



PETROGRAND

Annual Report 2019

Definitions and General abbreviations

Petrogrand/Company/Group

Petrogrand AB (publ), with or without subsidiary depending on context

Petronest

Petronest Resources Plc

License

a company is guaranteed the right to a concession, accounting for costs of exploration and development to pay the State royalties, taxes, and fees for any production

Seismic

A method of exploration by interaction between sound waves and bedrock

SEK	Swedish kronor
TSEK	Thousand, Swedish kronor
MSEK	Million, Swedish kronor
USD	US dollar
TUSD	Thousand, US dollar
MUSD	Million USD dollar
RUB	Russian Ruble
TRUB	Thousand, Russian Ruble
MRUB	Million, Russian ruble
2D	Two-dimensional

The year in brief

- On 14 June 2019, the Annual General Meeting (AGM) of Petrogrand AB (publ) elected Gunnar Danielsson, Stefano Germani, Jesper Sevelin and Pavel Tetyakov as board members. Stefano Germani was appointed Chairman of the Board by the AGM. Winthers Revisionsbyrå AB with Ragnar Santesson as auditor in charge, was re-elected as the company's auditor.
- In August 2019 Stefano Germani announced that he resigns effective immediately due to personal reasons. On 27 September 2019 an extraordinary general meeting was held to re-elect a fourth board member and Maxim Korobov joined the board.
- In March 2019 Petrogrand and Petroneft Resources Plc entered into agreement to extend and increase the loan facility including entitlement to a bonus payment of 2.5 MUSD per license if either or both License 61 or License 67 are sold before 31 December 2020. Petroneft is actively working to increase the value of their assets while seeking a buyer to both licenses.
- In December 2019 Petrogrand and Petroneft agreed to extend the loan facility once more to 15 December 2020 with a possibility of a further one-year extension if certain conditions are met. The accrued interest on the loan has been added to the principal loan amount which amounts to approximately 2.9 MUSD. Along with the extension of the loan the validity period for bonus payments has been extended to December 31 2022.

CEO Statement

Dear shareholders,

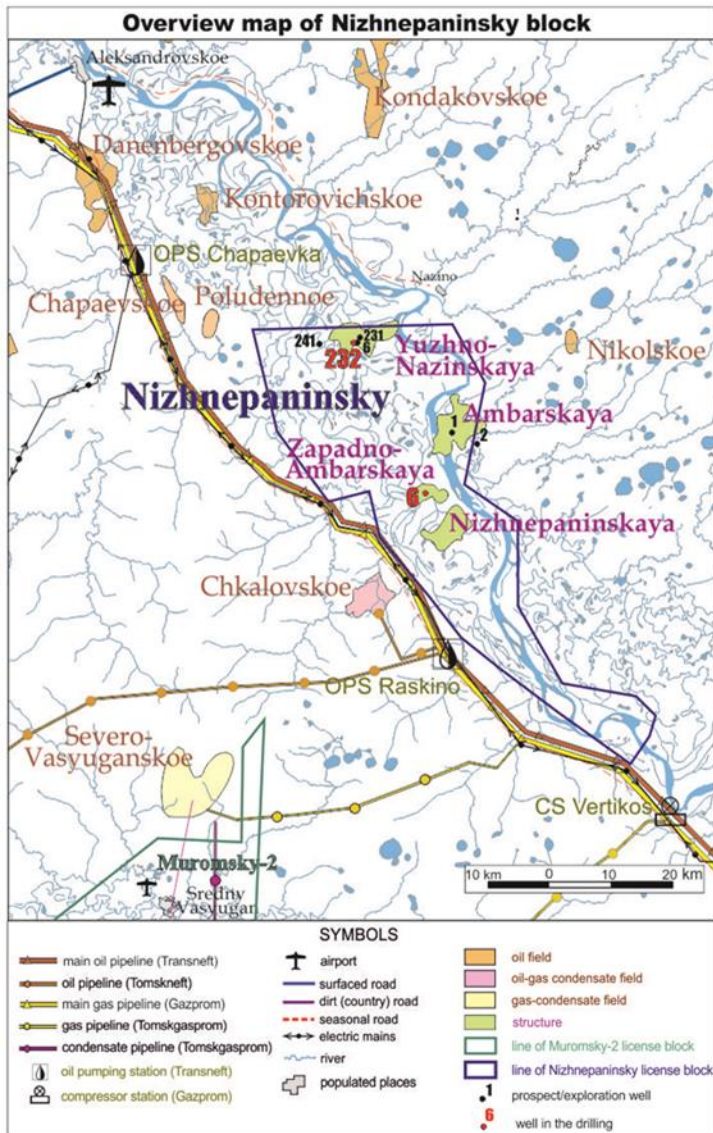
The year was characterized by negotiations with a goal to generate a good return on investment with the limited volume of available funds. In early 2019 the negotiations resulted in the loan facility with Petroneft being extended to include an agreement on a bonus component, which if successful, can generate significant value. We continue to work together with Petroneft with the aim of ensuring a positive outcome for the company and look forward to communicating further on the development during 2020. We have recently started considering new investments outside the oil and gas industry.

Sincerely,

Maxim Korobov

CEO, **Petrogrand AB**

Licenses



Nizhnepaninsky

- Surface area: 1,533.3 km²
- Seismic: 470 kilometres older seismic and 618 kilometres of seismic data
- Resource estimation: 31.3 million tons of C3-classification
- Structures: Yuzhno-Nazinskaya, Ambarskaya, Paninskaya and Nizhnepaninsky

The Company's ambition is to either divest the license or to find a farm-in partner to develop the license.

Key figures

key figures for the Group

	2019	2018	Definitions
Capital structure			
Equity, TSEK	32 336	32 252	Shareholders ' equity at end of period
Equity ratio, %	98	97	Equity in% of balance sheet total
Cashflow and liquidity			
Cash flow before investments, TSEK	-292	-2 426	Operating profit after adjustments for non-cashflow items minus the change in working capital
Cash flow after investments and financing, TSEK	-8 526	-19 810	Operating profit after adjustments for non-cashflow items minus the change in working capital and investments, and after financing
Cash and cash equivalents, TSEK	5 487	14 024	Bank and cash balances at the end of period
Investments			
Investment in financial fixed assets, TSEK	-8 234	-17 384	Investments in financial fixed assets
Employees			
Average number of employees	4	4	
Share data			
Number of outstanding shares at end of period	40 265 898	40 265 898	Number of shares at the end of the reporting period
Average number of shares outstanding during the year	40 265 898	40 265 898	The weighted average number of shares actually outstanding during the period
Ratio, SEK	0,25	0.25	Share capital divided by the number of outstanding shares
Earnings per share, SEK	0,00	-0.04	Profit after tax divided by the average number of shares outstanding during the period
Equity per share, SEK	0,80	0.80	Shareholders ' equity divided by the number of shares outstanding at the end of the reporting period

Directors' report

The Board of Directors and CEO of Petrogrand AB (publ), corporate identity number 556615-2350, hereby submit the annual and consolidated accounts for the financial year January 1 - December 31, 2019.

