Share and Purchase Agreement entered into between Petrosibir and Petrogrand in October 2015 Petrosibir has agreed to pay Petrogrand a compensation in the amount of TSEK 4 395.

CONSOLIDATED INCOME STATEMENT

(All amounts in TSEK)	January- September 2016	January- September 2015	Full year 2015
Continuing Operations			
Operating income			
Net sales of oil	-	-	-
Other operating income	-	-	-
Total operating income	-	-	-
Cost of sales			
Production costs	-	-	-
Amortization/depreciation of fixed assets	-	-	-
Gross result	-	-	-
Selling and distribution expenses	-	-	-
Administration costs	-5 525	-19 674	-23 638
Other operating expenses	-	-	-
Intangible assets impairment	-	-	-
Operating result	-5 525	-19 674	-23 638
Financial result			
Financial income	4 395	2 906	2 964
Dividend from associated company	-	-	10 786
Result from sale of financial asset that can be sold	-6 035	-	-71 875
Change in real value of assets through profit and loss	-	-2 418	-527
Profit/Loss from sale of subsidiary	-	-	-179 003
Exchange rate effects	505	22 928	23 125
Other financial costs	-133	-291	-209
Result before tax	-6 794	3 451	-238 376
Tax on the period's result	-	-	-
Net result	-6 794	3 451	-238 376
Net result from discontinued operations		-94 023	
Whereof attributable to the shareholders of the parent company	-6 794	-90 572	-238 376
Earnings per share, SEK	-0,17	-2,25	-5,92
Earnings per share after dilution, SEK	-0,17	-2,25	-5,92
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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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All amounts in TSEK)	January-September 2016	January-September 2015	Full year 2015
Income for the period	-6 794	-90 572	-238 376
Items that may be subsequently reclassified to profit and loss			
Currency translation difference	236	-4 163	-720
Change in value financial assets that can be sold	-	-25 615	33 954
Other comprehensive income for the period, net of taxes	-6 558	-120 349	-205 142
Total result attributable to:			
Parent company shareholders	-6 528	-120 349	-205 142

CONSOLIDATED BALANCE SHEET

(All amounts in TSEK)	2016-09-30	2015-09-30	2015-12-31
ASSETS			
FIXED ASSETS			
Financial assets that can be sold	-	32 195	-
Tangible fixed assets	1	32	17
Total fixed assets	1	32 227	17
CURRENT ASSETS			
Inventories	925	973	801
Other current receivables	4 843	944	942
Financial assets at fair value through profit and loss	-	-	-
Cash and bank	35 132	74 185	35 632
Total current assets	40 900	76 102	37 375
Assets held for sale	-	86 323	10 786
TOTAL ASSETS	40 901	194 652	48 178
EQUITY AND LIABILITIES			
TOTAL EQUITY	39 290	190 580	45 848
LONG-TERM LIABILITIES	299	-	226
SHORT-TERM LIABILITIES			
Accounts payable	146	618	524
Other short-term liabilities	267	230	24
Accrued costs and prepaid income	899	3 224	1 558
Total short-term liabilities	1 312	4 073	2 105
TOTAL EQUITY AND LIABILITIES	40 901	194 652	48 178

CONSOLIDATED CASH FLOW STATEMENT

(All amounts in TSEK)	January- September		Full year 2015
	2016	2015	
Cash flow from current operations			
Operating result	-5 525	-19 674	-23 638
Adjustment for items not included in cash flow	-328	11 136	29
Interest received	-	2 905	2 963
Interest paid	-	-	-
Cash flow from current operations before changes in working capital	-5 853	-5 633	-20 645
Cash flow from changes in working capital			
Decrease(+)/increase(-) in inventory	-124	467	639
Decrease(+)/increase(-) in receivables	-3 901	945	92 741
Decrease(-)/increase(+) in liabilities	-720	491	-1 250
Total changes in working capital	-4 745	1 903	92 130
Cash flow from current operations	-10 598	-3 731	71 485
Investment operations			
Investment in associated companies	-	-186 811	-218 553
Dividend from associated company	-	-	10 786
Investment in / Repayment of Short financial loan	-	-	-
Change in financial assets	9 594	93 659	60 586
Cash flow from investment operations	9 594	-93 152	-147 181
Financing operations			
Dividends	-	-	-59 940
Cash flow from financing operations	-	-	-59 940
Decrease(-)/increase(+) in liquid assets	-1 004	-96 883	-135 636
Liquid assets at beginning of period	35 632	158 708	158 708
Exchange rate differences in liquid assets	505	12 359	12 561
Liquid assets at end of period	35 132	74 185	35 632

