Annual Report 2016

SVENSKA
PETROLEUM EXPLORATION

Board of Directors' Report

Svenska Petroleum Exploration AB (Svenska) in 2016.

The Board of directors and president & CEO of Svenska Petroleum Exploration AB herewith present the annual report and consolidated financial statements for the financial year 2016. All amounts are reported in SEK thousands unless otherwise stated.

INTRODUCTION

Through participation in joint operation projects, Svenska is actively engaged in all aspects of the exploration and production of oil and gas as well as associated activities. Today, business operations are conducted in Ivory Coast, Nigeria, Guinea-Bissau, Latvia, the UK, Ireland and Sweden. Produced oil is sold to refineries worldwide, mostly in Europe and North America. The Group is presently not involved in direct gas sales.

GROUP ORGANIZATION

Svenska is an international upstream oil company. Business is conducted through subsidiaries, directly or indirectly. The business is supported by offices in Stockholm, London and Bissau where the staff are based. Knowledge and competence are spread across the offices, so that a project team for a particular asset often consists of staff from more than one office in order to best utilize the full set of competences. Insurance is managed through the wholly owned subsidiary Petroswede Insurance Company DAC (Ireland).

Svenska has seven wholly owned subsidiaries in Sweden, the UK and Ireland. Some of these subsidiaries have their own subsidiaries, foreign branches or representative offices.

OWNERSHIP AND GROUP STRUCTURE

Svenska is wholly owned by Petroswede AB, which is ultimately held by Moroncha Holdings Ltd, Cyprus.

EVENTS DURING THE FINANCIAL YEAR

During the year, Svenska's share of production from the Baobab field in Ivory Coast increased compared to 2015. Svenska's entitlement share of average production in the field was almost doubled to 8,172 (4,157) bbl/day. The production increase of 96 per cent is thanks to the significant reinvestments in the field made over the last two years with the last of six new infill wells being successfully completed and brought on stream at the beginning of the year.
The Cajun Express drilling rig that was under contract in the Baobab field from January 2015 completed the drilling campaign in January and left the field. The operator CNR opted not to extend the drilling contract further and defer the remaining planned wells until later. Since some of the costs for the remaining wells have already been accounted for there is a good opportunity to add more producing wells when market conditions allow.

The Baobab field production was shut down during the first three weeks of January to repair a failed riser. The integrity of the complete riser infrastructure was tested by a third party before putting the field back on stream at full capacity. It has been decided to replace two risers and this work is planned to take place during the second half of 2017. New seismic 3D data for the Baobab reservoir was interpreted, providing an improved understanding of the field. The result suggests an improved STOOIP and the data also provides a better basis for optimizing drainage of new production wells as well as water injection for pressure support.

In Nigeria the licence group in OML 145 agreed to spend minimal expenses due to the continuing uncertainties regarding the impact the so-called PIGB (Petroleum Industry Governance Bill) may have on the fiscal terms in existing production sharing contracts such as OML 145. Given the challenges in country on the back of the drop in oil price there seems to be very little momentum to reform the industry as intended in the PIGB. Notwithstanding these uncertainties it is clear the OML 145 licence holds a material oil accumulation of up to 300 million barrels. The cost deflation that is evident in the oil service sector also supports lower development costs and profitable future production even in a lower oil price environment.

In Guinea-Bissau, where Svenska is operating Block 2, 4A and 5A, the technical team has been focusing its interpretation work on the deep-water shelf-break part of the licences. The business has been very active in the neighbouring countries in the recent period, with significant oil discoveries in Senegal as well as farm-ins in Guinea, Senegal and AGR, all in similar geological settings. Due to market conditions, with low oil prices and unrest in the country, the licence group decided to defer exploration drilling until 2018, subject to licence extension.
During the year Svenska has devoted significant internal man-hours to screening out prioritized geographic focus areas in both Sub-Saharan West Africa and MENA where the sub-surface conditions are attractive and the "above-ground risks" are manageable. Svenska plans to re-build its licence portfolio and expects to engage in new business in the prioritized countries.

The average annual price for Brent crude oil fell from USD 53.8 in 2015 to USD 43.6 per barrel. However the

price/barrel rose from USD 37 at the beginning of 2016 to USD 53.6 at year-end. As of 26 January 2017, the price was USD 54.5 per barrel. In 2016, the US dollar strengthened against the Swedish krona, with an average annual rate of USD/SEK 8.56, a two-per-cent increase.

OPERATING INCOME AND COSTS

Consolidated total net sales during the year were SEK 1,466 (866) million. The increase was due to a significantly higher production that offset a lower oil price. Svenska has also benefited from a successful oil price hedging program during the year contributing SEK 272 million to net sales. Production was 3.0 million barrels of crude oil in 2016, compared with 1.5 million barrels the previous year. The average production was 8,172 (4,157) bbl/day. The increase in production was due to the full-year impact of the five production wells in Baobab that were brought into production during the second half of 2015 and one well put on stream in January this year.

Operation and exploration costs totaled SEK 320 (311) million in 2016. The total figure is broken down into the following cost items: operating expenses SEK 243 (254) million, royalty costs SEK 12 (7) million, oil tax operational (the host government's tax share in Production Sharing Contracts) of SEK 49 (29) million and exploration and project expenses SEK 16 (21) million. Consolidated depreciation and impairment of oil and gas assets for 2016 amounted to SEK 402 (469) million. Last year included a write down of the OML 145 licence in Nigeria SEK 299 million, however ordinary depreciation was higher this year due to a higher production rate. Employee payroll costs for 2016 were SEK 68 (98) million. The number of employees was 27 (28) as of December 2016.

Net financial items for 2016 were SEK -83 (-256) million. Revaluation of financial receivables and payables was SEK 32 (-78). Other financial income was SEK 13 million and interest expense was SEK -124 (-169) million. Interest expenses includes an interest expense reversal of SEK 25 million referring to an interest accrual adjustment on profit oil in Angola and other interest expenses of SEK -149 million. Last year's financial costs included the revolving credit facility for financing exploration costs in Norway of SEK 16 million. Tax cost for the Group was SEK -255 (161) million, corresponding to an effective tax rate of 148.0 (245.3) per cent.

Svenska has accrued for additional corporate income taxes in Sweden for fiscal years 2014 and 2015 following a ruling in Administrative Court to allow Svenska to deduct only a portion of the amount of foreign corporate income tax against Swedish corporate income tax (see note 4 for further information). Svenska has requested permission to appeal the decision to the Supreme Administrative Court.

EARNINGS AND CASH FLOW

The Group's operating profit for the 2016 financial year was SEK 256 (190) million. Cash flow from operations was SEK 399 (228) million.

INVESTMENTS AND FINANCIAL POSITION

Intangible and tangible fixed assets at year-end were SEK 5,813 (5,877) million. Investments in intangible assets were SEK 20 (137) million. Investments in tangible assets were SEK 277 (1,471) million. Cash and cash equivalents were SEK 270 (334) million as of 31 December 2016.

At year-end, Svenska had drawn SEK 764 (1,144) million, equivalent to 84 (137) MUSD on the Reserves-Based Lending Facility and had an outstanding debt to affiliated companies of SEK 256 (325) million.

PARENT COMPANY

The Parent Company's profit after tax amounted to SEK 929 (240) million. Equity was SEK 2,966 (2,036) million at year end. The Parent Company and its subsidiaries are actively involved in the exploration and production of oil and gas and related activities through owned interests in risk-sharing projects. SEK 40 (91) million of Other operating income relates to services rendered to subsidiaries.
Operational and exploration costs increased to SEK -8 (-3) million. Other external services amounted to SEK -54 (-72) million. Employee benefits expenses were SEK -68 (-71) million and the average number of employees in the Parent Company during the year was 27 (30), including the branch office in the United Kingdom.

Net financial items was SEK 1,013 (191) million and consists of dividend from subsidiaries SEK 900 (500) million, currency effects 116 (-171), net interest Group companies 14 (8), other financial items 9 (-64), other interest income 2 (1) and other interest expenses -29 (-83).

The tax for the Parent Company was SEK -5 (96) million for the year, which corresponds to an effective tax rate of 0.6% (-66.5%). The effective tax rate for 2016 is mainly explained by non-taxable income such as dividends from subsidiaries. Regarding risks, uncertainties and future expectations, the Parent Company and the Group tie in.

HEALTH, SAFETY AND ENVIRONMENT

Svenska takes great care to prevent accidents that could impact negatively on people's health and the environment. Continuous improvement of our culture and processes is the foundation of our long-term business strategy.
The application of common recognized Health, Safety and Environmental practices is a guiding principle in our operations, and Svenska actively participates in knowledge-sharing industry networks.
Svenska's priorities and objectives are to:

- Prevent loss of human life and avoid injury (highest priority).
- Strive for environmentally improved techniques to be used in all licences in which the Company participates, taking into account technical and economical conditions in different areas.
- Possess a well-developed environmental awareness when making technical and economic decisions.
- Try to influence partners and vendors to exceed the minimum legal requirement when environmentally called for. The objective is to be ahead of even the most stringent anticipated requirements.
- Be perceived by other companies, regulatory authorities, environmental organizations and the general public as environmentally aware and responsible.

CORPORATE SOCIAL RESPONSIBILITY

Svenska also works actively within the CSR area and engages in several projects. Svenska continued its cooperation with SOS Children's Villages in 2016 and the support covers the SOS Children's Village in Abobo-Gare in Ivory Coast, the SOS Hermann Gmeiner Primary & Secondary School in Guinea-Bissau and the SOS Children's Village in Owu-Ijebu, Nigeria. During the year Svenska has provided support to Tostan, an Africa-based charity focused on sustainable development and positive social transformation in West African countries as well as Action Against Hunger in Nigeria.

PERSONNEL

A vital factor in implementing Svenska's expansion strategy and in carrying out our operating activities is Svenska's skilled and dedicated personnel. Access to skilled personnel is ensured through consciously working towards the development of a project-oriented organization. The Group's ambition is to unite different cultures and establish a common approach within the Group.

RISKS AND UNCERTAINTIES

Risks in the oil & gas business

Svenska's operations are completely focused on exploration and production of oil and gas. This is a business with high operational and financial risk. Regardless of experience and knowledge, discovery of commercial volumes of oil and gas cannot be guaranteed.

Political risks

Svenska operates in a global market. Changes in laws and regulations concerning for example foreign ownership, state control, taxes, royalties, environmental rules and/or customs duties may have a negative effect on the financial result. Risk factors such as civil unrest, war, terror, border disputes and uprisings can also affect Svenska's operations. By the end of 2016, there was no political risk insurance taken for any country where the Group is active. The need for such insurances is continuously evaluated. When needed, and if available, such insurance will be taken.

Environmental risks

Exploration and production of oil and gas can cause environmental damage. National laws and production agreements with partners can make Svenska financially responsible for such damages. All activities are conducted according to national laws and regulations, and in line with Svenska's environmental policy.

Reserve estimations

All oil reserve estimations involve uncertainties that for the most part are beyond Svenska's control. Estimations are mainly based on available geological, geophysical and technical data with varying reliability. If present estimations should be proven smaller, it would have a negative impact on Svenska's financial position and result. The estimates that the Group's financial statements rely on are therefore checked thoroughly.

FUTURE EXPECTATIONS

How the oil price will develop in 2017 is very uncertain, considering the continued drop in oil price since the last quarter of 2014. The decision by OPEC to cut their member state's oil supply (their first coordinated production cut since 2008) has helped to stabilize the oil price and support a global oil market coming into balance. Svenska has small capital expenditure commitments in 2017 leading to positive free cash flows. The balance sheet remains strong with excellent debt to capital ratios compared to peer companies.

