



Consolidated
financial statements
for the year
ended 31 December 2012

Selena Oil & Gas Holding AB
company registration number 556643-6613

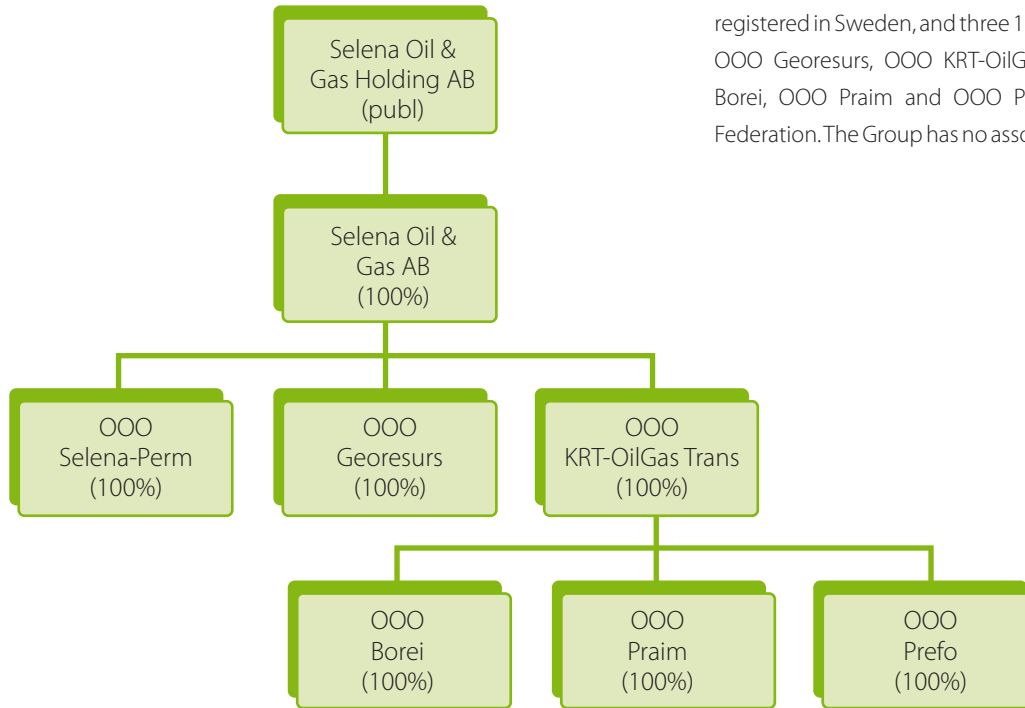


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Group structure

As of the date of this report, the structure of the Group is presented below:



The Group consists of Selena Oil & Gas Holding AB (publ) (previously Emitter Holding AB, further SOGH), its subsidiary Selena Oil & Gas AB registered in Sweden, and three 100% subsidiaries: OOO Selena-Perm, OOO Georesurs, OOO KRT-OilGasTrans with its subsidiaries OOO Borei, OOO Praim and OOO Prefo, all registered in the Russian Federation. The Group has no associated companies.

Environmental impact of the operations

The group's operations, which are often potentially hazardous, are subject to the risk of liability arising from various environmental, health, safety and other laws and regulations, including those inherent to oil exploration and production industries. In particular, petroleum operations are subject to extensive federal and regional environmental laws and regulations. These laws and regulations set various standards for health and environmental quality, provide for penalties and other forms of liability for the violation of such standards, and establish, in certain circumstances, obligations to compensate environmental damage and to restore environmental conditions. The group incurs, and expects to continue to incur, capital and operating costs in order to comply with health, safety and environmental laws and regulations.

Group's core assets

In 2012 SOGH held licences for six oil fields (Azinskoye, Dubrovinskoye, Borkmosskoye, Fedortsevskoye, Kulighinskoye and Ilikovskoye), two oil and gas fields (Visokovskoye and Komarikhinskoye) and five licences for prospective resources (Anelka-Patrakovski, Patrakovsko-Timenski, Chikalinski, Tayozhniy and Tokarevski). SOGH also owned a Transneft Access Point, a direct access facility permitting the Group to deliver oil directly to a major oil pipeline. SOGH furthermore owned 20

active wells and the necessary infrastructure for operating its assets, including railroads, storage facilities etc. SOGH is also actively exploring opportunities to acquire additional oil and gas fields in the Russian Federation.

Selena's 2012 production was approximately 317 barrels of oil per day. SOGH currently earns its revenue from sales of crude oil and revenue from oil trading activities, primarily sale of crude oil from other producers in the region to the pipeline through SOGH's Transneft AccessPoint.

Operational review and Financial result in 2012

Production update and status

Production volume in 2012 decreased by 3.9% as compared to 2011 and amounted to 115.9 Mbbbl. The Group's average production level was 317 bopd in 2012.

The decrease of the level of production is explained by increase of the proportion of the water in the fluid extracted.

OOO Selena-Perm bonds issue

On 20 March 2012 Federal Financial Markets Service in Russia approved the registration of OOO Selena-Perm bonds issue. The bond issue was organized by ZAO West-Kapital, on the following main terms:

- Type of bond: non-convertible interest-bearing registered bearer bonds
- Maximum total nominal value 1,000,000,000 (one billion) RUB
- Maturity not less than 1,092 days
- The bonds are guaranteed by SOGH

As at the date of this report the bonds have not been subscribed for.

Shareholding of OOO Selena-Perm

On 21 December 2012 the Company announced that it had discovered an unauthorized new share issue in the group's subsidiary OOO Selena-Perm.

It had come to the attention of the board of directors that a new issue of shares in its Russian subsidiary OOO Selena-Perm without its knowledge, instructions or involvement had been registered by Russian authorities bringing down the group's holding of OOO Selena-Perm from 100% to 12%. The remaining 88% of the shares appeared, according to the share register and information from Russian authorities, to be owned by Ms. N.Popova. The preliminary conclusion of the board of directors was that the new issue was unlawful and legal actions were started to reverse the new issue.

In May 2013 the Company called an Extraordinary Shareholders meeting and was informed that as an item on the agenda of the meeting certain transactions between Selena Oil & Gas AB and Ms. N. Popova are proposed. On 31 May 2013 the Extraordinary Shareholders meeting approved a transaction that involves a divestment of OOO Selena-Perm's assets (including its production business), except the Komarihinskoye oil field, but will leave the Company with 2P reserves at an estimated 21.3 Mmboe (prior to the transaction: 41.3 Mmboe). In exchange, Ms. Popova will settle in full the Company's debt to Bryum Limited based on a 2.2 MUSD loan and the accrued interest and penalty interest. The transaction would also involve a settlement of the pending dispute pertaining to the share capital increase in OOO Selena-Perm. The Company will continue to hold and develop the assets within the OOO KRT-OGT group of companies. The proposed transaction is done in full compliance with Swedish legislation.

It is the present Board of Directors' considered opinion that the proposed settlement is in the best interest of all of the Company's shareholders and stakeholders. The debt reduction will ensure the sustainability of the Company's debt burden and address the liquidity concerns, while the settlement of pending disputes offers a way out of the stalemate in which the Company found itself over the recent months and allows the management to focus on and devote their full attention to the Company's core objectives and an opportunity to move forward with the development of the oil & gas fields in its portfolio.

Employees

As of 31 December 2012 the Group employed 89 employees (2011: 89 employees).

Financial result

The Group's sales amounted to 68,258 TSEK in 2012 representing a growth of 53.2% as compared to sales in 2011. The volumes of own oil sold decreased by 4.1% and average oil price in 2012 amounted to 310 SEK/bbl (45.8 USD/bbl) which was a significant increase as compared to 2011. The Group is not subject to significant seasonality or cyclicity of the business.

EBITDA loss amounted to 2,586 TSEK in 2012 as compared to a loss of 842 TSEK in 2011.

Net result for 2012 a loss of 9,976 TSEK and was heavily impacted by foreign currency exchange loss. Finance loss amounted to 2,347 TSEK in 2012.

Financial position

Total assets of the Group amounted to 147,858 TSEK and increased by 6.5% as compared to the position as of 31 December 2011. Investments in property, plant and equipment, intangible assets and increase in inventory levels were the main drivers of the asset growth.

In 2012 investments into fixed assets amounted to 7,804 TSEK and related mainly to maintenance and improvement of wells on Azinskoye, Visokovskoye and Dubrovinskoye fields.

Cash and cash equivalents balance decreased from 1,027 TSEK to 275 TSEK mainly as the result of investments made.

The Group's equity attributable to the equity holders of the Company amounted to 83,258 TSEK as of 31 December 2012.

Total loans and borrowings amounted to 28,491 TSEK and increased by 31.3% as compared to the balance as of 31 December 2011 which is related to the increase in loans provided by related parties.

For further details of the borrowings please refer to note 15 of this report.

Significant events after the balance sheet date

For information regarding significant events after the balance sheet date, see note 31 in this annual report.

Corporate Governance Report

The Company has prepared a Corporate Governance Report which is available on the Company's web site www.selenaoil.com

Annual General Meeting 2013

Annual General Meeting will be held in Stockholm on 5 July 2013.

New share issue registered

On 2nd January 2012 Selena Oil & Gas Holding AB reported the closing of transaction for the acquisition of KRT-OilGasTrans (KRT-OGT) in Russia. The total purchase price for the 100% of KRT-OGT was 73.2 million SEK and was fully settled in shares of SOGH in the amount of 9,150,977 shares. Ms. Elena Popova, one of the major shareholders in

SOGH, provided the necessary amount of shares to the sellers on behalf of SOGH and was entitled to receive the same amount of new shares in SOGH and valued at 8 SEK per share.

