

Interim report January – June 2011

- Revenue for the period: SEK 5 (19) million
- Operating result for the period: SEK -11 (-3) million
- Result for the period after tax: SEK -12 (0) million
- Basic and diluted earnings per share: SEK -1.12 (0.01)
- First Russian oil sold during the second quarter
- Successful 65 km seismic program on Aysky completed
- Multi-well infill development program on Rustamovskoye to be launched this autumn
- SEK 51 million from the liquidation of Tomsk Refining to be received in August

Statement from the CEO

I am glad to announce that Shelton Petroleum has now sold its first Russian oil. During the second quarter, 26,000 barrels of oil were sold from initial production from the two successful exploration wells on the Rustamovskoye field. Based on the recent test production and the previous seismic programs, Shelton Petroleum has designed an up to six well drilling campaign on this field to be commenced during the fall of 2011. We are excited about the incremental production this drilling program may provide as well as gaining more insight into the ultimate potential of the Rustamovskoye field.

Our investment in Tomsk Refining has proven to be successful. Following the divestment of the refinery, we expect to receive SEK 51 million as a first payment at the end of this month. Additional amounts of up to SEK 25 million may be received in future payments. These funds will enable us to commence the Rustamovskoye drilling program.

We are also making progress in our exploration program. During the second quarter, Shelton Petroleum completed a sixty-five kilometer seismic program on the Aysky field. An independent processing and interpretation of the seismic data identified three prospective structures with a significant potential amounting to over 20 million barrels. A helium survey conducted during the summer indicates active oil and gas presence on Aysky and provides supporting evidence that the producing sandstone formation on Rustamovskoye extends into the company's neighboring Aysky license. Based on the work performed to date, our three adjacent license blocks of over 500 square kilometers have a significant potential that we are looking forward to exploring further during the coming years.

Restarting production at the Lelyaki field in Ukraine has been a frustrating and time-consuming process. After some organizational changes in the Ukrainian administration in early summer, we launched new measures together with our partner Ukrnafta to complete the necessary documentation work needed to resume production. Several steps have been taken during the summer and an announcement will be made as soon as the issue is solved.

Shelton Petroleum is in terms of oil companies a young company. The markets around us and the environment we are active in are not without their challenges. However, we will continue to build the company and I am convinced that a successfully implemented development program on Rustamovskoye will take us to the next level.

Robert Karlsson

Shelton Petroleum's reserves and strategic objectives

License	Country	Phase	Primary product	Reserves			Resources		
				1P	2P	3P	Low	Med	High
Lelyaki	Ukraine	Production	Oil	3	8	8	-	-	-
Arkhangelskoye	Ukraine Black Sea	Expl: 3 wells	Gas & NGL	-	-	-	1	55	130
North Kerchenskoye	Ukraine Azov Sea	Expl: 3 wells	Gas	-	-	-	1	2	4
Biryucha	Ukraine Azov Sea	Expl: 1 well	Gas	-	-	-	1	10	166
Rustamovskoye	Russia	Production	Oil	1	1	6	7	14	43
Aysky*	Russia	Expl: 10 wells	Oil	-	-	-	-	-	-
Suyanovskoye*	Russia	Expl: 15 wells	Oil	-	-	-	-	-	-
Total				3	9	14	9	82	342
Present value @ 10% discount rate, USD million				54	151	186	-	-	-

* Aysky and Suyanovskoye were added to the portfolio in autumn 2009 and have not yet been subject to an independent audit
All reserves and resources are net to Shelton Petroleum.
All amounts are in million barrels of oil equivalent.
Columns may not add due to rounding.

Reserves are based upon assessment carried out in year 2009 by Trimble Engineering Associates and AGR TRACS International Consultancy Ltd.

Shelton Petroleum operates upon a good base of reserves and resources. The company has formulated the following strategic objectives:

Increase production in Bashkiria

Shelton Petroleum will continue exploration and increase extraction of oil in order to realize the potential of the Rustamovskoye, Aysky and Suyanovskoye license blocks. The short-term objective is to increase production from Rustamovskoye, where the company has completed a successful exploration program and started oil production from the first two wells.