Group structure and the nature of the company

Petrogrand AB (publ) (Petrogrand) is a Swedish oil company active both in Sweden and Russia. The operational activities are carried out by subsidiaries in Russia.

The parent company is a holding company with principal responsibility of raising funds, strategy and investor relations.

The parent company has its registered office in Stockholm.

The Group consist of the Swedish parent company, the wholly owned Russian subsidiaries LLC Petrogrand (LLC Petrogrand), LLC Petrogrand Exploration and Production (Petrogrand EP) and LLC Petrogrand Invest (LLC Petrogrand Invest) and the Swedish subsidiary Petrogrand Invest AB.

The number of shareholders in the parent company amounted to approximately 2,500 as of 31 December 2019. The parent company is affiliated to the Euroclear system in Sweden.

Significant events during the year

On 14 June 2019, the Annual General Meeting (AGM) of Petrogrand AB (publ) elected Gunnar Danielsson, Stefano Germani, Jesper Sevelin and Pavel Tetyakov as board members. Stefano Germani was appointed Chairman of the Board by the AGM. However, in August 2019 Stefano Germani resigned effective immediately due to personal reasons. Winthers Revisionsbyrå AB with Ragnar Santesson as auditor in charge, was re-elected as the company's auditor.

On 27 September 2019 an extraordinary general meeting was held to replace Stefano Germani, and Maxim Korobov was elected as a new member of the board. Due to one of the previous directors making himself unavailable to sign the annual report of 2018 an updated annual report for 2018 was also presented and approved at the aforementioned extraordinary general meeting.

In early 2018, the company entered into a financing agreement with Petroneft Resources Plc and lent a total of 2 MUSD at an interest rate of Libor + 9%. In early 2019 the loan was renegotiated and extended to 15 December 2019. The new agreement included an increase in the loan facility by 0.5 MUSD to a total of 2.5 MUSD. The parties also agreed to a bonus payment of 2.5 MUSD per license if either or both are sold before 31 December 2020. Petroneft is actively seeking to divest both their licenses. In late 2019 the loan was renegotiated and extended once more, for further details see note 10.

Oil production

Petrogrand has not performed any exploration work or oil production in 2019. The company ambition is either to sell the license or to find a farm-in partner.

Sales and earnings - group

Petrogrand had no revenue during the year and no production-related

expenses. During the period there were thus also no sale and distribution costs.

Administrative expenses amounted to -3,866 (-5,714) TSEK.

The operating result amounted to -3,866 (-5,714) TSEK.

Financial income amounted to 2,655 (269) TSEK.

Net financial items amounted during the period to 3,895 (4,044) TSEK.

Cashflow and liquidity

Total cash and cash equivalents as per 31 December 2019 amounted to 5,487 TSEK (14,024).

During the reporting period, the company has lent a further 500 TUSD to Petroneft. On the balance sheet date the loan amounts to 26,760 TSEK.

Employees

As of 31 December 2019 The number of employees within the group were 4 (4) persons, whereof 1 woman 1 (1) and 3 men (3).

Disputes

The company had no known ongoing disputes as of 31 December 2019.

Parent

In 2019, the financial income amounted to 2,655 TSEK (1,265) with a result before tax of 581 (-1,576) TSEK. The parent company's liquid funds as per 31 December 2019 amounted to 5,365 TSEK (13,473). The number of full-time employees at year-end was 2 (2).

Shares and ownership structure

Shares and Share Capital

The company's share capital amounted to SEK 10,066,474.50 and was distributed at 40,265,898 outstanding shares at the end of 2019, each with a quota value of SEK 0.25.

At the closing date, the limits for the share capital was a minimum of 10,000,000 SEK and a maximum of 40,000,000 SEK and the limit for the number was a minimum of 20,000,000 shares and a maximum of 80,000,000 shares. The share capital is denominated in SEK and each share entitles to one vote. All shares have equal rights to the company's assets and profits. Petrogrand owns no own shares. There are no restrictions on dividends or special procedures for shareholders residing outside Sweden. As far as the Board of Directors of Petrogrand is aware, there are no consortium agreements or other similar agreements that restrict or change the right of shareholders to vote at the Annual General Meetings of the Company.

Ownership

The number of shareholders amounted to approximately 2,500 on 31 December 2019. The table below shows the largest shareholders as at 31 December 2019.

Ownership structure in Petrogrand AB as of 31 December 2019

The largest shareholders	Number of shares	Ownership %
EFG BANK/GENEVA W8IMY	19 307 644	48.0
LGT BANK LTD	3 048 775	7.6
Försäkringsaktiebolaget, Avanza Pension	1 566 262	3.9
CREDIT SUISSE (SWITZERLAND) LTD	1 170 955	2.9
Gunvald Berger	663 226	1.6
Mexor i Skellefteå AB	637 901	1.6
Mahmoud Zaher	600 000	1.5
ESAC DATA AB	415 000	1.0
SKANDINAVISKA ENSKILDA BANKEN S.A., W8IMY	347 236	0.9
Patrik Svensson	336 000	0.9
Sum, largest shareholders	28 094 189	69.8
Sum, others	12 171 709	30.2
Total number of shares	40 265 898	100.00

Board and Management

Board elected at the Extraordinary General Meeting on 27 September 2019

Gunnar Danielsson, Chairman of the Board

Gunnar Danielsson, born 1960, has strong expertise within accounting and financial management and extensive experience from working with listed companies. Gunnar is the deputy CEO and CFO in Petrosibir AB. He was previously CFO at Kopylovskoye AB, a company listed on NASDAQ OMX First North focusing on exploration and production of gold in Russia. He has spent over twenty years within the audit division of Ernst & Young. Seven of those were in Moscow, where he as partner was responsible for the audit of Nordic companies active in Russia and Russian companies listed on foreign stock exchanges.

Gunnar Danielsson holds a degree in Business Administration from Stockholm University.

Board member of Petrogrand since 14 June 2019. Chairman since 13 January 2020.

Maxim Korobov, Managing Director and Board member

Mr. Korobov, born in 1957, was appointed a Board director at the Extraordinary general meeting on 27 September, 2019. He is a Russian business man with over 25 years of experience in the oil & gas sector and a significant shareholder in Petrogrand.

Maxim Korobov was elected CEO of Petrogrand on 13 January 2020.