The new shares were issued to Ms. Elena Popova under the authorization granted to SOGH's Board of Directors in 2011. The registration of 9,150,977 new shares of SOGH was registered with Swedish Company's Register. The number of shares of the company amounts to 52,098,477 shares and the share capital amounts to 70,470,630 SEK.

Proposed allocation of earnings

The statements of comprehensive income and financial position of the Parent Company and the Group are subject to adoption by the Annual General Meeting on 5 July 2013.

Funds in the Parent Company available for distribution, in TSEK:

Share premium	331,867
Retained earnings	(10,885)
Loss for the year	(3,821)
Total	317,161

The Board of Directors propose the following distribution, in TSEK:

To be carried forward	317,161
Total	317,161

Financial statements

The result of the Group's operations and financial position at the end of the financial year are shown in the following statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and related notes, which are presented in thousand SEK.

The Parent Company's statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and related notes are presented in thousand SEK and can be found on pages 29-35.

Financial calendar

The subsequent financial reports will be disclosed on the following dates:

31 August 2013 Interim report for Q2 2013

30 November 2013 Interim report for Q3 2013

28 February 2014 Interim report for Q4 2013

Claims and litigations

As of the date of this report the Group is involved in the below legal cases. Legal cases expected to be settled as part of the transactions approved by Extraordinary Shareholders Meeting from 31 May 2013 include claims by various shareholders of the Company regarding the

validity of share capital increase in OOO Selena-Perm and claim by Ms. N.Popova regarding validity of the contribution of OOO Selena-Perm to the share capital of Selena Oil & Gas AB. There is also a claim by the creditor Bryum Limited for the repayment of its loan to the Company and its subsidiaries which Ms. N.Popova intends to acquire under the settlement approved by Extraordinary Shareholders Meeting from 31 May 2013.

Furthermore, there are certain claims by Selena Oil & Gas AB regarding the validity of the acquisition of a minority shareholding in the Russian subsidiaries OOO Prefo and OOO Praim in the amount of 0.01% by Mr. P.Arbatov which are expected to be withdrawn. There are also claims by trade creditors to Russian subsidiary OOO Prefo for the collection of their debts incurred in the course of the provision of various services to the company. The Group's subsidiary OOO Selena-Perm is acting as claimant against Federal Tax Office and disputes applied penalties in relation to mineral extraction taxation adjustments levied.

Background information

Selena Oil & Gas Holding AB (publ) ("SOGH", "Parent" or the "Company", and together with its subsidiaries the "Group") is an independent Swedish oil and gas holding company with proved and producing assets based in the Russian Federation. The Group is engaged in the production and transportation of oil in the Volga-Ural region of the Russian Federation, including in Perm and Udmurtia. The Volga-Ural region has a well-developed infrastructure as well as a high concentration of heavy industry. Several major oil and gas pipelines pass through the region. The Volga-Ural region is located in the European part of Russia.

The Group was formed by entrepreneurs Mr. Oleg Popov, Mr. Indrek Rahumaa, Mr. Jurgen Lamp, Mr. Vyacheslav Pershukov and Mr. John Bonfield in H2 2010 with the purpose to consolidate various oil and gas assets in the Volga-Ural region of the Russian Federation, more specifically in Perm and Udmurtia regions.

The Group acquired its first energy assets in November 2010 when the agreement was signed for the contribution in kind of OOO Selena-Perm and OOO Selena-Neft to the capital of Selena Oil & Gas AB. OOO Selena-Perm and OOO Selena-Neft were merged in January 2011 with OOO Selena-Perm as the surviving entity. Subsequently, Selena Oil & Gas AB through the reverse acquisition acquired a NASDAQ OMX First North listed company Emitter Holding AB (publ), subsequently renamed to Selena Oil & Gas Holding AB (publ), currently a public company and a legal parent company of the Group. The operations of the subsidiary OOO Selena-Perm involve the exploration and extraction of oil. The history of OOO Selena-Perm dates back to 1997, and it started oil production in 2001. In 2011 the Group acquired Russian companies OOO Georesurs and OOO KRT-OilGasTrans, together with its subsidiaries, all located in Perm and Udmurtia region of Russia.

The reporting year of the Company is 1 January 2012 – 31 December 2012.

Parent company information

Selena Oil & Gas Holding AB (publ) registration number is 556643-6613 and the legal / postal address of the company is P.O.Box 7614, SE-10394 Stockholm, Sweden.

The Swedish parent company Selena Oil & Gas Holding AB (publ) is a holding company without significant operations. It supports the subsidiary companies with financing and pursues the Group's strategy in terms of new acquisitions and M&A initiatives as well as has the corporate headquarter and investor relations function. Therefore, the parent had no income in 2012.

Board of Directors

Annual General Meeting of Selena Oil & Gas Holding AB (publ) was held on 28 June 2012. At the AGM the board members Indrek

Rahumaa, Staffan Torstensson, Vyacheslav Pershukov, Paul Waern were re-elected. Two new members were elected, Nadezhda Popova and Yury Gusev. Karl Bleschert was not re-elected.

On 10 September 2012 Vyacheslav Pershukov, who also held a management position in Russian state owned company Rosatom, presented an application for his resignation from the position of the Director reasoning the necessity for resignation by the changes in the legislation in Russian Federation whereby a person holding a position in a state company's management cannot simultaneously hold a position in a private or public company.

At the extraordinary shareholders' meeting of SOGH held on 14 January 2013 a new board of directors was elected. All Board members were discharged and the new board members were elected – Oleg Popov, Dmitry Ermakov, Aleksejs Rjabijis and Magnus Stuart.

At the extraordinary shareholders' meeting of SOGH held on 31 May 2013 a new board of directors was elected. All Board members were discharged and the new board members were elected – Mr. Lars Bergström, Mr. Indrek Rahumaa, Mr. Jürgen Lamp, Mr. Per-Olof Sjöstedt, Mr. Staffan Torstensson and Mr. Paul Waern. The same composition of the board is expected for 2013.

Auditors

PricewaterhouseCoopers Sweden is the Company's auditor. The auditor in charge is the authorized public accountant Martin Johansson.

Consolidated Statement of Financial Position as of 31 December 2012

<i>In thousand SEK</i>	Note	31 December 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	6	41,221	38,819
Intangible assets	7	84,471	83,658
Deferred tax asset	8	4,943	1,987
Total non-current assets		130,635	124,464
Current assets			
Inventories	9	4,194	837
Accounts receivable and prepayments	10	11,641	11,535
Loans issued	11	1,113	1,020
Cash and cash equivalents	12	275	1,027
Total current assets		17,223	14,419
TOTAL ASSETS		147,858	138,883
EQUITY AND LIABILITIES			
Equity			
Share capital		70,471	58,093
Other equity		15,115	30,263
Translation reserve		(7,750)	(7,836)
Retained earnings		5,422	15,398
Equity attributable to equity holders of the company	13	83,258	95,918
Non-current liabilities			
Deferred tax liabilities	8	3,230	0
Loans and borrowings	15	1,353	1,541
Asset retirement obligations	16	4,828	3,366
Total non-current liabilities		9,411	4,907
Current liabilities			
Loans and borrowings	15	27,138	20,161
Accounts payable and accruals		22,906	12,612
Current income tax payable		6	5
Taxes payable	17	5,139	5,280
Total current liabilities		55,189	38,058
Total liabilities		64,600	42,965
TOTAL LIABILITIES AND EQUITY		147,858	138,883

The accompanying notes on pages 12 to 28 form an integral part of these financial statements.

Consolidated Income Statement for year ended 31 December 2012

<i>In thousand SEK</i>	<i>Note</i>	2012	2011
Sales revenue	18	68,258	44,567
Cost of goods sold	19	(60,565)	(40,387)
Gross profit		7,693	4,180
Selling, general and administrative expenses	20	(12,775)	(10,700)
Operating loss		(5,082)	(6,520)
Finance income	21	284	215
Finance expenses	22	(2,347)	(2,093)
Other income	23	248	793
Other expenses	24	(2,774)	(519)
Profit before income tax		(9,671)	(8,124)
Income tax		(305)	152
Net income / (loss)		(9,976)	(7,972)
Earnings per share			
Basic earnings per share (SEK)	14	(0.19)	(0.19)
Diluted earnings per share (SEK)	14	(0.19)	(0.19)

Consolidated Statement of Comprehensive Income for year ended 31 December 2012

<i>In thousand SEK</i>	2012	2011
Net income	(9,976)	(7,972)
Other comprehensive income		
Currency translation	86	(934)
Total comprehensive income / (loss), net of tax	(9,890)	(8,906)

The accompanying notes on pages 12 to 28 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity for year ended 31 December 2012

<i>In thousand SEK</i>	Share capital	Other Equity	Currency translation	Retained earnings	Total
As of 31 December 2010	100,000	(92,849)	(6,902)	24,201	24,450
Comprehensive income					
Net profit / (loss) for the period	0	0	0	(7,972)	(7,972)
Other comprehensive income					
Effect on consolidation of foreign subsidiaries	0	0	(934)	0	(934)
Total comprehensive income	0	0	(934)	(7,972)	(8,906)
Transactions with owners					
Reverse acquisition	(44,071)	52,342	0	0	8,271
Cost of reverse acquisition	0	(8,274)	0	0	(8,274)
New share issue	2,164	5,836	0	0	8,000
KRT acquisition transaction	0	73,208	0	(831)	72,377
As of 31 December 2011	58,093	30,263	(7,836)	15,398	95,918
Comprehensive income					
Net profit / (loss) for the period	0	0	0	(9,976)	(9,976)
Other comprehensive income					
Effect on consolidation of foreign subsidiaries	0	0	86	0	86
Total comprehensive income	0	0	86	(9,976)	(9,890)
Transactions with owners					
New share issue (KRT acquisition transaction)	12,378	(12,378)	0	0	0
KRT-OGT acquisition costs	0	(2,770)	0	0	(2,770)
As of 31 December 2012	70,471	15,115	(7,750)	5,422	83,258

The accompanying notes on pages 12 to 28 form an integral part of these financial statements.

