MISEN ENERGY

Annual report and consolidated financial statements for the financial year 2013

Contents

The Board of Directors and Managing Director present the following annual report and consolidated financial statements.


ДОТИСКУЮЧА
компресорна станція «Східна Полтава»
BOOSTER
compressor station «East Poltava»
East Poltavske gascondensate field

Message from the Chairman and CEO

The third year for the Misen Group in its new form and under the new management has been the most challenging one. Late incoming payments from the buyers were coupled with inconsistencies of the gas balancing process that regulates gas flow in Ukraine, effectively meaning our ability to sell produced gas. Following the general election in late 2012, a newly formed Ukrainian government had to cope with the slowing down economic recovery and consider a more global political agenda. Priorities were shifting. One of the effects was that the gas balancing process became more opaque, influenced by politics and deteriorating performance of our partner, PJSC Ukrgasvydobuvannya.

Since Q2 2013 Misen started experiencing effects of this process as it became impossible to dispose of the produced natural gas. Most of our efforts were concentrated on finding a solution as the investments made in the proceeding periods were already yielding a growing production. As of mid 2013, most of the issues of Q2 were resolved and we were able to sell our produce, when in June the Ukrainian Cabinet of Ministers started discussing a possibility of ordering private gas producers to store 50% of produced natural gas till the heating season begins in the late fall. Later such proposal was withdrawn, but ambiguity related to Ukraine's depleting gas storages and need to stabilize gas deliveries as

"Our ability to cope with the challenges of 2013 prove that Misen is on the right track"

Tore I. Sandvold,
Chairman of the Board of Directors and Group CEO

well as underperformance of the PJSC Ukrgasvydobuvannya resulted in a situation, where Misen was not included into the balancing process, forcing us to store all of our produced natural gas in underground storages till later notice.

At the same time our production continued to grow. As a result of previously made investments, Misen's production of natural gas more than doubled in 2013, while production of oil tripled. Still, due to the gas balance situation, Misen has finished the year of 2013 with the five-months of unsold production kept in the storage and for the first time with a serious apprehension for the business future and going concern. Not being able to sell its production entitlements, Misen's subsidiary LLC Karpatygaz became late with payments to contractors and suppliers both in Ukraine and internationally and as of October, LLC Karpatygaz in its capacity as the operator of Joint Activity was late with the tax payments, mostly for subsoil use and corporate income tax. Hereby I would like to point out, that differently from the Joint Activity, neither Misen nor its subsidiary LLC Karpatygaz as business entities have any outstanding tax debts.

In late 2013 the President and the Government of Ukraine made critical decisions for the future of Ukraine. Unfortunate and tragic events followed, ousting the Government and the President. A new Ukraine is now emerging. Politics and the energy policies are being reviewed. Once voiced Ukraine's goal of becoming energy independent is gaining a new momentum and I am convinced that Misen will be an integral part of it. With SEK 1.7 billion already invested, a major booster compressor station has been built and 56 wells completely renovated and/or drilled and put into production. By all of this, the Misen led Joint Activity has already generated an incremental 1.2 billion cubic meters of gas production in Ukraine. This is already a meaningful number for Ukraine and once our investment program is completed, we expect to contribute at least 28 billion cubic meters of gas to the local production during the life cycle of this project. Moreover, our investments of knowhow and modern technology into the Ukrainian gas infrastructure will be beneficial to other producers and will allow Ukraine to sustain and grow its current levels of domestic production.

As I am writing this message, I have a pleasure to inform that as of the end of March 2014 the Company negotiated sales of 128 mmcm of the stored natural gas. This allowed the Company's subsidiary LLC Karpatygaz to initiate a series of payments associated with JA's tax debts. Sales of additional production entitlements are being negotiated. Management trusts that the situation with production to storage could be discontinued, and uncertainty for the future business and going concerns is thus expected to decrease.

We are optimistic that this achievement will be sustainable and Misen will be back to its regular business, what will allow accelerated implementation of the investment program, expansion of business, hiring of new staff, growth in production, sales volumes and increased profitability. During 2013 Misen adopted new internal policies for the group control and financial reporting. This will enhance reporting and monitoring of operations on the group level and will further strengthen Misen as an efficient organization. I see 2014 as the beginning of a new era for the whole of Ukraine and for our business in particular. Of course, we have a long and difficult road ahead of us, but we are certain that our business model is correct and that we have chosen the right path.

Tore I. Sandvold,
Chairman of the Board of Directors and Group CEO

General disclosures and definitions

The Board of Directors and the Managing Director have, on 8 April 2014, approved this annual report and consolidated financial statements for publication.

About the Company
Misen Energy AB (publ), (herein after referred to as "**the Company**" or "**the Parent Company**") is a Swedish public limited liability company with its registered offices in Stockholm. The address of the Head Office is Engelbrektsgatan 32, 411 37 Gothenburg. The Company is listed on the First North List at NASDAQ OMX Stockholm.

On 1 July 2011, the Company acquired all shares in Misen Enterprises AB. Under IFRS rules, this transaction is classified as a reverse takeover.

The Misen group ("**Misen Group**" or "**the Group**") comprises Misen Energy AB (publ) and two wholly owned subsidiaries Misen Enterprises AB (Sweden) and LLC Karpatygaz (Ukraine). The Misen Group also includes the wholly-owned subsidiary Capital Oil Resources Sweden AB (Sweden), which is dormant. Consolidated accounts as of 1 July 2011 represent the Misen Group. The structure of the Misen Group remains the same since 1 July 2011.

Business description
The Company is an upstream oil and gas company dedicated to the production of hydrocarbons (mainly natural gas, oil and gas condensates) in the Ukraine. Business concept of the Company is to develop and significantly increase production in gas and oil fields by implementation of large-scale investment programs and introduction of modern western knowhow and technology.

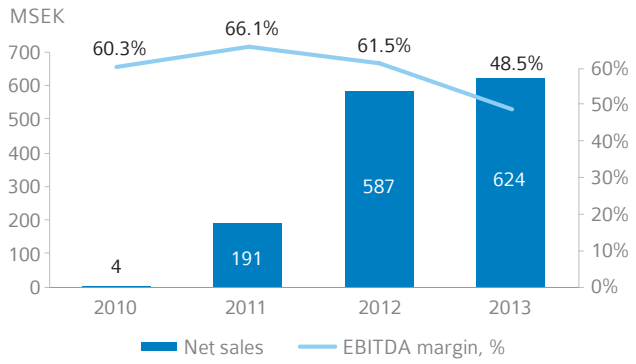
The Misen Group has a 50.01% participation interest in the Joint Activity ("**JA**") dedicated to the hydrocarbon production and sales business in Ukraine. The remaining 49.99% of interest in the JA is held by the Public Joint Stock Company Ukrgasvydobuvannya (Ukraine), a wholly owned subsidiary of the National Joint Stock Company Naftogaz of Ukraine (Ukraine).

JA is governed by the Joint Activity Agreement ("**JAA**"), signed by Misen Enterprises AB, LLC Karpatygaz, and PJSC Ukrgasvydobuvannya.

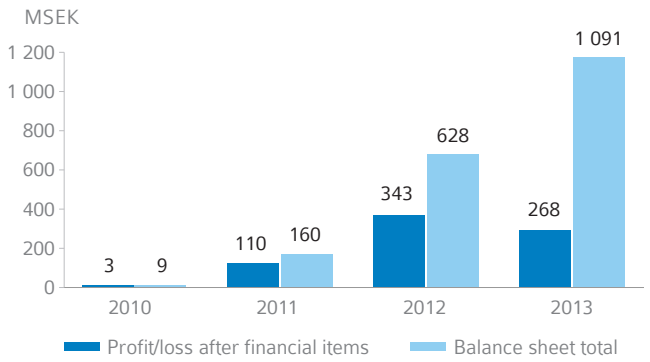
The Company's business focus is to undertake Misen Group-wide tasks and, together with its subsidiary Misen Enterprises AB, when required, to ensure finance provision for operations in Ukraine.

Comparative performance indicators

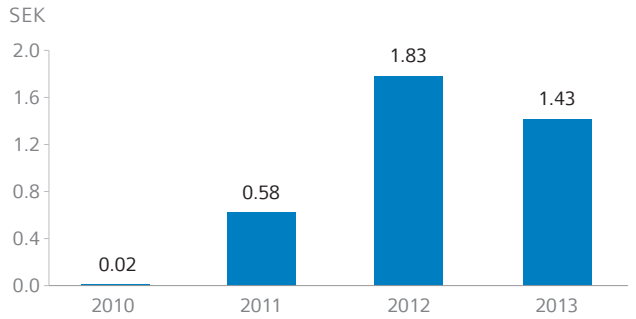
Misen Group net sales and EBITDA margin



Misen Group profit/loss after financial item and balance sheet value



Earning per share



Summary of the Misen Group's and Company's financial development, covering several years.
All in KSEK except as indicated otherwise.

	2013	2012	2011	2010	2009
Misen Group					
Net income	623,575	586,549	191,113	4,241	-
EBITDA	302,373	360,450	126,233	2,556	-
Profit/loss after financial items	267,561	342,892	110,482	3,252	-
Earnings per share, basic*, SEK	1.43	1.83	0.58	0.02	-
Earnings per share, diluted*, SEK	1.43	1.83	0.58	0.02	-
Return on equity, %	38.7%	74.9%	76.0%	48.4%	-
Return on capital employed, %	41.0%	111.6%	88.8%	53.0%	-
Balance sheet total	1,090,731	628,145	159,941	8,586	-
Equity/assets ratio, %	49.5%	56.4%	68.3%	71.4%	-
Proportion of risk-bearing capital, %	51.0%	56.6%	68.3%	71.4%	-
Debt/equity ratio, %	54.4%	25.1%	0.0%	0.0%	-
Number of employees	86	87	32	-	-

** Adjusted for reverse split 100:1 in January 2012.*
Information regarding the Group prior to 2010 is not available, as the Group was formed in 2010.

The Parent Company					
Net income	2,730	9,542	-	481	2,320
EBITDA	Neg.	Neg.	Neg.	Neg.	Neg.
Profit/loss after financial items	-24,565	-11,062	-5,644	-7,395	-132,537
Return on equity, %	Neg.	Neg.	Neg.	Neg.	Neg.
Return on capital employed, %	Neg.	Neg.	Neg.	Neg.	Neg.
Balance sheet total	1,008,053	1,011,091	1,003,063	6,983	11,540
Equity/assets ratio, %	95.6%	97.7%	99.6%	66.6%	86.8%
Proportion of risk-bearing capital, %	95.6%	97.7%	99.6%	66.6%	86.8%
Debt/equity ratio, %	3.9%	2.0%	0.0%	0.0%	0.0%
Number of employees	4	2	2	2	2

Definitions of key ratios are provided in the section Supplementary information.

Directors Report

Business review*

History
The Company, formerly Svenska Capital Oil AB (publ), was founded in 2004 and its shares have been traded on First North List at NASDAQ OMX Stockholm since 12 June 2007. During the period from 2005 to 2010, the Company was focused on the development of geo resources in Ukraine. As the former wholly-owned subsidiary LLC Capital Oil Ukraine was sold on 30 December 2010, the Company's oil exploration in Ukraine came to an end. From 2011, the business has focused on gas exploration in a new cooperation project, JA in Ukraine. Under this revised business focus, all shares in the Swedish company Misen Enterprises AB and its wholly-owned Ukrainian subsidiary LLC Karpatygaz were acquired in 2011.

At the Annual General Meeting on 30 June 2011, the Board's proposal to acquire all of the shares in Misen Enterprises AB was approved. This acquisition was carried out with effect from 1 July 2011. Payment was made through the issue of new shares in Svenska Capital Oil AB for the entire purchase price, which amounted to KSEK 999,999. Through this transaction, the five previous owners in Misen Enterprises AB became dominant shareholders in Svenska Capital Oil AB, with a total shareholding of 98.8% of all shares. Through this, IFRS rules for reverse acquisitions in preparing the consolidated financial statements were applied.

Joint Activity (JA)
The Company's wholly owned subsidiaries Misen Enterprises AB (Sweden) and LLC Karpatygaz (Ukraine) have between them rights to 50.01 % of the net profit after taxes of a large gas and oil production project in Ukraine, the duration of which extends for twenty years from 2011. The remaining rights to 49.99% of net profits after taxes belong to PJSC Ukrgasvydobuvannya (a wholly owned subsidiary of Naftogaz Ukraine, the State owned National Gas Company in Ukraine). The net profit from the gas and oil production project attributable to the parties is calculated based on the production volumes legally assigned to JA. These volumes are calculated as the difference between a production level should investments be undertaken and a predetermined base line production which would have been produced had the project not existed (i.e. no further investment had taken place).

These rights are established in a formal legal binding agreement – JAA between PJSC Ukrgasvydobuvannya, Misen Enterprises AB and LLC Karpatygaz. The essential objective of the JAA is to increase hydrocarbon production by means of modernising infrastructure and production facilities and the introduction of the modern production technologies. These measures will materially contribute to the energy security and independence of the Ukraine through sustainable growth in production, which is the primary objective of PJSC Ukrgasvydobuvannya.

