

Interim report January-June 2014

January - June 2014

- Total revenue for the period: SEK 63 (46) million
- Operating result for the period: SEK 15 (11) million
- Operating margin: 23% (23%)
- Convertible bond of SEK 22 million fully converted into shares making the company debt-free
- Basic and diluted earnings per share: SEK 0.70 (-0.44)

April - June 2014

- Revenue during the quarter: SEK 32 (23) million
- Operating result during the quarter: SEK 6 (5) million

<u>Oil production</u>	<u>Q2</u> <u>2014</u>	<u>Q2</u> <u>2013</u>	<u>Q1-Q2</u> <u>2014</u>	<u>Q1-Q2</u> <u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Barrels	81,677	52,360	166,437	99,110	248,870	177,850	77,300
Barrels per day	898	575	920	548	682	486	212

Statement from the CEO Robert Karlsson

The production during the second quarter of approximately 900 barrels per day generated revenues significantly higher than last year and in line with the first quarter this year. The underlying profitability in our production and sale of oil remains strong. The customary operating margin of approximately 30% was however reduced to 18% in the second quarter due to non-recurring legal costs of SEK 4 million. Following the agreement signed with Petrogrand in June, we expect these costs and the operating margin to normalize in the coming months.

The production at the Lelyaki field is stable and unaffected by the ongoing geopolitical events in Ukraine. There is no doubt that Ukraine is going through a strenuous transition. However, it is also important to note that the newly elected President Poroshenko has launched a campaign to modernize and deregulate the legal system and business environment. Developing the country's oil and gas reserves in order to reduce energy dependency has never been more important for the country. In the wake of this, Shelton Petroleum has identified several business opportunities including new licenses with production and significant oil and gas reserves. The company's deal flow has never been larger than it is today.

We have previously highlighted the very encouraging implications of the latest #12 well drilled on the Rustamovskoye oil field in Russia in 2013. Shelton Petroleum has taken several steps to prepare for the next drilling campaign. A new well design for horizontal wells has been developed and it is currently going through approval processes with the authorities. A study to determine optimal drilling locations is underway.

The Rustamovskoye field has justifiably received much attention during the last year. I would however also like to highlight the seismic program on the company's adjacent Suyanovskoye license, which is approximately six times larger than Rustamovskoye. The first round of seismic on this field has been collected and is currently being processed and interpreted. I am looking forward to disclosing the results when the work has been completed sometime in the next coming months.

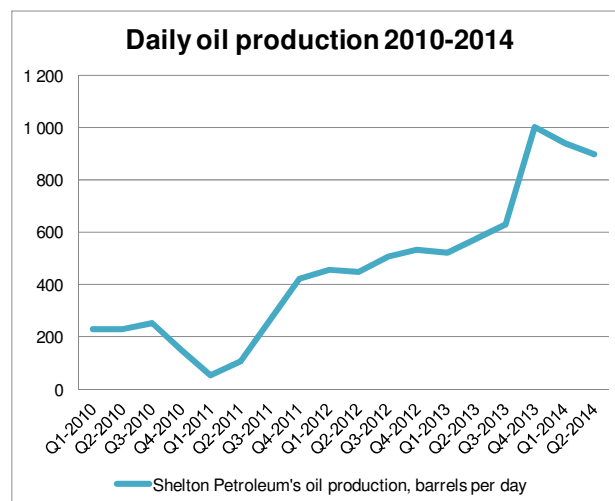
As a debt-free company with a strong operational track record, Shelton Petroleum has many opportunities ahead.

January - June 2014

Financial development

Revenue from oil sales amounted to SEK 63 (46) million. During the period, Shelton Petroleum sold 167,960 (95,600) barrels of oil and the production in the period amounted to 166,437 (99,110) barrels of oil. The production has increased in both Russia and Ukraine compared to last year. The price of oil, in USD, in both Russia and Ukraine were lower in the first six months 2014 compared to the same period last year.

The average daily production during the first six months 2014 amounted to 920 barrels compared to 548 barrels the same period in 2013.



The company reported an operating result for the period January – June 2014 of SEK 15 (11) million. The result includes expenses for legal advice related to the dispute with Petrogrand and to Shelton Petroleum's public offer to acquire all the outstanding shares in Petrogrand. The legal fees affecting the profit amounted to approximately SEK 5 million in the first six months. Excluding the legal expenses the operating result and operating margin would have been significantly higher.