THE WORK OF THE BOARD

The Board of Directors, which had four members at the end of the year, held four (nine) meetings during the past year.

PROPOSED APPROPRIATION OF PROFITS

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

Retained earnings	1,976,432,654
Profit for the year	929,210,242
Total	**2,905,642,896**

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

Carried forward:	2,905,642,896

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

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

1 January - 31 December

Amounts in SEK thousands	Note	2016	2015
Net sales	2	1,381,635	657,139
Sales of subsidiaries	29	-	207,565
Other operating income	3	84,831	1,942
Total		**1,466,466**	**866,646**
Operational and exploration costs	5	-319,799	-311,056
Oil price derivatives		-358,600	264,230
Other external costs	7, 23	-62,316	-54,068
Employee benefits expenses	6	-67,661	-98,555
Depreciation, write-downs	2, 10	-401,698	-469,072
Other operating expenses	4	-727	-7,809
Operating profit	2	**255,665**	**190,316**
Finance income	8	44,414	1,965
Finance costs	8	-127,755	-257,933
Net finance items		**-83,341**	**-255,968**
Profit before tax		**172,324**	**-65,652**
Tax on profit for the year	9	-254,965	161,017
PROFIT FOR THE YEAR		**-82,641**	**95,365**
Other comprehensive income			
Items that are or may be reclassified to profit/loss:			
Exchange differences for the year		372,982	284,599
Items that will never be reclassified to profit/loss:			
Remeasurements of defined benefit asset		-2,699	3,705
Taxes relating to items that will not be reclassified		487	-669
Comprehensive income for the year		**370,770**	**287,635**
Total comprehensive income		**288,129**	**383,000**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEK thousands	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Intangible assets	11	2,152,769	1,977,194
Tangible fixed assets	12	3,660,418	3,899,718
Financial investments	13	306	306
Other non-current receivables	14, 18	5,120	7,137
Deferred tax assets	9	257,807	261,830
Total non-current assets		**6,076,420**	**6,146,185**
Current assets			
Drilling equipment and consumable supplies	15	257,870	29,086
Trade receivables	16	104,038	-
Receivables in Group companies		50,284	50,284
Prepayments and accrued income	17	262,847	327,150
Other receivables		28,953	33,206
Tax receivables		1,134	1,134
Financial Investments	13	11,715	614,816
Cash and cash equivalents	29	269,612	334,180
Total current assets		**986,453**	**1,389,856**
TOTAL ASSETS		**7,062,873**	**7,536,041**

EQUITY AND LIABILITIES

31 December

Amounts in SEK thousands	Note	31 Dec 2016	31 Dec 2015
Equity			
Share capital		50,000	50,000
Reserves		1,135,337	764,567
Retained earnings, incl. profit for the year		3,448,734	3,531,375
Total equity		**4,634,071**	**4,345,942**
Liabilities			
Deferred tax liabilities	9	536,193	451,663
Long-term interest-bearing liabilities	30	1,020,156	1,469,902
Other provisions	19	273,601	421,069
Total non-current liabilities		**1,829,950**	**2,342,634**
Trade payables		6,477	10,158
Other liabilities	20	24,949	22,459
Accruals and deferred income		471,541	814,714
Current tax liaibilities	21	95,885	134
Total current liabilities		**598,852**	**847,465**
Total liabilities		**2,428,802**	**3,190,099**
TOTAL EQUITY AND LIABILITIES		**7,062,873**	**7,536,041**

Information reguarding group contingencies and pledged assets, see Note 25.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousands	Share capital	Translation reserve	Remeasurements of defined benefit obligations	Retained earnings incl. net profit/loss	Total equity
Opening equity, 1 Jan 2015	**50,000**	**477,686**	**-754**	**3,437,600**	**3,964,532**
Received group contribution	-	-	-	-2,039	-2,039
Tax on received group contribution	-	-	-	449	449
Profit/loss for the year	-	-	-	95,365	95,365
Other comprehensive income for the year	-	284,599	3,036	-	287,635
Total comprehensive income for the year	**-**	**284,599**	**3,036**	**95,365**	**383,000**
Closing equity, 31 Dec 2015	**50,000**	**762,285**	**2,282**	**3,531,375**	**4,345,942**
Profit/loss for the year	-	-	-	-82,641	-82,641
Other comprehensive income for the year	-	372,982	-2,212	-	370,770
Total comprehensive income for the year	**-**	**372,982**	**-2,212**	**-82,641**	**288,129**
Closing equity, 31 Dec 2016	**50,000**	**1,135,267**	**70**	**3,448,734**	**4,634,071**

CONSOLIDATED STATEMENT OF CASH FLOWS

1 January - 31 December

Amounts in SEK thousands	Note	2016	2015
Indirect method			
Operating activities			
Profit before tax[1]		172,324	-65,652
Adjustment for non-cash items	29	592,241	48,803
Total		**764,565**	**-16,849**
Taxes paid		-41,859	-3,357
Total		**722,706**	**-20,206**
Cash flow from changes in working capital			
Decrease(+)/increase(-) in inventories		43,782	185,006
Decrease(+)/increase(-) in operating receivables		-6,212	573,151
Decrease(-)/increase(+) in operating liabilities		-360,850	-510,346
Cash flow from operating activities		**399,426**	**227,605**
Investing activities			
Acquisition of intangible assets	11	-20,399	-137,102
Acquisition of tangible fixed assets	12	-277,107	-1,470,876
Sale of subsidiaries, net effect on cash flow		-	651,882
Increase in financial assets		-13,276	-353,559
Disposal financial assets		334,197	142,114
Cash flow from investing activities		**23,415**	**-1,167,541**
Financing activities			
Proceeds from borrowings		-	931,341
Repayment of borrowings		-503,105	-
Cash flow from financing activities		**-503,105**	**931,341**
Cash flow for the year		**-80,264**	**-8,595**
Cash & cash equivalents at beginning of year		334,180	340,935
Exchange differences		15,696	1,840
Cash & cash equivalents at end of year		**269,612**	**334,180**

[1]) The amount includes interest received of SEK 4,676 (4,809) thousands, and interest paid of SEK 124,177 (74,937) thousands.
For supplementary information to the consolidated cash flow statement, see Note 29.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

Svenska Petroleum Exploration AB is a limited company, which is incorporated in Sweden and has its registered office in Stockholm. Headquarters is located at Biblioteksgatan 29, SE-114 35 Stockholm, Sweden

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

STATEMENT OF COMPLIANCE

With effect from 1 January 2013, Svenska Petroleum Exploration AB prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied. RFR 1 is issued by the Swedish Financial Reporting Board.

The Parent Company applies the same accounting policies as the Group, except in the cases described below in the section entitled "The Parent Company's Significant Accounting Policies – Note 100."
Any differences are due to limitations in the ability to apply IFRS in the Parent Company as a result of the provisions of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act.

BASIS OF PREPARATION OF THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

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

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

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

JUDGEMENTS AND ACCOUNTING ESTIMATES IN THE FINANCIAL STATEMENTS

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

NEW IFRS STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

There are a number of new standards, amended standards and interpretations which are effective for accounting periods commencing on or after 1 January 2017 and have not been applied in advance in the preparation of these financial statements. Only standards considered relevant to the Group are commented on.

IFRS 9: "Financial Instruments" is intended to replace IAS 39. The IASB has now completed an entire "package" of changes concerning the reporting of financial instruments. The package includes a model for classification and measurement of financial instruments, a forward-looking ("expected loss") impairment model and a significantly revised approach to hedge accounting. IFRS 9 takes effect on 1 January 2018; earlier application is permitted. The amemdmend is adopted by EU. The categories of financial assets that are found in IAS 39 will be replaced by two categories: those measured at fair value and those measured at amortized cost. Amortized cost is used for instruments that are held in a business model which focuses on collecting the contractual cash flows, to be comprised of payments of principal and interest on the principal outstanding on specified dates. Other financial assets are recognized at fair value, and the option of applying the "Fair Value Option" as in IAS 39 remains in place. Changes in fair value are recognized in profit or loss, with the exception of value changes on equity instruments that are held for trading and for which an initial choice is made to recognize value changes in other comprehensive income.

Regarding the language on financial liabilities, the greater portion corresponds to the previous IAS 39 rules with the exception of provisions concerning financial liabilities that are voluntarily measured at fair value according to the "Fair Value Option". For these liabilities, the value change is divided between changes that are attributable to the entity's own creditworthiness and changes in a reference interest rate. The new impairment model will require more consistent impairment of "expected credit losses", which are to be recognized as of the initial recognition of the asset. The new rules for hedge accounting include a simplification of efficiency tests and an expanded definition of permissible hedging instruments and hedged items. IFRS 9 is not expected to impact the Group's accounting to any significant extent.

IFRS 15 "Revenue from Contracts with Customers". The purpose of the new revenue standard is to have a single, principles-based standard for all industries that will replace existing standards and guidance on revenue. IFRS 15 takes effect in 2018 and earlier application is permitted. EU has adopted IFRS 15. The new standard requires a review of the Group's revenue recognition and other relevant processes

to be carried out in connection with the transition to the new standard. The preliminary assessment is that the "entitelments method" probably will continue to be applied in the branch and by the group. The Group is following the development in the business.

IFRS 16 Leases: IFRS 16 eliminates the current dual accounting model for lessees in IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model and a lessee is required to recognize assets and liabilities for all leases. Short-term leases, for less than 12 months, and leases of low-value assets are exempt from requirements. In the income statement the depreciation of lease assets is separately recognized from interest on lease liabilities. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. IFRS 16 is effective from 1 January 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15. The amendment is expected to be adopted by EU during 2017. There are some uncertainty in the business regarding the adoption of IFRS 16 regarding joint controlled operations. The group engages in oil and gas operations. These arrangements are usually structured through joint operations agreements (JOA) that regulates entitlements and obligations. The group is following the development in the business.

SIGNIFICANT ACCOUNTING POLICIES APPLIED

The Group's significant accounting policies are described below.

AMENDED ACCOUNTING POLICIES

There have been no amendments or new IFRS as 1 January 2016, that have had a material impact on applied accounting polices in the group.

OPERATING SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may generate revenues and incur expenses, and for which discrete financial information is available. Group management monitors the performance of an operating segment in order to evaluate it and allocate resources to the operating segment. See Note 2 for a further description of the classification and presentation of operating segments.

CLASSIFICATION

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

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are companies over which Svenska Petroleum Exploration AB has a controlling influence. A controlling influence is present if Svenska Petroleum Exploration AB has influence over the investment object, is exposed to or has the right to variable return by virtue of its involvement, and can exert its control over the investment to influence returns. Potential share voting rights and the existence or non-existence of de facto control are factors in determining whether controlling influence exists.

Subsidiaries are consolidated according to the acquisition method of accounting, whereby the acquisition of a subsidiary is regarded as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis defines the acquisition date fair value of the identifiable assets acquired, liabilities and any non-controlling interests. Acquisition-related costs that arise, with the exception of those attributable to the issue of equity or debt instruments, are recognised directly in profit/loss for the year. With effect from 1 January 2010, the Group applies the revised IFRS 3 "Business Combinations" and the amended IAS 27 "Consolidated and Separate Financial Statements". The contingent consideration is measured at fair value on the acquisition date and the effects of the remeasurement of liabilities related to the contingent consideration are recognized as income or expense in profit/loss for the year. There are two options for measuring non-controlling interest and goodwill: either fair value (or the full goodwill method) and the NCI's proportionate share of the net assets of the acquiree. The choice between these two methods is made individually for each acquisition. Moreover, additional acquisitions that take place after control has been achieved are considered to be owner transactions and are recognized directly in equity.