Consolidated Statement of Cash Flows for year ended 2012

<i>In thousand SEK</i>	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	(9,671)	(8,124)
Adjustments for:		
Depreciation, depletion and amortization	5,138	5,374
Provision for impairment of trade and other receivables	75	(52)
Finance income	(117)	(215)
Finance costs	1,530	1,258
Other finance (income) / expense	817	446
(Gain) / loss on disposal of assets	24	(464)
Operating cash flow before changes in working capital	(2,204)	(1,777)
Changes in working capital:		
Change in accounts receivable	(181)	(7,526)
Change in inventories	(3,357)	(163)
Change in accounts payable and accruals	7,495	7,017
Change in taxes payable	(171)	2,934
Net cash generated by operating activities	1,582	485
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	20	159
Issuance of loans	(1,823)	(8,428)
Repayment of loans	1,823	8,252
Purchase of property, plant and equipment	(6,976)	(8,764)
Purchase of intangible assets	(900)	(10,225)
Net cash used in investing activities	(7,856)	(19,006)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	15,113	16,642
Repayment of borrowings	(8,881)	(18,025)
Repayment of interest	(651)	(817)
Share issue and contribution from shareholders	0	8,000
Net cash used in financing activities	5,581	5,800
Currency translation effect	(59)	158
Net change in cash and cash equivalents	(752)	(12,563)
Cash and cash equivalents at the beginning of the period	1,027	13,590
Cash and cash equivalents at the end of the period	275	1,027

The accompanying notes on pages 12 to 28 form an integral part of these financial statements.

1 Reporting Entity

Selena Oil & Gas Holding AB (the "Company") is a company domiciled in Sweden. The address of the Company's registered office is P.O.Box 7614, SE-103 94 Stockholm, Sweden, register code 556643-6613. The consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

As of 31 December 2012 the Company has one direct subsidiary Selena Oil & Gas AB which in turn has three subsidiaries, which are OOO Selena-Perm, OOO Georesurs and OOO KRT-OilGasTrans which in turn has its own 3 subsidiaries OOO Praim, OOO Borei and OOO Prefo. The subsidiaries are engaged in oil and gas exploration and production in the Russian Federation.

2 Operating Environment of the Group

The Group, through its operations, has a significant exposure to the economy and financial markets of the Russian Federation. The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. In 2011 and 2012, the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Rouble against major foreign currencies, and increased liquidity levels in the banking sector.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. Provisions for trade receivables are determined using the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

Management is unable to predict all developments which could have an impact on the Russian economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

3 Summary of Significant Accounting Policies

Statement of compliance. These consolidated Financial Statements have been prepared in accordance with International Financial

Reporting Standards (hereinafter referred to as "IFRS") and related interpretations adopted by the International Accounting Standards Board (hereinafter referred to as "IASB").

Each company of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with Russian standards of accounting (hereinafter referred to as "RSA") and Swedish GAAP. The accompanying financial statements are based on the statutory records with adjustments and reclassifications made for the purpose of fair presentation in accordance with IFRS.

Functional and presentation currency. The Swedish Krona ("SEK") is the presentation currency for the Group's operations. Financial statements of the Russian subsidiaries are measured in Russian Roubles ("RUB"), their functional currency. Financial statements of Selena Oil & Gas Holding AB (publ) are measured in Swedish Kronas, its functional currency ("SEK").

Foreign currency. In preparing the financial statements of the individual companies, transactions in currencies other than the entities functional currency are recorded at the exchange rates prevailing at the date of the transactions. At each reporting date monetary assets and liabilities denominated in foreign currencies are re-measured at the exchange rates prevailing at the reporting date. Non-monetary items carried at historical cost are translated at the exchange rate prevailing on the date of transaction.

Non-monetary items carried at fair value are translated at the exchange rate prevailing at the date on which the most recent fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the re-measurement of monetary items, are recognized in consolidated statement of comprehensive income in the period.

Translation to presentation currency. The Group's financial statements are presented in SEK in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates. The results and financial position of each group entity having a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- (iii) All resulting exchange differences are recognised as a separate component of equity.

When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the exchange differences deferred in other comprehensive income are reclassified to the profit and loss.

The principal exchange rates used for translating foreign currency balances were as following.

	RUB/USD	SEK/USD	SEK/RUB
Average 2012	31.0742	6.7728	0.2180
Closing rate 31.12.2012	30.3727	6.5055	0.2142

Group accounting. Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights, or otherwise has power to exercise control over the operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the consideration provided or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Acquisition-related costs are expensed as incurred.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Purchases of subsidiaries from parties under common control. Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to retained earnings within equity.

Property, plant and equipment. Property, plant and equipment are recorded at historical cost of acquisition and adjusted for accumulated depreciation, depletion and impairment. All subsequent additions are recorded at historical cost of acquisition or construction and adjusted for accumulated depreciation, depletion and impairment. Oil and gas exploration and production activities are accounted for in a manner similar to the successful efforts method. Costs of successful development and exploratory wells are capitalised. The cost of property, plant and equipment includes provisions for dismantlement, abandonment and site restoration (see Provisions below).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable

that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

The Group accounts for exploration and evaluation activities in accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources. Geological and geophysical exploration costs are charged against income as incurred, unless directly attributable to properties capable of commercial development. Costs directly associated with an exploration well are initially capitalised as an intangible asset within oil and gas properties until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, delay rentals and payments made to contractors. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells (exploration or exploratory-type stratigraphic test wells), are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to the tangible part of oil and gas properties and an impairment review of the property is undertaken at that time.

Development and production assets are accumulated generally on a field-by-field basis and represent the cost of developing the commercial reserves discovered and bringing them to production together with E&E expenditures incurred in finding commercial reserves and transferred from the intangible E&E assets described above. The cost of development and production assets also include the costs of acquisitions and purchases of such assets, directly attributable overheads, finance costs capitalised and the costs of recognising provisions for future restoration and decommissioning.

Depletion of capitalized costs of proved oil and gas properties is calculated using the unit-of-production method for each field based upon proved reserves for property acquisitions and proved developed reserves for exploration and development costs. Oil and gas reserves for this purpose are determined in accordance with Society of Petroleum Engineers definitions and were last estimated by DeGolyer and MacNaughton, the Group's independent reservoir engineers in 2011.

Depreciation of non oil and gas property, plant and equipment is calculated using the straight-line method over their estimated remaining useful lives. Useful lives for other property, plant and equipment are in the range of 5-20 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the consolidated statement of comprehensive income.

Intangible assets. The Group measures intangible assets at cost less accumulated amortisation and impairment losses. Capitalized E&E assets and license costs are initially carried as intangible assets and reclassified to property, plant and equipment as described above and are not amortized until production from the respective fields have commenced. The Group assesses E&E assets for impairment annually or when there are indicators that impairment exists. Such indicators would include the fact that the rights to explore in an area have expired or will expire in the near future without renewal; no further exploration or evaluation is planned or budgeted or a decision is taken to discontinue exploration and evaluation in an area or an indication exists that the book value would not be fully recovered from future development and production.

The Group's other intangible assets have finite useful lives and primarily include capitalised computer software and licences. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use. Other intangible assets are amortised using the straight-line method over their useful lives.

Provisions. Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions, including those related to dismantlement, abandonment and site restoration, are evaluated and re-estimated annually, and are included in the consolidated financial statements at each reporting date at the present value of the expenditures expected to be required to settle the obligation using pre – tax discount rates which reflect the current market assessment of the time value of money and the risks specific to the liability.

Changes in provisions resulting from the passage of time are reflected in the consolidated statement of comprehensive income each year under financial items. Other changes in provisions, relating to a change in the expected pattern of settlement of the obligation, changes in the discount rate or in the estimated amount of the obligation, are treated as a change in accounting estimate in the period of the change. Changes in provisions relating to dismantlement, abandonment and site restoration are added to, or deducted from, the cost of the related asset in the current period. The amount deducted from the cost of the asset should not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or

loss.

The provision for dismantlement liability is recorded on the consolidated statement of financial position, with a corresponding amount being recorded as part of property, plant and equipment in accordance with IAS 16.

Operating leases. Where the Group company is a lessee in a lease, which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group company, the total lease payments including those on expected termination are charged to profit or loss on straight-line basis over the period of the lease.

Where the Group company is a lessor in an operating lease (substantially all risks and rewards incidental to ownership are retained by the Group' company), the total lease payments are recognised on a straight line basis over the lease term.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

A non-cancellable lease is a lease that is cancellable only:

- Upon the occurrence of some remote contingency;
- With permission of the lessor;
- If the lessee enters into a new lease for the same or equivalent asset with the same lessor; or
- Upon a payment by the lessee of such an additional amount that, at inception of the lease, continuation of the lease is reasonably certain.