History of the JA
JA provides a solid business model of strongly aligned structure with domestic and international support. JA is an investment and production vehicle of the parties, facilitated by the JAA – a legal contract among the parties. The following could be identified as the key advantages and parameters of this business model:

- The JAA, which allows gas to be sold at market prices
- Solid reserve base of 17.2 bcm** of natural gas, 3.38 MMbbls*** of gas condensate and 2.27 MMbbls of Liquified Petroleum Gas ("**LPG**") (all in 2P net reserves for the Company)
- Technology driven investment program of KSEK 4,170,000 during 2011-2015, of which KSEK 1,797,768 has already been invested
- Sustainable cash flow allows to implement planned investment program
- Access to western capital markets and modern technology

** Data sources for this part of report: Ukraine's Energy Strategy, PJSC Ukrgasvydobuvannya feasibility study, PJSC Ukrgasvydobuvannya Annual Reports, Business Monitor International reports, JAA 4, JAA 5*
*** billion cubic meters*
**** million barrels*

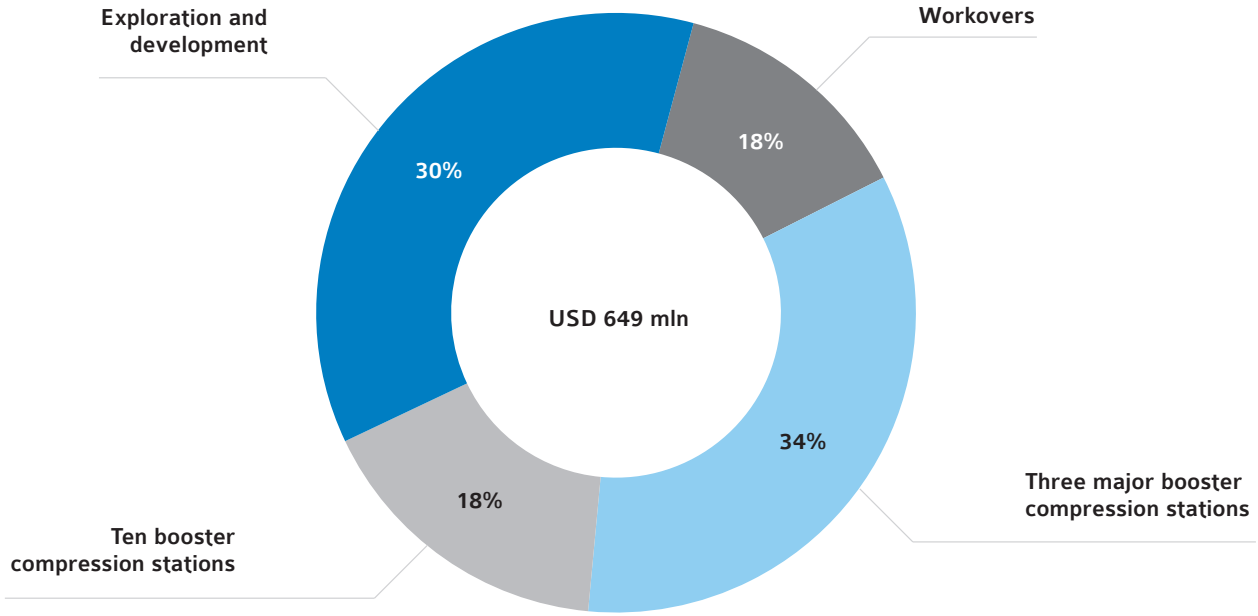
Key development stages

Joint Activity Agreement (10 June 2002)
- Signing of Joint Activity Agreement Amendment No.3

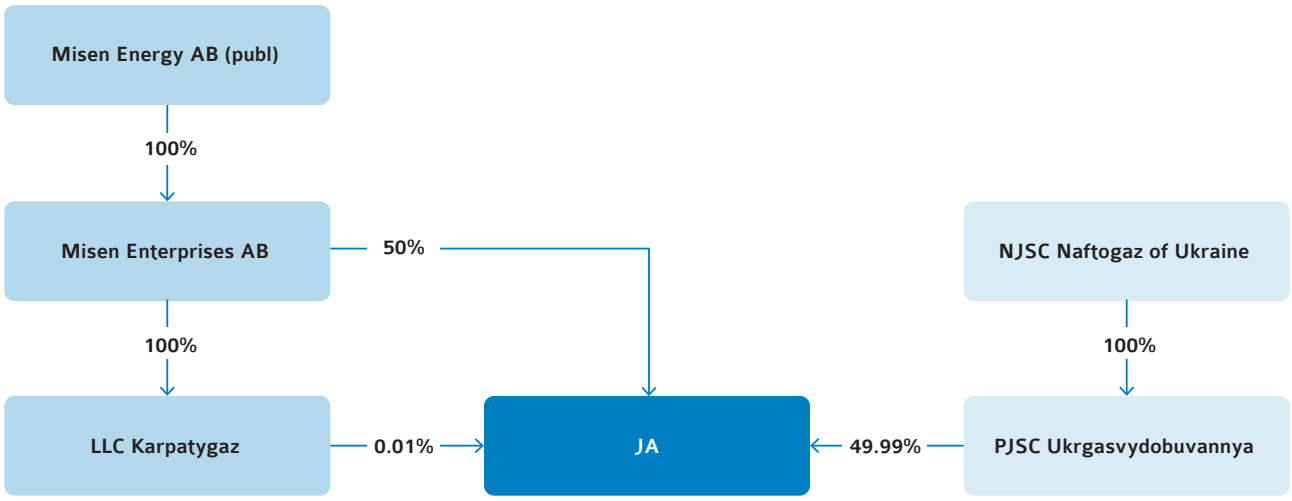
Amendment #4 (25 February 2011)
- 12 projects with the total investments of USD 451 million
- 110 wells to be overhauled and repaired
- Construction of Yuliivske and Khrestyshenske booster compression stations
- Complex development of Yablunivske field

Amendment #5 (2 April 2012)
- Additional 10 projects with additional investments of USD 198 million
- 35 additional wells to be overhauled and repaired
- Construction of Chervonodonetske booster compression station
- Detailed exploration of Dnieper-Donets basin fields
- Complex development of Bytkiv-Babchenske and Novotroitske fields

JA investment scope and areas



Structure of the JA



JA participants and their roles

PJSC Ukrgasvydobuvannya as the license owner has contributed twenty-two projects to the JA and has undertaken to make available on commercial terms its existing infrastructure and manpower resources to extract, treat and transport produced hydrocarbons.

Basic facts about PJSC Ukrgasvydobuvannya:

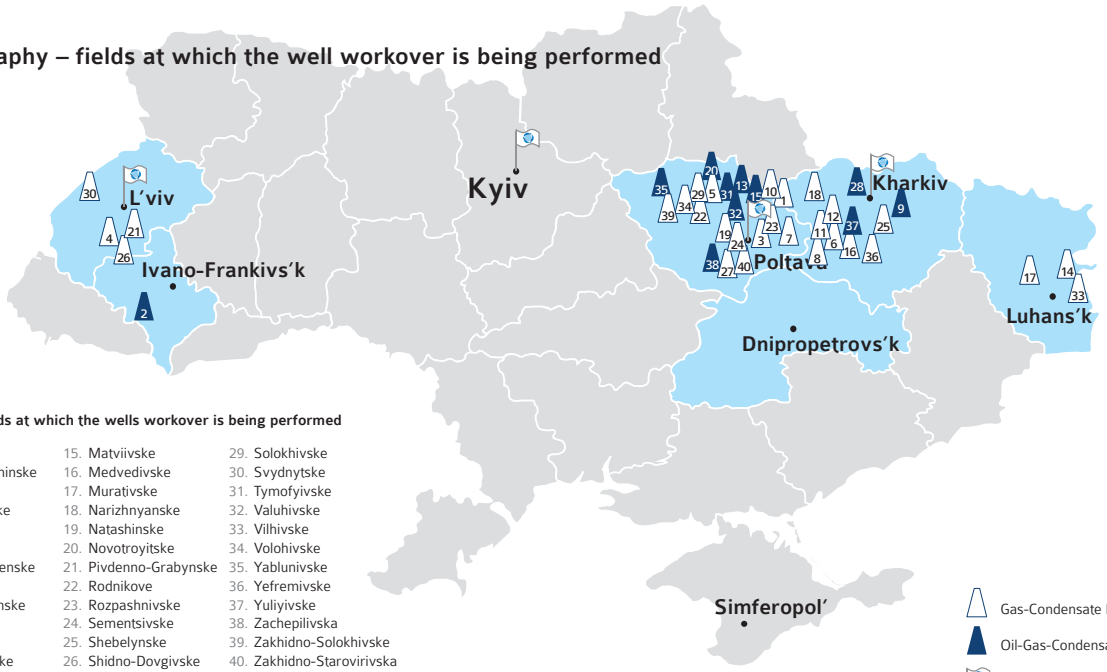
- produces around 15 bcm of gas annually
- a dominant gas producer in Ukraine with 72% market share
- 134 fields under development
- more than 2,300 operating wells
- 10 compressor stations
- around 22,000 people employed
- annual revenues in range of KSEK 9,000,000

Misen Enterprises AB is responsible for procuring from either its own resources or from third parties commercial funding for the financing of the twenty-two projects if not sufficiently funded by the cash flow from the projects. This responsibility ultimately rests with the Company as the 100% owner of Misen Enterprises AB.

LLC Karpatygaz is the Ukrainian member of the Misen Group and is the operator of JA. It has four offices in Ukraine – headquarters located in Kiev (Kyiv) and regional branches in Kharkov (Kharkiv), Poltava and Lvov (L'viv). A strong oil and gas competence and deep understanding of local business environment is made possible by a professional team of employees. The main task of LLC Karpatygaz is to ensure efficient planning, development and operation of JA projects as well as timely and professional implementation of modern know-how and technologies in Ukraine.

According to the JAA, net profits after tax earned by all participants during the first three years of JA will be reinvested in funding the investment programmes, which means that no dividend from JA is expected until 2015.

JA Geography – fields at which the well workover is being performed

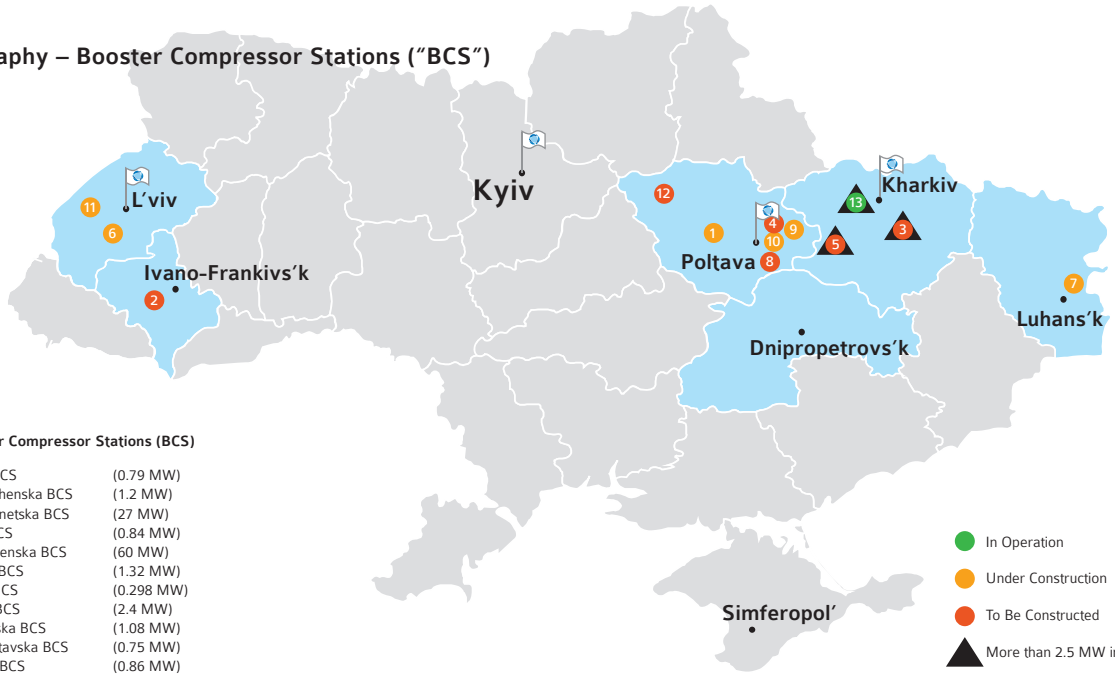


The list of fields at which the wells workover is being performed

1. Berezivske
2. Bytkiv-Babchinske
3. Chutivske
4. Dubanevytske
5. Gadyatske
6. Kehychivske
7. Khrestyshchenske
8. Kobzivske
9. Korobochkynske
10. Kotelevske
11. Kotlyarivske
12. Krasnokyutske
13. Kulychykhinske
14. Markivske
15. Matviivske
16. Medvedivske
17. Muratività
18. Narizhnyanske
19. Natashinske
20. Novotroyitske
21. Pivdenno-Grabynske
22. Rodnikove
23. Rozpashnivske
24. Sementsivske
25. Shebelynske
26. Shidno-Dovgivske
27. Skhidno-Poltavske
28. Skvortsivske
29. Solokhivske
30. Svydnytske
31. Tymofyivske
32. Valuhivske
33. Vilhivske
34. Volohivske
35. Yablunivske
36. Yefremivske
37. Yuliyivske
38. Zachepilivska
39. Zakhidno-Solokhivske
40. Zakhidno-Starovirivska

Gas-Condensate Field
Oil-Gas-Condensate Field
Misen / Karpatygaz office locations

JA Geography – Booster Compressor Stations ("BCS")



List of Booster Compressor Stations (BCS)

1.	Abazivska BCS	(0.79 MW)
2.	Bytkiv-Babchenska BCS	(1.2 MW)
3.	Chervonodonetska BCS	(27 MW)
4.	Chutivska BCS	(0.84 MW)
5.	Khrestyshchenska BCS	(60 MW)
6.	Letnyanska BCS	(1.32 MW)
7.	Markivska BCS	(0.298 MW)
8.	Mashivska BCS	(2.4 MW)
9.	Rozpashnivska BCS	(1.08 MW)
10.	Skhidno-Poltavska BCS	(0.75 MW)
11.	Svydnytska BCS	(0.86 MW)
12.	Yablunivska BCS	(TBD)
13.	Yuliyivska BCS	(7 MW)

In Operation
Under Construction
To Be Constructed
More than 2.5 MW in power
Misen / Karpatygaz office locations

Ukrainian gas market

Reserves

Ukraine's proven natural gas reserves constitute 1.1 trillion cubic meters, 71% of which is licensed to PJSC Ukrgasvydobuvannya. Two other State companies are licensed with 17% of the country's proven gas reserves. The remaining 12% is shared among the private corporations and other JAs between private and State companies.

Production

Ukraine's domestic natural gas production in 2013 made up 21 bcm, with PJSC Ukrgasvydobuvannya producing 15.1 bcm (72% market share), from which 0.92 bcm were produced by enterprises established under JAAs. The total gas production by private producers amounted to 2.3 bcm. In 2013 Misen Group led JA surpassed other private producers and became the leading market player by producing 0.684 bcm.

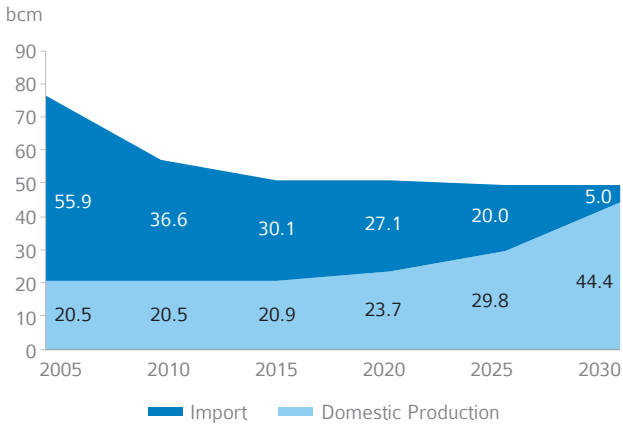
Consumption

In 2013 Ukraine's natural gas consumption was 50.4 bcm. Out of that, 21 bcm were produced locally, around 27.9 bcm was imported, and around 1.5 bcm was used from the underground storage facilities.

