ANNUAL REPORT 2012

Petroswede AB

SVENSKA
PETROLEUM EXPLORATION

Board of Directors' report

Annual report and consolidated financial statements for 2012

The Board of Directors and President & CEO of Petroswede AB herewith present the annual report and consolidated financial statements for the financial year 2012. 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.

OWNERSHIP

Petroswede AB is a wholly-owned subsidiary of Moroncha Holdings Ltd, Cyprus.

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 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 often referred to as "Svenska".

EVENTS DURING THE FINANCIAL YEAR

Production at the Baobab field in the Ivory Coast for the year was lower than in 2011. Average production was 5,236 (5,975) barrels per day, the reduction being attributable to the field's natural production decline. Production at the Oombo field in Angola was also lower than in 2011, due to temporary technical problems in production at the beginning of the year. On average, Svenska's share of production in Angola was 357 (534) barrels per day. The Oombo licence expired in December 2012. The field will continue to produce after Svenska's relinquishment of the licence, and the operator Sonangol will integrate it into other fields.

Svenska was involved in four commercial oil discoveries during the year, namely Azul-1 in Block 23 in Angola, Garantiana in PL 554/PL 554B in Norway and Nza and Uge North 1X off the coast of Nigeria. The results of these wells are being evaluated. The Mukulungu-D1 well in Block Marine IV off the coast of the the Republic of the Congo spudded in December 2012 and was completed in early 2013. See also Events after the end of the financial year on the next page.

During the year, the oil price (Brent market price) increased marginally to an average of USD 111.6 per barrel for the year. The oil price, which started the year at USD 106.5 per barrel, reached USD 110.0 at the end of 2012. In early 2013 (31 January 2013), the oil price was USD 115.7 per barrel.

The average SEK/USD exchange rate for the year was 6.7766, which is 4% higher than for 2011.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

On 15 January 2013, the Norwegian Ministry of Petroleum and Energy announced that the Group had been granted a 20 per cent interest in the PL 689 exploration licence and a 30 per cent interest in the PL 690 exploration licence on the Norwegian continental shelf, as part of the awards in pre-defined areas (APA 2012).

The Mukulungu-D1 well in Block Marine IV in the Republic of the Congo was completed in early February 2013. The well was dry and will be plugged permanently. Data from the drilling is being evaluated.

OPERATING INCOME AND COSTS

Consolidated net sales for the year amounted to SEK 1,528 (1,700) million. The decline was due to lower production.

Production totalled 2.0 million barrels of crude oil in 2012, compared with 2.4 million barrels the previous year. The decrease is mainly attributable to normal field decline. Average production was 5,592 (6,509) barrels per day. A total of 1,887,494 (2,358,050) barrels of oil were sold during the year at an average price of USD 107.91 (109.01) per barrel.

Total operational and exploration costs for 2012 were SEK 632 (594) million. The total figure is broken down as follows: operating expenses SEK 208 (221) million, royalty costs SEK 175 (167) million, oil tax (operational) SEK 200 (170) million, exploration and project costs SEK 49 (36) million.

Consolidated depreciation and impairment of oil and gas assets for 2012 amounted to SEK 142 (160) million.

Employee benefits costs for 2012 were SEK 79 (67) million. The total number of employees at 31 December was 40 (44).

Net financial items amounted to SEK -70 (-29) million. Exchange gains/losses on financial assets and liabilities in 2012 amounted to SEK -18 (-12) million. The exchange differences are mainly a result of the revaluation of USD-based assets and liabilities. Interest income for 2012 amounted to SEK 7 (17) million. Interest expenses were SEK 54 (45) million. For information on financial risks and financial policies, see Note 22.

The Group's tax expense for 2012 was SEK 68 (179) million, corresponding to an effective tax rate of 14 (22) per cent.

EARNINGS AND CASH FLOW

The Group's operating profit for the 2012 financial year was SEK 548 (840) million. Cash flow from operations before changes in working capital was SEK 489 (712) million.

INVESTMENTS AND FINANCIAL POSITION

Intangible and tangible fixed assets were SEK 4,807 (4,101) million at the end of the year. Investments in tangible fixed assets totalled SEK 39 (18) million, while investments in intangible assets were SEK 530 (790) million.

Investments in financial assets amounted to SEK 131 (0) million.

Cash and cash equivalents ended the year on SEK 129 (419) million. The Group also has a loan facility of SEK 438 million (USD 67 million) and another facility of SEK 350 million (NOK 300 million) specifically for the financing of exploration costs in Norway. The facilities were unutilised at 31 December 2012.

PARENT

The Parent Company's profit after tax for the year was SEK -6 (214) million. Equity amounted to SEK 1,053 (1,060) 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 non-responsible 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

Petroswede also works actively in the area of CSR and is involved in several projects. The Company previously funded the renovation of the Bula Medical Training Centre in Guinea Bissau, and worked with other partners to continue improving the facility in 2012. The Company renewed its agreement with SOS Children's Villages in 2012. The Company's support covers the SOS Children's Village in Abobo-Gare in the Ivory Coast, the SOS Social Centre in Lubango in Angola and the SOS Hermann Gmeiner Primary & Secondary School in Guinea Bissau. From 2012, the Company also supports 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 2012, 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 on 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 2013. 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	872,511,184
Profit/loss for the year	-6,345,535
Total	**1,053,087,712**

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

Carried forward:	1,053,087,712
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 COMPREHENSIVE INCOME

