Annual Report 2013

Petroswede

Annual report and consolidated financial statements for the financial year 2013

Board of Directors' Report

The Board of Directors and President & CEO of Petroswede AB herewith present the annual report and consolidated financial statements for the financial year 2013. All amounts are reported in SEK thousands unless otherwise stated.

THE GROUP'S OPERATIONS

The Group is actively involved, through owned interests in risk-sharing projects, in the exploration and production of oil and gas, and related activities. The Group is active in all aspects of oil extraction from exploration to production through participation in risk-sharing projects. Operations are currently located in Norway, the UK, the Ivory Coast, Angola, Nigeria, Guinea Bissau, the Republic of the Congo, Sweden, Ireland and Latvia. Sales of oil are conducted in the world market. The oil is used in a large number of refineries, mainly in Europe and North America. In the current situation, the Group does not have any direct gas sales.

GROUP ORGANISATION

Petroswede is an international oil group whose business operations are conducted through directly and indirectly owned subsidiaries. The business is supported by the offices in Bissau, London, Oslo and Stockholm, where the staff are employed. Knowledge and expertise is spread across the offices, which means that a project team is normally made up of personnel from more than one office in order to utilise the most appropriate skills for each project. Insurance of the Group's operations is managed through the wholly-owned subsidiary Petroswede Insurance Company Ltd. (Ireland). Petroswede AB has a wholly-owned subsidiary, Svenska Petroleum Exploration AB, which in turn has ten wholly-owned subsidiaries registered in Ireland, Norway, the UK and Sweden. Some of these subsidiaries have their own subsidiaries, foreign branches or representative offices. Operations in the Ivory Coast, the UK and Angola are conducted as branches of subsidiaries or branches of indirectly owned subsidiaries in the Group. The Group is subsequently referred to as "Svenska".

OWNERSHIP

Petroswede AB is a wholly-owned subsidiary of Petroswede Europe AB, which in turn is owned by Moroncha Holdings Ltd, Cyprus.

EVENTS DURING THE FINANCIAL YEAR

Svenska's share of production at the Baobab field in the Ivory Coast was lower than in 2012. On average, Svenska's share of production was 4,090 (5,236) barrels per day. The reduction was attributable to the field's natural production decline as well as some operational disruptions in the second half of 2013. Two producing wells in Baobab closed and the assessment is that they cannot be restarted without intervention during future drilling campaigns. The mooring arrangement for the Baobab field's production unit (FPSO) was found to be partially defective. As a result, the operator, CNR, shut down production temporarily towards the end of December for repairs. Svenska's producing licence, Block 3/91 in Angola, the Oombo field, expired in December 2012. The field will continue to produce after Svenska's relinquishment of the licence and will be integrated into the operator Sonangol's Block 3. From 2013, Svenska's exploration activities are confined to Angola.

Svenska participated in three exploration wells during the year. The Mukulungu well in Block Marine IV in the Republic of the Congo spudded in December 2012 and was completed in early 2013. Drilling took place in the Askja West and Askja East prospects in Norway, both of them part of licence PL 272. The Askja East well will be completed in early 2014. The Mukulungu well was found to be dry and has been plugged permanently. Due to lack of prospectivity, Svenska has decided to relinquish the Block Marine IV licence, and therefore no longer has any activities in the Republic of the Congo. See also Events after the end of the financial year.

In Guinea-Bissau, a well management contract was signed with the Norwegian company AGR concerning technical cooperation in future exploration campaigns in the Block 2, 4 and 5A licences. The plan is to drill two wells in the period 2014-2015, depending on rig availability in the area.

In Norway, the operating committees under licences PL521 and PL512 decided on relinquishment due to lack of prospectivity.

During the year, Svenska initiated a change process for the purpose of applying for qualification as an operator in Norway. The application will be submitted during 2014.

The average price for Brent crude oil fell from USD 111.6 to USD 108.6 per barrel during the year. The price started 2013 at USD 110.0 per barrel and ended the year at USD 111.5. On 31 January 2014, the price was USD 107.2 per barrel. The US dollar was almost unchanged against the Swedish krona in 2013, with an average rate for the year of USD/SEK 6.4860.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

On 31 January 2014, production at the Baobab field was recommenced after completion of temporary repairs. The field is now producing at a stable level, in line with the volume before the production shutdown.

On 21 January 2014, the Norwegian Ministry of Petroleum and Energy announced that the Group had been granted a 20 per cent interest in the PL 554C exploration licence on the Norwegian continental shelf, as part of the awards in pre-defined areas (APA 2013).

On 2 January 2014, Statoil announced in a press release that the Askja West prospect in licence PL 272 was hydrocarbon-bearing with gas and condensates, with a total resource potential of 19-44 mmboe. Svenska's share in PL 272 is 25%. The well has been plugged permanently.

OPERATING INCOME AND COSTS

Consolidated net sales for the year amounted to SEK 1,041 (1,528) million. The decline was due to lower production.

Production totalled 1.5 million barrels of crude oil in 2013, compared with 2.0 million barrels the previous year. Average production was 4,090 (5,592) barrels per day. The reduction was attributable to natural field decline, closures of production wells and production shutdowns, as well as the relinquishment of the Oombo licence in the previous year.

Total operational and exploration costs for 2013 were SEK 502 (632) million. The total figure is broken down into the following sub-items. Operating expenses for 2013 were SEK 212 (208) million. Royalty costs for the year amounted to SEK 48 (175) million. Oil tax (operational) was SEK 159 (200) million. Exploration and project costs totalled SEK 83 (49) million in 2013. Consolidated depreciation and impairment of oil and gas assets for 2013 amounted to SEK 536 (148) million. Employee benefits costs for 2013 were SEK 67 (80) million. The total number of employees at 31 December was 40 (40).

Net financial items for 2013 were SEK -49 (-70) million. Exchange gains/losses on financial assets and liabilities in 2013 amounted to SEK -6 (-18) million. The exchange differences are mainly a result of the revaluation of USD-based assets and liabilities. Interest income for 2013 amounted to SEK 9 (7) million. Interest expenses were SEK 41 (54) million. For information on financial risks and financial policies, see Note 22.

The Group's total tax was SEK 33 (-68) million, corresponding to an effective tax rate of 16 (14) per cent.

EARNINGS AND CASH FLOW

The Group's operating profit/loss for the 2013 financial year was SEK -158 (546) million. Cash flow from operations before changes in working capital was SEK 427 (489) million.

INVESTMENTS AND FINANCIAL POSITION

Intangible and tangible fixed assets were SEK 4,999 (4,961) million at the end of the year. Investments in tangible fixed assets totalled SEK 166 (39) million, while investments in intangible assets were SEK 380 (534) million.

Investments in financial assets amounted to SEK 120 (131) million.

Cash and cash equivalents ended the year on SEK 140 (129) million. The Group also has a loan facility of SEK 748 million (USD 115 million) and another facility of SEK 317 million (NOK 300 million) specifically for the financing of exploration costs in Norway. The facilities were unutilised at 31 December 2013.

PARENT COMPANY

The Parent Company's profit/loss after tax for the year was SEK 0 (-6) million. Equity amounted to SEK 1,053 (1,053) million. The Parent Company does not conduct any business. The Parent Company's revenue is generated from interest income, while its costs are related to consulting services.

HEALTH, SAFETY AND ENVIRONMENT

Petroswede takes great care in preventing irresponsible actions and accidents that could adversely affect people's health and the environment. Continuous development of our safety culture and improvement of processes is the foundation of the Company's long-term strategy. As a general principle, the Company uses generally accepted practices in health, safety and environment for the sectors in which it operates. The Company actively engages in dialogue in industry networks in order to utilise and share knowledge.

The Company's priorities and objectives are to:

- Prevent loss of life and avoid injury (highest priority).

- Strive to always use the best processes from an environmental perspective in all licences in which the Company participates, taking into account technical and economic conditions.

- Be perceived by other companies, regulatory authorities, environmental groups and the general public as environmentally aware and responsible.

- Possess well-developed environmental awareness when making technological and economic decisions.

- Encourage partners and vendors to exceed the minimum legal requirements when environmentally called for. The aim is also to be ahead of even the most stringent anticipated requirements.

- Endeavour, as far as is technically and economically feasible, to minimise pollution of water, soil and air caused by the operations in which the Company engages.

CORPORATE SOCIAL RESPONSIBILITY

Svenska also works actively in the area of CSR and conducts several projects. Svenska funded the renovation of the Bula Medical Training Centre in Guinea Bissau, and worked with the licence's other partners to continue improving the training centre's facilities in 2013. Svenska renewed its partnership with SOS Children's Villages in 2013. Svenska's support covers the SOS Children's Village in Abobo-Gare in the Ivory Coast, the SOS Social Centre in Lubango in Angola, the SOS Hermann Gmeiner Primary & Secondary School in Guinea Bissau and the SOS Children's Village in Owu-Ijebu in Nigeria.

ACCESS TO QUALIFIED PERSONNEL

The Group's skilled and dedicated personnel are one of the vital factors that enable the Company to carry through its strategy and pursue its operating activities. Good access to qualified personnel is ensured by consciously working to improve the Group's project-oriented organisation. The Group's ambition is to unite different cultures and establish a common approach in the Group.

RISKS AND UNCERTAINTIES

Risks in the oil and gas business

The full emphasis of the Group's operations is on exploration and extraction of oil and gas, and this involves operational and financial risks that no one, irrespective of experience and knowledge, can eliminate. In addition, there is no guarantee that commercially recoverable quantities of oil and gas will be found.

Political risks

The operations of the Group are international. Changes to laws governing areas such as foreign ownership, government participation, taxation, royalties, environmental regulations and customs may have an adverse effect on the Group's earnings. Risk factors such as internal strife, war, terrorism, border disputes and uprisings may also affect the Group. At the end of 2013, the Group did not have any political risk insurance coverage for the countries in which it operates. The need to insure against such events is continuously assessed and a policy will be signed if the need arises and it is available for the market.

Environmental risks

Oil and gas exploration and extraction can cause environmental damage. National legislation and production agreements with partners may have the effect of making the Group liable for costs and damages associated with its operations. All business is conducted in accordance with national legislation and regulations and the environmental policy of the Group.

Reserve estimations

The estimation of oil reserves is affected by a number of uncertainties, most of which are beyond the Group's control. The estimations are primarily based on available geological, geophysical and technical data, the reliability of which varies. A downward adjustment of the current estimations cannot be ruled out, which could affect the Group's financial position and earnings negatively. The estimations used in the consolidated financial statements are therefore monitored closely. These are consistently conservative estimations, none of which exceeds those that the operators submit to each country's authority.

OUTLOOK

There is much uncertainty about how oil prices will develop in 2014. Opinions in the industry are somewhat divided, but Svenska's interpretation is that the oil price will revolve around the current levels.

THE WORK OF THE BOARD

The Board, which consists of three members, held four meetings during the year.