The company held SEK 23 million in cash and cash equivalents at the end of the period. Cash flow from operations was SEK 10 million whereas cash flow from investing activities was SEK -19 million, of which SEK -14 million were invested into oil and gas operations. As of 31 December 2013 the accounts receivable amounted to SEK 49 million of which SEK 2 million is outstanding as of 21 August 2014. As of 30 June 2014 the company's accounts receivable, included in other current receivables in the balance sheet, amounted to SEK 49 (40) million. SEK 47 million of the accounts receivable balance at the end of June is related to sale of oil from the Lelyaki field, where the buyer of the oil makes payments with delays. The validity of the receivable and the outstanding amount as of 30 June 2014 have been confirmed by the counterparty. Management believes that the receivables will be settled in full and continues to monitor the situation closely.

Shelton Petroleum's wholly owned Canadian subsidiary has received approximately SEK 8 million in dividends from Kashtan Petroleum, operator of the Lelyaki field, during the period January – June 2014 that can be used freely within the Shelton Petroleum group for investments and working capital.

Investments in exploration and development activity amounted to a total of SEK 14 (24) million for the period.

Non-current financial assets amounted to SEK 71 million at the end of the period compared to SEK 0 million at 31 December 2013, and consisted of shares in Petrogrand. As of 30 June 2014 Shelton Petroleum had acquired 11,585,308 shares in Petrogrand, see below.

In May 2014 Shelton Petroleum acquired SEK 9.5 million of the convertible bond 2013/2014 in exchange for 593,750 shares of series A. The remainder of the convertible bond, SEK 12.9 million, was converted into 806,875 shares of series B in June 2014. Following the acquisition and conversion Shelton Petroleum does not have any interest-bearing debt.

Shareholders' equity per share at 30 June 2014 was SEK 20.08 (26.47) and the equity to assets ratio was 87 (81) per cent.

As of 30 June 2014 the Ukrainian Hryvnia weakened by 30% against the Swedish Krona compared to the exchange rate at 31 December 2013. As a result of the weakened Ukrainian Hryvnia Shelton Petroleum reports translation differences in other comprehensive income of SEK -42 (-1) million January - June. The translation differences arise when the income statement and balance sheet of foreign entities are translated from local currency to SEK. The translation differences, which do not affect cash flow, mainly relate to intra-group loans and fixed assets. See note 7 for a table of exchange rates that have been used.

Shelton Petroleum's wholly owned subsidiary Shelton Canada Corp is party to a Joint Investment Agreement (JIA) with Chornomornaftogaz (CNG) regarding three licenses in the Azov Sea and Black Sea to which CNG is the license holder. Following a referendum on 16 March 2014, Crimea declared independence from Ukraine and requested to be part of the Russian Federation, which has been granted by the Russian President and the Russian Parliament. The new Crimean Prime-minister has declared that the CNG interests on Crimea have been nationalized by the Crimean Republic. It has been reported that private interests and agreements will be respected. Neither the referendum nor the nationalization of CNG, which is in violation of the Ukrainian constitution, has been recognized by the government in Kiev or the Western community.

Due to the events described above, the board of directors of Shelton Petroleum perceives an increased risk regarding potential future financial benefit from the JIA with CNG. The company will continue to closely monitor the developments and believes that a potential adjustment of the values can be made only when the situation has normalized. The JIA accounted for 0 per cent of Shelton Petroleum's revenue and profit in the period January – June 2014 and approximately 2 per cent of total assets in the balance sheet as of 30 June 2014. The JIA's carrying value net of deferred taxes was SEK 10 million as of 30 June 2014.

Agreement with Petrogrand

On 26 June 2014 Shelton Petroleum announced that it had entered into an agreement with Petrogrand that will facilitate for the companies to negotiate a breakup of the cross-ownership, which in turn will enable the companies to focus on the development of their operations and license portfolios. Following the signing of the agreement, neither company used its voting rights at the shareholders' meetings in June. In addition, Shelton Petroleum has held a continued dialog with Petrogrand and its shareholders.

Public offers

In January 2014 Shelton Petroleum announced a public offer to the shareholders of Petrogrand. Initially Shelton Petroleum offered 0.30 shares of series B in Shelton Petroleum for each share in Petrogrand. The offer was subsequently raised to 0.34 and finally to 0.44 shares. On 14 April 2014 Shelton Petroleum completed the offer. On the completion date Shelton Petroleum had received 11,585,308 shares, equal to 28.8% in Petrogrand, and in exchange for those shares issued 5,097,534 shares of series B in Shelton Petroleum.