Restart and ramp up production at Lelyaki, Ukraine

The Lelyaki oil field was previously one of the largest producing oil fields in the Soviet Union, with a cumulative production of 385 million barrels of oil. The company plans to increase production by drilling new wells and by re-entering and sidetracking suspended wells. Investments in the Lelyaki oil field are self-financed through cash flows from oil sales. Well interventions show good economics as the required investments are low. The new wells are drilled in close proximity to pipeline infrastructure for rapid tie-in.

Convert resources to reserves

Shelton Petroleum will take steps to pursue its potentially high-yield exploration opportunities offshore in Ukraine and onshore in Russia. Work will include analyzing historical exploratory data, collecting new seismic and selective and carefully assessed drilling.

Acquire new licenses and integrate vertically

Shelton Petroleum has built effective personal relationships, strategic regional partnerships and a portfolio of projects onshore and offshore. Local knowledge and experience enables the company to identify, acquire and exploit attractively valued assets in Russia and Ukraine. Shelton Petroleum holds a significant stake in Tomsk Refining AB, which is under voluntary liquidation after a trade sale of the company's assets, and Baltic Oil Terminals, an AIM listed company with a terminals and transshipment business in Kaliningrad on the coast of the Baltic Sea.

April – June 2011

Russian operations

During the second quarter, approximately 26,000 barrels of oil were sold in Russia. Sales include 9,500 barrels produced during the second quarter and 16,500 barrels produced in prior quarters from the two exploration wells RS#1 and RS#2. As mentioned in the interim report for the first quarter, the test production rates during the first half of the year are not representative of expected future volumes now that the company has left the test production stage. There was no oil inventory in Russia at the end of the second quarter.

Shelton Petroleum has taken the first steps in the drilling development program on the Rustamovskoye oil field by making initial investments in project design and preparation of the drill pad. The company has designed an up to six well drilling program which is to be commenced in the fall of 2011.

Shelton Petroleum has also made progress in its exploration program. Sixty-five kilometers of seismic data were collected on the Aysky block during the reporting period. An independent processing and interpretation of the seismic data identified three prospective structures with a potential of over 20 million barrels.

Ukrainian operations

In Ukraine, there was no production or sale of oil during the second quarter. Oil in inventory at the end of the second quarter amounted to over 7,000 barrels. The inventory was produced before production was halted in Ukraine and will be sold as soon as production is resumed.

The Lelyaki license block is under temporary shut-in due to a recommendation from Ukrainian government authorities. Shelton Petroleum and its joint venture partner Ukrnafta, Ukraine's largest oil and gas company, are of the opinion that the reasons for the shut-in lack legal merit. Several measures have been taken during the summer to solve the bureaucratic and administrative issues that are interfering with operations.

Financial development

Revenue for the second quarter 2011 amounted to SEK 5 million compared to SEK 8 million during the same period 2010. Revenue for 2011 stems from the sale of test production oil at Rustamovskoye, whereas revenue for 2010 was generated at the Lelyaki field. The decrease compared to last year is due to the temporary shut-in of the production at Lelyaki.

Operating expenses in the second quarter amount to SEK 11 (11) million and consist primarily of personnel costs and other external expenses. The result for the period amounted to SEK -7 (1) million. Other comprehensive income amounted to SEK 3 (9) million and includes exchange rate differences, which do not affect cash flow, on the internal group loans in foreign currency.

Cash flow for the second quarter was SEK -8 (27) million, primarily related to operating activities. Investments in oil and gas properties amounted to a total of SEK 3 (3) million in the period and stem mainly from activities in Russia. The group had SEK 8 million in cash and cash equivalents at the end of the period compared to SEK 50 million at 30 June 2010 and SEK 22 million at year-end.