Impairment of assets. Assets that are subject to depreciation and depletion are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped by license areas, which are the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Inventories. Inventories of extracted crude oil, materials and supplies and construction materials are valued at the lower of the weighted-average cost and net realisable value. General and administrative expenditure is excluded from inventory costs and expensed in the period incurred.

Trade receivables. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, net of provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due

according to the original terms of receivables. Such objective evidence may include significant financial difficulties of the debtor, an increase in the probability that the debtor will enter bankruptcy or financial reorganization, and actual default or delinquency in payments. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The change in the amount of the provision is recognised in the consolidated statement of comprehensive income.

Financial assets. The group classifies all its financial assets in the category loans and receivables. Classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise: 'Accounts Receivable', 'Loans issued' and 'Cash and cash equivalents' in the balance sheet.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

Cash and cash equivalents. Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included in other non-current assets. Restricted cash balances are segregated from cash available for the business to use until such time as restrictions are removed.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT

is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Borrowings. Borrowings are recognised initially at the fair value of the liability, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between amount at initial recognition and the redemption amount is recognised as interest expense over the period of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

Loans receivable. The loans advanced by the Group are classified as "loans and receivables" in accordance with IAS 39 and stated at amortised cost using the effective interest method. These loans are individually tested for impairment at each reporting date.

Income taxes. Income taxes related to the Group's operations in the Russian Federation have been provided for in the consolidated financial statements in accordance with Russian legislation enacted or substantively enacted by the reporting date. The income tax charge or benefit comprises current tax and deferred tax and is recognised in the consolidated statement of comprehensive income unless it relates to transactions that are recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

Deferred income tax is calculated at rates enacted or substantively enacted by the reporting date, using the balance sheet liability method, for all temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The principal temporary differences arise from depreciation on property, plant and equipment, provisions and other fair value adjustments to long-term items, and expenses which are charged to the consolidated statement of comprehensive income before they become deductible for tax purposes.

Deferred income tax assets attributable to deductible temporary differences, unused tax losses and credits are recognised only to the extent that it is probable that future taxable profit or taxable temporary differences will be available against which they can be

utilised.

Deferred income tax assets and liabilities are offset when the Group has a legally enforceable right to set off current tax assets against current tax liabilities, when deferred tax balances relate to the same regulatory body, and when they relate to the same taxable entity.

The Group's uncertain tax positions are reassessed by management at every reporting date. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting date and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the reporting date.

Employee benefits. Wages, salaries, social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group.

The Group makes required contributions to the Russian Federation state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed or capitalized to properties on a basis consistent with the associated salaries and wages.

Social costs. The Group incurs employee costs related to the provision of benefits such as health insurance. These amounts principally represent an implicit cost of employing production workers and, accordingly, are included in the cost of inventory.

Revenue recognition. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that economic benefits will flow to the entity, typically when crude oil is dispatched to customers and title has transferred.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Segments. The Group operates in one business segment which is crude oil exploration and production. The Group assesses its results of operations and makes its strategic and investment decisions based on the analysis of its profitability as a whole. The Group operates within one geographic segment, which is the Russian Federation.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities are outlined below.

Estimation of oil and gas reserves. Engineering estimates of hydrocarbon reserves are inherently uncertain and are subject to future revisions. Accounting measures such as depreciation, depletion and amortization charges, impairment assessments and asset retirement obligations that are based on the estimates of proved reserves are subject to change based on future changes to estimates of oil and gas reserves.

Proved reserves are defined as the estimated quantities of hydrocarbons which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic conditions. Proved reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs. Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty. All proved reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In some cases, substantial new investment in additional wells and related support facilities and equipment will be required to recover such proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

In general, estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As those fields are further developed, new information may lead to further revisions in reserve estimates. Reserves have a direct impact on certain amounts reported in the consolidated financial statements, most notably depreciation, depletion and amortization as well as impairment expenses. Depreciation rates on production assets using the units-of-production method for each field are based on proved developed

reserves for development costs, and total proved reserves for costs associated with the acquisition of proved properties. Assuming all variables are held constant, an increase in proved developed reserves for each field decreases depreciation, depletion and amortization expenses. Conversely, a decrease in the estimated proved developed reserves increases depreciation, depletion and amortization expenses. Moreover, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether or not property impairment is present.

The possibility exists for changes or revisions in estimated reserves to have a significant effect on depreciation, depletion and amortization charges and, therefore, reported net profit for the year.

Asset retirement obligations. Management makes provision for the future costs of decommissioning hydrocarbon production facilities, pipelines and related support equipment based on the best estimates of future cost and economic lives of those assets. Estimating future asset retirement obligations is complex and requires management to make estimates and judgments with respect to removal obligations that will occur many years in the future. Changes in the measurement of existing obligations can result from changes in estimated timing, future costs or discount rates used in valuation.

Useful lives of non-oil and gas properties. Items of non-oil and gas properties are stated at cost less accumulated depreciation. The estimation of the useful life of an asset is a matter of management judgement based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates. Useful lives applied to oil and gas properties may exceed the licence term where management considers that licences will be renewed. Assumptions related to renewal of licences can involve significant judgment of management.

Going Concern. These consolidated financial statements have been prepared on the basis that the Group will continue as a going concern. Preparation of the consolidated financial statements on a basis other than going concern can have a significant impact on the balances recorded in respect of assets and liabilities.

5 New Accounting Pronouncements

The following new standards, interpretations and amendments to standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2013 or later and which the Group has not early adopted:

- Amendments to IFRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities*. The Amendments contain new disclosure requirements for financial assets and liabilities that are offset in the

statement of financial position or subject to master netting arrangements or similar agreements. The group is yet to assess IFRS 7's full impact and intends to adopt IFRS 7 no later than the accounting period beginning on or after 1 January 2013.

- IFRS 10 *Consolidated Financial Statements* and IAS 27 (2011) *Separate Financial Statements*. The standard provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014.
- IFRS 13 *Fair Value Measurement*. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. The group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.
- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*. The amendments require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections. The group is yet to assess IAS 1's full impact and intends to adopt IAS 1 no later than the accounting period beginning on or after 1 January 2013.
- IAS 27 (2011) *Separate Financial Statements*. The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been incorporated into IFRS 10, *Consolidated Financial Statements*. The Company does not expect IAS 27 (2011) to have material impact on the financial statements, since it does not result in a change in the entity's accounting policy.

The Group does not expect the new accounting pronouncements to have material impact on the Consolidated Financial Statements.

6 Property, Plant and Equipment

	Oil and gas properties	Buildings and construc- tions	Machinery and equipment	Other fixed assets	Construc- tion in progress	Total
<i>In thousand SEK</i>						
Cost as of 31 December 2010	64,932	7,799	1,320	354	5,541	79,946
Movements in 2011						
Additions	590	0	(149)	0	9,230	9,671
Transfers	2,019	247	1,811	3,181	(7,257)	1
Disposals	(240)	0	0	(6)	(513)	(759)
Effect of movements in exchange rates	(2,580)	(317)	(102)	(103)	(121)	(3,223)
Cost as of 31 December 2011	64,721	7,729	2,880	3,426	6,880	85,636
Movements in 2012						
Additions	1,463	0	0	0	6,341	7,804
Transfers	3,869	698	92	63	(4,722)	0
Disposals	(116)	0	(3)	0	0	(119)
Effect of movements in exchange rates	(187)	(31)	(6)	(8)	(174)	(406)
Cost as of 31 December 2012	69,750	8,396	2,963	3,481	8,325	92,915
Accumulated depreciation as of 31 December 2010	(39,737)	(2,551)	(1,000)	(197)	0	(43,485)
Movements in 2011						
Disposals	207	0	0	6	0	213
Depreciation for period	(4,894)	(221)	(123)	(136)	0	(5,374)
Effect of movements in exchange rates	1,675	106	39	9	0	1,829
Accumulated depreciation as of 31 December 2011	(42,749)	(2,666)	(1,084)	(318)	0	(46,817)
Movements in 2012						
Disposals	92	0	3	0	0	95
Depreciation for period	(3,890)	(291)	(446)	(509)	0	(5,136)
Effect of movements in exchange rates	135	7	10	12	0	164
Accumulated depreciation as of 31 December 2012	(46,412)	(2,950)	(1,517)	(815)	0	(51,694)
Net book value as of 31 December 2011	21,972	5,063	1,796	3,108	6,880	38,819
Net book value as of 31 December 2012	23,338	5,446	1,446	2,666	8,325	41,221

At 31 December 2012 there was no property, plant and equipment pledged to third parties as collateral for borrowings (31 December 2011: 2,565 TSEK; note 25).

The carrying amount of property, plant and equipment in the amount of 41,221 TSEK is subject to the estimates and assumptions concerning the future made by the management, specifically, estimates in relation to oil and gas reserves, useful lives of property, plant and equipment and going concern.