On 21 March, Petrogrand announced an offer to the shareholders of Shelton Petroleum. Petrogrand's offer expired on 1 July 2014 and only 248,901 shares, or 1.33% of the total number of shares, had accepted the offer. Petrogrand announced that they would not complete the offer.

April - June 2014

Russian operations

Shelton Petroleum's production of oil in Russia during the second quarter amounted to 49,526 (20,530) barrels. Production per day amounted to 544 (226) barrels, which is an increase of almost 141 per cent compared to the same quarter last year. Revenue in the second quarter for the Russian segment amounted to SEK 11.9 (5.0) million and operating profit to SEK 6.2 (1.5) million, corresponding to an operating margin of 52% (29%). This marks a significant increase in the operating margin compared to the prior year due to the increased operational efficiency achieved as fixed costs can be distributed on a larger production base.

The very encouraging implications of the latest #12 well drilled on the Rustamovskoye oil field in Russia in 2013 have been highlighted in previous interim reports. The company has taken several steps to prepare for the next drilling campaign. A new well design for horizontal wells has been developed and it is currently going through approval processes with the authorities. A study to determine optimal drilling locations is underway.

Shelton Petroleum is currently performing a seismic program on the Suyanovskoye license, which is approximately six times larger than Rustamovskoye and located directly to the east. The first round of seismic on this field has been collected and is currently being processed and interpreted. The company is expecting to disclose the results when the work has been completed sometime in the next coming months.

Ukrainian operations

Production in the second quarter amounted to 32,151 (31,830) barrels. Production per day amounted to 353 (350) barrels. Revenue in the second quarter in the Ukrainian segment amounted to SEK 19.9 (18.0) million and operating profit to SEK 8.1 (6.9) million, corresponding to an operating margin of 41% (38%).

Shelton Petroleum (Zhoda 2001 Corporation) and its partner Ukrnafta, Ukraine's largest oil and gas company continue the field development program on the Lelyaki field. The objective is to step by step enhance productivity and increase production volumes.

The production at the Lelyaki field is stable and unaffected by the ongoing geopolitical events in Eastern Ukraine. Ukraine is going through a strenuous transition. However, it is also important to note that the newly elected President Poroshenko has launched a campaign to modernize and deregulate the legal system and business environment. He has also declared that developing the country's oil and gas reserves in order to reduce energy dependency is at the top of the country's agenda. This creates new business opportunities for Shelton Petroleum. The company has identified several targets stemming from both public auctions and private companies with licenses with production and significant oil and gas reserves. The company's deal flow has never been larger than it is today.

As a result of the geopolitical events in Ukraine the Parliament has approved emergency laws, one of them being a temporary increase of the production taxes on oil scheduled to be effective from August to December 2014, negatively affecting Shelton Petroleum's Ukrainian operations by approximately SEK 1 million per quarter.

Significant events occurring after the reporting period

There are no significant events to report.

Change of number of shares

In April 2014 Shelton Petroleum issued 674,693 shares of series B under the public offer to the shareholders of Petrogrand AB. In May 2014 Shelton Petroleum acquired part of the outstanding convertible bond 2013/2014 in exchange for shares of series A. As a result the company issued 593,750 shares of series A.

In June, a total of 806,875 shares of series B were issued in relation to the conversion of all of the outstanding SEK 12,910,000 convertible bond 2013/2014. Following the issues of shares of series A and series B the total number of shares in Shelton Petroleum amounts to 18,661,247, divided into 764,330 of series A and 17,896,917 of series B. The total number of votes in the company amounts to 25,540,217. The share capital in Shelton Petroleum amounts to SEK 93,306,235.

The parent company

The parent company's total assets as at the period end amounted to SEK 382 (301) million. Cash and cash equivalents amounted to SEK 17 (26) million. The result after tax January – June 2014 was SEK -24 (-1) million. The negative result is an effect of non-recurring costs for legal advice during the period January – June and an adjustment to fair value of the shares in Petrogrand.

Risk factors and uncertainties

A detailed account of the risks facing the company can be found in the 2013 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 2014

21 November 2014

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 22 August 2014 at 08:30 CET.

This report has not been reviewed by the Company's auditors.

