

**ANNUAL REPORT**  
and  
**GROUP FINANCIAL STATEMENTS**  
for Svenska Capital Oil AB (Publ)  
Org.No. 556526-3968

**The Board and the Managing Director hereby submit the annual report and group financial statements for the financial year of 2011-01-01 — 2011-12-31.**

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Svenska Capital Oil AB (Publ)  
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## MANAGEMENT REPORT

The annual report has been drafted in Swedish kronor, SEK.

### Group structure

Svenska Capital Oil AB (undergoing a name change to Misen Energy AB) is a Swedish company that during the period from 2005 to 2010 has been focused on the development of georesources in Ukraine. Because the previously wholly owned subsidiary of LLC Capital Oil Ukraine was sold on 30 December 2010, the company's oil exploration in Ukraine has ceased. During 2011, the company has been oriented towards natural gas extraction under the auspices of a new Joint Activity in Ukraine. Within the framework of this altered focus for the company, all the shares of the Swedish company Misen Enterprises AB and its wholly owned Ukrainian subsidiary, LLC Karpatygas, were acquired in 2011. The group also consists of the wholly owned subsidiary Capital Oil Resources AB in Sweden and Capital Oil (UK) Ltd in the UK, which since the middle of 2008 has been dormant and is now under liquidation.

At the Annual General Meeting on 30 June 2011, the Board's proposal to acquire all the shares of Misen Enterprises AB was approved. This acquisition was carried out with effect on 1 July 2011. Payment was made through newly issued shares of Svenska Capital Oil AB for an entire purchase sum that comprised SEK 999,999,000.00. Through this transaction, the five previous owners of Misen Enterprises AB became the dominant owners of Svenska Capital Oil AB with total shareholdings of 98.8 % of all shares. By reason of this, the rules in IFRS for reverse acquisitions were applied as per the following:

"Even if the exchange-listed company that issues the shares is in purely legal terms to be regarded as the parent company and the privately owned company regarded as being a subsidiary, it is the subsidiary that is the acquirer if it has the right to formulate the financial and operating strategies for the parent company for purposes of receiving financial benefits".

### The activities

Capital Oil's new business orientation is to carry out overall group tasks and in conjunction with the subsidiary of Misen Enterprises AB to provide financing for the activities in Ukraine.

### Multi-year comparison\*, group\*

	2011	2010
Net sales	191,113	4,241
Res. after financial items	110,482	3,252
Res. in % of net turnover	43.5%	70.0%
Balance sheet total	159,941	8,586
Solidity (%)	68.3%	71.4%
Cash position (%)	197.0%	398.8%

### Multi-year comparison\*, parent company\*

	2011	2010	2009	2008	2007
Net sales	0	481	2,320	3,854	5,207
Res. after financial items	-5,645	-7,395	-132,537	-2,296	-1,677
Res. in % of net turnover	neg	neg	neg	neg	neg
Balance sheet total	1,003,062	6,983	11,540	145,287	131,368
Solidity (%)	99.60%	66.6%	86.80%	98.2%	97.1%
Cash position (%)	54.60%	216.30%	321.20%	1133.7%	1817.1%

\*For definitions of key figures, see supplemental information

### Investments and disposals during the year

In the annual report for 2010, it was mentioned that the company had hopes to submit a proposal to the Annual General Meeting in 2011 concerning production co-operation with Ukrainian interests through which Capital Oil would be provided with activities having good profitability and positive cash flow. This objective was realised through the Annual General Meeting approving the acquisition of Misen Enterprises AB effective 1 July 2011 as per the description under "Group structure" above.

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The acquisition of Misen and the indirect majority ownership thereby obtained in the Ukrainian Joint Activity involves a completely altered business orientation for Capital Oil. This is clearly demonstrated in the group results for 2011, where the results after net financial items comprised a slightly more than SEK 110 million and the group's operational cash flow was SEK 96 million. The activities in the Joint Activity are investment-intensive and during 2012 investments in the renovation of gas wells and purchases of production equipment were nearly SEK 50 million. The investments required during the next three years will also be significant, hence the Joint Activity agreement stipulates that no dividends will be distributed during the next three-year period.

During the year, a renegotiation concerning the sale of LLC Capital Oil Ukraine was carried out through which an agreement was concluded for a supplemental purchase sum of EUR 309 thousand for which payment in full was made during January 2012.

Through the acquisition of Misen Enterprises AB being fully paid for with newly issued shares of Capital Oil, the number of shares of the company became unwieldy, namely 14,506,822,222. At an extraordinary general meeting on 21 December 2011, it thus was decided that the shares should be consolidated with one new share for every 100 old shares. This consolidation was registered on 12 January 2012, and the number of shares subsequently stands at 145,068,222.

At this extraordinary general meeting, a completely new Board was also elected with solid experience in the international energy and finance sectors and which corresponds to the orientation of the group's business activities.

The domicile of the company was also changed from Gothenburg to Stockholm.

#### Ownership situation

Shareholders	Shares	Holdings in %
Nellston Holdings Ltd, CY	4,300,110,000	29.64%
Norchamo Ltd, CY	4,300,110,000	29.64%
Blankbank Investment Ltd, CY	2,866,740,000	19.76%
Forest Walkway AB	1,433,370,000	9.88%
TCT Holding AB	1,433,370,000	9.88%
Sadkora Resources AB	5,334,647	0.04%
Försäkrings AB Avanza Pension	4,538,366	0.03%
Pietet & Cie, CH Misen	3,036,000	0.02%
Michael Nord	2,834,142	0.02%
Goce Kostoviski	2,830,683	0.02%
Other	154,548,385	1.07%
Total	14,506,822,223	100.00%

#### Significant events after the close of the financial year

At an extraordinary general meeting on 13 April 2012, it was decided to change the company's name to Misen Energy AB (publ). This will provide a more adequate description of the company's altered business orientation.

#### Expected future trend for the company

Through the acquisition of Misen Enterprises AB and the thereby consequent partial ownership of the Ukrainian Joint Activity, the preconditions have been created for a positive trend, for both the old as well as the new shareholders of Svenska Capital Oil AB as has been forecast earlier.

The on-going gas production, which is expected to increase considerably in the future, is laying the basis for a positive cash flow and good profitability for the benefit of the shareholders. The profits from 2011 will be reinvested in the activities of the Joint Activity.

#### Environmental effects

The activities that are being conducted in Ukraine via Misen Enterprises AB have an effect on the environment in Ukraine and are governed by the laws and agreements that control the activities in this Joint Activity.

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#### Financial risks

Capital Oil works with the prospecting and extraction of hydrocarbons with an emphasis on the establishment of gas and oil production in Ukraine. In these activities, the company works with a complex picture of industry-specific risks such as the trend in the price of oil, licensing issues concerning investigation, processing and the environment, as well as uncertainty in the outcome of the on-going prospecting work and in the subsequent field development work. Since the activities are now oriented towards production instead of prospecting, the risk exposure has however been considerably reduced.

Other risk areas comprise cyclical economic trends and fluctuations in exchange rates, as well as the political risk factors that activities in Ukraine involve.

More in-depth exposition on the different risk exposures of the company's activities can be found in the supplemental information in subsequent pages of this annual report.

#### Allocation of results

##### Proposal for allocation of the company's loss

At the disposition of the Annual General Meeting are	
Loss carried forward	-115,467
Share premium fund	714,285,000
Received/disbursed group contributions	1,382
Loss for the year	-5,644,465
	703,526,450
The Board proposes	
balance carried forward	708,526,450
	708,526,450

With respect to the company's results and position in general, refer to the following income statements and balance sheets with the associated supplemental information.