1 January - 31 December

Amounts in SEK thousands

	Note	2012	2011
Net sales	2	1 527 794	1 699 756
Other operating income	**3**	**8 142**	**36 658**
		1 535 936	**1 736 414**
Stock variation		-5 311	18 726
Operational and exploration costs	5	-631 924	-593 862
Other external costs	7	-121 888	-77 086
Employee benefits expenses	6	-79 069	-66 805
Depreciation, write-downs and abandonment costs	2, 10	-141 905	-160 027
Jämförelsestörande poster			
Other operating expenses	4	-8 213	-17 321
Operating profit	**2**	**547 626**	**840 039**
Finance income	8	7 666	33 721
Finance costs	8	-77 664	-62 345
Net finance items		**-69 998**	**-28 624**
Profit before tax		**477 628**	**811 415**
Tax on profit for the year	9	-68 169	-178 924
PROFIT FOR THE YEAR		**409 459**	**632 491**
Other comprehensive income			
Exchange differences for the year		-175 011	50 333
Other comprehensive income for the year		**-175 011**	**50 333**
Comprehensive income for the year		**234 448**	**682 824**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEK thousands

	Note	2012-12-31	2011-12-31
ASSETS			
Intangible assets	11	3 392 361	3 027 403
Tangible fixed assets	12	1 569 500	1 778 955
Financial investments	13	131 528	306
Other non-current receivables	14	2 080	4 137
Total non-current assets		**5 095 469**	**4 810 801**
Current assets			
Inventories	15	76 760	74 459
Trade receivables	16	93 904	137 001
Prepayments and accrued income	17	240 248	258 215
Other receivables		148 353	235 026
Tax receivables		381 785	223 580
Cash and cash equivalents	29	128 957	419 046
Total current assets		**1 070 007**	**1 347 327**
TOTAL ASSETS		**6 165 476**	**6 158 128**

EQUITY AND LIABILITIES

Amounts in SEK thousands

	Note	2012-12-31	2011-12-31
Equity			
Share capital		103	103
Other paid-in capital		186 942	186 942
Reserves		-307 646	-132 635
Retained earnings, incl. profit for the year		4 688 598	4 279 139
Total equity		**4 567 997**	**4 333 549**
Liabilities			
Deferred tax liabilities	9	1 079 674	1 028 711
Provisions for pensions etc.	18	1 171	1 009
Other provisions	19	47 991	66 771
Total non-current liabilities		**1 128 836**	**1 096 491**
Trade payables		22 691	70 870
Other liabilities	20	70 319	23 410
Accruals and deferred income	21	360 669	563 209
Current tax liaibilities		14 964	70 599
Total current liabilities		**468 643**	**728 088**
Total liabilities		**1 597 479**	**1 824 579**
TOTAL EQUITY AND LIABILITIES		**6 165 476**	**6 158 128**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousands

	Share capital	Other paid-in capital	Translation reserve	Retained earnings incl. net profit / loss	Total equity
Opening equity, 1 Jan 2011	103	186 942	-182 968	3 853 553	3 857 630
Profit/loss for the year				632 491	632 491
Other comprehensive income for the year			50 333		50 333
Comprehensive income for the year			50 333	632 491	682 824
Dividend paid				-206 905	-206 905
Closing equity, 31 Dec 2011	**103**	**186 942**	**-132 635**	**4 279 139**	**4 333 549**
Profit/loss for the year				409 459	409 459
Other comprehensive income for the year			-175 011		-175 011
Comprehensive income for the year			-175 011	409 459	234 448
Closing equity, 31 Dec 2012	**103**	**186 942**	**-307 646**	**4 688 598**	**4 567 997**

CONSOLIDATED STATEMENT OF CASH FLOWS

1 January - 31 December

Amounts in SEK thousands

	Note	2012	2011
Indirect method			
Operating activities			
Profit before tax [1])		477 628	811 415
Adjustment for non-cash items	29	-40 847	-79 012
		436 781	**732 403**
Taxes paid		52 527	-20 175
Cash flow from operating activities before changes in working capital		**489 308**	**712 228**
Cash flow from changes in working capital			
Decrease(+)/increase(-) in inventories		-5 751	-3 198
Decrease(+)/increase(-) in operating receivables		129 150	-53 542
Decrease(-)/increase(+) in operating liabilities		-186 626	158 181
Cash flow from operating activities		**426 081**	**813 669**
Investing activities			
Acquisition of intangible assets	11	-534 412	-790 072
Acquisition of tangible fixed assets	12	-39 441	-17 874
Investment in financial assets		-131 222	-
Cash flow from investing activities		**-705 075**	**-807 946**
Financing activities			
Proceeds from borrowings		212 241	35 241
Repayment of borrowings		-212 241	-35 241
Dividend paid		-	-206 905
Cash flow from financing activities		**-**	**-206 905**
Cash flow for the year		**-278 994**	**-201 182**
Cash & cash equivalents at beginning of year		419 046	621 832
Exchange differences		-11 095	-1 604
Cash & cash equivalents at end of year		128 957	419 046

[1]) The amount includes interest received of SEK 7,667 (17,166) thousands, and interest paid of SEK 54,225 (45,650) thousands. For supplementary information to the consolidated cash flow statement, see Note 29.