Imports are distributed as follows: around 18.6 bcm was imported from OJSC Gazprom, 8.0 bcm was bought from Ostchem Holding AG, and 1.3 bcm from RWE Supply & Trading GmbH.

Ukraine's natural gas consumption is decreasing due to reduced industrial consumption and increasing energy efficiency. Investments made by the Misen Group will allow domestic production to be sustained and increased, thus contributing to Ukraine's energy independence. Overall, Misen Group led JA is expected to facilitate an increase of gas production in Ukraine by 28 bcm accumulated for the period till 2030.

Natural gas balance



Source: Ukraine's Energy Strategy, Ukrgasvydobuvannya feasibility study, Joint activity Agreement Amendments No.4, No.5 and No.6

Pricing

Natural gas consumers in Ukraine could be divided into three distinct groups: households, utilities and industrial. Sales of natural gas to households and utilities are regulated by the State defined tariffs; meanwhile commercial consumers are buying gas in the open exchange (unregulated environment). Other types of customers and gas usage include the government, power generation plants and gas for technical purposes.

Significant price difference could be observed between the regulated and unregulated prices. The regulated price is subsidized by the government and is ranging from about SEK 320 (households) to SEK 960 (utilities) per thousand cubic meters.

The unregulated price is approximately SEK 2,550 per thousand cubic meters. It is fairly high due to the existing contract with the OJSC Gazprom, which has become one of the major political-economic issues for the country and created a series of the Russia–Ukraine gas disputes over natural gas supplies, prices, and debts. These disputes have grown beyond simple business disputes into transnational political issues and have threatened natural gas supplies

in numerous European countries dependent on natural gas imports from Russian suppliers, which are mostly transported through Ukraine. Russia provides approximately a quarter of the natural gas consumed in the European Union. Despite the newly opened NordStream pipeline under the Baltic Sea, more than two-thirds of those exports travel through the pipelines across Ukraine prior to arriving in the EU.

With Ukraine declining to sign an Association Agreement with EU in late 2013 and turning to Russia for economic assistance, Russia reacted with a proposed KSEK 97,000,000 bailout programme, part of which was reduction of price for the natural gas to SEK 1,750 for the first quarter of 2014. Following the latest developments in Ukraine it is uncertain if this discounted price will continue as of Q2 2014. Misen Group is assessing the impact on the financial results of Q1 2014 and will be reporting to the market in due time.

A private enterprise, defined at a minimum of 50.01% private ownership, operating in the local gas market, as is the case of the JA, is only allowed to sell under the unregulated tariff. This has created a historic precedent for State companies like PJSC Ukrgasvydobuvannya to enter into the JAAs with the private producers in order to facilitate part of production under the unregulated tariff, thus creating platform for income and investments into aging infrastructure.

Despite numerous increases in the gas price for households and rising of the heating tariffs, both remain among the lowest in Europe and well below import parity.

Gas balance

All gas contained in Ukrainian gas transportation system, including underground gas storage facilities, is accounted for in the technical gas balances. These gas balances are used for hydrocarbons transportation, accounting, storing and sales purposes. The biggest challenges for the Misen Group in 2013 were directly related to irregularities with the gas balance. Production of the Misen Group led JA was allowed to be transported into the underground storages, but numerous formal technical issues prevented this gas from being accepted into the transportation grid becoming available to the sales channels and end-users. No sustainable solution has been found in 2013, and the Company ended the year 2013 with five months of production involuntarily being kept in the underground storages.

The Company

Board of Directors
The Boards of Directors of the Company and Misen Enterprises AB each comprise the same members.

Tore I. Sandvold, Chairman of the Board of Directors (since 2011)
Mr. Sandvold has over 30 years of experience in the energy sector. Currently he serves as a member of the main Board of Directors of Schlumberger Limited, Houston, Texas, the world's largest oilfield services company. Mr. Sandvold served as General Director of the Norwegian Ministry of Oil & Energy, with overall responsibility for Norway's national and international oil and gas policy from 1990 to May 2001. He joined the Norwegian Ministry of Industry, Oil & Energy in 1973, serving in a variety of positions in the area of domestic and international energy policy. In 1987, he accepted a diplomatic posting as the Counsellor for Energy in the Norwegian Embassy in Washington, D.C.

Other assignments:
- Director of Rowen Companies plc (since 2013)
- Director of Teekay Corporation (since 2003)
- Chairman of Sandvold Energy AS, an advisory company in the energy business (since 2002)
- Chairman of the Board of Petoro AS, a Norwegian state-owned oil company (2001-2002)
- Board member of Lambert Energy Advisory Ltd
- Chairman of Njord Gas Infrastructure
- Board member of the Energy Policy Foundation of Norway

Tore I. Sandvold holds a Master of Business Administration (MBA) and a Master of Science (MS) from the University of Wisconsin, USA.

Dimitrios Dimitriadis, Board Member (since 2011)
Mr. Dimitriadis is a founding member and managing partner of DD Partners AG. DD Partners AG is a Zürich (Switzerland) based globally acting office offering broad wealth structuring and managing consulting services for international companies and individuals. He acts as a senior fund manager of several special opportunities funds. Prior to DD Partners AG, Mr. Dimitriadis worked for more than 15 years at various Swiss financial institutions. He shared responsibility for asset allocations and investment activities as a member of the management in mutual funds and major single portfolios. Furthermore he acted as a leading negotiation and contracting partner for financial services partners. His experience includes international relationship management of HNWI customers.

Other assignments:
- Senior Consultant at Windberg Management Consulting GmbH in Switzerland
- Adviser and representative for Russian, Greek and Bulgarian clients in the energy and construction industry
- CEO Limecom Swiss, a global acting Telecommunication Company
- Chairman of DMP Bacterin, a global acting medical device company

Dimitrios Dimitriadis holds a degree in economics of the University of Zürich and AZEK, Swiss Training Centre for Investment Professionals. His earlier studies contain a pre-degree in human medicine of the University of Zürich as well as a Swiss federal diploma in dental laboratory technology.

Knud H. Nørve, Board Member (since 2011)
Mr. Nørve is CEO of Infragas Norge AS, a wholly owned subsidiary of Canadian PSP Investments with the prime responsibility for managing PSP's interests in the Norwegian gas export system – Gassled. Earlier he was a senior partner in Rystad Energy AS, the leading oil and gas business consultants in Norway. Previously he worked with Innovation Norway as an Energy & Technology Counsellor at the Norwegian Embassy in London.
Mr. Nørve has more than 20 years of varied experience in the oil and gas sector. As a petrophysicist with Norsk Hydro he acquired hands on geology and reservoir engineering experience.

Other assignments:
- Head of Operations at Neste Petroleum (later Fortum Petroleum) where ultimately he was responsible for petroleum technology, asset management, commercial, gas infrastructure and crude sales. Mr. Nørve played a key role in Fortum's divesting of its Middle East and NCS portfolio
- Partner and Director in ECON Analysis with a brief to build a research and consulting team to serve the oil and gas business sector
- Board member of Jurlaco AS

Knud H. Nørve holds an M.Sc. and graduated as petroleum geologist and petroleum engineer from the Norwegian University of Science and Technology (1988).

Hans Lundgren,
Board Member (since 2011)
Mr. Lundgren is a partner and investment director of the Swedish venture capital fund Sustainable Technologies Fund. In that capacity he serves on the Board of Hexaformer AB, a transformer manufacturer.

His previous experience include 12 years with Vattenfall AB in Sweden (EUs 4th largest electricity producer) where he was Vice President of Corporate Strategy and prior to that Deputy Head of Business Area International with responsibility for all overseas investments in Vattenfall AB, which were primarily located in Asia and Latin America.

Prior to these appointments he was a management consultant for McKinsey and Co. for 10 years, first in Munich, Germany and then in Stockholm, Sweden.

Other assignments:
- Investment manager with Industor AB, Stockholm, a private equity company
- Undersecretary for planning with responsibility for privatizing Swedish state-owned companies at the Ministry for Industry and Commerce in Stockholm
- Assistant science counsellor at the Swedish Embassy in Bonn, Germany
- Research engineer at ABB in Västerås, Sweden

Hans Lundgren holds a Master of Science in engineering physics at the Royal Institute of Technology in Stockholm and an MBA at the Stockholm School of Economics and Business Administration.

Sergiy Petukhov,
Board Member (since 2013)
Mr. Petukhov currently serves as a Corporate Relations Officer at LLC Karpatygaz. Mr. Petukhov has experience working as a lawyer in the chemical and gas industries in Ukraine. He previously worked in the M&A department of Group DF Limited, one of the biggest private companies in Ukraine.

He was involved in various projects in chemical, gas, banking and real estate businesses.

Other assignments:
- Served in the Supervisory Board of several regional gas supplying companies in Ukraine

Sergiy Petukhov holds an LL.M in International Commercial Law from the University of Cambridge. His earlier studies contain Bachelor of Law from the National Taras Shevchenko University of Kyiv, Ukraine and UK Diploma in German, University of Cambridge.

Dr. Andrius Smaliukas,
Board Member (since 2013)
Dr. Smaliukas is a Dispute Resolution Partner at LAWIN, the leading Pan-Baltic law firm. He is actively engaged in arbitration and serves as an arbitrator and counsel to numerous international and domestic arbitration proceedings. The World's leading commercial arbitration guide (Guide to the World's Leading Experts in Commercial Arbitration, 2009) recognizes Dr. Smaliukas as a leading arbitration expert in Lithuania. Dr. Smaliukas also has

corporate governance experience including experience serving as a board member and advising the board on corporate governance and legal compliance issues.

Other assignments:
- Member of International Council for Commercial Arbitration (ICCA)
- Member of International Bar Association and Lithuania Bar
- Recommended arbitrator of Vilnius Court of Commercial Arbitration
- Member of Permanent Court of Arbitration, appointed by the Government of the Republic of Lithuania
- Arbitrator at the Permanent Court of Arbitration in the Hague
- Member of the official working group revised the Law on Arbitration of the Republic of Lithuania
- Associate professor at the Faculty of Law Vilnius University, reading lectures of Contract law and Property law
- Head of Law and Business administration MBA program at Vilnius University International Business School also reading lectures of Disputes Resolution under EU laws
- Member of the Committee for Supervision of the Civil Code, appointed by the Minister of Justice of the Republic of Lithuania

Dr. Andrius Smaliukas holds Ph.D and Master of Laws degrees of Vilnius University, LL.M from Queen Mary & Westfield College, London University, executive education of University of Cambridge Judge Business School and Harvard Law School. His studies also contain Knowledge Management programme at Oxford University, research scholarship at UNIDROIT, OSI/FCO Chevening scholarship (postgraduate studies) at Queen's College, Oxford University.

Board Committees
At the Company's board meeting on 26 June 2013, the board appointed an audit committee and a remuneration committee within the board.

The Audit Committee comprises:
- Dimitrios Dimitriadis as chair
- Knud H. Nørve as member
- Sergiy Petukhov as member

The Remuneration Committee comprises:
- Hans Lundgren as chair
- Tore I. Sandvold as member
- Dr. Andrius Smaliukas as member

The major shareholders of the Company will propose to the AGM 2014 that a Nomination Committee be appointed, comprising Sergiy Probylov as chair and members Tore I. Sandvold, Dimitrios Dimitriadis and Sergiy Petukhov. Until the AGM 2014, the major shareholders have asked the same persons to function as Nomination Committee and thus to make the proposals to be made by the Nomination Committee for the AGM 2014.

Management
Management of the Parent company comprises:

Tore I. Sandvold serves as the Group CEO

Göran Wolff, Managing Director and the Company's CFO
Mr. Wolff has been CFO of Misen Energy AB since February 2012. He has more than 30 years of experience from business administration in industrial operations. He has had a range of assignments as CFO and controller in Swedish listed as well as privately owned companies, most recently with Geveko, a listed company on a small cap list at NASDAQ OMX. Mr. Wolff holds a BA in business administration from the University in Gothenburg.

Vaiva Burgyte Eriksson, Chief Legal Officer
Ms. Burgyte Eriksson has worked as an attorney-at-law for 13 years, initially with White & Case Advokat AB, both in Stockholm and Moscow, and later with Ashurst Advokatbyrå AB. She specializes in private and public M&A (including private equity), general corporate law and acquisition finance. Ms. Burgyte Eriksson holds LL.M. from the School of Business, Economics and Law at the University of Gothenburg.

Pavel Stolayev, Group Controller, ACCA
Mr. Stolayev is experienced in investment banking and professional consulting. He worked at Ernst&Young LLC Ukraine in Transactions Advisory Services Department as Senior.

Mr. Stolayev holds a diploma with a distinction from Donetsk University of Economics and Law. He has attended training programs at Deloitte Academy, International Business Institute, Kyiv. Mr. Stolayev is member of ACCA since 2011.

Ownership structure
Shareholder list as of 15 November 2013

Shareholder	Number of shares and votes	Percentage of shares and votes
Nellston Holdings Ltd. (CY)	43,001,100	29.64%
Norchamo Ltd. (CY)	43,001,100	29.64%
Blankbank Investment Ltd. (CY)	28,667,400	19.76%
Forest Walkway AB (SE)	14,333,700	9.88%
TCT Holding AB (SE)	14,333,700	9.88%
Electromedicinska AB (SE)	111,000	0.08%
Clients account – DCS, Deutsche Bank (DE)	100,297	0.07%
Försäkringsaktiebolaget, Avanza Pension (SE)	60,513	0.04%
Pictet & Cie (CH)	30,360	0.02%
Robur Försäkring	30,239	0.02%
Michäl Nord	28,342	0.02%
Goce Kostovski	28,307	0.02%
Dimitrios Dimitriadis	24,068	0.02%
Stefan Melander	23,934	0.02%
AB SEB Bankas Client (LT)	22,466	0.02%
Others	1,271,696	0.87%
Total:	**145,068,222**	**100%**
Shareholders with less than 10% of shares and votes:	30,398,622	20.95%

All shares are fully paid up.

Significant events during the financial year

General

The acquisition of Misen Enterprises AB on 1 July 2011 and the subsequent indirect majority ownership of the Ukrainian JA obtained, imply a total change in business focus for the Company. This was demonstrated clearly in the consolidated profit for 2011 and 2012, where profit after financial items amounted to about MSEK 110 and MSEK 343 respectively and the Group's operating cash flow was MSEK 96 and MSEK 284 respectively. This trend was deteriorated by the emerging problems with the sales of the gas produced in 2013. As a result, consolidated profit after financial items in 2013 was MSEK 268, a 22% decrease compared to the previous year. Earnings per share declined from SEK 1.83 in 2012 to SEK 1.43 in 2013. Despite this, both production and the number of wells in operation have increased. At the end of 2013 the number of producing wells amounted to 56. The JA's operations were investment intensive in 2013. The Group's share of investment in the renovation of gas wells and purchase of production equipment amounted to MSEK 371 compared with MSEK 573 in 2012. Investment requirements will continue to be substantial, which is why the JAA stipulates that no dividend will be made until the year 2015 at the earliest. The Group's cash flow, which, in 2013, amounted to MSEK 217 before changes in working capital, is expected to cover most of the future investment requirements.