INCOME STATEMENT	Note	Group	
		2011-01-01 2011-12-31	2010-01-01 2010-12-31
Operating revenues, etc.			
Net sales	1,2	191,113	4,241
		191,113	4,241
Operating expenses			
Raw materials and necessities		-55,235	-1,093
Other external costs	3	-7,127	-591
Personnel costs	5	-5,287	0
Depreciation of tangible fixed assets	6	-792	0
Write-down of acquired goodwill	6	-13,510	0
Write-downs of tangible fixed assets	6	-1,483	0
Gain from sale of subsidiary		2,769	0
		-80,665	-1,684
Operating results		100,448	2,557
Results from financial items			
Interest income and similar income statement items	7	292	617
Interest expense and similar income statement items	8	-258	78
		34	695
Results after financial items		110,482	3,252
Results before tax		110,482	3,252
Tax on the year's result	9	-27,399	-282
Results for the year attributable to the parent company's shareholders		83,083	2,970
Report on total results - Group			
Results for the year		83,083	2,970
Other total results for the year			
Exchange rate differences		6,608	-325
Other total results for the year, net after tax		6,608	-325
Sum total results for the year		89,691	2,645

Results per share, computed on results attributable to the parent company's shareholders during the year (expressed in kronor per share)

Results for the year		0.006	5,290
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BALANCE SHEET	Note	Group	
		2011-01-01	2010-01-01
ASSETS			
Fixed assets			
Intangible fixed assets			
Other intangible fixed assets	10	844	0
		844	0
Tangible fixed assets			
Capitalised development costs	11	15,884	0
Equipment, tools and installations	12	1,650	0
Construction in progress and advances concerning tangible fixed assets	13	26,529	0
		44,063	0
Stakes in associated companies		0	450
Other long-term securities holdings		2,483	4,651
		2,483	5,101
Total fixed assets		47,390	5,101
Current assets			
Stocks, etc.	17		
Raw materials and necessities		357	0
Goods under production		1,724	0
Finished goods and merchandise		13,702	0
		15,783	0
Short-term receivables			
Trade receivables	5,16	11,667	2,939
Advances to suppliers	18	61,326	0
Other receivables	18	2,565	526
Prepaid expenses and accrued income	19	6,391	0
		81,949	3,465
Liquid assets	15	14,819	20
Total current assets		112,551	3,485
TOTAL ASSETS		159,941	8,586

BALANCE SHEET	Note	Group	
		2011-01-01	2010-01-01
EQUITY CAPITAL AND LIABILITIES			
Equity capital			
Share capital		290,136	50
Other reserves		-267,979	-52
Results brought forward		87,134	6,135
		-	-
Total equity capital		109,291	6,133
Long-term liabilities			
Liabilities to associated companies		0	300
Other liabilities		1,518	0
Total long-term liabilities		1,518	300
Short-term liabilities			
Advances from customers		10,508	0
Trade accounts payable		11,476	165
Current tax liabilities		18,089	111
Other liabilities		6,364	1,821
Accrued expenses and deferred income	20	2,695	56
Total short-term liabilities		49,132	2,153
TOTAL EQUITY CAPITAL AND LIABILITIES		159,941	8,586
MEMORANDUM ITEMS			
Security pledged	22	39	0
Guarantees	23	906,480	0

GROUP CASH FLOW ANALYSIS			
		2011-01-01	2010-01-01
	Note	2011-12-31	2010-12-31
<b>Operating activities</b>			
Operating results	1	110,446	2,556
Adjustments for non-cash items		13,018	0
Interest, etc. received		292	591
Interest paid		-257	104
Income tax paid		-27,398	-318
<b>Cash flow from operating activities before changes in working capital</b>			
		96,101	2,933
<b>Cash flow from changes in working capital</b>			
Decrease(+)/increase(-) in stocks/work in progress		-15,783	0
Decrease(+)/increase(-) in trade receivables		-8,728	-2,217
Decrease(+)/increase(-) in claims		-74,114	-211
Decrease(+)/increase(-) in trade accounts payable		11,311	165
Decrease(+)/increase(-) in short-term liabilities		35,668	1,809
<b>Cash flow from operating activities</b>			
		-44,455	2,479
<b>Investment activities</b>			
Acquisition of tangible fixed assets		-49,729	0
Received from sales of tangible fixed assets		2,769	0
Acquisition of financial fixed assets		0	-1,967
Changes in long-term receivables		2,619	-133
<b>Cash flow from investment activities</b>			
		-44,341	-2,100
<b>Financial operations</b>			
New share issues for the year		13,467	50
Shareholder contributions received		0	100
Change in long-term liabilities		1,218	0
Dividends distributed		0	-509
<b>Cash flow from financial operations</b>			
		14,685	-359
<b>Change in liquid assets</b>			
Liquid assets at beginning of year		20	0
Change in liquid assets		0	0
<b>Liquid assets at end of year</b>			
		14,819	20



GROUP CHANGE IN EQUITY CAPITAL

Amounts in SEK thousands	Other paid-up capital	Share capital	Other reserves	Results brought forward	Total equity capital
Beginning equity capital 2010-08-31	0	0	0	4,730	4,730
Total results					
Results for the year				2,970	2,970
Other total results					
Conversion differences			-325		-325
Sum total results			-325	2,970	2,645
Transactions with shareholders					
Dividends paid				-1,565	-1,565
Shareholder contributions		100			100
Revaluation of fixed assets		0	173		173
New share issue					50
Sum transactions with shareholders	50	100	173	-1,565	-1,242
Beginning equity capital 2011-01-01	50	100	-152	6,136	6,133
Total results					
Results for the year				83,083	83,083
Other total results					
Conversion differences			6,608		6,608
Sum total results	0	0	6,608	83,083	89,691
Transactions with shareholders					
New share issue	290,086	73	-274,608	-2,084	13,467
New share issues in progress					0
Sum transactions with shareholders	290,086	73	-274,608	80,999	13,467
Ending equity capital 2011-12-31	290,136	173	-268,152	87,134	109,291

INCOME STATEMENT	Note	Parent	
		2011-01-01 2011-12-31	2010-01-01 2010-12-31
Operating revenues, etc.			
Net sales	1,2	0	481
		0	481
Operating expenses			
Other external costs	3	-3,976	-3,525
Personnel costs	4,5	-2,705	-2,915
Depreciation and write-downs of tangible fixed assets	6	-1,560	-81
Write-downs of intangible fixed assets	6	0	-843
Losses on sales of tangible, intangible and financial fixed assets	6	-150	-500
Gain from sale of subsidiary		2,764	0
		-5,627	-7,864
Operating results		-5,627	-7,383
Results from financial items			
Interest income and similar income statement items	7	1	3
Interest expense and similar income statement items	8	-19	-15
		-18	-12
Results after financial items		-5,645	-7,395
Tax on the year's result	9	0	28
Results for the year		-5,645	-7,367

BALANCE SHEET	Note	Parent	
		2011-01-01	2010-01-01
ASSETS			
Fixed assets			
Tangible fixed assets			
Equipment, tools and installations	12	0	75
Construction in progress and advances concerning tangible fixed assets	13	0	1,784
		0	1,859
Financial fixed assets			
Stakes in group companies	14	1,000,899	100
		1,000,899	100
Total fixed assets		1,000,899	1,959
Current assets			
Short-term receivables			
Trade receivables	5,16	0	0
Other receivables	18	167	117
Prepaid expenses and accrued income	19	1,357	223
Contractual receivables			
		1,524	4,840
Liquid assets	15	639	184
Total current assets		2,163	5,024
TOTAL ASSETS		1,003,062	6,983

BALANCE SHEET	Note	Parent	
		2011-01-01	2010-01-01
<b>EQUITY CAPITAL AND LIABILITIES</b>			
Equity capital			
Bound equity capital			
Share capital		290,136	4,422
Capital reserves		345	345
Free equity capital			
Accumulated loss		-115	6,214
Share premium fund		714,286	960
Received/disbursed group contribution		0	78
Results for the year		-5,643	-7,367
		708,528	-115
<b>Total equity capital</b>		<b>999,009</b>	<b>4,652</b>
Long-term liabilities			
Liabilities to group companies		93	93
<b>Total long-term liabilities</b>		<b>93</b>	<b>93</b>
Short-term liabilities			
Trade accounts payable		742	641
Liabilities to group companies		623	0
Other liabilities		295	296
Accrued expenses and deferred income	20	2,300	1,300
<b>Total short-term liabilities</b>		<b>3,960</b>	<b>2,237</b>
<b>TOTAL EQUITY CAPITAL AND LIABILITIES</b>		<b>1,003,062</b>	<b>6,982</b>
<b>MEMORANDUM ITEMS</b>			
Security pledged	22	39	150
Guarantees	23	39	150