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About Shelton Petroleum

Shelton Petroleum is a Swedish company focused on exploring and developing concessions in Russia and Ukraine. In Russia, the company holds three licenses in the Volga-Urals area in Bashkiria 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. The Shelton Petroleum share is traded on NASDAQ OMX Stockholm under the symbol SHEL B.

Shelton Petroleum's exploration and production portfolio

Production onshore	Geography	Primary product	Reserves			Resource potential	Working interest	Partner
			1P	2P	3P			
Rustamovskoye	Russia	Oil	1	1	6	43	100%	
Lelyaki	Ukraine	Oil	3	8	8	-	45%	Ukrnafta

Exploration onshore								
Aysky*	Russia	Oil	-	-	-	-	100%	
Suyanovskoye	Russia	Oil	-	-	-	-	100%	

* Aysky and Suyanovskoye were added to the portfolio in autumn 2009 and have not yet been subject to an independent Western audit. The independent seismic service company Udmurtgeofizika estimated Russian C1+C2 reserves and C3 resources to amount to 12 and 10 million recoverable barrels of oil respectively, based on Shelton Petroleum's seismic program and wells drilled during the Soviet era.

Exploration offshore								
Arkhangelskoye	Ukraine Black Sea	Gas & NGL	-	-	-	130	50%	CNG
Biryucha	Ukraine Azov Sea	Gas	-	-	-	166	50%	CNG
North Kerchenskoye	Ukraine Azov Sea	Gas	-	-	-	4	50%	CNG

All reserves and resources in the tables are in million barrels of oil equivalent net to Shelton Petroleum. Reserves are based upon assessment carried out in year 2009 by Trimble Engineering Associates and AGR TRACS International Consultancy Ltd.

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	Note	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jan-Dec 2013
Net revenue		31 793	22 776	63 300	45 611	108 802
Other revenue		16	191	37	214	262
Total revenue		31 809	22 967	63 337	45 825	109 064
Work performed by the company for its own use and capitalized		833	1 013	1 587	2 009	3 993
Raw material and consumables		-15 165	-12 207	-31 388	-23 392	-55 183
Personnel costs		-3 308	-2 749	-6 118	-6 004	-11 611
Other external expenses		-7 858	-3 604	-11 206	-6 643	-13 876
Depreciation		-692	-696	-1 598	-1 251	-2 878
Operating expenses		-27 023	-19 256	-50 310	-37 290	-83 548
Operating result		5 619	4 724	14 614	10 544	29 510
Financial income		21	84	251	145	925
Financial costs		7	-12 125	-278	-12 242	-13 065
Total financial items		28	-12 041	-27	-12 097	-12 140
Result before tax		5 647	-7 317	14 587	-1 553	17 370
Income tax	4	-2 031	-1 086	-3 772	-3 130	-4 968
Result for the period		3 616	-8 403	10 815	-4 683	12 402
Other comprehensive income						
Financial assets at fair value	5	-23 390	13 862	-13 395	16 400	16 400
Translation differences		9 780	1 015	-42 033	-651	-9 779
Total items which may be re-classified to result for the period		-13 610	14 877	-55 428	15 749	6 621
Total other comprehensive income		-13 610	14 877	-55 428	15 749	6 621
Total comprehensive income for the period		-9 994	6 474	-44 613	11 066	19 023
Earnings per share		0,24	-0,79	0,70	-0,44	1,14
Earnings per share after dilution		0,23	-0,79	0,70	-0,44	1,13
Average number of shares		15 382 409	10 640 588	15 406 861	10 640 588	10 911 656
Average number of shares after dilution		15 389 419	10 640 588	15 469 820	10 640 588	10 972 019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousand	Note	Jun 30 2014	Jun 30 2013	Dec 31 2013
ASSETS				
Non-current assets				
Goodwill		6 807	6 807	6 807
Exploration and evaluation assets		84 419	74 471	79 574
Oil and gas assets		187 055	189 598	211 219
Other fixed assets		846	1 362	1 215
Financial assets	5	70 670	0	0
Total non-current assets		349 797	272 238	298 815
Current assets				
Inventory		11	229	128
Other short-term receivables		58 209	45 641	63 548
Cash on blocked account		0	0	185 818
Cash and cash equivalents		23 194	27 346	33 729
Total current assets		81 414	73 216	283 223
Total ASSETS		431 211	345 454	582 038
EQUITY AND LIABILITIES				
Equity		374 722	281 631	318 643
Non-current liabilities				
Deferred income tax liabilities		20 614	28 582	25 685
Other provisions		319	355	369
Total non-current liabilities		20 933	28 937	26 054
Current liabilities				
Convertible loan		0	22 425	207 390
Accounts payable		19 652	4 587	15 305
Other current liabilities		15 904	7 874	14 646
Total current liabilities		35 556	34 886	237 341
Total EQUITY AND LIABILITIES		431 211	345 454	582 038