PROPOSED APPROPRIATION OF PROFITS

The following amounts are at the disposal of the Annual General Meeting (in SEK):

Share premium reserve	186,922,063
Retained earnings	866,165,649
Profit for the year	9,910
Total	**1 053,097,622**

The Board proposes that the available profits and unrestricted reserves be dealt with as follows:

Carried forward:	1,053,097,622
Of which to the share premium reserve	186,922,063

More detailed disclosures about the Company's financial results and position can be found in the income statements, balance sheets and accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

Amounts in SEK thousands

	Note	2013	2012[1]
Net sales	2	1,041,001	1,527,794
Other operating income	3	12,980	8,142
		1,053,981	**1,535,936**
Stock variation		-	-5,311
Operational and exploration costs	5	-501,893	-631,924
Other external costs	7	-95,575	-121,888
Employee benefits expenses	6	-66,930	-80,474
Depreciation, write-downs and abandonment costs	2, 10	-538,851	-141,905
Other operating expenses	4	-8,563	-8,213
Operating profit	**2**	**-157,831**	**546,221**
Finance income	8	9,232	7,666
Finance costs	8	-58,580	-77,664
Net finance items		**-49,348**	**-69,998**
Profit before tax		**-207,179**	**476,223**
Tax on profit for the year	9	32,687	-67,839
PROFIT FOR THE YEAR		**-174,492**	**408,384**
Other comprehensive income			
Items that will not be reclassified to profit and loss:			
Exchange differences for the year, foreign subsidiaries		-59,385	-175,011
Items that will not be reclassified to profit and loss:			
Remeasurements of defined benefit obligation		1,487	2,950
Total other comprehensive income		**-57,898**	**-172,061**
Total comprehensive Income		**-232,390**	**236,323**

[1]) The financial reports are restated according to new accounting policy, IAS 19. The impact of new accounting policy on the groups financial position is presented in note 1.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEK thousands

	Note	2013-12-31	2012-12-31[1]
ASSETS			
Intangible assets	11	3,377,186	3,392,361
Tangible fixed assets	12	1,621,796	1,569,500
Financial investments	13	120,237	131,528
Other non-current receivables	14	4,693	2,130
Deferred tax assets	9	52,475	802
Total non-current assets		**5,176,387**	**5,096,321**
Current assets			
Inventories	15	108,995	76,760
Trade receivables	16	460	93,904
Prepayments and accrued income	17	165,270	240,248
Other receivables		262,691	147,877
Tax receivables		270,409	381,785
Cash and cash equivalents	29	139,738	128,957
Total current assets		**947,563**	**1,069,531**
TOTAL ASSETS		**6,123,950**	**6,165,852**

[1]) The financial reports are restated according to new accounting policy, IAS 19. The impact of new accounting policy on the groups financial position is presented in note 1.

EQUITY AND LIABILITIES

Amounts in SEK thousands	Note	2013-12-31	2012-12-31[1]
Equity			
Share capital		103	103
Other paid-in capital		186,942	186,942
Reserves		-367,031	-307,646
Retained earnings, incl. profit for the year		4,512,872	4,685,877
Total equity		**4,332,886**	**4,565,276**
Liabilities			
Deferred tax liabilities	9	863,842	1,079,908
Provisions for pensions etc.	18	3,958	4,034
Other provisions	19	113,672	47,991
Total non-current liabilities		**981,472**	**1,131,933**
Trade payables		61,748	22,691
Other liabilities	20	91,312	70,319
Accruals and deferred income	21	463,844	360,669
Current tax liaibilities		192,688	14,964
Total current liabilities		**809,592**	**468,643**
Total liabilities		**1,791,064**	**1,600,576**
TOTAL EQUITY AND LIABILITIES		**6,123,950**	**6,165,852**

Information about pledged assets and contingencies, see note 25.

[1]) The financial reports are restated according to new accounting policy, IAS 19. The impact of new accounting policy on the groups financial position is presented in note 1.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousands

	Share capital	Other paid-in capital	Translation reserve	Remeasurements of defined benefit obligations	Retained earnings incl. net profit / loss	Total equity
Opening equity, 1 Jan 2012	**103**	**186,942**	**-132,635**	**-**	**4,279,139**	**4,333,549**
Impact of changes in accounting policys (IAS 19)	-	-	-	-4,596	-	-4,596
Restated balance at 1 January 2012	**103**	**186,942**	**-132,635**	**-4,596**	**4,279,139**	**4,328,953**
Profit/loss for the year	-	-	-	-	408,384	408,384
Other comprehensive income for the year	-	-	-175,011	2,950	-	-172,061
Total Comprehensive income for the year (Restated)	-	-	-175,011	2,950	408,384	236,323
Closing equity, 31 Dec 2012 (Restated)	**103**	**186,942**	**-307,646**	**-1,646**	**4,687,523**	**4,565,276**
Profit/loss for the year	-	-	-	-	-174,492	-174,492
Other comprehensive income for the year	-	-	-59,385	1,487	-	-57,898
Total Comprehensive income for the year	-	-	-59,385	1,487	-174,492	-232,390
Closing equity, 31 Dec 2013	**103**	**186,942**	**-367,031**	**-159**	**4,513,031**	**4,332,886**

The full impact of changes in accounting policys (IAS 19) are presented in note 1.

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK thousands

	Note	2013	2012
Indirect method			
Operating activities			
Profit before tax [1])		-207,179	476,223
Adjustment for non-cash items	29	375,806	-39,442
Taxes paid		257,900	52,527
Cash flow from operating activities before changes in working capital		**426,527**	**489,308**
Cash flow from changes in working capital			
Decrease(+)/increase(-) in inventories		-32,762	-5,751
Decrease(+)/increase(-) in operating receivables		-39,884	129,150
Decrease(-)/increase(+) in operating liabilities		195,242	-186,626
Cash flow from operating activities		**549,123**	**426,081**
Investing activities			
Acquisition of intangible assets	11	-380,366	-534,412
Acquisition of tangible fixed assets	12	-165,742	-39,441
Sale of subsidiaries, net effect on cash flow		-112	-
Increase in financial assets		-119,931	-131,222
Decrease in financial assets		131,222	-
Cash flow from investing activities		**-534,929**	**-705,075**
Financing activities			
Proceeds from borrowings		556,576	212,241
Repayment of borrowings		-556,576	-212,241
Cash flow from financing activities		**-**	**-**
Cash flow for the year		**14,194**	**-278,994**
Cash & cash equivalents at beginning of year		128,957	419,046
Exchange differences		-3,413	-11,095
Cash & cash equivalents at end of year		139,738	128,957

[1]) The amount includes interest received of SEK 3,655 (17,166) thousands, and interest paid of SEK 16,465 (45,650) thousands. For supplementary information to the consolidated cash flow statement, see Note 29.

PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousands

	Note	2013	2012
Total operating income		**-**	**-**
Operating expenses			
Other external costs	7	9,263	-25,821
Total operating expenses		**9,263**	**-25,821**
Operating profit/loss		**9,263**	**-25,821**
Profit/loss from financial investments			
Interest income from Group companies		20,022	19,108
Other interest and similar income		58	651
Other interest and similar expense		-	-284
Profit/loss after financial items		**29,343**	**-6,346**
Appropriations			
Group contribution, distributed		-29,330	-
Profit before tax		**13**	**-6,346**
Tax		-3	-
PROFIT/LOSS FOR THE YEAR		**10**	**-6,346**

Profit for the year is consistent with comprehensive income for the year.

PARENT COMPANY BALANCE SHEET

Amounts in SEK thousands

	Note	2013-12-31	2012-12-31
ASSETS			
Financial assets			
Investments in Group companies	27	850,000	850,000
Non-current receivables, Group companies	14	247,779	243,250
Total non-current assets		**1,097,779**	**1,093,250**
Receivables, Group companies		-	1,045
Other receivables		-	1,881
Prepayments and accrued income	17	-	5,290
Total current assets		**-**	**8,216**
TOTAL ASSETS		**1,097,779**	**1,101,466**

EQUITY AND LIABILITIES

Amounts in SEK thousands

	Note	2013-12-31	2012-12-31
Equity			
Restricted equity			
Share capital (1,030 shares, par value SEK 0.10)		103	103
Legal reserve		20	20
Total restricted equity		**123**	**123**
Non-restricted equity			
Share premium reserve		186,922	186,922
Retained earnings		866,165	872,511
Profit/loss for the year		10	-6,346
Total unrestricted equity		**1,053,097**	**1,053,087**
Total equity		**1,053,220**	**1,053,210**
Current tax liabilities		3	2,604
Liabilities, Group companies		28,285	45,652
Accruals and deferred income	21	16,271	-
Total current liabilities		**44,559**	**48,256**
TOTAL EQUITY AND LIABILITIES		**1,097,779**	**1,101,466**
Pledged assets		**-**	**-**
Contingent liabilities	**25**	**398**	**401**

STATEMENT OF CHANGES IN EQUITY - PARENT COMPANY

Amounts in SEK thousands

	Share capital	Legal reserve	Share premium reserve	Retained earnings	Total equity
Opening equity, 1 Jan 2012	**103**	**20**	**186,922**	**872,511**	**1,059,556**
Profit/loss for the year				-6,346	-6,346
Closing equity, 31 Dec 2012	**103**	**20**	**186,922**	**866,165**	**1,053,210**
Profit/loss for the year				10	10
Closing equity, 31 Dec 2013	**103**	**20**	**186,922**	**866,175**	**1,053,220**

Profit for the year is consistent with comprehensive income for the year.

CASH FLOW STATEMENT - PARENT COMPANY

Amounts in SEK thousands

	2013	2012
Indirect method		
Operating activities		
Profit/loss after financial items [1])	**29,343**	**-6,346**
	29,343	-6,346
Tax paid	-2,604	-5,099
Cash flow from operating activities before changes in working capital	**26,739**	**-11,445**
Cash flow from changes in working capital		
Decrease(+)/increase(-) in operating receivables	8,216	-7,171
Decrease(-)/increase(+) in operating liabilities	-30,426	29,094
Cash flow from operating activities	**4,529**	10,478
Cash flow from investing activities		
Proceeds from borrowings, Group companies	15,492	8,630
Repayment of borrowings, Group companies	-20,021	-19,108
Cash flow from investing activities	**-4,529**	-10,478
Cash flow from financing activities	-	-
Cash flow from financing activities	-	-
Cash flow for the year	-	-
Cash & cash equivalents at beginning of year	-	-
Exchange differences	-	-
Cash & cash equivalents at end of year	-	-

[1]) The amount includes interest received of SEK 20,021 (19,108) thousands, and interest paid of SEK 0 (284) thousands.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

Petroswede AB is a limited company, which is incorporated in Sweden and has its registered office in Stockholm. The address of the Head Office is Biblioteksgatan 29, SE-114 35 Stockholm, Sweden.

The consolidated statement of comprehensive income and statement of financial position and the Parent Company's income statement and balance sheet will be presented for adoption at the annual general meeting on 18 March 2013.

STATEMENT OF COMPLIANCE

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, recommendation RFR 1 Supplementary Accounting Regulations for Groups has been applied. RFR 1 is issued by the Swedish Financial Reporting Board. The Parent Company applies the same accounting policies as the Group, except in the cases described below in the section entitled The Parent Company's Accounting Policies. Any differences are due to limitations in the ability to apply IFRS in the Parent Company as a result of the provisions of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act.

BASIS OF PREPARATION

Assets and liabilities are measured at historical cost, apart from certain financial assets, which are measured at fair value. The financial assets that are measured at fair value consist of financial assets classified as at fair value through profit or loss.

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

The Parent Company's functional currency is Swedish kronor, which is also the presentation currency for the Parent Company and for the Group. Consequently, the financial statements are presented in Swedish kronor. All amounts are rounded to the nearest thousand, unless otherwise stated.

JUDGEMENTS AND ACCOUNTING ESTIMATES IN THE FINANCIAL STATEMENTS

Preparation of financial reports in accordance with IFRS requires use of a number of significant accounting estimates. In addition, management is required to make certain judgements when applying the Company's accounting policies. Information about areas which are complex or involve a high proportion of assumptions and estimates, or areas where accounting estimates are of key significance to the consolidated financial statements, can be found in Note 28.

NEW IFRS STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

There are a number of new standards, amended standards and interpretations which are effective for accounting periods commencing on or after 1 January 2014. These have not been applied in the preparation of the financial statements. There are no plans for early adoption of new or amended standards with future application. Only standards considered relevant to the Group are commented on.

IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: The IASB has published the first two of three or more parts, which together will form IFRS 9. The first part deals with the classification and measurement of financial assets. The categories of financial assets in IAS 39 are replaced by two classifications – those measured at fair value and those measured at amortised cost. Amortised cost is used for instruments held in a business model where the contractual terms of the financial asset give rise on specified dates to cash flows that are payments of principal and interest on the principal outstanding. Other financial assets are measured at fair value and the opportunity to apply the fair value option as in IAS 39 is retained. Changes in fair value are recognised in profit or loss. However, if an equity investment is not held for trading, an entity can make an irrevocable election at initial recognition to measure it at fair value through other comprehensive income. Changes in the value of derivatives in hedge accounting are not affected by this part of IFRS 9, but continue to be accounted for in accordance with IAS 39 until further notice. In October 2010, the IASB also published the parts of IFRS 9 dealing with the classification and measurement of financial liabilities. The majority is consistent with the previous rules contained in IAS 39, apart from the option to designate financial liabilities as measured at fair value through profit or loss (the fair value option). Gains and losses on these liabilities are split into those attributable to changes in the credit rating of the liabilities and those attributable to changes in the benchmark rate. Rules on hedge accounting were published in November 2013. In the current situation, no effective date has been defined for IFRS 9. The IASB has indicated that the earliest effective date will be 1 January 2017.

