

Svenska Petroleum Exploration

# ANNUAL REVIEW

2010



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# Svenska Annual Review 2010

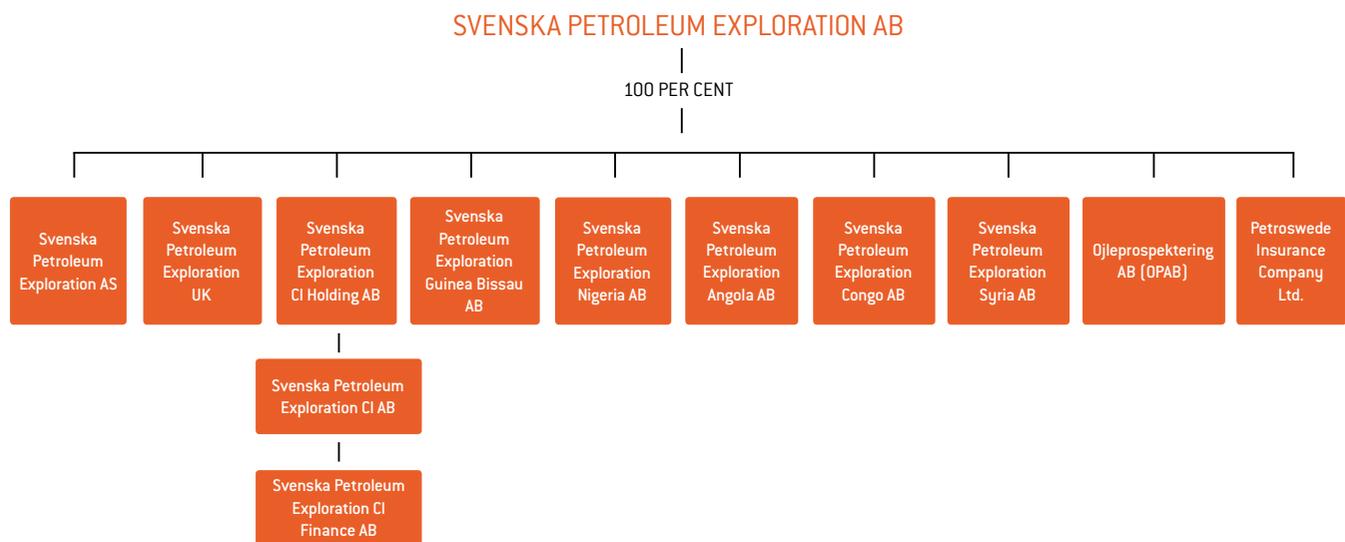
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# Svenska in brief

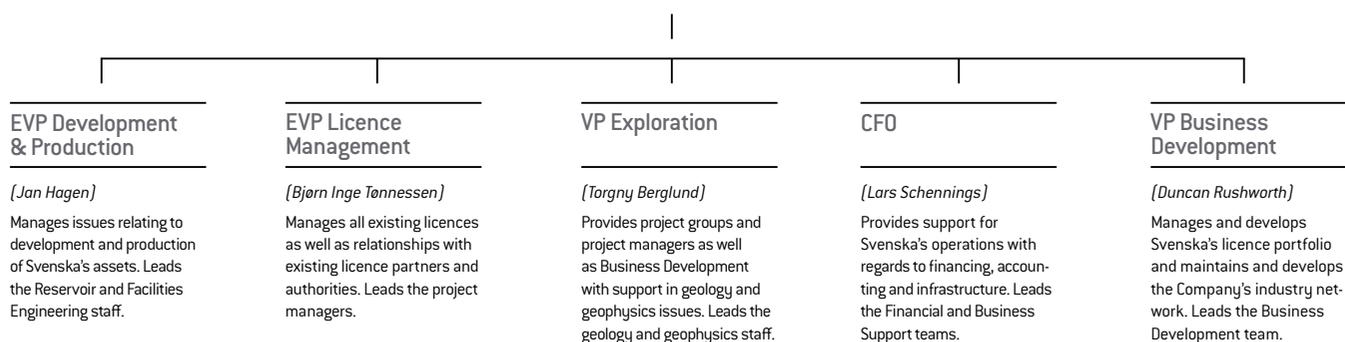
**SVENSKA PETROLEUM EXPLORATION AB (Svenska)** is a private Swedish oil company engaged in offshore exploration and production of oil and gas worldwide. Our exploration activities are focused on the countries in West Africa, the North Sea as well as the Baltic region. Our production operations are currently based in Angola and the Ivory Coast. Svenska is wholly owned by Petroswede AB, which is indirectly owned by Sheikh Mohammed H. Al-Amoudi, one of the largest private investors in Sweden.

## OWNERSHIP



## ORGANISATION

FREDRIK ÖHRN, PRESIDENT AND CEO



**NORWAY**

- 25% interest in Blocks 25/1, 25/2 and 30/11 (PL 362 and PL 035B)
- 20% interest in Blocks 25/2 and 25/3 (PL 442)
- 25% interest in Block 30/11 (PL 035 and PL 272)
- 25% interest in Blocks 6407/7, 8, 10 and 11 (PL 512)
- 25% interest in Blocks 6509/4, 5 and 6 (PL 521)
- 25% interest in Blocks 25/1 and 30/10 (PL 549S)
- 35% interest in Blocks 34/7 and 8 (PL 553)
- 25% interest in Blocks 25/1 and 30/10 (PL 573S)
- 25% interest in Blocks 6306/6, 7, 8 and 9 (PL 583)

**LATVIA**

- 90% interest in licence E-24 (Dalders)

**NIGERIA**

- 20% interest in Block 214 (Uge and Orso)
- 30% interest in Block 244

**GUINEA BISSAU**

- 55% interest in Blocks 2 (Sinapa) and 4A and 5A (Esperanca)

**THE IVORY COAST**

- 27.39% interest in Block CI-40 (Baobab, Kossipo and Koto)
- 20% in Block CI-24

- 27.39% interest in Block CI-40 (Baobab)

**REP. OF THE CONGO**

- 29.75% interest in Marine Block IV

**ANGOLA**

- 30% interest in Block 8
- 30% interest in Block 23

- 6.25% interest in Block 3/85 (Pambi)
- 6.25% interest in Block 3/91 (Oombo)

**SVENSKA'S SHARE OF RESOURCES FROM DISCOVERIES AND PRODUCING ASSETS**

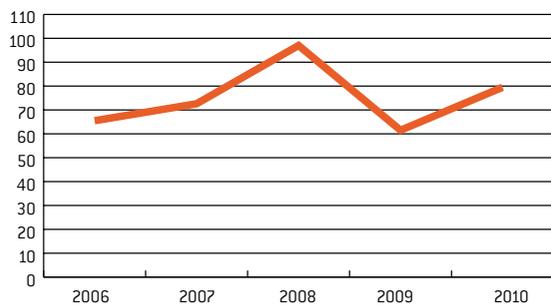
Field	Svenska's interest	Oil (mmbo)	Gas (bcf)	Total (mmboe)
<b>DISCOVERIES</b>				
<b>Norway</b>				
PL 035/272	25%	8.02	-	8.02
PL 442	40%	18.47	74.79	31.79
PL 035B/362	25%	1.26	62.68	12.43
<b>Guinea Bissau</b>				
Sinapa	55%	11.77	-	11.77
<b>Ivory Coast</b>				
Kossipo	27.39%	6.71	2.01	7.07
<b>Nigeria</b>				
Uge	20%	47.96	-	47.96
Orso	20%	2.00	-	2.00
<b>TOTAL DISCOVERIES</b>		<b>96.19</b>	<b>139.48</b>	<b>121.04</b>
<b>PRODUCTION</b>				
<b>Angola</b>				
Pambi <sup>1</sup>	6.25%	0.03	-	0.03
Oombo	6.25%	0.36	-	0.36
<b>Ivory Coast</b>				
Baobab	27.39%	45.90	6.32	47.03
<b>TOTAL PRODUCING FIELDS</b>		<b>46.29</b>	<b>6.32</b>	<b>47.42</b>

1. Including Cobo licence, expired 31 st January 2010  
Conversion factor for Gas (bcf) to mmboe = \*0.1781

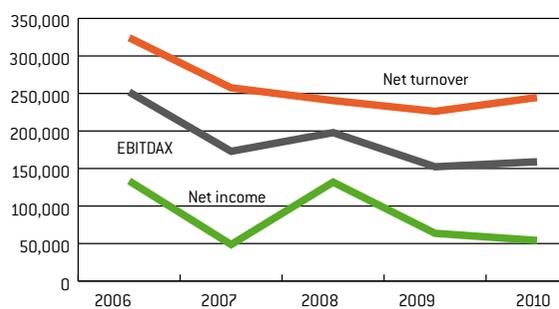
- Exploration asset
- Production asset
- Office



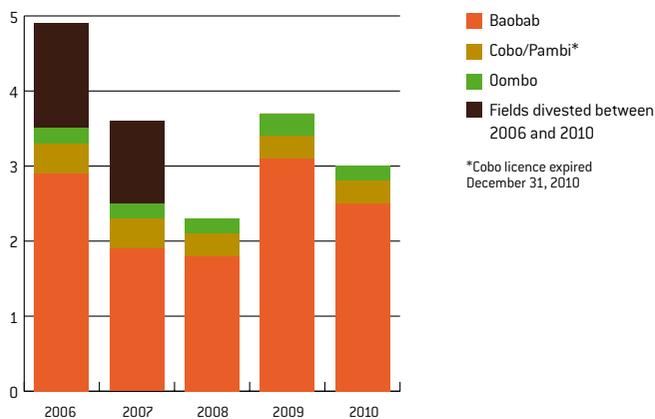
AVERAGE OIL PRICE DEVELOPMENT (USD/BBL)



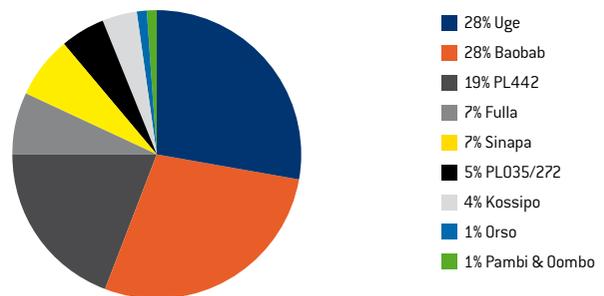
NET TURNOVER & NET INCOME (KUSD)



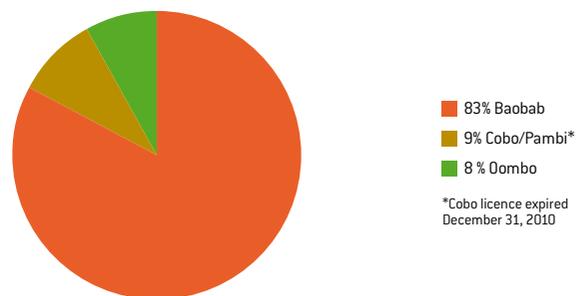
OIL PRODUCTION (MMBOE)



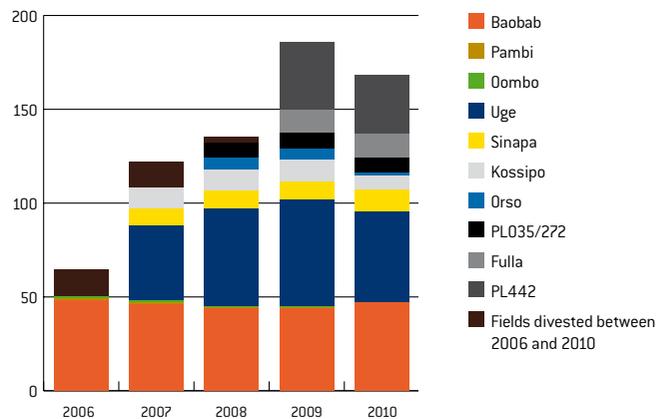
OIL RESOURCES BY FIELD



OIL PRODUCTION BY FIELD



REMAINING OIL RESOURCES (MMBOE)



Five year overview (KUSD)

	2006	2007	2008	2009	2010
Net turnover	324,281	257,550	240,532	226,165	244,668
EBITDAX	251,952	172,907	197,827	152,314	159,006
Operating income	200,684	110,328	160,271	113,714	78,464
Net income	133,421	48,629	131,825	63,621	54,132
Operating margin	61.9%	42.8%	66.6%	50.3%	32.1%
Profit margin	41.1%	18.9%	54.8%	28.1%	22.1%
Net debt/Equity ratio	-0.26	0.01	0.03	-0.09	-0.16
Equity/Asset ratio	0.73	0.57	0.69	0.75	0.71
Return on equity	43.1%	12.9%	22.7%	10.9%	9.6%
Oil production (mmbo)	4.8	3.7	2.4	3.6	3.0
Average production (kbopd)	13.3	10.1	6.7	9.9	8.2
Resource/Production ratio	13.2	35.6	62.4	51.3	56.4

DEFINITIONS FOR THE FIVE YEAR OVERVIEW

EBITDAX: Earnings Before Interest, Taxes, Depreciation, Depletion, Amortisation and Exploration Expenses.

Operating margin: Operating income/Net turnover

Profit margin: Net income/Net turnover

Net debt/Equity ratio: Interest bearing liabilities less liquid assets/Equity

Equity/Asset ratio: Equity/Total assets

Return on equity: Net income/Average equity for the year

# Our history

//**THE SVENSKA GROUP** dates back to 1969, when Oljeprospektering AB (OPAB) was founded. OPAB was an initiative from the Swedish government and a number of Swedish private enterprises in response to the vast potential of a growing energy market. With a 50 per cent state ownership, the Company's mission was of national

concern and it therefore sought to explore and produce hydrocarbons in Sweden. In 1973, a second initiative, Petroswede, was established. Also based on a 50/50 state-private ownership structure, Petroswede's objective was to search for new opportunities beyond the shores of Sweden. In 1979, the state-owned company Svenska Petroleum

acquired parts of Petroswede and launched the new company by the name of Svenska Petroleum Exploration. Svenska entered into an agreement with OPAB to operate all of its fields and take over staff and premises.



## 1969

On April 17th, Oljeprospektering AB (OPAB) is founded as an initiative by the Swedish government and a cluster of Swedish enterprises (AGA, Boliden, Gränges and Sydkraft). With a 50 per cent state ownership, the company's objective is to explore for hydrocarbons in Sweden.