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 2015	40 266	1 432 114	-135 755	-1 025 695	310 930
Result for the period	0	0	-29 777	-90 572	-120 350
Balance on 30 September 2015	40 266	1 432 114	-165 532	-1 116 267	190 580
Result for the period	0	0	63 011	-147 804	-84 793
Dividend				-59 940	-59 940
Balance on 31 December 2015	40 266	1 432 114	-102 521	-1 324 011	45 848
Result for the period	-	-	236	-6 794	-6 558
Changes in share-capital	-30 199	-		30 199	0
Balance on 30 September 2016	10 066	1 432 114	-102 285	-1 300 605	39 290

KEY RATIOS

	9 months 2016-09-30	9 months 2015-09-30	12 months 2015-12-31
Group			
Total assets, TSEK	40 901	194 652	48 178
Total equity, TSEK	39 290	190 580	45 848
Equity ratio (%)	96.0%	97.9%	95.2%
Interest bearing debt, TSEK		-	-
Return on equity (%)	-15.96%	-36.12%	-133.63%
Per share data			
Earnings per share, SEK	-0.17	-2.56	-5.92
Equity per share, SEK	0.98	4.73	1.14

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- September

(All amounts in TSEK)	January- September		Full Year 2015
	2016	2015	
Operating income			
Other operating income			-
Total operating income			-
Cost of sales			-
Gross result			-
Administration costs	-3 941	-13 832	-17 482
Other operating expenses	-	-	-
Operating result	-3 941	-13 832	-17 482
Result from financial investments			
Financial income	4 395	2 905	2 964
Dividend from associated company	-	-	10 786
Profit/Loss from sale of subsidiary	-	-	-179 003
Result from sale of financial assets that can be sold	-6 035	-	-59 835
Change in fair value of assets through profit and loss	-	-38 272	-527
Exchange rate effects	505	22 928	23 125
Other financial costs	-	-7 617	-8 517
Result before tax	-5 076	-33 889	-228 489
Tax on the period's result	-	-	-
The period's Net result	-5 076	-33 889	-228 489

PARENT COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All amounts in TSEK)	January- September 2016	January- September 2015	Full Year 2015
Income for the period	-5 076	-33 889	-228 489
Items that may be subsequently reclassified to profit and loss			
Change in value of available for sale financial assets	-	33 955	33 954
Other comprehensive income for the period, net of taxes	-5 076	65	-194 535
Total result attributable to:			
Parent company shareholders	-5 076	65	-194 535

PARENT COMPANY BALANCE SHEET

(All amounts in TSEK)	2016-09-10	2015-09-30	2015-12-31
ASSETS			
FIXED ASSETS			
Shares in Subsidiaries	-	239 201	-
Tangible fixed assets	-	13	8
Financial fixed assets	585	585	585
Financial assets that can be sold	-	-	-
Total fixed assets	585	239 799	593
CURRENT ASSETS			
Other current receivables	4 627	1 507	740
Financial assets at fair value through profit and loss	-	-	-
Cash and bank	35 025	72 150	34 257
Total current assets	-	73 657	34 996
Assets held for sale	-	-	10 786
TOTAL ASSETS	40 237	313 456	46 376
EQUITY AND LIABILITIES			
TOTAL EQUITY	37 262	308 917	42 337
LONG-TERM LIABILITIES	-	-	-
SHORT-TERM LIABILITIES			
Accounts payable	84	578	473
Other short-term liabilities	1 993	2 017	2 008
Accrued costs and prepaid income	899	1 944	1 558
Total short-term liabilities	2 975	4 539	4 038
TOTAL EQUITY AND LIABILITIES	40 237	313 456	46 376

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 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
Web site: www.petrogrand.se

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

Stockholm, December 2016

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.