Financial fixed assets amounted to SEK 81 million at the end of the period compared to SEK 85 million at 31 March 2011 and SEK 92 million at 31 December 2010. The decrease is due to a divestment of shares in Baltic Oil Terminals PLC (BOT) in the second quarter 2011. In the middle of June 2011 the trading in BOT shares was suspended. The value of the BOT holdings on the day the trading was suspended exceeded the carrying value.

Shareholders' equity per share at 30 June 2011 was SEK 23.10 (25.00) and the equity to assets ratio was 80 (79) percent.

Major events occurring after the reporting period

On 14 July, Shelton Petroleum announced an oil field development program for the Rustamovskoye oil field in Russia. The company has designed a multi-well infill development program to be commenced during the fall of 2011.

In July 2011 Shelton Petroleum announced that a pilot helium survey was completed covering twenty square kilometers of the company's adjacent Rustamovskoye and Aysky blocks in Russia. The studies have provided two important results. They indicate active oil and gas presence on Aysky and provide supporting evidence that the structure on Rustamovskoye, from which Shelton Petroleum currently produces oil, extends into the company's neighboring Aysky block.

At the Annual General Meeting in Shelton Petroleum on 17 May 2011, the shareholders voted on a reverse split entailing that 50 A-shares and 50 B-shares are consolidated into 1 A-share and 1 B-share, respectively. The reverse split was registered in the beginning of July 2011 and as a consequence, the number of shares of the company has been reduced while the share capital remains unchanged.

On 23 August 2011, Shelton Petroleum announced that it expects to receive SEK 51 million in a first payment from Tomsk Refining AB (TRAB) on the last day of August 2011. The shareholders of TRAB, of which Shelton Petroleum is the second largest, have previously resolved to liquidate TRAB after the company through a trade sale divested its operating Russian subsidiaries earlier this year. Depending on the outcome of the liquidation and the USD/SEK exchange rate, Shelton Petroleum may receive an additional SEK 19.5 million during the beginning of 2012. In addition to these two payments, an additional payment of up to SEK 6 million net to Shelton Petroleum may be made depending on the outcome of warranties provided in TRAB's sale purchase agreement. The funds from Tomsk Refining will be used to initiate the development program of the Rustamovskoye field.

The parent company

The parent company's total assets as at the period end amounted to SEK 313 (262) million. Cash and cash equivalents amounted to SEK 1 (30) million. The result after tax for the period was SEK -12 (-3) million.

Risk factors and uncertainties

A detailed account of the risks facing the company can be found in the 2010 annual report. During the period, there has been no major change in material risk factors or uncertainties for the group or the parent company. Risks include exploration risk, oil price risk, exchange rate risk, liquidity risk, credit risk, interest rate risk and political risk, among others.

Upcoming financial reporting

Interim Report July – September 2011

29 November 2011

Publication under Swedish law

Shelton Petroleum is publishing this information in accordance with the Swedish Financial Markets Act (Sw. Lag om värdepappersmarknaden) and/or the Swedish Financial Trading Act (Sw. Lag om handel med finansiella instrument). This information was released for publication on August 26, 2011 at 08:30 CET.

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About Shelton Petroleum

Shelton Petroleum is a Swedish company focused on exploring and developing concessions in Russia and the resource-rich basins of Ukraine. The company holds three licenses in the Volga-Urals area and has commenced production on the Rustamovskoye field after a successful exploration program. In Ukraine, Shelton Petroleum's wholly-owned subsidiary has a joint venture with Ukrnafta and Chornomornaftogaz, two leading Ukrainian oil and gas companies. Shelton Petroleum is pursuing an integrated business model and has acquired a significant equity stake in Baltic Oil Terminals PLC, an AIM listed company with a terminals and transshipment business in Kaliningrad on the coast of the Baltic Sea. The Shelton Petroleum share is traded on the NGM stock exchange under the under the symbol SHEL B.