## 1973

On July 5th, Petroswede AB is established, also based on a 50/50 state-private enterprise structure (LKAB, the Sahlén Group, the Axel Johnson Group and KemaNord AB). The company's mission is to explore and produce oil beyond the Swedish borders.

## 1974

OPAB discovers oil on the Swedish island of Gotland.

## 1979

On February 19th, Svenska Petroleum (SP), a state-owned refining and marketing company, acquires a part of Petroswede and changes its name to Svenska Petroleum Exploration. OPAB is included as a subsidiary and Svenska thus takes over the company's staff and premises.

## 1983

Svenska acquires interests in the Ula discovery, Norway, from Conoco.

## 1986

SP and Oljekonsumenternas Förbund (OK Union) merge to create OK Petroleum (OKP). KF (the Cooperative Union) is the largest shareholder, while the Swedish state and Finnish Neste Petroleum hold the remaining shares. All upstream activities are concentrated in Svenska.

## 1991

The Swedish Parliament approves the sale of the Swedish state's shares in Svenska to OKP, which now becomes the sole owner of the company.

## 1993

Svenska becomes the operator of the Genciai oil field in Lithuania and production activities commence in the Cobo field in Angola.



1994

Sheikh Mohammed H. Al-Amoudi acquires OKP through his investment company Moroncha Holdings.

1995

The first oil from the Pambi field in Angola is produced.

1996

OKP becomes Preem Petroleum and divests its shares in Svenska to a newly established holding company that inherited the name Petroswede (through Moroncha Holdings). OPAB becomes a wholly-owned subsidiary of Svenska after the acquisition of Sydkraft's shares.

1997

The first oil from the Oombo field in Angola is produced.

1998

Svenska acquires an interest in the promising Block CI-40 in the Ivory Coast.

2005

The first oil from the Baobab field in the Ivory Coast is produced.

2006

Svenska divests its 50 per cent interest in the joint venture UAB Genciu Nafta.

2007

Svenska acquires Occidental Petroleum Corporation's West African portfolio of exploration assets, comprising licences in Nigeria, Angola and Guinea Bissau.

2008

Svenska divests its interests in the Ula field (Norway) as well as Janice and Nelson fields (UK).

2009

Svenska celebrates its 40th year of operations. Svenska acquires an interest in the Marine Block IV in the Republic of the Congo and in Norway the Fulla field and the Frigg Delta field are discovered.

2010

Svenska as operator of the Sinapa and Esperanca licences offshore Guinea Bissau successfully completes a 3D seismic survey during the autumn. Two new Norwegian licences are awarded in the APA 2010 round. Gas is found in the Virgo-1 well in Block CI-24 in the Ivory Coast.

# An Eventful Year with Ambitious Initiatives Ahead of us

**IT HAS BEEN AN INTERESTING** and a very eventful year in the oil industry. With a rising oil price and the Macondo well accident dominating the media, the oil industry has been the centre of attention throughout the year.

**//AGAINST THIS BACKDROP**, Svenska has had another strong year. We have continued to expand our portfolio with four additional licences in Norway alongside participation in the latest licensing round in Syria as well as a number of farm-in processes. In addition to our operated licences we have, as always, continued to be an active partner in all our licences.

This year may have been the busiest for me and for the Company so far. Our operations in Guinea Bissau continued to move forward. We finalized a long offset 3D survey, as well as a gravity and bathymetry survey during the year. Initial results look very promising. 2010 also had its share of disappointments, such as the postponement of the wells

in Angola, Nigeria and Norway, which left us with only one exploration well drilled in the year, and the Virgo well in the Ivory Coast which came in with a less than satisfying result. Also, the politically complex situations in some of the countries where we operate continue to affect us. Not least the aftermath of the elections in the Ivory Coast and the continuing postponements of the Petroleum Industry Bill in Nigeria.

The programme to strengthen the internal structure of the Company which we started a few years ago has continued. This includes the adoption of new management systems and recruitment of additional staff and expertise within the legal, data management, business control and human resource functions.

Financially, Svenska has had a very good year. With continuing strong production from the Baobab field, as well as a high oil price, we are showing a net result of MUSD 54.1 (63.6) on a turnover of MUSD 244.7 (226.2) for the year. During the past year we have also



secured long-term financing for Svenska. Both our MUSD 50 exploration facility for Norway and our MUSD 115 reserve base lending facility are in place. We continue to be in a strong financial position, with the capability of taking Svenska to the next level.

As in previous years, Svenska has tried to make a difference in the communities where we are active. Following on from the refurbishment of the Simon Mendes Hospital emergency wing in Bissau last year, we have, together with our partners, refurbished the Bula Medical Training Facility during the year. The school will graduate up to 30 medical doctors annually. This is an incredibly rewarding project, where Svenska has the privilege to give something back to the countries we operate in. In addition we have continued to provide support to the SOS Children's Villages in Abidjan in the Ivory Coast, Bissau in Guinea Bissau and in Lubango in Angola, as well as provided funding for the drilling of water wells in Africa.

The future looks bright for Svenska.



The future looks bright for Svenska. We are continuing to grow the Company organically, but if the right match were to present itself we would be open to acquisitions.”

We are continuing to grow the Company organically, but if the right match were to present itself we would be open to acquisitions. We are planning to build additional operating capabilities and during the coming year the ambition is to have Svenska approved as an operator in Norway. We are always looking to secure more interesting exploration acreage and while our focus is still on Africa and on black oil, we also look at assets in Norway and in the Middle East.

Finally, I would like to thank the staff of Svenska for all your hard work throughout the year. I am very proud of the organisation we have built together.

I would also like to thank our Board of Directors and not least our shareholder, Sheikh Mohammed H. Al-Amoudi for his continued support. I am looking forward to an even more productive, successful year for Svenska in 2011.

**Stockholm, February 2011**  
**Fredrik Öhrn**  
**CEO**



# Expertise for Active Partnership

**SUPPORTING** Svenska's long-term commitments.

//SVENSKA'S STRATEGY is to be an active partner. This means that we aim to have the competence to play an active part in project development; challenging the operator and adding value to the working process. With this strategic goal in mind, Svenska has been building its capacity from 17 to almost 50 employees. The team is now highly diversified spanning more than 15 nationalities, with more than 400 years of accumulated oil industry experience. The Company's project-based organisational structure allows for flexibility and a strong presence in key markets, with offices in Stockholm, Oslo and London as well as project offices in Bissau, Luanda and Damascus.

To optimise the utilisation of our staff and resources, we work in cross-functional

project groups spanning all the regional offices: although located in several different places, we are still one cohesive company.

## OUR COMPETITIVE EDGE

Svenska will continue to grow and so will the organisation, thus we will be competing to recruit the best in the business. Svenska offers a non-bureaucratic and fast-moving organisation where talented people can progress rapidly through exposure to international ventures in a challenging environment. Our strengths as an employer also improve our outcomes: quick decision-making makes us responsive to the business opportunities that present themselves day-to-day.

# Visualising Our Values

## /VISION

Svenska's vision is to become a leading Africa-focused black oil exploration and production company. We focus on growth with a balanced portfolio, both in terms of the balance between exploration and producing assets and in terms of geographic distribution and play types.

## /MISSION

Svenska's mission is to deliver growth and value to our shareholder, our employees and our partners. We strive to maintain the highest standards of safety and working conditions, as well as a commitment to minimise the impact of our operations on the environment. It is Svenska's ambition to establish ourselves as a partner of choice for our host countries, our licence partners and our employees.

## /STRATEGY

We are focusing on expanding Svenska through an active strategy of portfolio management, acquisitions and exploration. We focus on high value assets in areas where Svenska has key relationships. We strive to ensure that we have leading technical and commercial competence in order to proactively monitor and add value to our investments.

## /TACTICS

Svenska's short-term strategy is to diversify our production base and to continue to secure additional proven reserves. In a mid- and long-term perspective the strategy is to grow by actively managing our asset base and by securing new assets through concession round awards, farm-ins and acquisitions. Focus is on investing in low risk exploration, discoveries and in early stage developments.

## /MARKETING

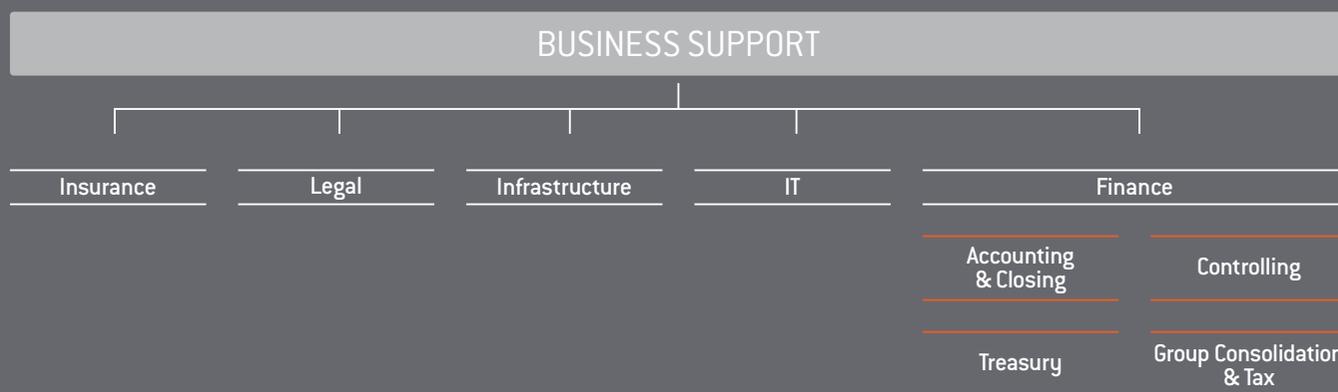
Svenska markets all its production at arm's length basis to a wide variety of major oil companies. It is our aim to achieve prices equal to the annual average prices for our respective crudes.

## /ORGANISATION

Svenska's staff comprises a large percentage of professionals primarily from the geosciences disciplines. The organisation and management is divided between the operating offices. Svenska strives to cross utilise its staff between different offices and disciplines in order to build a coherent culture across the Company.

# Business Support

**WITHIN THE STRATEGIC FRAMEWORK** of active partnership, Business Support aims to provide a structure through which the Company can meet its objectives.



**//THIS TRANSLATES** practically into providing support services with an optimal balance between quality and cost. In order to strategically support the continued growth of Svenska, certain key areas have been strengthened, in particular Legal, Finance and IT, through recruitments. During the year, Svenska has entered into two external financing facilities which require even more emphasis on financial and compliance reporting.

The aim is to respond to the shifting needs of the Company. A sharp increase in the total managed data base is anticipated, based on a continued growth in activity. We have been successful in increasing licences obtained by both farm-ins and licensing round awards, combined with

the strategic choice to be an active partner. This growth will require more focus on IT data management and processes, which accordingly is an increasing priority for the department.

We also aim to supply the entire organisation with the data required to anticipate emerging business needs. The business model of Svenska is based on long-term capital commitments and asset selection processes. A comprehensive software system has been implemented which enables consistent asset evaluation and benchmarking, a full portfolio of future production and cash flow as well as full financial statements over the field life. With the new system in place, Svenska has a platform that provides an excellent

basis for both asset evaluation and financial planning.

Further projects will be launched during 2011 to concretize the vision of “Three Offices – One Company”. It is a high priority for us to ensure that the Company can benefit from the full strength of its work force, regardless of their location. Recognising that we have an expanding organisation with a workforce approaching 50 employees, Svenska will need to continue to enhance its structure.



# Business Development

**BUSINESS DEVELOPMENT** responsibilities span Corporate Development through Mergers and Acquisitions (M&A), Acquisitions and Divestments (A&D) as well as initiating new exploration ventures together with the exploration department.

**//IN ORDER** to support these efforts, the department maintains a wide ranging network of investment banks, brokers and other exploration and production companies. These various functions and networks combine to allow Business Development to identify and evaluate a range of potential exploration, development and production opportunities, and so work towards Svenska's overall growth priorities, namely to broaden its production base in the near-term, to achieve production levels of 30,000 bopd by 2014.

Business Development is also responsible for managing the existing portfolio to ensure the optimum risk reward balance is reached. It is therefore active in seeking new joint venture partners in certain projects and will occasionally manage the divestment of non-core assets. During 2010, we concluded a process where all assets were captured in a portfolio

management system.

During 2010, the department was involved in seeking new exploration acreage via ground-floor entry by participating in licensing round activity. The Company applied for three blocks in Norway and also initiated a new country entry into Syria.

During 2011, the Company will be seeking to participate in additional licensing rounds in Norway, the Middle East and North Africa. In 2011, the department will become further focused on identifying and capturing a producing or development asset, as well as managing capital exposure within the exploration portfolio.

# Bringing Responsibility to Our Operations and Beyond

**SVENSKA SEEKS TO LEVERAGE** its growing expertise in order to be a responsible partner, both in terms of its operations, as well as in terms of its social responsibility around its spheres of activity.



//WITH SVENSKA'S ambitious objectives in terms of operational excellence and achievements, striving for a high standard in health, safety and environment (HSE) is pivotal. We are actively pursuing continuous improvements to ensure the safety of our employees and other parties, to minimise the impact on the environment and the disruption to local communities. The build-up of this expertise is core to our strategy of increasing our operating capability. In 2011 we will be recruiting new safety and technical competences with this goal in mind.

Our goal is to ensure that HSE considerations remain a top priority, both in our own organisation as well as within the licences where we are a partner. We firmly believe that as partners we can make a difference. Improvements are made through the systematic evaluation of the HSE aspects of all our licences and by actively influencing operators' plans. Our overall aims and objectives are to:

- Prevent loss of human life and avoid injury as the highest priority.
- Strive for environmentally improved techniques to be used in all licences in which the Company participates.
- Possess a well developed environmental awareness when technical and economic decisions are made.

- Try to influence partners and vendors to exceed the minimum requirements of law, where this is environmentally called for.
- Strive to minimise water, land and air pollution, as well as disruption to wildlife, caused by the operations in which Svenska is involved.