PARENT COMPANY'S  
CHANGE IN EQUITY CAPITAL

	Share capital	Capital reserves	New share issues in progress	Share premium fund	Results brought forward	Total equity capital
Beginning equity capital 2003-01-01	100				-110	-10
Results for the year					-5	-5
Ending equity capital 2003-12-31	100	0	0	0	-115	-15
Beginning equity capital 2004-01-01	100	0	0	0	-115	-15
Shareholder contributions					18	18
New share issues in progress		0	2,800			2,800
Conversion differences		0				
Results for the year					-45	-45
Ending equity capital 2004-12-31	100	0	2,800	0	-142	2,758
Beginning equity capital 2005-01-01	100	0	2,800	0	-142	2,758
New share issue	2,455	345	-2,800			0
New share issues in progress			1,000			1,000
Conversion differences		0				0
Results for the year					-2,139	-2,139
Ending equity capital 2005-12-31	2,555	345	1,000	0	2,281	1,619
Beginning equity capital 2006-01-01	2,555	345	1,000	0	-2,281	1,619
Issue of shares for debt settlement	2,756			2,244		5,000
New share issue	1,597		-1,000	5,220		5,817
Issuance costs				-536		-536
New share issues in progress			5,692			5,692
Conversion differences						0
Results for the year					-15,016	-15,016
Ending equity capital 2006-12-31	6,908	345	5,692	6,928	-17,297	2,576
Beginning equity capital 2007-01-01	6,908	345	5,692	6,928	-17,297	2,576
New share issue	7,170		-5,692	137,379		138,857
New share issues in progress						0
Issuance costs				-12,200		-12,200
Results for the year					-1,677	-1,677
Ending equity capital 2007-12-31	14,078	345	0	132,107	-18,974	127,556
Beginning equity capital 2008-01-01	14,078	345	0	132,107	-18,974	127,556
New share issues in progress			19,401			19,401
Issuance costs			-1,978			-1,978
Results for the year					-2,296	-2,296
Ending equity capital 2008-12-31	14,078	345	17,426	132,107	-21,270	142,686
Beginning equity capital 2009-01-01	14,078	345	17,426	132,107	-21,270	142,686
New share issue	3,234		-3,234			0
New share issues in progress			-14,192	14,192		0
Issuance costs				-128		-128
Results for the year					-132,537	-132,537
Ending equity capital 2009-12-31	17,312	345	0	146,171	-153,807	10,021
Beginning equity capital 2010-01-01	17,312	345	0	146,171	-153,807	10,021
Reduction of share capital	-13,850			-146,171	160,021	0
New share issue	960			960		1,920
Group contribution received					106	106
Tax effect of group contribution received					-28	-28
Results for the year					-7,367	-7,367
Ending equity capital 2010-12-31	4,422	345	0	960	-1,075	4,652
Beginning equity capital 2011-01-01	4,422	345	0	960	-1,075	4,652
New share issue	285,714			713,325	960	999,999
Results for the year	4,422				-5,643	-5,643
Ending equity capital 2011-12-31	290,136	345	0	714,285	-5,758	999,008

DEVELOPMENTS IN SHARE CAPITAL

Event	Year	Increase in No. of shares	No. shares outstanding	Quota value	Subscr. rate/share	Incr./Decr. in share capital	Total ending share capital
Founding of company	1995	1,000	1,000	100.00	100.00	100,000.00	100,000.00
Conversion	2003	999,000	1,000,000	0.10	0.100	0	100,000.00
New share issue	2005	20,000,000	21,000,000	0.10	0.100	2,000,000.00	2,100,000.00
New share issue	2005	4,545,456	25,545,456	0.10	0.176	454,545.60	2,554,545.60
New share issue	2006	13,068,000	38,613,456	0.10	0.250	1,306,800.00	3,861,345.60
New share issue	2006	988,563	39,602,019	0.10	1.224	98,856.30	3,960,201.90
New share issue	2006	213,000	39,815,019	0.10	1.220	21,300.00	3,981,501.90
New share issue	2006	1,700,089	41,515,108	0.10	1.224	170,008.90	4,151,510.80
Issue of shares for debt settlement	2006	27,562,133	69,077,241	0.10	0.181	2,756,213.30	6,907,724.10
New share issue	2007	4,650,000	73,727,241	0.10	1.224	465,000.00	7,372,724.10
New share issue	2007	1,670,180	75,397,421	0.10	1.224	167,018.00	7,539,742.10
New share issue	2007	13,200,000	88,597,421	0.10	1.540	1,320,000.00	8,859,742.10
New share issue	2007	10,185,000	98,782,421	0.10	1.540	1,018,500.00	9,878,242.10
New share issue	2007	42,000,000	140,782,421	0.10	2.400	4,200,000.00	14,078,242.10
New share issue	2009	32,339,802	173,122,223	0.10	0.60	3,233,980.20	17,312,222.30
Write-down of share capital	2010	0	173,122,223	0.02	-	-13,849,777.84	3,462,444.46
New share issue	2010	48,000,000	221,122,223	0.02	0.040	960,000.00	4,422,444.46
New share issue	2011	14,285,700,000	14,506,822,223	0.02	0.070	285,714,000.00	290,136,444.46

CASH FLOW ANALYSIS PARENT			
		2011-01-01	2010-01-01
	Note	2011-12-31	2010-12-31
Operating activities			
Operating results	1	-8,390	-7,383
Adjustments for non-cash items		-1,060	722
Interest, etc. received		1	1
Interest paid		-18	-10
Cash flow from operating activities before changes in working capital			
		-9,467	-6,670
Cash flow from changes in working capital			
Decrease(+)/increase(-) in claims		3,314	-4,536
Decrease(+)/increase(-) in trade accounts payable		102	391
Decrease(+)/increase(-) in short-term liabilities		997	523
Cash flow from operating activities			
		-5,054	-10,292
Investment activities			
Sales of tangible fixed assets		150	250
Sales of stakes in group companies		2,764	4,500
Acquisition of stakes in associated companies		-1,000,790	0
Received from sales of tangible fixed assets		2,769	0
Cash flow from investment activities			
		-995,116	4,750
Financial operations			
New share issues for the year		999,999	1,920
Long-term loans taken out		626	0
Cash flow from financial operations			
		1,000,625	1,920
Change in liquid assets			
Liquid assets at beginning of year		184	3,806
Liquid assets at end of year		639	184

## SUPPLEMENTAL INFORMATION

### GENERAL INFORMATION

The parent company is a joint-stock company registered in and domiciled in Stockholm. The address of its main office in Engelbrektsgatan 32, SE-411 37.

The parent company is listed on First North.

The Board and the Managing Director have, on 27 April 2012, approved these consolidated financial statements for release to the public.

The most important accounting principles that were applied when these consolidated group accounts were created are specified below. These principles have been applied consistently for all the years presented, if nothing to the contrary is stated.

#### *Basis for the preparation of the reports*

The consolidated financial statements for the Svenska Capital Oil AB group have been prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary Accounting Regulations for Groups, and International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU. The consolidated financial statements have been prepared in accordance with the acquisition value method.

Preparation of the report in accordance with IFRS requires use of some key estimates for accounting purposes. It also requires management to make certain assessments when applying the group's accounting principles. Areas that involve a high level of assessment owing to their complexity, or areas where the assumptions and estimates are of great significance for the consolidated financial statements, are listed in the notes in such cases.

