



INTERIM REPORT DATED August 18, 2011

## **Central Asia Gold AB (publ)**

### **Interim report for the six-month period from January – June 2011**

- Consolidated total income for the reporting period amounted to MSEK 95.3 (MSEK 74.4) and to MSEK 60.9 (MSEK 44.2) for the second quarter.
- Total production from current production units during January-June 2011 was 172 kg (181 kg) out of which 120 kg (133 kg) was produced in the second quarter.
- The amount of gold produced from hard rock gold mining operations during January-June 2011 was 152 kg (123 kg) of which 100 kg (55 kg) was produced in the second quarter.
- EBITDA for the period January-June 2011 was MSEK -23.7 (MSEK 7.5) and for the second quarter MSEK -17.7 (MSEK 6.4).
- The net result, after tax and non-controlling interest, was MSEK -29.3 (MSEK -11.4) for the reporting period and MSEK -18.2 (MSEK 6.0) for the second quarter.
- Earnings per share for the period January-June 2011 was SEK -1.83 (SEK -0.65) and SEK -1.14 (SEK -0.34) for the second quarter.
- In May, 30% of the shares in the alluvial producing subsidiary LLC Artelj Lena was sold for MRUB 30, approx. MSEK 6.8.

#### **Significant events after the end of the reporting period**

- In July 2011, Sibirskoe Zoloto acquired the remaining 70% of the shares in LLC Artelj Lena from LLC Tardan Gold for MRUB 70, approx. MSEK 15.9.
- A directed new share issuance of MSEK 28 to a limited number of selected qualified investors was completed on July 28, 2011.

## Comments by the CEO

Dear fellow shareholders,

We are currently approaching the completion of the commissioning of the heap-leaching facility at Tardan. The launch of the Tardan facility will significantly increase the year round gold production at CAG and thus generate stable operating cash flows for the company

Despite repeated representations by the company's central and local operational directors for completion of the plant by early July, (originally April / May) the company has continued to experience cost overruns and non-performance in our project management capacity. I have since the end of June personally together with a core team, taken an on-site active responsibility at Tardan to ensure as fast as possible the completion of the construction and commissioning of the plant, and thereby achieving this important milestone for the company.

In addition to further augmenting controls over the local construction we have engaged with local and federal authorities to ensure that all is being done to secure the required permissions. It is our view that the first phase of the construction process will be completed by the end of Q3 and the plant commissioned and operational during Q4 of this year.

The Q2 results have been negatively impacted by the delays in revenues and preparation of leachable ore at Tardan, in addition to the cost overruns and provisions made for the project management oversight during the construction of the plant. At Tardan, in addition to the mining, crushing and agglomeration of ore in preparation for the leaching we have also prepared for stacking the high value tailings from the gravitational plant, which contain about 600 kg of leachable gold.

I am happy to confirm that Solcocon is performing well, re-affirming our strategy of divesting from the company's alluvial projects and focusing on ore mining. Whilst the costs of production are currently high, we expect these costs to significantly reduce during the 2<sup>nd</sup> half of the year as we further exploit efficiencies at the production site.

As the major shareholder of CAG, I remain confident that the company is well positioned to deliver attractive returns to shareholders in what is currently a historically attractive macro environment for gold producers.

As such I appreciate the patience and perseverance shown by investors and can assure you all that the team and I are committed to the delivery of a profitable future for the company and its shareholders.

***Preston Haskell***  
***Chief Executive Officer***

## Operational update

### Production

The total production of gold for the first half year of 2011 from current production unit's amounts to 172 kg (181 kg) which is 4.9% lower compared to the same period last year. The relative share of hard rock gold production now account for 88%, and the increase in hard rock gold production is approximately +24%.

Production unit	License area	Alluvial/Hard Rock	Production H1 2011 (kg)	Production H1 2010 (kg)	Production 2010 (kg)*
Tardan (gravitational)	Tardan	Hard Rock	40	112	160
Tardan (leaching)	Tardan	Hard Rock	0	0	0
Solcocon	Staroverinskaya	Hard Rock	112	11	171
<b>SUB TOTAL</b>		<b>HARD ROCK</b>	<b>152</b>	<b>123</b>	<b>331</b>
Gold Borzyia	Staroverinskaya	Alluvial	20	58	235
<b>Total</b>			<b>172</b>	<b>181</b>	<b>566</b>

\* Due to CAGs sale of all its shares in the alluvial producing subsidiary LLC Artelj Lena in July 2011, the production from Artelj Lena has been excluded from the table above. In 2010 the production at Artelj Lena amounted to 164 kg and the total production for 2010 was 730 kg.

### Tardan

In the second quarter of 2011 the main focus of Tardan was the construction of a heap leaching circuit. Gravitational factory of Tardan continued to operate as planned, though the ore distribution between gravitational and heap leaching operations was changed in order to maximize heap leaching circuit production upon receiving permits.

Tardan heap leaching circuit construction is very close to completion and will be finalized during the third quarter of 2011. Upon completion, the company will apply for permits to start operation, including permits for cyanide usage. That process is expected to be completed during Q4 2011.