PARENT COMPANY INCOME STATEMENT

1 January - 31 December

Amounts in SEK thousands

	Note	2012	2011
Total operating income		**-**	**-**
Operating expenses			
Other external costs		-25 821	-8 001
Total operating expenses		**-25 821**	**-8 001**
Operating profit/loss		**-25 821**	**-8 001**
Profit/loss from financial investments			
Profit/loss from investments in Group companies		-	206 905
Interest income from Group companies		19 108	17 961
Other interest and similar income		651	-
Other interest and similar expense		-284	-58
Profit/loss after financial items		**-6 346**	**216 807**
Tax		-	-2 604
PROFIT/LOSS FOR THE YEAR		**-6 346**	**214 203**

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

PARENT COMPANY BALANCE SHEET

Amounts in SEK thousands

	Note	2012-12-31	2011-12-31
ASSETS			
Financial assets			
Investments in Group companies	27	850 000	850 000
Non-current receivables, Group companies	14	243 250	232 772
Total non-current assets		**1 093 250**	**1 082 772**
Receivables, Group companies		1 045	1 045
Other receivables		1 881	-
Prepayments and accrued income		5 290	-
Total current assets		**8 216**	**1 045**
TOTAL ASSETS		**1 101 466**	**1 083 817**

Amounts in SEK thousands

	Note	2012-12-31	2011-12-31
EQUITY AND LIABILITIES			
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		872 511	658 308
Profit/loss for the year		-6 346	214 203
Total unrestricted equity		**1 053 087**	**1 059 433**
Total equity		**1 053 210**	**1 059 556**
Current tax liabilities		2 604	7 703
Liabilities, Group companies		45 652	8 558
Accruals and deferred income		-	8 000
Total current liabilities		**48 256**	**24 261**
TOTAL EQUITY AND LIABILITIES		**1 101 466**	**1 083 817**
Pledged assets		**None**	**None**
Contingent liabilities	**25**	**401**	**None**

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 2011	103	20	186 922	865 213	1 052 258
Profit/loss for the year				214 203	214 203
Dividend paid				-206 905	-206 905
Closing equity, 31 Dec 2011	**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 for the year is consistent with comprehensive income for the year.

CASH FLOW STATEMENT - PARENT COMPANY

1 January - 31 December

Amounts in SEK thousands

	2012	2011
Indirect method		
Operating activities	-6 346	216 807
Profit/loss after financial items	**-6 346**	**216 807**
Cash flow from operating activities before changes in working capital	**-6 346**	**216 807**
Cash flow from changes in working capital		
Decrease(+)/increase(-) in operating receivables	-7 171	2 812
Decrease(-)/increase(+) in operating liabilities	23 995	5 247
Cash flow from operating activities	**10 478**	**224 866**
Cash flow from investing activities		
Investments in financial assets	-10 478	-17 961
Cash flow from investing activities	**-10 478**	**-17 961**
Cash flow from financing activities		
Dividend	-	-206 905
Cash flow from financing activities	**-**	**-206 905**
Cash flow for the year	**-**	**-**
Cash & cash equivalents at beginning of year	-	-
Exchange differences	-	-
Cash & cash equivalents at end of year	-	-

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 to be held on 12 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.

AMENDED ACCOUNTING POLICIES

There have been no amendments to the accounting policies applied in the previous year.

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 2013. These have not been applied in the preparation of the financial statements.

New or changes to standards with future application are not planned to be applied early. Only standards considered relevant to the Group are commented on.

IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and Measurement and will be effective for annual periods commencing on or after 2015. 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.

Amended IAS 1 Presentation of Items of Other Comprehensive Income: The amendment requires line items for amounts of other comprehensive income to be grouped into two categories: those that may be reclassified subsequently to profit or loss and those that may not. Items that may be reclassified are translation differences and gains/losses on cash flow hedges. Items that not may be reclassified include actuarial gains/losses and revaluations using the revaluation model for intangible and tangible fixed assets. The amendment is effective for annual periods commencing on or after 1 July 2012, with retrospective application. Petroswede AB is expected to report translation differences in the first category, and actuarial gains and losses in the second category.

Amendments to IAS 19: The amendment concerns the elimination of the corridor approach. Actuarial gains and losses are to be recognised in other comprehensive income. The return on plan assets will be based on the discount rate used in calculating the pension obligation. The difference between actual and expected return on plan assets is recognised in other comprehensive income. The amendments are effective for annual periods commencing on or after 1 January 2013, with retrospective application. It is Petroswede's estimation that this will have an effect of approx. SEK 0 million on the year's earnings. Plan assets will be affected by approx. SEK 0 million. As the corridor approach will not be allowed, the pension obligation will increase by approx. SEK 3 million.

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 1 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 ventures and joint operations. 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 a 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.

IFRS 13: A new uniform standard for determining fair value, and providing enhanced disclosure requirements. The new standard, which is effective for annual periods commencing on or after 1 January 2013, will require enhanced disclosures for Petroswede.

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 recognized 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 polices.

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 kronor using the exchange rate prevailing at the reporting date. The income and expenses of foreign entities are translated into Swedish kronor 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. 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 off. 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 value of investments over the life of the field.

Proved oil and gas reserves are defined as the estimated amount of crude oil, natural gas and liquid natural gas which, from geological and engineering data provided by the operator of the field or from 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 those unproven reserves which analysis of geological and engineering data suggests are 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) are 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 (FIFO).

OVERLIFT AND 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 separated into a pension fund, administered 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 used is the interest rates of government bonds with a maturity corresponding to the average maturity of the obligations and the currency. The main actuarial assumptions are described in Note 18.

Actuarial gains and losses may arise when determining the present value of the pension obligation and the fair value of plan assets. These occur either because the actual outcome differs from the previous assumption or the assumptions are changed. Actuarial gains and losses are recognised immediately in profit or loss by applying the principle of a corridor of 10%.

Interest expense and the expected return on plan assets are classified under finance costs and finance income. Other expense items in pension costs are charged to operating profit.

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.

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 (September 2011). 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.

AMENDED ACCOUNTING POLICIES

There were no amendments to the accounting policies during the year.

CLASSIFICATION AND PRESENTATION

The Parent Company prepares 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/receivable increase/decrease 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 inter-segment sales.