#### *New group concept*

At the Annual General Meeting of 30 June 2011, the Board's proposal to acquire all the shares of Misen Enterprises AB was approved. This acquisition was carried out with effect on 1 July 2011. Payment was made through newly issued shares of Svenska Capital Oil AB for an entire purchase sum that comprised SEK 999,999,000.00. Through this transaction, the five previous owners of Misen Enterprises AB became the dominant owners of Svenska Capital Oil AB with total shareholdings of 98.8 % of all shares. By reason of this, the rules in IFRS for reverse acquisitions were applied as per the following:

"Even if the exchange-listed company that issues the shares is in purely legal terms to be regarded as the parent company and the privately owned company regarded as being a subsidiary, it is the subsidiary that is the acquirer if it has the right to formulate the financial and operating strategies for the parent company for purposes of receiving financial benefits".

Among other things, this involves the consolidated financial statements in this report concerning the Misen Group as well as the comparative figures for 2010 also concerning the Misen Group.

The Misen Group that is included in the group financial statements consists of Misen Enterprises AB and its wholly owned Ukrainian subsidiary, LLC Kapatygaz, and 50.01 % of the partner-owned, so-called Joint Activity, that Misen and Karpatygaz operate jointly with the Ukrainian state-owned gas company Ukgazvydubovannya. The consolidated financial statements also include the Capital Oil Group, but only from the second half-year of 2011, since the reverse acquisition took place on 1 July 2011.

The reporting that concerns the parent company encompasses in contrast, as was previously the case, Svenska Capital Oil AB.

#### *New and amended standards that are being applied to the group*

None of the IFRS or IFRIC interpretations mandatory for the first time for the financial year beginning 1 January 2011 have had a significant impact on the group.

#### *Standards, amendments and interpretations that have not come into effect and which have not been applied by in the past by the group.*

IFRS 9 "Financial instruments" manages the classification, assessment and reporting of financial liabilities and assets. IFRS 9 was issued in November 2009 for financial assets and in October 2010 for financial liabilities and replaces parts of IAS 39 that are related to the classification and assessment of financial instruments. IFRS 9 specifies that financial assets must be classified in two different categories: valuation at fair value or valuation at accrued acquisition value. Classification is established at the first reporting instance based upon the company's business model as well as characteristic properties in the contractual cash flows. For financial liabilities, there are no large changes in comparison with IAS 39. The largest change concerns liabilities that are identified at fair value. For these, it is the case that that part of the fair value change that is attributable to the separate credit risk must be reported in other total results instead of in the results, as far as such does not cause inconsistencies in the accounting (accounting mismatch). The group is aiming to apply the new standard at the latest with the financial year that will begin on 1 January 2015 and has still not assessed the effects. The standard has still not been adopted by the EU.



## SUPPLEMENTAL INFORMATION

IFRS 10 "Consolidated Financial Statements" is based on already existing principles defining control as the decisive factor in determining whether a company is to be included in the consolidated accounts. The standard provides further guidance that can be of assistance when it is difficult to determine control. The group intends to apply IFRS 10 for the financial year commencing 1 January 2013 and has not yet evaluated the full impact on the financial statements. The standard has not yet been adopted by the EU.

IFRS 11 "Joint Arrangements" is a new standard for classification of joint arrangements as joint ventures or joint operations. In the future, joint ventures will be recognised in accordance with the equity method. The group intends to apply IFRS 11 for the financial year commencing 1 January 2013 and has not yet evaluated the full impact on the financial statements. The standard has not yet been adopted by the EU.

IFRS 12 "Disclosures of Interests in Other Entities" includes the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The group has not yet evaluated the full impact of IFRS 12 for the financial year commencing 1 January 2013 and has not yet evaluated the full impact on the financial statements. The standard has not yet been adopted by the EU.

IFRS 13 "Fair Value Measurement" aims to improve consistency and reduce complexity in the application of fair value measurement by providing a precise definition and a shared source in IFRS for fair value measurements and the associated disclosures. The requirements do not expand the area of application for when fair value is required to be used, but provide guidance on how it should be applied when other IFRSs already require or permit fair value measurement. The group has not yet evaluated the full impact of IFRS 13 on the financial statements. The group intends to apply the new standard for the financial year commencing 1 January 2013. The standard has not yet been adopted by the EU.

### *Group reporting*

Subsidiaries are all companies (including companies with a dedicated purpose) where the group has the right to determine financial and operating strategies in a manner that usually ensues from a shareholding amounting to more than half of the votes. The occurrences and effects of potential voting rights that at present are possible to utilise or convert are considered in the assessment of the extent to which the group exercises determining influence over another company. Subsidiaries are included in the consolidated financial statements from the day that the determining influence is transferred to the group. They are excluded from the consolidated financial statements from the day when the determining influence ceases.

Acquisition accounting is applied to the group's purchases of subsidiaries. The cost comprises the fair value of assets transferred as settlement, equity instruments issued and liabilities that have arisen or been transferred as of the transfer date. Costs that are directly attributable to the purchase are expensed. Identifiable purchased assets, transferred liabilities and contingent liabilities in a business combination are initially measured at fair value as of the acquisition date, regardless of the extent of any potential minority interest. The surplus comprised by the difference between cost and fair value of the group's share of identifiable purchased net assets is recognized as goodwill. If the cost falls below fair value of the purchased subsidiary's net assets, the difference is recognized directly in the income Statement.

Intra-group transactions and balance sheet items plus unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated, if the transaction does not comprise proof of a need for a write-down for the transferred asset. The accounting principles for subsidiaries in such cases have been amended in order to guarantee the consistent application of the group's principles.

### *Joint ventures*

The group's stakes in jointly controlled units are recognised according to the proportional consolidation method. The group combines its portion of the revenues and costs, assets and liabilities as well as the cash flow for the joint venture concerned with offsetting items in the separate group financial statements. The group recognises the portion of the profits or losses from the group's sales of assets to a joint venture that corresponds to the ownership stake of the other co-owners. The group does not report its portion of the gains or losses in a joint venture that are a consequence of the group's purchase of assets from this joint venture before the assets are resold to an independent party. However, a loss on a transaction is recognised immediately if the loss involves an asset being recognised at a value that is too high.

## SUPPLEMENTAL INFORMATION

### *Segment reporting*

An operating segment is a group of assets and enterprises that provide products or services that are subject to risks and possibilities that differentiate themselves from what applies for other operating segments. Geographical areas provide products or services within an economic environment that is subject to risks and possibilities that are different from what applies for other economic environments. The group's operative enterprise are in their entirety localised to Ukraine and oriented towards the production of natural gas, the group management does not in fact follow the enterprises in any dimension other than the legal, hence no special segment reporting has been created

### *Conversion of foreign currency*

#### *(a) Functional currency and reporting currency*

Items in the financial reports of the various units in the group are valued in the currency used in the economic environment where each unit largely conducts its business (functional currency). In the group's financial statements the Swedish kronor (SEK) is used, which is the functional currency and reporting currency of the parent company.

#### *(h) Transactions and balance sheet items*

Transactions in foreign currencies are translated into the functional currency at the exchange rates applying on the transaction date. Currency profits and losses arising in connection with the settlement of such transactions and in the translation of monetary assets and liabilities in foreign currencies at the rate applying on the date of the balance sheet are recognised on the income statement. Conversion differences for non-monetary items, such as shares in that are valued at fair value via the income statement will be reported as a part of the fair value gain/loss. Conversion differences for non-monetary items, such as shares that are classified as financial assets that can be sold, are entered in a fund for fair value in equity capital.

#### *(c) Group companies*

What is meant by group companies are companies that are included in the group that is owned by Svenska Capital Oil AB.

The result and financial position of all group companies (none of which uses a high inflation currency) that have a different functional currency from the reporting currency are translated into the group's reporting currency as follows: assets and liabilities for each of the balance sheets are translated at exchange rate on the date of the balance sheet; income and costs for each of the income statement items are translated at average the exchange rates for the year (unless this average rate is not a reasonable approximation of the cumulative effect of the exchange rates that apply on the date of the transaction, in which case revenues and costs are converted as per the transaction date); and all currency differences arising are stated as a separate part of Other total results.

Upon consolidation currency differences arising as a result of the translation of net investments in foreign businesses and of borrowing and other currency instruments that have been identified as hedges for such investments, are entered under equity capital. Upon the divestment of a foreign business such currency differences are stated on the income statement as a part of the capital gains/losses.