ACQUISITIONS MADE BETWEEN 1 JANUARY 2004 AND 31 DECEMBER 2009

For acquisitions made between 1 January 2004 and 31 December 2009 where the cost exceeds the fair value of acquired assets, assumed liabilities and contingent liabilities (recognized separately), the difference is reported as goodwill. If the difference is negative, this is recognized directly in profit/loss for the year.

Transaction costs, with the exception of transaction costs attributable to the issue of equity or debt instruments that arise, are included in the acquisition cost.

ACQUISITIONS MADE BEFORE 1 JANUARY 2004

For acquisitions made before 1 January 2004, goodwill, after impairment testing, has been recognized at cost, which corresponds to the carrying amount under previous accounting policies. The classification and accounting treatment of business combinations occurring before 1 January 2004 has not been reviewed in accordance with IFRS 3 in the preparation of the consolidated opening balance sheet under IFRS at 1 January 2004.

The subsidiaries' financial reports are included in the consolidated financial statements from the date of acquisition until the date on which control ceases.

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

accounting policies.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

FOREIGN CURRENCY

Foreign currency transactions

Transactions in foreign currency are translated into the functional currency according to the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated into the functional currency using the exchange rates prevailing on the reporting date. Foreign exchange differences arising on translation are recognized in profit or loss. Non-monetary assets and liabilities recognized at historical cost are translated using the exchange rates prevailing at the date of the transaction. Non-monetary assets and liabilities recognized at fair value are translated unto the functional currency using the exchange rates prevailing at the date of the fair value measurement. Subsequent exchange gains and losses are reported in the same way as other value changes relating to the asset or liability.

Exchange differences arising on foreign currency loans and which relate to investments in independent foreign operations are recognized in other comprehensive income and are accumulated in a separate component of equity, the translation reserve. When foreign operations are disposed of, cumulative exchange differences are recognized in profit or loss.

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

Financial statements of foreign operations

The assets and liabilities of foreign entities, including goodwill and other fair value adjustments arising on consolidation, are translated into Swedish krona using the exchange rate prevailing at the reporting date. The income and expenses of foreign entities are translated into Swedish krona using an average exchange rate that is an approximation of the rates prevailing at each transaction date.

Exchange differences arising on translation of a foreign net investment are recognized in other comprehensive income and accumulated in the translation reserve, which is a separate component of equity. On disposal of a foreign operation, the cumulative exchange differences are reclassified from equity to profit or loss as a reclassification adjustment at the time the gain or loss on disposal is recognized.

The Companies deemed that cumulative translation differences attributable to foreign operations were zero at the date of transition to IFRS.

JOINTLY CONTROLLED OPERATIONS

The Group engages in oil and gas operations as a joint venture partner with other parties. These types of arrangements are usually structured through joint operating agreements (JOA) that regulate entitlements and obligations. In conclusion, the partners of a jointly controlled operation are independent parties, meaning that costs and revenue are distributed between the partners and each party is independently responsible for its share. Produced oil is divided between the parties according to the agreement and each party is separately responsible for the sale of oil. If a party is not able to pursue its financial obligations the other parties are obliged to cover the costs. The Group's interests in jointly controlled licences are accounted for using the proportionate consolidation method, which means that the consolidated financial statements include the Group's proportionate share of production, investment costs, operating income and expenses, current assets and current liabilities.

REVENUE RECOGNITION

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

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

Both underlift and overlift are measured at fair value at the reporting date.

OPERATING EXPENSES, FINANCE INCOME AND FINANCE COSTS

Leases

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

The Group has no outstanding significant finance leases.

Finance income and costs

Finance income and costs comprise interest income from bank deposits and receivables and interest-bearing securities, interest payable on borrowings, dividend income, exchange

differences and unrealized gains and losses on financial investments.

Interest expenses, including issue expenses and similar expenses for direct transactions concerning loans, are amortized over the life of the loan using the effective interest method.

Revenue from dividends is recognized when the right to receive payment is established.

TAXES

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

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

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

FINANCIAL INSTRUMENTS

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

Recognition and derecognition in the statement of financial position

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

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

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

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

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

Classification and Measurement

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

Derivatives are initially recognized at fair value with transaction costs charged to profit for the period. After initial recognition, derivatives are measured at fair value and changes in value are recognized as described below.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and other financial assets that the Company initially chose to place in this category (according to the "Fair Value Option"). Financial instruments in this category are measured at fair value with changes in value recognized in profit or loss. The first subgroup includes derivatives with a positive fair value, except for derivatives that are identified as effective hedging instruments.

Financial liabilities at fair value through profit or loss

This category has two sub-categories: financial liabilities held for trading and other financial liabilities that the Company chose to place in this category (according to the "Fair Value Option"); see the description above under "Financial assets at fair value through profit or loss". The first subgroup includes the Group's derivatives with a negative fair value, except for derivatives that are identified as effective hedging instruments. Changes in fair value are recognized in profit or loss.

- Loan receivables and accounts receivable

Loan receivables and accounts receivable are non-derivative

financial assets that have fixed or determinable payments and that are not quoted in an active market. These assets are measured at amortized cost. Amortized cost is calculated based on the effective interest method used at initial recognition. Accounts receivable are recognized at the amounts expected to be received after deductions for doubtful debts. A reserve for impairment of receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms and conditions of the receivables. Impairment of trade receivables is reported under operating profit/loss.

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

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

DISTRIBUTIONS OF NON-CASH ASSETS TO OWNERS

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

INTANGIBLE ASSETS

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

TANGIBLE FIXED ASSETS

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

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

Depreciation
Capitalized expenses are depreciated from the start of production. Depreciation is calculated according to the unit-of-production method, which is based on the year's production and its relation to proven and probable reserves of oil. The basis for calculating the unit of production consists of the estimated investments over the life of the field. Proven oil and gas reserves are defined as the estimated amount of crude oil, natural gas and liquid natural gas which, on the basis of geological and engineering data provided by the operator of the field or an independent party, and with reasonable probability (higher than 90%), can be extracted in the future from known reserves within the current economic and operational environment, i.e. oil prices and costs at the date of the calculation.

Probable reserves are unproven reserves which, on the basis of analyses of geological and engineering data, are considered more likely than not to be recoverable. In this context, it is considered that there should be at least 50 per cent probability that the extracted quantities will equal or exceed the sum of proven and probable reserves.

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

IMPAIRMENT

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

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

INVENTORIES

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

OVERLIFT AND UNDERLIFT

Overlift and underlift are described in revenue recognition.

EMPLOYEE BENEFITS

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

Defined contribution plans are plans under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions. The Group's profit (loss) is charged with expenses as the benefits are earned. With defined benefit plans, employees and former employees receive benefits on the basis of salary upon retirement and the number of years' service. The Group bears the risk that the defined benefits are paid.

The defined benefit plans are funded. This means the assets have been placed in a separate pension fund, managed by Folksam. These managed assets can only be used to pay benefits in accordance with the pension agreement.

The net present value of the obligations and the fair value of plan assets are reported as a long-term financial receivable or pension provision in the statement of financial position.

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

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

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

PROVISIONS

Abandonment costs

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

Other provisions

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

CONTINGENT LIABILITIES

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

ACCOUNTING POLICIES – PARENT COMPANY

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

Cases where the Parent Company applies different accounting policies than the Group are stated separately in Note 100 to the Parent Company.


CAJUN
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NOTE 2 – SEGMENT REPORTING

The Group's operations are divided into operating segments based on which components Svenska's chief operating decision-maker reviews regularly. The Group has identified Group management as its chief operating decision-maker. Svenska Group's operations are organized so that Group management (CODM) is able to monitor and review income from the sale of oil and gas, operating profit (EBIT), investments, assets and liabilities for the Group's different geological areas. As Group management reviews financial performance and decides on resource allocation based on geographical areas (countries), the geographical areas represent the operating segments. Consequently, Svenska Group's internal reporting is structured so as to allow Group management to review the performance and results of the geographical areas. It is on the basis of this reporting that the Group's segments have been identified.

Intangible assets and oil and gas assets have been allocated to the different segments. Unallocated and group-wide assets are reported as group-wide. There are no internal segment sales.

	Group	
Net sales	**2016**	**2015**
-Norway	-	304
-The Ivory Coast *)	1,381,635	657,342
-Other	-	-507
Total	**1,381,635**	**657,139**

*) sale of crude oil to external customers
The segment reporting of net sales is based on the geographic location of the actual sale.

Operating profit/loss		
-Norway	-	91,365
-Angola	-	-26,236
-The Ivory Coast	277,991	423,384
-Guinea-Bissau	-4,943	-6,443
-Nigeria	63,192	-300,753
-Group-wide	-80,575	8,999
Total	**255,665**	**190,316**

Depreciation, write-downs and abandonment costs, net		
-Norway[1]	-	6,892
-The Ivory Coast	-400,349	-176,443
-Nigeria[1]	-	-298,602
-Inventories	-1,349	-919
Total	**-401,698**	**-469,072**

[1]) The amount includes a reversal of a write-down in Norway and a write-down of OML 145, Nigeria.

NOTE 2 – CONT.

Assets	Group 2016	Group 2015
Intangible oil and gas assets		
-The Ivory Coast	75,533	69,349
-Guinea-Bissau	275,083	253,906
-Nigeria	1,800,953	1,652,958
Non-allocated intangible assets	1,200	981
Tangible oil and gas assets		
-The Ivory Coast	3,649,157	3,889,503
Nigeria	9	-
Non-allocated tangible assets	11,252	10,215
Total	**5,813,187**	**5,876,912**

This year's investments	2016	2015
-The Ivory Coast	275,073	1,727,116
-Norway	-	108 686
-Guinea-Bissau	19,245	31,741
-Nigeria	582	6,301
-Group-wide	2,606	484
Total	**297,506**	**1,874,328**

Liabilities & provisions	2016	2015
-Angola	231,323	219,847
-The Ivory Coast	1,489,423	1,148,586
-Guinea-Bissau	24,967	11,628
-Nigeria	212,957	259,057
-Other	470,135	1,550,977
Total	**2,428,806**	**3,190,095**

Income from external customers[1]	2016	2015
-Customer 1	1,381,635	657,342
-Sale of Svenska Petroleum Exploration AS	-	206,981
-Other income	-	381
Total	**1,381,635**	**864,704**

[1]) Income from external customers, consisting of a large international oil company.
Customer 1 is attributable to the Ivory Coast; percentage share of the Group's revenue is 100 % (99%).
The customer's registered office is outside the country.

NOTE 3 – OTHER OPERATING INCOME

	Group	
	2016	2015
Additional purchase price Norweigan subsidiaries	1,945	-
Additional purchase price Angola subsidiaries	15,242	-
Reversal of Licence reserve, OML Nigeria	65,098	-
Underlift/Overlift	1,682	-
Exchange gains	864	1,942
Total	**84,831**	**1,942**

NOTE 4 – OTHER OPERATING EXPENSES

	Group	
	2016	2015
Exchange losses	-727	-7,809
Total	**-727**	**-7,809**

NOTE 5 – OPERATIONAL AND EXPLORATION COSTS

	Group	
	2016	2015
Operating expenses	-242,646	-254,040
Royalties	-11,952	-6,979
Oil tax, operational	-49,570	-28,953
Exploration and project expenses	-15,631	-21,084
Total	**-319,799**	**-311,056**

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

NOTE 6 – EMPLOYEE BENEFIT EXPENSES

Information on employee benefit expenses in the Parent Company can be found in Note 6 for the Group.