	Group	
Net sales	**2012**	**2011**
-Norway	7 136	-
-Angola *)	95 094	169 895
-The Ivory Coast *)	1 425 517	1 529 861
-Other	47	-
Total	**1 527 794**	**1 699 756**

*) sale of crude oil to external customers

Operating profit/loss		
-Norway	-79 825	-113 506
-Angola	-9 849	43 820
-The Ivory Coast	774 720	933 104
-Guinea Bissau	-1 524	3 032
-Nigeria	-3 714	-
-The Republic of the Congo	-2 923	-1 021
-Group-wide	-129 259	-25 390
Total	**547 626**	**840 039**

Depreciation, write-downs and abandonment costs, net		
-Norway	-950	-1 035
-Angola	-1 371	-1 378
-The Ivory Coast	-138 299	-157 614
-Group-wide	-1 285	-
Total	**-141 905**	**-160 027**

Assets	2012-12-31	2011-12-31
Intangible assets		
-Norway	926 339	602 593
-Angola	805 301	743 251
-Guinea Bissau	169 328	154 639
-Nigeria	1 430 266	1 486 696
-The Republic of the Congo	61 127	40 225
Oil and gas assets		
-Angola	-	10 198
-The Ivory Coast	1 556 622	1 756 591
Non-allocated assets	1 216 493	1 363 935
Total	**6 165 476**	**6 158 128**

Investments	2012	2011
-Norway	317 148	230 840
-Angola	62 050	485 973
-The Ivory Coast	37 928	17 173
-Guinea Bissau	15 748	29 695
-Nigeria	118 855	39 706
-The Republic of the Congo	20 902	4 192
-Group-wide	1 222	367
Total	**573 853**	**807 946**

Liabilities & provisions	2012-12-31	2011-12-31
-Norway	708 404	424 797
-Angola	138 377	227 628
-The Ivory Coast	425 550	614 443
-Guinea Bissau	17 067	19 567
-Nigeria	276 640	497 808
-The Republic of the Congo	284	1 916
-Group-wide	31 157	38 420
Total	**1 597 479**	**1 824 579**

Income from external customers [1])	2012	2011
-Customer 1	1 425 517	1 529 861
-Customer 2	95 094	169 895
-Other income	7 183	-
Total	**1 527 794**	**1 699 756**

[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 93% (90%). The customer's reg'd office is outside the country. Customer 2 is attributable to Angola; percentage share of the Group's revenues is 6% (10%). The customer's registered office is outside the country.

NOTE 3 – OTHER OPERATING INCOME

	Group	
	2012	**2011**
Insurance compensation	-	12 647
Exchange gains	8 142	24 011
Total	**8 142**	**36 658**

NOTE 4 – OTHER OPERATING EXPENSES

	Group	
	2012	**2011**
Exchange losses	-8 213	-17 321
Total	**-8 213**	**-17 321**

NOTE 5 – OPERATIONAL AND EXPLORATION COSTS

	Group	
	2012	**2011**
Operating expenses	-207 553	-221 151
Royalties	-175 037	-166 621
Oil tax, operational	-200 127	-170 403
Exploration and project expenses	-49 207	-35 687
Total	**-631 924**	**-593 862**

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

	2012		2011	
Average number of employees	**Employees**	**whereof male**	**Employees**	**whereof male**
Parent	0	0	0	0
Subsidiaries				
Sweden	16	9	19	11
United Kingdom	12	9	13	10
Norway	10	9	12	11
Total, Group	**38**	**27**	**44**	**32**

	2012	2011
Executive management, Group	**11**	**12**

Gender distribution, executive management Female representation in %

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

	2012		2011	
Salaries and other benefits	**Senior executives**	**Other employees**	**Senior executives**	**Other employees**
Parent	-	-	-	-
Subsidiaries				
Sweden	17 974	16 494	14 282	17 022
-of which bonuses to senior executives	2 118		1 857	
Norway	851	17 241	2 032	14 073
-of which bonuses to senior executives	-752		249	
Subsidiaries total	**18 825**	**33 735**	**16 314**	**31 095**
Group total	**18 825**	**33 735**	**16 314**	**31 095**

	2012		2011	
Other personnel costs	**Senior executives**	**Other employees**	**Senior executives**	**Other employees**
Subsidiaries				
Pension costs	2 802	7 966	3 446	5 207
Subsidiaries total	**2 802**	**7 966**	**3 446**	**5 207**
Group total	**2 802**	**7 966**	**3 446**	**5 207**
Other personnel costs				
Subsidiaries	705	3 125	17	5 608
Group total	**705**	**3 125**	**17**	**5 608**
Subtotal	**22 332**	**44 826**	**19 777**	**41 910**
Social security contributions, total		**11 911**		**10 256**
Personnel costs, total		**79 069**		**71 943**

The CEO of SPE AB (and Petroswede AB) received a salary of SEK 3,035 (2,427) thousands, a bonus of SEK 727 (600) thousands and other benefits totalling SEK 125 (79) thousands in 2012. His pension costs for the year amounted to SEK 895 (608) thousands.