Goodwill and adjustments to fair value arising on the acquisition of a foreign business are treated as the assets and liabilities of the business in question and translated at the rate applying on the date of the balance sheet.

### **Tangible fixed assets**

Tangible fixed assets are depreciated systematically over the estimated utility period of the asset. The acquisition value included expenses that can be directly attributed to the acquisition of the asset. Future expenses are added to the asset's reported value or reported as a separate asset, depending upon what is suitable, only when it is probable that the future economic benefits that are associated with the asset will be of be realised by the group in the future and the acquisition value of the asset can be measured in a reliable manner. All other forms of repairs and maintenance are recognised as expenses on the income statement during the period in which they arose. The residual value of the asset and utility period are examined for each balance sheet date and adjusted as needed. The reported value of an asset is immediately written down to its recoverable value if the asset's reported value exceeds its assessed recovery value.

Gains and losses upon disposal are established through a comparison between the revenue from the sale and the reported value and are recognised on the income statement.

## SUPPLEMENTAL INFORMATION

Planned depreciation is conducted as per the following:

- equipment, tools and installations 20 - 50 %.
- capitalised development costs 9%
- intangible fixed assets 8 %

No depreciation is done of fixed assets under construction, depreciation only occurs when the fixed asset has been completed and placed into service.

### *Assets for oil and gas prospecting*

Expenses for prospecting and evaluating oil and natural gas are reported with a method based upon a successful prospecting and evaluation ("successful efforts method"). Costs are accumulated separately for each field. Geological and geographical costs are expensed as they arise. Costs that are directly attributable to a test drill hole as well as costs for prospecting and the acquisition of concessions, licences, etc. are capitalised until the value of the reserves have been assessed. If it is established that commercial possibilities do not exist, the costs are reported on the income statement.

Capitalisation occurs as tangible fixed assets.

When exploitable sources are found, the prospecting and evaluation assets are examined with respect to possible needs for write-downs and reclassification to tangible and intangible development assets. No depreciation is performed during the prospecting and evaluation phase.

### *Tangible development assets*

Expenses for design, installation and completion of infrastructure equipment such as platforms, pipelines and the development of proven commercially viable development resources are capitalised as tangible and intangible assets, depending upon the nature of the asset. When development has ended at a certain field, they are reclassified to production assets or intangible assets. No depreciation is performed during the prospecting and evaluation phase.

### *Assets for oil and gas production*

Oil and gas assets are the sum of tangible prospecting-evaluation assets and development expenses attributable to the production of proven reserves.

### *Depreciation*

Oil and gas assets are written off using a production-dependent depreciation method ("unit-of-production method"). The production rates are based upon proven reserves, which are comprised of oil, gas and other mineral assets that are expected to be extractable from existing assets with current working methods. Oil and gas volumes are deemed to have been produced as soon as they have been established through measurement methods at the transfer of possession or the location of the sales transaction at the point where the field's storage tank's outflow is situated.

Depreciation of the wells reported has been performed has been done linearly based upon the asset's utility period instead of as is customary as per the unit-of-production method. The difference between linear depreciation and units of production is not significant for these financial reports.

### *Write-downs of prospecting and evaluation assets*

Any possible write-down needs concerning the prospecting and evaluation assets will be tested when the assets are reclassified to tangible assets or when facts or circumstances indicate that a need for a write-down may exist. A write-down is performed for the amount whereby the reported values of the prospecting and evaluation assets exceed their recovery value. The recovery value is the higher of the prospecting and evaluation asset's fair value and a deduction for sales costs and its utility value. For purposes of assessing the need for write-downs, the fair value of prospecting and evaluation assets that are objects for investigation is referenced to referred to existing cash-generating units within the production fields that are localised in the same geographical region.

### *Write-downs of proven oil and gas reserves*

Proven oil and gas reserves are tested with respect to write-down requirements as soon as events or changed in different circumstances indicate that the book value is possibly not recoverable. A write-down is performed by the amount whereby the book value of the asset exceeds its recovery value. The recovery value is the higher of an asset's fair value with the deduction of sales costs and its utility value. In the assessment of the need for a write-down, the assets are references to the lowest levels where separately identifiable cash flows exist.

## SUPPLEMENTAL INFORMATION

### Intangible assets

Intangible assets concern in their entirety extraction licences and technical documentation. The intangible assets are depreciated linearly over their lifespan of the "Joint Activity Agreement".

### Write-downs

Assets that are written off are assessed with respect to value reduction whenever events or changes in circumstances indicate that the reported value is probably not recoverable. A write-down is performed by the amount with which the asset's reported value exceeds its recovery value. The recovery value is the higher of an asset's fair value less sales costs and its utility value. In the assessment of the need for a write-down, assets are grouped on the lowest levels where separately identifiable cash flow (cash-generating units) exists. For assets other than financial assets and goodwill, which have previously been written down a test is performed on the date of each balance sheet of whether a reversal should be performed.

### Stocks

Stocks are valued at the lowest of their acquisition value and their net sales value. The net sales value has been computed as the sales value with a deduction for calculated sales costs.

### Customer receivables

Customer receivables are financial assets that are not derivatives, which are established or establish payments and which are not listed on an active market. They are included in current assets with the exception of items with a due date of more than 12 months after the date of the balance sheet, which are classified as fixed assets.

Customer receivables are initially reported at fair value and subsequently at accrued acquisition value with the application of the effective interest method, reduced by any possible set-asides for reductions in value. A set-aside for a reduction in value of customer receivables is done when objective proof exists that the group will not be able to receive all the amounts that are due as per the original terms and conditions of the receivables. Significant financial difficulties with the debtor, a likelihood that the debtor will go bankrupt or undergo financial reconstruction and lacking or delayed payments will be regarded as indicators that a need may exist for a write-down of a customer receivable. The magnitude of the set-aside will be determined by the difference between the reported value of the asset and the present value of estimated future cash flows, discounted by the effective interest rate. The asset's reported value will be reduced through the use of a value reduction account and the loss will be reported on the income statement. When a customer receivable cannot be collected, it is written off against the value reduction account for customer receivables. Recovery of an amount that has been previously written off will be credited on the income statement.

### Liquid funds

Liquid funds include cash, bank deposits and other short-term investments with due dates within three months.

### Share capital

Transaction costs that can be directly attributed to issues of new shares or options will be reported, net after tax, in equity capital as a deduction from the issue liquidity.

### Trade debt

Trade debts are initially reported at fair value and subsequently at accrued acquisition value with the application of the effective interest method.

### Borrowings

Borrowings are initially reported at fair value, net after transaction costs. Borrowing is subsequently reported at accrued acquisition value and any possible difference between the amount received (net after transaction costs) and the repayment amount will be reported on the income statement distributed over the term of the loan, with the application of the effective interest method.

Borrowing is classified as short-term liabilities unless the group has an unconditional right to defer payment of the liability for at least 12 months after the date of the balance sheet.

Loan costs are charged to the results for the period for which they are attributable. The company at present has need for any external financing, hence no borrowing has occurred.

## SUPPLEMENTAL INFORMATION

### Current and deferred income tax

The current tax costs are computed on the basis of the tax rules that as of the date of the balance sheet are decisive or in practice decisive in the two countries where the parent company's subsidiaries are active and generating taxable income.

Deferred tax assets are reported to the scope that it is probable that future tax-related surpluses will be available against which the temporary difference may be utilised.

### Compensation to employees

#### *Pension obligations*

For defined contribution pension plans, the group will pay fees to publicly or privately administrated pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the fees have been paid.

The fees will be reported as personnel costs when they fall due for payment. Prepaid fees will be reported as an asset to the extent that cash repayment or a reduction of future payments may be received by the company.

#### *Share-related benefits*

The group has no share-related compensation plans.