IFRS 10: New standard for consolidated financial statements, which will supersede IAS 27. The new standard sets out how to apply the principle of control to identify whether an investor controls an investee. This assessment will be based on the actual control the company has over the entities it owns. There are no changes to the rules on acquisitions and disposals. The standard is effective for annual periods commencing on or after 01 January 2014, with retrospective application. It is Petroswede's opinion that the new standard will not affect the current method of assessing whether an entity is controlled and must consequently be consolidated.

IFRS 11: New standard dealing with accounting for joint arrangements. Under the new standard, use of the proportionate method is eliminated when consolidating joint ventures; only the equity method will be allowed. In addition, not only the structure of joint arrangements is to be considered when assessing whether it is a joint operation or joint venture, but also legal forms, contracts and other circumstances and factors. The accounting for joint arrangements depends on the type of joint arrangement it is. The standard is effective for annual periods commencing on or after 1 January 2014. It is Petroswede's assessment that all its current jointly controlled operations qualify as joint operations under the new standard, which means there will be no change from the present accounting. However, Petroswede cannot rule out the possibility of future investments in joint ventures, which are accounted for using the equity method.

IFRS 12: New standard dealing with disclosure requirements for holdings in subsidiaries, joint ventures, associates and structured entities. The new standard provides enhanced disclosure requirements, which include the effect of an investment on the Group's consolidated results, financial position and cash flow. Like IFRS 10 and IFRS 11, the new standard is effective for annual periods commencing on or after 1 January 2014.

IFRIC 21 *Levies*: The interpretation contains rules on accounting for outflows imposed on entities by governments and when a liability triggered by the obligating event is recognised. The amendment is effective for annual periods commencing on or after 1 January 2014, with retrospective application. The interpretation is expected to be adopted by the EU in the first quarter of 2014. The Group does not have any such outflows at present, but they do occur in the industry and could therefore be relevant in future accounting.

AMENDED ACCOUNTING POLICIES

There follows a description of the amended accounting policies that are applied by the Group with effect from 1 January 2013.

Amendments to IAS 19: The main amendment concerns the elimination of the corridor approach. Actuarial gains and losses are to be recognised in other comprehensive income as soon as they arise. The return on plan assets will be based on the same discount rate used in calculating the pension obligation. The return on plan assets will be based on the same discount rate used in calculating the pension obligation. This means that the net interest consists of interest expense on the pension liability and interest income on the plan assets, which are recognised in net financial items.

The amendment has been applied retrospectively in accordance with IAS 8, and the effects on the consolidated statement of comprehensive income and balance sheet are described below.

Effects on Statement of Comprehensive income Amounts in SEK thousands	2012	Effect of new Accounting policy	Adjusted compr. income 2012
Operating profit/loss[1]	547,626	-1,405	546,221
Finance costs, income, net	-69,998	-	-69,998
Deferred tax	-68,169	330	-67,839
Other comprehensive income	-175,011	2,950	-172,061
Comprehensive income for the year	**234,448**	**1,875[2]**	**236,323**

Effects on Statement of Financial Position Amounts in SEK thousands	2012	Effect of new accounting policy	Restated balances 2012
Other non-current receivables	2,080	50	2,130
Deferred tax	-	802	802
Other receivables	148,353	-476	147,877
Total assets	**150,433**	**376**	**150,809**
Equity	4,567,997	-2,721[2]	4,565,276
Deferred tax liabilities	1,079,674	234	1,079,908
Provision for pensions	1,171	2,863	4,034
Total liabilities	**5,648,842**	**376**	**5,649,218**

[1]) Pension costs are included in Employee benefits expenses.

[2]) Restated opening balances as at 1 January 2012 are -4,596. Effects on comprehensive income for the year for 2012 are 1,875. The total restatement effect on equity as at December 2012 is -2,721.

Amendment to IAS 1 Presentation of Financial Statements (Presentation of Items of Other Comprehensive Income). The amendment requires items of other comprehensive income to be grouped into two categories: items that have been/may be reclassified to profit or loss and items that may not be reclassified to profit or loss. Exchange gains and losses are an example of items that have been/ may be reclassified to profit or loss. Items that may not be reclassified include actuarial gains and losses on defined benefit pension plans. Comparative figures are presented according to the new presentation format.

IFRS 13 Fair Value Measurement A new uniform standard for determining fair value, and providing enhanced disclosure requirements. The new disclosure requirements are not expected to have any material effect on the consolidated financial statements.

An amendment to IAS 36 has been published – Recoverable Amount Disclosures for Non-Financial Assets. The amendment, which is a consequential amendment to IFRS 13, removes the requirement for disclosures on the recoverable amount of cash-generating units. The Group has opted for early adoption of the amendment, which is mandatory from 1 January 2014.

SIGNIFICANT ACCOUNTING POLICIES APPLIED

The Group's significant accounting policies are described below.

OPERATING SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, and for which discrete financial information is available. The segment's operating results are reviewed by Group management in order to make decisions about resources to be allocated to the segment and assess its performance. See Note 2 for a further description of the classification and presentation of operating segments.

CLASSIFICATION

Non-current assets and liabilities are essentially amounts that are expected to be recovered or paid more than twelve months after the reporting date. Current assets and liabilities are essentially amounts that are expected to be recovered or paid within twelve months of the reporting date.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are companies over which Petroswede AB has control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Subsidiaries are accounted for by applying the acquisition method. The acquisition is treated as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis defines the acquisition date fair value of of the identifiable assets acquired, liabilities assumed and any non-controlling interests. Transaction costs that arise, apart from transaction costs attributable to the issue of equity or debt instruments, are recognised directly in net income.

With effect from 1 January 2010, the Group applies the revised IFRS 3 Business Combinations and the amended IAS 27 Consolidated and Separate Financial Statements. The accounting policies mean that the contingent consideration is measured at fair value on the acquisition date and the effects of the remeasurement of liabilities related to the contingent consideration are recognised as income or expense in the income statement. There are options for measuring non-controlling interest and goodwill – fair value (or the full goodwill method) and the NCI's proportionate share of the net assets of the acquiree. The two options are available on a transaction by transaction basis.

Acquiring additional shares in a subsidiary after control was obtained is accounted for as an equity transaction with owners.

ACQUISITIONS MADE BETWEEN 1 JANUARY 2004 AND 31 DECEMBER 2009

For acquisitions made between 1 January 2004 and 31 December 2009 where the cost exceeds the fair value of acquired assets, assumed liabilities and contingent liabilities (recognised separately), the difference is reported as goodwill. If the difference is negative, this is recognised directly in profit/loss for the year. Transaction costs, with the exception of transaction costs attributable to the issue of equity or debt instruments that arise are included in the acquisition cost.

ACQUISITIONS MADE PRIOR TO 1 JANUARY 2004 (DATE OF TRANSITION TO IFRS)

For acquisitions made before 1 January 2004, goodwill, after impairment testing, has been recognised at cost, which corresponds to the carrying amount under previous accounting policies. The classification and accounting treatment of business combinations occurring before 1 January 2004 has not been reviewed in accordance with IFRS 3 in the preparation of the consolidated opening balance sheet under IFRS at 1 January 2004. The subsidiaries' financial reports are included in the consolidated financial statements from the date of acquisition until the date on which control ceases.

If a subsidiary's accounting policies differ from those applied by the Group, adjustments are made to the Group's accounting policies.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group receivables and liabilities, income and expense, and unrealised gains or losses arising from intra-group transactions are eliminated in full when preparing the consolidated financial statements. Unrealised gains on transactions with associates and jointly controlled entities are eliminated to the extent that corresponds to the Group's interest in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no indication of impairment.

FOREIGN CURRENCY

Foreign Currency Transactions

Transactions in foreign currency are translated into the functional currency according to the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets are translated into the functional currency using the exchange rates prevailing on the reporting date. Foreign exchange differences arising on translation are recognised in are recognised in profit/loss for the year. Non-monetary assets and liabilities recognised at historical cost are translated using the exchange rates prevailing at the date of the transaction.

Non-monetary assets and liabilities recognised at fair value are translated unto the functional currency using the exchange rates prevailing at the date of the fair value measurement. Subsequent exchange gains and losses are reported in the same way as other value changes relating to the asset or liability. Exchange differences arising on foreign currency loans and which relate to investments in independent foreign operations are recognised in other comprehensive income and are accumulated in a separate component of equity, the translation reserve. When foreign operations are disposed of, cumulative exchange differences are recognised in profit or loss.

Functional currency is the currency of the primary economic environment in which the Group entity operates. Companies within the Group are the Parent Company and subsidiaries. The Parent Company's functional currency and presentation currency is the Swedish krona The Group's presentation currency is the Swedish krona.

Financial statements of foreign operations
The assets and liabilities of foreign entities, including goodwill and other fair value adjustments arising on consolidation, are translated into Swedish krona using the exchange rate prevailing at the reporting date. The income and expenses of foreign entities are translated into Swedish krona using average exchange rates. This average is an approximation of the cumulative effect of the rates prevailing at the transaction dates. Exchange differences arising on translation of a foreign net investment are recognised in other comprehensive income and accumulated in the translation reserve, which is a separate component of equity. On disposal of a foreign operation, the cumulative exchange differences are recycled from equity to profit or loss as a reclassification adjustment at the time the gain or loss on disposal is recognised.

Cumulative translation differences attributable to foreign operations were deemed to be zero at the date of transition to IFRS.

JOINTLY CONTROLLED OPERATIONS

The Group engages in oil and gas operations as a joint venture partner with other parties.
The Group's interests in jointly controlled licences are accounted for using the proportionate consolidation method, which means that the consolidated financial statements include the Group's proportionate share of production, investment costs, operating income and expenses, current assets and current liabilities.

REVENUE RECOGNITION

The actual production of crude oil is recognised as revenue with the associated costs in the current period. The right to the crude oil normally arises under production sharing contracts as the oil is produced. The method of revenue recognition is based on observable market prices and a minimal risk to the seller in terms of sales and distribution.

Sales arrangements for oil in jointly owned oil and gas assets are frequently such that it is not practicable for each participant to sell its precise contractual share during the period. Any imbalance between production and sales for each participant is referred to as an overlift or underlift. If the difference between production and actual sales is positive, it is reported as accrued income (underlift). If the difference is negative, it is reported as an accrued expense (overlift). Both underlift and overlift are measured at fair value at the reporting date.

OPERATING EXPENSES, FINANCE INCOME AND FINANCE COSTS

Leases
A lease is classified as an operating lease when it does not transfer substantially all the risks and rewards incidental to ownership. Payments made under operating leases are recognised as an expense on a straight-line basis over the lease term.

The Group has no outstanding significant finance leases.

Finance income and costs
Finance income and costs comprise interest income from bank deposits and receivables and interest-bearing securities, interest payable on borrowings, dividend income, exchange differences and unrealised gains and losses on financial investments. Interest expenses, including issue expenses and and similar expenses for direct transactions concerning loans, are amortised over the life of the loan using the effective interest method. Revenue from dividends is recognised when the right to receive payment is established.

TAXES

The Group's income tax consists of current tax and deferred tax. Income taxes are recognised in the income statement, unless the underlying transaction is recognised in other comprehensive income or in equity, in which case the associated tax effect is recognised in other comprehensive income or in equity. Current tax is tax that must be paid or received in respect of the current year. This also includes any adjustment of current tax attributable to previous periods. Deferred tax is provided using the balance-sheet liability method. A deferred tax liability is recognised for temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases. Amounts are calculated based on how the temporary differences are expected to be settled and by applying the tax rates enacted or substantively enacted by the reporting date.