Gas balance situation

In the second quarter of 2013, the Company and its subsidiary in Ukraine, LLC Karpatygaz, started experiencing challenges related to the sales process of locally produced natural gas. All natural gas produced, transported, stored and allocated to the final consumers is registered on a monthly basis by Ukrainian State bodies in the gas balancing process. As from April 2013, certain irregularities have been observed with respect to this procedure and payments for the produced natural gas have been partially delayed.

Eventually, gas produced in April – July was sold, but by October 2013, the Company observed and reported on continuing challenges and the fact that subsidiary LLC Karpatygaz had not been included into the balancing process for August – September, forcing the Company to store all of its produced natural gas in the underground storage till later notice. This pattern continued throughout the rest of 2013 and as of the end of the year, the gas produced during the last five months of 2013 (August through December) remained excluded from the gas balance and was being kept in the underground storage. As a result, only part of the production could be sold and invoiced, mostly gas condensate and oil.

Not being able to sell its production entitlements, the Company's subsidiary LLC Karpatygaz became late with payments to its contractors and suppliers, both domestic and international. Extensions were negotiated with suppliers as well as with the JA partner PJSC Ukrgasvydobuvannya regarding rescheduling in the JAA investment program.

As of October 2013, LLC Karpatygaz as the operator of JA became late with the tax payments in Ukraine, mostly for subsoil use and VAT. During the third quarter, the collected accounts receivables from the sales of earlier months allowed LLC Karpatygaz to settle most of the penalties with the Ukrainian tax authorities. However, continuing challenges with the sales in the fourth quarter have led to increasing accumulation of late tax payments (subsoil and corporate profit tax ("**CPT**").

As of the end of 2013, no permanent solution to the problem with the gas balance has been found. JA is forced to keep five month's production in the underground storage, amounting to 298 mmcm of natural gas. This is having a negative impact on both the income and the cash flow of the Misen Group. Due to the Company subsidiary's inability to sell production entitlements, there is a growing uncertainty for the future business and going concern.

The Company has been working on several different options to find a solution to the problems described. In November 2013 the Company submitted a letter to the Ukrainian Ministry of Energy and Coal Industry notifying of what the Company regards as discriminatory, unequal and unfair treatment of the Company's investments in Ukraine. In the letter, the Company claims that the actions of Naftogaz

Ukraine (State company in charge of the gas balancing process) of excluding the JA gas from the gas balance is a violation of Ukrainian national legislation and Ukraine's international obligations under the Agreement between the Government of Ukraine and the Government of Kingdom of Sweden concerning the Promotion and Reciprocal Protection of Investments (the bilateral investment treaty, BIT), as well as under the Energy Charter Treaty. As of the end of 2013, there was no reaction received from the Ukraine and the Company was thus preparing to submit a formal notice of claim on this matter to the State of Ukraine.

Please also refer to chapter Essential events after end of the year 2013.

Financing from the Fund

Within the framework of the financing agreement between the Company and a Dutch financing fund (Stichting Bewaarder Pluribus Optimum Fund), whereby the Company has been granted a financial facility of up to KEUR 7,500 (corresponding to approximately KSEK 66,200), a tranche of KEUR 1,875 (KSEK 16,550) was drawn down in 2013. Accordingly, the total debt under the financing agreement as of 31 December 2013 was KEUR 4,200 (KSEK 37,502). This facility has been introduced to secure long-term financial requirements for the Company's Swedish operations. In December 2013 the fund, however, exercised its right to suspend further disbursement of financing, referring to the Company's operational challenges and gas balance issue. As of the end of 2013, the Company has been engaged in negotiations with the fund and expects to reach a settlement shortly.

Please also refer to chapter Essential events after end of the year 2013.

Joint Activity Agreement (JAA)

In accordance with the Amendment No. 5 to the JAA, the Company's subsidiary Misen Enterprises AB was obliged to contribute KUSD 12,516 (corresponding to approximately KSEK 80,685) no later than 25 February 2014. In the light of the challenging situation, the Company subsidiaries have entered into negotiations with PJSC Ukrgasvydobuvannya regarding extension of this obligation. There is full understanding and support by all the parties involved and an agreement on such extension is expected to be signed shortly.

As it has been stated in 2013 Q2 report, in April 2013 the parties of JA signed the Amendment No. 6 to the JAA. However, due to the challenging situation with the gas balance that affects all parties of JA, the JAA Amendment No. 6 is still pending the approval with the Ukrainian State authorities, leading to a possibility where it might be cancelled or modified into a new amendment(s) to the JAA.

Formally, the Company considers that the Amendment No. 6 has been signed, until agreed otherwise. However, the Company is not enforcing it until the final formalities with the Ukrainian State authorities have been settled. As previously reported, the Amendment No. 6 will increase the size and scope of the JA project. To assess this, the Company plans to commission a technical audit (in the form of Competent Persons Report) of reserves and resources that have been additionally allocated to JA by the Amendment No. 6. The Company's commitment to facilitate additional financing to JA, when required, was increased to up to MSEK 3,900. This amount is recorded as contingent liability in the Misen Group's accounts.

The Company continues monitoring the situation and will report as new developments take place.

Please also refer to chapter Essential events after end of the year 2013.

Investment program report

As of the end of the year 2013, the Company has reached the following major milestones:

- KSEK 844,238 has been invested into the JA development program during 2013, meanwhile the total investment into JA since 2011 constitutes KSEK 1,797,768 (calculated using the exchange rate as of 31 December 2013)
- 56 wells have undergone completed renovation and/or drilling and have been put into production

- 3 wells are undergoing workover
- 17 wells workover has been suspended (temporary measure due to difficulties in financing further works)
- 1 major Yuliyivska BCS (8MW) has celebrated one-year anniversary of its successful operation
- 2 smaller BCS (1.08 MW and 0.75 MW) have been constructed and are to be launched pending final paperwork clearance
- 11 commercial metering stations and centralized Control Dispatch for real-time production monitoring have been commissioned
- 1.2 bcm of gas have been produced since project's inception in 2011

Yuliyivska BCS represents the first installation of such kind and magnitude in Ukraine, initiated and operated by the joint State and private initiatives. The plant is equipped with the two turbo-compressor units Centaur-40 produced by Solar Turbines (USA) and supporting engineering infrastructure provided by a range of leading West European and US manufacturers that will allow maintaining the required operating parameters of Yuliyivske oil, gas and condensate fields and will ensure sustained annual gas production volumes during the subsequent 20 years (JA life cycle) and longer. It is an object of strategic importance to Ukraine on its path towards increasing energy independence.

Yuliyivska BCS is currently facilitating production of more than 50 mmcm of gas per month. Incremental production owned by Misen is around 3.5 mmcm of gas and 250 tons of condensate per month. The total project cost was in the range of KSEK 200,000 financed by the local and international banks.

In accordance with the JAA, during 2013, the Company has constructed additional commercial metering stations, bringing the total number to 11 and has increased capacity of the centralized Control Dispatch for the on-line production monitoring. The outcome is a significant improvement in accuracy of data gathering and provision of the real-time reaction capability. The network of metering units installed within a group of wells has yielded an increase of 3-5% in production result, mostly owing to the possibility of obtaining data with commercial accuracy.

Production report

Despite issues with the gas balance and adjusted investment program, the Company continued producing as planned during the second half of 2013.

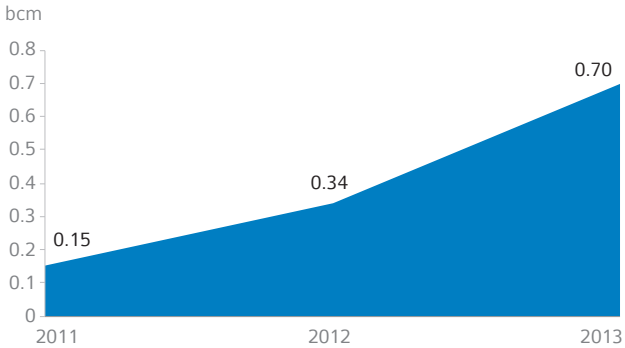
The table below sets forth the **average daily production** indicators by the end of the period:

	Year-end 2013	Year-end 2012	Year-end 2011
Natural Gas (mmcm)	2.0	1.2	0.8
Gas Condensate (tons)	98.0	45.8	19.6
Oil (tons)	70.7	60.0	13.1

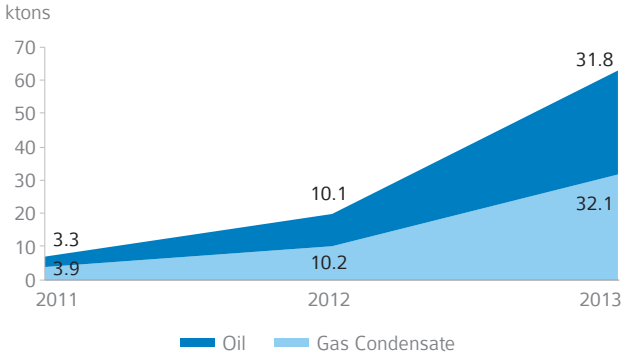
The table below sets forth the **accumulated production** indicators for the specified period:

	Year 2013	Year 2012	Year 2011
Natural Gas (mmcm)	684	343	153
Gas Condensate (tons)	32.1	10.2	3.9
Oil (tons)	31.8	10.1	3.3

JA natural gas production



JA oil and gas condensate production



During the fourth quarter 2013, JA operated by the Company's subsidiary LLC Karpatygaz has stepped over a symbolic benchmark of producing 1 bcm of natural gas since the project's inception in its current form in 2011.

Competent Persons Report

During 2013, the Company has been assessing and verifying the hydrocarbon reserves and resources allocated to JA. The independent global services and technology company AGR-TRACS International Consultancy Ltd. (Norway-Russia) was engaged by the Company to prepare an independent Competent Persons Report ("**CPR**") of the petroleum reserves and resources attributable to the Company's subsidiaries of Misen Enterprises AB and LLC Karpatygaz as parties of JA.

The CPR has been based on data as of 1 January 2013 and follows the specifications of the JAA Amendment No. 5.

In the third quarter 2013, the major CPR chapters covering three product categories of natural gas, liquefied petroleum gas (LPG) and condensate were concluded. As of the end of 2013, assessment of oil reserves and resources remains work in progress.

The CPR concludes the following **net reserves of the Company** for all projects included in JA for the development period of 2013 – 2030:

	1P	2P
Total Gas Reserves (bcm)	14.06	17.15
Total LPG Reserves (MMbbls)	1.57	2.27
Total Condensate Reserves (MMbbls)	2.88	3.38

This implies an incremental gain in project potential, well in excess of the planned and previously announced production of 21.5 billion cubic meters (the Company's net 10.8 billion cubic meters), which was originally agreed by the JAA Amendment No. 4 as the project was initiated.

Essential events after end of the year 2013

Gas balance situation
The pattern of being excluded from the gas balance continues in the first quarter of 2014 and in February the Company has accumulated an inventory of six months of JA production of natural gas in the underground storage.

To address the situation, on 13 January 2014 the Company submitted to Ukraine a formal Notice of Investment Dispute under the Agreement between the Government of Ukraine and the Government of the Kingdom of Sweden concerning the Promotion and Reciprocal Protection of Investments (BIT). If the problems described in the Notice of Investment Dispute cannot be settled within six months, the Company reserves its right to submit the dispute for international arbitration in accordance with the BIT.

As of the end of March 2014 the Company negotiated sales of 128 mmcm of the natural gas. 88 mmcm from this constitutes 50% of production volumes from Q1 2014, and 40 mmcm have been allocated from the stock produced in 2013 and stored in the underground storages. This allowed the Company's subsidiary LLC Karpatygaz to initiate a series of payments associated with JA's tax debts.

Sales of additional production entitlements are being negotiated. Management trusts that the situation with production to storage could be discontinued, and uncertainty for the future business and going concerns is thus expected to decrease.

Financing from the Fund
A settlement has been reached with the Dutch financing fund, whereby the Company has been granted financing sufficient for the Company's Swedish operations for the year 2014. The total financial facility of up to KEUR 7,500 (corresponding to approximately KSEK 66,200) remains unchanged. As collateral for the loan 10% of the shares in Misen Enterprises AB have been pledged to the Fund.

Observation List
On 24 January 2014, the Company was transferred to the Observation List on the First North NASDAQ OMX Nordic Exchange Stockholm AB. The reasons for assigning the Company an observation status are not primarily related to the ongoing financial difficulties, but are rather triggered by concern over the Company's control of its assets and the overall uncertainty related to the turbulent political and economic situation in Ukraine.

Under the Swedish stock exchange rules, transfer to the Observation List is a signal to the market/shareholders that the development of the company should be closely monitored. The Company shall continue following the situation and will be reporting on material developments as they occur.

Amendment No. 6 to the JAA
On 21 February 2014, a new Amendment No. 6 to the JAA has been signed and is pending approval with the Ukrainian State authorities. This was preceded by negotiations regarding extension of the Company's subsidiary Misen Enterprises AB obligation to contribute to JA KUSD 12,516 (KSEK 80,685) under the Amendment No. 5. With the full support and understanding from all related parties, the newly signed amendment provides greater authority to JA's Management Committee, which in turn agreed on extension of Misen Enterprises AB obligation to contribute funding until 31 December 2014.

In addition, Amendment No. 6 excluded inoperative well stock that fell under the expiring licenses held by PJSC Ukrgasvydobuvannya, thus addressing and mitigating company-related license risks.

The above-mentioned signing of Amendment No. 6, effectively cancels the previously signed and announced Amendment No. 6 (in April 2013). The Company's commitment to facilitate additional financing to JA, when required, has been reduced to the original value of UAH 3 billion (approximately KSEK 1,760,000) and will be reflected in 2014 reports under contingent liability in the Misen Group's accounts.

Exchange rate risks

Due to the political instability in Ukraine during the first quarter of 2014 the rate for UAH towards SEK has decreased from 0.7718 on 31 December 2013 to 0.5750 on 31 March 2014, or -27.7%. Since the Groups´ operations and net assets are almost entirely located to Ukraine this could cause possible negative effects on the Groups´ net assets if sustained.