Jesper Sevelin, Board member

Board member since 14 June 2019.

Auditor

The company's auditors are Winther's Revisionsbyrå AB, which was elected as the company's auditors at the 2019 annual general meeting until the end of the annual general meeting held in 2020. Responsible auditor is Ragnar Santesson.

Finance policy

Petrogrand is affected by a number of financial risks and the company has formed a financial policy with a regulatory framework for how the company will handle its financial assets and operations. The policy also clarifies the division of responsibilities between the management and the board. The following is the main content of the finance policy.

Currency Management

The Group has two functional currencies, Swedish kronor (SEK) and Russian rubles (RUB), and therefore liquid funds must be invested in SEK or in RUB. Other currencies should only occur in exceptional cases and for specific purposes. The need for SEK is for covering

administrative and consolidated costs in Sweden.

To enable investments in foreign companies, the company has also invested excess liquidity in USD.

Liquidity management

Liquidity management aims at ensuring the availability of working capital and that the Company is able to meet all financial commitments on time. The finance policy sets out the amount of liquid funds that will be available immediately on bank accounts in Sweden and Russia. Surplus liquidity is defined as cash and cash equivalents that are not required for the Company's normal operations, over a three-month period. The objectives for investment of surplus liquidity are

- 1) Maintaining capital
- 2) To ensure access to liquidity
- 3) To yield a return in line with market requirements. In the case of investment decisions, consideration should be given to currency risks, counterparty risks and the relationship between expected return and time to maturity. The possibility of early redemption of a placement and the cost shall also be taken into account.

Excess liquidity can be invested as fixed-rate investments or be placed under asset management at banks or trustees in Sweden or abroad. When placing funds under asset management, the company specifies the framework within which the trustee can act and in doing so the bulk of the investments will be made in the bond market, but also in a small part of the stock market.

Counterparties

All counterparties such as banks, brokers and other financial institutions must be approved by the Board before any business relationship can begin. Approved counterparties are listed in a counterparty list that is continuously updated.

Dividend Policy

There is currently no plan for dividends payment in 2020.

Significant risks and uncertainties

Petrogrand is a small oil company operating in Russia exposed to significant risks. Some of these are industry-specific while others are general or Russian-related. Below are some of the biggest uncertainties according to the Board's assessment:

Bureaucracy and political risks

Petrogrand is currently operating in a single country – Russia, which has a legal system that differs from that in Sweden. Exploration rights and related agreements are governed by the Russian legislation.

Rules, regulations and legal principles may differ in both substantive law and in matters such as court proceedings and enforcement.

Geological risk

All estimates of recoverable oil reserves in the field are largely based on probability assessments. There are therefore no guarantees that estimated oil reserves will remain unchanged over time. In addition, the reserves are affected by the economic conditions. Everything else equals a lower oil price to lower reserves.

Third party risk

The Group may, on certain occasions, be dependent on third party services such as access to equipment and assistance in construction to complete its business plans. This dependence on third parties may adversely affect the Group's earnings and the time for implementation of business plans.

License Risk

All Russian oil companies must comply with the license agreements. These usually contain requirements of various kinds, such as, minimum production volume, environmental commitments, etc. A possible deterioration of Petrogrand's financial situation may lead to problems with compliance with license requirements, which in the long term could threaten the holding of license.

Remuneration to management

The starting point for the Board is that remuneration and other terms of employment for the company management should be on market terms. Senior executives refer to the CEO and members of the management team.

Fixed salary

The fixed salary ("Basic Salary") should be market-based and based on responsibility, competence and performance. The fixed salary will be revised each year.

Variable salary

The variable salary shall, where appropriate, be related to the Company's return on equity, reserve and production growth and specific targets within the respective areas of responsibility of the respective executives. Variable salary shall, on a case-by-case basis, be paid on an annual basis and may not exceed the annual basic salary.

Insurance benefits

Old-age pensions, sickness benefits and medical benefits shall, if appropriate, be designed to reflect rules and practices in their country of origin. If possible, pension plans must be defined contribution plans. In individual cases, depending on the tax and / or social security laws applicable to the individual, other balanced pension plans or pension plans may be approved.

Other benefits

Other benefits may be provided to individual members of Group Management or the entire Group Management. These benefits should

not constitute an essential part of the total remuneration. The benefits shall furthermore correspond to what is normal on the market.

Termination and severance pay

The notice period shall be a maximum of three months on termination initiated by the Company and a maximum of three months in the case of termination initiated by a member of the Group Management.

In individual cases, the board must be able to approve severance pay in excess of notice period. Severance pay can only be paid after termination by the Company or when a member of the Group Management resigns due to material change in his work situation, which results in the fact that he or she cannot perform a satisfactory job.

Deviations from the guidelines

The Board shall be entitled to deviate from these guidelines if there are special reasons for such in an individual case.

Annual General Meeting

The Annual General Meeting is Petrogrand's highest decision-making body. The Annual General Meeting shall be held every year in Stockholm. The last annual general meeting was held on 14 June 2019. The Annual General Meeting is held in Swedish. At the AGM, all registered shareholders have the right to participate either personally or through agents. At the AGM, the Board, Management and Auditors are available to answer questions relating to the Company and its activities. Shareholders wishing to have a particular issue dealt with shall send such request or proposal to the Board no later than 7 weeks before the AGM, or later but in such time that it can be included in the notice for the AGM.

Financial situation and 2020 outlook

At the date of this annual report the Board assesses that, provided that no unforeseen events occur, that the Group has sufficient working capital to continue operating for the next 12 months.

Proposed income statement

At year-end 2019, the Group's equity amounted to 32,335 TSEK (32, 252), of which the share capital amounted to 10,066 TSEK. The parent company's available equity was distributed at the year-end of 2019 as follows:

Premium fund	+1,343,165,453 SEK
Carried forward	- 1,321,527,817 SEK
Current year Result	580,669 SEK
Total	22,218,305 SEK

The Board of Directors proposes that no dividends are paid for the 2019 fiscal year and that the earnings are carried forward.