No deferred tax is recognised for temporary differences relating to investments in subsidiaries and joint ventures that are not expected to be taxed in the foreseeable future. Untaxed reserves are recognised inclusive of deferred tax liability in the legal entity. In the consolidated financial statements, untaxed reserves are divided into deferred tax liability and equity.

Deferred tax assets on temporary differences and deferred tax assets arising from the carryforward of unused tax losses are only recognised to the extent that it is probable that they will be recoverable in future periods.

FINANCIAL INSTRUMENTS

Financial instruments reported under assets in the balance sheet include cash & cash equivalents and trade receivables and loan receivables. Financial instruments reported under equity and liabilities include trade payables and loan payables.

Recognition and derecognition in the statement of financial position

A financial asset or liability is recognized in the statement of financial position when the Company becomes a party to the instrument's contractual terms. A receivable is recognised when the Company has performed and the counterparty has a contractual obligation to pay, even if an invoice has not yet been sent. Trade receivables are recognised in the statement of financial position when invoices are sent. A liability is recognised when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Trade payables are recognised when invoices are received.

Financial assets are derecognised in the statement of financial position when the rights under the contract have been realised, have expired or the Company loses control over them. The same applies to a part of a financial asset. Financial liabilities are derecognised in the statement of financial position when the contractual obligation has been discharged or extinguished in some other way. The same applies to a part of a financial liability.

A financial asset and a financial liability may be offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Purchases and sales of financial assets are recognised on the trade date (the commitment date), apart from purchases and sales of listed securities, which are recognised on the settlement date.

Cash & cash equivalents consist of cash, demand deposits with banks and similar institutions and short-term deposits with an original maturity of 3 months or less, which are subject to an insignificant risk of changes in value.

Classification and Measurement

Non-derivative financial instruments are initially recognized at cost, namely fair value plus transaction costs, apart from financial assets measured at fair value through profit or loss, which are recognised at fair value net of transaction costs. A financial instrument is classified on initial recognition according to the purpose for which it was acquired. The categories determine how a financial instrument is measured subsequent to initial recognition, as described below.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost. Amortised cost is calculated based on the effective interest method used at initial recognition. Receivables are recognised at original invoice amount less an allowance for uncollectible amounts. A reserve for impairment of receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms and conditions of the receivables. Impairment of trade receivables is reported under operating profit/loss.

- Held-to-maturity investments

Held-to-maturity investments are financial assets comprising interest-bearing securities with fixed or determinable payments that an entity intends and is able to hold until maturity. Assets in this category are measured at amortised cost.

- Other financial liabilities

Loans and other financial liabilities, such as trade payables, are included in this category. The liabilities are measured at amortised cost.

The categories to which the Group's financial assets and liabilities have been allocated are shown in Notes 16 (Trade payables), 29 (Cash and cash equivalents) and 20 (Liabilities). The accounting for finance income and costs is also described under Finance income and costs above.

DISTRIBUTIONS OF NON-CASH ASSETS TO OWNERS

Liabilities relating to distributions are recognised at fair value at the date of the decision. The counter item is retained earnings. At the date of distribution, the Group recognises the difference between the fair value of the distribution and the carrying amount in the Group for the distributed net assets in net income for the year.

INTANGIBLE ASSETS

Exploration costs

The Group uses the successful-efforts method when capitalising exploration costs. The method means that all exploration costs in the oil licences in which Petroswede has an interest, indirectly through contracts, are capitalised as intangible assets, pending determination of commercially recoverable reserve. Directly attributable costs, such as administrative costs, are capitalised only to the extent that they can be related to specific exploration activities. There is no continuous depreciation under the successful effort method. If an exploratory well is in progress at the end of an accounting period and the well is determined not to have found proved reserves before the financial statements for the period are issued, the capitalised costs are written down. Following the discovery of a commercially viable field, the intangible assets are reclassified as tangible fixed assets This type of reclassification is always preceded by impairment testing. Impairment testing is also performed annually for assets considered to be commercial discoveries but for which an expansion decision has not been made.

TANGIBLE FIXED ASSETS

Oil and gas assets

Tangible fixed assets consist of oil and gas assets, construction in progress and equipment. The balance sheet item oil and gas assets relates to the Group's interests in oil licenses. Investment and construction costs are allocated to the Group by invoices from the operator in the oil and gas assets in which the Group is a partner.

Tangible fixed assets are recognised at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

Depreciation

Capitalised expenses are depreciated from the start of production. Depreciation is calculated according to the unit-of-production method, which is based on the year's production and its relation to proven and probable reserves of oil. The basis for calculating the unit of production consists of the estimated investments over the life of the field. Proven oil and gas reserves are defined as the estimated amount of crude oil, natural gas and liquid natural gas which, on the basis of geological and engineering data provided by the operator of the field or an independent party, and with reasonable probability (higher than 90%), can be extracted in the future from known reserves within the current economic and operational environment, i.e. oil prices and costs at the date of the calculation. Probable reserves are unproven reserves which, on the basis of analyses of geological and engineering data, are considered more likely than not to be recoverable. In this context, it is considered that there should be at least 50 per cent probability that the extracted quantities will equal or exceed the sum of proven and probable reserves.

Machinery and equipment (excluding computers) is depreciated over 5 years. Computers and computer equipment are depreciated over 3 years.

IMPAIRMENT

If a change in economic conditions indicates a possible decline in the value of a fixed asset, the net carrying amount of the asset is assessed by comparison with its estimated discounted future net cash flows. The calculation is based on management's assessment of future oil prices and costs. An impairment loss is recognised if the carrying amount exceeds the discounted present value of the cash flows. The impairment loss is reversed if the carrying amount is lower than the discounted present value of the cash flows. Licences that are in the exploration phase are not subjected to impairment testing. Impairment testing is normally done during reclassification to the balance sheet item construction in progress.

Reversal of impairment losses

Impairment of assets is reversed if there is an indication that the impairment no longer exists and there has been a change in the assumptions on which the calculation of recoverable amount was based. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation where applicable, had no impairment loss been recognised.

INVENTORIES

Inventories are recognised at the lower of cost and net realisable value. Cost is determined using the first-in first-out method (FIFU).

OVERLIFT OCH UNDERLIFT

Overlift and underlift are described in Revenue recognition.

EMPLOYEE BENEFITS

The Group has a number of different pension plans for its employees. In Sweden and Norway, the pension plans for employees are defined benefit plans, except for the CEO and management group of SPE AB, who have a defined contribution plan. The pension arrangements for the branch in the UK are defined contribution plans.

Defined contribution plans are plans under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions. The Group's profit (loss) is charged with expenses as the benefits are earned. With defined benefit plans, employees and former employees receive benefits on the basis of salary upon retirement and the number of years' service. The Group bears the risk that the defined benefits are paid. The defined benefit plans are funded. This means the assets have been placed in a separate pension fund, managed by Collectum. These plan assets can only be used to pay benefits in accordance with the pension agreement.

The net present value of the obligations and the fair value of plan assets are reported as a long-term financial receivable or pension provision in the statement of financial position. Pension costs and pension obligations for defined benefit pension plans are calculated using the projected unit credit method. This method allocates the cost of pensions as the employees render services to the company and thereby increase their entitlement to future benefits. The Company's obligation is calculated annually by independent actuaries. The pension obligation is measured as the present value of estimated future cash outflows. The discount rate is determined by reference to the interest rates for corporate bonds of a term consistent with the average term of the obligations and the currency. The main actuarial assumptions are described in Note 18.

Revaluation effects consist of actuarial gains and losses and the difference between the actual return on plan assets and the amount included in net interest income. Actuarial gains and losses arise either because the actual outcome differs from the previous assumptions (experience adjustments) or as a result of changed assumptions. The revaluation effects are recognised in other comprehensive income as soon as they occur.

Net interest expense/income on the defined benefit obligation/asset is recognised in profit/loss for the year under net financial items. Net interest income is based on the interest arising on discounting of the net obligation, i.e., interest on the obligation and the plan assets. Other components are recognised in operating profit/loss.

PROVISIONS

Abandonment costs

At the end of the productive life of an oil field, costs associated with the removal and abandonment of the oil and gas facilities arise. The Group recognises the full discounted estimated costs of abandonment as a provision and a non-current asset when the obligation to rectify environmental damage arises. Where discounting is used, the increase in the provision over time is recognised as a finance cost. The non-current asset is depreciated according to the Group's accounting policies for oil and gas assets.

Other provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

CONTINGENT LIABILITIES

A contingent liability is recognised when a possible obligation arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, or when there is an obligation which is not recognised as a liability or provision because it is not probable that an outflow of resources will be required to settle the obligation.

ACCOUNTING POLICIES – PARENT COMPANY

The Parent Company's annual financial statements have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The Swedish Financial Reporting Board's statements for listed companies are also applied. RFR 2 requires the Parent Company, as a legal entity, to prepare its annual financial statements in compliance with all the IFRS and IFRIC interpretations adopted by the EU, to the extent possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, and taking into account the relationship between tax expense/income and accounting profit The recommendation states which exceptions from and additions to IFRS shall be observed. The accounting policies described below have been applied consistently to all periods presented in the Parent Company's financial statements.

CLASSIFICATION AND PRESENTATION

The Parent Company prepares an an income statement and a statement of comprehensive income, while the Group combines these two reports into a statement of comprehensive income. In addition, the Parent Company uses the titles balance sheet entries and cash flow statement for its reports, while the Group uses the terms statement of financial position and statement of cash flows. The presentation of the income statement and balance sheet for the Parent Company is in accordance with the Swedish Annual Accounts Act, while the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The main differences between the consolidated financial statements and the Parent Company's income statement and balance sheet are in the accounting for finance income and costs, and non-current assets and equity.

SUBSIDIARIES

Investments in subsidiaries are recognised in the Parent Company using the cost model. This means that transaction costs are included in the carrying amount for holdings in subsidiaries. In the consolidated accounts, transaction costs are recognised directly in the income statement when they arise.

Contingent consideration is measured according to the probability that the purchase price will be paid. Any changes to the provision or receivable will increase or reduce the cost. In the consolidated accounts, contingent consideration is measured at fair value, with value changes recognised in profit or loss.

Bargain purchases that correspond to expected future losses and expenses are reversed during the expected periods in which the losses and expenses arise. Bargain purchases arising from other causes are recognised as a provision to the extent that they do not exceed the fair value of acquired identifiable non-monetary assets. The portion exceeding this value is recognised immediately. The portion not exceeding the fair value of acquired identifiable non-monetary assets is recognised as income on a systematic basis over the remaining weighted average useful life of the acquired identifiable assets that are depreciable. In the consolidated accounts, bargain purchases are recognised directly in the the income statement.

NOTE 2 – SEGMENT REPORTING

The Group's operations are divided into operating segments based on which components Petroswede's chief operating decision-maker reviews regularly. The Group has identified Group management as its chief operating decision-maker. Petroswede Group's operations are organised so that Group management (CODM) is able to monitor and review income from the sale of oil and gas, operating profit (EBIT), investments, assets and liabilities for the Group's different geographical areas. As Group management reviews financial performance and decides on resource allocation based on geographical areas (countries), these represent the operating segments. Petroswede Group's internal reporting is therefore structured in such a way as to allow Group management to review the performance and results of the geographical areas. It is on the basis of this reporting that the Group's segments have been identified.
Intangible assets and oil and gas assets have been allocated to the different segments. Unallocated and group-wide assets are reported as group-wide. There are no internal segment sales.

	Group	
Net sales	**2013**	**2012**
-Norway	2,610	7,136
-Angola *)	774	95,094
-The Ivory Coast *)	1,036,023	1,425,517
-Other	1,594	47
Total	**1,041,001**	**1,527,794**

*) sale of crude oil to external customers

The segment reporting of net sales is based on the geografic location of the actual sale.