The Company's cash flow and income are hedged against depreciation since the sales price is linked to the gas import price in USD. Up to 70% of the Company's expense is subsoil charge, which is also directly linked to the gas and oil prices in USD. As for the rest of the costs, they will most likely increase in line with the prices in USD, hence currency fluctuations should be offset. The Company will continue monitoring the situation and will inform the market accordingly.

Results - the Misen Group and the Company

For the whole year operating profit of the Misen Group was KSEK 277,122 (KSEK 350,673) and the Misen Group result after the financial items for the year was KSEK 267,561 to be compared to KSEK 342,892 in 2012. The lower result is due to the fact that turnover increase was mainly achieved through growth in sales of gas condensate and oil, which have lower profitability compared to the gas. The gas production has continued to increase throughout the whole year of 2013, but a significant portion of it has to be kept as inventory.

The significant improvement in financial performance commencing in 2012 has not continued in 2013 and this is attributable to the reasons described above. The main activity of JA is the extraction and sale of gas in the Ukraine. During 2013, JA has further extended the number of production wells.

During 2013, the gas production within JA totalled 684 mmcm (343 mmcm in 2012), generating a turnover of KSEK 1,236,000 (KSEK 1,195,000) of which 50.01 % is attributable to the Misen Group´s interest in JA. Due to the governmental regulations, five months of JA production of natural gas is kept in storage as of the end of 2013.

The Company's´ loss after the financial items for the year of 2013 was KSEK -24,565 to be compared to KSEK -11,062 during last year.

During 2013, the Misen Group revenue was KSEK 623,575 (KSEK 586,646) while the Company revenue in the same period amounted to KSEK 2,730 (KSEK 9,542).

During 2013, JA experienced problems with its gas not being accepted in the Ukrainian gas balance. As a result of this, nothing of the gas production in the fourth quarter 2013 has been sold and invoiced to the customers, while five months' production is involuntarily kept in stock. The inability to sell and invoice five months production has affected both income and cash flow negatively in 2013.

The margin in JA has been suffering from the dropping market prices on gas, higher subsurface charges levied by the Ukrainian State as well as increased sales of gas condensate and oil, which have lower profitability compared to gas.

Cash position

As of 31 December 2013, the cash balance of the Misen Group was KSEK 949 (KSEK 13,325). The cash flow from operations before changes in working capital was KSEK 217,409 in 2013 (KSEK 284,420).

Capital expenditure

The Misen Group´s capital expenditure on equipment for gas production in Ukraine related to the JA activity in 2013 amounted to KSEK 370,668 (KSEK 404,378).

During the accounting year, capital expenditure orders not yet delivered have been placed at an aggregate value of KSEK 633,447. The capital expenditures are equipment, constructions and constructions in progress for extraction of natural gas. The activities are capital intensive and the level of capital expenditures will be continuing on a high level.

Expected future development of the Company

Provided the situation with the gas balance is resolved within the year 2014, the operation of the JA is expected to develop in a positive way with a continuous substantial growth in production and sale of gas resulting in increased profits and a positive cash flow from operations creating increased shareholder value. In order to achieve this, profits for 2013 will be re-invested in the activities of the JA and no dividends are expected from the JA until 2015, all in accordance with the regulations of the JAA. In the near future however, the abovementioned problems with the gas balance will continue to negatively impact on the Misen Group income and cash flow.

Please also refer to the description of problems with the gas balance described earlier in this report.

Environmental impact

The JA operations have an impact on the environment in Ukraine, which is governed by laws and conventions, which in turn control the JA´s operations as regards to the environment. Oil and natural gas operations are subject to exten-

sive regulations with respect to the environment at both international and national levels. Environmental legislation covers the control of water and air pollution, waste, licensing requirements, restrictions on operations in environmentally sensitive and coastal areas. Environmental regulations are expected to become more stringent over time and are likely to result in increasing costs. The Misen Group meets the environmental requirements in order to maintain existing licenses or obtain new ones.

Financial and other risks

The Misen Group focuses on field near exploration and production of hydrocarbons in Ukraine. In this activity, the Company works with a complex set of industry-specific risks such as price trends for oil and gas, currency risk and interest rate risks. Other risks relate to regulatory matters with respect to investigations, processing and environment and uncertainty in the value of the completed exploration work programmes and the subsequent field developments. With operations currently focused on production from existing reserves rather than green field exploration, exposure to the latter risks could however be considered as being moderate.

In 2012 the Company has initiated and in 2013 continued a process that aims to investigate what measures are needed to extend licenses expiring in 2018, as most of the licenses formally expire at that time. It is not expected that any problems will arise related to license period extensions.

The need for funding that may arise in 2014 will be handled through extended credits and, if necessary, adjustments in the investment program (please see chapters above). The major part of the current assets is represented by inventories, which are reported at production value, indicating that when sold, the cash flow from inventories will be substantially higher than amount reported in the balance sheet.

As a result of the problems with the gas balance, the JA has broken covenants connected to the bank loans and leasing agreements. Therefore all loans in the JA are defined as short-term in the balance sheet. With a mutual understanding of the situation and trust that production to storage could be discontinued in 2014, the Company's subsidiary is negotiating extensions with the creditors and suppliers.

Political risks

As mentioned in the annual report 2012, Ukraine in recent years has undergone a profound political and social change. The value of the Misen Group assets may be affected by uncertainties such as political or diplomatic developments, social or religious instability, changes in government policies, taxation and interest rates, restrictions on currency repatriation and other political and economic development of laws and rules in Ukraine. These risks relate in particular to expropriation, nationalisation, confiscation of assets and legislative changes concerning the level of foreign ownership.

The Company is concerned with the latest events in Ukraine that started evolving during the fourth quarter 2013. At present the Company is experiencing a range of negative impacts observed on the Misen Group level as described in previous chapters. The Company continues monitoring the situation.

Proposed appropriation of profits

The following profits are at the disposal of the Annual General Meeting:

Retained earnings and share premium reserve	697,465,336
Net loss for the year	-24,565,348
	672,899,988

The Board of Directors proposes that profits brought forward be appropriated as follows:

To be carried forward	672,899,988
	672,899,988

For information regarding the result of the Company's operations and its financial position, please refer to the income statement and balance sheet below, with accompanying supplementary information which, together with the administration report, constitute an integral part of this annual report.

Financials – the Misen Group

All amounts are reported in KSEK, unless stated otherwise.

Consolidated Income Statement

	Note	2013	2012
Net sales	1, 2	618,332	577,007
Other operating income		5,243	9,639
		623,575	**586,646**
Operating expenses			
Other external expenses	3, 4	-283,746	-208,728
Personnel costs	5, 6	-16,536	-14,106
Depreciation, amortisation and write-downs of tangible and intangible fixed assets	7	-25,251	-9,777
Other operating expenses	8	-20,920	-3,362
Total operating expenses		**-346,453**	**-235,973**
Operating profit/loss		**277,122**	**350,673**
Profit/loss from financial items			
Other interest income and similar profit/loss items	9	341	1,191
Interest expenses and similar profit/loss items	10	-9,902	-8,972
Total profit/loss from financial items		**-9,561**	**-7,781**
Profit/loss after financial items		**267,561**	**342,892**
Tax on profit for the year	11	-59,094	-78,142
Net profit/loss for the year attributable to the Parent Company's shareholders		**208,467**	**264,750**
Statement of comprehensive income - Group			
Other comprehensive income for the year			
Items that may be subsequently reclassified to profit or loss			
Translation differences		-23,695	-19,543
Total comprehensive income for the year attributable to the Parent Company's shareholders		**184,772**	**245,207**

Earnings per share before and after dilution calculated on profit attributable to the Parent Company's shareholders during the year amounted to SEK 1.43/share (2012: 1.83/share).

The average number of shares for the year amounted to 145,068,222 (2012: 145,068,222).

Consolidated Balance Sheet

Assets

	Note	31 Dec 2013	31 Dec 2012
Fixed assets	**2**		
Intangible fixed assets			
Rights and licenses	12	37,684	40,514
		37,684	**40,514**
Tangible fixed assets			
Equipment, tools, fixtures and fittings	13	226,352	167,641
Construction in progress and advance payments regarding tangible fixed assets	14	640,620	371,902
		866,972	**539,543**
Total fixed assets		**904,656**	**580,057**
Current assets			
Inventories, etc.	**15**		
Spare parts		459	545
Oil products and natural gas		142,314	7,438
		142,773	**7,983**
Current receivables			
Accounts receivable - trade	16, 17	4,999	21,346
Other receivables	18	37,117	783
Advance payments to suppliers		-	4,429
Prepaid expenses	19	237	222
		42,353	**26,780**
Cash and cash equivalents	**16**	**949**	**13,325**
Total current assets		**186,075**	**48,088**
TOTAL ASSETS		**1,090,731**	**628,145**

Equity and liabilities

	Note	31 Dec 2013	31 Dec 2012
Equity			
Share capital	20	290,136	290,136
Share premium		-274,435	-274,435
Other reserves		-36,782	-13,087
Retained earnings		560,351	351,884
Total equity		**539,270**	**354,498**
Non-current liabilities			
Long-term borrowings	21	37,502	87,505
Other non-current liabilities to JA		-	39,639
Liabilities attributable to financial leases	22	-	14,790
Deferred tax liabilities		17,011	984
Other liabilities		2,468	-
Total non-current liabilities		**56,981**	**142,918**
Current liabilities			
Short-term borrowings	21	208,550	57,243
Liabilities attributable to financial leases	22	47,444	7,211
Accounts payable - trade		118,034	26,694
Current tax liabilities		-	22,265
Other current liabilities to the JA		37,733	-
Other liabilities		74,261	15,749
Accrued expenses and deferred income	23	8,458	1,567
Total current liabilities		**494,480**	**130,729**
TOTAL EQUITY AND LIABILITIES		**1,090,731**	**628,145**
Pledged assets	**24**	**613,592**	**359,123**
Contingent liabilities	**25**	**4,114,931**	**2,633,653**

Changes in Equity for the Group

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Opening equity, 1 January 2011	**50**	**100**	**-152**	**6,135**	**6,133**
Comprehensive income					
Net profit/loss for the year	-	-	-	83,083	83,083
Other comprehensive income					
Translation difference	-	-	6,608	-	6,608
Total comprehensive income	**0**	**0**	**6,608**	**83,083**	**89,691**
Transactions with shareholders					
New share issue (Effect of reverse acquisitions)	290,086	-274,535	-	-2,084	13,467
Total transactions with shareholders	**290,086**	**-274,535**	**0**	**-2,084**	**13,467**
Closing equity, 31 December 2011	**290,136**	**-274,435**	**6,456**	**87,134**	**109,291**
Opening equity, 1 January 2012	**290,136**	**-274,435**	**6,456**	**87,134**	**109,291**
Comprehensive income					
Net profit/loss for the year	-	-	-	264,750	264,750
Other comprehensive income					
Translation difference	-	-	-19,543	-	-19,543
Total comprehensive income	**0**	**0**	**-19,543**	**264,750**	**245,207**
Closing equity, 31 December 2012	**290,136**	**-274,435**	**-13,087**	**351,884**	**354,498**
Opening equity, 1 January 2013	**290,136**	**-274,435**	**-13,087**	**351,884**	**354,498**
Comprehensive income					
Net profit/loss for the year	-	-	-	208,467	208,467
Other comprehensive income					
Translation difference	-	-	-23,695	-	-23,695
Total comprehensive income	**0**	**0**	**-23,695**	**208,467**	**184,772**
Closing equity, 31 December 2013	**290,136**	**-274,435**	**-36,782**	**560,351**	**539,270**

Cash Flow Statement for the Group

	Note	2013	2012
Operating activities			
Operating profit/loss before financial items		277,122	350,673
Adjustment for non-cash items	27	19,057	14,091
Interest received		341	1,191
Interest paid		-678	-8,972
Income tax paid		-78,433	-72,563
		217,409	**284,420**
Cash flow from changes in working capital			
Increase/decrease in inventories		-137,671	6,977
Increase/decrease in other current receivables		-884	51,071
Increase/decrease in other current operating liabilities		155,279	16,574
Cash flow from operating activities		**234,133**	**359,042**
Investing activities			
Sales of intangible fixed assets		-	51
Investments in tangible fixed assets*		-370,668	-404,378
Sales of tangible fixed assets		48,812	-
Cash flow from investing activities		**-321,856**	**-404,327**
Financing activities			
Borrowings		140,765	66,579
Repayments of borrowings		-64,800	-24,173
Cash flow from financing activities		**75,965**	**42,406**
Cash flow for the year		-11,758	-2,879
Cash and cash equivalents at beginning of year		13,325	14,819
Exchange rate difference in cash and cash equivalents		-618	1,385
Cash and cash equivalents at end of year		**949**	**13,325**

** Investments in tangible fixed assets that have not impacted cash flow amount to KSEK 61,061 (2012: 126,798).*

Financials – the Company

All amounts are reported in KSEK, unless stated otherwise.