The CEO of SPE AB (and Petroswede AB) has a formally agreed period of notice of 12 months from the Company's side. Pension premiums amount to 30% of pensionable salary with regard to retirement pension and survivors' pension. Pensionable salary 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 – AUDITORS' FEES AND OTHER REMUNERATION

Fees to auditors during the year	2012	2011
KPMG		
Annual audit	1 393	1 286
Other audit services	-	-
Tax advisory services	940	1 107
Other services	4 915	93
Other auditors		
Annual audit	55	162
Other audit services	-	-
Tax advisory services	336	-
Other services	618	479
Total	**8 257**	**3 127**

NOTE 8 – FINANCE INCOME AND COSTS

	Group	
	2012	**2011**
Net gain from distribution of shares in Petrogrand AB	-	16 555
Interest income on bank deposits	7 667	17 166
Finance income	**7 667**	**33 721**
Net exchange differences	-18 029	-12 336
Interest expense on financial liabilities measured at amortised cost	-54 225	-45 650
Present value adjustment of provisions (Note 19)	-5 410	-4 359
Finance costs	**-77 664**	**-62 345**

NOTE 9 – TAXES

	Group	
Specification of tax expense	**2012**	**2011**
Tax expense/income for the period	4 640	-40 439
Adjustment of tax in respect of prior years	-20 045	3 560
Current tax expense	**-15 405**	**-36 879**
Deferred tax from temporary differences	-52 764	-142 045
Deferred tax expense	**-52 764**	**-142 045**
Total recognised tax expense for Group	**-68 169**	**-178 924**
Reconciliation of effective tax		
Group		
Profit before tax	477 628	811 415
Tax at Swedish enacted tax rate 26.3%	-125 616	-213 402
Non-deductible expenses	-40 944	-1 791
Non-taxable income	22 385	11 684
Tax effect of deduction for petroleum tax	-49 605	-34 548
Effect of different tax rates for foreign subsidiaries	1 069	2 853
Calculated petroleum tax (50%) Norway	37 425	51 996
Effect of decreased tax rate 26.3% to 22%, Sweden	88 809	-
Other items	18 353	724
Tax attributable to prior years	-20 045	3 560
Recognised tax expense	**-68 169**	**-178 924**
Effective tax	**-14,3%**	**-22,1%**

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 2011-12-31	Deferred tax asset	Deferred tax liability	Net
Exploration costs		-667 440	-667 440
Oil and gas assets		-360 162	-360 162
Other long-term receivables (pension fund)		-332	-332
Provision for abandonment		-777	-777
	-	-1 028 711	-1 028 711
Offsetting	-	-	
	-	-1 028 711	-1 028 711

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)		-315	-315
Provision for abandonment		-3 306	-3 306
	-	-1 079 674	-1 079 674
Offsetting	-	-	
	-	-1 079 674	-1 079 674

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	
	2012	2011
Tax effect, loss carry-forward	4 196	-
Tax effect (tax credits)	139 937	95 611
Total	**144 133**	**95 611**

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 2011-12-31	Amount at beginning of year	Disclosed in income statement	Other changes	Amount at end of year
Exploration costs	-532 257	-133 200	-1 983	-667 440
Oil and gas assets	-350 551	-9 245	-366	-360 162
Equipment	536	-536	-	0
Other long-term receivables	331	-663	-	-332
Provision for abandonment	-2 376	1 599	-	-777
Total	**-884 317**	**-142 045**	**-2 349**	**-1 028 711**

Other changes of SEK -2,349 thousands relate to exchange rate effects.

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
Equipment	0	-	-	0
Other long-term receivables	-332	17	-	-315
Provision for abandonment	-777	777	-	0
Total	**-1 028 711**	**-52 764**	**1 801**	**-1 079 674**

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

NOTE 10 – DEPRECIATION, WRITE-DOWNS AND ABANDONMENT COSTS	Group	
	2012	**2011**
Write-downs		
Exploration costs		
Nigeria	86 469	-
Adjustment, liabilities in acquired subsidiaries	-86 469	-
The Ivory Coast	997	-
Depreciation		
Oil and gas assets		
Cobo/Pambi	4 701	-
Oombo	4 669	1 900
The Ivory Coast	137 302	155 918
Equipment	**2 235**	**2 209**
Change in provision for abandonment costs		
Cobo / Pambi	-9 016	-
Oombo	1 017	-
Total	**141 905**	**160 027**

The above write-down for Nigeria refers to goodwill arising on the acquisition of subsidiaries. During the year, 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 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	**2012-12-31**	**2011-12-31**
Opening costs	3 375 273	2 558 254
Exchange differences	-92 957	26 947
Reclassification	1 023	-
Purchases	534 412	790 072
Closing accumulated cost	**3 817 751**	**3 375 273**
Opening impairment	-347 870	-345 792
Exchange differences	10 969	-2 078
Reclassification	-1 023	-
Impairment for the year	-87 466	-
Closing accumulated impairment	**-425 390**	**-347 870**
Carrying amount at end of period	**3 392 361**	**3 027 403**

Carrying amount per field	**2012-12-31**	**2011-12-31**
PL 362, Norway	289 787	253 763
PL 442, Norway	138 151	118 602
PL 272, Norway	160 584	147 035
PL 512, Norway	52	52
PL 521, Norway	25 463	25 463
PL 549S, Norway	26	26
PL 553, Norway	3	3
PL 554, Norway	267 117	12 492
PL 583, Norway	45 156	45 156
OPL 214, Nigeria	1 430 266	1 486 696
Block 8 and 23, Angola	805 301	743 251
Guinea Bissau, Block 2, 4A and 5A	169 328	154 639
Marine IV, the Rep. of the Congo	61 127	40 225
	3 392 361	**3 027 403**

The purchase includes the value of exploration costs which were capitalised pending an evaluation of commercially extractable reserves. The reported values are tested for impairment annually. See Note 28.