Svenska's operations in Guinea Bissau underline our commitment to HSE. To ensure the safety standards of our exploration operations there, we have a contingency framework set up for avoiding risks and disaster-managing of those that manifest themselves. For example, during seismic acquisition in 2010 the risks of collision with local fishing canoes were managed via broadcasting warnings by radio, keeping employees with local language skills at hand, having safety brochures distributed locally and using support vessels to keep shipping lanes clear. We also kept a Marine Biologist onboard the vessels to predict and avoid damage to wildlife.

Svenska is also actively in dialogue with industry and advocacy groups, as we support knowledge sharing and do not shy away from debate. We are engaged with international environmental NGOs in Norway and are also active in the Norwegian SOL (small operators and licensees) HSE network, which was initiated to pool competences, share knowledge and create a common platform for HSE improvements.



### COMMITMENT BEYOND OUR OPERATIONS

Svenska successfully cooperates with SOS Children's Villages (SOS) on an ongoing basis. SOS is an international non-governmental social development organisation active in the field of children's rights. The organisation is focused on family-based, long-term care for children who are unable to grow up with their biological families, in order to provide a much needed sense of safety and stability.

With the bulk of our activities focused in the West African region, where most nations are at an early stage of economic development, our responsibilities there extend beyond our own staff and asset interests. Svenska has therefore pledged to support local communities in improving social infrastructure. Svenska is currently sponsoring three facilities, as part of this ongoing community engagement.

#### SOS YOUTH FACILITY ABOBO-GARE, THE IVORY COAST

Svenska sponsors one of the two SOS Youth Facilities in the Ivory Coast. The facility offers care for those undergoing the transition from an SOS Children's Village to an independent life as young adults. It offers different care options, such as shared flats or youth houses, as well

as education or vocational training. A great emphasis is placed on helping the young people manage their daily lives, develop their job prospects and gain a sense of responsibility. The village supports 336 children and youths.

#### SOS SOCIAL CENTRE (FAMILY STRENGTHENING PROGRAM) LUBANGO, ANGOLA

In Angola, Svenska supports an SOS Family Strengthening Program. The main objective is to help those children at risk of losing their natural family environment, by supporting their own family's ability to care for them. This includes educational scholarships, provision of school materials, medical care and promotion of income generating activities. This involves working with 110 families, thus supporting 463 child beneficiaries.

#### SOS HERMANN GMEINER PRIMARY AND SECONDARY SCHOOL BISSAU, GUINEA BISSAU

Svenska supports the SOS Primary and Secondary School in Bissau. The school is open to entrants from both the SOS Children's Villages and the local community. Currently, the school is attended by 420 pupils and comprises 12 classrooms and a library.

#### BULA

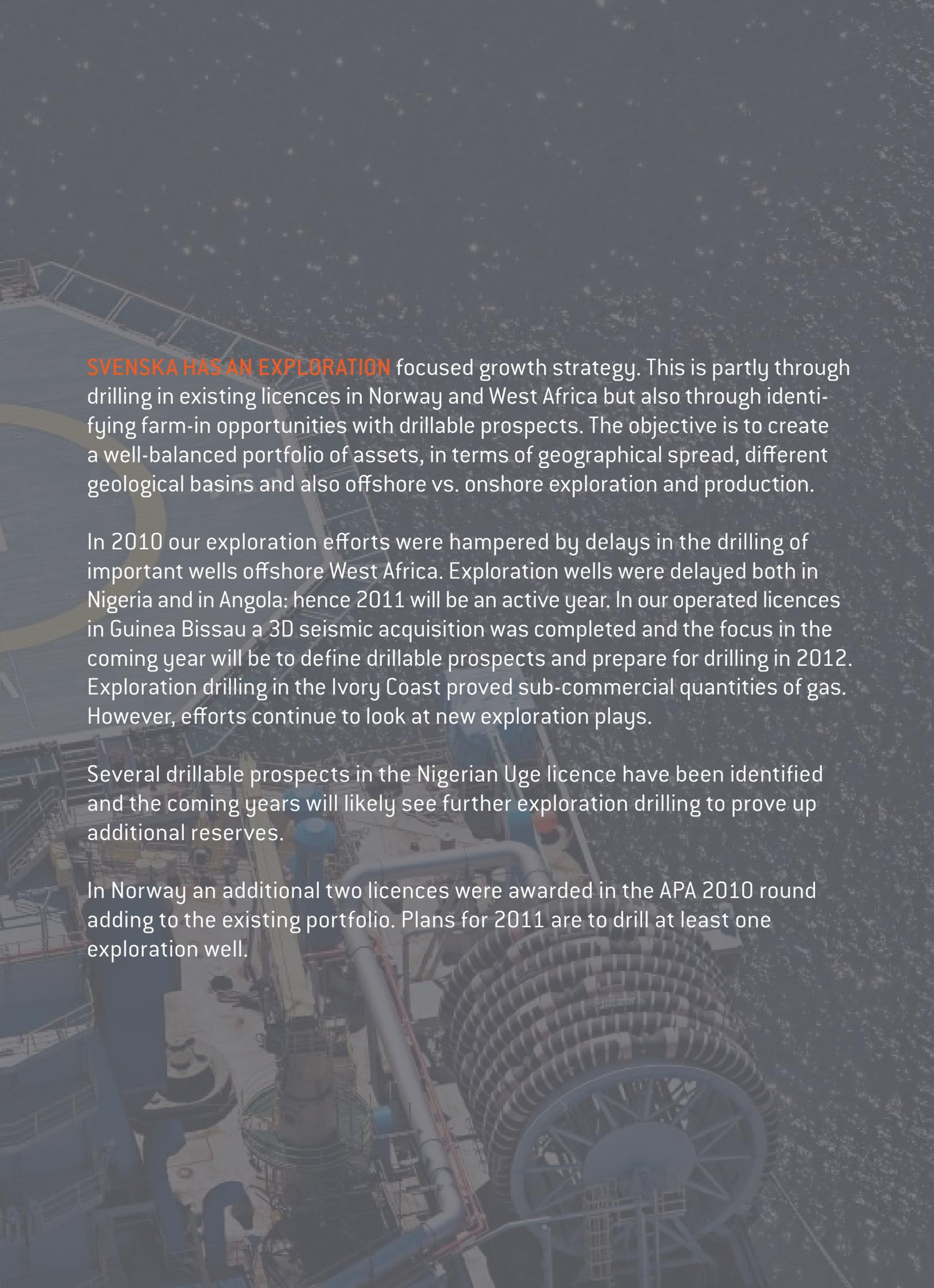
Svenska became the operator of the Sinapa and Esperanca licences offshore Guinea Bissau in late 2007. Svenska and its partners undertook the restoration of the main building of the Simon Mendes Hospital in central Bissau during 2008, completing the work in 2009. In 2010 the partnership undertook a project to renovate and refurbish a number of buildings at the former Olof Palme Agricultural Centre in Bula, some 35 kilometres north of Bissau. All four buildings were refurbished as student living accommodation. This has enabled the existing students at the facility to live and study 'on campus' and has allowed the medical training facility to double the number of students it can train as basic health workers, nurses, midwives and doctors. The facility refurbishment was completed in August 2010.

Svenska will continue to be committed to supporting projects such as these in the countries where it is active.



An aerial, high-angle photograph of an offshore oil rig at night. The rig's complex structure of steel beams, platforms, and walkways is illuminated by various lights, creating a stark contrast against the dark sky. The background is filled with a dense field of stars, suggesting a night sky. Overlaid on the center of the image is the word "EXPLORATION" in a large, bold, white, sans-serif font. The text is split across two lines: "EXPLORATION" on the top line and "EXPLORATION" on the bottom line. The overall mood is industrial and futuristic.

# EXPLORATION EXPLORATION



**SVENSKA HAS AN EXPLORATION** focused growth strategy. This is partly through drilling in existing licences in Norway and West Africa but also through identifying farm-in opportunities with drillable prospects. The objective is to create a well-balanced portfolio of assets, in terms of geographical spread, different geological basins and also offshore vs. onshore exploration and production.

In 2010 our exploration efforts were hampered by delays in the drilling of important wells offshore West Africa. Exploration wells were delayed both in Nigeria and in Angola: hence 2011 will be an active year. In our operated licences in Guinea Bissau a 3D seismic acquisition was completed and the focus in the coming year will be to define drillable prospects and prepare for drilling in 2012. Exploration drilling in the Ivory Coast proved sub-commercial quantities of gas. However, efforts continue to look at new exploration plays.

Several drillable prospects in the Nigerian Uge licence have been identified and the coming years will likely see further exploration drilling to prove up additional reserves.

In Norway an additional two licences were awarded in the APA 2010 round adding to the existing portfolio. Plans for 2011 are to drill at least one exploration well.

# Enduring Growth

*DURING 2010, Norway has continued to prove its status as an enduring source of strength in Svenska's portfolio. Svenska was very successful in the latest licensing round, winning two new licences, bringing the total to eleven licences in Norway.*



## //NORWAY

Svenska plans to continue the growth in Norway by applying for more acreage in the APA 2011 round. In addition, Svenska will continue to look for business opportunities through farm-ins and acquisitions.

### PL 573S AND PL 583

In January 2011, Svenska was awarded a 25 per cent interest in two new licences as a result of the APA 2010 licensing round. PL 573S is located west of the Fulla discovery and contains interesting prospectivity within the Tertiary strata. The licence will be operated by Det Norske Oljeselskap ASA (Det norske). The other partners are Bayerngas and Dana Petroleum. PL 583 is located in the Norwegian Sea in a relatively frontier area with a large potential. The licence will be operated by Spring Energy with Bayerngas and Lundin Norway AS as partners along with Svenska.

### PL 362/035B

During 2010, the Fulla gas-condensate discovery has been further matured through a focus on subsurface work and tie-in development studies. This work will accelerate through 2011 with the aim to deliver a Plan for Development and Operation (PDO) in early 2012. The mean recoverable volumes in the Fulla discovery are estimated at approximately 50 mmbœ. Additional exploration potential

has been identified and will be further matured during 2011. Svenska holds a 25 per cent interest and the other partners are Statoil, the operator, with a 50 per cent interest, Det norske with 15 per cent and Dana Petroleum holding 10 per cent.

### PL 442

With PL 442, the focus has been on a better subsurface definition of the Frigg Gamma-Delta-Epsilon oil and gas discovery, following the successful oil discovery in well 25/2-17 late in 2009. A static reservoir model has been built and further work in 2011 and 2012 will concentrate on reducing subsurface uncertainty, building a full dynamic reservoir model and development feasibility studies towards a planned PDO delivery late 2012. The estimated recoverable reserves are 85 mmbœ, of which about 60 per cent is oil and 40 per cent gas. In addition, work on exploration potential continues with the aim to mature prospects to a drillable status. Svenska holds a 40 per cent interest, the same as operator Statoil with Det norske holding the remaining 20 per cent.

### PL 035/272

The jointly operated PL 035 and PL 272 licence contains several interesting prospects. During 2010, the Krafla prospect was matured to a drillable status and the rig Ocean Vanguard has been contracted to drill

this prospect, with expected spud in March 2011. Given technical success, a second well is planned to be drilled in the Krafla West prospect. Svenska and Det norske each hold a 25 per cent interest, while the operator Statoil holds the remaining 50 per cent.

#### PL 512

PL 512 was awarded in the APA 2008 round and is located close to the Njord Field on the mid-Norwegian shelf. During 2009, acquisition and processing of seismic data was completed. The data is presently being used to mature the prospect towards drillable status. The operator, Det norske, has a 30 per cent interest, Svenska a 25 per cent interest, while partners Repsol and Bayerngas have 25 and 20 per cent, respectively.

#### PL 521

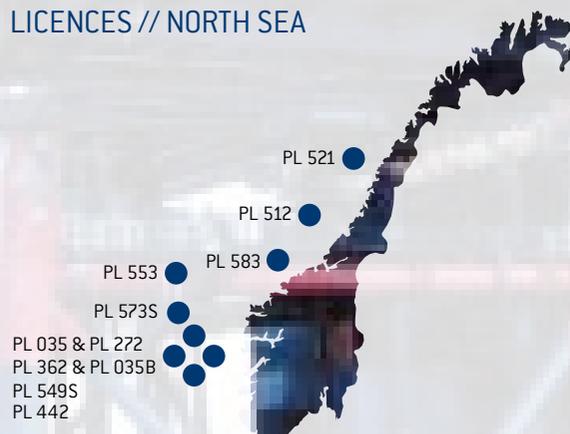
In May 2009, Svenska was awarded a 25 per cent interest in PL 521. Covering Blocks 6509/4, 5 and 6, the licence is situated on the mid-Norwegian shelf, approximately 70 kilometres east of the Skarv Field. The main prospect in the area has a high volume potential, but has some geological risk related to source and migration. During 2010, an extensive 3D seismic survey was acquired and prospect evaluation is on-going at present. Statoil is the operator with a 40 per cent interest and partner PGNiG holds a 35 per cent interest.