### **Allocations**

Allocations for environmental restoration measures, restructuring costs and legal claims are reported when the group has a legal or informal obligation in consequence of previous events and it is more likely that an outflow of resources will be required in order to settle the commitment than for such to not occur, and the amount has been calculated in a reliable manner. Allocations for restructuring involve costs for termination of leasing agreements and for severance payments. No allocations are made for future operating losses. If several similar commitments exist, the probability for an outflow of resources being required to settle such will be assessed jointly for this entire group of commitments. An allocation will be reported even if it is probable that an outflow regarding a special item in this group of commitments is poor. There are no allocations of this sort being reported in the group.

### **Revenue reporting**

Revenue comprises the fair value of goods and services sold, excluding VAT and discounts, and after the elimination of internal group sales. The revenues concern invoicing of services including outlays. Revenues from the company's sales of goods are reported as revenue when the significant risks and benefits that are associated with the ownership of the goods pass to the purchaser.

The group reports revenue when its magnitude can be measured in a reliable manner, it is probable that future financial benefits will accrue to the company and special criteria have been fulfilled for each of the group's enterprises.

#### The parent company's reporting principles

The parent company has drawn up its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's RFR 2 reporting for legal persons. RFR 2 involves the parent company in the annual report for the legal person having to apply all EU-approved IFRSs as long as such is possible within the framework for the Annual Accounts Act and with respect to the connection between reporting and taxation. The recommendation specifies precisely which exceptions and additions must be made from and to the IFRSs. Stakes in subsidiaries are reported in accordance with the acquisition value method.

#### Calculation of fair value

Nominal value, reduced by any possible credits assessed, will for customer receivables and trade debts be presumed to correspond to their fair values.

## SUPPLEMENTAL INFORMATION

### Important estimates and assessments for accounting purposes

Estimates and assessments are reviewed regularly and based on past experience and other factors, including expectations of future events that are deemed to be reasonable under prevailing conditions.

The group makes estimations and presumptions about the future. The estimates for accounting purposes that will be the consequences of such, by definition, will rarely correspond to the actual result. The fundamental features of the estimates and assumptions that involve a significant risk of considerable adjustments in the reported values for assets and liabilities during the next financial year will be specified below.

### *Tax legislation in Ukraine*

Ukrainian tax, currency and toll legislation is constantly under development. In those cases where conflicts between different systems of rules arises, the company management uses different interpretations. The group management deems that their interpretations are correct and permanent, which does not however guarantee that their assessments cannot be called into question by the Ukrainian authorities.

### Financial risk factors

The group is exposed through its activities to different financial risks: market risk (encompassing exchange rate risks, interest rate risks and price risks), credit risks, liquidity risks and cash flow risks. The group strives to be conscious of potential unfavourable effects in the group's financial results. As regards interest on bank deposits, this is floating. Currency hedges have not been made during 2011.

### Liquidity risk

What is meant by liquidity risk is that risk that financing of the company's capital needs as well as refinancing of outstanding loans will not be obstructed or become more expensive. The financing needs are dependent in part on the needs that Joint Activity has for investments in fixed assets and its needs for operating capital financing. The group's needs for financing are for the most part reckoned to be covered by the surplus that arises in Joint Activity, whereas in the long run external financing will probably be needed in order to fulfil the investment needs that exist. The size of the external financing depends upon the production volume and future price levels for gas and oil.

### Credit risks

Joint Activity is exposed to credit risks, which corresponds to the risk that a party to a financial commitment causes a financial loss for the other party through not fulfilling its commitment. The exposure to credit risks arises in consequence of Joint Activity's sales of products as per applicable payment terms and conditions and other transactions with counterparties that give rise to financial assets.

Joint Activity's maximum risk concerning credit risks comprises the amount that is reported on the balance sheet.

Joint Activity's risks are structured through placing credit limits on its counterparties. These credit limits are the object of on-going oversight and approval by the company management.

Joint Activity's management carries out on-going ageing analysis and follows up on past due customer receivables.

## **Company-related risks**

### **Oil and natural gas prices**

The group's revenues and profitability will be dependent on the prevailing price for oil and natural gas, which are macro factors that are outside the group's control. There are many such factors, but as examples of such market fluctuations, proximity to and capacity of oil and natural gas pipelines and decisions by governmental authorities can be named. The price of oil and natural gas has in historical terms been very volatile, which is also expected to continue to be. Hence it makes the possibilities of predicting future oil and natural gas prices very limited. A comprehensive and permanent downturn in the oil and natural gas prices should lead to a significantly negative effect in the group's results and financial position.

If oil and natural gas prices drop substantially, the preconditions for conducting production will be altered. A price drop would be able to result in the volumes of the reserves that the group can extract economically being reduced, with the consequence that the group possible could not profitably establish production at certain drill holes.

## SUPPLEMENTAL INFORMATION

### Production risk

Before an oil and natural gas project has had a certain lifespan, it is incredibly difficult to judge whether production will be successful or not. Oil and natural gas reservoirs have an innate uncertainty concerning the possibilities to commercially extract the oil and natural gas that can only be resolved by tangible production during a certain amount of time. A hole normally needs three to six months before one can draw final conclusions about its stability. For an entire field, the time needed is longer than that. Hence it can be difficult to assess the degree of extraction in a deposit before production tests have been performed.

### Local risk

Ukraine generally suffers from a stifling bureaucracy. All businesses in consequence build personal networks. It is time and resource intensive to gain information and to receive the necessary licences. It is on the other hand a closed market where access to specialised services and equipment is much easier than in the rest of the world: drilling services, drilling equipment, etc. can be purchased much more quickly than in the West with the present oil and natural gas market.

### Tax risk

The group currently conducts business in Sweden and has through its participation in the JA resumed its activities in Ukraine. The tax legislation in each individual country can change over time. In consequence of this, it cannot be ruled out that changes applicable to the tax law legislation may affect the group's results in the future.

### Access to equipment

When working with the extraction of oil and natural gas, advanced drilling equipment is required. It thus cannot be ruled out that a lack of drilling and/or other requisite equipment may arise or that such equipment may require further investments, which may lead to increased costs as well as delays even with an emphasis on production activities from what has up to now been the earlier prospecting activities.

### Key personnel risk

The group is dependent upon a few people. Future progress for the company depends to a large extent of the ability to retain, recruit and develop qualified personnel.

### Need for further capital

The group's activities in the future may also need further financial resources in order for the group to be able to continue its activities. This will bring about additional equity capital or other types of financing will be needed. The group's future development depends to a large part on the prevailing oil and natural gas prices. Even a positive trend in this, market can involve the group being in need of financing, for example through new issues. A prolonged period with decreasing oil and natural gas prices will affect the group's financial position and results negatively.

### Currency risk

By the group conducting activities in different countries, there is a risk that the group will be exposed to fluctuations in a number of currencies. It thus cannot be excluded that exchange rate changes may have a negative impact in the future on the company's results and financial position.

### Environmental risks

Oil and natural gas activities are the object of comprehensive codes of regulations with respect to the environment, both at the national and international levels. The environmental legislation encompasses controls on water and air pollution, waste, licensing requirements and restrictions on activities in environmentally sensitive and coastal areas. Environmental regulations are expected to become stricter over time, which with the greatest probability will result in the costs increasing in the future. The group must ensure that future working partners fulfil the applicable environmental requirements in order to be able to retain its present licences or procure new ones.

## SUPPLEMENTAL INFORMATION

### Licence risk

Before each acquisition of concessions, as well as before the commencement of drilling of drill holes, the group performs careful examinations as regards the ownership rights to each licence. Despite these examinations, the group cannot however guarantee that a correct picture has been received of the ownership, which can result in the company's rights being brought into question. This can affect the group's results and financial position negatively.

### Geological risks

All assessments of extractable oil reserves are to a large extent based upon probabilities, i.e. estimates of the oil and natural gas reserves in the studies that in each individual instance are done by geologists based upon factors that are collected from different types of geological and geophysical investigatory methods. The group's activities continually make use of the best available technology in order to be able to report probable outcomes in each individual instance with the highest level of precision and to improve the prognoses with the choice of well-judged work programs. The assessments that the group has reported are the latest information that is available for the respective projects. There thus is not guarantee that the size of these estimated will remain unchanged over time.