NOTE 12 – TANGIBLE FIXED ASSETS

	Oil and gas assets	Equipment	Total
Opening cost, 1 Jan 2011	3 375 337	24 673	3 400 010
Exchange differences	49 974	-11	49 963
Purchases	17 173	701	17 874
Disposals	-35 962	-4 584	-40 546
Closing accumulated cost, 31 Dec 2011	**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**
Opening depreciation, 1 Jan 2011	-1 500 611	-10 663	-1 511 274
Exchange differences	-18 094	503	-17 591
Depreciation for the year	-157 818	-2 209	-160 027
Disposals	35 962	4 584	40 546
Closing accumulated depreciation, 31 Dec 2011	**-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**
Carrying amount, 31 Dec 2011	**1 765 961**	**12 994**	**1 778 955**
Carrying amount, 31 Dec 2012	**1 556 622**	**12 878**	**1 569 500**

Oil and gas assets Carrying amount per field	2012-12-31	2011-12-31
Cobo/Pambi	-	4 701
Oombo	-	4 669
The Ivory Coast	1 556 622	1 756 591
	1 556 622	**1 765 961**

Equipment Carrying amount at end of period	2012-12-31	2011-12-31
Svenska Petroleum Exploration AB	11 608	11 671
Svenska Petroleum Exploration AS	1 270	1 323
	12 878	**12 994**

NOTE 13 – OTHER SECURITIES HELD AS NON-CURRENT ASSETS

	Group	
	2012-12-31	**2011-12-31**
Opening cost	306	306
Purchases	131 222	-
Closing accumulated cost	**131 528**	**306**

Investments at 31 December 2012 relate to NOK bonds of SEK 131,222 thousands and shares of SEK 306 thousands.

NOTE 14 – OTHER NON-CURRENT RECEIVABLES

	Group	
	2012-12-31	**2011-12-31**
Pension fund (see Note 18)	1 962	4 037
Prepaid lease payments	118	100
Total	**2 080**	**4 137**

	Parent	
	2012-12-31	**2011-12-31**
At beginning of year	232 772	214 811
New lending	10 478	17 961
Carrying amount at end of year	**243 250**	**232 772**

NOTE 15 – INVENTORIES

	Group	
	2012-12-31	**2011-12-31**
Drilling equipment and consumable supplies	76 760	74 459
Total	**76 760**	**74 459**

NOTE 16 – TRADE RECEIVABLES

	Group	
	2012-12-31	**2011-12-31**
Trade receivables	93 904	137 001
Trade receivables - net	**93 904**	**137 001**

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	
	2012-12-31	**2011-12-31**
Prepaid rent	2 463	2 450
Prepaid insurance costs	531	2 132
Prepaid project costs	104 411	171 299
Prepaid finance costs	12 265	17 523
Underlift	113 177	58 790
Other costs	7 401	6 021
Total	**240 248**	**258 215**

NOTE 18 – PENSIONS

Sweden
Employees in Sweden 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 KP Stiftelse. The pension plans mainly relate to old-age pension. The assets of the pension fund are valued at market value.

	Group	
The amounts in the statement of financial position for defined benefit pension plans have been calculated as follows:	**2012-12-31**	**2011-12-31**
Present value of funded obligations	-23 358	-27 297
Fair value of plan assets	24 977	25 927
Surplus (plus) or deficit (minus)	1 619	-1 370
Unrecognised actuarial gains (minus) and losses (plus)	343	5 407
Net amount in statement of financial position	**1 962**	**4 037**
The net amount is recognised in the following items in the statement of financial position:		
Other non-current receivables (see Note 14)	1 962	4 037

The amounts in the income statement for defined benefit plans are as follows:

	2012	**2011**
Interest expense	-549	-806
Expected return on plan assets	1 127	1 153
Actuarial gains (minus) and losses (plus)	-2 677	-
Total cost of defined benefit plans	**-2 099**	**347**

The change in the defined benefit obligation during the year is as follows:	2012-12-31	2011-12-31
At beginning of year	27 297	24 833
Interest expense	549	806
Actuarial gains (minus) and losses (plus)	-2 196	3 850
Benefits paid	-2 292	-2 192
At end of year	**23 358**	**27 297**

Change in the fair value of plan assets during the year:	2012-12-31	2011-12-31
At beginning of year	25 927	26 557
Expected return on plan assets	1 127	1 153
Actuarial gains (plus) and losses (minus)	191	-185
Contributions	24	594
Benefits paid	-2 292	-2 192
At end of year	**24 977**	**25 927**

Total pension expenses in the statement of comprehensive income for defined benefitplans were distributed as follows:	2012-12-31	2011-12-31
Personnel costs	-2 677	-
Interest income	1 127	1 153
Interest expense	-549	-806
Total	**-2 099**	**347**

Specification of net asset changes recognised in the statement of financial position:	2012-12-31	2011-12-31
Net asset at beginning of year according to the adopted statement of financial position	4 037	3 097
Net cost recognised in the profit for the year	-2 099	347
Payment of benefits	2 292	2 192
Received contribution from employer to funded plans	-2 268	-1 599
Net asset at end of year	**1 962**	**4 037**

Historical information	2012-12-31	2011-12-31	2010-12-31 [1])	2009-12-31	2008-12-31
Present value of funded obligations	-23 358	-27 297	-24 833	-25 679	-24 245
Fair value of plan assets	24 977	25 927	26 557	24 395	22 695
Surplus (plus) or deficit (minus)	**1 619**	**-1 370**	**1 724**	**-1 284**	**-1 550**
Experienced-based adjustment of plan assets	774	-185	601	1 318	-1 389
Experienced-based adjustment of defined benefit obligations	-439	227	672	-328	-704
	335	**42**	**1 273**	**990**	**-2 093**

[1]) Restated

Significant actuarial assumptions (expressed as weighted average)	2012	2011
Discount rate	3,10%	2,10%
Expected return on plan assets	3,10%	4,50%
Salary increase*	-	-
Staff turnover*	-	-
Inflation	2,00%	2,00%

* 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 (Storebrand). 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.