	2016		2015	
Average number of employees	**Employees**	**whereof male**	**Employees**	**whereof male**
Parent				
Sweden	17	12	17	11
United Kingdom	10	7	13	9
Subsidiaries				
Norway	0	0	13	10
Total, Group	**27**	**19**	**43**	**30**

NOTE 6 – CONT.

	2016	2015
Executive management, Group and parent company	**9**	**10**

Gender distribution, executive management (female representation in %)

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

	2016		2015	
Salaries and other benefits	**Senior executives**	**Other employees**	**Senior executives**	**Other employees**
Parent				
Sweden	10,649	12,845	11,803	11,232
-of which bonuses to senior executives	1,947	-	1,817	-
United Kingdom	13,580	10,693	15,691	9,036
-of which bonuses to senior executives	4,361	-	2,359	-
Subsidiaries				
Norway	-	-	2,579	19,170
-of which bonuses to senior executives	-	-	65	-
Group total	**24,229**	**23,538**	**30,073**	**39,438**

	2016		2015	
Other personnel costs, pension	**Senior executives**	**Other employees**	**Senior executives**	**Other employees**
Parent				
Pension costs	3,213	2,115	3,445	4,259
Subsidiaries				
Pension costs	-	-	65	2,119
Group total	**3,213**	**2,115**	**3,510**	**6,378**
Other personnel costs				
Parent	346	2,989	100	3,363
Subsidiaries	-	-	370	443
Group total	**346**	**2,989**	**470**	**3,806**
Subtotal	**27,788**	**28,642**	**34,053**	**49,622**
Social security contributions, total		**11,231**		**14,880**
Personnel costs, total		**67,661**		**98,555**

NOTE 6 – CONT.

Mr. Fredrik Öhrn, CEO of SPE AB (and Petroswede AB) received during 2016 a fixed salary of SEK 3,623 (3,218) thousands, a bonus of SEK 1,038 (1,178) thousands and other benefits of SEK 102 (106) thousands. His pension costs for the year amounted to SEK 1,061 (1,325) thousands.

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

Fees paid to directors	2016	2015
Mohammed Al-Amoudi	**500**	**500**
Jason Milazzo	375	375
Richard Öhman	200	200
Jamal Mohammed A. Ba-Amer	200	200
Total	**1,275**	**1,275**

NOTE 7 – Auditors' fees and other remuneration

	Group	
Fees to auditors during the year	**2016**	**2015**
KPMG		
Annual audit	723	1,321
Other audit services	83	159
Tax advisory services	138	798
Other services	16	58
Other auditors		
Annual audit	15	1,096
Other audit services	118	922
Tax advisory services	189	-
Other services	531	-
Total	**1,813**	**4,354**

NOTE 8 – Finance income and costs

		Group
	2016	**2015**
Interest income on bank deposits	3,582	1,965
Net exchange differences	31,915	
Other financial income	8,917	-
Finance income	**44,414**	**1,965**
Net exchange differences	-	-78,077
Interest expense on financial liabilities measured at amortized cost	-123,515	-168,609
Present value adjustment of provisions (Note 18)	-4,240	-11,247
Finance costs	**-127,755**	**-257,933**

All interest rates relate to items that are not measured at fair value.

NOTE 9 – Taxes

Specification of tax income	2016	2015
Tax expense(-) income (+)for the period	-56,656	121,363
Adjustment of tax in respect of prior years	-129,019	8,116
Current tax expense	**-185,675**	**129,479**
Deferred tax from temporary differences	-69,290	31,538
Deferred tax	**-69,290**	**31,538**
Total recognised tax expense(-)income (+) for Group	**-254,965**	**161,017**
Reconciliation of effective tax		
Group		
Profit/loss before tax	172,324	-65,652
Tax at Swedish enacted tax rate 22% (22%)	-37,911	14,443
Non-deductible expenses	-149	-
Non-taxable income	4,131	39,613
Tax effect, petroleum tax Ivory Coast	-94,481	-4,597
Tax effect, petroleum tax Norway	-	58,848
Effect of different tax rates for foreign Group companies	-1,523	-471
Tax effect sale of subsidiaries	3,701	46,237
Other items	286	-1,172
Tax attributable to prior years	-129,019	8,116
Recognised taxexpense (-) income (+)	**-254,965**	**161,017**
Effective tax	**148.0%**	**245.3%**

”Tax effect sale of subsidiaries” refers to the capital gain reported in the parent company concerning the sale of Svenska Petroleum Exploration AS and SPE Congo AB.

At the end of 2013 the Swedish tax authority issued a decision to SPE CI AB in respect of financial year 2011 and the method of calculating foreign taxes paid. The company appealed the decision to the Administrative court and received a respite to pay the addtional tax. The Administrative court ruled in favour of the company but the tax authority appealed to the Administrative court of appeal and a ruling came 2016, basically in line with the appeal from the tax authority. The ruling have affected the tax calculation for all years from 2011 and onwards as it introduces a new way of calculating the foreign tax paid as well as treating parts of the revenue and operational costs as non-taxable and non-deductible, respectively. The company have choosen to apply for permission to appeal to the Supreme Administrative court due to, among other things, that this ruling will have a great impact on swedish companies entering into this type of agreements abroad.

The decision from the tax authority for financial year 2015 was issued 9 February and the total amount regarding years 2011-2015 was around 121 MSEK. The amount have been provided for in full and is included in Tax attributable to prior years above. The amount is paid in batches relating when the decision for each financial year comes and the last payment will be settled on the 13 of March 2017.

NOTE 9 – CONT.

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

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

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities relate to the following items.

Group 16-12-31	Deferred tax asset	Deferred tax liability	Net
Exploration costs	-	-192,787	-192,787
Oil and gas assets	-	-329,034	-329,034
Loss carryforward	257,807	-	257,807
Other long-term receivables	-	-1,127	-1,127
Provision for abandonment	-	-13,245	-13,245
Total	**257,807**	**-536,193**	**-278,386**

Group 15-12-31	Deferred tax asset	Deferred tax liability	Net
Exploration costs	-	-177,005	-177,005
Oil and gas assets	-	-269,091	-269,091
Loss carryforward	261,830	-	261,830
Other long-term receivables	-	-1,562	-1,562
Provision for abandonment	-	-4,005	-4,005
Total	**261,830**	**-451,663**	**-189,833**

NOTE 9 – CONT.

Not recognised deferred tax

The Group has no deductible temporary differences and taxable loss reliefs for which deferred tax assets have not been recognised in profit and loss statement and balance sheet.

Changes in deferred tax on temporary differences and loss carryforward

Group 31 Dec 2016	Amount at beginning of year	Disclosed in income statement	Other changes	Amount at end of year
Exploration costs	-177,005	-	-15,782	-192,787
Oil and gas assets	-269,091	-53,235	-6,709	-329,034
Other long-term receivables	-1,562	435	-	-1,127
Loss carryforward	261,830	-4,023	-	257,807
Provision for abandonment	-4,005	-12,471	3,231	-13,245
Total	**-189,833**	**-69,294**	**-19,259**	**-278,386**

Group 31 Dec 2015	Amount at beginning of year	Disclosed in income statement	Other changes	Amount at end of year
Exploration costs	-991,605	37,908	776,692	-177,005
Oil and gas assets	-200,975	-66,465	-1,651	-269,091
Other long-term receivables	-873	-689	-	-1,562
Loss carryforward	166,177	95,569	84	261,830
Provision for abandonment	-2,983	-1,022	-	-4 005
Total	**-1,030,259**	**65 301**	**775 125**	**-189 833**

Other changes -19,259 refers mainly to exchange rate effects of -19,855.

NOTE 10 – DEPRECIATION, WRITE-DOWNS AND ABANDONMENT COSTS	Group	
	2016	2015
Depreciation, write-downs & reversal of write-downs		
Exploration costs		
Norway, Fulla (PL 362)	-	-593
Norway,(PL 553)	-	-6,820
Nigeria, OML 145	-	298,602
This year's total total write-downs	**-**	**291,189**
This year's depreciations, other intangibles	353	177
Depreciation		
Oil and gas assets		
The Ivory Coast	400,352	176,442
This year's total depreciations oil and gas assets	**400,352**	**176,442**
Depreciation		
Equipment	993	1,264
This year's total depreciation and write-downs	**401,698**	**469,072**

If a licence is considerated not to be a commercially viable field a write-down is considered.

NOTE 11 – INTANGIBLE ASSETS

Exploration costs	Group 31 Dec 2016	Group 31 Dec 2015
Opening costs	2,803,808	4,177,270
Exchange differences	196,118	149,903
Disposals[1]	-135,404	-1,670,076
Additions	20,399	146,711
Closing accumulated cost	**2,884,921**	**2,803,808**
Opening impairment	-826,613	-908,255
Exchange differences	-40,590	-15,135
Reclassification	-	-9,581
Disposals[1]	135,404	397,724
Impairment for the year[2]	-	-298,602
Reversal write-downs	-	7,412
This year's depreciations, other itangibles	-353	-177
Closing accumulated impairment and end depreciation	**-732,152**	**-826,614**
Carrying amount at end of period	**2,152,769**	**1,977,194**

Carrying amount per field	Operator	Participating interest %	31 Dec 2016	31 Dec 2015
OMl 145, Nigeria	Exxonmobil	21.05%	1,800,953	1,652,956
Guinea-Bissau, Blocks 2, 4A and 5A	Maersk Oil	55.00%	275,083	253,905
The Ivory Coast, CI-40 Kossipo	CNR	27.39%	75,533	69,350
Other intangibles	-	-	983	983
Total			**2,152,552**	**1,977,194**

Purchases include the value of exploration costs which are capitalised as pending assessment of commercially recoverable reserves. For estimated resources per field, see Note 12.

[1]) Last years disposals relate to Norway.

[2]) Last years impairment losses relate to OML 145, Nigeria.For more detailed information on impairments see Note 10.

NOTE 12 – TANGIBLE FIXED ASSETS

	Group		
	Oil and gas assets	Equipment[3]	Total
Opening cost, 1 Jan 2015	**4,052,943**	**31,921**	**4,084,864**
Exchange differences	248,588	11	248,599
Purchases	1,727,318	298	1,727,616
Disposals	-	-9,409	-9,409
Closing accumulated cost, 31 Dec 2015	**6,028,849**	**22,821**	**6,051,670**
Exchange differences	510,199	-	510,199
Purchases	275,073	2,034	277,107
Disposals[1]	-234,070	-11	-234,081
Reclassification[2]	-255,806	201	-255,605
Closing accumulated cost, 31 Dec 2016	**6,324,245**	**25,045**	**6,349,290**
Opening depreciation, 1 Jan 2015	**-1,855,086**	**-20,338**	**-1,875,424**
Exchange differences	-107,798	266	-107,532
Depreciation for the year	-176,442	-1,264	-177,706
Disposals	-	8,710	8,710
Closing accumulated depreciation, 31 Dec 2015	**-2,139,326**	**-12,626**	**-2,151,952**
Exchange differences	-187,368	-	-187,368
Depreciation for the year	-400,349	-984	-401,333
Disposals	49,591	11	49,602
Reclassification	2,364	-185	2,179
Closing accumulated depreciation, 31 Dec 2016	**-2,675,088**	**-13,784**	**-2,688,872**
Carrying amount, 31 Dec 2015	**3,889,523**	**10,195**	**3,899,718**
Carrying amount, 31 Dec 2016	**3,649,157**	**11,261**	**3,660,418**

Oil and gas assets Carrying amount per field	Operator	Participating interest %	31 Dec 2016	31 Dec 2015
The Ivory Coast, CI-40 Baobab	CNR	27.39	3,649,157	3,889,523
Total			**3,649,157**	**3,889,523**

[1]) The disposal is mainly due to updated abandoment cost estimates of (184,476 TSEK) and to scrapped and disposed equipment referring to phase 3 and earlier phases (49,594 TSEK).
[2]) Reclassification to drilling and equipment is due to the cancelation of phase 4 (257,162 TSEK).
[3]) Equipment refers to Svenska Petroleum Exploration AB.