Parent Company Income Statement

	Note	2013	2012
Other operating income	1, 2	2,730	9,542
Operating expenses			
Other external expenses	3, 4	-21,746	-18,603
Personnel costs	5, 6	-2,889	-2,695
Total operating expenses		**-24,635**	**-21,298**
Operating profit/loss		**-21,905**	**-11,756**
Profit/loss from financial items			
Other interest income and similar profit/loss items	9	337	899
Interest expenses and similar profit/loss items	10	-2,998	-206
Total profit/loss from financial items		**-2,661**	**693**
Profit/loss after financial items		**-24,565**	**-11,063**
Tax on profit for the year	11	-	1
Net loss for the year		**-24,565**	**-11,062**
Statement of comprehensive income - Parent Company			
Net profit/loss for the year		-24,565	-11,062
Other comprehensive income for year		-	-
Total comprehensive income for year		**-24,565**	**-11,062**

Parent Company Balance Sheet

Assets

	Note	31 Dec 2013	31 Dec 2012
Fixed assets			
Tangible fixed assets			
Equipment, tools, fixtures and fittings	13	-	-
Financial fixed assets			
Participations in Group companies	28	1,001,799	1,001,799
Total fixed assets		**1,001,799**	**1,001,799**
Current assets			
Current receivables			
Receivables from Group companies		4,745	-
Other current receivables	18	803	573
Prepaid expenses	19	227	207
		5,775	**780**
Cash and bank balances		**479**	**8,512**
Total current assets		**6,254**	**9,292**
TOTAL ASSETS		**1,008,053**	**1,011,091**

Equity and liabilities

	Note	31 Dec 2013	31 Dec 2012
Equity			
Restricted equity			
Share capital	20	290,136	290,136
Statutory reserve		345	345
		290,481	**290,481**
Non-restricted equity			
Share premium reserve		714,285	714,285
Retained earnings		-16,820	-5,757
Net loss for the year		-24,565	-11,062
		672,900	**697,466**
Total equity		**963,382**	**987,947**
Non-current liabilities			
Other liabilities to credit institutions	21	37,502	20,034
Liabilities to Group companies	21	93	93
Total non-current liabilities		**37,595**	**20,127**
Current liabilities			
Accounts payable - trade		3,568	1,080
Liabilities to Group companies		-	399
Other current liabilities		333	505
Accrued expenses and deferred income	23	3,175	1,033
Total current liabilities		**7,076**	**3,017**
TOTAL EQUITY AND LIABILITIES		**1,008,053**	**1,011,091**
Pledged assets	**24**	**153**	**152**
Contingent liabilities	**25**	**39**	**39**

Changes in Equity for the Parent Company

	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Total equity
Opening equity, 1 January 2012	**290,136**	**345**	**714,285**	**-5,757**	**999,009**
Comprehensive income					
Net profit/loss for the year	-	-	-	-11,062	-11,062
Total comprehensive income	**0**	**0**	**0**	**-11,062**	**-11,062**
Closing equity, 31 December 2012	**290,136**	**345**	**714,285**	**-16,819**	**987,947**
Opening equity, 1 January 2013	**290,136**	**345**	**714,285**	**-16,819**	**987,947**
Comprehensive income					
Net profit/loss for the year	-	-	-	-24,565	-24,565
Total comprehensive income	**0**	**0**	**0**	**-24,565**	**-24,565**
Closing equity, 31 December 2013	**290,136**	**345**	**714,285**	**-41,384**	**963,382**

Cash Flow Statement for the Parent Company

	Note	2013	2012
Operating activities			
Operating profit/loss before financial items		-21,905	-11,756
Adjustment for non-cash items	27	-	-29
Interest received		2	899
Interest paid		-	-206
		-21,903	**-11,092**
Increase/decrease in other current receivables		-4,661	745
Increase/decrease in accounts payable		2,488	337
Increase/decrease in other current operating liabilities		-300	-1,281
Cash flow from operating activities		**-24,376**	**-11,291**
Investing activities			
Shareholders' contribution paid		-	-900
Cash flow from investing activities		**0**	**-900**
Financing activities			
Increase in non-current liabilities		16,343	20,063
Group contribution received		-	1
Cash flow from financing activities		**16,343**	**20,064**
Cash flow for the year		-8,033	7,873
Cash and cash equivalents at beginning of year		8,512	639
Cash and cash equivalents at end of year		**479**	**8,512**

Supplementary information

General disclosures

General information
The Group's operations involve exploration for and extraction of hydrocarbons, with the focus on continued oil and gas production in Ukraine.

The Parent Company is a limited liability company with its registered offices in Stockholm. The address of the Head Office is Engelbrektsgatan 32, 411 37 Gothenburg. The Parent Company's shares are listed on First North.

Misen Energy AB's business focus is to undertake Group-wide tasks and, together with its subsidiary Misen Enterprises AB, provide funding for operations in Ukraine.

The Board of Directors and the Managing Director have, on 8 April 2014, approved this annual report and consolidated financial statements for publication.

Unless otherwise stated all amounts are reported in KSEK. Information in brackets refers to the previous year.

Summary of important accounting principles

The most important accounting principles applied in the preparation of the consolidated financial statements are set out below. Unless otherwise stated, these principles have been consistently applied for all years disclosed.

Basis of preparation of the consolidated financial statements
The consolidated financial statements for the Misen Energy AB Group have been prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary Accounting for Groups, and International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statements have been prepared using the cost method.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in applying the Group's accounting principles. Areas involving a high level of judgment, which are complex, or areas where assumptions and estimates are of substantial significance to the consolidated financial statements are commented on, where applicable, in the notes.

Group concepts
The Annual General Meeting on 30 June 2011 approved the Board's proposal to acquire all shares in Misen Enterprises AB. This acquisition was made as of 1 July 2011. Payment was made through the issue of new shares in what was then Svenska Capital Oil AB, now Misen Energy AB, for the entire purchase price, which amounted to KSEK 999,999. Through this transaction, the five previous owners of Misen Enterprises AB became the dominant shareholders in Svenska Capital Oil AB, with a total shareholding of 98.8 % of all shares. In this manner, the IFRS rules for reverse acquisitions are applied as follows:

"Even in cases where the listed company which issues the shares is legally considered to be the parent company and the privately owned company is considered to be the subsidiary, the subsidiary is formally regarded as the acquirer, if it has the power to govern the financial and operating policies of the parent company in order to obtain economic benefits."

The Misen Enterprises Group, which is included in the consolidated financial statements, consists of Misen Enterprises AB, its wholly-owned Ukrainian subsidiary LLC Karpatygaz and 50.01 % of the partner-owned, Joint Activity, which Misen and Karpatygaz operate jointly with the Ukrainian state-owned gas company Ukrgasvydobuvannya.

New and amended standards applied by the Group
The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2013:

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive

income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

- IAS 19, 'Employee benefits' was amended in June 2011. The impact on the group is primarily due to disclosures as all pensionsplans are accounted as defined contribution.
- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

New standards, amendments and interpretations to existing standards that have not yet entered into force and have not been early adopted by the Group

- IAS 27, "Consolidated and Separate Financial Statements" (revised 2011). Amendments were introduced to IAS 27 in May 2011 following the publication of IFRS 10. The amended IAS 27 addresses only the accounting of subsidiaries, associated companies and joint ventures in the separate financial statements for the Parent Company. The Group intends to apply the updated IAS 27 for the financial year beginning 1 January 2014.
- IAS 28, "Investments in Associates and Joint Ventures" (revised 2011) stipulates that joint ventures and associated companies are to be recognised in accordance with the equity method pursuant to IFRS 11. The Group intends to apply IAS 28 for the financial year beginning 1 January 2014.
- IFRS 9 "Financial Instruments" addresses the classification, valuation and accounting of financial liabilities and assets. IFRS 9 was published in November 2009 regarding financial assets and in October 2010 regarding financial liabilities and replaces those aspects of IAS 39 which refer to the classification and measurement of financial instruments. IFRS 9 stipulates that financial assets be classified into two different categories: valued at fair value or valued at amortised cost. Classification is determined at initial recognition according to the company's business model and the characteristics in the contractual cash flows. There will be no major differences compared with IAS 39, as regards financial liabilities. The largest difference implies changes to liabilities which are valued at fair value. The following is applied to such liabilities: the portion of the change in fair value which is attributable to the company's own credit risk is to be recognised in Other comprehensive income, instead of in Net profit/loss, so long as this does not result in an accounting mismatch. The Group intends to apply the new standard no later than the financial year beginning 1 January 2015 and has not yet evaluated the effects. The standard is yet to be adopted by the EU.
- IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor as to whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in the determination of this control where this is difficult to assess. The Group intends to apply IFRS 10 for the financial year beginning 1 January 2014 and has not yet evaluated the full effects on the financial statements.
- IFRS 11 "Joint Arrangements" is a new standard for the classification of joint arrangements, which may refer to joint ventures or joint operations. Joint ventures will continue to be recognised according to the equity method. IFRS 11 provides a more realistic view of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. A joint operation arises when parties with a joint controlling influence over an arrangement have direct rights to the assets, and obligations for the liabilities, in a joint arrangement. In such an arrangement, assets, liabilities, income and expenses are to be reported according to the amount of the holder's participating interest in these items. A joint venture arises when parties with a joint controlling influence over an arrangement have the right to the net assets in a joint arrangement. In such an arrangement, the holder is to report its share according to the equity method. The proportional method is no longer permitted. The Group's operations within JA are deemed to fall under

the classification of joint operations, for which reason the standard will not have a material impact on the financial statements. The Group intends to apply IFRS 11 for the financial year beginning 1 January 2014.

- IFRS 12 "Disclosures of interests in other entities" addresses disclosure requirements for subsidiaries, joint arrangements, associated companies and non-consolidated structured entities. The Group has not yet evaluated the full effects of IFRS 12 for the financial year beginning 1 January 2014.

Consolidated financial statements

Subsidiaries are defined as all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, as is generally the case with a shareholding exceeding more than half of the voting rights. The existence and effect of potential voting rights, presently exercisable or convertible, are taken into account when assessing the Group's ability to exercise controlling interest over another company. Subsidiaries are fully consolidated as of the date on which control is transferred to the Group. They are de-consolidated from the date on which that control is relinquished.

The acquisition method is used to report the Group's business combinations. The purchase price for the acquisition of a subsidiary comprises the fair value of assets and liabilities that the Group transfers to former owners of the acquired company and the shares issued by the Group. The purchase price also includes the fair value of all assets and liabilities resulting from an agreement on contingent consideration. Identifiable assets acquired and liabilities assumed at a business combination, are measured initially at their fair values at the acquisition date. For each acquisition – i.e. on a case-by-case basis – the Group determines whether non-controlling interest in the acquired company is reported at fair value or at the proportionate share of the reported value of the acquired company's identifiable net assets. Acquisition-related costs are expensed as incurred.

Goodwill is measured initially as the amount by which the total purchase price and the fair value of any non-controlling interest exceeds the fair value of identifiable assets acquired and liabilities assumed. If the purchase price is lower than the fair value of the acquired company's net assets, the difference is recognised immediately in the income statement.

Any intra-Group transactions, balance sheet items, income and expenses on transactions between Group companies are eliminated. Gains and losses resulting from intra-Group transactions and reported as assets are also eliminated. Accounting standards of subsidiaries have been changed, where necessary, to ensure a consistent application of the Group's standards.

Joint ventures

The Group's interests in jointly controlled entities are recognised by proportionate consolidation. The Group combines its share of income and expenses, assets and liabilities and cash flows of the joint venture, with the corresponding items in its own consolidated financial statements. The Group recognises the portion of gains or losses from its sale of assets to a joint venture which corresponds to the other participants' ownership share. The Group does not recognise any share of profits or losses in a joint venture which result from the Group's purchase of assets from the joint venture until the assets are sold on to an independent party. Nevertheless, if a transaction involves a loss, it is recognised immediately, provided that the loss is incurred due to overvaluation of an asset.

Segment reporting

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments. Geographical segments provide products or services within a particular economic environment that are subject to risks and returns that are different from other economic environments. The Group's operations are confined in its entirety to Ukraine and focused on the production of natural gas.

The chief operating decision-maker is the function responsible for allocating resources and assessing the performance

of operating segments. In the Group, this function has been identified as the Board of Directors and Group Management. The Board of Directors and Group Management do not monitor the business in any other dimension than the legal, for which reason reporting of a particular segment is not established. Operating segments are thus reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Translation of foreign currencies

(a) Functional currency and presentation currency
Items included in the financial statements of each of the Group's entities are estimated using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in SEK, which is the Parent Company's functional and presentation currency.

(b) Transactions and balance sheet items
Foreign currency transactions are translated into the functional currency using the exchange rates prevalent at the transaction date. Exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recognised in the income statement.

(c) Group companies
Group companies are defined as companies that are part of the group owned by Misen Energy AB. The results and financial positions of all the Group entities (none of which has a hyperinflationary currency) that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities for each balance sheet presented are translated at the closing exchange rate, income and expenses for each of the income statements are translated at the average exchange rates, provided that this average is a reasonable approximation of the cumulative effect of the rates prevalent on the transaction date. If not, income and expenses are translated per transaction day. All resulting exchange rate differences are recognised in total comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate of exchange.

The following exchange rates have been applied in the financial statements:

Currency	Income statement	Balance sheet
EUR	8,6474	8,9295
UAH	0,7891	0,7718
USD	6,5127	6,4766

Tangible fixed assets

Tangible fixed assets for the extraction of natural gas are recognised at cost less accumulated depreciation based on the asset's estimated useful life. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are added to the asset's reported value or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will flow to the Group and that the cost of the asset can be measured reliably. All other forms of repairs and maintenance are expensed in the income statement in the period in which they arise. The assets' residual values and useful lives are reviewed at each reporting date and adjusted if necessary. An asset's reported value is written down immediately to its recoverable amount if the asset's reported value exceeds its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds of the sale with the reported value and are recognised in the income statement.

Depreciations have been made as follows	%
Equipment, tools, fixtures and fittings	10-50
Capitalised development expenditure	9

Constructions in progress also include advance payments. No depreciation is made for constructions in progress. Depreciation is recognised when the facility is completed and taken into use.

Assets for oil and gas exploration

Expenditure on exploration and the evaluation of oil and natural gas are accounted for using a method based on successful exploration and evaluation ("successful efforts method"). Costs are accumulated separately for each field. Geological and geophysical costs are expensed as incurred. Costs directly attributable to an oil well borehole, the cost of exploration and acquisition of concessions, licenses, etc., are capitalised until the value of the reserves has been established. If it is found that no commercial opportunities exist, the costs are expensed in the income statement.

Capitalisation occurs for tangible fixed assets, such as Equipment, tools, fixtures and fittings.

When exploitable sources are discovered, exploration and evaluation assets are assessed with respect to any potential need for write-downs and are reclassified as tangible and intangible development assets. No depreciation or amortisation is recognised during the exploration and evaluation phase.

Tangible fixed assets

Expenditures for the construction, installation or completion of infrastructure equipment such as platforms, pipelines and the expansion of commercially proven development wells are capitalised as tangible and intangible assets, depending on the nature of the asset. When the expansion of a certain field is completed, the item is reclassified to production assets or intangible assets. No depreciation is recognised during the exploration and evaluation phase.

Assets for oil and gas production

Oil and gas production assets are the aggregation of property exploration and evaluation assets, and development costs attributable to the production of commercially proven reserves.

Depreciation

Depreciation of reported wells has been made on a straight-line basis based on the asset's useful life rather than, as is customary, by applying the unit-of-production method. The difference between straight-line depreciation and the unit-of-production method is not significant for these financial statements.

Write-downs of exploration and evaluation assets and constructions in progress

Exploration and evaluation assets are tested for write-down requirements when the assets are reclassified to tangible fixed assets or when facts or circumstances suggest that a write-down requirement may exist. Write-downs are recognized in the amount by which the exploration and evaluation asset's reported value exceeds its recoverable amount. The recoverable amount is the higher of the exploration and evaluation asset's fair value less costs to sell and value in use. For the purpose of assessing write-down requirements, the exploration and evaluation assets are grouped to existing cash-generating units in production fields located in the corresponding geographic region.

Write-downs of commercially proven oil and gas properties

Commercially proven oil and gas properties are tested for write-down requirements whenever events or changes in various circumstances indicate that the reported value may not be recoverable. Write-downs are recognized in the amount by which the asset's reported value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing write-down requirements, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Intangible assets

Intangible assets are recognised at acquisition cost less accumulated amortisation.