7 Intangible assets

<i>In thousand SEK</i>	Exploration and evaluation assets	Other intangible assets	Total
Cost as of 31 December 2010	0	17	17
Movements in 2011			
Acquired through subsidiaries acquisitions	75,364	0	75,364
Additions	8,287	9	8,296
Cost as of 31 December 2011	83,651	26	83,677
Movements in 2012			
Additions	900	0	900
Effect of movements in exchange rates	(85)	(1)	(86)
Cost as of 31 December 2012	84,466	25	84,491
Accumulated amortization as of 31 December 2010			
	0	(4)	(4)
Movements in 2011			
Amortization for period	0	(15)	(15)
Accumulated depreciation as of 31 December 2011	0	(19)	(19)
Movements in 2012			
Amortization for period	0	(2)	(2)
Effect of movements in exchange rates	0	1	1
Accumulated depreciation as of 31 December 2012	0	(20)	(20)
Net book value as of 31 December 2011	83,651	7	83,658
Net book value as of 31 December 2012	84,466	5	84,471

The carrying amount of intangible assets in the amount of 84,471 TSEK is subject to the estimates and assumptions concerning the future made by the management, specifically, estimates in relation to oil and gas reserves.

8 Income taxes

<i>In thousand SEK</i>	2012	2011
Current tax	0	0
Deferred tax	(305)	152
Income tax expenses	(305)	152

The Swedish corporate tax rate applicable to the Company is 26.3%. The tax rates for the Group's subsidiaries in the Russian Federation are currently 20%. OOO Selena-Perm has income tax benefit of 3.5% for the assets located in Perm region.

A reconciliation between the estimated and the actual taxation charge is provided below:

<i>In thousand SEK</i>	2012	2011
Profit before tax	(9,671)	(8,124)
Theoretical income tax	1,768	1,982

Tax effect of:

Income for which no deferred income tax liabilities was recognised	(2,091)	(1,830)
Tax charge	(305)	1,982

Differences between IFRS and the statutory taxation regulations give rise to certain temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their income tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (16.5% for assets of OOO Selena-Perm located in Perm region).

Tax effect of deductible temporary differences:

<i>In thousand SEK</i>	31.12.2012	31.12.2011
Loss carry-forward	2,018	1,922
Property, plant and equipment	1,641	(106)
Accounts receivable and prepayments	125	(206)
Loans issued	51	0
Finished goods	0	(51)
Other long-term liabilities	677	628
Loans and borrowings	288	425
Accounts payable and accruals	128	(637)
Taxes payable	15	12
Deferred tax asset	4,943	1,987

<i>In thousand SEK</i>	31.12.2012	31.12.2011
Loss carry-forward	(72)	0
Property, plant and equipment	(2,077)	0
Accounts receivable and prepayments	(336)	0
Loans issued	0	0
Finished goods	(217)	0
Other long-term liabilities	0	0
Loans and borrowings	0	0
Accounts payable and accruals	(528)	0
Taxes payable	0	0
Deferred tax liability	(3,230)	0

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss.

The deferred tax asset originates from the Group's Russian operations. The Group has made an assessment of the recoverability of deferred tax asset and based on the updated Group's strategy, related capital expenditure plans and future profit forecasts the deferred tax asset is considered to be recoverable.

9 Inventories

<i>In thousand SEK</i>	31.12.2012	31.12.2011
Materials	759	234
Crude oil	3,435	603
Total inventories	4,194	837

10 Accounts Receivable and Prepayments

<i>In thousand SEK</i>	31.12.2012	31.12.2011
Advances issued	3,618	94
VAT prepaid	2,162	2,308
Provision for VAT prepaid	(2,043)	0
Other accounts receivable	7,904	9,133
Total accounts receivable	11,641	11,535

Other accounts receivable balance as of 31 December 2011 included certain capitalized costs related to the Parent company's financing attractions process which was ongoing. In 2012 the amount of 2,770 TSEK was charged against share premium as new issue costs related to KRT acquisition.

11 Loans issued

Total amount of loans issued by the Company as of 31 December 2012 amounted to 1,113 TSEK (as of 31 December 2011: 1,020 TSEK). Loans were granted to third parties at rates 7% and 11%.

12 Cash and cash equivalents

<i>In thousand SEK</i>	31.12.2012	31.12.2011
Cash at bank	272	1,015
Cash in hand	3	12
Total cash and cash equivalents	275	1,027

The cash at the bank included a restricted cash balance of 214 TSEK as of 31 December 2012 (31 December 2011: 0).

13 Capital and Reserves

At 31 December 2012 the total number of authorised and issued ordinary shares was 52,098,477 shares, with a quota value of SEK 1,352642 each. Each ordinary share carries one vote. All issued ordinary shares are fully paid.

<i>In thousand SEK</i>	Number of ordinary shares	Share capital	Other equity
At 31 December 2011	42,947,500	58,093	30,263
New issue in 2012	9,150,977	12,378	(12,378)
KRT-OGT acquisition			
At 31 December 2012	52,098,477	70,471	(2,770)

KRT-OGT transaction in December 2011

On 2nd January 2012 Selena Oil & Gas Holding AB reported the closing of transaction for acquisition of KRT-OilGasTrans (KRT-OGT) in Russia. The total purchase price for the 100% of KRT-OGT was 73.2 million SEK and was fully settled in shares of SOGH in the amount of 9,150,977 shares. Ms. Elena Popova, one of the major shareholders in SOGH, provided the necessary amount of shares to the sellers on behalf of SOGH and was entitled to receive the same amount of new shares in SOGH and valued at 8 SEK per share.

The new shares were issued to Ms. Elena Popova under the authorization granted to SOGH's Board of Directors in 2011. The registration of 9,150,977 new shares of SOGH was registered with Swedish Company's Register. The number of shares of the company amounts to 52,098,477 shares and the share capital amounts to 70,470,630 SEK.

Largest shareholders as of 31 December 2012:

The major shareholders of the Company holding over 5% of the shares were as follows:

Shareholder	Number of Shares	Proportion
Nadezhda Popova	11,990,775	23.02%
Oleg Popov	11,990,526	23.02%
Elena Popova	10,072,251	19.33%
KRT Invest	7,851,808	15.07%
Bryum Estonia	2,875,859	5.52%
Altare Energy	2,509,137	4.82%
Yuri Gusev	1,295,948	2.49%
Others	3,512,173	6.73%
Total	52,098,477	100.00%

14 Earnings per Share

The calculation of basic earnings per share at 31 December 2012 was based on the net loss and a weighted average number of ordinary shares.

In thousands of shares

	2012	2011
Number of shares at the beginning of the year, adjusted for exchange ratio used in reverse acquisition and reverse split ratio	52,098	10,000
Effect from transactions in the period	0	31,686
Weighted average number of ordinary shares in thousands	52,098	41,686

	2012	2011
Weighted average number of ordinary shares in thousands	52,098	41,686
Loss for the period, TSEK	(9,976)	(7,972)
Basic earnings per share (SEK)	(0,19)	(0,19)
Diluted earnings per share (SEK)	(0,19)	(0,19)

Diluted earnings per share do not differ from basic earnings per share as the Group has no financial instruments issued that could potentially dilute the earnings per share.

15 Loans and Borrowings

The structure of non-current borrowings is as follows:

<i>In thousands of SEK</i>	31.12.2012	31.12.2011
Loans from related parties	444	0
Finance leases	909	1,541
Total non-current borrowings	1,353	1,541

The Group's non-current borrowings mature within one-two years.

The structure of current borrowings is as follows:

<i>In thousands of SEK</i>	31.12.2012	31.12.2011
Loans from related parties	23,178	16,503
Bank loans	0	2,774
Loans from companies	3,330	0
Finance leases	630	884
Total current borrowings	27,138	20,161

The Group's borrowings denominated in the following currencies:

<i>In thousands of SEK</i>	31.12.2012	31.12.2011
USD	16,365	15,855
RUB	9,376	5,245
SEK	1,653	603
EUR	1,097	0
Total borrowings	28,491	21,703

As at 31 December 2012 the effective interest rate on borrowings ranged between 5% p.a. to 18.5% p.a.

On 23 December 2010 the Company obtained short-term financing from Bryum Limited. The loan and accrued interest balance as of 31 December 2012 amounted to 15,346 TSEK. The interest rate is 10% p.a. and further details are disclosed in Note 28.

The Group does not apply hedge accounting and did not hedge its risks arising from currency liabilities or interest rate risks. The estimated fair value of borrowings approximates their carrying value.

As of 31 December 2012 the Group was to a large extent financed by the short-term borrowings that matured before or shortly after 31 December 2012, the most significant being financing from Bryum Limited. In addition, there was a material overdue trade creditors balance as of 31 December 2012. Extraordinary Shareholders Meeting on 31 May 2013 approved a transaction that involves full settlement of loans from Bryum Limited (balance as of 15,346 TSEK as of 31 December 2012) by Ms. N.Popova. As the result, it is expected that the Group's financial position will improve significantly in Q3 2013. Furthermore, the newly elected board of directors is in process of negotiations with major creditors to reach debt settlement plans. The board of directors is of the opinion that the Group will be continuing as a going concern through 2013.

16 Asset retirement obligations

As of 31 December 2012 the Group's asset retirement obligations in respect of decommissioning of oil and gas wells amounted to 4,828 TSEK. The liability has been calculated based on discount rate of 8.44%. Outflows are expected in the period from year 2022 to year 2032.

<i>In thousands of SEK</i>	Assets Retirement Obligation
Book value as for 31.12.2011	3,366
Additions charged to profit and loss account	667
Obligations reassessment	794
Currency translation difference	1
Book value as for 31.12.2011	4,828

The asset retirement obligations in the amount of 4,828 TSEK is subject to the estimates and assumptions concerning the future made by the management.