In order to speed up the process and obtain the cyanide license, the construction and licensing of Tardan ADR plant is divided in 2 Phases.

Phase I includes areas critical for the receiving of the cyanide permit. This includes the critical parts of administrative building, leach pad #1, sorption circuit, water accumulation facilities etc. Phase I (sorption) will allow to start heap irrigation and to produce a gold-pregnant carbon. Phase I construction is expected to be completed during Q3 2011. Upon completion, the company will apply for Commission permit and Cyanide usage permit. Receiving of these permits is administrated by federal and local regulatory authorities and may take between 10 up to 45 days. Upon receiving these permits, Tardan heap leaching circuit will start irrigation of the heap and will be able to realize profits from 35kg of gold already sitting on activated carbon.

Phase II (desorption) will allow Tardan to produce the saleable gold alloy. The construction of this phase is being carried out in parallel with Phase I and will be finalized in Q3, 2011. Upon Phase II completion and receiving Phase II Commission permit, the company will be able to stack additional leach pads and operate at full scale.

During the second quarter of 2011 upgrades to the crushing circuit, the stacking equipment and the pelletizer were installed.

80,000 tones of ore are currently stacked at the ore storage yard right next to the heap leach pads. These reserves together with the tailings from gravitational circuit are ready to be used immediately after cyanide permits are issued.

### ***Solcocon***

The Solcocon heap leaching plant continues to work at full production generating stable revenues. During the second quarter 2011 the company was able to increase oxide reserves by adding 20 kg Au at Southern ore body flanks (Bogomolovskoye area) through additional exploration. In order to further increase the reserve base the company initiated a larger exploration program aimed to increase oxide ore reserves by 300 kg Au at flanks of Podgornoye ore body (Bogomolovskoye area). The company also undertook research aimed at using selective parts of primary ore reserves in heap leaching process through selective mining.

### ***Gold Borzya***

During the second quarter of 2011 Borzya has faced certain operational challenges, including heavy rainfalls and raise of production costs. In line with our strategy to phase out of alluvial operations, we are currently in the process of reviewing the various aspects of Borzya business and will identify the best exit opportunity.

### ***Artelj Lena***

In line with CAGs strategy to phase out of the alluvial mining business, all of its shares in the subsidiary LLC Artelj Lena have been sold as of the reporting date.

## **Exploration**

CAGs registered gold reserves are presented in the table below.

License	Deposits	Alluvial/Hard Rock	Gold reserves C1 (ton)*	Gold reserves C2 (ton)*	Gold reserves C1/C2 (ton)*	Prognostic Resources P1/P2 (ton)*	License expiration
Tardan	Tardan	Hard Rock	5.5	2.3	7.8	22	2028-2032
Staroverinskaya		Hard Rock/Alluvial	2.9	17.8	20.7	132	2029
	<i>Nizhnaya Borzia</i>	<i>Alluvial</i>	<i>0.6</i>	<i>1.7</i>	<i>2.3</i>	-	<i>2029</i>
	<i>Bogomolovskoye</i>	<i>Hard Rock</i>	<i>0.04</i>	<i>9.3</i>	<i>9.3</i>	-	<i>2029</i>
	<i>Kozlovskoye</i>	<i>Hard Rock</i>	<i>2.3</i>	<i>6.8</i>	<i>9.1</i>	-	<i>2029</i>
Uzhunzhul	Uzhunzhul	Hard Rock	-	-	-	26	2031
Kara Beldyr**	Kara Beldyr	Hard Rock	-	-	-	22	2027
<b>Total***</b>			<b>8.4</b>	<b>20.1</b>	<b>28.5</b>	<b>202</b>	

\* Classification according to Russian standards (GKZ).

\*\* Ownership of license in Joint Venture with Centerra Gold Inc. CAGs current share of the Joint Venture is 50%.

\*\*\* Due to CAGs sale of all its shares in the alluvial subsidiary LLC Artelj Lena in July 2011. Reserves from the Artelj Lena license have been excluded from the table.

## ***Tardan Area***

### **The Bigger Tardan License**

The bigger Tardan exploration license covers 540 km<sup>2</sup> and contains several promising exploration targets. Some of these targets represent future potential of Tardan resource substitution and have calculated resource in P and C2 categories. In order to exploit the exploration potential of the license and to comply with the license terms, the company plans to allocate the exploration budget of SEK 22 million in 2012.

### **The Tardan Deposit**

The company continues to explore the geological potential of its 2 km<sup>2</sup> Tardan production license. In the first half of 2011 the exploration program was carried out to extend and precise the resource base of Tardan deposit.

### ***Staroverinskaya license***

Extensive exploration program at Podgornoye, one of the existing open pit at Bogomolovskoye license has started in the second quarter of 2011. The aim of the program is to define additional 300 kg Au @ 2.5 g/t of resource at flanks of the currently mining open pit. The company continues to process geochemical data for the bigger Staroverinskaya license (64 km<sup>2</sup>) received last year.

### ***Uzhunzhul***

No exploration works were carried out at Uzhunzhul prospective area during the reporting period.