Operating profit/loss		
-Norway	-467,780	-79,825
-Angola	-37,798	-9,849
-The Ivory Coast	509,476	774,720
-Guinea Bissau	-19,257	-1,524
-Nigeria	-3,258	-3,714
-The Republic of the Congo	-111,766	-2,923
-Group-wide[1]	-27,448	-130,664
Total	**-157,831**	**546,221**[1]

[1]) Operating profit is restated according to new accounting principles, see note 1.

Depreciation, write-downs and abandonment costs, net		
-Norway[1]	-316,674	-950
-Angola	-	-1,371
-The Ivory Coast	-109,617	-138,299
- The Republic of Congo	-111,222	-
-Group-wide	-1,338	-1,285
Total	**-538,851**	**-141,905**

[1]) The amount includes a write-down of Fulla, PL 521 and PL 362, amounted to SEK 315,913. Due to lack of prospectivity PL 521 was relinquished in 2013. PL 362 is according to Svenska's assessment is not commercial and will probably be relinquished in 2014.

The recoverable amount is assessed to zero; recoverable amount is calculated at the recoverable amount of the discount rate as described in Note 28. Discount rate has not changed over the years or assessment occasions.

	Group	
Assets	**2013**	**2012**
Intangible oil and gas assets		
-Norway	731,675	926,339
-Angola	893,646	805,301
-Guinea Bissau	199,924	169,328
-Nigeria	1,497,902	1,430,266
-The Republic of the Congo	-	61,127
-The Ivory Cost	54,039	-
Tangible oil and gas assets		
-The Ivory Coast	1,609,681	1,556,622
Non-allocated assets	1,137,083	1,216,869*
Total	**6,123,950**	**6,165,852**

* Assets is restated according to new accounting principles, see note 1.

This years Investments	2013	2012
-Norway	196,186	317,148
-Angola	88,345	62,050
-The Ivory Coast	218,143	37,928
-Guinea Bissau	30,615	15,748
-Nigeria	15,780	118,855
-The Republic of the Congo	50,095	20,902
-Group-wide	797	1,222
Total	**599,961**	**573,853**

Liabilities & Provisions	2013	2012
-Norway	533,420	708,404
-Angola	197,822	138,377
-The Ivory Coast	720,308	425,550
-Guinea Bissau	26,538	17,067
-Nigeria	255,419	276,640
-The Republic of the Congo	155	284
-Group-wide	57,402	34,254*
Total	**1,791,064**	**1,600,576**

* Liabilities and Provisions is restated according to new accounting principles, see note 1.

Income from external customers [1])	2013	2012
-Customer 1	1,036,023	1,425,517
-Customer 2	774	95,094
-Other income	4,204	7,183
Total	**1,041,001**	**1,527,794**

[1]) Income from external customers, consisting of two large international oil companies. Customer 1 is attributable to the Ivory Coast; percentage share of the Group's revenues is 99% (93%). The customer's reg'd office is outside the country. Customer 2 is attributable to Angola; percentage share of the Group's revenues is 0% (6%). The customer's registered office is outside the country.

NOTE 3 – OTHER OPERATING INCOME

	Group	
	2013	**2012**
Exchange gains	12,980	8,142
Total	**12,980**	**8,142**

NOTE 4 – OTHER OPERATING EXPENSES

	Group	
	2013	**2012**
Exchange losses	-8,563	-8,213
Total	**-8,563**	**-8,213**

NOTE 5 – OPERATIONAL AND EXPLORATION COSTS

	Group	
	2013	**2012**
Operating expenses	-211,569	-207,553
Royalties	-48,409	-175,037
Oil tax, operational	-159,044	-200,127
Exploration and project expenses	-82,871	-49,207
Total	**-501,893**	**-631,924**

Management of certain operational and exploration costs
Some costs may arise early on in the business process due to clauses in production sharing contracts. There may, for example, be royalty clauses, special agreements on payment of general taxes and agreements on bearing some of another party's costs which by tradition in the industry are paid by deducting oil from the Group's share of the produced oil. These costs are accounted for in the same way as other costs as they reduce the profit that would otherwise have arisen.

NOTE 6 – EMPLOYEE BENEFIT EXPENSES

	2013		**2012**	
Average number of employees	**Employees**	**whereof male**	**Employees**	**whereof male**
Parent	-	-	-	-
Subsidiaries				
Sweden	17	9	16	9
United Kingdom	10	7	12	9
Norway	11	9	10	9
Total, Group	**38**	**25**	**38**	**27**

	2013	2012
Executive management, Group	**12**	**11**

Gender distribution, executive management Female representation in %

Parent		
Board	0%	0%
Other senior executives	0%	0%
Total, Group		
Board	0%	0%
Other senior executives	14%	17%

	2013		2012	
Salaries and other benefits	**Senior executives**	**Other employees**	**Senior executives**	**Other employees**
Parent	-	-	-	-
Subsidiaries				
Sweden	13,807	15,933	17,974	16,494
-of which bonuses to senior executives	2,358	-	2,118	-
Norway	1,192	12,700	851	17,241
-of which bonuses to senior executives	222	-	-752	-
Subsidiaries total	**14,999**	**28,633**	**18,825**	**33,735**
Group total	**14,999**	**28,633**	**18,825**	**33,735**

	2013		2012	
Other personnel costs	**Senior executives**	**Other employees**	**Senior executives**	**Other employees**
Subsidiaries				
Pension costs	3,616	1,597	2,802	7,966
Subsidiaries total	**3,616**	**1,597**	**2,802**	**7,966**
Group total	**3,616**	**1,597**	**2,802**	**7,966**
Other personnel costs				
Subsidiaries	1,165	6,493	705	3,125
Group total	**1,165**	**6,493**	**705**	**3,125**
Sub total	**19,780**	**36,724**	**22,332**	**44,826**
Social security contributions, total		**10,426**		**11,911**
Personnel costs, total		**66,930**		**79,069**

Mr. Fredrik Öhrn, CEO of SPE AB (and Petroswede AB) received during 2013 a fixed salary of SEK 2,772 (3,035) thousands, a bonus of SEK 899 (727) thousands and other benefits of SEK 122 (125) thousands. His pension costs for the year amounted to SEK 1,201 (895) thousands.

The CEO of SPE AB (and Petroswede AB) has a formlly agreed period of notice from the Company's side. Pension premiums amount to 30% of pensionable salary with regard to retirement pension and survivors' pension. Pensionablesalary means the basic salary plus an average of the variable pay over the last three years. Other senior executives (not Board members) have a similar type of pension agreement, but at a lower percentage.

NOTE 7 – OTHER EXTERNAL COSTS

	Group	
Auditors' fees and other remuneration Fees to auditors during the year	**2013**	**2012**
KPMG		
Annual audit	1,430	1,393
Other audit services	28	-
Tax advisory services	799	940
Other services	1,337	4,915
Other auditors		
Annual audit	18	55
Tax advisory services	272	336
Other services	67	618
Total	**3,951**	**8,257**

Other external costs - Parent company

The parent company reported positive operating expenses in year 2013 due to credited consulting costs associated with the termination of a sales process that did not result in any settlement.

NOTE 8 – FINANCE INCOME AND COSTS

	Group	
	2013	2012
Interest income on bank deposits	9,232	7,666
Finance income	**9,232**	**7,666**
Divestment shares in subsidiaries	-112	-
Net exchange differences	-6,364	-18,029
Interest expense on financial liabilities measured at amortised cost	-40,707	-54,225
Present value adjustment of provisions (Note 19)	-11,397	-5,410
Finance costs	**-58,580**	**-77,664**

NOTE 9 – TAXES

Specification of tax expense	2013	2012
Tax income for the period	52,796	4,640
Adjustment of tax in respect of prior years	-238,729	-20,045
Current tax expense	**-185,933**	**-15,405**
Deferred tax from temporary differences	218,620	-52,434
Deferred tax expense	**218,620**	**-52,434**
Total recognised tax expense for the Group	**32,687**	**-67,839**

Reconciliation of effective tax

Group		
Profit / loss before tax	-207,179	476,223
Tax at Swedish enacted tax rate 22% (26.3%)	45,579	-125,247
Non-deductible expenses	-564	-40,944
Non-taxable income	123	22,385
Tax effect, petroleum tax Ivory Coast	-48,967	-49,605
Tax effect, petroleum tax Norway	265,781	37,425
Effect of different tax rates for other foreign group companies	-405	1,069
Effect of decreased tax rate 26.3% to 22%, Sweden	-	88,809
Other items	9,869	18,314
Tax attributable to prior years	-238,729	-20,045
Recognised tax expense	**32,687**	**-67,839**
Effective tax	**-15,8%**	**-14,2%**

Tax attributable to prior years includes a cost of 253 SEK million (39 USD million) in respect of tax for prior years in Ivory Coast. This cost have arisen due to historical errors in the calculation of deductible costs in the Baobab license, that now have been corrected and will be repaid during 2014-2015.

Tax effect, petroleum tax Norway, includes a positive deferred tax of 246 SEK million in respect of the write down of Fulla (PL362/PL035B) and Husvaer (PL521).

At the end of 2013 the Swedish tax authority issued a decision to SPE CI AB in respect of 2011 and the method of calculating foreign paid tax. The company have appealed to the Administrative Court and applied and received a respite to pay the additional tax. The amount is 64 SEK million inclusive of interest. The amount has notbeen provided for and is not included in contingent liabilities as the Company believes the reasoning in the decision from the tax authority is questionable and it is probable that the Administrative Court will rule in favour of the Company.

Management of general taxes specific to the industry
Under certain contractual clauses, some general taxes may be paid early on in the business process. For example, there may be a host government agreement allowing use of part of the Group's share of the produced oil as payment of general taxes. This type of agreement is traditional in the industry. These taxes are accounted for in the same way as other taxes, even though the method of tax payment differs.

In one case, a higher corporate tax has been negotiated in production sharing contracts for the extraction of crude oil. The amount of tax varies with the level of production. The portion of the corporate tax that exceeds the country's standard corporate income tax is classified as an operational cost, even though it is legally viewed as a general tax. This tax is attributable to production in the Ivory Coast.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities relate to the following items:

Group 2012-12-31	Deferred tax asset	Deferred tax liability	Net
Exploration costs	-	-833,712	-833,712
Oil and gas assets	-	-242,341	-242,341
Other long term receivables (pension fund)	802	-549	253
Provision for abandonment	-	-3,306	-3,306
	802	-1,079,908	-1,079,106

Group 2013-12-31	Deferred tax asset	Deferred tax liability	Net
Exploration costs	-	-641,554	-641,554
Oil and gas assets	-	-218,144	-218,144
Loss carry forward (Sweden)	52,475	-	52,475
Other long term receivables (pension fund)	-	-1,020	-1,020
Provision for abandonment	-	-3,124	-3,124
	52,475	-863,842	-811,367

Non-recognised deferred tax assets

Deductible temporary differences and tax loss carry-forwards for which deferred tax assets have not been recognised in the statement of comprehensive income or statement of financial position:

	Group	
	2013	**2012**
Tax effect, loss carry-forward	-	4,196
Tax effect (tax credits)	154,791	139,937
Total	**154,791**	**144,133**

Deductible temporary differences relate to foreign tax credits (which can be saved for up to five years). Deferred tax assets have not been recognised for these tax credits, as it is not probable that the Group will be able to offset them against future taxable profits.

Changes in deferred tax on temporary differences and loss-carry forward

Group 2012-12-31	Amount at beginning of year	Disclosed in income statement	Other changes	Amount at end of year
Exploration costs	-667,440	-174,225	7,953	-833,712
Oil and gas assets	-360,162	120,667	-6,152	-245,647
Other long term provisions	802	-	-	802
Other long term receivables	-896	347	-	-549
Provision for abandonment	-777	777	-	-
Total	**-1,028,473**	**-52,434**	**1,801**	**-1,079,106**

Other changes of -1,801 SEK thousands relate to exchange rate effects.