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Consolidated statement on comprehensive income

(All amounts in TSEK)

		2019-01-01 2019-12-31	2018-01-01 2018-12-31
	Note		
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Revenue			
Net sales of oil		-	-
Total revenues		-	-
Operating costs			
Production Costs		-	-
Depreciation and Amortization		-	-
Gross profit or loss		-	-
Selling and distribution costs		-	-
Administration costs	2, 3	-3 866	-5 714
Operating result		-3 866	-5 714
Result from financial items			
Financial income	4	2 655	1 265
Exchange rate differences	5	1 240	2 779
Other financial costs		0	-1
Result after financial items		29	-1 670
Result before tax		29	-1 670
Tax	7	-	-
Result for the Year	8	29	-1 670
Attributable to the shareholders of the parent company		29	-1 670
Earnings per share	6	0.00	-0.04

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Consolidated statement of comprehensive income		2019-01-01 2019-12-31	2018-01-01 2018-12-31
(All amounts in TSEK)	Note		
Result for the year		29	-1 670
Other comprehensive income			
<i>Items which have been or can be reclassified as net income</i>			
Translation differences		55	-77
Total comprehensive income		84	-1 747
Total comprehensive income attributable to:			
Shareholders of the parent company		84	-1 747
Comprehensive income per share		0.00	-0.04

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Consolidated statement of Financial position		2019-12-31	2018-12-31
(All amounts in TSEK)	Note		
Current Assets			
Loan receivable	10	26 760	17 942
Inventory		-	-
Other receivables		639	1 339
Cash and Bank		5 487	14 024
Total Current Assets		32 886	33 305
Total Assets		32 886	33 305
Equity and Liabilities			
Equity			
Share Capital	13	10 066	10 066
Other Capital		1 432 114	1 432 114
Reserves		-102 347	-102 403
Retained earnings including current year result		-1 307 498	-1 307 527
Total Equity		32 335	32 252
CURRENT LIABILITIES			
Accounts payable		41	302
Tax liabilities		-	-
Other current liabilities		124	96
Accrued costs and prepaid income	11	386	656
Total current liabilities		551	1 054
Total Equity and Liabilities		32 886	33 305

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STATEMENT OF CHANGES IN EQUITY (GROUP)

(All amounts in TSEK)	Attributable to Parent Company Shareholders				Total equity capital
	Share capital	Additional paid in capital	Other reserves*	Retained Earnings, incl result for the period	
Opening balance on 1 January 2018	10 066	1 432 114	-102 326	-1 305 857	33 997
Result for the period		-		1 670	-1 670
Translation difference			-77		-77
Closing balance on 2018-12-31	10 066	1 432 114	-102 403	-1 307 527	32 252
Result for the period		-		29	29
Translation difference			55		55
Closing balance on 31 December 2019	10 066	1 432 114	-102 347	-1 307 498	32 336

*Other reserves consist of translation differences on wholly owned operations and change in value of financial assets that can be sold

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Consolidated cashflow statement		2019-01-01	2018-01-01
		- 2019-12-31	- 2018-12-31
(All amounts in TSEK)	Note		
Cashflow from operating activities			
Result before tax		29	-1 670
Adjustment for items not included in cashflow	12	402	-1 649
Cashflow from operating activities before changes in operating capital		431	-3 319
Cashflow from changes in operating capital			
Decrease (+) / increase (-) in inventory		0	676
Decrease (+) / increase (-) in receivables		-219	-29
Decrease (-) / increase (+) in liabilities		-503	246
Total changes in operating capital		-723	893
Cash flow from operating activities		-292	-2 426
Investing activities			
Investments in financial assets	10	-8 234	-17 384
Cashflow from investment activities		-8 234	-17 384
Financing activities			
Decrease (-)/increase (+) in cash		-8 526	-19 810
Cash at beginning of period		14 024	33 867
Exchange differences on cash		-11	-33
Cash at end of period		5 487	14 024

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Parent Company Income statement		2019-01-01	2018-01-01
		2019-12-31	2018-12-31
(All amounts in TSEK)			
	Note		
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Revenue			
Other revenue		-	-
Total revenue			
		-	-
Production costs			
		-	-
Gross profit or loss			
		-	-
Administration costs	2, 3	-3 118	-5 075
Operating result			
		-3 118	-5 075
Result from financial items			
Financial income	4	2 655	1 265
Dividend from subsidiary company		-	-
Exchange rate differences	5	1 241	2 778
Other financial costs		-198	-544
Result before tax			
		581	-1 576
Tax	7	-	-
Year result			
		581	-1 576

Parent Company Comprehensive income		2019-01-01	2018-01-01
		2019-12-31	2018-12-31
(All amounts in TSEK)			
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Result for the year			
		581	-1 576
Total comprehensive income			
		581	-1 576

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Parent Company Statement of Financial position		2019-12-31	2018-12-31
(All amounts in TSEK)			
	Note		
FIXED ASSETS			
Financial Fixed Assets			
Shares in Subsidiaries	8	50	50
Loans to Subsidiaries	9	-	-
Total Fixed Assets		50	50
Current assets			
Loan receivable	10	26 760	17 942
Other current receivables		56	25
Receivable on group companies		200	-
Accrued income and prepaid costs		333	1 202
Cash and bank		5 356	13 473
Total Current assets		32 705	32 642
TOTAL ASSETS		32 755	32 692
Equity and Liabilities			
Total Equity			
Share Capital	13	10 066	10 066
Restricted Equity		10 066	10 066
Premium fund		1 343 165	1 343 165
Retained Earnings		-1 321 527	-1 319 952
Current year result		581	-1 576
Unrestricted equity		22 219	21 638
Total Equity		32 285	31 704
Current Liabilities			
Accounts payable		10	228
Tax liabilities		-	-
Other Liabilities		27	57
Debt to subsidiaries		47	47
Accrued costs and prepaid income	11	386	656
Total current liabilities		470	988
Total Equity and Liabilities		32 755	32 692

Petrogrand AB (publ)

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Parent company changes in equity

(All amounts in TSEK)	Restricted equity	Unrestricted equity			Total Equity
	Share capital	Premium fund	Profit/loss Carried Forward	Year's Result	
Balance on 1 January 2018	10 066	1 343 165	-1 316 505	-3 445	33 280
Reallocation			-3 445	3 445	-
Result for the period				-1 576	-1 576
Balance on 2018-12-31	10 066	1 343 165	-1 319 952	-1 576	31 704
Reallocation			-1 576	1 576	-
Result for the Year				581	581
Balance on 2019-12-31	10 066	1 343 165	-1 321 528	581	32 285

Petrogrand AB (publ)

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Parent Company Statement of cashflow

		2019-01-01	2018-01-01
		- 2019-12-31	-2018-12-31
(All amounts in TSEK)	Note		
<hr/>			
Cashflow from operating activities			
Result before tax		581	-1 576
Adjustment for items not included in cashflow	12	533	-1 063
Cashflow from operations before changes in operating capital		1 114	-2 639
Cashflow from changes in operating capital			
Decrease (+) / increase (-) in receivables		-281	-28
Decrease (-) / increase (+) in liabilities		-518	338
Total changes in operating capital		-799	310
Cashflow from operating activities		315	-2 329
Investing activities			
Investments in financial assets	10	-8 234	-17 384
Loan to subsidiaries		-198	-544
Cash flow from investments		-8 432	-17 928
Financing activities		-	-
Cashflow from Financing activities		-	-
Decrease(-)/increase(+) in cash		-8 177	-20 257
Cash at beginning of period		13 473	33 730
Cash at end of period		5 356	13 473

Note 1 Accounting principles

1. Basis for the preparation of reports

The consolidated accounts of the Petrogrand Group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied.