### **Kara Beldyr**

Kara Beldyr is an exploration joint venture between CAG and Centerra Gold Inc. (“Centerra”) located in Tyva region of Russia. Centerra, the operator of the project, currently owns 50% and has an option to increase the stake up to 70%. The project shows very promising results and it is planned to submit the resource calculation statement in the first quarter of 2012.

## **Income, result and financial position for the group**

### **Income and result**

For the six month period ended June 30, 2011 the group reported a net result after tax and non-controlling interest of TSEK -29,277 (TSEK -11,409) which corresponds to SEK -1.83 (SEK -0.65) per share. For the second quarter, the net result after tax and non-controlling interest was TSEK -18,179 (TSEK -6,030) or SEK -1.14 (SEK -0.34) per share.

Consolidated gold sales were TSEK 41,991 (TSEK 48,201) during the period and TSEK 27,281 (TSEK 32,106) for the second quarter. The decrease in revenue from gold sales is due to lower volumes of gold sold during the period at Tardan and Gold Borzya and divestiture of alluvial assets. For Tardan the lower volume of gold produced and sold is due to lower gold grade ore having been used in the production at the gravitation plant this year and that the main focus of the work performed has been on preparing ore for the heap leaching production that will commence as soon as the heap leaching plant is commissioned. At Gold Borzya, bad weather conditions during the production season and lower gold grades have caused lower production levels than last year. The low production level and significantly increased production costs at Gold Borzya has caused this alluvial production unit to have a significant negative impact on the consolidated operating result for the reporting period. This, together with the company's explicit focus on hard rock mining, have intensified the company's review of the business of Gold Borzya in order to identify the best exit opportunity.

In total 148 kg (172 kg) of gold was sold during the report period, of which 96 kg (109 kg) was sold in the second quarter. The amount of gold produced from the currently active production units of the group during the report period was 172 kg (181 kg) and 120 kg (133 kg) in the second quarter.

The change in stock of finished- and semi-finished goods amounted to TSEK 49,245 (TSEK 14,371) during the reporting period and TSEK 32,102 (TSEK 3,073) in the second quarter. The increase is mainly due to the comprehensive work of preparing ore for the heap leaching production at Tardan that has been performed during the first half of 2011.

Total operating costs for the group during the reporting period amounted to TSEK -129,788 (SEK -78,722) of which TSEK 84,949 (TSEK 41,980) relates to the second quarter. The increase in operating expenses compared to last year is due to significantly increased production costs at the companys remaining alluvial production unit Gold Borzya and an effect of the increased activity at the hard rock production units. The Solcocon heap leaching plant has been in production during the first half of 2011, whilst it was only producing at very low levels during the first half of 2010 leading to a significant increase in the number of employees and hence also employee benefit expenses. In addition, comprehensive preparation work performed at Tardan to prepare ore (including, stripping, blasting, crushing and stacking of the ore) for the heap leaching production has led to increased operating expenses for the period.

Further, the change in the salary structure at the alluvial production units made in the second quarter of 2010 also influenced how the employee benefit expenses has been allocated during the first half of 2011, with an increasing part of costs being allocated to this period compared to last year. The change in salary structure has had no impact on full year results.

During the reporting period, exploration costs of TSEK 3,809 (TSEK 6,181) were capitalized. Of this amount, TSEK 1,570 (TSEK 3,469) was capitalized in the second quarter.

Net financial items were TSEK -171 (TSEK -1,205) for the reporting period and TSEK 1,035 (TSEK -10,515) for the second quarter.

Income tax for the reporting period was TSEK 4,328 (TSEK -6 098) and TSEK 3,713 (TSEK 2,128) for the second quarter. The income tax is predominantly related to change in deferred taxation at the subsidiary level. In the first quarter of 2010, significant taxable income generated in the subsidiary LLC GRE-324, entailed the utilization of previously accumulated deferred tax asset, which explains the significant amount of tax expense for the comparable period.

The net result attributable to non-controlling interest was TSEK – 1,071 (TSEK -191) for the reporting period and TSEK -1,069 (TSEK -83) for the second quarter. The non-controlling interest relates to the subsidiary LLC Artelj Lena. During the reporting period, CAG sold 30% of the shares in this subsidiary for a consideration of MRUR 30, approx. MSEK 6.8, and in July 2011 the remaining shares was sold to the same acquirer for a consideration of MRUR 70, approx. MSEK 15.9.

## **Investments, liquidity and financing**

During the reporting period, total investments amounted to TSEK 83,315 (TSEK 7,795). The investments relates mainly to the construction of the heap leaching plant at Tardan.

The total amount of loans received during the reporting period amounts to TSEK 125,898 (TSEK 50,640). This contains drawdowns from the bank loan agreements with Svyaz-Bank of MSEK 73, received credit line at the subsidiary LLC Artelj Lena from ATB Bank of MSEK 34 and MSEK 19 of used credit line from Golden Impala (controlled by Preston Haskell). The loans with Svyaz Bank have an annual interest rate of 12% and an amortization schedule from July 2011 through March 2012. The credit line with ATB Bank has an annual interest rate of 12.5% and the credit line from Golden Impala has an annual interest rate of 16%, with maturity in September 2012.