Group 2013-12-31	Amount at beginning of year	Disclosed in income statement	Other changes	Amount at end of year
Exploration costs	-833,712	144,298	47,860	-641,554
Oil and gas assets	-245,647	24,296	83	-221,268
Other long term provisions	802	-802	-	-
Other long term receivables	-549	-1,647	1,176	-1,020
Tax loss carry forward	-	52,475	-	52,475
Total	**-1,079,106**	**218,620**	**49,119**	**-811,367**

Other changes of 49,119 SEK thousands relate to exchange rate effects.

NOTE 10 – DEPRECIATION, WRITE-DOWNS AND ABANDONMENT COSTS	Group	
	2013	**2012**
Write-downs		
Exploration costs		
Nigeria	-	86,469
Adjustment, liabilities in acquired subsidiaries	-	-86,469[1]
The Ivory Coast	-	997
Norway, Fulla (PL 362) and Husvaer (PL 521)	315,913	-
The republic of Congo,Congo Marine IV	111,222	-
This years total total write-downs	**427,135**	**997**
Depreciation		
Oil and gas assets		
Cobo/Pambi	-	4,701
Oombo	-	4,669
The Ivory Coast	109,617	137,302
This years total depreciations oil and gas assets	**109,617**	**146,672**
Depreciation		
Equipment	2,099	2,235
Change in provision for abandonment costs		
Cobo / Pambi	-	-9,016[1]
Oombo	-	1,017
This years total depreciations and write-downs	**538,851**	**141,905**

[1]) The above write-down for Nigeria refers to goodwill arising on the acquisition of subsidiaries. During 2012, an adjustment of liabilities was made in these subsidiaries, attributable to the period prior to the acquisition. The goodwill was written down by the same amount.
The change in the provision for abandonment costs 2012 relates to adjustments in addition to the present value changes arising from the expiry of the licences for Cobo/Pambi and Oombo.

NOTE 11 – INTANGIBLE ASSETS

	Group	
Exploration costs	**2013-12-31**	**2012-12-31**
Opening costs	3,817,751	3,375,273
Exchange differences	-86,326	-92,957
Reclassification	107,051	1,023
Disposals	-111,222	-
Additions	380,366	534,412
Closing accumulated cost	**4,107,620**	**3,817,751**
Opening impairment	-425,390	-347,870
Exchange differences	10,869	10,969
Reclassification	-	-1,023
Disposals	111,222	-
Impairment for the year	-427,135	-87,466
Closing accumulated impairment	**-730,434**	**-425,390**
Carrying amount at end of period	**3,377,186**	**3,392,361**

Carrying amount per field	**Participating Interest**	**2013-12-31**	**2012-12-31**
PL 362, Norway	25,00%	-	289,787
PL 442, Norway	40,00%	132,151	138,151
PL 272, Norway	25,00%	304,879	160,584
PL 512, Norway[1]	25,00%	1,312	52
PL 521, Norway[2]	25,00%	-	25,463
PL 549S, Norway	25,00%	936	26
PL 553, Norway	35,00%	1,615	3
PL 554, Norway	20,00%	259,606	267,117
PL 573S, Norway	25,00%	978	-
PL 583, Norway	25,00%	12,518	45,156
PL 689, Norway	25,00%	16,388	-
PL 690, Norway	30,00%	1,293	-
OPL 214, Nigeria	20,00%	1,497,901	1,430,266
Block 8 and 23, Angola	30,00%	893,646	805,301
Guinea Bissau, Block 2, 4A and 5A	55,00%	199,924	169,328
Marine IV, The Republic of the Congo[2]	29,75%	-	61,127
C1-40, Kossipo, The Ivory Cost	27,39%	54,039	-
		3,377,186	**3,392,361**

The purchase includes the value of exploration costs which were capitalised pending an evaluation of commercially extractable reserves.

[1]) Relinguished in the beginning of 2014, for further information please see note 2.
[2]) Relinguished in the beginning of 2013, for further information please see note 2.

NOTE 12 – TANGIBLE FIXED ASSETS

	Group		
	Oil and gas assets	Equipment	Total
Opening cost, 1 Jan 2012	3,406,522	20,779	3,427,301
Exchange differences	-167,247	113	-167,134
Purchases	36,932	2,509	39,441
Reclassification	-	-409	-409
Disposals	-309,191	6,742	-302,449
Closing accumulated cost, 31 Dec 2012	**2,967,016**	**29,734**	**2,996,750**
Exchange differences	-2,489	-835	-3,324
Purchases	218,144	1,451	219,595
Reclassification	-53,853	-	-53,853
Disposals	-	-	-
Closing accumulated cost, 31 Dec 2013	**3,128,818**	**30,350**	**3,159,168**
Opening depreciation, 1 Jan 2012	-1,640,561	-7,785	-1,648,346
Exchange differences	67,648	-93	67,555
Depreciation for the year	-146,672	-2,236	-148,908
Disposals	309,191	-6,742	302,449
Closing accumulated depreciation, 31 Dec 2012	**-1,410,394**	**-16,856**	**-1,427,250**
Exchange differences	876	669	1,545
Depreciation for the year	-109,619	-709	-110,328
Disposals	-	-1,339	-1,339
Closing accumulated depreciation, 31 Dec 2013	**-1,519,137**	**-18,235**	**-1,537,372**
Carrying amount, 31 Dec 2012	**1,556,622**	**12,878**	**1,569,500**
Carrying amount, 31 Dec 2013	**1,609,681**	**12,115**	**1,621,796**

Oil and gas assets Carrying amount per field	**2013-12-31**	**2012-12-31**
The Ivory Coast	1,609,681	1,556,622
	1,609,681	**1,556,622**

Equipment **Carrying amount at end of period**	**2013-12-31**	**2012-12-31**
Svenska Petroleum Exploration AB	11,064	11,608
Svenska Petroleum Exploration AS	1,051	1,270
	12,115	**12,878**

NOTE 13 – OTHER SECURITIES HELD AS NON-CURRENT ASSETS

	Group	
	2013-12-31	2012-12-31
Opening cost	131,528	306
Investments	119,931	131,222
Sales and disposals	-131,222	-
Closing accumulated cost	**120,237**	**131,528**

NOTE 14 – OTHER NON-CURRENT RECEIVABLES

	Group	
	2013-12-31	2012-12-31
Pension fund (see Note 18)	4,635	2,012
Prepaid lease payments	58	118
Total	**4,693**	**2,130**

	Group	
	2013-12-31	2012-12-31
At beginning of year	243,250	232,772
Repayment of borrowings	-15,492	-8,630
New loans	20,021	19,108
Carrying amount at end of year	**247,779**	**243,250**

NOTE 15 – INVENTORIES

	Group	
	2013-12-31	2012-12-31
Drilling equipment and consumable supplies	108,995	76,760
Total	**108,995**	**76,760**

NOTE 16 – TRADE RECEIVABLES

	Group	
	2013-12-31	2012-12-31
Trade receivables	460	93,904
Trade receivables - net	**460**	**93,904**

Trade receivables are non-interest bearing and are due within 30 days. At the reporting date, there were no past due trade receivables.

NOTE 17 – PREPAYMENTS AND ACCRUED INCOME

	Group	
	2013-12-31	2012-12-31
Prepaid rent	2,493	2,463
Prepaid insurance costs	582	531
Prepaid project costs	97,712	104,411
Prepaid finance costs	5,988	12,265
Underlift	33,330	113,177
Other costs	25,165	7,401
Total	**165,270**	**240,248**

	Parent Company	
	2013-12-31	2012-12-31
Prepaid consulting costs	-	5,290
Total	**-**	**5,290**

NOTE 18 – PENSIONS

Employees in Sweden are covered by defined-benefit pension plans, which means that they are guaranteed a pension equal to a certain percentage of their salary. Pension obligations for some of the employees are accounted for in the statement of financial position using the book reserve method and are funded through Collectum. These are mainly old-age pension obligations. The plan assets are measured at market value. Employers may choose to invest their pension fund in various portfolios with different risk levels. The Group has chosen an investment portfolio with an asset allocation that is between low and high risk. For salaried employees in Sweden, the ITP 2 plan's defined-benefit retirement and family pension (or family pension) obligations are covered by insurance with Alecta. According to the Swedish Financial Reporting Board's statement UFR 3, Classification of ITP Plans Financed by Insurance in Alecta, this is a multi-employer defined benefit pension plan. The Company did not have access to sufficient information for the 2013 fiscal year to report its proportionate share of the plan's obligations, plan assets and costs, which meant that it was not possible to report the plan as a defined-benefit plan. Consequently, the ITP 2 pension plan insured through Alecta is reported as a defined-contribution plan. The premium for the defined-benefit retirement and family pension is individually calculated and is dependent on factors such as salary, previously earned pension and expected remaining service.

The collective consolidation level is the market value of Alecta's assets as a percentage of its insurance obligations calculated by reference to Alecta's actuarial methods and assumptions. This is not consistent with IAS 19. The collective consolidation level may normally vary between 125% and 155%. If Alecta's collective consolidation level falls below 125% or exceeds 155%, measures must be taken to create the right conditions for the level to return to the normal range. If the consolidation level is too low, an appropriate measure could be to increase the agreed price for new and renewed insurance. If the consolidation level is too high, premium reductions could be introduced. At the end of 2013, Alecta's surplus, in the form of a collective consolidation level, was 148% (129%).

Premiums to Alecta are determined using assumptions about interest rates, longevity, operating costs and dividend tax and are calculated so that the payment of a constant premium until the retirement date is sufficient to ensure that the entire target benefits, based on the insured party's current pensionable salary, will be earned.
There is no defined framework in place for the treatment of any arising deficit, but losses will initially be covered by Alecta's collective consolidation capital, and will therefore not result in increased costs through higher agreed premiums. There is also a lack of rules on the distribution of any surplus or deficit in the event of the discontinuance of the plan or the company's withdrawal from the plan.

	Group	
The amounts in the statment of financial position for defined benefit obligation have been calculated as follow:	**2013-12-31**	**2012-12-31**
Present value of obligation	19,889	22,965
Fair value of plan assets	24,524	24,977
Funded plan	**4,635**	**2,012**
Surplus(plus)/deficit (minus)		
Net amount recognized in the financial position		
The net amount is recognised on the following line in the statement of financial position		
Other non-current receivables (Note 14)	4,635	2,012

The amounts included in comprehensive income for the year are as follows:	**2013**	**2012**
Current service cost	-	-
Interest income	53	141
Net amount reported in comprehensive income for the year	**53**	**141**
The net amount is recognised on the following lines in the Comprehensive income for the year.		
Employee benefits	-	-
Finance income	737	544
Finance cost	-684	-403
Amounts included in other comprehensive income		
Remeasurements:		
Actuarial gain (+) and loss (-)	1,460	2,775
Return on plan assets	1,110	774
Net amount reported in other comprehensive income	**2,570**	**3,549**

The movement in the present value of the defined benefit obligation	**2013-12-31**	**2012-12-31**
Opening balance:	22,965	27,629
Interest expense reported in the profit and loss statement	684	403
Benefit payments	-2,300	-2,292
Remeasurements:		
Actuarial Gain (-) and loss (+) due to changes in demographic assumptions	789	-
Actuarial Gain (-) and loss (+) due to changes in financial assumptions	-1,864	-3,214
Gains (-)and loss (+) due to experience assumptions	-385	439
Closing balance	**19,889**	**22,965**

In the defined benefit obligation for 2013 a positive tax amount of 905 TSEK is included and for 2012 a positive taxamount of 393 TSEK is included The income statement for 2013 includes a positive tax amount of 5 TSEK.

Membership statistics

Vested deffereds 61 % (65 %)

Retirees 39% (35%)

The movement in the present value of plan assets	2013-12-31	2012-12-31
Opening balance:	24,977	25,927
Interest income reported in the profit and loss statement	737	544
Contributions from Employers	-	24
Benefit payments	-2,300	-2,292
Return on plan assets	1,110	774
Administrative costs	-	-
Closing balance	**24,524**	**24,977**

Plan assets distribution	2013-12-31	2012-12-31
Equity instruments	7,774	7,992
Debt securities	14,690	14,736
Properties	2,060	2,249
Total	**24,524**	**24,977**

Significant actuarial assumptions (expressed as weighted-average)	2013	2012
Discount rate	3,70%	3,10%
Future Salary increase*	-	-
Employee turnover*	-	-
Price inflation	2,00%	2,00%

The discount rate is based on government bonds that are matching the duration of the plan (14,6 years) An increase of the discountrate with 0,5% reduces the liability with approximately 7%. An decrease of the discountrate with 0,5% increases the liability with approximately 8%.