NOTE 12 – CONT.

Resources and reserves, Svenska share	2016* Oil (mmbo)	2016* Gas (bcf)	2016* Total (mmboe)***	2015** Oil (mmbo)	2015** Gas (bcf)	2015** Total (mmboe)
Reserves (2P)						
Ivory Coast, CI-40 Baobab	34.7	15.8	37.5	31.6	5.2	32.6
Resources (2C)						
Guinea Bissau, Block 2 Sinapa East	5.9	6.6	7.1	5.3	0.0	5.3
Ivory Coast, CI-40 Kossipo South	7.6	5.1	8.5	6.8	0.0	6.8
Ivory Coast, CI-40 Baobab fas 5	14.9	4.4	15.7	13.6	4.0	14.3
Ivory Coast, CI-40 future potential	28.9	8.7	30.4			
Nigeria, OML 145 Uge	58.7	51.6	67.9	50.1	40.1	57.2
Total Resources (2 C)	116.0	76.4	129.6	75.8	44.1	83.6

* Source: 2P PDC auditors, Ivory Coast 2C Svenska, other fields Operators estimate
** Source: Gaffney, Cline & Associates
*** Calculated by Svenska using a conversion factor of 5,615 mscf/boe

NOTE 13 – FINANCIAL INVESTMENTS

Financial investments held as non-current assets	Group 31 Dec 2016	Group 31 Dec 2015
Opening cost	306	189,523
Purchases	0	0
Sales and disposals	0	-189,217
Closing accumulated cost	**306**	**306**
Financial investments held as current assets		
Certificate	0	250,426
Corporate bond	0	85,003
Put option	11,715	279,387
Closing accumulated cost	**11,715**	**614,816**

The parent company held two financial assets over the end of year 2015. A commercial paper of Göteborgs Stad (AA+) at a zero coupon interest rate of 0.49% and a commercial bond issued by Ford Motor Credit (BBB-) at a coupon interest rate of 4.207%. The currency of both assets was USD. These assets are sold during 2016. The Group is exposed to various financial risks and the most substantial is fluctuations in the Brent Oil price. In order to protect the Group from this exposure, the group has hedged with put options, currently 79% of estimated production for 2017 is hedged at $43 per barrels. which will partly insure current and future cashflows. Financial assets are valued at fair value and reported in the profit and loss statement.

NOTE 14 – OTHER NON-CURRENT RECEIVABLES	Group	
	31 Dec 2016	31 Dec 2015
Pension fund (see Note 18)	5,120	7,097
Prepaid lease payments	0	40
Total	**5,120**	**7,137**

NOTE 15 – DRILLING EQUIPMENT AND CONSUMABLE SUPPLIES	Group	
	31 Dec 2016	31 Dec 2015
Drilling equipment and consumable supplies	257,870	29,086
Total	**257,870**	**29,086**

The reason for the increase in drilling equipment and consumable supplies is the postponed continued drilling of phase 4 in the CI-40 Baobab license.The material will be used when phase 4 drilling will commence again, preliminary planned for 2018.

NOTE 16 – TRADE RECEIVABLES	Group	
	31 Dec 2016	31 Dec 2015
Trade receivables	104,038	0
Trade receivables - net	**104,038**	**0**

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

NOTE 17 – PREPAYMENTS AND ACCRUED INCOME	Group	
	31 Dec 2016	31 Dec 2015
Prepaid rent	2,820	1,914
Prepaid insurance costs	1,108	3,351
Additional purchase price, sale of Svenska Petroleum Exploration AS	-	47,450
Accrued income	115	90,355
Prepaid project costs	113,309	111,132
Prepaid finance costs	32,904	39,189
Underlift	97,521	28,557
Other costs	15,070	5,202
Total	**262,847**	**327,150**

NOTE 18 – PENSIONS

Employees in Sweden are covered by defined-benefit pension plans, which mean that they are guaranteed a pension equal to a certain percentage of their salary. Pension obligations for some of the employees are accounted for in the statement of financial position using the book reserve method and are funded through KP Stifelse. These are mainly old-age pension obligations. The plan is closed. The plan assets are measured at market value. Employers may choose to invest their pension fund in various portfolios with different risk levels. The Group has chosen an investment portfolio with an asset allocation that is between low and high risk. All salaried employees in Sweden are covered by insurance with Alecta (ITP 1 and ITP 2). All payments are funded by the employer. ITP 1 is classified as a defined-contributiion plan. According to the Swedish Financial reporting Board's statement UFR 10, classification of ITP 2 plans Financed by insurance in Alecta, this is a multi-employer defined benefit pension plan. The Company did not have access to sufficient information for the 2016 fiscal year to report its proportionate share of the plan's obligations, plan assets and costs, which meant that it was not possible to report the plan as a defined-benefit plan. Consequently, the ITP 2 pension plan insured through Alecta is reported as a defined-contribution plan. The premium for the defined-benefit retirement and family pension is individually calculated and is dependent on factors such as salary, previously earned pension and expected remaining service.

The collective consolidation level is the market value of Alecta's assets as a percentage of its insurance obligations calculated by reference to Alecta's actuarial methods and assumptions. The collective consolidation level may normally vary between 125% and 155%. If Alecta's collective consolidation level falls below 125% or exceeds 155%, measures must be taken to create the right conditions for the level to return to the normal range. If the consolidation level is too low, an appropriate measure could be to increase the agreed price for new and renewed insurance. If the consolidation level is too high, premium reductions could be introduced. At the end of 2016, Alecta's surplus, in the form of a collective consolidation level, was 148% (153%). The groups share of the total pension contributions for ITP 2, Alecta amounts to 0,00254 (0,002111) per cent. The Groups share of total actives in ITP 2 , Alecta amounts to to 0,00270 (0,00280) per cent.

Premiums to Alecta are determined using assumptions about interest rates, longevity, operating costs and dividend tax and are calculated so that the payment of a constant premium until the retirement date is sufficient to ensure that the entire target benefits, based on the insured party's current pensionable salary, will be earned.

For more information please see Alecta web page.

NOTE 18 – CONT.

The amounts in the statement of financial position for defined benefit obligation have been calculated as follows:	Group 31 Dec 2016	31 Dec 2015
Present value of funded obligations	17,471	17,154
Fair value of plan assets	22,591	24,251
Funded plan	**5,120**	**7,097**
Surplus (plus) or deficit (minus)		
Net amount recognized in statement of financial position		
The net amount is recognized in the following items in the statement of financial position:		
Other non-current receivables (see Note 14)	5,120	7,097

The amounts included in comprehensive income for the year are as follows:	2016	2015
Interest income	235	95
Net amount reported in comprehensive income	**235**	**95**
The net amount is recognised on the following lines in the comprehensive income for the year.		
Finance income	780	582
Finance cost	-545	-487
Amounts included in other comprehensive income		
Remeasurements:		
Actuarial gains (plus) and loss (minus)	1,709	2,605
Return on plan assets	503	431
Net amount reported in other comprehensive income	**2,212**	**3,036**

NOTE 18 – CONT.

The movement in the present value of the defined-benefit obligation	Group 31 Dec 2016	31 Dec 2015
Opening balance:	17,154	20,966
Interest expense reported in the profit and loss statement	545	487
Benefit payments	-1,233	-1,683
Acturial Gain (-) and loss (+) due to changes in financial assumptions	1,709	-2,605
Gain (-) and loss (+) due to experience assumptions	-704	-11
Closing balance	**17,471**	**17,154**

The obligations for 2016 include a positive tax amount of 1,000 SEK (1,386 SEK) thousands

The income statement for 2016 includes a tax cost of SEK -46 (593) thousands.

Membership statistics

Vested deferred 52% (54%)

Retirees 48% (46%)

Movement in present value of plan assets	31 Dec 2016	31 Dec 2015
Opening balance:	24,251	24,932
Interest income reported in the profit and loss statement	780	582
Benefit from employers	-1,233	-1,683
Return on plan assets	-1,207	420
Closing balance	**22,591**	**24,251**

Plan assets distribution	31 Dec 2016	31 Dec 2015
Equity instruments	6,868	7,518
Debt securities	13,396	14,550
Properties	2,327	2,183
Total	**22,591**	**24,251**

NOTE 18 – CONT.

Significant actuarial assumptions (expressed as weighted average)	2016	2015
Discount rate	2.60%	3.30%
Future salary increase*	-	-
Employee turnover*	-	-
Pension increase	-	-
Price inflation	0.00%	1.50%

The discount rate is based on corporate bonds that match the duration of the plan (15.0 years).
An increase in the discount rate of 0.5 % reduces liability by approximately 9 %.
An decrease in the discount rate of 0.5 % increases liability by approximately 8 %.

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

Consolidated amounts for the Group	2016-12-31	2015-12-31
Total cost of defined contribution plans and ITP 2	5 328	9 888
Total	**5 328**	**9 888**

Other information
Weighted average duration of the defined benefit obligation is 15.0 years.
The Group estimates that approximately SEK 1,255 thousands will be paid in 2017 to the defined benefit plans and SEK 436 thousands for the benefit paid plans reported as defined contribution plans.

NORWAY
In connection to the sale of Svenska Petroleum AS the pension obligation left the group.

	Group	
The amounts in the statement of financial position for defined benefit obligation have been calculated as follows:	**31 Dec 2016**	**31 Dec 2015**
Present value of obligation	-	1,905
Fair value of plan assets	-	3,462
Sale of subsidiary	-	-1,557
Funded status	**-**	**0**
Surplus (+) and deficit (-)		
Net amount recognized in the financial position		
The net amount is recognized on the following line in the statement of financial position:		
Other long-term assets (see Note 14)	-	0
Provisions for pensions	**-**	**-**

NOTE 18 – CONT.

The amounts included in comprehensive income statement for the year are as follows:	2016	2015
Current service costs	-	261
Interest expense	-	-42
Net amount reported in comprehensive income for the year	**-**	**219**
Total	**-**	**219**

The net amount is recognized on the following lines in the Comprehensive income for the year.		
Employee benefits	-	219
Amounts included in other comprehensive income		
Remeasurements:		
Actuarial gain (+) and loss (-)	-	102
Net amount reported in comprehensive income for the year	**-**	**321**

The movement in the present value of the defined benefit obligation:	31 Dec 2016	31 Dec 2015
Opening balance:	-	1,753
Current service cost	-	238
Interest expense reported in the profit and loss statement	-	41
Tax	-	-43
Past service cost and regulation	-	0
Remeasurements:		
Actuarial Gain (-) and loss (+) due to changes in demographic assumptions	-	-24
Actuarial Gain (-) and loss (+) due to changes in financial assumptions	-	-
Gain (-) and loss (+) due to experience assumptions	-	-60
Sale of subsidiary	-	-1,905
Closing balance	**-**	**0**

The movement in the present value of plan assets:	31 Dec 2016	31 Dec 2015
Opening balance:	-	3,102
Interest income reported in the profit and loss statement	-	71
Regulation	-	0
Contributions from employers	-	351
Social security contributions	-	-44
Remeasurements:		
Gains (-) and loss (+) due to experience assumptions	-	-64
Administrative costs	-	46
Sale of subsidiary	-	-3,462
Closing balance	**-**	**0**

NOTE 18 – CONT.