After the end of the reporting period, the company has raised MSEK 28 through a directed new share issuance in order to strengthen the financial position of the group.

Due to the tight amortization schedule of the loans granted from Svyaz-Bank, especially for the loan regarding the construction of the Tardan heap leaching plant, were the construction and commissioning of the plant has suffered delay, the company has a need to refinance its bank debt in order to get a more sustainable financial solution that suites the development plans for the company. The board of directors is currently evaluating different options of bridge financing and refinancing of its whole current debt and it is the opinion of the board that a refinancing solution will be reached during September/October 2011.

Consolidated cash balance at June 30 was TSEK 4,689 (TSEK 7,768).

## **Other financial information**

### **Segment information**

The company accounts for segments in accordance with IFRS 8. At present the company only considers that it has one segment as only one product, gold, is extracted and all operations are performed in one economic environment, Russia.

### **Transactions with related parties**

In April 2011, Golden Impala Ltd, a company related to the ultimate controlling party of CAG, Preston Haskell, opened a credit line with a limit of MUS\$ 3.6 (approx. MSEK 23) with a 16% annual interest rate. The aim of the credit line is to serve the current and short-term working capital requirements of Central Asia Gold. The maturity of the credit line is in September 2012.

### **Employees**

The group had on average 974 (779) employees during reporting period. As per the end of June, 2011 the number of employees in the group was 1,139 (853). The increase in number of employees is caused by the Solcocon heap leaching factory being operated during the first half of 2011 and by the construction of the new heap leaching plant at Tardan and the ore preparation work for the heap leaching production performed at Tardan.

### **Capital Structure**

The number of issued shares at the end of the reporting period amounts to 16,016,987 (1,765,313). On July 28 2011, the company completed a directed new share issuance of 1,600,000 increasing the number of outstanding shares to 17,616 987. The limits of the share capital are a minimum of TSEK 150,000 and a maximum of TSEK 600,000.

The quota value of each share is SEK 11.25. Each share carries one vote.

### **The parent company**

The parent company is a holding company without significant operations. It supports the subsidiaries with financing, investor relation services and strategy reviews etc. Thus it usually has no income other than interest on loans extended to the subsidiaries from time to time or in respect of bank deposits. Also, the exchange rate effects assets and liabilities denominated in foreign currencies which may impact the results.

The net result for the reporting period was TSEK 7,617 (TSEK 6,501) and TSEK 7,560 (TSEK 7,726) for the second quarter.

Total cash balance in the parent company was TSEK 1,362 (TSEK 638) at the end of June 2011.

### **Accounting principles and basis of preparation**

The consolidated accounts for Central Asia Gold AB have been prepared in accordance with International Financial Reporting Standards (IFRS) as described on page 38 in the annual report for financial year 2010.

This interim report has been prepared in accordance with IAS 34, *Interim Financial Reporting* and in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1, *Supplementary accounting regulations for groups*.

The new or revised IFRS standards or IFRIC-recommendations that have been enacted since 1 January 2010 have not had any material effect on the group's income statement and balance sheet.

The parent company applies the same accounting principles as the group and the Swedish Financial Reporting Board's recommendation RFR 2, *Accounting for legal entities*.

## **Risks and uncertainties associated with this interim report**

The group's risk exposure is presented on page 21 of the 2010 annual report. The Board of Directors believes that the most important risk factors for the time being are:

- 1) *Gold price risk:* The fluctuations of the international gold price directly influence the revenues of a gold producing company
- 2) *Currency risk:* Central Asia Gold operations and reporting is influenced by gold price in USD of production costs in RUB, and the reporting of the SEK. Fluctuations in exchange rates could have a major impact on both local operational results and the SEK reported results.
- 3) *Political risks:* Central Asia Gold currently operates only in Russia. Being a young democracy Russia does not have as stable political situation as it is in the older democracies of Western Europe.
- 4) *Inflation risk:* The Russian economy has been subject to significant inflation pressure during the last few years. This directly impacts on the production costs in a gold mining company.
- 5) *Geologic risk:* The recoverable gold reserves of a gold exploration and production company are influenced by geologic and economic factors. The estimation of reserves is therefore at all times dependent on the international gold price, costs associated with the extraction of the gold etc. Therefore the estimated gold reserves of any gold company may change at any point in time. In particular the alluvial subsidiaries of the Central Asia Gold group are sensitive to cost increases.
- 5) *Financial and project risk:* Central Asia Gold AB is a junior gold mining company at an early stage. It is involved in production of gold as well as exploration. The company is still dependent on external financing for developing its business. If the availability of external financing were to get reduced it would negatively influence the future perspectives of the company. The currently very bad sentiments on the global stock markets must be taken in to account.
- 6) *Legal risks:* The subsidiary LLC Artelj Lena is involved in various court procedures with certain individuals who were members of Artelj before it was converted from producers' cooperative to LLC. The issue concerns conditions pertaining to the time before Central Asia Gold took over LLC Artelj Lena. Legal entity converted from a producers' cooperative to LLC is not a legal successor regarding issues of membership of individuals in the entity, including appeal of the shareholders decisions taken at General Meeting of producers' cooperative. This statement is provided by the Superior Arbitration Court's Decision dated August 20, 2008 №10603/08. On the basis of mentioned above, the Management of the Central Asia Gold is deemed that all claims against Artelj Lena cannot be satisfied in future. Central Asia Gold's and Artelj Lena's legal representatives undertake comprehensive legal work aiming to minimize the effects of this minority case. However, there are no guarantees that former members would not file additional petitions to court claiming for minority stake.