The consolidated accounts have been prepared in accordance with the acquisition method and include the parent company and its subsidiaries.

The parent company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554), and with the application of the Swedish Financial Accounting Standards Council Recommendation RFR 2 Reporting of Legal Entities. RFR 2 requires the parent company, in the annual report for the legal entity, to apply all the IFRS endorsed by the EU, provided it is possible within the framework of the Annual Accounts Act, and with due regard to the relation between accounting and taxation. The recommendation defines what exceptions and additions are to be made in relation to IFRS.

2. Basis for consolidation

Subsidiaries are all companies over which the Group has controlling influence. The Group controls a company when it is exposed to or is entitled to variable returns from its holding in the company and is able to influence the return through its influence in the company. Subsidiaries are included in the consolidated financial statements as of the date when the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements as of the date when the controlling influence ceases.

The consolidated accounts are prepared according to the acquisition method. This means that the subsidiaries' equity at the acquisition, determined as the difference between the fair value of the assets and liabilities, is eliminated in its entirety. In the consolidated accounts, therefore, only the part of the subsidiaries' shareholders' equity that has been added after the acquisition date is included. The consolidated accounts comprise those companies in which the Parent Company directly or through subsidiaries holds more than 50% of the voting rights, or otherwise has a controlling influence.

Intra-Group transactions, balance sheet items, income and expenses on transactions between Group companies are eliminated. Gains and losses resulting from intra-group transactions and which are reported in assets are also eliminated. The accounting principles for subsidiaries have been amended, if necessary, to ensure consistent application of the Group's principles.

Acquisition-related costs are expensed when incurred.

Divested companies are included in the consolidated accounts up to and including the date of disposal. Companies acquired during the current year are included in the consolidated accounts as of the acquisition date.

3. Translation of foreign currency

Items included in the financial statements of the various entities in the Group are valued in the currency used in the economic environment in which each company is primarily active (functional currency). For the operating subsidiaries in Russia, the functional currency is rubles since the subsidiaries mainly use rubles in their daily operations. The consolidated accounts are presented in SEK, which is the Swedish Parent Company's functional and reporting currency.

Income and financial position for all Group companies that have a different functional currency than the reporting currency, are translated into the Group's reporting currency as follows:

(A) Assets and liabilities for each of the balance sheets are translated at the closing date rate,

(B) Income and expenses for each of the Income Statements are translated at the average exchange rate (unless this average rate represents a reasonable approximation of the cumulative effect of the rates applicable on the transaction date, otherwise revenues and

expenses are translated at the transaction date rate), and

(C) all exchange rate differences that occur are reported for each period as a component in other comprehensive income. The cumulative effect of exchange rate differences is reported as a separate part of equity.

At the time of consolidation, exchange rate differences arising from the translation of net investments in foreign operations and borrowings and other currency instruments identified as hedges of such investments are recognized in equity. Upon disposal of a foreign operation, in whole or in part, the exchange rate differences recognized in equity are recognized in the income statement and recognized as part of the capital gain / loss.

Receivables and liabilities in foreign currency are translated at the closing date rate of the functional currency. Exchange differences on operating receivables and operating liabilities are included in operating income, while exchange rate differences on financial receivables and liabilities are reported among financial items. Unrealized exchange gains and losses attributable to related receivables and liabilities are reported net as other operating income / expenses.

The exchange rates that have been used at the closing date and the average exchange rate are as follows:

Balance sheet date exchange rate: 1 SEK corresponds to 6.63 Russian ruble (RUB). 1 SEK corresponds to 0.11 US dollars (USD).

Average exchange rate: 1 SEK corresponds to 6.84 Russian rubles (RUB). 1 SEK corresponds to 0.11 US dollars (USD).

4. Revenue recognition

Any revenue from activities outside ordinary activities is reported as other operating income. Financial income consists of reported interest income and dividends.

5. Leasing

A finance lease is an agreement whereby the economic risks and benefits associated with ownership of an item are essentially transferred from the lessor to the lessee. The non-financial leasing agreements are classified as operating leases.

The Company is not party to any leasing agreements.

6. Employee benefits

The Group has only defined contribution pension plans. A defined contribution plan is a pension plan in which the Group pays fixed premiums to a separate legal entity. After the Company has paid the premium, there are no obligations for the Company towards the Group's employees. The charges are reported as personnel costs in the period to which the paid fee relates.

The company reports a liability and cost of bonus when there is a legal or informal obligation due to past practice to pay bonus to employees.

7. Income taxes

The tax expense for the period comprises current and deferred taxes. Tax is recognized in the income statement except when the tax refers to items recognized in other comprehensive income or directly in equity. In such cases, tax is also reported in other comprehensive income and equity.

Reported income taxes include taxes payable or received in respect of the current year, as well as adjustments for previous years' current tax and changes in deferred taxes. The valuation of all tax liabilities is made at nominal amounts and is made according to the tax rules and tax rates that are decided or announced and will be determined with great certainty. Deferred tax is calculated using the balance sheet method on all temporary differences that arise between reported and taxable values of assets and liabilities

Deferred tax assets are reported to the extent that future tax surpluses will be available, against which the temporary differences can be utilized.

8. Tangible fixed assets

Property, plant and equipment are reported at acquisition value less depreciation. Expenditure on asset performance improvement beyond the original level increases the asset's carrying amount. Repairs and maintenance expenses are reported as expenses. Borrowing costs are

not included in the acquisition value.

9. Intangible fixed assets

As there is currently no planned development of the assets at its own discretion, all related assets have been written down.

10. Depreciation and impairment

Tangible fixed assets

Property, plant and equipment are depreciated over the asset's estimated useful life. When the asset's depreciable amount is determined, the residual value of the asset will be taken into account. The straight-line depreciation method is used for the tangible fixed assets listed below.

The following depreciation periods are applied:

Buildings:	3-10 years
Processing plants:	2-10 years
Machines:	2-10 years

The assessment of an asset's residual value and useful life is made annually. If there is an indication that tangible, intangible or financial fixed assets in the Group have an excessively high book value, an analysis is made where the minimum cash-generating unit's recoverable amount is determined as the highest of net realizable value and value in use. Net asset value is measured as expected future discounted cash flow. Write-downs are made using the difference between book value and recoverable amount. An impairment loss is reversed when the write-down is no longer justified. A reversal is made up to a value not exceeding the book value that would have been reported, less depreciation, if no write-down would be made.