Note on the reserves and resources calculation

Reserves are based upon assessment carried out by Trimble Engineering Associates and AGR TRACS International Consultancy Ltd. The calculations have been derived in accordance with the Canadian Oil and Gas Evaluation Handbook and have been compiled in cooperation with the Society of Petroleum Evaluation Engineers (www.spee.org) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society). Resources have been estimated by AGR TRACS. Resources have a lower probability of extraction than reserves. All estimates are based upon information as of 30 September 2009. Reserves and resources refer to the amounts of oil and gas attributable to Shelton Petroleum's share in the fields where the company conducts joint operations via joint ventures and joint investment agreements. Amounts are reported in millions of barrels of oil equivalent. Aysky and Suyanovskoye are two exploration licenses that lie immediately next to Rustamovskoye. Drilling during the Soviet era has confirmed the presence of oil in these fields, and the company has begun an exploration program on these blocks. These licenses were acquired during the fall of 2009 and were not included in the reserve studies.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	Apr-Jun 2011	Apr-Jun 2010	Jan-Jun 2011	Jan-Jun 2010	Jan-Dec 2010
Net revenue	4 566	7 953	4 566	18 655	29 110
Other revenue	22	8	56	45	181
Total revenue	4 588	7 961	4 622	18 700	29 291
Work performed by the company for its own use and capitalized	874	497	1 612	954	2 233
Raw material and consumables	-3 660	-4 849	-3 660	-10 560	-17 639
Personnel costs	-1 766	-1 924	-5 481	-4 630	-9 895
Other external expenses	-5 930	-3 499	-8 085	-6 549	-13 532
Depreciation	-53	-252	-201	-638	-1 898
Operating expenses	-11 409	-10 524	-17 427	-22 377	-42 965
Operating result	-5 947	-2 066	-11 193	-2 723	-11 441
Financial income	488	3 286	1 263	2 729	1 912
Financial costs	-811	0	-816	-1	-1 470
Total financial items	-323	3 286	447	2 728	441
Result before tax	-6 270	1 220	-10 746	5	-11 000
Income tax	-310	120	-1 135	40	-1 417
Result for the period	-6 580	1 340	-11 881	45	-12 417
Other comprehensive income					
Financial assets through P/L	865	0	-5 105	0	-1 297
Exchange differences	2 308	9 324	-5 686	13 646	-10 834
Total other comprehensive income	3 173	9 324	-10 791	13 646	-12 131
Total comprehensive income for the period	-3 407	10 664	-22 672	13 691	-24 548
Earnings per share for the period before/after dilution	0.62	0.18	-1.12	0.01	-1.46
Average number of shares *	10 640 331	7 626 985	10 640 588	7 615 248	8 498 582

* The average number of shares have been adjusted for all periods to reflect the reverse split 50:1 that was registered in July 2011.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousand	Jun 30 2011	Dec 31 2010
ASSETS		
Non-current assets		
Goodwill	6 807	6 807
Intangible assets	60 547	57 957
Tangible fixed assets	147 211	147 942
Financial assets	81 079	91 509
Total non-current assets	295 644	304 215
Current assets		
Inventory	871	2 648
Other short-term receivables	4 569	4 586
Cash and cash equivalents	7 724	22 171
Total current assets	13 164	29 405
Total ASSETS	308 808	333 620
EQUITY AND LIABILITIES		
Equity	245 768	268 438
Non-current liabilities		
Convertible loan	0	26 670
Deferred income tax liabilities	27 273	27 827
Other provisions	315	2 632
Total non-current liabilities	27 588	57 129
Current liabilities		
Convertible loan	27 493	0
Accounts payable	3 176	3 237
Other current liabilities	4 783	4 816
Total current liabilities	35 452	8 053
Total EQUITY AND LIABILITIES	308 808	333 620

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

SEK thousand	Jan-Jun 2011	Jan-Jun 2010
Cash flow from operating activities	-7 123	-8 426
Cash flow from investing activities	-2 985	-4 616
Cash flow from financing activities	-3 436	28 483
Cash flow for the period	-13 544	15 441
Cash and cash equivalents at beginning of the period	22 171	32 725
Cash flow for the period	-13 544	15 441
Exchange differences in cash and cash equivalents	-903	1 656
Cash and cash equivalents at end of the period	7 724	49 822