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

SEK thousand	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jan-Dec 2013
Cash flow from operating activities	4 513	-9 721	9 648	-7 637	3 837
Cash flow from investing activities	-8 458	-13 868	-18 697	-23 628	-29 250
Cash flow from financing activities	-728	27 857	-728	27 857	28 536
Cash flow for the period	-4 673	4 268	-9 777	-3 408	3 123
Cash and cash equivalents at beginning of the period	27 760	23 031	33 729	30 764	30 764
Cash flow for the period	-4 673	4 268	-9 777	-3 408	3 123
Exchange differences in cash and cash equivalents	107	47	-758	-10	-158
Cash and cash equivalents at end of the period	23 194	27 346	23 194	27 346	33 729

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousand	2014	2013
Opening balance January 1	318 643	270 565
Total comprehensive income for the period	-44 613	11 066
Share issue	79 010	0
Issue costs	-728	0
Conversion of convertible loan	22 410	0
Closing balance June 30	374 722	281 631

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK thousand	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jan-Dec 2013
Net revenue	135	120	308	240	480
Other revenues	0	0	0	0	0
Total revenues	135	120	308	240	480
Personnel costs	-1 689	-1 124	-2 911	-2 711	-4 901
Other external expenses	-6 559	-1 358	-8 421	-2 717	-6 188
Operating results	-8 113	-2 362	-11 024	-5 188	-10 609
Financial items	-23 027	1 787	-12 788	4 061	4 455
Result before tax	-31 140	-575	-23 812	-1 127	-6 154
Income tax	30	36	59	71	132
Result for the period	-31 110	-539	-23 753	-1 056	-6 022

CONDENSED PARENT COMPANY BALANCE SHEET

SEK thousand	Jun 30 2014	Dec 31 2013
ASSETS		
Non-current assets		
Financial non-current assets	350 694	287 815
Total non-current assets	350 694	287 815
Current assets		
Other receivables	14 858	12 803
Cash on blocked account	0	185 818
Cash and cash equivalents	16 744	25 958
Total current assets	31 602	224 579
Total ASSETS	382 296	512 394
EQUITY AND LIABILITIES		
Equity	376 221	299 281
Non-current liabilities		
Deferred income tax liabilities	0	59
Total non-current liabilities	0	59
Current liabilities		
Convertible loan	0	207 390
Other liabilities	6 075	5 664
Total current liabilities	6 075	213 054
Total EQUITY AND LIABILITIES	382 296	512 394

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 NASDAQ OMX Stockholm under the ticker SHEL B. 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 30 June 2014 has been prepared in accordance with IAS 34 and the Swedish Annual Reports Act (Sw. *Årsredovisningslagen*). The consolidated financial statements have been prepared 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 recommendation RFR 2 "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 2013 and in the way they were described in the 2013 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 2013 annual report.

Note 3. Fair value

Financial instruments are classified in the following categories:

	Jun 30	Dec 31
	2014	2013
Loans and accounts receivable	72 511	268 483
Financial assets held for sale	70 670	0
Total assets	144 027	268 483
Other financial liabilities	19 652	223 067
Total liabilities	19 652	223 067

The reported values equal, in all material respects, the fair value. Shelton Petroleum has not offset any financial assets and liabilities and has no agreements that allows set-off.

Note 4. Income tax

The company reports income tax expense of SEK 4 (3) million. The income tax is primarily related to corporate profits tax on the operations in Ukraine. It also contains changes in deferred taxes.

Note 5. Financial assets

As of 30 June 2014 Shelton Petroleum held 11,585,308 shares in Petrogrand corresponding to 28.8% of the shares and votes. Shelton Petroleum does not have any representation on the board of directors in Petrogrand and does not have any influence over Petrogrand in any other way. Shelton Petroleum therefore classified the shares in Petrogrand as financial assets at fair value, instead of accounting for the shares using the equity method. As at 30 June, the price per share was SEK 6.10 and value of the shares amounted to

SEK 71 million. An adjustment to fair value of the shares, SEK -13 million, was reported for the period January to June in other comprehensive income in the consolidated statement of comprehensive income and in financial items in the income statement of the parent company.