11. Inventory

Inventories are valued, using the first-in-first-out principle, at the lower of cost and net realizable value on the balance sheet date. As there is no stock of oil currently, the inventory consists of the spare parts, diesel fuel, etc. that are required for the operations that are reported in the item.

12. Financial assets and liabilities

Financial assets

A financial asset is recognized in the balance sheet when the company becomes a party to the return from the asset. A financial asset is removed from the balance sheet when the rights relating to the asset have been realized, when the asset matures or when the company loses control of it. The Group classifies its financial assets in the categories:

a) Financial assets valued at fair value through profit or loss; b) Loans and receivables; and c) Financial assets available for sale.

A) Loans and receivables;

The Group's loan receivables and accounts receivable consist of Current loan receivables, Other short-term receivables and Liquid funds. Loan and accounts receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted on an active market. The valuation of these assets is initially at fair value including transaction costs and subsequently at accrued acquisition value using the effective interest rate method. All Group assets in this category are classified as current assets when their maturity date is less than 12 months after the end of the reporting period. Cash and cash equivalents are classified as cash and cash equivalents, short-term investments with a maturity of three months or less, which can easily be converted into cash.

B) Available-for-sale financial assets

Available-for-sale financial assets are reported at fair value. Unrealized changes in value are reported in the consolidated and parent company's comprehensive income statement.

Financial liabilities

A financial liability is recognized in the balance sheet when the counterparty has performed and the contractual obligation to pay is present, even if the invoice has not been received. A financial liability is removed from the balance sheet when the obligation in the agreement regarding the liability is fulfilled or otherwise terminated. The Group's other financial liabilities consist of trade payables and other short-term liabilities. Trade payables are classified as current liabilities if they expire within one year or earlier, otherwise they are recognized as long-term liabilities. The Group's total trade payables are classified as current liabilities.

13. Assets held for sale

Assets held for sale are reported separately in the income statement and balance sheet in accordance with IFRS 5.

14. Equity

Issuance costs are booked directly against equity.

15. Provisions

Provisions are recognized when a liability exists as a result of events occurring and it is likely that payments will be required to fulfill the obligation. A prerequisite is also that a reliable estimate of the amount to be paid can be made.

Restoration costs

A commitment to future recovery costs arises when an environmental impact arises due to oil exploration in the form of exploration, evaluation, expansion or ongoing production. Recovery costs are calculated on the basis of a recovery plan and the calculation is reviewed on a regular basis. Estimated cost recovery costs for oil exploration that are expected to occur when the operations are closed are discounted at current value and are reserved, and at the same time increase the acquisition value of "oil licenses" on the asset side of the balance sheet. Restoration costs are expensed over the total estimated operating period of the asset in question.

16. Cash flow statement

The cash flow statement has been prepared according to indirect method. The reported cash flow includes only transactions that have resulted in ingoing and outgoing payments.

17. Assessments and estimates in the financial statements

The preparation of the financial statements in accordance with IFRS requires that management make assessments and estimates as well as make assumptions that affect the application of the accounting principles and the reported amounts of assets, liabilities, income and expenses. The actual outcome may deviate from these estimates and assessments. Estimates and assumptions are reviewed on a regular basis. Changes in estimates are recognized in the period when the change is made if the change has only affected this period or during the period the change is made and future periods of change affect both the current period and future periods. A detailed description of the areas where estimates and assessments are of significant importance can be found in the notes: 7, Taxes; 14, Legal proceedings and disputes.

18. Segment reporting

Segment information is presented in accordance with the current standard in the manner used in the internal reporting where the highest executives comply with the business as a whole. The company believes that it has only one segment, as the business is conducted solely in a geography with a homogeneous geology and covers only the exploration of oil and gas in the geography.

19. New Standards, Amendments and Interpretations, which entered into force in 2019

None of the new or amended IFRS standards applied by the Group 1 January 2019 have had any significant effect on the Group's accounts.

IFRS 16 Leases

IFRS 16 impacts almost all lease and rent agreements. Instead of reporting the lease payments as an operating cost it is reported as a right-of-use asset and a financial liability. The asset is depreciated and an interest calculated and reported on the liability.

The Company has used the simplified transition method, where the calculation of the possible liability on the remaining payments is made for the leased asset and for a corresponding asset in the form of a right of use asset. There is no effect on the opening equity. The comparative numbers are not recalculated.

Leasing agreements with a leasing period of twelve months or shorter or leasing agreements with an underlying asset of low value are not included in the liabilities and right of use assets in the balance sheet.

The Group is not party to any lease agreements that require adjustments in accordance with IFRS16

IFRIC 23 Uncertainty over income tax treatments.

IFRIC 23 clarifies how tax receivables and payables should be reported

and measured when there is an uncertainty regarding the tax treatment. An uncertain tax treatment exists when there is an uncertainty whether the treatment will be accepted by the tax authorities. The interpretation did not have any significant effect on Petrogrand's financial reports.

20. New standards and interpretations that have not yet been adopted.

A number of new standards and interpretations are effective for reporting periods starting after 1 January 2019 which have not been adopted in the preparation of this annual report. These new standards and interpretations are not expected to have a significant effect on the Group's financial reports in the current or future periods.

21. Financial risk management

The Group is exposed to a variety of financial risks through its operations: market risk (extensive currency risk, interest rate risk and price risk), credit risk, liquidity risk and capital risk. The company's board of directors has adopted a financial policy with a regulatory framework for how the company will handle its financial assets and operations. The policy also clarifies the division of responsibilities between the management and the board.

Currency risk

The Group operates internationally and is exposed to currency risks arising from different currency exposures, primarily with regard to Russian rubles (RUB) and US dollars (USD). Currency risk arises through reported assets and liabilities and net investments in Russia. The company's objective of managing currency risk is to hedge its available capital for investments in the Russian operations.

Assets in Russian rubles consist of liquid funds in the subsidiaries bank account.

Assets in USD consist of loan receivables and liquid funds in the Parent company's bank account.

The Group has two functional currencies, Swedish kronor (SEK) for the Swedish parent company and Russian rubles (RUB) for the Russian subsidiaries. In 2019 the parent company has continued to hold the majority of its liquid funds in USD. The purpose is to secure available capital with regards to ongoing transactions.

In 2018, the parent company entered into a 2 MUSD loan financing agreement with Petroneft Resources Plc and in 2019 the facility was increased by 500 TUSD, whereby USD 2.5 million has been lent to Petroneft. The loan is secured and the interest rate is LIBOR +9%. The entire loan amount and accrued interest are denominated in USD.