Intangible assets relate entirely to extraction licenses and technical documentation. The intangible assets are amortized on a straight-line basis over the JAA ("Joint Activity Agree-

ment") contract's duration, which expires in 2031, as it is anticipated that it will be possible to extend licenses with expiry dates prior to 2031.

- Annual amortisation of 8 %.

Financial assets

The Group classifies its financial assets in the following categories: financial assets measured at fair value through profit or loss, loans and receivables, and financial assets available for sale. Classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. Currently, the Group only has financial assets in the category Loans and receivables.

Loans and receivables

Loans and receivables are financial assets that are not derivatives, that have fixed or determinable payments and that are not quoted in an active market. They are included in current assets, with the exception of assets with maturities greater than 12 months after the reporting date, which are instead classified as fixed assets. The Group's loans and receivables comprise accounts receivable and cash and cash equivalents in the balance sheet.

Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any reserves for write-downs. A reserve for write-downs of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Significant financial difficulties on the part of the debtor, probability that the debtor will enter bankruptcy or financial restructuring, and default or delinquency in payments are considered indicators that the need for a write-down of accounts receivable may be present. Reserves are measured as the difference between the asset's reported value and the present value of estimated future cash flows, discounted at the effective interest rate. The asset's reported value is reduced through the use of a depreciation account and the loss is recognised in the income statement. When receivables cannot be collected, these are written off against the depreciation account for accounts receivable. Subsequent recoveries of amounts previously written off are credited to the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other short-term investments with maturities of three months or less.

Financial liabilities

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently recognised at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the borrowing period using the effective interest method. 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 balance sheet date.

Fees paid for loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be utilised. In such cases, the fee is incurred when the facility is utilised. When there is no evidence that it is probable that some or all of the facility will be utilised, the fee is recognised as a pre-payment for financial services and amortised over the maturity of the loan facility.

Bank overdrafts are reported as borrowings under Current Liabilities in the balance sheet.

Accounts payable

Accounts payable are commitments to pay for goods or services which have been purchased from the supplier in the course of the day-to-day operations. Accounts payable are classified as current liabilities if they mature within one year (or during the normal business cycle if this is shorter). If this is not the case, they are reported as non-current liabilities.

Accounts payable are initially recognised at fair value and subsequently measured at amortised cost by applying the effective interest method.

Borrowing expenses

General and specific borrowing expenses which are directly attributable to the purchase, establishment or production of qualified assets, that is, assets which necessarily require a considerable amount of time to prepare for their intended purpose or sale, are recognised as a portion of their acquisition cost. Capitalisation ceases when all activities required to prepare the asset for its intended use or sale have largely been completed. The Group has capitalised interest expenses for new constructions in progress regarding tangible fixed assets.

Financial income which has accrued when special borrowed capital has been temporarily invested while waiting to be utilised to finance assets, reduces the borrowing expenses which can be capitalised. All other borrowing expenses are written off as they arise.

Write-downs

Assets which are depreciated or amortised are assessed with regard to reductions in value at such time as events or changes in circumstances indicate that the reported value may not be recoverable. Write-downs are undertaken in the amount with which the asset's reported value exceeds its recoverable value. The recoverable value is the higher of an asset's fair value less selling expenses and the value in use. When assessing write-down requirements, assets are grouped at the lowest level at which there are separate identifiable cash flows (cash-generating units). Assets other than financial assets and goodwill, which have previously been written down, are tested at each balance date to see if a cancellation should be made. No write-downs have been made during the year.

Inventories

Inventories are valued at the lower of acquisition cost and net realisable value, whereby the FIFO principle is applied. The net realisable value has been calculated as the selling price after deductions for estimated selling expenses.

Share capital

Transaction costs which can be directly attributed to the issue of new shares or options are recognised in equity, net after tax, as a deduction from the proceeds of the issue.

Leasing

Leases in which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made during the lease term (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease period.

The Group leases certain tangible fixed assets. Lease agreements of fixed assets where the Group essentially takes all the risks and benefits associated with ownership are classified as financial leases. When the lease period commences, financial leases are capitalised in the balance sheet at whichever is the lower of the leased asset's fair value and the present value of the minimum lease payments.

Each lease payment is allocated among the repayment of debt and financial charges. The corresponding payment obligations, net of finance charges, are included in the balance sheet items Long-term borrowings and Short-term borrowings. The interest portion of the financial expenses is reported in the income statement over the lease period so that each accounting period is charged with an amount corresponding to a fixed interest rate for the respective period's reported liability.

Fixed assets held under financial leasing agreements are impaired over the shorter period of the asset's useful life and the lease term.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except when the tax relates to items recognised in other comprehensive income or directly in equity. In such cases, tax is also recognised in other comprehensive income or equity.

The current tax expense is calculated on the basis of the tax regulations that at balance sheet date have been enacted or substantively enacted in countries where the Parent Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. When deemed appropriate, Management makes provisions for amounts expected to be paid to the tax authorities.

Deferred tax is recognised, in accordance with the balance sheet method, on all temporary differences arising between the fiscal value of assets and liabilities and their reported values in the consolidated financial statements. Deferred tax is not recognised if it arises from the initial recognition of goodwill. Nor is deferred tax recognised if it arises as a result of a transaction that constitutes the initial recognition of an asset or liability in a business combination that, at the time of the transaction, affects neither the accounting or fiscal results. Deferred income tax is calculated using tax rates (and legislation) that have been determined or advised by the balance sheet date and which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is calculated on temporary differences arising on participations in subsidiaries, except for deferred tax liabilities when the date of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse within the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority and relate to either the same taxable entity or different taxable entities where there is an intention to settle balances by net payments.

Remuneration to employees

Pension obligations

For defined contribution pension plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as personnel costs when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments may accrue to the Group.

Provisions

Provisions for environmental restoration measures, restructuring costs and legal claims are recognised when the Group has a legal or informal obligation as a result of prior events and it is probable that an outflow of resources will be required in order to settle the obligation so that this does not take place and the amount has been calculated in a reliable manner. Provisions for restructuring include costs for lease terminations and severance pay. Provisions are not recognised for future operating losses. If there are a number of similar obligations, the likelihood that an outflow of resources will be required in the regulation of the entire group of commitments is assessed. A provision is recognised even if the likelihood of an outflow with respect to any one item in this group of obligations is minimal. No such provisions have been recognised within the Group.

Revenue recognition

Revenue comprises the fair value of goods and services sold, net of VAT and discounts, and after elimination of internal Group sales. Revenues in the Parent Company relate to sales of PPE. The revenue from the Company's sale of goods is recognised as income when the significant risks and rewards of ownership of the goods passes to the buyer.

The Group reports revenue when the amount can be measured in a reliable manner, it is probable that future economic benefits will flow to the Company and specific criteria have been met for each of the Group's operations.

Within the JA there are, on occasion, exchanges of gas products with other companies, partly in order to, reduce transportation costs. Such an exchange may mean that the company replaces gas in pipes with gas in storage and vice versa. This exchange can lead to gross invoicing taking place from both parties, but it is not recognised as income or expense in the financial statements.

Parent Company accounting principles

The Parent Company has prepared its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Financial Reporting Council's recommendation RFR 2 Accounting for Legal Entities. RFR 2 states that the parent company, in the annual report for the legal entity, shall apply all EU-approved IFRS as far as possible within the framework of the Swedish Annual Accounts Act, taking into account the relationship between accounting and taxation. The recommendation states which exceptions and additions to be made from IFRS.

Financial instruments

Financial instruments are recognised in the Parent Company in accordance with IAS 39, Financial Instruments.

Participations in subsidiaries

Participations in subsidiaries are accounted for using the cost method. The cost includes acquisition-related costs and any additional purchase price. When there is an indication that a participation in a subsidiary has decreased in value, an estimate of the recoverable amount is made. If this is lower than the reported value, the participation is written down to this lower value.

Taxes

The Parent Company reports untaxed reserves including deferred tax where applicable. In the consolidated financial statements, however, untaxed reserves are divided between deferred tax liabilities and equity.

Group contributions

Group contributions are accounted for in the income statement based on the economic impact.

Calculation of fair value

Nominal value, less any estimated credit entries for accounts receivable and accounts payable are assumed to correspond to the fair value.

Significant estimates and assumptions for accounting purposes

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The accounting estimates that result from these, by definition, seldom correspond to the actual results. The estimates and assumptions that imply a significant risk of material adjustments in the carrying values of assets and liabilities within the next financial year are outlined below.

Useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage based on production and reserve estimates, 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.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2013 would be to increase it by KSEK 2,806 or decrease it by KSEK 2,296 (in 2012 increase by KSEK 1,086 or decrease by KSEK 889).

Tax Legislation in Ukraine

Ukrainian tax, currency and customs legislation is under continued development. In cases of conflict between different legal systems, Management applies different interpretations. The Group Management considers that its interpretations are accurate and durable, but cannot guarantee that its judgment

will not be questioned by the Ukrainian authorities. On 2 December 2010, new tax legislation in Ukraine was adopted, of which the majority of the regulations took effect on 1 January 2011. Particularly significant major changes include a reduction in tax rates for companies from 25% to 16% which will be introduced progressively during the years 2011 to 2014 (it was reduced from 21% in 2012 to 19% in 2013), a change in the VAT rate from 20% to 17% starting from 1 January 2014 and a change in the methods for determining the basis for income tax and VAT.

Company-related risks

Oil and natural gas prices

The Group's revenues and profitability will be dependent on the prevailing price of oil and natural gas, which are macro factors beyond the control of the Group. There are numerous such factors, including market fluctuations, proximity to and capacity in oil and natural gas pipelines, as well as decisions taken by public authorities. The price of oil and natural gas has, historically, been volatile, and is expected to continue to be so in the future. This implies it will be difficult to predict future oil and natural gas prices. A substantial and long-term fall in oil and natural gas prices would have a significant negative effect on the result and financial position of the Group.

In the event of a significant fall in the price of oil and natural gas, the conditions for production operations would worsen. A fall in price might lead to a decrease in the volumes of reserves that the Group can harvest, as a result of the Group being potentially unable to establish profitable production in certain bore holes. Please also refer to the section related to the gas balance issue.

Production risk

Until an oil or natural gas development project reaches certain maturity, it is extremely difficult to assess whether or not production will be successful. Oil and natural gas reservoirs have an inherent uncertainty regarding the possibility of commercially extracting the oil and natural gas that only can be solved through actual production during a certain period of time. A production well generally needs three to six months before it is possible to draw conclusions about its stability. For a completely new field this time is even longer. For this reason it can be almost impossible to assess the level of extraction from a source before production tests have been carried out.

Local risk

Ukraine still suffers from heavy bureaucracy. Furthermore, all business activities are strongly depending upon personal networks. It takes both time and resources to acquire information and obtain the necessary permits. On the other hand, it is a closed market in which access to specialised services and equipment is much better than in the rest of the world: drilling services, drilling equipment, etc. can be procured much faster than in the west, given today's oil and natural gas market.

Tax risk

The Group currently conducts activities in Sweden and has, through its participation in the JA, resumed activity in Ukraine. The tax legislation in each country can change over time. Consequently, it cannot be ruled out that changes regarding the tax legislation and its enforcement might, in the future, affect the Group's profit.

Supply of equipment

Working with the extraction of oil and natural gas requires advanced drilling and production equipment. It can therefore not be ruled out that there might be a shortage of drilling equipment and/or other necessary equipment, or that such equipment would require further investment, which could result in increased costs and delays, despite a focus on production operations from the current development activity.

Key personnel risk

The Group is dependent on a small number of individual personnel. The future success of the Group is, to a large extent, dependent on the ability to retain, recruit and develop qualified personnel.

The need for additional capital

The Group's operations may require additional financial resources in the future if the Group is to be able to continue operations. This will lead to the requirement for additional capital from owners or for other types of financing. The Group's future growth will, to a large extent, be dependent on prevailing oil and natural gas prices. A positive trend in this market may also result in the Group requiring financing, for example through a new share issue. A longer period of falling oil and natural gas prices will have a negative impact on the Group's financial position and results.

Environmental risks

Stricter laws regarding environmental control are continuously being drawn up in Ukraine, with stricter environmental directives being introduced and stricter regulations governing the environment constantly being considered.

The Group continuously evaluates its obligations according to the prevailing environmental legislation. As soon as environmental obligations are determined they are taken into account by the Group. Potential obligations that can be introduced as a consequence of changes in legislation, regulations or legislation governing civil law cannot be assessed, but can be significant. For the time being, the Group does not deem that there are any significant risks regarding environmental influence.

License risk

Before any amendments to the JAA, as well as before the commencement of the drilling of wells, the Group carries out thorough investigations regarding the risk related to each license. Despite these investigations, the Group cannot guarantee that it has obtained a correct picture of the ownership situation, which can result in the Company's rights being questioned. This can have a negative impact on the Group's result and financial position.

Misen Energy AB has initiated a process that will aim to investigate what measures are needed to extend the licenses periods expiring in 2018, as most of the licenses formally expire at that time.

Geological risks

All estimations of extractable petroleum resources are based, to a large extent, on probabilities. The estimations of the oil and natural gas reserves are thus based on the investigations that are, in each case, made by reservoir engineers and based upon factors gathered from different types of geological and geophysical, and reservoir engineering methods of investigation. The Group's activities continuously utilise the best available technology in each case in order to investigate probable outcomes with the highest precision and to improve the forecasts through well-balanced work programmes. The estimations that the Group has reported is the latest information available for each development project. There are, therefore, no guarantees that the size of these estimations will remain constant over time.

General risks associated with Ukraine

Political risks

In recent years, Ukraine has undergone a profound political and social change. The value of the Group's assets may be affected by uncertainties such as political or diplomatic developments, social or religious instability, changes in government policies, taxation and interest rates, restrictions on currency repatriation and other political and economic development of laws and rule in Ukraine. These risks relate in particular to expropriation, nationalisation, confiscation of assets and legislative changes concerning the level of foreign ownership. During the late 2013 a number of political changes started taking place in Ukraine. An interim president has been appointed and the new Government has been formed. New heads of Ukrainian State Company Naftogaz and of its subsidiary Ukrgasvydobuvannya have been appointed. Tension with the neighbouring state of Russian Federation continued escalating. These latest events clearly demonstrate the remaining ambiguity and influence of political risks on the business.

Economic risks

Ukraine's transformation from a rigid, centrally planned economy to a market economy has been hampered by strong economic and political special interests. A small

number of people with substantial wealth have had a dominant position in the country and have influenced policies in a negative way. This has resulted in a deceleration of the reform towards a market economy. Ukraine's economy is characterised by a strong dependence on heavy industry - chemicals, steel, shipbuilding, machine building and weaponry.