* The pension plan is closed to new entrants and includes only funds relating to previous years work. Therefore there is no effect from salary increase or staff turnover.

Norway

Employees in Norway are covered by defined benefit plans, which means that the employees are guaranteed a pension equal to a certain percentage of salary. Obligations to some of the employees are secured through accounting in the statement of financial position and are funded with an insurance company (Folketrygden). The pension plans mainly relate to old-age pension. The assets of the pension fund are valued at market value. The obligation is calculated yearly on the year-end date in accordance with IAS 19.

	Group	
The amounts in the statment of financial position for defined benefit obligation have been calculated as follow:	**2013-12-31**	**2012-12-31**
Present value of obligation	10,927	10,108
Fair value of plan assets	6,969	6,074
Funded Status	**-3,958**	**-4,034**
Surplus(plus)/deficit (minus)		
Net amount recognized in the financial position		
The net amount is recognised on the following line in the statement of financial position;		
Provisions for pensions	**3,958**	**4,034**

The amounts included in comprehensive income for the year are as follows:	2013	2012
Current service cost	-1,023	-2,576
Interest expense	-119	-148
Net amount reported in comprehensive income for the year	**-1,142**	**-2,724**
The net amount is recognised on the following lines in the Comprehensive income for the year.		
Employee benefits	-1,142	-2,724
Amounts included in other comprehensive income		
Remeasurements:		
Actuarial gain (+) and loss (-)	-629	-599
Net amount reported in comprehensive income for the year	**-1,771**	**-3,323**

The movement in the present value of the defined benefit obligation	2013-12-31	2012-12-31
Opening balance:	10,108	8,332
Current service cost	1,023	2,545
Interest expense reported in the profit and loss statement	224	280
Tax	-292	-322
Remeasurements:		
Actuarial Gain (-) and loss (+) due to changes in demographic assumptions	2,020	-
Actuarial Gain (-) and loss (+) due to changes in financial assumptions	-1,455	981
Gains (-)and loss (+) due to experience assumptions	-701	-1,706
Closing balance	**10,927**	**10,108**

The movement in the present value of plan assets	2013-12-31	2012-12-31
Opening balance:	6,074	4,999
Interest income reported in the profit and loss statement	105	132
Contributions from Employers	2,415	2,590
Social security contributions	-833	-323
Gains (-)and loss (+) due to experience assumptions	-677	-1,239
Administrative costs	-115	-86
Closing balance	**6,969**	**6,074**

Significant actuarial assumptions (expressed as weighted-average)	2013	2012
Discount rate	3,30%	2,40%
Future Salary increase	3,75%	3,50%
Future pension increase	0,60%	0,20%
Social security contributions	3,50%	3,25%

An increase of the discountrate with 0,5% reduces the liability with approximately 12%.
An decrease of the discountrate with 0,5% increases the liability with approximately 14%.

Other information
Membership statistics
Actives 100% (100%)

Weighted average duration of the defined benefit obligation is 16 years.
In the defined benefit obligation for 2013 a positive tax amount of 312 TSEK is included and for 2012 a positive taxamount of 311 TSEK is included.
The income statement for 2013 includes a positive tax amount of 281 TSEK.

Consolidated amounts for the Group	2013-12-31	2012-12-31
Total cost of defind benefit plans	1,195	2,583
Total cost of defind contribution plans	5,214	10,768
Total pension cost	**6,512**	**13,313**

NOTE 19 – OTHER PROVISIONS

	Group	
	2013-12-31	**2012-12-31**
Provisions for abandonment costs		
Opening balanse	45,385	64,002
Present value adjustment (Note 8)	11,397	5,410
Positive effect due to license expiring	-	-7,999
Off-set of receivable at license expiration	-	-14,741
Provision, this year	53,951	-
Exchange differences	10	-1,287
Carrying amount at the end of the period	**110,743**	**45,385**
Provisions per field		
Oombo	8,793	8,803
The Ivory Coast	101,950	36,582
Total	**110,743**	**45,385**
Other provisions		
Actuarial provision	2,929	2,606
Total, Group	**113,672**	**47,991**

The abandonment provision relates to expenses to shut down an oil field at the end of its life. The end for the groups oilfield (Baobab) is expected to incur 2038. Regarding Oombo, the license has expired and the obligation to handle the abandoment is expected to be picked up by the remaining licensees during 2014.

NOTE 20 – OTHER LIABILITIES

	Group	
	2013-12-31	**2012-12-31**
Project items	86,177	68,163
Other items	5,135	2,156
Total	**91,312**	**70,319**

Project items of SEK 49.9 (68.2) million relate to accrued expenses from operator, share of working capital or liabilities to operator.

NOTE 21 – ACCRUALS AND DEFERRED INCOME

	Group	
	2013-12-31	**2012-12-31**
Accrued personnel expenses	12,728	12,287
Accrued project expenses	402,537	340,101
Overlift	-	35
Other items	48,579	8,246
Total	**463,844**	**360,669**

	Parent Company	
	2013-12-31	**2012-12-31**
Consultancy	16,271	-
Total	**16,271**	**-**

NOTE 22 – FINANCIAL RISKS AND POLICIES

The Group is exposed to a number of financial risks, the most important of which are described below. It is Group management's responsibility to manage risks according to the policy adopted by the Board. The Group has a centralised finance function which has the primary task of identifying, limiting and managing financial risks in a cost-efficient manner. The Group actively pursues liquidity planning, to continuously evaluate the need for liquidity. The main objective of this centralisation is to ensure good internal cost control as well as administrative and financial economies of scale.

Currency risk

The Group's business is international and, as such, it is exposed to currency risk in terms of exchange rate fluctuations. The foreign exchange exposure comprisestransaction as well as translation risk.
- The transaction risk, i.e. the risk that the commercial cash flows (revenues, expenses, investments, etc.) will be negatively affected by exchange rate fluctuations.
- Translation risk, i.e. the risk that earnings in the Group will be negatively affected by the translation of foreign entities' assets and liabilities into the Group's reporting currency. It is the opinion of the Board that the present strong financial position justifies the policy of not hedging foreign exchange rates.

Transaction exposure

The Group's transaction exposure for 2013 was divided into the following currencies:

	USD thousands
Sales	159,732
Operating expenses	-89,988
Net	69,744
Of which hedged	-

The Group's transaction exposure for 2012 was divided into the following currencies

	USD thousands
Sales	210,359
Operating expenses	-94,565
Net	115,794
Of which hedged	-

Translation exposure

Foreign net assets, as a percentage of total equity, divided into the following currencies:

Group	2013		2012		2011	
Currency	Amount, thousands	%	Amount, thousands	%	Amount, thousands	%
USD	589,898	87	504,766	79	447,917	72
NOK	133,707	**3**	142,766	**4**	88,775	**3**

At 31 December, the Group did not have any hedging of net investments in foreign group companies.
The ambition is to minimise the translation risk wherever possible and economically viable.

Interest rate risk
Interest rate risk is the risk that changes in market interest rates will have a negative effect on the Group's earnings. All interest-bearing assets and liabilities have a fixed-interest term of less than 12 months. The current assessment is that the Group's present financial position justifies the absence of longer fixed-interest terms.

Oil price risk
The Group's revenues, and hence its earnings, are highly dependent on oil prices. Historically, oil prices have fluctuated sharply – a trend which is expected to continue – and are affected by a number of factors beyond the Group's control. The Group's policy is to harness the positive effects of fluctuating oil prices and minimise the negative effects as far as possible. Consequently, the ability to use put options in particular as a hedging instrument is continuously evaluated.

The Group did not have any outstanding hedging instruments at the end of 2013.

Credit and counterparty risk
Credit and counterparty risk is the risk that a counterparty in a financial transaction will be unable to discharge its obligations, which in turn will have a negative effect on the Group's earnings. The Group's commercial credit risk is limited, as there is no significant customer concentration and the counterparties are reputable and transparent multi-national companies. Financial credit risk is mitigated by only accepting counterparties with a high credit rating and through diversification.

The Group did not have any past due trade receivables at 31 December. No provision for impairment has been made, as the carrying amount is estimated to be the same as the fair value.

Funding and liquidity risk
Funding and liquidity risk is the risk that costs will rise and funding options will be insufficient when loans are renewed or applied for, and the risk that payment obligations will not be met due to insufficient liquidity. At the end of 2013, the Group had substantial cash reserves, including financial investments. There are discussions in progress with regard to additional credit facilities to safeguard the Group's capacity for increasing oil reserves in the coming years. The Group also utilises the opportunity for the Norwegian operations to raise loans, with the expected tax refund as collateral. Financial liabilities and trade payables are short-term and due within 30 days, and their fair value is assumed to be a reasonable fair value estimation.

Insurance
Insurance is considered to be an premature financing of future risks. The Group has an insurance coverage that is in line with industry practice and mainly covers production facilities and liability exposure in connection with exploration and exploitation of oil and gas. The Group's insurance coverage and its strong financial position mean that it is considered able to manage minor risks as well as risks of major disasters.

Capital management
Capital is defined as total equity. The equity requirement for an oil company is substantial and is related to the large volume of investment and the risk inherent in the different exploration projects carried out during the year. It is the Board's judgement that the equity of the Group is sufficient for the scope of its activities.

There were no changes to the Group's capital management during the year. Neither the Parent Company nor its subsidiaries are subject to external capital requirements.

Sensitivity analysis
In order to manage interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on its results. In the long term, however, permanent changes in exchange rates, oil prices and interest rates will have an impact on the consolidated results.

Based on volumes of crude oil sold (1.5 million barrels) in 2013, it is estimated that:
-A decrease of USD 10 in the price of oil would have reduced the Group's profit before tax by SEK -17 million.
-A general increase of 1 percent in the value of the SEK against other currencies would have reduced the Group's profit before tax by SEK -2 million.
-A general increase of 1 percent in the value of the interest rate would have reduced the Group's profit before tax by SEK -4 million.

Measurement of fair value
The following description is a summary of the main methods and assumptions used in determining the fair value of the financial instruments in the tables below.

Trade receivables, payables and long-term receivables
The nominal value, less any estimated credits to trade receivables, payables and long-term receivables, is deemed to reflect the fair value.

Financial assets
Financial assets are essentially low-yielding short-term investments. Consequently, the fair value is estimated as corresponding to the carrying amount.

Carrying amount of financial assets and liabilities by category 2013
Group

	Loans and receivables	Held-to-maturity investments	Other liabilities	Total carrying amount	Fair value
Financial assets					
Other long-term receivables	4,693	-	-	4,693	4,693
Trade receivables	460	-	-	460	460
Financial investments	306	119,931	-	120,237	120,237
Other receivables	262,691	-	-	262,691	262,691
Cash and cash equivalents	139,738	-	-	139,738	139,738
Carrying amount per category	**407,888**	**119,931**	**-**	**527,819**	**527,819**
Financial obligation					
Trade payables	-	-	61,748	61,748	61,748
Other liabilities	-	-	91,312	91,312	91,312
Carrying amount per category	**-**	**-**	**153,060**	**153,060**	**153,060**

Carrying amount of financial assets and liabilities by category 2012
Group

	Loans and receivables	Held-to-maturity investments	Other liabilities	Total carrying amount	Fair value
Financial assets					
Other long-term receivables	2,130	-	-	2,130	2,130
Trade receivables	93,904	-	-	93,904	93,904
Financial investments	306	131,222	-	131,528	131,528
Other receivables	147,877	-	-	147,877	147,877
Cash and cash equivalents	128,957	-	-	128,957	128,957
Carrying amount per category	**373,174**	**131,222**	**-**	**504,396**	**504,396**
Financial obligation					
Trade payables	-	-	22,691	22,691	22,691
Other liabilities	-	-	70,319	70,319	70,319
Carrying amount per category	**-**	**-**	**93,010**	**93,010**	**93,010**

NOTE 23 – OPERATIONELL LEASING

Leases where the Company is the lessee	Group	
Non-cancellable lease payments:	**2013**	**2012**
Minimum lease payments	10,149	10,199
Contingent rents	144,190	139,549
Total lease costs	**154,339**	**149,748**
Agreed future minimum lease payments under non-cancellable lease payments fall due as follows:		
Within one year	148,630	151,745
Between one and five years	29,407	146,856
Total	**178,037**	**298,601**

The Group leases office premises in the UK, Norway and Sweden, and a Floating Production Storage and Offload (FPSO) ship in the Ivory Coast under operating leases. The contingent rents have been defined by contract. The lease agreement for the FPSO ship runs out in 1 years, with a renewal option.