As at 31 December 2019, funds were held in RUB at the equivalent of 131 TSEK. If the RUB had been strengthened / weakened by 5% relative to SEK, the reported profit for the 2019 fiscal year had been 8 TSEK higher / lower due to the valuation of assets at fair value through profit or loss. Equity had also fully changed accordingly.

As at 31 December 2019, funds were held in USD at the equivalent of 5 261 TSEK. If the USD had been strengthened / weakened by 5% relative to SEK, the reported profit for the 2019 fiscal year had been 263 TSEK higher / lower due to the valuation of assets at fair value through profit or loss. Equity had also fully changed accordingly.

With regard to the company's investments in oil assets in Russia, a risk arises in that the investments are made in RUB, which is then converted to SEK in the consolidated balance sheet. The value of investments expressed in SEK is thus adjusted in proportion to the exchange rate fluctuations SEK relative to RUB. In the 2019 fiscal year, this risk did not affect the Group's earnings, as investments in oil assets in Russia were fully written off earlier.

Interest rate risk

The Group currently does not have any borrowing and is therefore not exposed to any interest rate risk related to liabilities.

Price Risk

The Group's exposure to price risk on commodities stocks was zero during the fiscal year, as no production of oil occurred during the year.

Credit and counterparty risk

Credit and counterparty risk arises through credit exposure relating to loans and accounts receivable, cash and cash equivalents and balances with banks and financial institutions.

The financial risk relating to loans and accounts receivable arises due to the risk that a counterparty with whom the company entered into an agreement cannot fulfill its obligations under the agreement.

Holdings within banks in the form of liquid funds on deposit accounts expose the company to a financial risk due to the risk that the bank cannot repay the funds to the company. Liquid funds may be invested in banks in Sweden or abroad. The company has established a counterparty list that is continuously updated. Funds may be placed only at the banks that are included in the list and are therefore deemed to have a high credit rating. In order to limit counterparty risk, investments are spread between a number of banks. Receipts in SEK are invested in Swedish banks with a credit rating of Standard & Poor's of lowest A which compares with Sweden's credit rating AAA. RUB credits in Russia are available in Russian banks with a credit rating of at least BBB, which can be compared with the Russian government's BB + at the time of the issuance of this annual report.

The maximum credit exposure at 31 December 2019 amounted to TSEK 32,325 (33,014), of which TSEK 26,760 were loan receivables and TSEK 128 accrued interest and TSEK 5,487 liquid funds. The company had no outstanding accounts receivable as at 31 December 2019.

Liquidity risk

The management of the company's cash and cash equivalents aims to ensure that the company has sufficient working capital and that financial commitments can be completed in due time. Cash and cash equivalents are defined as cash and bank balances and financial assets that can be converted into liquid assets immediately and without affecting the market value of these assets. The company's finance policy regulates what levels of liquidity should be at the head office and subsidiary level.

From time to time there may be surplus liquidity in the company. Surplus liquidity is defined as cash and cash equivalents that are not required for daily operations over a three-month period. The purpose of managing surplus liquidity is to protect and maintain the company's investment capital, secure cash and provide a return corresponding to the market return. Surplus liquidity can be invested as fixed-rate investments or under asset management at banks and professional asset managers in Sweden or abroad. These banks and financial institutions shall be in the counterparty list.

At 31 December 2019, cash and cash equivalents in SEK in the Group totaled TSEK 5,487 (14,024). This amount was mainly invested in Swedish banks with the possibility of quick access.

As of December 31, 2019, the company's financial liabilities totaled 41 (302) TSEK, in the form of trade payables with varying maturities up to a maximum of 30 days.

Capital risk

The Group's objective regarding the capital structure is to secure the ability to continue its operations so that it can generate return to the shareholders and benefits to other interested parties and to maintain a capital structure that keeps the cost of capital low. Capital which has not yet been invested is placed with credit institutions with high credit ratings and to the highest possible return. The group is since many years free of debt and there is no target debt/equity ratio. This can be revised should the operations change.

Note 2 Remuneration to auditors

Remuneration to auditors	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Auditors in Sweden				
Audit	116	102	116	102
Audit outside regular audit assignment	10	3	10	3
Tax consulting	-	-	-	-
Total Auditors in Sweden	126	105	126	105
Remuneration to other auditors	12	20	12	20
Total remuneration	138	125	138	125

Note 3 Employees

Average	Total 2019	Men	Women	Total 2018	Men	Women
Average number of employees						
Parent Company in Sweden	3	3	0	3	3	0
Subsidiaries in Russia	1	0	1	1	0	1
Total for Group	4	3	1	4	3	1

End of reporting period	Total 2019-12-31	Men	Women	Total 2018-12-31	Men	Women
Employees						
Parent Company in Sweden	3	3	0	3	3	0
Subsidiaries in Russia	1	0	1	1	0	1
Total for Group	4	3	1	4	3	1

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Salaries and remuneration in Sweden *				
Board and CEO	1 950	2 185	1 950	2 185
Other employees	445	598	445	598
	2 395	2 783	2 395	2 783
Salaries and remuneration in Russia				
CEO	28	26	-	-
Other employees	305	291	-	-
	333	317	-	-
Salaries and remuneration Total	2 728	3 100	2 395	2 783
Social costs				
Social costs in Sweden	195	259	195	259
Social costs in Russia	88	82	-	-
	282	341	195	259
Pension costs				
Pension costs in Sweden	-	54	-	54
Pension costs in Russia	-	-	-	-
	-	54	-	54
Other employees cost	-	-	0	-
Total salaries, remuneration, social cost and pension costs	3 010	3 495	2 590	3 096

*Pavel Tetyakov has a consultancy agreement with Petrogrand AB (publ) as a CEO of the company. The total fee for 2019 was TSEK 1 750. The agreement does not include any pension remunerations.

Gender distribution Board and management

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Board				
Women	-	-	-	-
Men	3	3	3	3
Management				
Women	-	-	-	-
Men	1	1	1	1

Note 4 Financial income

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Interest income	2 655	1 265	2 655	1 265
Total	2 655	1 265	2 655	1 265

Note 5 Exchange rate differences

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Exchange difference on (non-SEK) bank accounts	630	1 963	630	1 963
Exchange difference on loan receivable	612	828	612	828
Other exchange differences	-2	-13	-1	-14
Total	1 240	2 779	1 241	2 778

Note 6 Earnings per share

	2019	2018
Result attributable to shareholders of the parent company	29	-1 670
Average number of shares	40 265 898	40 265 898
Earnings per share (SEK)	0.00	-0.04

Note 7 Income tax

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Reported Tax	-	-	-	-
The connection between tax expense and reported income				
Result before tax	29	-1 670	581	-1 576
Tax according to current tax rate	-6	334	-124	347
Tax effect on no deductible costs	-5	-4	-48	-123
Difference in Group's and Parent companies tax rates	0	-33	-	-
Tax effect on tax loss carryforward	11	-297	172	-224
Reported tax	0	0	0	0

The current tax rate for the parent company is 21.4%. In 2021 the corporate tax rate is reduced to 20.6% in Sweden.