### General Ukrainian risks

#### Political risks

In recent years, Ukraine has undergone deep political and social changes. The value of the group's assets may be affected by uncertainties such as political or diplomatic developments, social or religious instability, changes in governmental policies, tax rates and interest rates, restrictions on currency repatriation and other political and economic developments in the laws and regulations in Ukraine. These risks especially involve expropriation, nationalisation, confiscation of assets and changes in statutes concerning the level of foreign ownership.

#### Economic risks

Ukraine's transformation from a rigid planned economy to a market economy has been rendered difficult by strong economic and political special interests. A few people with enormous powers have had a dominant position in the country and have affected policies in a negative manner. This has resulted in the market economy reforms having been slowed down. Ukraine's economy is characterised as being strongly dependent on heavy industry - chemicals, steel, shipbuilding, machine building and weapons.

It also acts as a transit country for Russian gas, and this gives Ukraine a much-needed national income and provides a certain amount of security in the country's energy supply. At the same time, the energy policy area is a foreign policy stage where special interests between the transit country of Ukraine and the supplier country of Russia show themselves at periodic intervals. After the Orange Revolution caused the business climate in the country to go into an upturn, very much due to the country's new goodwill and generally prevailing optimism. Very much due to prior disagreement in the country's political leadership, this trend has been changed into a negative direction. There continues to be however a desire in the country to increase trade and to attract foreign investors. The most recent presidential election has also brought about a stabilisation of the country's political climate.



## SUPPLEMENTAL INFORMATION

### INFORMATION ON INDIVIDUAL ITEMS

Note 1	Net sales	Group		Parent	
		2011	2010	2011	2010
	Net sales				
	Gas	76,876	4,241	0	0
	Petrol	12,957	0	0	0
	Oil	1,280	0	0	0
	Other	0	0	0	481
		91,113	4,241	0	481

Note 2	Purchases and sales within the group	Group		Parent	
		2011	2010	2011	2010
	Portion of purchases that involve group companies	0.4%	0	0	0

Note 3	Remuneration and compensation for costs	Group		Parent	
		2011	2010	2011	2010
	Moore Stephens KLN AB				
	Auditing assignments	125	0	125	90
	Tax consultancy	15	0	15	10
	Other assignments	29	0	29	0
	Other				
	Auditing assignments	93	40	0	71
		262	40	169	171

What is meant by auditing assignments is the review of the annual report and bookkeeping as well as the administration of the Board and senior management, also work assignments that the company's auditor performs as well as consulting or other assistance that is occasioned by observations in such reviews or the performance of such other work assignments. Everything else comprises other assignments.

SUPPLEMENTAL INFORMATION

Note 4	Personnel	Group		Parent	
		2011	2010	2011	2010
	Average number of employees				
	The average number of employees is based upon the hours at work paid by the company related to normal working hours.				
	The average number of employees has been	31.5	0.0	2.0	2.0
	of which women	12.5	0.0	1.0	1.0
	No. countries	2.0	0.0	1.0	1.0
	Wages, compensation, etc.				
	Wages, compensation, social costs and pension costs have been disbursed of the following amounts:				
	Board, management and Managing Director				
	Wages and compensation	699	0	1,393	1,440
	Pension costs	235	0	469	423
		934	0	1,867	1,863
	Other employees:				
	Wages and compensation	2,948	0	120	274
	Pension costs	10	0	19	27
		2,958	0	139	301
	Social costs	1,114	0	691	694
	Total	5,006		2,697	2,858

All wages are fixed and no variable wages existed. Nor does any agreement on severance pay exist.

Gender distribution in company management

No. of Board Members	5	4	5	4
of which women	0	0	0	0
No. of other senior managers incl. Managing Director,	1	0	1	0
of which women	0	0	0	0
Pension obligations to Board and Managing Director	None	None	None	None

## SUPPLEMENTAL INFORMATION

Note 5	Wages and compensation for Board and company management	Group		Parent	
		2011	2010	2011	2010
	Leif Larsson, Managing Director, wages	699	0	1,398	1,440
	Leif Larsson, pension costs	235	0	469	423
	Other senior management, wages	0	0	0	0
	Other personnel costs	0	0	0	0
		934	0	1,867	1,863

Remuneration to the Board Chairman and Members is disbursed by a decision of the Annual General Meeting, which involves no compensation for 2011.

The Annual General Meeting has adopted the following guidelines concerning compensation:

Compensation to the Managing Director and other senior management is comprised of basic wages, other benefits and []

Note 6	Depreciation and write-downs of tangible, intangible and financial assets	Group		Parent	
		2011	2010	2011	2010
	Depreciation equipment and buildings	792	0	75	81
	Write-down prospecting licences	0	0	0	843
	Depreciation acquired goodwill claims	13,510	0	0	0
	Write-downs of machines	1,483	0	1,485	0
	Write-downs of claims on subsidiaries	0	0	0	0
	Write-downs of shares of subsidiaries	0	0	0	0
		15,785	0	1,560	924

Note 7	Interest income and similar income statement items	Group		Parent	
		2011	2010	2011	2010
	Interest	292	617	1	1
	Exchange rate differences	0	0	0	2
		292	617	1	3

Note 8	Interest costs, etc.	Group		Parent	
		2011	2010	2011	2010
	Other interest costs	243	0	12	16
	Exchange rate differences	15	78	7	0
		258	78	19	16

## SUPPLEMENTAL INFORMATION

Note 9	Tax on the year's result	Group		Parent	
		2011	2010	2011	2010
	Reported result before tax	110,481	3,252	-5,645	-7,395
	Tax as per national tax rates	-29,658	-282	1,485	1,945
	Tax as regards non-taxable revenues	3,245	0	0	0
	Tax as regards non-deductible costs	-9	0	-9	-197
	Tax-related deficit for which no deferred tax benefit claim was reported	-977	0	-1,476	-1,720
	Tax costs for the year	-27,399	-282	0	28

On 31 December, the group had a tax-related deficit amounting to SEK 138,589,952 of which the parent company's deficit amounted to SEK 137,748,614. The deferred tax benefit totalling SEK 36,449,157 for the group and SEK 36,227,885 for the parent company have not been reported as an asset since the possibility of utilising the loss carry forward within the foreseeable future is uncertain now.

Note 10	Intangible assets	Group		Parent	
		2011-12-31	2010-12-31	2011-12-31	2010-12-31
	Opening balance acquisition value	0	0	0	0
	Purchases	962	0	0	0
	Exchange rate differences	0	0	0	0
	Closing balance cumulative acquisition value	962	0	0	0
	Exchange rate differences	-6	0	0	0
	Depreciation for the year	412	0	0	0
	Closing balance cumulative depreciation	-118	0	0	0
	Opening balance write-downs	0	0	0	0
	Write-downs for the year	0	0	0	0
	Closing balance reported value	844	0	0	0

Note 11	Capitalised development costs	Group		Parent	
		2011-12-31	2010-12-31	2011-12-31	2010-12-31
	Purchases	16,306	0	0	0
	Closing balance acquisition value	16,306	0	0	0
	Exchange rate differences	-25	0	0	0
	Depreciation for the year	-397	0	0	0
	Closing balance cumulative depreciation	-422	0	0	0
	Closing balance reported value	15,884	0	0	0

Note 12	Equipment, tools and installations	Group		Parent	
		2011-12-31	2010-12-31	2011-12-31	2010-12-31
	Opening balance acquisition value	0	0	403	403
	Purchases	1,912	0	0	0
	Conversion differences	0	0	0	0
	Acquisition of subsidiaries	403	0	0	0
	Closing balance acquisition value	2,315	0	403	403
	Opening balance depreciation	0	0	-328	-247
	Depreciation for the year	-284	0	-75	-81
	Conversion differences	-16	0	0	0
	Acquisition of subsidiaries	-365	0	0	0
	Closing balance cumulative depreciation	-665	0	-403	-328
	Closing balance reported value	1,650	0	0	75