17 Taxes payable

<i>In thousands of SEK</i>	31.12.2012	31.12.2011
Mineral extraction tax	2,717	2,789
VAT payable	960	1,379
Property tax	201	181
Social taxes	882	595
Other taxes	379	336
Total taxes payable	5,139	5,280

18 Sales revenue

<i>In thousands of SEK</i>	2012	2011
Sales of crude oil	35,544	32,282
Sales of third parties crude oil	31,862	12,071
Other revenue	852	214
Total revenue	68,258	44,567

19 Cost of goods sold

<i>In thousands of SEK</i>	2012	2011
Taxes	15,978	15,069
Cost of purchased crude oil	30,129	10,176
Depreciation	4,871	5,301
Salary and wages	4,530	4,051
Materials and supplies	2,605	2,352
Rent	249	696
Services	837	674
Other cost of sales	1,366	2,068
Total cost of goods sold	60,565	40,387

20 Selling, general and administrative expenses

<i>In thousands of SEK</i>	2012	2011
Salary and wages	6,544	3,823
Consulting services	1,986	3,203
Transport	541	919
Taxes other than profit tax	886	724
Rent	236	224
Depreciation	151	104
Fines and penalties	302	101
Provision for Doubtful Debts	75	(52)
Other	2,054	1,654
Total selling, general and administrative expenses	12,775	10,700

21 Finance income

<i>In thousands of SEK</i>	2012	2011
Interest income	117	215
Gain on Financial instruments recognition	167	0
Total finance income	284	215

22 Finance expenses

<i>In thousands of SEK</i>	2012	2011
Interest costs	1,530	1,258
Net foreign exchange (gain) / loss	0	389
Loss on Financial instruments recognition	817	446
Total finance expenses	2,347	2,093

23 Other income

<i>In thousands of SEK</i>	2012	2011
Gain/Loss from sales of materials and other assets	241	507
Other income	7	286
Total other income	248	793

24 Other expenses

<i>In thousands of SEK</i>	2012	2011
Provision for VAT prepaid	2,043	0
Other expenses	731	519
Total other income	2,774	519

25 Commitments and Contingencies

Assets pledged and restricted. At 31 December 2012 there were no assets pledged as a collateral (31.12.2011: net book value of pledged assets amounted to 2,425 TSEK and related liability amounted to 2,774 TSEK).

26 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures of the Group to minimise these risks.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sale of crude oil and provision of services on the terms of lending and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk by class of assets includes the following:

<i>In thousands of SEK</i>	31.12.2012	31.12.2011
Accounts receivable and prepayments	11,641	11,535
Loans issued	1,113	1,020
Cash and cash equivalents	275	1,027
Total maximum credit risk	13,029	13,582

Although settlement of receivables is exposed to economic factors the management believes that there is no significant risk of losses exceeding the provision for impairment of receivables that was booked by the Group.

The majority of sales of the Group are prepaid by the customers. With respect to the credit terms the Group follows the policy of doing business only with solvent clients and continually monitors transactions exposed to credit risk. The Group's management conducts ageing analysis of trade receivables and follows up past due balances.

Cash is deposited with financial institutions with minimum default risk at the moment of account opening. The Group does not have significant risk arising from issued loans.

No collateral is provided to the benefit of the Group with regard to its exposure to credit risk.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rate (c) equity products and (d) commodity price risk, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that

may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Commodity price risk. The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the oil produced. The Group concludes a contract for a sale of crude oil with the customer for the subsequent month at a fixed price and receives a prepayment equal to the expected volume of sales of crude oil. There are no subsequent adjustments to the contract concluded. The changes in the respective market price of oil has a direct impact on the earnings for the subsequent periods. In 2012 the Group did not use derivatives to hedge the commodity price risks related to the future income.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total, which are monitored on monthly basis. The table below presents general analysis for the net balance sheet position of the Group in various currencies as of 31 December 2012:

<i>In thousands of SEK</i>	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
SEK	7,320	(11,483)	(4,163)
RUB	5,546	(24,446)	(18,900)
USD	0	(19,417)	(19,417)
EUR	163	(1,196)	(1,033)
Total currency risk	13,029	(56,542)	(43,513)

The Group's main operations are carried out in RUB which is functional currency for the largest subsidiary OOO Selena-Perm.

The major currency risk for the Group relates to the borrowings in USD. At 31 December 2012, if SEK weakened/strengthened by 10% against the USD with all other variables held constant, net profit for the year would have decreased/increased by 1,942 TSEK, mainly as a result of foreign exchange losses/gains on translation of USD-denominated borrowings.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Group's loans issued and borrowings obtained are under fixed interest rates. The Group does not have a policy of hedging interest rate risk.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Reasonable liquidity risk management includes maintaining certain level of adequacy of cash and liquid securities.

To manage liquidity risk the Group applies the policy that provides for holding financial assets for which there is an active market and which can be readily converted in case of necessity to maintain liquidity. The maturity analysis of liabilities of the Group as of 31 December 2012 is provided below. The outstanding amount in the table represents contractual undiscounted cash flows.

<i>In thousands of SEK</i>	Due in 1 year	From 1 to 2 years
Borrowings	27,138	1,353
Accounts payable	22,906	0
Total at 31 December 2012	50,044	1,353

27 Management of Capital

The Group's objectives in respect of capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The amount of capital that the Group managed as at 31 December 2012 was 83,258 TSEK.

Consistent with others in the energy industry, the Group monitors capital on the basis of a gearing ratio, and ensures that the ratio is not more than 1.0. This ratio is calculated as the total debt divided by the total capital. Debt is calculated as a sum of non-current and current debt, as shown in the Consolidated Statement of Financial Position. Total capital is equal to the total equity, as shown in the Consolidated Statement of Financial Position. Gearing ratio was 0.34 as at 31 December 2012.

28 Related Parties

The definition of related parties is provided in IAS 24 "Related Party Disclosures". Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial and economic decisions or exercise general control over its operations. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Information on the principal shareholders of the Group is disclosed in Note 13.

Transactions with related parties for 2012 and balances with related parties as of 31 December 2012 were as follows:

<i>In thousands of SEK</i>	Shareholders	Companies under common control	Key management personnel
Services and good purchased	131	0	0
Loans payable	21,259	0	2,363

Bryum Limited UK (the parent company of Bryum Estonia AS which is a shareholder in SOGH) has granted a loan to Selena Oil & Gas AB in order to finance the acquisition of certain energy assets in Russia and cover operational costs of the Group. The outstanding amount of the loan and accrued interest as at 31 December 2012 was 15,346 TSEK. The interest rate applicable to the loan as agreed among the parties is 10% per annum. The final repayment date of the loan was 31 March 2012. Bryum Limited UK loan further transaction is subject to the EGM resolutions from 31 May 2013.

Furthermore, loan from Bryum Estonia AS in the amount of 389 TSEK was received on 23 December 2011 that carries 5% interest rate.

Myrtle Ventures Limited, a company related to Mr. Indrek Rahumaa (a member of the Board of Directors of SOGH up to 14 January 2013) has issued a loan to the Company. The principal amount outstanding and accrued interest there of amounted to 280 TSEK as of 31 December 2012.

During 2012 certain loans were received from Ms. N. Popova, a shareholder of SOGH. The loans are short-term and carry 7% interest rate.

In addition to the above, there are certain intra-group transactions between the Group companies and members of the management of OOO Selena-Perm; however, such transactions are not material for the operations of the Group as a whole.

All related party transactions of the Group have been made on market terms in all material aspects.

29 Remuneration to the Board of Directors

According to the AGM resolution from 28 June 2012 the Director's fee was set at SEK 125,000 per year for the members of the Board of Directors and SEK 150,000 per year for the Chairman of the Board of Directors. As of 31 December 2012 no payments to the members of the Board of Directors have been made and the accrual for the respective amount has been created as of 31 December 2012.

30 Audit Remuneration

<i>In thousands of SEK</i>	2012	2011
<i>PricewaterhouseCoopers</i>		
Audit assignments	1,045	361
Additional audit assignments	0	0
Tax assignments	0	0
Other assignments	0	0
Total PricewaterhouseCoopers	1,045	361
<i>Other auditors</i>		
Audit assignments	0	352
Total other auditors	0	352
Total audit remunerations	1,045	713

31 Events After the Reporting Period

Resolutions of Extraordinary General Meeting from 14 January 2013

Subsequently to the year end the Extraordinary General Meeting was held on 14 January 2013. The EGM resolved that the board of directors shall consist of four ordinary members without deputy members for the period until the end of the next annual general meeting.

Furthermore, it was resolved that Mr. Indrek Rahumaa, Mr. Staffan Torstensson, Mr. Yury Gusev, Mr. Paul Waern and Ms. Nadezhda Popova (i.e. all current directors) are discharged from their positions as ordinary members of the board of directors and new board of directors was elected with Mr. Oleg Popov, Mr. Dmitry Ermakov, Mr. Aleksejs Rjabijis and Mr. Magnus Stuart being new ordinary members of the board of directors for the period until the end of the next annual general meeting.

Change of managing director

On 14 January 2013 the board of directors of Selena Oil & Gas Holding AB (publ) resolved to relieve the managing director Jürgen Lamp from his duties. The board of directors resolved to discharge Jürgen Lamp and to elect the board member Magnus Stuart as new managing director of the company on 16 January 2013.

On 12 April 2013, the managing director and board member Magnus Stuart decided to resign all duties in the Company and its subsidiary Selena Oil and Gas AB for the personal reasons.