#### PL 549S AND PL 553

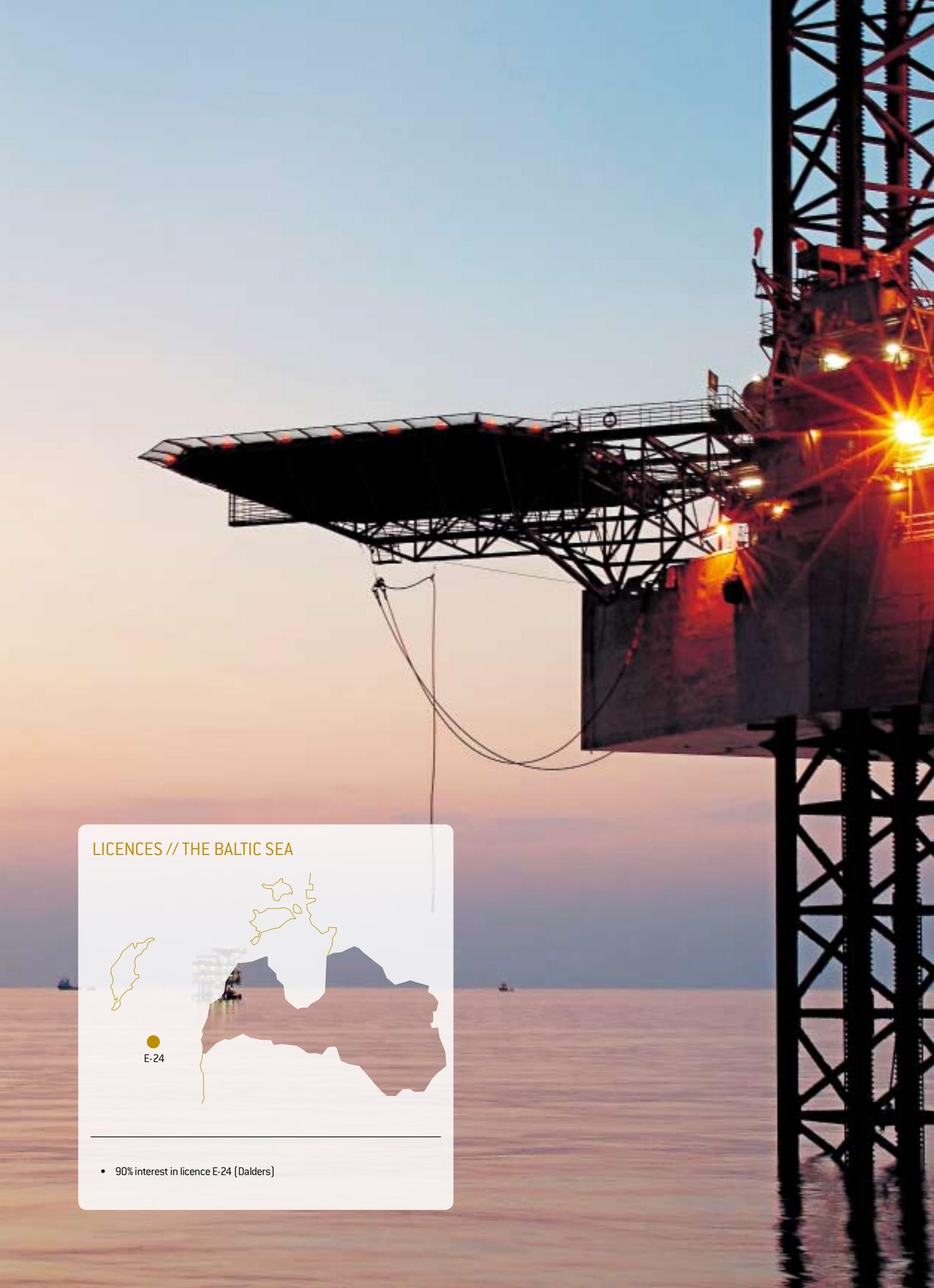
In January 2010, Svenska was awarded two new licences resulting from the APA 2009 licensing round: PL 549S west of the Fulla discovery in the Frigg area, and PL 553 in the Tampen area. Svenska was awarded a 25 per cent interest in PL 549S. Det norske will be the operator with 35 per cent, whilst Dana Petroleum and Bayerngas have a 20 per cent interest each. Svenska was also awarded a 35 per cent interest in PL 553. Det norske is the operator with a 40 per cent interest, while Bayerngas is the third partner with a 25 per cent interest. Both licences are located in very prospective areas and represent a very exciting expansion of Svenska's portfolio. Currently, advanced geological and geo-physical studies are being performed for the prospectivity assessment.



### LICENCES // NORTH SEA



- 25% interest in Blocks 25/1, 25/2 and 30/11 (PL 362 and PL 035B)
- 20% interest in Blocks 25/2 and 25/3 (PL 442)
- 25% interest in Block 30/11 (PL 035 and PL 272)
- 25% interest in Blocks 6407/7, 8, 10 and 11 (PL 512)
- 25% interest in Blocks 6509/4, 5 and 6 (PL 521)
- 25% interest in Blocks 25/1 and 30/10 (PL 549S)
- 35% interest in Blocks 34/7 and 8 (PL 553)
- 25% interest in Blocks 25/1 and 30/10 (PL 573S)
- 25% interest in Blocks 6306/6, 7, 8 and 9 (PL 583)



## LICENCES // THE BALTIC SEA



- 90% interest in licence E-24 (Dalders)

# Ongoing Untapped Potential

**ACTIVITY CONTINUES** at a low level pending the Latvian E-24 drilling permit.

## //LATVIA

Since its establishment, the Company has had rights to explore an area covering the southern part of the Baltic Sea. The Dalders structure is located at a water depth of 120 metres and technical evaluations indicate vast commercial potential and volume estimates are set at about 300 million barrels of recoverable oil. It remains the largest undrilled prospect in the Baltic Sea.

## E-24

Currently, Svenska's efforts are directed at the Latvian side of the Dalders prospect and the E-24 licence where OPAB has a 90 per cent interest. The Republic of Latvia holds the remaining 10 per cent as a carried interest in the exploration phase. The contract with the Republic of

Latvia allows OPAB to drill an exploration well within two years of the effective date of the Latvian licence, which is the date when the border between Latvia and Lithuania is ratified by the Latvian Parliament. However, due to the delays in the resolution of the border no well has as yet been drilled.

# Moving towards an Operative Framework

SVENSKA MOVES FORWARD *with promising West African exploration assets in its asset portfolio.*

## //NIGERIA

Svenska currently holds interests in two offshore production licences in Nigeria: OPL 214 and OPL 244. A new Petroleum Industry Bill (PIB) legislation is under consideration in the Nigerian Senate. This will potentially affect the fiscal framework of all Production Sharing Contracts (PSC) in Nigeria, including OPL 214 and OPL 244. There remains considerable uncertainty around the likely timing of the passing of the bill, and how the bill will affect the industry in general and existing PSC's in particular.

### OPL 214

The PSC for OPL 214 was signed and became effective in June 2002. Partners ExxonMobil, Chevron, ConocoPhillips and Svenska each hold a 20 per cent interest. NPDC, the Nigerian Petroleum Development Company, holds a 15 per cent interest and Sasol the remaining 5 per cent.

The main discovery in the block is named Uge. It was discovered in 2005 by the Uge-1X exploration well and appraised by Uge-2X in 2007. By the latest estimate ultimately recoverable reserves are calculated at 270 mmbbls of oil. The development of Uge would be similar to that of Baobab in the Ivory Coast. The development sanction process

has been postponed pending the outcome of the new Petroleum Bill.

The Orso discovery is thus not viable as a standalone development project and tieback to the Uge field does not appear technically feasible.

OPL 214 is, as of June 2009, in the third exploration phase, and Svenska is hence committed to drill two additional exploration wells. The first well is likely to be drilled in the Uge North prospect and is tentatively scheduled for the third quarter of 2011. The second well will be drilled before the licence expires in 2012, but the exact location has yet to be decided. The block contains a number of additional potential prospects, which will require further interpretation before a decision can be made on where to locate this second exploration well.

### OPL 244

Svenska currently holds a 30 per cent interest in OPL 244. ENI, the operator, holds a 60 per cent interest and NPDC the remaining 10 per cent. OPL 244 is in the second exploration phase with a commitment to drill a third exploration well. The two previous wells, which were drilled before Svenska's acquisition, found gas and minor traces of oil but the volumes were not large

enough to raise a commercial interest. The block's 3D seismic data has since been reprocessed using depth migration and the "L-prospect" has been identified as the primary prospect to drill. The licence expires in December 2011.

## //THE IVORY COAST

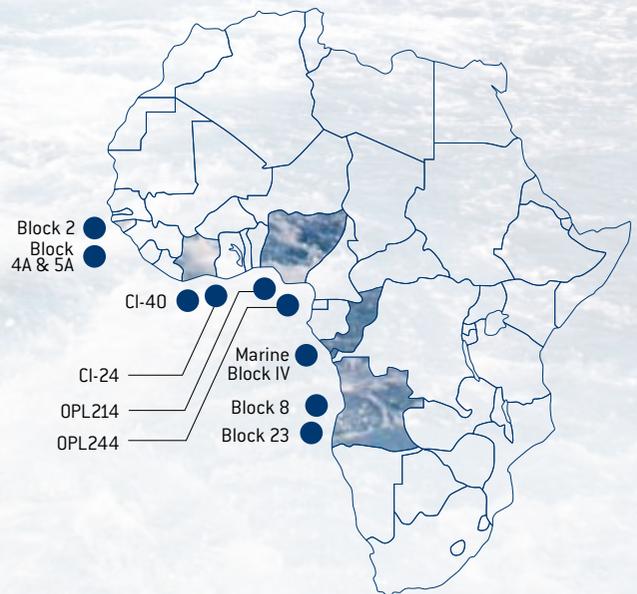
Svenska holds two licences in the Ivory Coast: CI-40 and CI-24. Following the ongoing disputed election result and political uncertainties in the Ivory Coast, Svenska continues to expand our exploration operations there in anticipation of a solution. There have been mixed outcomes in the Ivory Coast with steady progress in the exploration of the Baobab field accompanying disappointing results from the Virgo well.

### CI-40

Svenska holds a 27.39 per cent interest, with Canadian Natural Resources (CNR), the block operator, holding 57.61 per cent and the national oil company, Petroci, holding the remaining 15 per cent. In early January 2009, a Government decree increased the Baobab area to include the complete Koto prospect, which means that the CI-40 area now covers the Baobab field and the Kossipo discovery, as well as the Koto prospect.



## LICENCES // WEST AFRICA



- 30% interest in Block 8
- 30% interest in Block 23
- 20% interest in OPL 214 (Uge and Orso)
- 30% interest in OPL 244
- 27.39% interest in Block CI-40 (Baobab, Kossipo and Koto)
- 20% in Block CI-24
- 55% interest in Blocks 2 (Sinapa) and 4A and 5A (Esperanca)
- 29.75% interest in Marine Block IV



## Throughout 2010, Svenska remained committed to a continuing high level of exploration activity in the commercially interesting waters off Guinea Bissau.

Work on the petrophysical and seismic data reprocessing for Baobab has been ongoing throughout 2010, and an updated geological model of the field was completed in the fourth quarter. The resulting information will allow the rebuilding of the dynamic reservoir model based on the static model, which, in turn, will be utilised primarily for the Baobab phase III screening and planning phases.

The reprocessing of the Kossipo 3D gas cloud dataset was also completed. The aim of this reprocessing work was to improve visibility and so assess the continuity of the reservoir below the gas cloud, while enhancing the imaging within the gas cloud itself. The analysis conducted on the volumetrics of the four areas which constitute the Kossipo reservoir, led to an estimated 105 mmbbls of STOOIP with a significant

upside potential due to uncertainty in the oil-water contact.

### CI-24

Svenska holds a 20 per cent interest in the CI-24 licence, with partners Edison International holding 36.25 per cent, Kufpec Oil holding 33.75 per cent and the national oil company Petroci holding the remaining 10 per cent. The Virgo-1 exploration well was plugged and abandoned in September 2010 after discovering gas in the Albian sandstone reservoir target. Partners are continuing to evaluate the Virgo discovery and nearby potential as the exploration phase ends.

### //GUINEA BISSAU

Svenska continues to hold a 55 per cent equity interest in both the Sinapa, Block 2, and the Esperanca, Blocks 4A and 5A,

licences. Other licence holders with Svenska are Petroguin, the Guinea Bissau state oil company holding 30 per cent and FAR holding 15 per cent. These licences lie some 180 kilometres west of the Guinea Bissau coast off the Rio Geba estuary.

Throughout 2010, Svenska remained committed to a continuing high level of exploration activity in the commercially interesting waters off Guinea Bissau. Our levels of activity in 2010 built on those in 2009, with a large geophysical data program being acquired during the second to fourth quarter of 2010 on the wide shallow water continental shelf present off Guinea Bissau.

This data is intended to better define a number of undrilled exploration opportunities in the Cretaceous interval some of which are associated with salt movement induced structures. The interpretation of this data will enable potential drilling locations to be determined for these structures, some of which have been previously identified on the existing limited geophysical dataset, though we also anticipate other as yet unidentified prospects and leads being recognised. This work is part of an integrated long-term program designed to allow Svenska and its partners to rigorously evaluate drilling opportunities in these waters later in 2012.

### SINAPA AND ESPERANCA LICENCES

In November 2010, the Guinea Bissau Government extended the First Phase Exploration licences to this Svenska led group by a further two years, up to 26



November 2012. All existing commitments on these licences have been met.

During 2010, Svenska's activity within these licences revolved around geophysical data acquisition. Following the successful 250 kilometre line 2D seismic 2009 test of the effectiveness of the PGS Geostreamer technology in imaging the reservoir interval, a 3D PGS GeoStreamer seismic survey of some 1,640 km<sup>2</sup> was acquired during the late summer and autumn of 2010. This data is now being processed by PGS at their Weybridge Data Processing centre. Prior to this survey being acquired ARKeX was commissioned to acquire a high resolution gravity gradiometry survey over broadly the same area of the Sinapa and Esperanca licences. This data is now being processed at the ARKeX, Cambridge offices and will be interpreted during 2011.

The potential drilling locations identified will be followed up in the second phase of these licences.

#### // ANGOLA

Svenska's exploration interests in Angola are located in the Kwanza basin, which is still largely unexplored. The Company holds a 30 per cent interest in offshore Blocks 8 and 23. Maersk Oil is the operator of both blocks and holds a 50 per cent interest, while the remaining 20 per cent is owned by Sonangol. One-year licence extensions for both Blocks 8 and 23 have been applied for and granted, due to the delays in the seismic survey delivery and rig availability.

#### BLOCK 8

Block 8 is situated along the early cretaceous pre-salt lacustrine rift trend. It starts at the beach of the Kwanza and extends westwards, with water depth ranging from the coastline to 600 metres. Similar settings have proven conducive to production in the Congo basin to the north and wells in the adjacent Block 9 have proven the existence of a working pre-salt petroleum system in the area. The block is still in an early exploration phase. The final processed depth converted 3D 1,200 km<sup>2</sup> seismic survey was completed during 2009 and data pertaining to this is currently being interpreted to identify petroleum plays and prospects. One exploration well is planned for 2011.