The amounts in the statement of financial position for defined benefit pension plans are calculated as follows: (comparative figures are reported in the Swedish part)	2012-12-31	2011-12-31
Present value of funded obligations	-10 108	-8 212
Fair value of plan assets	6 074	4 928
Surplus (plus) or deficit (minus)	**-4 034**	**-3 284**
Unrecognised actuarial gains (minus) and losses (plus)	2 863	2 275
Net amount in statement of financial position	**-1 171**	**-1 009**
The net amount is recognised in the following items in the statement of financial position Provisions for pensions etc.	-1 171	-1 009

The amounts recognised in the income statement for defined benefit plans are as follows:	2012	2011
Expenses in respect of service during present year	-2 543	-2 214
Interest expense	-274	-194
Expected return on plan assets	173	113
Actuarial losses (plus) and gains (minus)	-92	-84
Total cost of defined benefit plans	**-2 737**	**-2 379**
Total pension expense	**-2 737**	**-2 379**

The change in the defined benefit obligation during the year is as follows:	2012-12-31	2011-12-31
At beginning of year	8 212	6 041
Expenses in respect of service during present year	2 544	2 210
Interest expense	274	194
Actuarial losses (plus) and gains (minus)	-721	-14
Tax	-202	-219
Benefits paid	-	-
At end of year	**10 108**	**8 212**

Change in the fair value of plan assets during the year:	2012-12-31	2011-12-31
At beginning of year	4 928	3 689
Expected return on plan assets	173	113
Actuarial gains (plus) and losses (minus)	-1 368	-425
Contributions	2 341	1 551
Benefits paid	-	-
At end of year	**6 074**	**4 928**

The costs relating to defined benefit plans are recognised in the following lines of the statement of comprehensive income:	2012-12-31	2011-12-31
Employee benefits	-2 636	1 551
Interest income	173	113
Interest expense	-274	-193
Total	**-2 737**	**1 470**

Specification of net assets changes recognised in the statement of financial position:	2012-12-31	2011-12-31
Net liability at beginning of year according to the adopted statement of financial position	-1 024	-400
Net cost recognised in the profit for the year	-2 737	-2 379
Payment of benefits	-	-
Received contribution from employer to funded plans	2 590	1 770
Net liability at end of year	**-1 171**	**-1 009**

Historical information	2012-12-31	2011-12-31
Present value of funded obligations	-10 108	-8 212
Fair value of plan assets	6 074	4 928
Surplus (plus) or deficit (minus)	**-4 034**	**-3 285**
Experienced-based adjustment of plan assets	173	113
Experienced-based adjustment of defined benefit obligations	-92	-84
Total	**81**	**29**

Significant actuarial assumptions (expressed as weighted average)	2012	2011
Discount rate	2,40%	3,30%
Expected return on plan assets	2,40%	4,80%
Salary increase	3,50%	4,00%
Average service years left (staff turnover)	15,00	16,00
Inflation	1,75%	2,00%

Consolidated figures for the Group	2012-12-31	2011-12-31
Total cost of defined benefit plans	-4 444	-2 033
Total cost of defined contribution plans	-6 324	-2 872
Total pension cost	**-10 768**	**-4 905**

Defined contribution plans
In Sweden, the Group have defined contribution plans for employees (ITP 1) and defined benefit plans (ITP 2) that is treated as defined contribution plans. These are paid in full by the employer. Payment is done on a regular bases according to the rules in each plan.

NOTE 19 – OTHER PROVISIONS

	Group	
	2012-12-31	2011-12-31
Provisions for abandonment costs		
Opening balanse	64 002	60 597
Present value adjustment (Note 8)	5 410	4 359
Positive effect due to license expiring	-7 999	-
Off-set of receivable at license expiration	-14 741	-
Exchange differences	-1 287	-954
Carrying amount at the end of the period	**45 385**	**64 002**
Provisions per field		
Cobo/Pambi	-	18 575
Oombo	8 803	8 470
The Ivory Coast	36 582	36 957
Total	**45 385**	**64 002**
Other provisions		
Actuarial provision	2 606	2 769
Total, Group	**47 991**	**66 771**

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 2013.

NOTE 20 – OTHER LIABILITIES	Group	
	2012-12-31	2011-12-31
Project items	68 163	15 481
Other items	2 156	7 929
Total	**70 319**	**23 410**

Project items of SEK 68.2 (15.5) million relate to accrued expenses from operator, share of working capital or liabilities to operator.

NOTE 21 – ACCRUALS AND DEFERRED INCOME	Group	
	2012-12-31	2011-12-31
Accrued personnel expenses	12 287	13 068
Accrued project expenses	340 101	534 141
Overlift	35	1 220
Other items	8 246	14 780
Total	**360 669**	**563 209**

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. 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 2012 was divided into the following currencies:

	USD thousands
Sales	210 359
Operating expenses	-94 565
Net	115 794
Of which hedged	0

The Group's transaction exposure for 2011 was divided into the following currencies:

	USD thousands
Sales	235 535
Operating expenses	-94 211
Net	141 324
Of which hedged	0

Transaction exposure

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

Group	2012		2011		2010	
Currency	Amount, thousands	%	Amount, thousands	%	Amount, thousands	%
USD	504 766	79	447 917	72	349 024	62
NOK	142 766	**4**	88 775	**3**	112 966	**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 2012.

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 2012, 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 (2.0 million barrels) in 2012, 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 43 million.

– A general increase of 1 per cent in the value of the SEK against other currencies would have reduced the Group's profit before tax by SEK 5 million.