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousand	2011	2010
Opening balance January 1	268 438	189 811
Total comprehensive income for the period	-22 672	13 691
Share issue	2	0
Not registered share issue	0	27 923
Equity part of convertible loan	0	367
Option premium	0	560
Closing balance June 30	245 768	232 352

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK thousand	Apr-Jun 2011	Apr-Jun 2010	Jan-Jun 2011	Jan-Jun 2010	Jan-Dec 2010
Net revenue	250	128	409	253	453
Other revenues	0	0	0	0	0
Total revenues	250	128	409	253	453
Personnel costs	-1 421	-630	-2 233	-1 530	-3 369
Other external expenses	-1 666	-1 352	-2 134	-2 091	-5 571
Operating results	-2 836	-1 854	-3 957	-3 368	-8 487
Financial items	-611	1 142	-8 634	800	-3 358
Result before tax	-3 447	-712	-12 591	-2 568	-11 845
Income tax	97	-134	257	21	655
Result for the period	-3 350	-846	-12 334	-2 548	-11 190

CONDENSED PARENT COMPANY BALANCE SHEET

SEK thousand	<u>Jun 30 2011</u>	<u>Dec 31 2010</u>
ASSETS		
Non-current assets		
Financial non-current assets	306 967	316 528
Total non-current assets	306 967	316 528
Current assets		
Other receivables	4 860	3 896
Cash and cash equivalents	1 285	3 617
Total current assets	6 145	7 513
Total ASSETS	313 112	324 041
EQUITY AND LIABILITIES		
Equity	281 774	294 561
Non-current liabilities		
Convertible loan	0	26 670
Deferred income tax liabilities	362	619
Total non-current liabilities	362	27 289
Current liabilities		
Convertible loan	27 493	0
Other liabilities	3 483	2 190
Total current liabilities	30 976	2 190
Total EQUITY AND LIABILITIES	313 112	324 041

Notes to the financial statements

Note 1. Information about the company

Shelton Petroleum AB (publ), with Swedish corporate identity number 556468-1491 and registered office in Stockholm, Sweden, is listed on the NGM stock exchange under the ticker SHEL. The company's and its subsidiaries' operations are described under "About Shelton Petroleum" herein.

Note 2. Accounting principles

The interim report for the period ended June 30, 2011 has been prepared in accordance with IAS 34 and the Swedish Annual Reports Act (Sw. *Årsredovisningslagen*). The consolidated financial statements have been prepared, consistently with the 2010 consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Reports Act. The parent company's financial statements have been prepared in accordance with the Swedish Annual Reports Act and the recommendations "RFR 2 on Financial Reporting for Legal Entities" issued by the Swedish Financial Reporting Board (Sw. *Rådet för finansiell rapportering*).

The same accounting principles have been applied during the period as were applied during the financial year 2010 and in the way they were described in the 2010 annual report. No new or revised standards, interpretations or amendments adopted by the EU had an effect on the group. No acquisitions were made during the accounting period.

The interim report does not contain all the information that appears in the annual report and, accordingly, the interim report should be read in conjunction with the 2010 annual report.

Note 3. Related party transactions

Shelton Petroleum has entered into a consultancy contract with Sergey Titov, one of the initiators and shareholders of Shelton Petroleum. Remuneration under the contract is approx SEK 30 thousand per month. The company has also entered into a consultancy agreement with a company (Co. # 1144449 Alberta Ltd.) in which Richard N. Edgar (director) is one of several partners. The agreement includes project management, business development and geological analysis. Remuneration under the contract is approx CAD 10 thousand per month, which the group regards as the going rate.

Note 4. Segment reporting

The group is organized in and managed from geographical regions. These correspond to the operating segments for which information is reported and followed up on by the management of the company. Operating segments per geographical region include all reporting local entities within each respective region. The operating segments apply the same accounting principles as the group. The operating segments' revenue, expenses and assets include items directly attributable to the segment and items that can be allocated to a specific operating segment in a reasonable and reliable way.