## **Significant events after the end of the reporting period**

### **Sale of shares in Artelj Lena**

Taking into account the ore orientation of CAG, the alluvial subsidiary LLC Artelj Lena has not been considered to be strategic to the Group's core business and does not have a role in CAG's long-term strategy. In July 2011, Sibirskoe Zoloto which acted as a partner since February 2011 and a minority owner of 30 % of the shares in LLC Artelj Lena since May 2011 acquired CAG's remaining shares in LLC Artelj Lena for a consideration of MRUB 70, approx. MSEK 15.9.

## Directed new share issuance

On July 28, 2011 CAG completed a directed new share issuance of 1,600,000 shares at a subscription price of SEK 17,50 per share. Through the new share issue, the company raised MSEK 28. The new share issuance was directed to a limited number of specially selected qualified investors and was executed based on the mandate given to the board of directors by the Annual General Meeting of shareholders in May 2011.

## Next report due

The next financial report due is interim report for the period January-September 2011. It will be released on November 17, 2011.

Nine-month report 2011 (jan - sept)	17 November 2011
12 month report 2011 (jan-dec)	24 February 2012

## Company information

Central Asia Gold AB is a Swedish mining company focused on gold production and exploration in Russia in the central parts of Asia. The gold production was initiated in late January 2005 and the assets were as at end of June 2011 estimated to encompass some 1,042,000 oz (1 troy ounce = 31,1 g) of C1/ C2 Russian gold reserves (equaling some 32 tons). The parent company's full name is Central Asia Gold AB (publ). It is a public limited liability company with head office in Stockholm. The corporate identification number is 556659-4833. Address of the parent company is Engelsbrektsplan 2, 4 tr, 114 34Stockholm. Since July 19, 2010, CAG's shares are traded on First North Premier at the NASDAQ OMX Nordic Exchange under the short name CAG. For more information please visit [www.centralasiagold.se](http://www.centralasiagold.se). Mangold Fondkommission is Certified Adviser to CAG, for more information please call +46 8 503 015 50 or visit [www.mangold.se](http://www.mangold.se).

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

*The board of directors and the managing director confirm that the interim report provides an accurate overview of the company's and the group's operations, position, results and that it describes significant risks and uncertainties that the company and group companies are exposed to.*

Stockholm, August 18, 2011

Central Asia Gold AB (publ.)

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*Chairman*

Nick Harwood  
*Director*

Tom Baring  
*Director*

Gordon Wylie  
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**Cautionary Statement:** Statements and assumptions made in this report with respect to Central Asia Gold AB's ("CAG") current plans, estimates, strategies and beliefs, and other statements that are not historical facts, are forward-looking statements about the future performance of CAG. Forward-looking statements include, but are not limited to, those using words such as "may", "might", "seeks", "expects", "anticipates", "estimates", "believes", "projects", "plans", "strategy", "forecast" and similar expressions. These statements reflect management's expectations and assumptions in light of currently available information. They are subject to a number of risks and uncertainties, including, but not limited to, (i) changes in the economic, regulatory and political environments in the countries where CAG operates; (ii) changes relating to the geological information available in respect of the various projects undertaken; (iii) CAG's continued ability to secure enough financing to carry on its operations as a going concern; (iv) the success of its potential joint ventures and alliances, if any; (v) exchange rates, particularly between the Russian rouble and the U.S. dollar. In the light of the many risks and uncertainties surrounding any gold production and exploration company at an early stage of its development, the actual results could differ materially from those presented and forecast in this report. CAG assumes no unconditional obligation to immediately update any such statements and/or forecasts.

*This Interim report in English is a translation of the Swedish interim report for the six month period ended June 30, 2011. If any discrepancies exist in the translation, the Swedish version shall prevail.*