Note 6. Related party transactions

The company is party to a consultancy agreement with a company in which Richard N. Edgar (director) is one of several partners. The hourly-based agreement includes technical expertise.

Note 7. Exchange rates

The following exchange rates have been used when translating the financial statements of foreign operations in the respective periods presented in this report.

	Jan-Jun 2014		Jan-Jun 2013		2013	
	Balance sheet date	Average rate	Balance sheet date	Average rate	Balance sheet date	Average rate
1 Euro	9,20	8,95	8,76	8,53	8,94	8,65
1 USD	6,74	6,53	6,71	6,50	6,51	6,51
1 CAD	6,31	5,95	6,40	6,40	6,07	6,33
100 Rubles	19,88	18,64	20,47	20,95	19,85	20,46
100 Hryvnia	57,09	64,24	84,16	81,22	81,32	81,49

Note 8. 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 local reporting 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 is accounted for as 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".

Income statement January – June 2014 and 2013

January - June 2014

Income statement, SEK thousand	Russia	Ukraine	Other	Elimi-nations	Total
Revenue, external	23 806	39 531	0	0	63 337
Revenue, internal	0	0	331	-331	0
Capitalized own work	1 587	0	0	0	1 587
Raw materials and consumables	-9 175	-22 212	0	0	-31 387
Other operating expenses	-5 018	-1 197	-13 039	331	-18 923
Operating profit	11 200	16 122	-12 708	0	14 614

January - June 2013

Income statement, SEK thousand	Russia	Ukraine	Other	Elimi-nations	Total
Revenue, external	9 387	36 438	0	0	45 825
Revenue, internal	0	0	310	-310	0
Capitalized own work	2 009	0	0	0	2 009
Raw materials and consumables	-3 539	-19 853	0	0	-23 392
Other operating expenses	-5 289	-1 301	-7 618	310	-13 898
Operating profit	2 568	15 284	-7 308	0	10 544

Income statement April – June 2014 and 2013

April - June 2014

Income statement, SEK thousand	Russia	Ukraine	Other	Elimi-nations	Total
Revenue, external	11 863	19 945	0	0	31 808
Revenue, internal	0	0	170	-170	0
Capitalized own work	833	0	0	0	833
Raw materials and consumables	-3 797	-11 367	0	0	-15 164
Other operating expenses	-2 668	-440	-8 920	170	-11 858
Operating profit	6 231	8 138	-8 750	0	5 619

April - June 2013

Income statement, SEK thousand	Russia	Ukraine	Other	Elimi-nations	Total
Revenue, external	5 002	17 965	0	0	22 967
Revenue, internal	0	0	155	-155	0
Capitalized own work	1 013	0	0	0	1 013
Raw materials and consumables	-1 830	-10 377	0	0	-12 207
Other operating expenses	-2 731	-697	-3 776	155	-7 049
Operating profit	1 454	6 891	-3 621	0	4 724

Balance sheet as of 30 June 2014 and 2013

June 30, 2014					
Balance sheet, SEK thousand	Russia	Ukraine	Other	Elimi- nations	Total
Assets					
Tangible and intangible fixed assets	190 263	81 897	6 967	0	279 127
Current assets, external	4 889	57 039	19 486	0	81 414
Current assets, internal	0	0	16 590	-16 590	0
Investments in exploration and evaluation assets and oil and gas assets	11 571	2 798	0	0	14 369
June 30, 2013					
Balance sheet, SEK thousand	Russia	Ukraine	Other	Elimi- nations	Total
Assets					
Tangible and intangible fixed assets	149 441	115 848	6 949	0	272 238
Current assets, external	4 885	43 681	24 650	0	73 216
Current assets, internal	0	0	12 007	-12 007	0
Investments in exploration and evaluation assets and oil and gas assets	21 886	1 742	0	0	23 628

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 22 August 2014

Shelton Petroleum AB (publ.)

Björn Lindström
Chairman

Hans Berggren
Director

Richard Edgar
Director

Peter Geijerman
Director

Freddie Linder
Director

Katre Saard
Director

Zenon Potoczny
Director

Robert Karlsson
CEO