#### BLOCK 23

Block 23 is located in the deepwater Aptian salt basin trend, with both pre- and post-salt petroleum systems having been identified in Block 23. Optimism surrounds the block's pre-salt plays, which are similar geologically to those found in Brazil, but exploration is still at an early stage. The previously unlicensed Block 23 has a five-year exploration term, dating from 2006, with a requirement to shoot 3,000 km<sup>2</sup> of 3D seismic data and drill one exploratory well. The acquisition of the 3D seismic survey has been completed, the final depth converted 3D seismic cubes have been interpreted, plays and prospects have been identified and an exploration prospect Azul-1 well drilling is planned in the second quarter of 2011.

#### // REPUBLIC OF THE CONGO

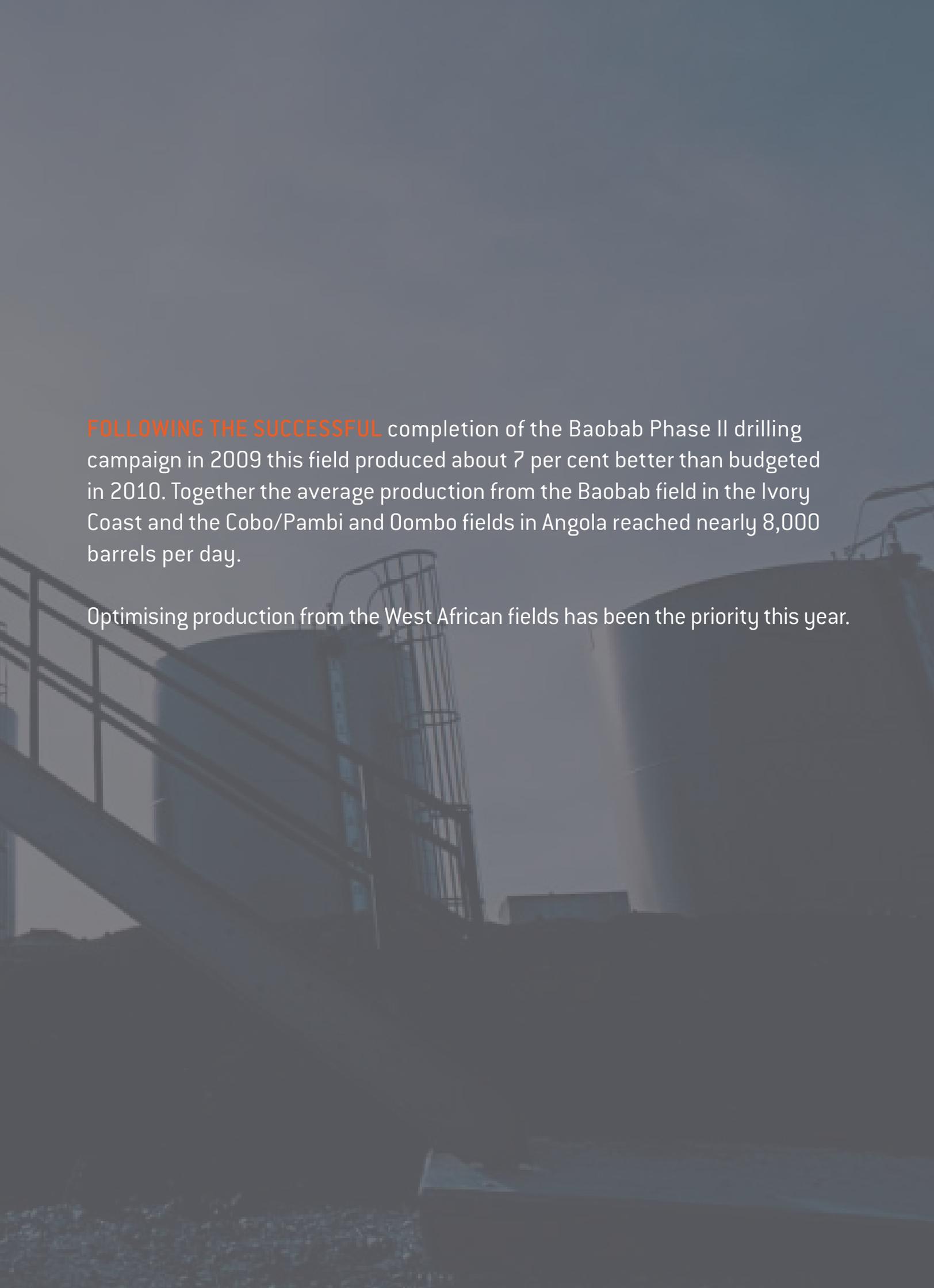
With a long heritage of exploration in the region, dating back to the 1970s, and the presence of oil in the Yombo field to the east, Svenska participates in the Marine Block IV since 2009, which is in its second exploration phase.

#### MARINE BLOCK IV

Svenska holds a 29.75 per cent interest in this offshore exploration permit, with the operator Perenco holding a 55.25 per cent share and the remaining 15 per cent held by SNPC, the state-owned entity. Acquisition of a 470 km<sup>2</sup> 3D seismic survey was completed in November and is being interpreted, with a view to defining a location for exploration drilling in 2011 or 2012. During 2010, the planned reprocessing of an existing 3D seismic survey was abandoned due to missing field tapes and a new 340 km<sup>2</sup> 3D seismic survey will be acquired during 2011. Due to these delays, a one-year extension to the second exploration period has been sought from the Congo Government through to December 2012.



# PROD- UCTION



**FOLLOWING THE SUCCESSFUL** completion of the Baobab Phase II drilling campaign in 2009 this field produced about 7 per cent better than budgeted in 2010. Together the average production from the Baobab field in the Ivory Coast and the Cobo/Pambi and Oombo fields in Angola reached nearly 8,000 barrels per day.

Optimising production from the West African fields has been the priority this year.



# Steady Progress Through Uncertain Conditions

**THE BAOBAB FIELD** will remain Svenska's top priority for 2011, together with the efforts to firm up additional reserves in the Uge field in Nigeria to progress this field to development status and to add new producing reserves to the current asset base.

## //THE IVORY COAST

With 400 mmbob of recoverable oil reserves and with the country now one of the top five producers of natural gas in Africa, the Ivory Coast has seen great economic benefit from hydrocarbon extraction. The country has an established gas infrastructure with export pipelines running from the offshore fields Panther/Lion and Foxtrot to a terminal at Jaqueville where the gas is compressed and transported to the Azito power plant near Abidjan. The SIR refinery is being fed from tankers via an offshore loading buoy just off the coast of Abidjan, since there is no land route.

### **BAOBAB FIELD (BLOCK CI-40)**

CNR owns a 57.61 per cent interest in this field and is also its operator. Svenska's interest comprises 27.39 per cent and Petroci, the national state-owned oil producer, holds the remaining 15 per cent, of which 10 per cent is carried interest.

#### **Location and development**

The Baobab field is located south of the Espoir field in Block CI-40, at a depth of 2,200 metres below surface in 1,500 metres of

water depth. The field started production in August 2005.

The initial field facilities (Phase I development) consisted of nine horizontal and one deviated production well and three water injectors. The production wells were drilled from two drill centres where subsea manifolds are installed. The resultant fluids are co-mingled and transported via two flow lines to an FPSO moored at a depth of 900 metres.

The FPSO is a converted VLCC tanker with 2.4 mmbob storage capacity, and can produce a maximum of 70,000 bopd. Along with water injection and gas lift, there are full fluid processing facilities onboard. Oil is exported by tankers and sold on the international spot market and gas is transported via the Espoir gas export pipeline to shore where it is tied into the Jaqueville - Azito transportation system. To improve its efficiency, new facilities for the cleaning and handling of solids were installed on the FPSO in 2008.

In order to increase the field's production in 2008, Svenska started the Phase II drilling campaign in conjunction with the operator CNR. The infill drilling program went on for a year and was completed in April

2009, when the fourth of the Phase II new wells was put online. Production peaked at more than 32,000 bopd before starting its natural decline.

#### **Performance**

Baobab's oil production in 2010 measured 8.4 mmbob with an average production rate of some 23,000 bopd compared to 10.2 mmbob and 28,000 bopd in 2009. Svenska's share of 2010 oil production was approximately 2.3 mmbob. The decline in production is in line with the normal behaviour observed with the Phase I wells, and has stabilised in the second half of the year.

The well completion technology used for the Phase II wells (Open Hole Gravel Pack - OHGP) has worked robustly in this environment. Further, an increased understanding of the reservoir in general and its geological characteristics has resulted in improved production management and minimised the risk of failure for the remaining Phase I wells.

The availability of the production facility remained remarkably high throughout the year, and the ordinary maintenance was carried out without delays. The operator has



also installed a new Load Shedding Facility on the power generation system which should further reduce the unexpected shutdowns which occurred in the past.

#### Baobab Phase III Drilling Campaign

In partnership with the operator, Svenska has already started the conceptual engineering work on the next Phase III drilling campaign, which aims at further enhancing the production levels from the field both in terms of daily figures as well as the ultimate recoverable reserves. A selection of the best development concepts for Phase III are expected to be made in the first half of 2011, and detailed engineering plans will follow.

#### Reserves

The remaining net developed oil reserves attributable to Svenska, as of 31 st December 2010, are estimated to be at 28.9 mmbo. Considering the undeveloped reserves (that is, recoverable with infill drilling, secondary recovery, etc.) the figure is expecting to rise to more than 85 mmbo over the field's life. Remaining net developed gas sales reserves attributable to Svenska, as of December 2010, are estimated to be at 3.0 bcf.

The remaining developed reserves are based on a dynamic model which incorporates all geological data and knowledge about the Baobab reservoirs. This has been calibrated against historical production from all the wells, pressure and gas oil ratios and has been updated during December 2010.

#### Off take and market

The produced oil was marketed and sold to BP Oil International Ltd. on a spot

market basis.

The gas produced from the Baobab field continues to be sold to La Société de Gestion du Patrimoine du Secteur Electrique (SOGEPÉ), a domestic state-owned company. The price is based on a WTI crude oil associated gas formula.

2010 has proved to be a good year for the oil industry as a whole, and in Baobab Svenska realised an average sold price for the oil of approximately 79.3 USD/bbl. This compares with a figure of 57.2 USD/bbl sold in 2009.

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#### Statistics

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- **Field:** Baobab
  - **Licence/Block:** CI-40
  - **Operator:** CNR International
  - **Svenska's interest:** 27.39%
  - **Obtained by Svenska:** 1998
  - **Production start:** 2005
  - **Total developed reserves:** 154.6 mmbo
  - **Remaining developed reserves:** 105.5 mmbo
  - **Remaining undeveloped commercial reserves:** 62.1 mmbo
  - **Estimated Ultimate Recoverable Reserves:** 216.7 mmbo
  - **Production 2010:** 8.4 mmbo
- 

Baobab oil continues to be highly appreciated amongst the top refiners due to its low content of contaminants and good yields of high-value products.

#### //ANGOLA

Svenska has been active in Angola since 1985 with two blocks located at the southern end of the lower Congo basin. The Company's producing assets in the country during 2010 were the Cobo/Pambi fields (Block 3/85) and Oombo field (Block 3/91). The Cobo licence expired in December 2010, the Pambi licence will expire on 30 June 2011 and the Oombo licence will expire in December 2012. From 1 st January 2011 the operatorship of Blocks 3/85 and 3/91 passed from Total to Sonangol P&P.

#### COBO/PAMBI (BLOCK 3/85)

Svenska's 25 year history in Angola began with the award of its 6.25 per cent interest in Block 3/85 from Sonangol. Total E&P Angola was the operator of the field with a 50 per cent interest (new operator Sonangol P&P). The remaining participants in the field are ENI holding 15 per cent, Nis Naftagas holding 5 per cent, Ina Naftaplin holding 5 per cent, Ajex holding 12.5 per cent and Sonangol P&P holding 6.25 per cent. At the end of 2010, Svenska's interest in Cobo expired.

#### Location and Development

The Pambi field is located at a depth of 3,000 metres below the surface and 100 metres below sea level. Oil was first produced from this field in 1995. Since then, a total of 28 wells have been drilled: 16 are producers, 11 are injectors and one has been abandoned. The wells are tied back to two wellhead platforms and a production platform, with oil being transported via pipeline to the Palanca terminal for export.

2010 has proved to be a good year for the oil industry as a whole, and in Baobab Svenska realised an average sold price for the oil of approximately 79.3 USD/bbl.



#### Performance

The total production from Cobo/Pambi during 2010 was 3.8 mmbo with an average production rate of 10,400 bopd compared to 4.2 mmbo and 11,400 bopd the previous year. Svenska's share of the gross platform production was 0.2 mmbo. During 2010, there was no new drilling in Cobo/Pambi, only light well interventions.

#### Statistics

- **Field:** Pambi
- **Licence/Block:** 3/85
- **Operator:** Total E&P Angola (From 1 January 2011 Sonangol P&P)
- **Svenska's Interest:** 6.25%
- **Obtained by Svenska:** 1985
- **Production start:** 1995
- **Total Recoverable Reserves:** 181.5 mmbo
- **Remaining Reserves:** 0.43 mmbo
- **Production 2010:** 3.8 mmbo (including Cobo field)

#### Reserves

The remaining net oil reserves attributable to Svenska, as of 31 st December 2010, are estimated at 0.03 mmbo.

#### OOMBO FIELD (BLOCK 3/91)

Svenska's 6.25 per cent interest in Block 3/91 was awarded by Sonangol in 1991. An extensive exploration program resulted in the discovery of the Oombo field.

The participants are identical to those in Pambi.

#### Location and Development

Oil production first commenced at the Oombo field in 1997. The field is located at a depth of 2,800 metres below the surface and 100 metres below sea level. Production is carried out remotely from two subsea wells via flow lines extending from the Pambi facilities. The oil is treated at the larger Pambi production site, before being transported – via pipeline – for export at the Palanca terminal.

#### Performance

Production levels in 2010 were 3.6 mmbo with an average production rate of nearly

#### Statistics

- **Field:** Oombo
- **Licence/Block:** 3/91
- **Operator:** Total E&P Angola (From 1st January 2011 Sonangol P&P)
- **Svenska's Interest:** 6.25%
- **Obtained by Svenska:** 1991
- **Production start:** 1997
- **Total Recoverable Reserves:** 61.5 mmbo
- **Remaining Reserves:** 5.8 mmbo
- **Production 2010:** 3.6 mmbo

9,980 bopd compared to 3.9 mmbo and 10,700 bopd for 2009. Svenska's share of the gross platform production was 0.2 mmbo.