## CONSOLIDATED INCOME STATEMENT

	3 months 2011-04-01 -2011-06-30	3 months 2010-04-01 -2010-06-30	6 months 2011-01-01 -2011-06-30	6 months 2010-01-01 -2010-06-30	12 months 2010-01-01 -2010-12-31
<i>(All amounts in TSEK)</i>					
<b>Income</b>					
Revenue from sale of gold	27 281	32 106	41 991	48 201	214 037
Capitalised work for own account	1 570	3 469	3 809	6 181	18 153
Change in stock of finished and semi-finished goods	32 102	3 073	49 245	14 371	15 097
Other operating income	0	5 606	238	5 672	35 838
<b>Total income</b>	<b>60 953</b>	<b>44 254</b>	<b>95 283</b>	<b>74 425</b>	<b>283 125</b>
<b>Operating costs</b>					
External expenses	-51 317	-26 051	-73 931	-43 767	-153 634
Employee benefit expenses	-27 379	-11 782	-45 087	-23 170	-72 403
Depreciation and amortization	-6 253	-4 147	-10 770	-11 785	-23 309
<b>Total operating costs</b>	<b>-84 949</b>	<b>-41 980</b>	<b>-129 788</b>	<b>-78 722</b>	<b>-249 346</b>
<b>Operating profit/loss</b>	<b>-23 996</b>	<b>2 274</b>	<b>-34 505</b>	<b>-4 297</b>	<b>33 779</b>
Net financial items	1 035	-10 515	-171	-1 205	-16 671
<b>Profit/loss before income tax</b>	<b>-22 961</b>	<b>-8 241</b>	<b>-34 676</b>	<b>-5 502</b>	<b>17 108</b>
Income tax	3 713	2 128	4 328	-6 098	-9 420
<b>Net profit/loss for the period</b>	<b>-19 248</b>	<b>-6 113</b>	<b>-30 348</b>	<b>-11 600</b>	<b>7 688</b>
Whereof attributable to:					
The owners of the parent company	-18 179	-6 030	-29 277	-11 409	7 964
Non-controlling interest	-1 069	-83	-1 071	-191	-276
<b>Earnings per share before dilution (SEK)</b>	<b>-1,14</b>	<b>-0,34</b>	<b>-1,83</b>	<b>-0,65</b>	<b>1,58</b>
<b>Earnings per share after dilution (SEK) **)</b>	<b>-1,14</b>	<b>-0,34</b>	<b>-1,83</b>	<b>-0,65</b>	<b>1,58</b>
Number of shares issued at period end	16 016 987	17 653 125	16 016 987	17 653 125	16 016 987
Average number of shares for the period	16 016 987	17 653 125	16 016 987	17 653 125	5 026 107
Average number of shares for the period after dilution **)	16 016 987	17 653 125	16 016 987	17 653 125	5 026 107

\*\*) At the end of June 2011, there are 510,650,000 outstanding warrants with the right to subscribe for 1,315,000 shares. 250,000 of these shares has a strike price of SEK 221.1 per share with last date of exercising in January 2012. 1,065,000 shares has a strike price of SEK 25 per share and are exercisable until August 2011. Since the strike price is higher than the prevailing market price, no dilution currently arises due to the outstanding warrants. If all outstanding warrants were to be converted to shares, the total number of shares after dilution would be 17,331,987.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months 2011-04-01 -2011-06-30	3 months 2010-04-01 -2010-06-30	6 months 2011-01-01 -2011-06-30	6 months 2010-01-01 -2010-06-30	12 months 2010-01-01 -2010-12-31
<i>(All amounts in TSEK)</i>					
Net profit/loss for the period	-19 248	-6 113	-30 348	-11 600	7 688
<b>Other comprehensive income</b>					
Translation difference	-19 226	-8 590	-12 504	-13 209	-16 320
<b>Total comprehensive income for the period</b>	<b>-38 474</b>	<b>-14 703</b>	<b>-42 852</b>	<b>-24 809</b>	<b>-8 632</b>
Whereof attributable to:					
The owners of the parent company	-37 405	-14 620	-41 781	-24 618	-8 356
Non-controlling interest	-1 069	-83	-1 071	-191	-276