SUPPLEMENTAL INFORMATION

Note 13	Facilities in progress	Group		Parent	
		2011-12-31	2010-12-31	2011-12-31	2010-12-31
	Opening balance acquisition value	0	0	1,784	2,034
	Purchases	26,529	0	0	0
	Acquisitions subsidiaries	1,784	0		
	Sales	-300	0	-300	-250
	Conversion differences	0	0	0	0
	Write-down for the year	-1,484	0	-1,484	0
	Sales of subsidiaries	0	0	0	0
	Closing balance reported value	26,529	0	0	1,784

Note 14	Stakes in group companies	Parent	Qty./Capital stake %	2011-12-31	2010-12-31
	Misen Enterprises AB	Sweden	100(0)	999,999	0
	Capital Oil (UK) Ltd	United Kingdom	100	0	0
	Capital Oil Resources AB	Sweden	100	100	100
				1,000,099	100
	Misen Enterprises A B				
	Acquisitions for the year			999,999	0
	Closing balance cumulative acquisition value			999,999	0
	Closing balance reported value			999,999	0
	Capital Oil (UK) Ltd				
	Opening balance acquisition value			0	0
	Closing balance reported value			0	0
	Capital Oil Resources AB				
	Opening balance acquisition value			100	100
	Closing balance cumulative acquisition value			100	100
	Closing balance reported value			100	100

Note 15	Financial instruments	Group		Parent	
		2011-12-31	2010-12-31	2011-12-31	2010-12-31
	Loans and trade receivables				
	Trade receivables	11,667	2,939	0	0
	Liquid assets	14,819	20	639	184
	Total	26,486	2,959	639	184

SUPPLEMENTAL INFORMATION

Note 16	Trade receivables	Group		Parent	
		2011-12-31	2010-12-31	2011-12-31	2010-12-31
	Trade receivables	11,667	2,939	0	0
	Minus reserve for uncertain claims	0	0	0	0
		11,667	2,939	0	0
	As of 31 December 2011, trade receivables of SEK 10,947 thousand (2010: SEK 2,229 thousand) were fully performing				
	As of 31 December 2011, trade receivables totalling SEK 710 thousand were past due, but without any need for reserves being deemed to exist. The past due trade receivables concern customers who have not previously had payment difficulties.				
	The ageing analysis of these trade receivables is as follows:	0	710		
	Past due 181 - 360 days	710	0		
	Past due 361 - days	710	710		

Note 17	Finished goods and merchandise	Group		Parent	
		2011-12-31	2010-12-31	2011-12-31	2010-12-31
	Raw materials and necessities	357	0	0	0
	Work in progress	1,724	0	0	0
	Gas	13,348	0	0	0
	Petrol	1,643	0	0	0
	Oil	267	0	0	0
	Other	444	0	0	0
		15,783	0	0	0
	No write-downs have been made during the year				

Note 18	Other receivables	Group		Parent	
		2011-12-31	2010-12-31	2011-12-31	2010-12-31
	Recoverable VAT	0		167	89
	Advances concerning tangible assets				
		61,326	0	0	0
	Other receivables	2,565	526	0	28
		63,891	526	167	117

Note 19	Prepaid expenses and accrued income	Group		Parent	
		2011-12-31	2010-12-31	2011-12-31	2010-12-31
	Prepaid production expenditures	5,031	0	0	0
	Other prepaid expenditures	1,360	0	1,357	222
		6,391	0	1,357	222

SUPPLEMENTAL INFORMATION

Note 20	Accrued expenses and deferred income	Group		Parent	
		2011-12-31	2010-12-31	2011-12-31	2010-12-31
	Accrued personnel and []	2,163	0	1,863	1,074
	Accrued interest expenses group companies	0	0	0	0
	Other accrued expenses	532	56	437	226
		2,695	56	2,300	1,300

Note 21	Adjustment for items not included in cash flow	Group		Parent	
		2011-12-31	2010-12-31	2011-12-31	2010-12-31
	Depreciation	14,303	609	75	81
	Write-downs	1484	141	1,484	141
	Capital gains on sold subsidiary shares	-2,769	0	-2,769	0
	Exchange rate differences	0	0	0	0
	Capital loss on fixed assets sold	0	6,474	150	500
	Other adjustments	0	29	0	0
		13,018	7,253	-1,060	722

Note 22	Other security posted and directly comparable security	Group		Parent	
		2011-12-31	2010-12-31	2011-12-31	2010-12-31
	Pledged bank balances:	39	0	39	150
		39	0	39	150
	The pledges concern, among other things, the guarantees posted that are listed in the following				

Note 23	Guarantees	Group		Parent	
		2011-12-31	2010-12-31	2011-12-31	2010-12-31
	Other contingent liabilities	906,441	0	0	0
	Rent guarantees	39	0	39	150
		906,480	0	39	150
	Within the framework for the entry into the Joint Activity Agreement (JAA), the company has in part made a commitment to contribute USD 6,304 thousand before 25 February 2012 to the joint venture and in part made a commitment to ensure further financing for the joint venture of an amount of up to UAH 1,000,000 thousand in order to carry out the undertakings within the Joint Activity Agreement.				

Note 23	Share issues	Group		Parent	
		2011-12-31	2010-12-31	2011-12-31	2010-12-31
	See the separate list concerning developments in the share capital under changes in equity capital for the parent company.				

SUPPLEMENTAL INFORMATION

Note 24	Transactions with related parties	Group		Parent	
		2011-12-31	2010-12-31	2011-12-31	2010-12-31
	Sale				
	Joint Activity, JAA	0	0	0	481
		0	0	0	481
	Purchase				
	Sadkora AB	120	0	0	0
		120	0	0	0
	At the end of the year, there were no interest-bearing liabilities to related parties.				
	At the end of the year, there were the following interest-bearing claims on related parties.				

Purchases involves outlays, services and rentals. Sales to JAA involves invoicing of costs spent. It was previously capitalised as prospecting licenses in the group, but has been wound up as part of the sale of the Ukrainian business.

The income statements and balance sheets for the group and the parent company will be submitted to the Annual General Meeting on 31 May 2011 for ratification where the Annual General Meeting has the possibility to alter the annual report.

Stockholm, [handwritten] 25 April 2012

[signature illegible]  
 Tore Sandvold  
 Chairman

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 Hans Lundgren  
 Board Member

[signature illegible]  
 Henry Cameron  
 Board Member

[signature illegible]  
 Knud Nørve  
 Board Member

[signature illegible]  
 Dimitrios Dimitriadis  
 Board Member

[signature illegible]  
 Leif Larsson  
 Managing Director

My auditors' report has been submitted on [handwritten] 25 April 2012

[signature illegible]  
 Carl Magnuis Kollberg

Authorized Public Accountant (Swedish Organisation of Certified Public Accountants [FAR])



**AUDITOR'S REPORT**

To Annual General Meeting of Svenska Capital Oil AB (Publ)  
Org. No. 556526-3968

**Report on the annual accounts and consolidated accounts**

I have audited the annual accounts, consolidated accounts and consolidated accounts for Svenska Capital Oil AB (Publ) for the financial year of 2011-01-01 – 2011-12 -31.

*Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

My responsibility is to express an opinion on these annual accounts and consolidated accounts based on my audit. I conducted my audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinions*

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

I therefore recommend that the Annual General Meeting adopt the income statement and balance sheet for the parent company and the group.

**KLN AB**

**Report on other legal and regulatory requirements**

In addition to my audit of the annual accounts and consolidated accounts, I have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Svenska Capital Oil AB (Publ) for year of 2011-01-01 – 2011-12 -31.

*Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss and on the administration based on my audit. I conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for my opinion on the Board of Directors' proposed appropriations of the company's profit or loss, I examined whether the proposal is in accordance with the Companies Act.

As a basis for my opinion concerning discharge from liability, in addition to my audit of the annual accounts and consolidated accounts, I examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. I also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

*Opinions*

I recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Gothenburg, 25 April 2012

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Carl Magnus Kolberg

Authorised Public Accountant