Significant actuarial assumptions (expressed as weighted-average)	2016	2015
Discount rate	-	2.50%
Future salary increase*	-	2.50%
Future pension increase	-	0%
Social security contributions	-	2.25%

NOTE 19 – OTHER PROVISIONS	Group	
	31 Dec 2016	31 Dec 2015
Provisions for abandonment costs		
Opening balance	412,575	139,949
Present value adjustment	13,669	11,247
Provisions, this year	-	258,061
Updated abandoment cost estimate	-193,906	-
Exchange differences	23,142	3,318
Carrying amount at the end of the period	**255,480**	**412,575**
Provisions per field		
Oombo, Angola	12,026	11,020
Baobab, the Ivory Coast	243,454	401,555
Total	**255,480**	**412,575**
Other provisions		
Actuarial provision	**18,121**	**8,494**
Total, Group	**273,601**	**421,069**

The abandonment provision relates to expenses to shut down an oil field at the end of its life. The end for the groups oilfield (Baobab) is expected to incur 2038. Regarding Oombo, the licence has expired and the obligation to handle the abandoment is expected to be assumed by the remaining licensees. The updated estimate of abandoment cost is due too the cancellation of the drilling campaign of phase 4-CI 40 as well as updated abandoment cost estimate.

NOTE 20 – OTHER LIABILITIES	Group	
	31 Dec 2016	31 Dec 2015
License liabilities	21,269	19,528
Emloyee Taxes and Social security liabilities	2,197	2,931
Other items	1,483	-
Total	**24,949**	**22,459**

NOTE 21 – ACCRUALS AND DEFERRED INCOME	Group	
	31 Dec 2016	31 Dec 2015
Accrued personnel expenses	15,177	12,209
Accrued project expenses	446,808	769,205
Financial Items	3,020	28,303
Other items	6,536	4,997
Total	**471,541**	**814,714**

NOTE 22 – FINANCIAL RISKS AND POLICIES

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

Currency risk

The Group's business is international and, as such, it is exposed to currency risk in terms of exchange rate fluctuations. The foreign exchange exposure comprises transaction as well as translation risks.

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

Transaction exposure

The Group's transaction exposure for 2016 was divided into the following currencies:

	USD
Sales	161,302
Operating expenses	-129,867
Net	31,435
Hedged	0

The Group's transaction exposure for 2015 was divided into the following currencies:

	USD
Sales	78,249
Operating expenses	-29,859
Net	48,390
Hedged	0

Translation exposure

Net foreign assets as a percentage of total equity, divided among the following currencies:

Group	2016		2015		2014	
Currency	Amount	%	Amount	%	Amount	%
USD	479,240	0.94	541,407	1.04	675,319	1.32
NOK	-	-	-	-	263,248	6.70

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

NOTE 22 – CONT.

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

Oil price risk
The Group's revenues, and hence its earnings, are highly dependent on oil prices. Historically, oil prices have fluctuated sharply – a trend which is expected to continue – and are affected by a number of factors beyond the Group's control.

The Group's policy is to harness the positive effects of fluctuating oil prices and minimize the negative effects as far as possible. Consequently, the ability to use put options in particular as a hedging instrument is continuously evaluated. To eliminate some of the risk in a fluctuating oil price the Group decided by 2014 to start purchasing put options.

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

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

Funding and liquidity risk
Funding and liquidity risk is the risk that costs will rise and funding options will be insufficient when loans are renewed or applied for, and the risk that payment obligations will not be met due to insufficient liquidity. At the end of 2015, the Group had substantial cash reserves, including financial investments. Discussions are in progress regarding additional credit facilities to safeguard the Group's capacity for increasing oil reserves in the coming years. Financial liabilities and trade payables are short-term and due within 30 days, and their fair value is assumed to be reasonable fair value estimation.

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

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

There were no changes to the Group's capital management during the year.

Neither the Parent Company nor its subsidiaries are subject to external capital requirements.

Sensitivity analysis
In order to manage interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on its results. In the long term, however, permanent changes in exchange rates, oil prices and interest rates will have an impact on the consolidated results. Based on volumes of crude oil sold (2 997 million barrels) in 2016, it is estimated that:

- A decrease of USD 10 in the price of oil would have reduced the Group's profit before tax by SEK -4 million.
- A general increase of 1 percent in the value of the SEK against other currencies would have reduced the Group's profit before tax by SEK -3 million.
- A general increase of 1 percent in the value of the interest rate would have reduced the Group's profit before tax by SEK -6 million.

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

Trade receivables, other receivables, cash and cash equivalents, trade payables and other liabilities
The nominal value, less any estimated credits to trade receivables and payables, is deemed to reflect their fair value.

Financial investments
Financial investments are esssentially very low-yielding, very short-term investments and are reported to fair value through the profit and loss statement.

NOTE 22 – CONT.

Carrying amounts of financial assets and liabilities by category, 2016
Group

	Loans and receivables	Financial assets at fair value reported in the profit and loss statement	Other liabilities	Total carrying amount	Fair value
Financial assets not recognized at fair value					
Trade receivables	104,038	-	-	104,038	104,038
Other receivables	28,953	-	-	28,953	28,953
Cash and cash equivalents	269,612	-	-	269,612	269,612
Underlift	97,521	-	-	97,521	97,521
Other	306			306	306
Total	**500,430**	**-**	**-**	**500,430**	**500,430**
Financial assets recognized at fair value					
Financial investments, derivatives	-	11,715	-	-	-
Total	**-**	**11,715**		**-**	**-**
Financial liabilities not recognized at fair value					
Trade payables	-	-	6,477	6,477	6,477
Other liabilities	0	-	24,949	24,949	24,949
Bank loans	-	-	1,020,156	1,020,156	1,020,156
Financial liabilities, derivatives	-	-	-		
Total	**-**	**-**	**1,051,582**	**1,051,582**	**1,051,582**

The derivative is classified at fair value through profit and loss beause it is followed up on the basis of fair value and measured regularly. The fair value of the derivative is based on quotations from the bank. The calculation is based on Black & Scholes model with an estimated option price. Similar contracts are traded in an active market, whereby the fair value, level 2 is considered to be an appropriate measurement level.

Carrying amounts of financial assets and liabilities by category, 2015
Group

	Loans and receivables	Financial assets at fair value reported in the profit and loss statement	Other liabilities	Total carrying amount	Fair value
Financial assets not recognized at fair value					
Other receivables	33,206	-	-	33,206	33,206
Cash and cash equivalents	334,180	-	-	334,180	334,180
Underlift	28,558	-	-	28,558	28,558
Total	**395,944**	**-**	**-**	**395,944**	**395,944**
Financial assets recognized at fair value					
Other non-current receivables	7,137	-	-	7,137	7,137
Financial investments, derivatives	306	614,816	-	615,122	615,122
Total	**7,443**	**614,816**	**-**	**622,259**	**622,259**
Financial liabilities not recognized at fair value					
Trade payables	-	-	10,158	10,158	10,158
Other liabilities	-	-	22,459	22,459	22,459
Bank loans	-	-	1,469,902	1,469,902	1,469,902
Total	**-**	**-**	**1,502,519**	**1,502,519**	**1,502,519**

NOTE 23 – OPERATING LEASES

Leases where the Company is the lessee

	Group	
Non-cancellable lease payments:	**2016**	**2015**
Minimum lease payments	7,490	10,611
Contingent rents	154,143	162,924
Total lease costs	**161,633**	**147,843**
Agreed future minimum lease payments under non-cancellable lease payments fall due as follows:		
Within one year	149,833	156,113
Between one and five years	23,314	14,175
Total	**173,147**	**170,287**

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

NOTE 24 – INVESTMENT OBLIGATION

	Group	
At the reporting date, contracted investments not yet recognized in the financial statements were as follows:	**31 Dec 2016**	**31 Dec 2015**
Oil and gas assets	198,413	2,852,913
Total	**198,413**	**2,852,913**

Contracted investments relate to the groups share of tangible investments in the licenses where an investment decision has been made or a budget has been approved in the license.

NOTE 25 – PLEDGED ASSETS AND CONTINGENCIES

	Group	
Pledged assets	**31 Dec 2016**	**31 Dec 2015**
Shares in subsidiaries	2,738,652	2,978,800
Total	**2,738,652**	**2,978,800**
Contingencies	**317**	**320**

	Parent	
Pledged assets and contingencies	**31 Dec 2016**	**31 Dec 2015**
Shares in subsidiaries	535,072	535,072
Contingencies	317	320

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

NOTE 26 – RELATED PARTIES

Related party relationships
Related party relationships where control exists:

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

Parent Company
In addition to the related party relationships described for the Group, the Parent Company has control of the subsidiary Svenska Petroleum Exploration AB and its directly and indirectly owned subsidiaries (Note 27). During the year the parent company has received a shareholder loan from Midroc Finans AB, controlled by a company owned by Shejk Mohammed H. Al-Amoudi (see table below).

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

Sale of services to related parties:
Corral Petroleum Holdings AB 490 (515) thousands-office rent.

Purchases of services from related parties relate to:
Midroc Real Estate AB SEK 4 395 (3 445) thousands - office lease and office maintence services.
Samir Cabiner D.G 0 (137) thousands-travel expenses.
Hackholmssund konferans AB 824 (693) thousands-hotel and conference costs.
Preem Finans AB SEK 17 (17) thousands - fuel and transport services.

Related party claim:
Petroswede AB (Parent company) 50 284 (50 284) thousands-Group receivables.

Related party liability:
Midroc Finans AB 256 000 (325 625) thousands, loan including accrued interest of 28 071 (22 765) thousands.
Hackholmssund Konferans AB 166 (165) thousands-accounts payable.
Midroc Real Estate AB 719 (0) thousands-accounts payable.

Related party transactions

Group	Year	Sale of goods to related parties	Purchase of services from related parties	Due from related parties on 31 December	Due to related parties on 31 December	Accrued interest at 31 December
Other related parties	2016	490	5,236	50,284	256,886	28,071
Other related parties	2015	514	4,293	50,284	325,788	22,765

Transactions with related parties are priced on commercial terms.

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

NOTE 27 – SPECIFICATION OF SHARES
Please see Note 27 for the Parent company.

NOTE 28 – CRITICAL ACCOUNTING ESTIMATES

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

Impairment testing
In calculating the recoverable amount from oilfields when testing fixed assets for impairment, or reversal of impairment, a number of estimates and assumptions about future conditions have been made. These estimates and assumptions mainly concern the life of the fields, commercial reserves (see note 12), the choice of discount rate and the future oil price. Commercial reserves are estimated regularly in the Company's operations. The reserves are also calculated by a third party once a year. The price of oil is defined on the basis of an estimated level of consensus among market analysts. In connection with preparing these financial statements the following price scenario have been used:

	USD / bbl
2017	56,4
2018	61,6
2019	65,4
2020	68,2
2021–	70,0

Impairment testing is based on a calculation of the value in use. The discount rate applied is 10% (10%). The projected cash flows are estimated on an investment-by-investment basis. The cash flows are calculated for the life of each field. Because of the long project cycles in the industry, the life may extend to 2040 in some cases. Major changes in the underlying conditions for these assumptions and estimates during 2017 may have a material effect on the value of the assets.