## CONSOLIDATED BALANCE SHEET

(All amounts in TSEK)	June 30, 2011	June 30, 2010	Dec 31, 2010
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Intangible fixed assets	167 187	148 706	154 301
Tangible fixed assets	202 746	98 074	143 087
Financial fixed assets	79 965	34 933	60 938
<b>Total fixed assets</b>	<b>449 898</b>	<b>281 713</b>	<b>358 326</b>
<b>CURRENT ASSETS</b>			
Inventories	250 191	146 722	167 772
Current receivables	100 233	60 049	89 160
Cash and bank	4 689	7 768	22 230
<b>Total current assets</b>	<b>355 113</b>	<b>214 539</b>	<b>279 162</b>
<b>TOTAL ASSETS</b>	<b>805 011</b>	<b>496 252</b>	<b>637 488</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	362 450	169 723	404 106
Non-controlling interest	6 487	1 569	1 405
<b>Total equity</b>	<b>368 937</b>	<b>171 292</b>	<b>405 511</b>
<b>Long term liabilities</b>	<b>95 836</b>	<b>205 701</b>	<b>61 282</b>
<b>Current liabilities</b>	<b>340 238</b>	<b>119 259</b>	<b>170 695</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>805 011</b>	<b>496 252</b>	<b>637 488</b>
<b>PLEGDED ASSETS</b>	<b>121 536</b>	<b>7 156</b>	<b>53 386</b>
<b>CONTINGENT LIABILITIES</b>	<b>1 558</b>	<b>-</b>	<b>31 436</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in TSEK)	Attributable to the shareholders of the parent company					Non-controlling interest	Total equity
	Share capital	Additional paid in capital	Translation difference reserve	Retained earnings			
Equity as at December 31, 2009	176 531	-66 031	4 915	79 005		1 681	196 101
<b>Comprehensive income</b>							
Net profit/loss for the period				-11 409		-191	-11 600
Translation difference			-13 209				-13 209
<b>Total comprehensive income for the period Jan 1 - June 30 2010</b>			<b>-13 209</b>	<b>-11 409</b>		<b>-191</b>	<b>-24 809</b>
Equity as at June 30, 2010	176 531	-66 031	-8 294	67 596		1 490	171 292
Effect of restatement of 2009 accounts				4 644			4 644
<b>Comprehensive income</b>							
Net profit/loss for the period				19 374		-85	19 289
Translation difference			-3 110				-3 110
<b>Total comprehensive income for the period July 01 - Dec 31 2010</b>			<b>-3 110</b>	<b>24 018</b>		<b>-85</b>	<b>16 179</b>
<b>Transactions with shareholders</b>							
Reduction in share capital	-156 671	156 671					0
Share issuance	160 331	67 829					228 160
Costs for share issuance		-14 764					-14 764
<b>Total transactions with shareholders for the period July 01 - Dec 31</b>	<b>3 660</b>	<b>209 736</b>					<b>213 396</b>
Equity as at December 31, 2010	180 191	143 705	-11 404	91 614		1 405	405 511
<b>Comprehensive income</b>							
Net profit/loss for the period				-29 277		-1 071	-30 348
Translation difference			-12 504				-12 504
<b>Total comprehensive income for the period Jan 1 - June 30 2011</b>			<b>-12 504</b>	<b>-29 277</b>		<b>-1 071</b>	<b>-42 852</b>
Change in non-controlling interests				125		6 153	6 278
Equity as at June 30, 2011	180 191	143 705	-23 908	62 462		6 487	368 937

## CONSOLIDATED CASH FLOW STATEMENT

	6 months 2011-01-01 -2011-06-30	6 months 2010-01-01 -2010-06-30	12 months 2010-01-01 -2010-12-31
(All amounts in TSEK)			
Operating activities	-34 505	-4 297	33 779
Adjustment for non-cash items	10 770	11 785	-6 391
Paid/received interest	-2 795	-2 330	-10 894
<b>Cash flow from operations before changes in working capital</b>	<b>-26 530</b>	<b>5 158</b>	<b>16 494</b>
Changes in working capital	-33 442	-63 014	-113 347
<b>Net cash used in operating activities</b>	<b>-59 972</b>	<b>-57 856</b>	<b>-96 853</b>
<b>Net cash used in investing activities</b>	<b>-83 315</b>	<b>-7 795</b>	<b>-95 220</b>
<b>Net cash generated from financing activities</b>	<b>125 898</b>	<b>50 640</b>	<b>191 234</b>
<b>Net change in cash</b>	<b>-17 389</b>	<b>-15 011</b>	<b>-839</b>
Cash and bank at the beginning of the period	22 230	22 732	22 732
Translation difference in cash and bank	-152	47	337
<b>Cash and bank at the end of the period</b>	<b>4 689</b>	<b>7 768</b>	<b>22 230</b>

## CONSOLIDATED KEY RATIOS

	6 months 2011-01-01 -2011-06-30	6 months 2010-01-01 -2010-06-30	12 months 2010-01-01 -2010-12-31
Total assets (TSEK)	805 011	496 252	637 488
Total equity (TSEK)	368 937	171 292	405 511
Equity ratio (%)	45,8%	34,5%	63,6%
Interest bearing debt (TSEK)	230 068	190 612	118 133
Employees at period end	1 139	853	726
EBITDA (TSEK)	-23 735	7 488	57 088
<b>Per share data</b>			
Earnings per share (SEK)	-1,83	-0,65	1,58
Equity per share (SEK)	22,63	9,61	25,23
Return on equity (%)	-7,8%	-6,3%	2,6%

### Key ratio definitions

Total assets (TSEK)	Total assets at period end
Total equity (TSEK)	Total equity including non controlling interest at period end
Equity ratio (%)	Total equity divided by total assets expressed as a percentage
Interest bearing debt (TSEK)	Total interest bearing debt at the period end
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
Earnings per share	Net result after tax for the period divided by the average number of outstanding shares for the period before dilution
Equity per share (SEK)	Equity excluding non controlling interests at the period end divided by the number of outstanding shares at the period end
Return on equity (%)	Net result after tax for the period divided by the average total equity for the same period