#### Reserves

The remaining net oil reserves attributable to Svenska, as of 31 st December 2010, are estimated at 0.4 mmbo.

#### Off take and Market

In 2010 the oil produced from the Oombo and Cobo/Pambi fields was sold to Total Oil Trading under the Palanca crude oil sales and purchase agreement.

#### Water Injection Issues – Cobo/Pambi & Oombo

The average water injection rate in 2010 for Cobo/Pambi and Oombo amounted to 41,200 bwpd, which was 14 per cent less than in 2009, of 48,000 bwpd. During the first six months in 2010, water injection shortfalls were experienced due to turbine problems. Since August 2010 water injection capacity was back at 100 per cent (at the end of December 2010, injection rate on the three fields was 69,500 bwpd).



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# Svenska Financial Report 2010

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# BUSINESS REVIEW

## SVENSKA PETROLEUM EXPLORATION'S OPERATIONS 2010

### OWNERSHIP

Svenska Petroleum Exploration AB (Svenska) is wholly owned by Petroswede AB, which in turn is wholly owned by Moroncha Holdings Ltd, Cyprus.

### GROUP ORGANISATION

Svenska is an international oil Company with the following directly and indirectly wholly owned subsidiaries: Svenska Petroleum Exploration AB (SPE AB) and Oljeprospektering AB (OPAB) in Sweden, Svenska Petroleum Exploration AS (SPE AS) in Norway, Svenska Petroleum Exploration U.K. (SPE UK), formerly Petroswede U.K. Ltd (name changed in 2008) in the U.K., Petroswede Insurance Company Ltd in Ireland, as well as Svenska Petroleum Exploration CI Holding AB (SPE CIH AB) with its directly and indirectly owned subsidiaries Svenska Petroleum Exploration CI AB (SPE CI AB) and Svenska Petroleum Exploration CI Finance AB (SPE CIF AB). Furthermore, the subsidiaries Svenska Petroleum Exploration Congo AB, SPE Angola AB and SPE Syria AB, as well as SPE Nigeria AB and SPE Guinea Bissau AB with directly and indirectly owned subsidiaries in Nigeria and Guinea Bissau are included in Sweden.

### SVENSKA'S OPERATIONS

Svenska is engaged in the exploration and production of oil and gas, and associated activities. The Group is active in all aspects of oil extraction, from exploration to production, through participation in risk sharing projects. Today, the business is located in Norway, the UK, the Ivory Coast, Angola, Nigeria, Guinea Bissau, Republic of the Congo and Latvia. Production of oil and gas is sold to a large number of refineries worldwide, but with a focus on Europe.

### EVENTS DURING THE FINANCIAL YEAR

During the year, the production level at the Baobab field in the Ivory Coast was lower than that of 2009, but higher than had been forecast. The average production was 7,021 (8,512) barrels per day.

Production from the Oombo and Cobo/Pambi fields in Angola met expectations in 2010. Average production in Angola was 1,274 (1,421) barrels per day.

The Group's exploration drilling program was negatively affected by two exploration wells in Nigeria and Angola that could not be drilled during the year because of delays.

Drilling of an exploration well under the CI-24 licence in the Ivory Coast started and was completed during the year. The well has been plugged and abandoned.

During the year, the oil price (the Brent market price) increased by 16 per cent to an average price for the year of USD 79.5 per barrel. The price at the start of 2010 was USD 79.5 per barrel, and USD 92.6 at the end of the year. At the start of 2011, the price was USD 98.33 per barrel (12 January, 2011). In 2010, the US dollar weakened against the Swedish krona, with the average rate falling by 5 per cent to USD/SEK 7.2077.

### EVENTS AFTER THE END OF THE FINANCIAL YEAR

On 18 January, 2011, the Norwegian Ministry of Petroleum and Energy announced that Svenska had been granted a 25 per cent interest in each of the PL 573S and PL 583 exploration licences on the Norwegian continental shelf, as part of the award of licences in pre-defined areas (TF0 2010).

### EARNINGS AND CASH FLOW

The Group's operating profit for the 2010 financial year was 78 (114) MUSD.

Cash flow from operations before changes in working capital was 148 (118) MUSD.

### OPERATING INCOME AND COSTS

Consolidated net sales during the year were 245 (226) MUSD. The increase is mainly due to a higher oil price, which compensated for the fall in production in relation to the previous year.

Production was 3.0 million barrels of crude oil in 2010, compared with 3.6 million barrels the previous year. The average production was 8,295 (9,933) barrels per day. The decrease is fully attributable to normal field decline.

A total of 3,132,223 (3,625,879) barrels of oil were sold during the year, at an average price of USD 77.33 (58.50) per barrel.

Other operating income was 4 (9) MUSD.

Operating and exploration costs in 2010 were 81 (57) MUSD. The total operating and exploration costs are divided into the following cost items. Operating costs in 2010 were 39 (38) MUSD. Royalty costs for 2010 were 24 (17) MUSD. Exploration and project costs were 18 (2) MUSD in 2010. For more information, please see Note 5, Operating and exploration costs. The increase in royalty is driven by a higher oil price compared to last year. Consolidated depreciation and write-downs of oil and gas assets for 2010 were 62 (37) MUSD.

Employee payroll costs for 2010 were 9 (9) MUSD. The number of employees was 44 (38) as of 31 st December, 2010.

Net financial items for 2010 were -5 (-9) MUSD. The improvement is

attributable to exchange rate losses/gains on financial receivables and payables, which were -1 MUSD, compared to -5 MUSD in 2009. The exchange rate differences are mainly a result of a revaluation of USD-based assets and payables. Interest income for 2010 was 4 (2) MUSD. Interest costs were 8 (5) MUSD. Write-down of financial investments was 0 (1) MUSD.

In 2010 tax expenses for the Group were 19 (41) MUSD, corresponding to an effective tax rate of 26 per cent (55).

#### INVESTMENTS AND FINANCIAL POSITION

Intangible non-current assets and tangible assets were 603 (614) MUSD as of 31 st December, 2010. Investments in tangible assets were 1 (34) MUSD. Investments in intangible non-current assets were 49 (46) MUSD. Investments in financial assets were 0 (1) MUSD.

Cash and cash equivalents were 91 (52) MUSD as of 31 st December, 2010.

By year-end, other provisions amounted to 10 (9) MUSD as of 31 st December, 2010.

#### HEALTH, SAFETY AND ENVIRONMENT

Svenska complies with applicable international safety and environmental regulations in all its activities. However, to further ensure that operations are managed in a responsible manner, policies and other governing documents have been drawn up to provide guidance in the areas of health, safety and the environment (HSE). The Group's environmental policy states that the Company will minimise environmental impact and damage in both the short and long term, ensure that employees will be given appropriate training, and that regulations will be observed and procedures followed. Svenska also wishes to contribute to sustainable development of nature and the surrounding environment in the countries where the Group operates. The Group's overall objective in the HSE areas is to influence other partners and thereby indirectly work to ensure that HSE-related issues are given top priority. Svenska also works actively within the CSR area, and has launched a partnership with SOS Children's Villages, whereby the Group supports a school in SOS Children's Villages in Bissau, Guinea Bissau. Svenska also supports a youth school in Abobo Gare in the Ivory Coast, and the everyday activities of a social centre in Lubango, Angola.

#### ACCESS TO SKILLED PERSONNEL

The Group's most important resource is its personnel. A vital factor in implementing the Group's expansion project and in carrying out operating activities

is good access to skilled personnel. Access to skilled personnel is ensured through consciously working towards the development of a project-oriented organisation. The Group's ambition is to unite different cultures and establish a common approach in the Group.

#### EXPECTATIONS REGARDING FUTURE DEVELOPMENT

There is considerable uncertainty about how the oil prices will develop in 2011. However, projections show that demand and the price of oil will slowly increase in line with global economic growth.

#### THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors, which had seven members at the end of the year, held seven meetings during the past year. During 2010 Lennart K. Wikström and Karim Karaman left the Board of Directors.

Additional information regarding the Company's financial results and financial position is available in the following Income Statement and Balance Sheet and the associated Notes to the Financial Statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(USD Thousand)	Note	2010	2009
Net turnover	2	244,668	226,165
Other operating income	3	3,844	8,698
<b>Gross profit</b>		<b>248,512</b>	<b>234,863</b>
Stock variation		-5,075	-4,772
Operational and exploration costs	5	-81,315	-56,601
Other external costs	6	-10,413	-8,116
Personnel costs		-9,224	-9,133
Depreciation	2, 9	-62,122	-37,055
Other operating expenses	4	-1,899	-5,472
<b>Operating result</b>	2	<b>78,464</b>	<b>113,714</b>
Financial income	7	4,211	1,842
Financial expenses	7	-9,507	-10,827
<b>Net financial</b>		<b>-5,296</b>	<b>-8,985</b>
<b>Profit before taxes</b>		<b>73,168</b>	<b>104,729</b>
Tax on profit for the year	8	-19,036	-41,108
<b>NET PROFIT FOR THE YEAR</b>		<b>54,132</b>	<b>63,621</b>
<b>Other comprehensive income</b>			
Exchange differences for the year	12	-1,888	1,302
Exchange differences transferred to profit for the year		-	-
<b>Total other comprehensive income</b>		<b>-1,888</b>	<b>1,302</b>
<b>Total comprehensive income</b>		<b>52,244</b>	<b>64,923</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(USD Thousand)	Note	2010	2009
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	10	325,242	307,931
Tangible fixed assets	11	277,653	305,667
Financial assets		45	42
Other long-term receivables		408	172
<b>Total non-current assets</b>		<b>603,348</b>	<b>613,812</b>
<b>Current assets</b>			
Inventories		10,307	9,936
Accounts receivable		41,730	43,038
Prepaid expenses and accrued income		22,304	21,604
Other receivables		15,746	10,213
Prepaid tax		11,950	33,808
Cash and bank balances		91,412	51,608
<b>Total Current assets</b>		<b>193,449</b>	<b>170,207</b>
<b>TOTAL ASSETS</b>		<b>796,797</b>	<b>784,019</b>

[USD Thousand]	Note	2010	2009
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		15	14
Additional paid in capital		27,481	25,919
Reserves		6,373	6,010
Retained earnings including net profit/loss for the year		530,729	553,517
<b>Total equity</b>		<b>564,598</b>	<b>585,460</b>
<b>Liabilities</b>			
Deferred tax liabilities	8	128,669	125,226
Other provisions		10,308	8,800
<b>Total long-term liabilities</b>		<b>138,977</b>	<b>134,026</b>
Current liabilities, interest bearing		-	-
Accounts payable		13,001	2,211
Other liabilities		8,236	16,034
Accrued expenses and deferred income		50,692	30,989
Current tax liabilities		21,293	15,299
<b>Total current liabilities</b>		<b>93,222</b>	<b>64,533</b>
<b>Total liabilities</b>		<b>232,200</b>	<b>198,559</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>796,797</b>	<b>784,019</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

[USD Thousand]	Share Capital	Additional Capital	Translation reserve*	Retained Earnings including net profit/loss	Total Equity
<b>Opening balance, equity, 01-01-2009</b>	<b>13</b>	<b>3</b>	<b>15,098</b>	<b>479,506</b>	<b>494,620</b>
New share issue	1	25,916			25,917
Total comprehensive income			1,302	63,621	64,923
Changes in wealth recognised directly in equity, excluding transaction with the Company's owner	1	25,916	1,302	63,621	90,840
<b>Closing balance, equity, 31-12-2009</b>	<b>14</b>	<b>25,919</b>	<b>16,400</b>	<b>543,127</b>	<b>585,460</b>
Total comprehensive income			-1,888	54,132	52,244
Dividend				-73,106	-73,106
Changes in wealth recognised directly in equity, excluding transaction with the Company's owner			-1,888	-18,974	-20,862
<b>Closing balance, equity, 31-12-2010</b>	<b>14</b>	<b>25,919</b>	<b>14,512</b>	<b>524,153</b>	<b>564,598</b>

\* The translation reserve comprises all exchange differences arising on the translation of financial statements of foreign operations which have prepared their own financial statements in a currency other than the Group's presentation currency.

## CONSOLIDATED STATEMENT OF CASH FLOWS

[USD Thousand]	Note	2010	2009
<b>Indirect method</b>			
<i>Operating activities</i>			
Profit before taxes*		73,168	104,729
Reversal for non cash items		63,947	31,157
		137,115	135,886
Taxes paid		10,832	-18,295
<b>Cash flow from operating activities before changes in working capital</b>		<b>147,947</b>	<b>117,591</b>
<b>Cash flow from changes in working capital</b>			
Decrease(+)/increase(-) in inventories		-371	3,234
Decrease(+)/increase(-) in current receivables		-5,159	-12,052
Decrease(-)/increase(+) in current liabilities		20,779	-17,004
<b>Cash flow from operating activities</b>		<b>163,196</b>	<b>91,769</b>
<b>Cash flow from investing activities</b>			
Acquired intangible fixed assets	10	-49,624	-45,784
Acquired tangible fixed assets	11	-662	-34,114
Disposal tangible fixed assets		-	-
Disposal financial assets		-	28,391
Investment in financial assets		-	-1,345
<b>Cash flow from capital investing activities</b>		<b>-50,286</b>	<b>-52,852</b>
<b>Cash flow from financing activities</b>			
Raising of loan		5,081	-
Repayment of borrowings		-5,081	-37,315
Paid dividend		-73,106	-
<b>Cash flow from financing activities</b>		<b>-73,106</b>	<b>-37,315</b>
<b>Cash flow for the year</b>		<b>39,804</b>	<b>1,602</b>
Liquid fund at the beginning of the year		51,608	50,006
Exchange rate difference in liquid assets		-	-
<b>Liquid funds at the end of the year</b>		<b>91,412</b>	<b>51,608</b>

\*The amount includes interest received by 3,784 (1,839) KUSD and interest paid by 6,207 (4,656) KUSD.

## NOTE 1//ESSENTIAL ACCOUNTING POLICIES

Amounts are in USD thousands unless otherwise specified.

### STATEMENT OF COMPLIANCE

The year-end report for the financial year ended 31 st December 2010 has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB) and interpretations from International Reporting Interpretations Committee (IFRIC) that has been endorsed by the European Commission for application within EU.