Subsequent to the extraordinary shareholders meeting on 31 May 2013 the board of directors of Selena Oil & Gas Holding AB (publ) resolved to elect the board member Magnus Stuart as new managing director of the company effectively from 31 May 2013.

A creditor's filing of a bankruptcy of the Group's subsidiary Selena Oil & Gas AB

On 14 February 2013 the Group received a bankruptcy petition from the creditor, filed at the district court of Stockholm (Stockholms Tingsrätt). The petition was applicable to the wholly owned subsidiary Selena Oil & Gas AB. The petition was filed by the creditor in relation to the unsettled debt. The bankruptcy petition was later suspended and subsequently fully withdrawn on the basis of settlement agreement between the wholly owned subsidiary Selena Oil & Gas AB and the creditor.

Pledge of the shares of subsidiaries and the subsequent auction of the shares of Selena Oil & Gas AB

On 10 January 2013 the Company extended its loan obligations toward Bryum Limited UK to 31 March 2013 and provided further security in the form of share pledge over shares of Selena Oil & Gas AB, OOO KRT-OilGasTrans, OOO Praitm and OOO Prefo. On 18 April 2013 the company confirmed that the shares of its 100% subsidiary Selena Oil & Gas AB are subject to the auction on 26 April 2013. The auction was arranged by Bryum Limited UK pledgee to recover its loan obligations. Bryum Limited UK is a creditor of Selena Oil & Gas AB on the basis of loans granted in the principal amount of USD 2,158 million, secured by 100% pledge of shares in Selena Oil & Gas AB. The auction did not take place due to ongoing negotiations of the settlement. The share pledge over the subsidiaries shares is expected to be removed as part of the settlement transactions approved by Extraordinary Shareholders Meeting from 31 May 2013.

Resolutions of Extraordinary General Meeting from 31 May 2013 and signing of the settlement agreement

The meeting resolved to approve a settlement agreement whereby: (1) Ms. Nadezhda Popova transfers to Selena Oil & Gas AB all shares in OOO "Selena-Perm" belonging to her and all claims under the loan agreements concluded between the Company and its subsidiaries as the borrowers and Bryum Limited as the lender, for the total principal amount of 2,158,000 USD, with all interest and penalties accrued whereon (which claims Ms. Nadezhda Popova intends to acquire from Bryum Limited); (2) OOO "Selena-Perm" will be reorganized so that OOO "KNK" (an entity controlled by Ms. Nadezhda Popova) will ultimately acquire assets and liabilities of OOO "Selena-Perm" except those related to the "Komarihinskoye" oil field, which will remain on the balance sheet of OOO "Selena-Perm" with all related assets and liabilities. The meeting resolved to grant the Board of Directors the approval for the above transactions and the authorisation to further negotiate and implement the same. In July 2013 the Company entered into the settlement agreement with Ms Popova on the terms approved by the Extraordinary Shareholders Meeting. After the finalization of the transaction it is anticipated the company's 2P reserves will amount to 21.3 Mmbbl.

Furthermore, the extraordinary shareholders' meeting elected a new board of directors. All previous board members were discharged and the extraordinary shareholders' meeting elected new board of directors with its members being Indrek Rahumaa, Erik Staffan Bernstein Torstensson, Poul Gunnar Waern, Lars Bergström, Per Olof Sjöstedt and Jürgen Lamp.

The board of directors subsequently resolved to elect Mr. Lars Bergström to be the chairman of the board.

Bankruptcy petition

On 4 June 2013 it came to the knowledge of the newly elected board of directors and the CEO, that a creditor had filed a bankruptcy petition at the district court of Stockholm for Selena Oil & Gas AB, a subsidiary of Selena Oil & Gas Holding AB (publ) on 22 April 2013. The petition was applicable to the wholly owned subsidiary Selena Oil & Gas AB. The petition was filed by a creditor in relation to an unpaid debt. Subsequently, the petition was resolved through a settlement agreement with the creditor.

PARENT COMPANY FINANCIAL INFORMATION

Comments on the Parent Company

The legal parent of the Group from 6 May 2011 is Selena Oil & Gas Holding AB (publ) (previously – Emitter Holding AB). The name of the Parent company was changed in Q2 2011.

Based on the decision of EGM from 6 May 2011 the shares of Emitter International AB, the 100% subsidiary of Emitter Holding AB, were to be distributed to the previous shareholders of Emitter Holding AB with a record date of 10 May 2011. After the distribution the shares of Emitter International AB are not registered with Euroclear and the share register is held by Emitter International AB.

The business of the Parent company is investment in and management of oil and gas assets.

The net assets of the Parent company amounted to 394,379 TSEK as of 31 December 2012. Net loss for the year 2012 amounted to 3,821 TSEK (2011: 8,818 TSEK and included Emitter business related impairment write down of 6,431 TSEK).

Accounting Principles

The financial statements of the Parent Company are prepared in accordance with accounting principles generally accepted in Sweden, applying RFR 2 issued by the Swedish Financial Reporting Board and the Annual Accounts Act (1995: 1554). RFR 2 requires the Parent Company to use similar accounting principles as for the Group, i.e. IFRS to the extent allowed by RFR 2. The Parent Company's accounting principles do not in any material respect deviate from the Group principles.

Parent Company Statement of Financial Position as of 31 December 2012

<i>In thousand SEK</i>	Note	31 December 2012	31 December 2011
ASSETS			
Non-current assets			
Shares in subsidiaries	32	322,500	322,500
Total non-current assets		322,500	322,500
Current assets			
Accounts receivable and prepayments	33	30	2,014
Loans issued	34	79,359	81,432
Cash and cash equivalents	35	3	562
Total current assets		79,392	84,008
TOTAL ASSETS		401,892	406,508
EQUITY AND LIABILITIES			
Equity			
Share capital		70,471	58,093
Restricted reserve		6,747	6,747
Share premium		331,867	273,807
Retained earnings		(14,706)	(10,885)
Equity attributable to equity holders of the company	36	394,379	327,762
Current liabilities			
Loans and borrowing	37	1,597	74,556
Accounts payable and accruals		5,226	3,895
Taxes payable		690	295
Total current liabilities		7,513	78,746
Total liabilities		7,513	78,746
TOTAL LIABILITIES AND EQUITY		401,892	406,508
Pledged assets		none	none
Contingent liabilities		none	none

The accompanying notes on pages 34 to 35 form an integral part of these financial statements.

Parent Company Statement of Comprehensive Income for year ended 31 December 2012

<i>In thousand SEK</i>	<i>Note</i>	2012	2011
Other revenue		0	0
Total other revenue		0	0
Selling, general and administrative expenses	38	(3,679)	(3,072)
Operating loss		(3,679)	(3,072)
Finance income		406	0
Finance expenses		(80)	(3)
Other income		77	688
Other expenses	39	(545)	(6,431)
Profit before income tax		(3,821)	(8,818)
Income tax		0	0
Net income / (loss)		(3,821)	(8,818)
Other comprehensive income		0	0
Total comprehensive income / (loss), net of tax		(3,821)	(8,818)

The accompanying notes on pages 34 to 35 form an integral part of these financial statements.

Parent Company Statement of Changes in Equity

<i>In thousand SEK</i>	RESTRICTED EQUITY		NON-RESTRICTED EQUITY		Total
	Share capital	Restricted reserve	Share premium	Retained earnings	
As of 31 December 2010	1,400	48,064	0	(41,184)	8,280
Net profit / (loss) for the period	0	0	0	(8,818)	(8,818)
Total comprehensive income	0	0	0	(8,818)	(8,818)
Reduction of restricted reserve	0	(41,317)	0	41,317	0
Distribution of shares in Emitter International	0	0	0	(2,200)	(2,200)
Share issue (reverse acquisition)	54,529	0	267,971	0	322,500
Share issue (cash contribution)	2,164	0	5,836	0	8,000
As of 31 December 2011	58,093	6,747	273,807	(10,885)	327,762
Net profit / (loss) for the period	0	0	0	(3,821)	(3,821)
Total comprehensive income	0	0	0	(3,821)	(3,821)
New share issue (KRT acquisition transaction)	12,378	0	60,830	0	73,208
KRT-OGT acquisition costs	0	0	(2,770)	0	(2,770)
As of 31 December 2012	70,471	6,747	331,867	(14,706)	394,379

The accompanying notes on pages 34 to 35 form an integral part of these financial statements.

Parent Company Statement of Cash Flows for year ended 31 December 2012

<i>In thousand SEK</i>	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	(3,821)	(8,818)
Adjustments for:		
Provisions for impairment	0	6,431
Finance income	(406)	0
Finance expenses	80	3
Change in accounts receivable	1,984	(1,859)
Change in accounts payable and accruals	(1,448)	3,377
Change in taxes payable	395	296
Net cash generated by operating activities	(3,216)	(570)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans issued	(502)	(8,223)
Repayment of loans	2,938	0
Net cash used in investing activities	2,436	(8,223)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	221	1,343
Share issue	0	8,000
Net cash used in financing activities	221	9,343
Net change in cash and cash equivalents	(559)	550
Cash and cash equivalents at the beginning of the period	562	12
Cash and cash equivalents at the end of the period	3	562

The accompanying notes on pages 34 to 35 form an integral part of these financial statements.