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

NOTE 29 – ADDITIONAL CASH FLOW ANALYSIS DISCLOSURES

Group	2016	2015
Adjustments for non-cash items		
Depreciation and impairments	401,698	469,072
Oil tax[1]	-56,378	-32,922
Sale of subsidiaries	-	-207,565
Other provisions	18,428	25,486
Non-cash changes assets	-	-13,453
Unrealized value put option	-	-261,941
Loss disposal put option	288,761	-
Unrealized exchange differences	4,830	-24,122
License reserv reversal	-65,098	-
Unpaid interest	-	94,248
Total	**592,241**	**48,803**
Cash and cash equivalents		
The following components are included in cash and cash equivalents:		
Cash and bank balances	269,612	334,180
Total	**269,612**	**334,180**

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

NOTE 29 – CONT.

Group	Note	2016	2015
Last years figures reltes to the sale of subsidiarie, Svenska Petroleum Exploration AS, material impact on the balance sheet			
Non-current assets			
Intangibles	11	-	1,264,940
Tangibles	12	-	600
Current assets			
Deferred tax assets		-	683,794
Cash and cash equivalents		-	97,814
Long-term liabilities			
Deferred tax liabilities		-	744,018
Current liabilities			
Short-term interest bearing liabilities		-	610,511
Selling price:		**-**	**797,884**
Deducted: Purchase price to obtain 2015			
Deducted: Purchase price to obtain 2016		-	-47,449
Deducted: Cash and cash equivalents in the divested businesses		-	-98,554
Effects on cash and cash equivalents		**-**	**651,881**

NOTE 29 – CONT.

Group	2016	2015
Net sales	-	304
Other operating income	-	1,090
Total	**-**	**1,394**
Operational and exploration costs	-	-80,677
Other external costs	-	-12,237
Employee benefits expenses	-	-27,928
Depreciation, write-downs	-	6,891
Other operating expenses	-	-3,335
Operating profit	**-**	**-115,892**
Finance income	-	5,333
Finance costs	-	-34,099
Net finance items	**-**	**-28,766**
Profit before tax	**-**	**-144,658**
Tax on profit for the year	-	96,448
PROFIT FOR THE YEAR	**-**	**-48,210**
Other comprehensive income		
Items that will never be reclassified to profit and loss:	-	0
Reameasurements of defined benefit asset		
Comprehensive income for the year	-	0
Total comprehensive Income	**-**	**-48,210**

NOTE 30 – LONG-TERM INTEREST-BEARING LIABILITIES

The following is a presentation of the Company's contractual terms regarding interest-bearing liabilities. For more information about the Company's exposure to interest rate risk and foreign currency risk, please refer to Note 22.

Group	2016	2015
Non-current liabilities		
Long-term bank loan (Reserve-Based Lending Facility)	764,156	1,144,279
Long-term loan (Shareholder related loan)	256,000	325,623

NOTE 30 – CONT.

Terms and repayment periods

During the 2014, a credit agreement was signed (Reserve-Based Lending Facility) with a limit of USD 200 million, which was subsequently syndicated out to a total of seven international banks with a maturity of 5 years. The loan is based on calculating cash flows from producing oil fields and other economic assumptions agreed with the banking syndicate. The intention, in the first place is to use this facility to finance Svenska's further development of its producing asset in the Ivory Coast. The facility is secured by a pledge of certain Group companies and certain bank accounts for those companies whoes shares are pledged. The loan is based on floating interest rate (LIBOR) and a margin on 5,0 %. The related party loan is based on a fixed rate on 9%. (See also Note 25 for collateral and pledges).

The Group had at the year end utilised SEK 764, 156 million equivalent to USD 84 000 million of the Reserve-Based Lending Facility. During the year the loan was transferred from the parent company to a groupcompany, SPECI AB.

Terms and repayment periods, see table below.

Group				2016		2015	
	Currency	Nom. int. rate	Mature date	Nominal amount	Carrying amount	Nominal amount	Carrying amount
RBL	USD	5.77	2019	84,000	84,000	137,000	137,000
Shareholder related loan	SEK	9.00	*	256,000	256,000	325,623	325,623

* Subordinated Claim

Maturity of financial liabilities - undiscounted cash flows

Group – 2016

	Currency	Nominal amount in original currency	Later than 5 years
RBL	USD	84,000	84,000
RBL	Converted to SEK	764,156	764,156
Shareholder related loan	SEK	256,000	256,000

Parent Company	2016	2015
Long-term liabilities		
Shareholder related party loan	256,000	325,623

Terms and repayment periods, see table below.

Parent Company				2016		2015	
	Currency	Nom. int. rate	Mature date	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Shareholder related loan	SEK	9.00	*	256,000	256,000	325,623	325,623

* Subordinated Claim

Maturity of financial liabilities - undiscounted cash flows

Parent company – 2016

	Currency	Nominal amount in original currency	Later than 5 years
Shareholder related loan	SEK	256,000	256,000

NOTE 31 – EVENTS AFTER THE END OF THE FINANCIAL YEAR

No events of significance have occurred after the end of the financial year.

PARENT COMPANY INCOME STATEMENT

1 January - 31 December

Amounts in SEK thousands

	Note	2016	2015
Net sales	101	2,049	1,685
Sales of subsidiaries	121	16,821	83,165
Other operating income	102	39,677	91,210
Total operating income		**58,547**	**176,060**
Operating expenses			
Operational and exploration costs	104	-7,874	-2,652
Other external costs	106, 117	-54,117	-71,834
Employee benefits expenses	105	-67,661	-70,626
Depreciation, write-downs and abandonment costs	101, 109	-1,349	-918
Other operating expenses	103	-622	-3,808
Total operating expenses		**-131,623**	**-149,838**
Operating profit/loss		**-73,076**	**26,222**
Profit/loss from financial investments			
Result from Group companies	107	900,000	500,000
Result from other financial assets	107	-	-1,287
Other interest and similar income	107	174,034	149,391
Other interest and similar expense	107	-61,172	-457,373
Profit/loss after financial items		**939,786**	**216,953**
Appropriations			
Group contribution, received		166,844	84,256
Group contribution, distributed		-172,201	-156,774
Profit before tax		**934,429**	**144,435**
Tax	108	-5,219	95,986
Profit/loss for the year		**929,210**	**240,421**

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

PARENT COMPANY BALANCE SHEET

1 January - 31 December

Amounts in SEK thousands	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Fixed assets			
Intangible assets	110	1,200	982
Tangible fixed assets	111	11,250	10,212
Investments in Group companies	120	556,066	556,066
Financial investments	112	306	306
Deferred tax assets	108	257,807	261,830
Total non-current assets		**826,629**	**829,396**
Receivables, Group companies		3,375,549	2,525,025
Prepayments and accrued income	113	18,900	95,172
Other receivables		30,642	13,368
Tax receivables		244	1,039
Financial investments, short-term	112	-	335,429
Cash and cash equivalents	121	196,021	176,030
Total current assets		**3,621,356**	**3,146,063**
TOTAL ASSETS		**4,447,985**	**3,975,459**

EQUITY AND LIABILITIES

1 January - 31 December

Amounts in SEK thousands	Note	31 Dec 2016	31 Dec 2015
Restricted equity			
Share capital, (500,000 shares at SEK 100/each)		50,000	50,000
Reserves		10,011	10,011
Total restricted equity		**60,011**	**60,011**
Non-restricted equity			
Retained earnings		1,976,432	1,736,011
Profit/loss for the year		929,210	240,421
Total unrestricted equity		**2,905,642**	**1,976,432**
Total equity		**2,965,653**	**2,036,443**
Liabilities			
Long-term interest-bearing liabilities	122	256,000	1,469,902
Other provisions	118, 114	12,291	11,285
Total non-current liabilities		**268,291**	**1,481,187**
Trade payables		6,006	3,956
Other liabilities	115	2,579	2,265
Liabilities, Group companies		964,755	197,029
Accruals and deferred income	116	240,701	254,579
Total current liabilities		**1,214,041**	**457,829**
TOTAL EQUITY AND LIABILITIES		**4,447,985**	**3,975,459**

STATEMENT OF CHANGES IN EQUITY - PARENT COMPANY

Amounts in SEK thousands	Share capital	Legal reserve	Retained earnings	Total equity
Opening equity, 1 Jan. 2015	**50,000**	**10,011**	**1,736,011**	**1,796,022**
Profit for the year			240,421	240,421
Closing equity, 31 Dec. 2015	**50,000**	**10,011**	**1,976,432**	**2,036,443**
Profit for the year			929,210	929,210
Closing equity, 31 Dec. 2016	**50,000**	**10,011**	**2,905,642**	**2,965,653**

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

CASH FLOW STATEMENT - PARENT COMPANY

1 January - 31 December

Amounts in SEK thousands	Note	2016	2015
Indirect method			
Operating activities			
Profit/loss after financial items		939,786	216,953
Adjustment for non-cash items	121	-924,916	-512,452
Total		**14,870**	**-295,499**
Taxes paid		**-401**	**423**
Cash flow from operating activities before changes in working capital		**14,469**	**-295,076**
Cash flow from changes in working capital			
Decrease (+) / increase (-) in operating receivables		124,722	1,619,827
Decrease (+) / increase (-) in operating liabilities		759,772	-2,161,125
Cash flow from operating activities		**898,963**	**-836,374**
Investing activities			
Acquisition of intangible assets	110	-572	-1,158
Acquisition of tangible assets	111	-2,022	-484
New issue of subsidiary	120	-	-346,452
Sale of subsidiary		1,579	750,277
Increase in financial assets		-	-335,429
Decrease in financial assets		335,945	-
Cash flow from investing activities		**334,930**	**66,754**
Financing activities			
Proceeds from borrowing		-	798,766
Repayment of borrowings		-1,213,902	-
Cash flow		**-1,213,902**	**798,766**
Cash flow for the year		**19,991**	**29,146**
Cash and cash equivalents at beginning of year		176,030	146,884
Cash and cash equivalents at end of year		**196,021**	**176,030**

NOTE 100 - ACCOUNTING POLICIES – PARENT COMPANY

The Parent Company's annual financial statements have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The Swedish Financial Reporting Board's statements for listed companies are also applied. RFR 2 requires the Parent Company, as a legal entity, to prepare its annual financial statements in compliance with all the IFRS and IFRIC interpretations adopted by the EU, to the extent possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, and taking into account the relationship between tax expense/income and accounting profit. The recommendation states which exceptions from and additions to IFRS shall be observed. The accounting policies for the Group, described in Note 1, have been applied consistently in the Parent Company's financial statements with exceptions described below.

CLASSIFICATION AND PRESENTATION

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

OPERATING SEGMENT REPORTING

Information is provided with net sales by geographical segment (in accordance with the Annual Accounts Act).

PENSIONS

The Group applies IAS 19, employee benefits, while the Parent Company applies the simplified RFR 2. Pension obligations in the parent company are placed in a separate pension fund managed by Folksam. The fair value of the assets are greater than the present value of the obligation and in consequense to RFR 2, no assets are reported. The pension plan is closed for new entrance. There are also defined contribution plans in the parent company.

For more information please see Note 18.

GROUP CONTRIBUTIONS

Svenska Petroleum Exploration AB applies the alternative rule in RFR 2 and recognizes both received and paid Group as an appropriation.