In addition the Swedish Financial Reporting Board standard RFR 1.2 Supplementary Accounting Regulations for Groups has been adopted.

The accounting policies applied for the year are the same as those applied for the 2010 financial year and as described in the 2010 Annual Report. New or revised standards, interpretations and changes adopted by the European Union (EU) that are to be applied from 1 st January 2010 have had no impact on the Group. Consequently the application of the relevant IFRS has not been disclosed as a change in accounting policy.

The year-end report does not contain all the information and disclosures provided in the annual report; the year-end report should therefore be read together with the annual report for 2010.

### BASIS OF PREPARATION

The Financial Statements are presented in US dollar, rounded to the nearest thousand. Assets and liabilities are stated at historical cost basis except certain financial instruments, which are stated at their fair value. Financial instruments which are stated at fair value comprise financial assets classified as at fair value through profit or loss.

### ANNUAL REVIEW

This year-end report has not been subject to a review by the Company's auditors.

The audited annual report of Petroswede AB with consolidated financial statements is available on the Company's website [spe.se](http://spe.se) or can be ordered from the Company's head office, P.O. Box 27823, SE-115 93 Stockholm, Sweden.

## NOTE 2//SEGMENT REPORTING

Amounts are in USD thousands unless otherwise specified.

The Group's operations are divided into operating segments based on the components that Svenska's chief operating decision-maker reviews regularly. The Group has identified Group Management as its chief operating decision-maker. The Svenska Group's operations are organised in such a way as to allow Group Management to monitor and review 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. The Svenska 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. Inter-segment pricing or transfer is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest income, exchange gains, interest expenses, exchange losses, tax expenses and administration costs. Unallocated balance sheet items which have not been allocated are deferred tax liabilities, financial assets and liabilities, cash and bank. Segment capital expenditure in property, plant and equipment is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

	Group	
	2010	2009
<b>Net turnover</b>		
Norway	-	-
Angola	34,414	32,193
Ivory Coast	210,253	193,972
Guinea Bissau	-	-
Nigeria	-	-
Congo	-	-
<b>Total</b>	<b>244,668</b>	<b>226,165</b>

Operating income		
	2010	2009
Norway	-9,624	-6,027
Angola	1,714	5,729
Ivory Coast	126,471	119,770
Guinea Bissau	1	-483
Nigeria	-30,918	-1,678
Congo	-	-
Other/group adjustments	-9,179	-3,597
<b>Total</b>	<b>78,464</b>	<b>113,714</b>

Depreciations		
	2010	2009
Norway	-190	-197
Angola	-772	-3,854
Ivory Coast	-42,181	-32,841
Guinea Bissau	-	-
Nigeria	-18,664	-
Congo	-	-
Other/group adjustments	-315	-164
<b>Total</b>	<b>-62,122</b>	<b>-37,055</b>

Assets	Group	
	2010	2009
Norway	55,234	89,869
Angola	39,281	30,806
Ivory Coast	274,135	400,374
Guinea Bissau	18,318	6,734
Nigeria	209,414	228,374
Congo	5,297	-
Other/group adjustments	195,118	27,863
<b>Total</b>	<b>796,797</b>	<b>784,019</b>

Capex	Group	
	2010	2009
Norway	6,440	35,242
Angola	4,958	6,908
Ivory Coast	14,988	33,907
Guinea Bissau	12,707	2,008
Nigeria	5,971	1,583
Congo	4,999	-
Other/group adjustments	223	1,595
<b>Total</b>	<b>50,286</b>	<b>81,243</b>

Liabilities & Provisions	Group	
	2010	2009
Norway	34,891	41,846
Angola	4,855	7,731
Ivory Coast	86,620	65,986
Guinea Bissau	10,619	4,767
Nigeria	68,451	60,951
Congo	4,911	-
Other/group adjustments	21,853	17,278
<b>Total</b>	<b>232,200</b>	<b>198,559</b>

Income from external customers <sup>1</sup>	Group	
	2010	2009
Customer 1	210,253	193,972
Customer 2	34,414	32,193
<b>Total</b>	<b>244,668</b>	<b>226,165</b>

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 86% (86%). Customer's registered office is outside the country. Customer 2 is attributable to Angola; percentage share of the Group's revenues is 14% (14%). Customer's registered office is outside the country.

## NOTE 3//OTHER OPERATING INCOME

Amounts are in USD thousands unless otherwise specified.

	Group	
	2010	2009
Contribution licence income	717	-
Exchange rate gains	3,127	8,698
<b>Total</b>	<b>3,844</b>	<b>8,698</b>

## NOTE 4//OTHER OPERATING EXPENSES

Amounts are in USD thousands unless otherwise specified.

	Group	
	2010	2009
Exchange rate loss	-1,899	-5,472
<b>Total</b>	<b>-1,899</b>	<b>-5,472</b>

## NOTE 5//OPERATIONAL AND EXPLORATION COSTS

Amounts are in USD thousands unless otherwise specified.

	Group	
	2010	2009
Operating expenses	-38,714	-38,498
Royalties	-24,181	-16,558
Exploration and project expenses	-18,420	-1,545
<b>Total</b>	<b>-81,315</b>	<b>-56,601</b>

## NOTE 6//FEE TO AUDITORS

Amounts are in USD thousands unless otherwise specified.

Fee to auditors during the year	Group	
	2010	2009
<b>KPMG</b>		
Auditing assignment	224	152
<b>Auditing in addition to the audit assignment</b>		
Tax consultants	91	156
Other assignments	11	149
<b>Other auditors</b>		
Auditing assignment	2	3
<b>Total</b>	<b>329</b>	<b>459</b>

**NOTE 7//NET FINANCIAL INCOME/EXPENSE**

Amounts are in USD thousands unless otherwise specified.

	Group	
	2010	2009
<b>Net gains on disposal of available-for-sale</b>		
Financial assets	-	3
Dividend	427	
Other interest income	3,784	1,839
<b>Financial income</b>	<b>4,211</b>	<b>1,842</b>
Exchange loss, net	-1,129	-4,279
Write downs financial investments	-	-1,396
Interest expense on financial liabilities valued at cost	-7,877	-4,656
Unwinding of discount	-501	-495
<b>Financial expenses</b>	<b>-9,507</b>	<b>-10,827</b>

**NOTE 8//TAXES**

Amounts are in USD thousands unless otherwise specified.

	Group	
	2010	2009
<b>Specification of tax expense</b>		
Tax expense for the period	-18,612	13,336
Adjustment for prior years	1,594	-13,519
<b>Current tax expense</b>	<b>-17,018</b>	<b>-183</b>
Deferred taxes relating to temporary differences	-2,018	-40,925
<b>Deferred tax income/expense</b>	<b>-2,018</b>	<b>-40,925</b>
<b>Total tax expense for the Group</b>	<b>-19,036</b>	<b>-41,108</b>
<b>Reconciliation of effective tax rate</b>		
<b>Group</b>		
Profit before taxes	73,168	74,329
Tax at the domestic rate of 26.3%	-19,243	-19,548
Non-deductible expenses	-148	-469
Non-taxable income	-1,270	-4,665
Tax effect of deduction for petroleum tax	10,037	8,456
Effect of different tax rates for foreign subsidiaries	321	404
Calculated petroleum tax (50%) Norway	4,062	2,368
Other items	-15,523	-14,134
Tax attributable to prior years	2,729	-13,519
<b>Tax expense</b>	<b>-19,036</b>	<b>-41,108</b>
<b>Effective tax rate</b>	<b>-26.0%</b>	<b>-55.3%</b>

**Deferred tax assets/liabilities (USD thousand)**

Deferred tax assets/liabilities which relate to the following items:

Group 31-12-2009	Deferred tax asset	Deferred tax provisions	Net
Capitalised exploration costs		-83,698	-83,698
Oil- and gas assets		-41,644	-41,644
Equipment	74		74
Other long-term securities (pension fund)	88		88
Provisions for abandonment costs	0	-47	-47
	163	-125,389	-125,226
Netting of assets/liabilities	-163	163	
	0	-125,226	-125,226

Group 31-12-2010	Deferred tax asset	Deferred tax provisions	Net
Capitalised exploration costs		-78,244	-78,244
Oil- and gas assets		-50,203	-50,203
Equipment	79	0	79
Other long-term securities (pension fund)	49	0	49
Provisions for abandonment costs	0	-349	-349
	127	-128,797	-128,669
Netting of assets/liabilities	-127	127	
	0	-128,669	-128,669

**Non recognised deferred tax assets**

Deductible temporary differences and tax loss carry forward which have not been recognised in the income statement or balance sheet:

	Group	
	2010	2009
Tax effect (tax credits)	9,557	6,874
<b>Total</b>	<b>9,557</b>	<b>6,874</b>

Deductible temporary differences comprise tax credits of foreign tax. Deferred tax assets have not been recognised for these tax credits, since it is not probable that the group will be able to offset them against profits in the future.

**Movements in deferred taxes on temporary differences and loss carry-forward**

Group 31-12-2009	Amount at beginning of the year	Disclosed in income statement	Other changes	Amount at year end
Capitalised exploration costs	-46,870	-33,925	-2,903	-83,698
Oil- and gas assets	-31,973	-7,187	-2,484	-41,644
Equipment	8	52	13	74
Other long-term securities	-115	216	-13	88
Provisions for abandonment costs	39	-82	-3	-46
	-78,911	-40,925	-5,390	-125,226

Other changes, -5,390 KUSD refers to exchange rate effect.

Group 31-12-2010	Amount at beginning of the year	Disclosed in income statement	Other changes	Amount at year end
Capitalised exploration costs	-83,698	4,729	725	-78,244
Oil- and gas assets	-41,644	-6,463	-2,097	-50,204
Equipment	74	-	5	79
Other long-term securities	88	-60	21	49
Provisions for abandonment costs	-46	-224	-79	-349
	-125,226	-2,018	-1,425	-128,669

Other changes, -1,425 KUSD refers to exchange rate effect.

## NOTE 9//DEPRECIATIONS AND WRITE-DOWNS

Amounts are in USD thousands unless otherwise specified.

	Group	
	2010	2009
<b>Depreciations</b>		
<b>Oil and gas assets</b>		
Cobo/Pambi	285	2,352
Oombo	636	1,331
Ivory Coast	42,184	32,842
OPL 244, Nigeria	18,513	-
Machinery and equipment	504	530
<b>Total depreciations</b>	<b>62,122</b>	<b>37,055</b>

## NOTE 10//INTANGIBLE ASSETS

Amounts are in USD thousands unless otherwise specified.

Exploration costs	Group	
	2010	2009
Opening balance acquisition value	321,586	268,756
Translation difference currency	4,865	8,068
Purchase	49,624	45,784
Acquired through operating acquisition	-	-
Sales/disposals	-	-
<b>Closing balance accumulated acquisition value</b>	<b>376,075</b>	<b>322,608</b>

Opening balance depreciations	-	-
Translation difference foreign currency	-	-
Depreciations during the year	-	-
<b>Closing balance accumulated depreciations</b>	<b>-</b>	<b>-</b>

Opening balance write-downs	-14,677	-31,366
Translation difference foreign currency	-1,944	-20
Write-downs during the year	-34,212	-
Sales/disposals	-	16,709
<b>Closing balance accumulated write-downs</b>	<b>-50,833</b>	<b>-14,677</b>

<b>Closing balance residual value</b>	<b>325,242</b>	<b>307,931</b>
---------------------------------------	----------------	----------------

Residual value for each field	31-12-2010	31-12-2009
PL 362, Norway	35,230	31,565
PL 442, Norway	15,683	14,501
PL 272, Norway	716	271
PL 512, Norway	8	2,802
PL 521, Norway	3,584	71
PL 549S, Norway	4	-
PL 553, Norway	11	-
CI-24, Ivory Coast	-	1,527
OPL 214, Nigeria	208,569	222,316
Block 8 and 23, Angola	37,821	30,150
Block 2, 4A and 5A, Guinea Bissau	18,318	4,728
Marine Block IV, Congo	5,297	-
	<b>325,242</b>	<b>307,931</b>

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

**NOTE 11//NON-CURRENT ASSETS**

Amounts are in USD thousands unless otherwise specified.

	Group		
	Oil and gas assets	Machinery and equipment	Total
Opening balance acquisition value 01-01-2009	450,569	2,965	453,534
Translation difference foreign currency	6,113	362	6,475
Purchase	33,829	285	34,114
<b>Closing balance accumulated acquisition value 12-31-2009</b>	<b>490,512</b>	<b>3,612</b>	<b>494,123</b>
Translation difference foreign currency	5,240	-208	5,032
Purchase	439	223	662
<b>Closing balance accumulated acquisition value 12-31-2010</b>	<b>496,191</b>	<b>3,627</b>	<b>499,817</b>
Opening balance depreciations 01-01-2009	-145,027	-405	-145,432
Translation difference foreign currency	-5,863	-106	-5,969
Depreciations for the year	-36,524	-531	-37,055
<b>Closing balance accumulated depreciations 12-31-2009</b>	<b>-187,414</b>	<b>-1,042</b>	<b>-188,456</b>
Translation difference foreign currency	-5,784	-14	-5,798
Depreciations for the year	-27,399	-511	-27,910
<b>Closing balance accumulated depreciations 12-31-2010</b>	<b>-220,597</b>	<b>-1,567</b>	<b>-222,164</b>
<b>Closing balance residual value 12-31-2009</b>	<b>303,098</b>	<b>2,570</b>	<b>305,667</b>
<b>Closing balance residual value 12-31-2010</b>	<b>275,594</b>	<b>2,060</b>	<b>277,653</b>

**Oil and gas assets**

Residual value for each field	31-12-2010	31-12-2009
Cobo/Pambi	691	938
Oombo	769	1,935
Ivory Coast	274,135	300,225
	<b>275,595</b>	<b>303,098</b>

**Machinery and equipment**

Residual value at year end	31-12-2010	31-12-2009
SPE AB	1,751	407
SPE AS	307	328
SPE UK	-	1,835
	<b>2,059</b>	<b>2,570</b>

**NOTE 12//EXCHANGE DIFFERENCES**

Amounts are in USD thousands unless otherwise specified.

The reporting currency in the Group has been changed from SEK to USD in the Annual Review. This has an impact on the net foreign exchange loss in the income statement of 12.2 (30.4) MUSD.