The current tax rate for the Group, 20%, is the weighted value of tax rates in the different countries and the pre-tax profit in the different countries and the pre-tax profit.

Up until and including the financial year 2019, the Parent Company has unutilized loss carryforwards amounting to 322 MSEK. According to the company's estimate, unutilized loss carryforwards amount to 322 MSEK as of 31 December 2019. No deferred tax assets have been recognized in the Group or the parent company.

Note 8 shares in subsidiary companies

	Parent Company 2019	Parent Company 2018
Opening balance	50	50
Impairment charge	-	-
Balance at the end of the period	50	50

Name	Country of incorporation	Shares	2019	2018
Petrogrand Invest AB, 556807-3836	Sweden	100%	50	50
Petrogrand Invest LLC	Russia	100%	-	-
Petrogrand Exploration and Production LLC	Russia	100%	-	-
Petrogrand LLC	Russia	100%	-	-
			50	50

The value of shares in foreign subsidiaries have been written down to nil in earlier years.

Note 9 Loans to subsidiaries

	Parent Company 2019	Parent Company 2018
Opening balance	-	-
Loans under the period	198	544
Loans written down	-198	-544
Balance at the end of the period	-	-

Specification loans to subsidiaries

Loans to LLC Petrogrand of SEK 45.4 million

Loans to LLC Petrogrand EP of SEK 168,9 million

Loans to LLC Petrogrand Invest of SEK 53.5 million

Total impaired loans to the Russian subsidiaries per 2019-12-31: 268 MSEK

Note 10 Loan receivable

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Opening balance	17 942	0	17 942	0
Loans in the period	8 234	17 384	8 234	17 384
Exchange rate difference	584	558	584	558
Closing balance	26 760	17 942	26 760	17 942

In January 2018, Petrogrand entered into a financing agreement with Petroneft Resources Plc. In accordance to the agreement Petrogrand would lend up to MUSD 2 to Petroneft at an interest rate of Libor + 9%. In early 2019, the loan facility was renegotiated and extended to 15 December 2019. The new agreement included an increase in the loan facility by 0.5 MUSD to a total of 2.5 MUSD. The parties also agreed to a bonus payment of 2.5 MUSD per license if either or both are sold before 31 December 2020. In late 2019 the loan was renegotiated and extended once more. In connection to the extension the accrued interest on the loan was capitalized. The new final maturity date is 15 December 2020, interest remains unchanged and the validity period for bonus payments has been extended to December 31 2022. In addition, Petroneft has commenced monthly interest payments to Petrogrand. Petroneft has the option to extend the loan by one more year contingent on repayment of not less than 20% of the outstanding loan amount on the final maturity date 15 December 2020. Upon such extension the period for the above-mentioned bonus payments is extended to 31 December 2023 and the interest lowered to LIBOR + 6% as the risk is assessed to be lower.

The loan is fully secured by a floating charge in Petroneft's total assets.

Note 11 Accrued expenses and prepaid income

	Group 2019-12-31	Group 2018-12-31	Parent Company 2019-12-31	Parent Company 2018-12-31
Accrued employee remuneration	222	176	222	176
Accrued board remuneration	55	-	55	-
Accrued audit fee	80	80	80	80
Accrued consulting fees	0	370	0	370
Other	29	30	29	30
Total	386	656	386	656

Note 12 Adjustments for items not included in cash flow

	Group 2019-12-31	Group 2018-12-31	Parent Company 2019-12-31	Parent Company 2018-12-31
Impairment charge loans to subsidiaries	-	-	198	544
Translation difference loans in USD	-584	-559	-584	-559
Not received interest income	919	-1 015	919	-1 015
Other	67	-75	-	-33
Total	402	-1 649	533	-1 063

Note 13 Share capital

The company's share capital amounting to SEK 10,066,474.50 was distributed on 40,265,898 outstanding shares at the end of 2019, each with a quota value of SEK 0.25.

At the end of the reporting period, the limits for the share capital were a minimum of 10,000,000 SEK and a maximum of 40,000,000 SEK and the limits for

The number of shares is a minimum of 20,000,000 and a maximum of 80,000,000. The share capital is denominated in SEK and each share entitles to one vote. All shares have equal rights to participate in the company's assets and profits.

Petrogrand owns no own shares. There are no restrictions on dividends or special procedures for shareholders residing outside Sweden.

Note 14 Related party transactions

Directors' fees

The parent company has related party transactions with subsidiaries as well as members of the board and management. Transactions with directly owned subsidiaries are reported in note 9. In addition to what is reported in note 3 there have been no transactions with related natural persons.

Note 15 Legal proceedings and disputes

The company is not involved in any legal disputes.

Note 16 Pledged Assets and Contingent Liabilities

The parent company and subsidiaries have not pledged any assets and have no contingent liabilities.

Note 17 Events after the end of the financial year

In January 2020 Pavel Tetyakov notified the company that he would like to focus on his other engagements and therefore resigns from his role as CEO and Board Member in Petrogrand. The resignation was effective from 13 January, 2020. The board appointed Maxim Korobov as the new CEO.

The undersigned ensures that the consolidated accounts and the annual accounts have been prepared in accordance with the Annual Accounts Act and in accordance with International Financial Reporting Standards, IFRSs, as adopted by the EU, respectively, in accordance with generally accepted accounting principles, and give a true and fair view of the position and results of the Group and Parent Company and that the Directors' Report provides a fair review On the Group's and the Parent Company's operations, position and results, and describes significant risks and uncertainties that the parent company and the companies included in the Group face.

Stockholm 2 March 2020

Gunnar Danielsson
Chairman of the board

Maxim Korobov
CEO and Board member

Jesper Sevelin
Board member

The Annual Report and the consolidated accounts have been approved for issue by the Board on 2 March 2020. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet are subject to approval at the Annual General Meeting 26 March 2020.

Our audit report has been issued on 3 March 2020
Winthers Revisionsbyrå AB

Ragnar Santesson
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Petrogrand AB (publ)

corporate identity number 556615-2350

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Petrogrand AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 7-28 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-6. The Board of Directors and the Managing Director are responsible for this other information. Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information. In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above

and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information is otherwise appears to be materially misstated. If we, based on the work performed concerning this information, conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regards.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Petrogrand AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Directors be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have importance for the company's situation.

We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm 3 mars 2020

Winthers Revisionsbyrå AB

Ragnar Santesson
Authorized Public Accountant