NOTE 24 – INVESTMENT OBLIGATION

	Group	
At the reporting date, contracted investments not yet recognised in the financial statements were as follows:	**2013-12-31**	**2012-12-31**
Oil and gas assets	1,762,198	890,204
Total	**1,762,198**	**890,204**

Contracted investments relate to investments during the remaining life of the fields. The abandonment expenses are expected to be incurred 2038 for Baobab. Year 2013 includes development of Baobab phase 3. Investment obligations relate to contracted cost in jointly controlled operations.

According to standard agreements in the business reveals that a license share owner have commitments to inject funds for operating expenses.

NOTE 25 – PLEDGED ASSETS AND CONTINGENCIES

	Group	
	2013-12-31	**2012-12-31**
Pledged assets, bank guarantees	**None**	**None**

	Group	
	2013-12-31	**2012-12-31**
Contingent liabilities	**398**	**401**

Contingencies at 31 December comprise just one contingent liability accociated with the Swedish pension plan (pension guarantee).

NOTE 26 – RELATED PARTIES

Related party relationships
Related party relationships where control exists:

Group
The Group is under the control of Moroncha Holdings Ltd. (Cyprus).

Parent company
In addition to the related party relationships described for the Group, the Parent Company has control of the subsidiary Svenska Petroleum Exploration AB and its directly and indirectly owned subsidiaries (Note 27).

Other related parties
Petroswede AB and Petroswed Group are 100% controlled by companies owned by Sheik Mohammed H. Al-Amoudi. Corral Petroleum Holdings AB a wholly-owned subsidiary of Moroncha Holdings Ltd. (Cyprus) and a fellow-subsidiary with Petroswede AB, Corral Petroleum Holdings AB, owns 100% of Preem Group.

Purchases of services from related parties relate to services for office management purchased from
Midroc Real Estate AB SEK 3 455 (3 409) thousands - office lease and office maintence services
Constellation Holdings LLC SEK 16 359 (16 929) thousands - consultancy services
Preem Finans AB SEK 19 (20) thousands - fuel and transport services

Related party transactions — **Group**

	Year	Sale of goods to related parties	Purchase of services from related parties	Due from related parties at 31 December	Due to related parties at 31 December
Other related parties	2013	-	19,833	-	-
Other related parties	2012	-	20,358	-	-

Transactions with related parties are priced on commercial terms.

Remuneration of key management personnel
The total remuneration of the CEO and the Board is shown in Note 6.

NOTE 27 – INVESTMENTS IN GROUP COMPANIES

Specification of change in shares in subsidiaries relating to Svenska Petroleum Exploration AB	2013-12-31	2012-12-31
Opening carrying amount	850,000	850,000
Change	-	-
Closing carrying amount	**850,000**	**850,000**

Directly owned	Share of equity	Share of votes	Nominal value	Number of shares	Carrying amount
Svenska Petroleum Exploration AB	**100%**	**100%**	**50,000**	**500,000**	**850,000**

Corp. ID and registered office

Directly and indirectly owned	Corp. ID	Reg'd office
Svenska Petroleum Exploration AB	**556093-2583**	**Stockholm**
Oljeprospektering AB	556126-4671	Stockholm
Svenska Petroleum Exploration AS	910229958	Oslo, Norway
Petroswede Insurance Company Ltd	266707	Dublin, Ireland
Svenska Petroleum Exploration U.K. Ltd (dormant)	1191501	London, UK
SPE Angola AB	556594-2553	Stockholm
Svenska Petroleum Exploration Congo AB	556710-9441	Stockholm
SPE Nigeria AB	556594-2512	Stockholm
Svenska Nigerian Holdings Ltd	*36352*	*Bermuda*
Svenska Nigerian Investment LLC	*6790*	*Nevis*
Svenska Nigeria Exploration & Production Ltd	*618208*	*Nigeria*
Svenska Nigerian Holdings II Ltd	*37093*	*Bermuda*
Svenska Nigerian Investments 2 LLC	*4065788*	*Delaware*
Svenska Nigeria (Deepwater 1) Limited	*639349*	*Nigeria*
SPE Guinea Bissau AB	556710-9458	Stockholm
Svenska of Guinea Bissau Ltd	*37097*	*Bermuda*
Svenska of Guinea Bissau LLC	*5938*	*Nevis*
SPE West Africa BV NL	*807556506*	*Haag, Holland*
Svenska Petroleum Exploration CI Holding AB	556688-3541	Stockholm
Svenska Petroleum Exploration CI AB	*556665-4884*	*Stockholm*
Svenska Petroleum Exploration CI Finance AB	*556635-2935*	*Stockholm*

Indirectly owned subsidiaries in italics. All subsidiaries are wholly-owned.

NOTE 28 – CRITICAL ACCOUNTING ESTIMATES

Some of the critical accounting estimates used when applying the Group's accounting policies are described below.

Impairment testing

In calculating the recoverable amount of oil fields when testing fixed assets for impairment, or reversal of impairment, a number of estimates and assumptions about future conditions have been made. These estimates and assumptions mainly concern the life of the fields, commercial reserves, the choice of discount rate and the future oil price. Commercial reserves are estimated regularly in the Company's operations. The reserves are also calculated by a third party once a year. The price of oil is defined on the basis of an estimated level of consensus among market analysts.

Impairment testing is based on a calculation of the value in use. The discount rate applied is 7.5% (7.5%) for assets on the Norwegian continental shelf and 10% (10%) for assets in the rest of the world. The projected cash flows are estimated on an investment by investment basis. The cash flows are calculated for the life of each field. Because of the long project cycles in the industry, the life may extend to 2040 in some cases.

Major changes in the underlying conditions for these assumptions and estimates during 2014 may have a material effect on the value of the assets.

Effect of changes in the basis of calculation

Changes in the basis of the calculations regarding costs and commercial reserves that affect the unit-of-production calculations for depreciation and abandonment will have an immediate effect on the results of the Group.

NOTE 29 – ADDITIONAL CASH FLOW ANALYSIS DISCLOSURES

Group	2013	2012
Adjustments for non-cash items		
Depreciation and impairments	538,851	236,372
Oil tax [1])	-180,732	-276,370
Other provisions	11,746	-13,974
Unrealised exchange differences etc	5,941	14,530
Total	**375,806**	**-39,442**
Cash and cash equivalents		
The following components are included in cash & cash equivalents:		
Cash and bank balances	139,738	128,957
Total	**139,738**	**128,957**

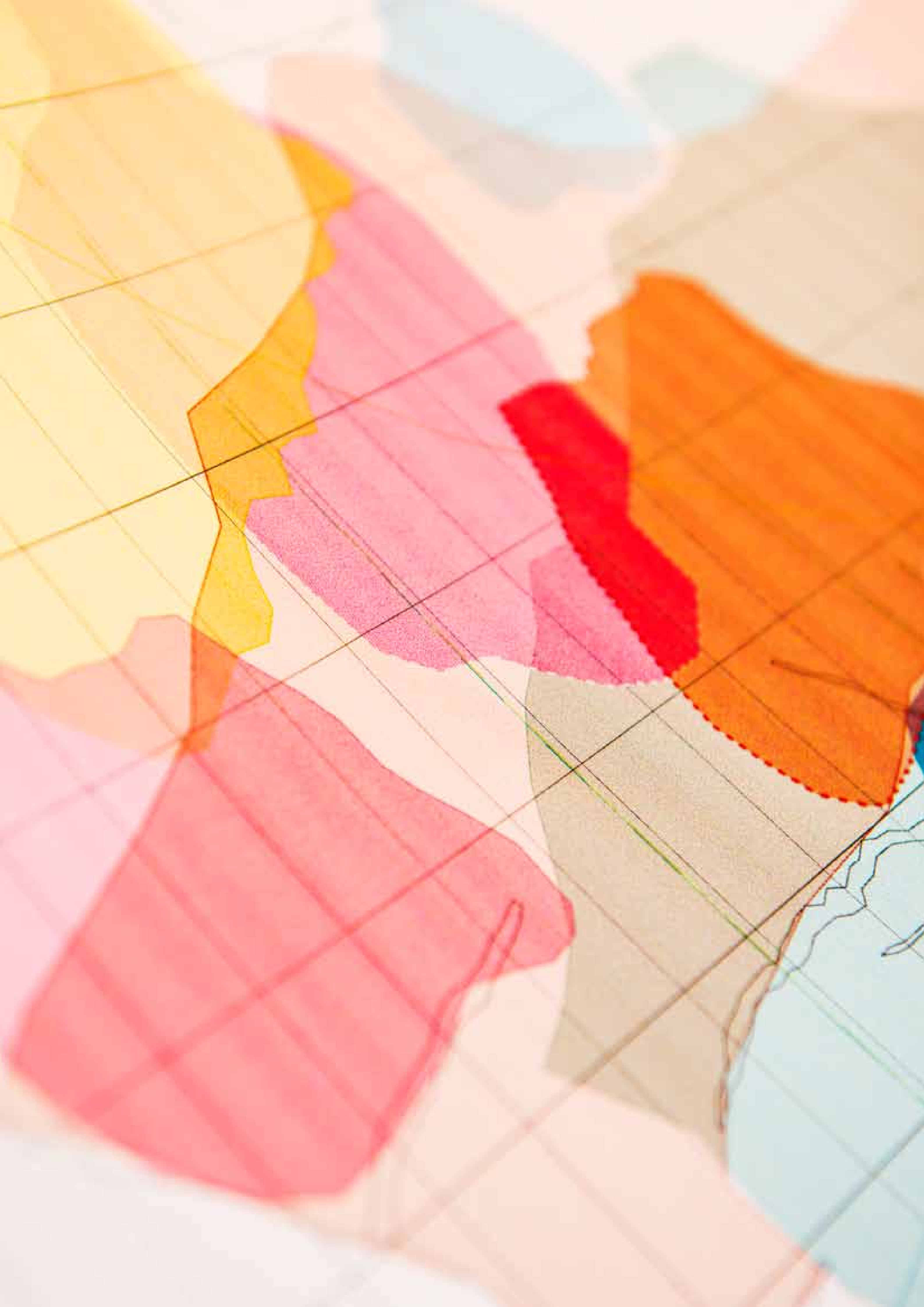
[1]) Oil tax is a general tax that is treated in the cash flow as an operational settlement.

NOTE 30 – EVENTS AFTER THE END OF THE FINANCIAL YEAR

On 31 January 2014 the Baobab field assumed normal production after a restart and completed repairs.

On 21 January 2014, the Norwegian Ministry of Petroleum and Energy announced that the Group had been granted a 20 per cent interest in the PL 554C as part of the award of licences in pre-defined areas (APA 2013). The license is located in the North Sea.

Statoil issued a press release on the 2 January 2014, that the Askja West well, PL 272, contains hydrocarbons with gas and condensate. The total potential resources together with Askja East are estimated to 19-44 mmboe. The Svenska share of PL 272 is 25%. The well was plugged and abandoned in January. The result of the drilling has not yet been published.



Stockholm, 2014

Mohammed H. Al-Amoudi
Chairman

Jason Milazzo
Vice Chairman

Fredrik Öhrn
President & CEO

Richard Öhman

Our Audit Report was submitted on 2014
KPMG AB

Cronie Wallquist
Authorised Public Accountant