32 Shares in Subsidiaries

<i>In thousands of SEK</i>	Registration number	Registered address	Share	31.12.2012	31.12.2011
Selena Oil & Gas AB	556814-3084	Stockholm, Sweden	100.00%	322,500	322,500
Total investments into subsidiaries				322,500	322,500

33 Accounts Receivable and Prepayments

<i>In thousands of SEK</i>	31.12.2012	31.12.2011
Future period expenses and accrued income	0	1,943
Current tax receivable	30	60
Other short term receivables	0	11
Total accounts receivable and prepayments	30	2,014

Future period expenses balance as of 31 December 2011 included certain capitalized costs related to the Parent company's financing attractions process which was ongoing. In 2012 the amounts were charged against share premium as new issue costs related to KRT acquisition.

34 Loans issued

<i>In thousands of SEK</i>	31.12.2012	31.12.2011
Loan issued to Selena Oil & Gas AB	79,359	81,432
Total loans issued	79,359	81,432

Loans issued balance includes loans issued by Selena Oil & Gas Holding AB (publ) to its 100% subsidiary Selena Oil & Gas AB. The loan is short term and carries 0-5% interest rate and accrued interest amounted to 523 TSEK as of 31 December 2012.

35 Cash and cash equivalents

Breakdown of cash and cash equivalents by currencies is provided below.

<i>In thousands of SEK</i>	31.12.2012	31.12.2011
EUR	1	557
USD	0	4
SEK	2	1
Total cash and cash equivalents	3	561

36 Capital and Reserves

At 31 December 2012 the total number of authorised and issued ordinary shares was 52,098,477 shares, with a quota value of SEK 1,352642 each. Each ordinary share carries one vote. All issued ordinary shares are fully paid.

On 2nd January 2012 Selena Oil & Gas Holding AB reported the closing of transaction for acquisition of KRT-OilGasTrans (KRT-OGT) in Russia. The total purchase price for the 100% of KRT-OGT was 73.2 million SEK and was fully settled in shares of SOGH in the amount of 9,150,977 shares. Ms. Elena Popova, one of the major shareholders in SOGH, provided the necessary amount of shares to the sellers on behalf of SOGH and was entitled to receive the same amount of new shares in SOGH and valued at 8 SEK per share.

The new shares were issued to Ms. Elena Popova under the authorization granted to SOGH's Board of Directors in 2011. The registration of 9,150,977 new shares of SOGH was registered with Swedish Company's Register. The number of shares of the company now amounts to 52,098,477 shares and the share capital now amounts to 70,470,630 SEK.

37 Loans and Borrowings

Short term loans and borrowings balance includes loans from related parties in the amount of 1,404 TSEK. All loans fall due in 2013 and carry interest rate of 5% per annum.

Loans and borrowings balance as of 31 December 2011 included consideration payable in 9.15 million new shares to Ms. Elena Popova in the amount of 73,208 TSEK in relation to the acquisition transaction of KRT-OGT.

38 Selling, general and administrative expenses

<i>In thousands of SEK</i>	2012	2011
Personnel expenses	2,767	1,106
Consulting fees	741	1,381
Audit fees	0	102
Other expenses	171	483
Total selling, general and administrative expenses	3,679	3,072

39 Other expenses

<i>In thousands of SEK</i>	2012	2011
Impairment loss from investment into subsidiary	0	6,431
Travel expenses	365	0
Car rent	81	0
Publications expenses	61	0
Other expenses	38	0
Total other expenses	545	6,431

40 Audit Remuneration

<i>In thousands of SEK</i>	2012	2011
<i>PricewaterhouseCoopers</i>		
Audit assignments	0	102
Additional audit assignments	0	0
Tax assignments	0	0
Other assignments	0	0
Total PricewaterhouseCoopers	0	102
<i>Other auditors</i>		
Audit assignments	0	0
Total other auditors	0	0
Total audit remunerations	0	102

41 Remuneration to the Board of Directors

According to the AGM resolution from 28 June 2012 the Director's fee was set at SEK 125,000 per year for the members of the Board of Directors and SEK 150,000 per year for the Chairman of the Board of Directors. As of 31 December 2012 no payments to the members of the Board of Directors have been made and the accrual for the respective amount has been created as of 31 December 2012.

Confirmation by the Board of Directors

The Board of Directors declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations. The statutory administration report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group. The statements of income and financial position of the Parent Company and the Group are subject to adoption by the Annual General Meeting on 31 July 2013.

Stockholm, July 9th, 2013

Lars Bergström

Chairman

Magnus Stuart

Director

Indrek Rahumaa

Director

Staffan Torstensson

Director

Poul Waern

Director

Per Olof Sjöstedt

Director

Jürgen Lamp

Director

Our audit report with modifications has been submitted on July 9th, 2013

PricewaterhouseCoopers AB

Martin Johansson

Authorized Public Accountant

Auditor's report

(Translation of the Swedish original)

To the annual meeting of the shareholders of Selena Oil & Gas Holding AB (publ), Corporate Identity Number 556643-6613

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and the consolidated accounts of Selena Oil & Gas Holding AB for the year 2012.

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 and consolidated 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

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our 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 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. 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 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate

governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of the shareholders adopt the income statement and balance sheet for the parent company and the group.

Emphasis of matter

Without qualifying our opinion, we would like to draw attention to Note 15 in the annual accounts and consolidated accounts, in which it is stated that the company is, to a large extent, financed by short-term loans, which in several of the cases has matured and have not been renewed by the creditor, as of the signing date of this Audit Report. The company also has other short-term liabilities in substantial amounts which have matured. As of the signing date of the Auditor's Report, there is no confirmed long-term financing to the extent deemed necessary for the continued operations of the company until the next annual general meeting of shareholders. These circumstances, together with the circumstances stated in Note 15, imply that there is an element of substantial uncertainty which could result in significant doubt as to whether the company can continue as a going concern.

Without qualifying our opinion, we would like to draw attention to the Director's Report and Note 31 in the annual accounts and consolidated accounts, in which it is stated that one of the company's principal owners, who is also a member of the Board, executed an unauthorized new share issue in the wholly-owned subsidiary OOO Selena-Perm. After the new share issue, the Group's holding in OOO Selena-Perm was reduced from 100% to 12% and the majority owner, personally, owned the remaining 88% of the shares. On 31 May 2013, an extraordinary meeting of shareholders resolved to grant the Board the authority to execute a settlement with the majority shareholder with the aim of reversing the unauthorized new share issue and restoring the Group's ownership in OOO Selena-Perm to 100%. This settlement was reached on 8 July 2013 when the parties signed a binding agreement. The annual accounts and consolidated accounts have been prepared on the premise that the Group's ownership in OOO Selena-Perm has always been 100%. The majority owner, with reference to the above mentioned circumstances, has not acted in the capacity as a member of the Board in Selena Oil & Gas Holding AB, which is the reason this does not affect our opinion as regards discharge from liability.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Selena Oil & Gas Holding AB for the year 2012.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations/treatment of the company's profit or losses, and the Board of Directors and the Managing Director are responsible for the administration under the Swedish Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the

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administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

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

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we 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. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of the shareholders that the loss 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.

Remarks

Without qualifying our opinion, we would like to draw attention to the fact that the annual accounts and consolidated accounts have not been prepared in time for the annual general meeting of shareholders to be held within six months from the end of the financial year.

Stockholm, July 9, 2013

PricewaterhouseCoopers AB

Martin Johansson

Authorized Public Accountant

Terms and measurements

Abbreviations

EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EUR	Euro
RUR	Russian rouble
SEK	Swedish krona
USD	US dollar
TSEK	Thousand SEK
TUSD	Thousand USD
TRUB	Thousand RUB

Oil related terms and measurements

boe	Barrels of oil equivalents
boepd	Barrels of oil equivalents per day
bopd	Barrels of oil per day
Mbbl	Thousand barrels (in Latin mille)
Mmbbl	Million barrels
Mboe	Thousand barrels of oil equivalents
Mboepd	Thousand barrels of oil equivalents per day
Mbopd	Thousand barrels of oil per day

Certified Advisor

Mangold Fondkommission is the Company's Certified Adviser and Liquidity Provider, telephone +46 8-503 015 50.

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Selena Oil & Gas Holding AB (publ) (former Emitter Holding AB) is engaged in the production and transportation of oil and gas in the Volga-Ural region in the Russian Federation, including Perm and Udmurtia. The company is listed on NASDAQ OMX First North Premier in Stockholm under the ticker SOGH. For further information on Selena Oil & Gas Holding AB (publ), see the website www.selenaoil.com

Disclaimer

The statement and assumptions made in the company's information regarding current plans, forecasts, strategy and other statements that are not historical facts are estimates or "forward looking statements" regarding future activities. Such future estimates comprise, but are not limited to, statements that include words such as "may occur", "plans", "expects", "estimates", "believes", "anticipates" or similar expressions. Such expressions reflect the management's expectations and assumptions made on the basis of information available at the date of this report. These statements and assumptions are subject to a large number of risks and uncertainties. These, in their turn, comprise but are not limited to:

- changes in the financial, legal and political environment of the countries in which the Company operates*
- changes in the available geological information concerning the Company's operations and reserves*
- the Company's capacity to continuously guarantee sufficient financing for the expansion plans*
- changes in currency exchange rates, in particular those relating to the RUR/USD rate*

Due to the background of the risks and uncertainties that exist for any oil production company in an active development stage, SOGH's actual future development may significantly deviate from that indicated in the company's informative statements. SOGH assumes no implicit liability to immediately update any such future evaluations.