The effect of a general change in interest rates of 1 per cent is regarded as negligible for the Group.

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

Interest-bearing liabilities
The Group's interest-bearing liabilities serve the purpose of funding oil projects. They are short-term in nature and the interest rate is determined based on market rates plus risk premium. Consequently, the fair value is estimated as corresponding to the carrying amount

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

Interest-bearing liabilities
The Group's interest-bearing liabilities serve the purpose of funding oil projects. They are short-term in nature and the interest rate is determined based on market rates plus risk premium. Consequently, the fair value is estimated as corresponding to the carrying amount.

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	2 080	-	-	2 080	2 080
Trade receivables	93 904	-	-	93 904	93 904
Financial investments	-	131 528	-	131 528	131 528
Other receivables	148 353	-	-	148 353	148 353
Cash and cash equivalents	128 957	-	-	128 957	128 957
Carrying amount per category	**373 294**	**131 528**	**-**	**504 822**	**504 822**
Financial obligaiton					
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**

Carrying amount of financial assets and liabilities by category 2011
Group

	Loans and receivables	Held-to-maturity investments	Other liabilities	Total carrying amount	Fair value
Financial assets					
Other long-term receivables	4 137	-	-	4 137	4 137
Trade receivables	137 001	-	-	137 001	137 001
Financial investments	-	306	-	306	306
Other receivables	293 816	-	-	293 816	293 816
Cash and cash equivalents	419 046	-	-	419 046	419 046
Carrying amount per category	**854 000**	**306**	**-**	**854 306**	**854 306**
Financial obligation					
Trade payables	-	-	70 870	70 870	70 870
Other liabilities	-	-	23 410	23 410	23 410
Carrying amount per category	**-**	**-**	**94 280**	**94 280**	**94 280**

NOTE 23 – OPERATING LEASES

Leases where the Company is the lessee	Group	
Non-cancellable lease payments:	**2012**	**2011**
Minimum lease payments	10 199	5 458
Contingent rents	139 549	132 632
Total lease costs	**149 748**	**138 090**
Agreed future minimum lease payments under non-cancellable lease payments fall due as follows:		
Within one year	151 745	131 518
Between one and five years	146 856	449 880
Later than five years	-	-
Total	**298 601**	**581 398**

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 2 years, with a renewal option.

NOTE 24 – INVESTMENT OBLIGATION

	Group	
At the reporting date, contracted investments not yet recognised in the financial statements wereas follows:	**2012-12-31**	**2011-12-31**
Oil and gas assets	890 204	1 111 602
Total	**890 204**	**1 111 602**

Contracted investments relate to investments during the remaining life of the fields.
The abandonment expenses are expected to be incurred 2038 for Baobab.

NOTE 25 – PLEDGED ASSETS AND CONTINGENCIES

	Group	
	2012-12-31	2011-12-31
Pledged assets, bank guarantees	**None**	**41 540**

Pledged assets comprise bank guarantees related to the acquisition of licence shares of oil fields in Nigeria in the amount of 0 (41.5) MSEK.

	Group	
	2012-12-31	2011-12-31
Contingent liabilities	**401**	**41 755**

Contingencies at 31 December 2012 comprise just one contingent liability associated with the Swedish pension plan (pension guarantee).

The difference compared with 31 December 2011 is due to the fact that the Swedish Tax Agency did not previously grant a foreign tax credit for the entire amount of tax (47%) in the Ivory Coast, but only a small proportion (27%).

The subsidiary Svenska Petroleum Exploration CI AB took the case to the Administrative Court of Appeal before finally requesting leave to appeal from the Supreme Administrative Court, but the request was not granted. The Company has paid the tax for which the extension was granted.

Svenska's contractual interest in production sharing contracts (PSC) is calculated using parameters and estimates obtained from operators in the respective licences. One of the operators has indicated that certain parameters may be changed and if this is the case, Svenska's share of production will also change. There is currently no information on what these changes would entail or their effect on the accounts if they materialise.

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 3 409 (3 356) thousands - office lease and office maintence service, Constellation Holdings LLC SEK 16 929 (4 129) thousands - consultancy services and Preem Finans AB SEK 20 (60) 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	2012	0	20 358	0	0
Other related parties	2011	0	7 545	0	0
Other related parties	2010	0	3 258	0	0

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	2012-12-31	2011-12-31
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 New Ventures AB	556820-2963	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 2013 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	2012	2011
Adjustments for non-cash items		
Depreciation and impairments	236 372	160 027
Oil tax [1])	-276 370	-235 323
Other provisions	-15 379	-3 861
Unrealised exchange differences	14 530	145
Total	**-40 847**	**-79 012**
Cash and cash equivalents The following components are included in cash & cash equivalents:		
Cash and bank balances	128 957	419 046
Total	**128 957**	**419 046**

[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 15 January 2013, the Norwegian Ministry of Petroleum and Energy announced that the Group had been granted a 20 per cent interest in the PL 689 exploration licence and a 30 per cent interest in the PL 690 exploration licence on the Norwegian continental shelf, as part of the award of licences in pre-defined areas (APA 2012).

The Mukulungu-D1 well in Marine Block IV in the Republic of the Congo was completed in early February 2013. The well was dry and will be plugged and abandoned. Data from the drilling is being evaluated.

Stockholm, 12 March 2013

Mohammed H. Al-Amoudi
Chairman

Jason Milazzo
Vice Chairman

Fredrik Öhrn
President & CEO

Richard Öhman

Our Audit Report was submitted on 12 March 2013.
KPMG AB

Cronie Wallquist
Authorised Public Accountant

Petroswede AB

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