Sale of oil accounts for externally reported revenue for the operating segments. Internally reported revenue consists of invoiced expenses for intra-group services. The arm's length principle is applied and market price considered when transactions are made between operating segments. Group management follows up the profit or loss measure "operating result".

January - June 2011				Group &	
Income statement, SEK thousand	Russia	Ukraine	Other	eliminations	Total
Revenue, external	4 566	56	0	0	4 622
Revenue, internal	0	0	318	-318	0
Raw materials and consumables	-3 660	0	0	0	-3 660
Other operating expenses	-4 292	-1 850	-6 290	277	-12 155
Operating result	-3 386	-1 794	-5 972	-41	-11 193

January - June 2010				Group &	
Income statement, SEK thousand	Russia	Ukraine	Other	eliminations	Total
Revenue, external	0	18 700	0	0	18 700
Revenue, internal	0	0	253	-253	0
Raw materials and consumables	0	-10 560	0	0	-10 560
Other operating expenses	-1 511	-2 698	-6 908	253	-10 864
Operating result	-1 511	5 442	-6 655	0	-2 724

April - June 2011				Group &	
Income statement, SEK thousand	Russia	Ukraine	Other	eliminations	Total
Revenue, external	4 566	26	-4	0	4 588
Revenue, internal	0	0	159	-159	0
Raw materials and consumables	-3 660	0	0	0	-3 660
Other operating expenses	-3 524	-384	-3 085	118	-6 875
Operating profit/loss	-2 618	-358	-2 930	-41	-5 947

April - June 2010				Group &	
Income statement, SEK thousand	Russia	Ukraine	Other	eliminations	Total
Revenue, external	0	7 961	0	0	7 961
Revenue, internal	0	0	128	-128	0
Raw materials and consumables	0	-4 849	0	0	-4 849
Other operating expenses	-332	-1 032	-3 946	131	-5 179
Operating profit/loss	-332	2 080	-3 818	3	-2 067

June 30, 2011						
Balance sheet, SEK thousand	Russia	Ukraine	Other	Group & eliminations	Total	
Assets						
Tangible and intangible fixed assets	105 253	102 503	6 809	0	214 565	
Current assets, external	2 279	7 362	3 523	0	13 164	
Current assets, internal	0	0	12 789	-12 789	0	
Investments in tangible and intangible fixed assets	4 792	556	0	0	5 348	
June 30, 2010						
Balance sheet, SEK thousand	Russia	Ukraine	Other	Group & eliminations	Total	
Assets						
Tangible and intangible fixed assets	90 994	124 047	6 812	0	221 853	
Current assets, external	2 766	18 913	56 574	0	78 253	
Current assets, internal	0	0	10 620	-10 620	0	
Investments in tangible and intangible fixed assets	4 132	483	0	0	4 615	

Shelton Petroleum AB

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Board's assurance

The Board of Directors and the Chief Executive Officer affirm that this half-year report gives a true and fair view of the company's and the group's operations, standing and financial results, and that it describes the principal risk factors and uncertainties that the company and group companies face.

Stockholm, August 26 2011

Shelton Petroleum AB (publ.)

Per Höjgård
Chairman of the Board

Zenon Potoczny
Director

Peter Geijerman
Director

Richard Edgar
Director

Katre Saard
Director

Freddie Linder
Director

Robert Karlsson
CEO

Auditor's Review Report

To the Board of Directors and Managing Director of Shelton Petroleum AB

Introduction

We reviewed the accompanying condensed balance sheet of Shelton Petroleum AB as of June 30, 2011 and the related condensed summary of income, changes in equity and cash-flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this condensed interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements, SÖG 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity", issued by the Swedish Federation of Authorized Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not present fairly, in all material aspects, the financial position of the entity as at June 30, 2011, and its financial performance and its cash flows for the six-month period then ended, for the group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the parent company in accordance with the Swedish Annual Accounts Act.

Stockholm, August 26, 2011

Ernst & Young AB

Per Hedström
Authorized Public Accountant