## BOARD OF DIRECTORS FOR PETROSWEDE AND SVENSKA PETROLEUM EXPLORATION



### SHEIKH MOHAMMED H. AL-AMOUDI

*Born 1946*

Chairman of Petroswede since 2008 and member of the board of Petroswede since 1997.  
Chairman and member of the board of Svenska Petroleum Exploration since August 2009.

Sheikh Mohammed H. Al-Amoudi is a large investor mainly in Europe, the Middle East and Africa. His business activities are conducted through a number of business groups, the Corral Group, Midroc Europe, Midroc Ethiopia and ABV Rock Group. In total his businesses have a turnover of approximately 15 billion USD annually and employ over 70,000 people. In Sweden Mohammed H. Al-Amoudi is one of the largest private investors. In addition to Svenska, Sheikh Al-Amoudi owns Preem AB and Midroc Scandinavia AB.

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### JASON MILAZZO

*Born 1962*

Member of the board of Svenska Petroleum Exploration and Petroswede since August 2009. Vice Chairman of Svenska Petroleum Exploration and Petroswede since August 2009.



### DR GHAZI HABIB

*Born 1950*

Member of the board of Svenska Petroleum Exploration and Petroswede since 1996.



**LENNART K. WIKSTRÖM**

*Born 1938*

Member of the board of Svenska Petroleum Exploration and Petroswede between 1994 and 2010. Chairman of Svenska Petroleum Exploration from 1996 until August 2009.



**KARIM KARAMAN**

*Born 1966*

Member of the board of Svenska Petroleum Exploration and Petroswede between 2001 and 2010.



**LENNART ALVIN**

*Born 1941*

Member of the board of Svenska Petroleum Exploration since 2006.



**SVEN-ERIK ZACHRISSON**

*Born 1950*

Member of the board of Svenska Petroleum Exploration since 1990 and Vice Chairman 2008–2009. Member of the board of Petroswede since 2005 and President of Petroswede 2005–2007. CEO and President of Svenska Petroleum Exploration 1996–2007.



**RICHARD ÖHMAN**

*Born 1951*

Member of the board of Svenska Petroleum Exploration and Petroswede since 1996. Chairman of Petroswede 2003–2007.



**ROBERT J. ROSSETTER**

*Born 1947*

Member of the board of Svenska Petroleum Exploration since August 2009.

## EXECUTIVE MANAGEMENT



**FREDRIK ÖHRN**

*Born 1962*

**President and CEO, Petroswede AB and Svenska Petroleum Exploration AB. Employed since 2006.** B.Sc. in Geology, Uppsala University, Sweden (1986), MBA, University of Massachusetts, Amherst (1988). Boliden Group 1988–1997, ABB Financial Consulting 1997–1999. CFO Steelscreen 1999–2001, CFO Personal Chemistry 2001–2003 and CFO Carmeda 2003–2005. CFO Svenska Petroleum Exploration AB 2006–2007.



**JAN IVAR HAGEN**

*Born 1952*

**Executive Vice President, Development & Production. Employed since 1989.** B.Sc. in Naval Architecture and Shipbuilding (1978), University of Newcastle, UK. More than 30 years of experience in the oil industry. Nine years in offshore construction and installation with McDermott International and Aker, three years in engineering and more than 20 years with Svenska as Exploration and Development Manager in Oslo and as Managing Director of SPE UK for the last 16 years.



**LARS SCHENNINGS**

*Born 1961*

**Chief Financial Officer. Employed since 2008.** B.Sc. in Business Administration, Umeå University, Sweden 1988. Ernst & Whinney (now Ernst & Young) 1988–1989, NCC AB (Construction and Real Estate) 1989–2000, Connex Transport Northern & Eastern Europe 2001–2004, DHL Express Nordic 2004–2008.



**DUNCAN RUSHWORTH**

*Born 1966*

**Vice President, Business Development. Employed since 2007.** B.Sc. in Geology and M.Sc. in Sedimentology, University of London. Over 20 years of experience in upstream oil and gas industry. Hardy Oil and Gas 1989–1991, LASMO 1991–1999, Waterous and Co. 1999–2001, Deloitte and Touche 2001–2006, Anadarko Energy Corporation 2006–2007.



**LEIF TORGNY BERGLUND**

*Born 1953*

**Vice President, Exploration. Employed since 2000.** M.Sc. in Petroleum Prospecting at the Technical University of Trondheim (1977). Mobil Exploration 1978–1979, Norsk Hydro E&P 1979–2000 (Norway and internationally), altogether 33 years of experience.



**BJØRN INGE TØNNESEN**

*Born 1960*

**Executive Vice President, Licence Management. Employed 1990–2001 and since 2007.** B.Sc. in Petroleum Engineering, Stavanger University (1983), MBA Stockholm University (1990). More than 20 years of experience in the oil industry (offshore drilling and E&P manager) plus six years in the finance industry (equity research with Handelsbanken and DnB NOR).

## TERMS & DEFINITIONS

**Abandon:** To stop work on, or plug, non-productive well, or close down and remove facilities.

**Appraisal well:** Well drilled close to a discovery well to determine the extent of the find.

**Barrel:** Unit for crude oil measurement (= 159 litres).

**Brent:** Reference oil for the North Sea.

**Cap rock:** An impermeable rock layer capping the oil or gas reservoir and preventing the escape of fluids.

**Condensate:** Hydrocarbons which are in the gaseous state under reservoir conditions and which become liquid either during passage up the borehole or at the surface due to reduced temperature and pressure.

**Crude oil:** Includes condensate and natural gas liquids.

**Cuttings:** Rock fragments or chippings brought to the surface in the drilling fluid.

**Field:** An area defined by one or more wells which are capable of producing hydrocarbons in commercial quantities.

**Gas injection:** Injection of gas into a reservoir to maintain reservoir pressure.

**Hydrocarbon:** An organic hydrogen/carbon compound.

**Infill well:** Well drilled into previously unswept areas of a defined field.

**Injection well:** Used to inject gas, oil or water into the reservoir for various purposes: maintaining pressure, flushing out oil, etc.

**LNG:** Liquefied natural gas, means lean gas, i.e. primarily methane – converted to liquid form through refrigeration to -163°C under atmospheric pressures.

**Natural gas:** Comprises mainly methane, although heavier gases are also usually present.

**NGL:** Natural gas liquids, light hydrocarbons consisting mainly of ethane, propane and butane which are liquid under pressure at normal temperature.

**Oil equivalents:** See “Conversion table”.

**Petroleum:** A collective term for hydrocarbons, whether solid, liquid or gaseous. Gas is a light hydrocarbon and oil is a heavier hydrocarbon.

**Probable reserves:** The amount which geophysical and engineering data indicates to be in place or recoverable but with a greater element of risk than in “Proven”. For the purpose of this

definition, there is a 50 per cent chance that the actual quantity will be more than the amount estimated as “Proven and probable” and a 50 per cent chance it will be less.

**Proven reserves:** The amount which geophysical and engineering data indicates to be in place or recoverable to a high degree of certainty. For the purpose of this definition, there is a 90 per cent chance that the actual quantity will be more than the amount estimated as “Proven” and a 10 per cent chance it will be less.

**Recovery factor:** The percentage of oil recoverable from a reservoir.

**Reservoir:** The underground formation where oil or gas has accumulated. It consists of porous rock to hold the oil or gas and a cap rock that prevents its escape.

**Royalty:** The cash or physical liquid/mineral paid to the ultimate owner, in most cases the host country's government.

**Seismic survey:** Exploration method in which reflected shock waves, recorded by seismometers, map underground formations.

**Structure:** A discrete area of deformed sedimentary rocks, where the resultant bed configuration is such as to form a potential trap for migrating hydrocarbons.

### VOLUMES

**bbbl:** Barrel

**mbbls:** Thousand barrels

**mmbbls:** Million barrels

**mbo:** Thousand barrels of oil

**mmbo:** Million barrels of oil

**bopd:** Barrels of oil per day

**mmbopd:** Million barrels of oil per day

**boe:** Barrels of oil equivalents

**mboe:** Thousand barrels of oil equivalents

**mmboe:** Million barrels of oil equivalents

**boepd:** Barrels of oil equivalent per day

**mmcf:** Million cubic feet

**bcf:** Billion cubic feet

**mcm:** Thousand cubic metres

**mmcm:** Million cubic metres

**bcm:** Billion cubic metres

**mmbnagl:** Million barrels of NGL

### CONVERSION TABLE

**1 barrel** = 159 litres (at 15 degrees Celsius)

**1 barrel of oil equivalent** = approximately 6 thousand cubic feet gas

**1 barrel of oil equivalent** = approximately 1.6 barrels NGL

**1 m<sup>3</sup> gas** = 35.3 cubic feet gas

**1 tonne oil** = 7.49 barrels oil

## ADDRESSES

### HEAD OFFICE

#### SVENSKA PETROLEUM EXPLORATION AB

**Mailing address:**

P.O. Box 27823  
SE-115 93 Stockholm, Sweden

**Visiting address:**

Biblioteksgatan 29, Stockholm

Telephone: +46 8 410 545 50

Telefax: +46 8 667 2432

Email: [info@spe.se](mailto:info@spe.se)

### SUBSIDIARIES

#### SVENSKA PETROLEUM EXPLORATION AB LONDON BRANCH

**Mailing and visiting address:**

25 Park Lane  
London W1K 1RA, United Kingdom

Telephone: +44 207 647 2500

Telefax: +44 207 647 2501

Email: [info@speuk.co.uk](mailto:info@speuk.co.uk)

#### SVENSKA PETROLEUM EXPLORATION AS

**Mailing address:**

P.O. Box 153  
NO-0216 Oslo, Norway

**Visiting address:**

Strandveien 35, Lysaker

Telephone: +47 2150 8400

Telefax: +47 2150 8419

Email: [info@spe-norway.no](mailto:info@spe-norway.no)

#### OLJEPROSPEKTERING AB (OPAB)

**Mailing address:**

P.O. Box 27823  
SE-115 93 Stockholm, Sweden

**Visiting address:**

Biblioteksgatan 29, Stockholm

Telephone: +46 8 410 545 50

Telefax: +46 8 667 2432

#### SVENSKA PETROLEUM EXPLORATION GUINEA BISSAU AB

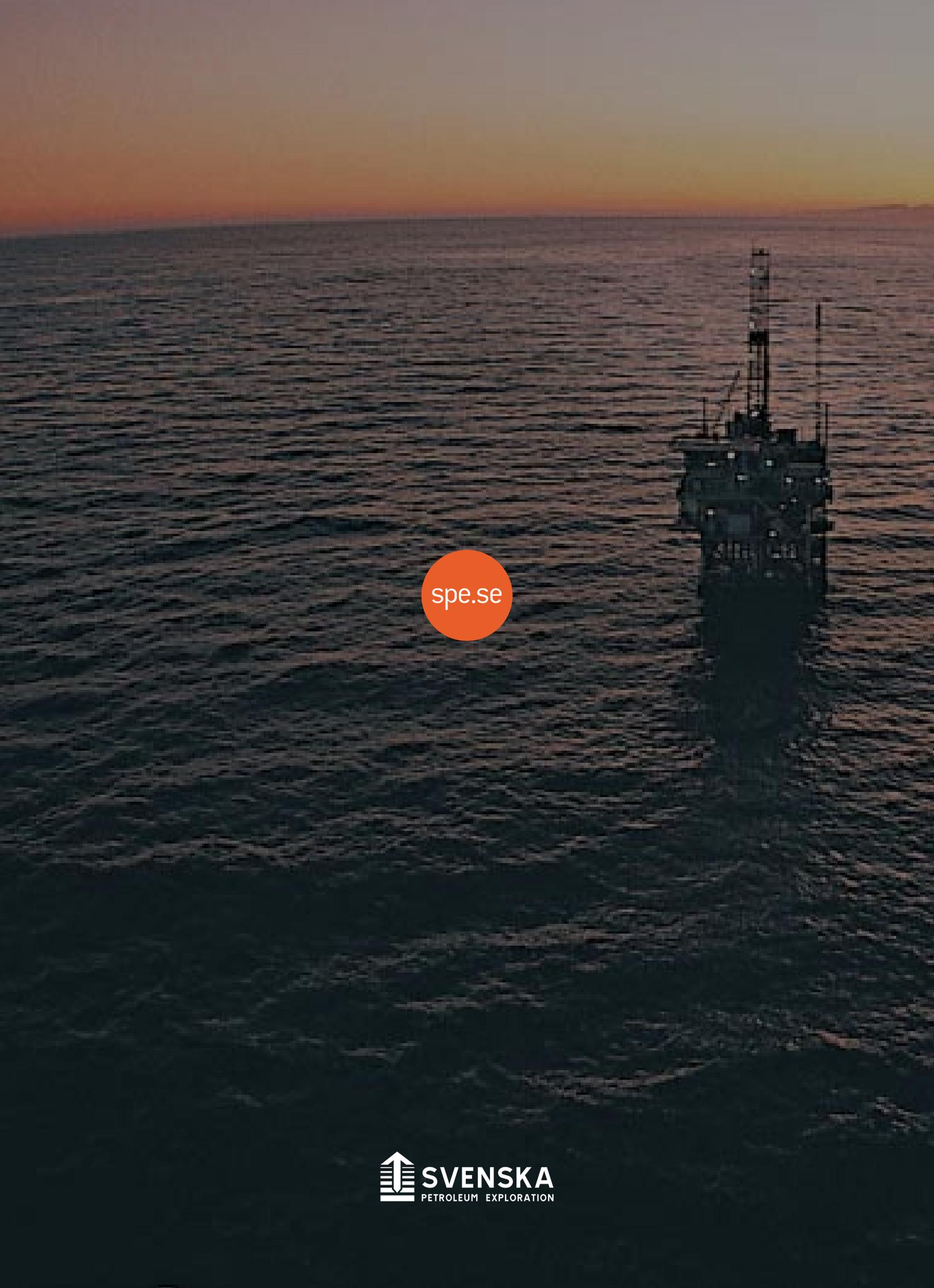
**Mailing and visiting address:**

Avenue Nacoes  
Unidas 7, Bissau, Guinea Bissau

Telephone: +245 666 3350

Telefax: +245 590 6870





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