## PARENT COMPANY INCOME STATEMENT

(All amounts in TSEK)	3 months 2011-04-01 -2011-06-30	3 months 2010-04-01 -2010-06-30	6 months 2011-01-01 - 2011-06-30	6 months 2010-01-01 - 2010-06-30	12 months 2010-01-01 - 2010-12-31
<b>Income</b>					
Other operating income	9	5 009	142	5 009	13 441
<b>Total income</b>	<b>9</b>	<b>5 009</b>	<b>142</b>	<b>5 009</b>	<b>13 441</b>
<b>Operating costs</b>					
External expenses	-1 126	-2 469	-2 532	-4 185	-7 009
Employee benefit expenses	-241	-164	-473	-296	-942
<b>Total operating costs</b>	<b>-1 367</b>	<b>-2 633</b>	<b>-3 005</b>	<b>-4 481</b>	<b>-7 951</b>
<b>Operating profit/loss</b>	<b>-1 358</b>	<b>2 376</b>	<b>-2 863</b>	<b>528</b>	<b>5 490</b>
Net financial items	8 918	5 350	10 480	5 973	-15 151
<b>Profit/loss before income tax</b>	<b>7 560</b>	<b>7 726</b>	<b>7 617</b>	<b>6 501</b>	<b>-9 661</b>
Income tax	-	-	-	-	-526
<b>Net profit/loss for the period</b>	<b>7 560</b>	<b>7 726</b>	<b>7 617</b>	<b>6 501</b>	<b>-10 187</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

(All amounts in TSEK)	3 months 2011-04-01 -2011-06-30	3 months 2010-04-01 -2010-06-30	6 months 2011-01-01 -2011-06-30	6 months 2010-01-01 -2010-06-30	12 months 2010-01-01 -2010-12-31
Net profit/loss for the period	7 560	7 726	7 617	6 501	-10 187
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>7 560</b>	<b>7 726</b>	<b>7 617</b>	<b>6 501</b>	<b>-10 187</b>

## PARENT COMPANY BALANCE SHEET

(All amounts in TSEK)	June 30, 2011	June 30, 2010	Dec 31, 2010
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Financial fixed assets	778 371	682 170	735 481
<b>Total fixed assets</b>	<b>778 371</b>	<b>682 170</b>	<b>735 481</b>
<b>CURRENT ASSETS</b>			
Current receivables	467	5 206	638
Cash and bank	1 362	638	10 945
<b>Total current assets</b>	<b>1 829</b>	<b>5 844</b>	<b>11 583</b>
<b>TOTAL ASSETS</b>	<b>780 200</b>	<b>688 014</b>	<b>747 064</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>745 421</b>	<b>541 096</b>	<b>737 804</b>
<b>Long term liabilities</b>	<b>12 663</b>	<b>146 576</b>	<b>6 398</b>
<b>Current liabilities</b>	<b>22 116</b>	<b>342</b>	<b>2 862</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>780 200</b>	<b>688 014</b>	<b>747 064</b>
<b>PLEGDED ASSETS</b>	<b>287 180</b>	<b>50</b>	<b>248 065</b>
<b>CONTINGENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

(All amounts in TSEK)	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Net income for the period	Total equity
<b>Equity as at December 31, 2009</b>	176 531	68 032	313 198	-56 637	-12 280	488 844
Profit/loss brought forward				-12 280	12 280	0
Total comprehensive income for the period					6 501	6 501
Shareholders contribution			45 751			45 751
<b>Equity as at June 30, 2010</b>	176 531	68 032	358 949	-68 917	6 501	541 096
Total comprehensive income for the period					-16 688	-16 688
Reduction in share capital	-156 671		156 671			0
Proceeds from share issuance	160 331		67 829			228 160
Expenses for share issuance			-14 764			-14 764
<b>Equity as at December 31, 2010</b>	180 191	68 032	568 685	-68 917	-10 187	737 804
Profit/loss brought forward				-10 187	10 187	0
Total comprehensive income for the period					7 617	7 617
<b>Equity as at June 30, 2011</b>	180 191	68 032	568 685	-79 104	7 617	745 421

## PARENT COMPANY CASH FLOW STATEMENT

(All amounts in TSEK)	6 months 2011-01-01 -2011-06-30	6 months 2010-01-01 -2010-06-30	12 months 2010-01-01 -2010-12-31
Operating activities	-2 863	528	5 490
Adjustment for non-cash items	-	-	-8 392
Paid/received interest	-400	-4 333	-2
<b>Cash flow from operations before changes in working capital</b>	<b>-3 263</b>	<b>-3 805</b>	<b>-2 904</b>
Changes in working capital	2 153	-4 972	1 496
<b>Net cash used in operating activities</b>	<b>-1 110</b>	<b>-8 777</b>	<b>-1 408</b>
<b>Net cash used in investing activities</b>	<b>-27 176</b>	<b>-147 498</b>	<b>-198 317</b>
<b>Net cash generated from financing activities</b>	<b>18 704</b>	<b>142 363</b>	<b>196 928</b>
<b>Net change in cash</b>	<b>-9 582</b>	<b>-13 912</b>	<b>-2 797</b>
<b>Cash and bank at the beginning of the period</b>	<b>10 945</b>	<b>14 794</b>	<b>14 794</b>
Translation difference in cash and bank	-1	-244	-1 052
<b>Cash and bank at the end of the period</b>	<b>1 362</b>	<b>638</b>	<b>10 945</b>