SUBSIDIARIES

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

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

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

GROUP INFORMATION

Petroswede Europe AB (Corp. ID 556199-7320) with registered office in Stockholm, establish the consolidated financial statements for the smallest group consolidation which includes Svenska Petroleum Exploration AB.

NOTE 101 – SEGMENT REPORTING

	Parent	
Net sales	**2016**	**2015**
-Other	2,049	1,685
Total	**2,049**	**1,685**
Depreciation, write-downs and abandonment costs, net		
-Other	-1,349	-918
Total	**-1,349**	**-918**

NOTE 102 – OTHER OPERATING INCOME

	Parent	
	2016	**2015**
Other operating income, Group	39,097	90,506
Exchange gains	580	704
Total	**39,677**	**91,210**

NOTE 103 – OTHER OPERATING EXPENSES

	Parent	
	2016	**2015**
Exchange losses	-622	-3,808
Total	**-622**	**-3,808**

NOTE 104 – OPERATIONAL AND EXPLORATION COSTS

	Parent	
	2016	**2015**
Exploration and project expenses	-7,874	-2,652
Total	**-7,874**	**-2,652**

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

NOTE 105 – EMPLOYEE BENEFIT EXPENSES

Information regarding costs and benefits of the Parent Company; see note 6 for the group.

NOTE 106 – OTHER EXTERNAL COSTS

	Parent	
Auditor's fees and other remuneration	**2016**	**2015**
KPMG		
Annual audit	500	748
Other audit services	202	159
Tax advisory services	138	613
Other services	16	58
Total	**856**	**1,578**

NOTE 107 – FINANCE INCOME AND COSTS

	Parent	
	2016	**2015**
Income from shares in Group companies		
Dividend	900,000	500,000
Total	**900,000**	**500,000**
Income from other investments held as fixed assets		
Disposal of dormant companies	-	-1,287
Total	**-**	**-1,287**
Interest income and similar items		
Exchange gains, Group	117,649	131,737
Exchange gains, other	28,614	7,158
Interest income, Group	16,593	9,711
Other interest income	2,261	785
Other financial income	8,917	-
Total	**174,034**	**149,391**
Financial Income, total	**1,074,034**	**648,104**
Interest expense and similar items		
Exchange losses, Group	-6,540	-250,863
Exchange losses, other	-23,264	-58,726
Interest expense, Group	-2,485	-1,823
Other interest expense	-28,883	-82,687
Other financial expense	-	-63,274
Total	**-61,172**	**-457,373**
Finance net	**1,012,862**	**190,731**

NOTE 108 – TAXES

Specification of tax expense	Parent 2016	Parent 2015
Specification of taxes		
Tax for the period	-975	334
Tax previous years	-221	-
Current tax	**-1,196**	**334**
Deferred tax from temporary differences	-4,023	95,652
Deferred tax	**-4,023**	**95,652**
Total recognized tax for parent company	**-5,219**	**95,986**

Reconciliation of effective tax - Parent		
Profit/loss before tax	934,429	144,435
Tax at Swedish enacted tax rate 22% (22%)	-205,574	-31,776
Non-deductible expenses	-150	-586
Non-taxable income	0	1
Foreign taxes, UK	-975	334
Dividends (non-taxable)	198,000	110,000
Tax effect selling companies	3,701	18,013
Tax previous years	-221	-
Recognized tax	**-5,219**	**95,986**
Effective tax	**0.6%**	**-66.5%**

Deferred tax assets	31 Dec 2016	31 Dec 2015
Tax loss, loss carryforward	257,807	261,830
Total	**257,807**	**261,830**

Tax effect of selling companies 2016, refers to capital gain recognized in the parent company of the sale SPE AS and SPE Angola AB. Tax effect of selling companies 2015, refers to capital gain recognized in the parent company of the sale SPE AS and SPE Congo AB.

NOTE 109 – DEPRECIATION, WRITE-DOWNS

Depreciation	Parent 2016	Parent 2015
Write-downs		
Equipment	1,349	918
This year's total write-downs	**1,349**	**918**

NOTE 110 – INTANGIBLE ASSETS

Depreciation	Parent 31 Dec 2016	Parent 31 Dec 2015
Opening costs	1,158	-
Purchases	572	1,158
Closing accumulated cost	**1,730**	**1,158**
Opening depreciation	-176	-
Depreciation for the year	-354	-176
Closing accumulated impairment	**-530**	**-176**
Carrying amount at end of period	**1,200**	**982**

NOTE 111 – TANGIBLE FIXED ASSETS

	Parent Oil and gas assets	Parent Tenant	Parent Equipment	Parent Total
Restated opening balance, 1 Jan 2015	**8,305**	**8,231**	**14,094**	**30,630**
Purchases	-	-	484	484
Currency translation differences	-	18	-9	9
Closing accumulated cost. 31 Dec 2015	**8,305**	**8,249**	**14,569**	**31,123**
Purchases	-	-	2 022	2 022
Closing accumulated cost, 31 Dec 2016	**8,305**	**8,249**	**16,591**	**33,145**
Opening depreciation, 1 Jan 2015	**-8,305**	**0**	**-11,855**	**-20,160**
Depreciation	-	-	-742	-742
Currency translation differences	-	-	-9	-9
Closing accumulated depreciation, 31 Dec 2015	**-8,305**	**0**	**-12,606**	**-20,911**
Depreciation for the year	-	-	-984	-984
Closing accumulated depreciation, 31 Dec 2016	**-8,305**	**0**	**-13,590**	**-21,895**
Carrying amount, 31 Dec 2015	**0**	**8,249**	**1,963**	**10,212**
Carrying amount, 31 Dec 2016	**0**	**8,249**	**3,001**	**11,250**

NOTE 112 – OTHER SECURITIES HELD AS NON-CURRENT ASSETS	Parent	
	31 Dec 2016	31 Dec 2015
Opening costs	306	306
Closing accumulated cost	**306**	**306**
Financial investments that are current assets		
Opening acquisition	335,429	-
Certificate	-	250,425
Corporate bonds	-	85,004
Sales	-335,429	-
Closing accumulated cost	**0**	**335,429**

At year-end 2015 the Parent Company reported two financial investments. A certificate, issued by the Göteborgs Stad (AA+) to a zero coupon rate of 0.49% and a corporate Bond by Ford Motor Credit (BBB-) at a coupon rate of 4.207 %, both investments were in US dollars. The investments was disposed during 2016.

NOTE 113 – PREPAYMENTS AND ACCRUED INCOME	Parent	
	31 Dec 2016	31 Dec 2015
Prepaid project costs	629	773
Accrued sales revenue of Svenska Petroleum Expl. AS	-	47,450
Prepaid rent	2,820	1,914
Prepaid insurance costs	1,108	1,062
Prepaid finance costs	-	39,189
Prepaid tax, Angola	3,565	3,565
Prepaid consulting costs	6,392	-
Other costs	4,386	1,219
Total	**18,900**	**95,172**

NOTE 114 – OTHER PROVISIONS	Parent	
	2016-12-31	2015-12-31
Provisions for abandonment costs		
Opening balance	**11,285**	**10,554**
Exchange differences	1,006	731
Carrying amount at the end of the period	**12,291**	**11,285**
Provisions per field		
Oombo, Angola	12,291	11,285
Total	**12,291**	**11,285**

Abandonment provision relates to expenses to shut down an oil field at the end of its life. Regarding Oombo, the license has expired and the obligation to handle the abandonment is expected to end formally when the license agreement has been signed.

NOTE 115 – OTHER LIABILITIES

	Parent	
	31 Dec 2016	31 Dec 2015
Personnel expenses	1,494	1,784
VAT	1,007	390
Other liabilities	78	91
Total	**2,579**	**2,265**

NOT 116 – ACCRUALS AND DEFERRED INCOME

	Parent	
	31 Dec 2016	31 Dec 2015
Accrued personnel expenses	15,880	13,361
Overlift	49	45
Accrued project expenses	218,793	208,463
Accrued financial costs	-	28,302
Other	5,979	4,408
Total	**240,701**	**254,579**

NOTE 117 – OPERATIONAL LEASING

Leases where the Company is the lessee

	Parent	
	2016	2015
Minimum lease payments	7,490	8,996
Contingent rents	5,417	2,644
Total lease costs	**12,907**	**11,640**
Agreed future minimum lease payments under non-cancellable lease payments fall due as follows:		
Within one year	13,975	11,640
Between one and five years	23,314	14,175
Total	**37,289**	**25,815**

NOTE 118 – PLEDGED ASSETS AND CONTINGENCIES

For information regarding the pledged assets and contingent liabilities, see Note 25 to the Group.

NOTE 119 – RELATED PARTIES TRANSACTIONS

Information regarding related party relationships, see Note 26 for the Group.

NOTE 120 INVESTMENTS IN GROUP COMPANIES

Specification of change in shares in subsidiaries relating to Svenska Petroleum Exploration AB	31 Dec 2016	31 Dec 2015
Carrying amounts		
Opening cost value	676,866	1,044,556
New issue	-	346,452
Sale of subsidiaries	-	-714,142
Closing cost value	**676,866**	**676,866**
Accumulated impairment		
Opening write-down	-120,800	-120,800
Closed accumulated write-down	**-120,800**	**-120,800**
Closing carrying amount	**556,066**	**556,066**

The parent company's holdings of shares in Group companies 2016-12-31

Directly and indirectly owned	Reg. no.	Registered office	Number of shares	Equity (%)	Carrying amount
Oljeprospektering AB	556126-4671	Stockholm	50,000	100	1,893
Petroswede Insurance Company Ltd	266707	Dublin, Ireland	750,000	100	18,851
Svenska Petroleum Exploration U.K. Ltd (dormant)	1191501	London, UK	3	100	-
SPE Nigeria AB	556594-2512	Stockholm	1,000	100	100
Svenska Nigerian Holdings Ltd	36352	Bermuda	1,000	100	
Svenska Nigerian Investment LLC	6790	Nevis			
Svenska Nigeria Exploration & Production Ltd	618208	Nigeria			
Svenska Nigerian Investments 2 LLC	4065788	Delaware			
Svenska Nigeria (Deepwater 1) Limited	639349	Nigeria			
SPE Guinea-Bissau AB	556710-9458	Stockholm	1,000	100	100
Svenska of Guinea-Bissau Ltd	37097	Bermuda			
Svenska of Guinea-Bissau LLC	5938	Nevis			
SPE West Africa BV NL	807556506	Haag, Holland			
Svenska Petroleum Exploration CI Holding AB	556688-3541	Stockholm	1,000	100	535,072
Svenska Petroleum Exploration CI AB	556665-4884	Stockholm			
Svenska Petroleum Exploration CI Finance AB	556635-2935	Stockholm			
SPE Ventures AB	556996-8117	Stockholm	50,000	100	50
Total					**556,066**

Indirect ownership is *marked in italics*. All holdings are wholly owned.

NOTE 121 – ADDITIONAL CASH FLOW ANALYSIS DISCLOSURES

Parent	2016	2015
Adjustments for non-cash items		
Depreciation and impairments	1,338	918
Unpaid interest	-8,917	22,766
Dividends from shares, subsidiaries	-900,000	-500,000
Interest income	-516	-
Sale of subsidiaries, net effect on cash flow	-16,821	-36,135
Total	**-924,916**	**-512,451**
Cash and cash equivalents		
The following components are included in cash and cash equivalents		
Cash and bank balances	196,021	176,030
Total	**196,021**	**176,030**

NOTE 122 – LONG-TERM INTEREST-BEARING LIABILITIES

For information regarding long-term interest bearing liabilities, see Note 30 to the Group.

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