Ukraine also acts as a transit country for Russian gas, which provides the state with much-needed revenue and offers a degree of security in the country's energy supply. Meanwhile, the energy policy remains a foreign policy scene where the special interests between Ukraine, the transit country, and Russia, the supplier country, periodically are on display. After the Orange Revolution, there was an upswing in the business climate in the country thanks to the country's new goodwill and a generally prevailing optimism. This development has taken a turn for the worse, largely due to the previous disagreement among the country's political leadership. There is, however, still a desire within the country to increase trade and attract foreign investors. The presidential election of 2010 has led to certain stabilisation of the country's political climate, but emerging closer ties with the Russian Federation started slowing down Ukraine's transition to the market economy. The events of late 2013 introduced a new platform for economic development in Ukraine. The country is negotiating closer integration with the EU and substantial financial from IMF, EU and US is being offered, provided country accelerates with the major reforms of its economy.

Economic risks remain, but should be decreasing provided Ukraine's further integration with the Western Europe.

Definitions of key ratios

1. EBITDA (earnings before interest, tax, depreciation and amortisation) is defined as the Group's and Parent Company's respective operating profit plus depreciation.
2. Earnings per share before dilution is defined as the Group's and Parent Company's respective profit after tax divided by the total number of outstanding shares before dilution at the end of the period.
3. Earnings per share after dilution is defined as the Group's and Parent Company's respective profit after tax divided by the number of outstanding shares after dilution at the end of the period.
4. Return on equity is defined as the Group's and Parent Company's respective profit divided by equity at the end of the period.
5. Return on working capital is defined as the Group's and Parent Company's respective profit after financial items plus/minus interest expenses plus/minus exchange rate differences for financial loans divided by the working capital (the average of the two most recent balance sheet totals less non-interest-bearing liabilities).
6. Debt/equity ratio is defined as the Group's and Parent Company's respective interest-bearing liabilities in relation to the reported capital.
7. Equity/assets ratio is defined as the Group's and Parent Company's respective equity (including minority interest) as a percentage of the balance sheet total.
8. The portion of risk-bearing capital is defined as the sum of the Group's and Parent Company's respective equity and deferred tax (including minority interest) divided by the balance sheet total.
9. Number of outstanding shares at full dilution is defined as the amount of outstanding shares including maximum utilisation of options as well as outstanding paid underwritten shares.
10. The number of employees reflect the average number of employees converted into the full-time and calculated as a total hours of work divided by the theoretical working hours. For JA, 50.01% of this number has been consolidated.

Notes, for the Parent Company and the Group

Note 1. Classification of income

	Group		Parent Company	
	2013	2012	2013	2012
Included in net sales are revenues from				
Natural gas	493,112	532,061	-	-
Oil products	125,178	44,724	-	-
Other	42	9,764	2,730	9,542
Total	**618,332**	**586,549**	**2,730**	**9,542**

Note 2. Segment information - Group

The Group's operational activities are located in Ukraine. Solely administrative issues are undertaken in Sweden.

Geographical area	31 Dec 2013	31 Dec 2012
Net sales, external		
Ukraine	618,332	577,007
Fixed assets		
Ukraine	904,656	580,057

Note 3. Remuneration to auditors

	Group		Parent Company	
	2013	2012	2013	2012
PwC				
Audit assignment	1,296	1,175	1,059	871
Audit activities other than the audit assignment	250	-	250	-
Tax advisory services	1,394	85	957	85
Other services	1,850	984	1,850	673
Total	**4,790**	**2,244**	**4,116**	**1,629**
Moore Stephens KLN AB				
Other services	-	125	-	125
Total	**0**	**125**	**0**	**125**
Total	**4,790**	**2,369**	**4,116**	**1,754**

Note 4. Other external expenses

	Group		Parent Company	
	2013	2012	2013	2012
Extraction expenses	277,532	119,110	-	-
Production and transport expenses	75,289	36,742	-	-
Land expenses	-	7,373	-	-
Refinery expenses	10,221	3,505	-	-
External services	-	1,526	-	-
Change in inventories	-138,254	7,201	-	-
Other	58,958	33,271	21,746	18,603
Total	**283,746**	**208,728**	**17,785**	**18,603**

Note 5. Salaries and remuneration to the Board and Company management

Parent Company and Group	Basic salary/ Directors' fee	Other remuneration	Benefits	Pension	Total
2013					
Göran Wolff, Managing Director	1,255	-	-	266	1,521
Tore I. Sandvold, Chairman of the Board of Directors	517	2,050	-	-	2,567
Henry Cameron, Board of Directors	42		-	-	42
Dimitrios Dimitriadis, Board of Directors	345	-	-	-	345
Hans Lundgren, Board of Directors	345	115	-	-	460
Knud H. Nørve, Board of Directors	345	52	-	-	397
Sergiy Petukhov, Board of Directors	261				261
Andrius Smaliukas, Board of Directors	261				261
Other senior executives	593	-	-	69	662
Total	**3,964**	**2,217**	**0**	**335**	**6,516**
2012					
Leif Larsson, Managing Director	1,270	-	55	556	1,881
Göran Wolff, Managing Director	252	-	-	-	252
Tore I. Sandvold, Chairman of the Board of Directors	520	2,104	-	-	2,624
Henry Cameron, Board of Directors	348	1,006	-	-	1,354
Dimitrios Dimitriadis, Board of Directors	346	-	-	-	346
Hans Lundgren, Board of Directors	341	-	-	-	341
Knud H. Nørve, Board of Directors	348	-	-	-	348
Other senior executives	257	-	-	-	257
Total	**3,682**	**3,110**	**55**	**556**	**7,403**

No variable remuneration is paid.

Note 6. Salaries, other remuneration and social security contributions

	Group		Parent Company	
	2013	2012	2013	2012
Average number of employees				
Women	20	24	2	1
Men	66	64	2	1
Total	**86**	**88**	**4**	**2**
Total salaries, remuneration, social security contributions and pension costs				
Salaries and remuneration to the Board of Directors, Managing Director and other senior management	3,964	3,682	3,964	3 425
Salaries and remuneration to other employees	8,393	6,808	26	93
	12,357	**10,490**	**3,990**	**3,518**
Statutory and contractual social security contributions	636	694	636	694
Pension costs for Board of Directors, Managing Director and other senior management	335	556	335	556
Pension costs for other employees	3,406	-	-	-
Total	**16,734**	**11,740**	**4,961**	**4,768**

All salaries are fixed and no variable remuneration is paid. No agreements regarding severance pay are in place.

Remuneration to the Board of Directors is reported in Other external expenses.

	Group		Parent Company	
	2013	2012	2013	2012
Members of the Board and senior management				
Number of Board members on the balance sheet date				
Men	6	5	6	5
Total	**6**	**5**	**6**	**5**
Number of Managing Directors and other senior management				
Men	1	-	1	-
Women	2	2	2	1
Total	**3**	**2**	**3**	**1**

Note 7. Amortisation/depreciation and write-downs

	Group	
	2013	2012
Depreciation, amortisation and write-downs of tangible and intangible fixed assets		
Amortisation of intangible assets	3,088	3,096
Depreciation of equipment	22,163	6,681
Total	**25,251**	**9,777**

Note 8. Other operating expenses

	Group	
	2013	2012
Cost of distribution	760	-
Additional fees for subsoil use	14,865	-
Others	5,295	3,362
Total	**20,920**	**3,362**

Note 9. Other interest income and similar profit/loss items

	Group		Parent Company	
	2013	2012	2013	2012
Interest income	341	1,191	2	899
Received group contribution	-	-	335	-
Total	**341**	**1,191**	**337**	**899**

Note 10. Other interest expenses and similar profit/loss items

	Group		Parent Company	
	2013	2012	2013	2012
Other interest expenses	4,134	3,124	1,722	206
Exchange rate differences	5,201	2,208	1,276	-
Other financial expenses	567	3,640	-	-
Total	**9,902**	**8,972**	**2,998**	**206**

Note 11. Tax on profit for the year

	Group		Parent Company	
	2013	2012	2013	2012
Distribution of income tax				
Current tax	-42,661	-78,329	-	1
Deferred tax	-16,433	187	-	-
Total	**-59,094**	**-78,142**	**0**	**1**
Reported profit/loss before tax	267,561	342,892	-24,565	-11,063
Tax according to national tax rates	-50,921	-72,783	5,404	2,909
Tax attributable to non-deductible expenses	-2,769	-2,457	-3	-7
Tax losses for which no deferred tax asset is recognised	-5,404	-2,902	-5,475	-2,902
Tax on Group contributions	-	-	74	1
Tax expenses for the year	**-59,094**	**-78,142**	**0**	**1**

The weighted average applicable tax rate was 19% (2012: 21%). The decrease is caused by the reduction in the Ukrainian tax rate from 21% to 19%.

As per 31 December 2013, the Group had a fiscal deficit amounting to SEK 177,836,254, of which the Parent Company's deficit amounted to SEK 176,171,518. Deferred tax assets totalling SEK 39,123,976 for the Group and SEK 38,757,734 for the Parent Company have not been reported as an asset, as the possibility of utilising these amounts against tax loss carry forwards in the foreseeable future is uncertain.

Note 12. Rights and licenses

	Group	
	31 Dec 2013	31 Dec 2012
Opening acquisition cost	44,159	1,452
The Group's share of contributions to JA	-	41,748
Purchases	331	1,118
Translation differences	-120	-159
Closing accumulated acquisition cost	**44,370**	**44,159**
Opening amortisation	-3,645	-608
Amortisation for the year	-3,088	-3,096
Translation differences	47	59
Closing accumulated amortisation	**-6,686**	**-3,645**
Closing residual value according to plan	**37,684**	**40,514**

Note 13. Equipment, tools, fixtures and fittings

	Group		Parent Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Opening acquisition cost	174,668	2,315	403	403
Purchases	93,188	163,939	-	-
Translation differences	-10,149	-9,088	-	-
Sales and disposals	-1,365	-64	-	-
Reclassifications	-1,609	17,566	-	-
Closing accumulated acquisition cost	**254,733**	**174,668**	**403**	**403**
Opening depreciation	-7,027	-665	-403	-403
Sales and disposals	-	13	-	-
Depreciation for the year	-22,163	-6,682	-	-
Reclassifications	-	-453	-	-
Translation differences	809	760	-	-
Closing accumulated depreciation	**-28,381**	**-7,027**	**-403**	**-403**
Closing residual value according to plan	**226,352**	**167,641**	**0**	**0**

Note 14. Constructions in progress and advance payments for tangible fixed assets

Group	31 Dec 2013	31 Dec 2012
Opening acquisition cost	371 902	85 530
Expenses accrued during the year	393 590	303 498
Sales	-107 824	-
Reclassifications	1 609	-1 706
Capitalized interest expenses incl. exchange rate differences	4 912	3 507
Translation differences	-23 569	-18 927
Closing accumulated acquisition cost	**640 620**	**371 902**

Note 15. Inventories

Group	31 Dec 2013	31 Dec 2012
Valued at acquisition cost		
Spare parts	459	545
Oil products and natural gas	142,314	7,438
Total	**142,773**	**7,983**

Note 16. Financial instruments by category

	Group		Parent Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Assets				
Loans and receivables				
Accounts receivable, external	4,999	19,218	-	-
Accounts receivable, JA	-	2,128	2,723	-
Cash and cash equivalents	949	13,325	479	8,512
Total	**5,948**	**34,671**	**3,202**	**8,512**
Liabilities				
Other financial liabilities				
Borrowing (excluding liabilities attributable to financial leases)	246,052	114,748	37,502	-
Liabilities attributable to financial leases	47,444	22,001	-	-
Accounts payable and other liabilities excluding non-financial liabilities	230,028	66,333	-	1,572
Total	**523,524**	**203,082**	**37,502**	**1,572**

Note 17. Accounts receivable - trade

	Group	
	31 Dec 2013	31 Dec 2012
Accounts receivable, external	4,999	19,218
Accounts receivable, JA	-	2,128
Total	**4,999**	**21,346**

As per 31 December 2013, accounts receivable (excluding doubtful debts) amounted to KSEK 4,999 (2012: KSEK 19,218), after deductions for write-downs totalling KSEK 0 (KSEK 658).

As per 31 December 2013, accounts receivable amounting to KSEK 2,934 were overdue, but no reserve was deemed necessary for this amount. The overdue accounts receivable are attributable to customers that have not previously encountered financial difficulties.

Note 17 (cont.)

	Group	
	31 Dec 2013	31 Dec 2012
Maturity analysis of accounts receivable		
Not overdue	2,065	9,869
< 30 days overdue	2,934	9,349
> 30 days overdue	-	658
Total	**4,999**	**19,876**

Note 18. Other receivables

	Group		Parent Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
VAT recoverable	22,984	573	803	573
Receivable attributable to income tax	14,036	-	-	-
Other receivables	97	210	-	-
Total	**37,117**	**783**	**803**	**573**

Note 19. Prepaid expenses

	Group		Parent Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Other prepaid expenses	237	222	228	207
Total	**237**	**222**	**228**	**207**

Note 20. Share capital

Share information	2013	2012
Group		
Weighted average number of shares for the year*	145,068,222	145,068,222
Number of outstanding shares on balance sheet date before dilution*	145,068,222	145,068,222
Number of outstanding shares on balance sheet date after dilution*	145,068,222	145,068,222
Parent Company (Misen Energy AB (publ)		
Weighted average number of shares for the year*	145,068,222	145,068,222
Number of outstanding shares on balance sheet date before dilution*	145,068,222	145,068,222
Number of outstanding shares on balance sheet date after dilution*	145,068,222	145,068,222

* Adjusted for reverse split 100:1 in January 2012.

- On 31 January, 20 February and 13 April 2006, new share issues of 4,000,000; 2,537,454 and 6,530,546 shares, respectively, were registered at an issue price of SEK 0.25 per share.
- On 3 November, 21 November and 22 November 2006, new share issues of 988,563; 213,000 and 1,700,089 shares, respectively, were registered at an issue price of SEK 1.2240 per share.
- On 30 November 2006, an offset share issue was conducted.
- On 11 January and 22 February 2007, new share issues of 4,650,000 and 1,670,180 shares, respectively, were registered at an issue price of SEK 1.2240 per share.
- On 15 March 2007, a new share issue of 13,200,000 shares was registered at an issue price of SEK 1.54 per share.
- On 2 April 2007, a new share issue of 10,185,000 shares was registered at an issue price of SEK 1.54 per share.
- On 12 July 2007, a new share issue of 42,000,000 shares was registered at an issue price of SEK 2.40 per share.
- On 11 February 2009, a new share issue of 32,339,802 shares was registered at an issue price of SEK 0.60 per share.
- On 6 May 2010, a reduction of share capital by SEK 13,849,777.84 was registered without a reduction of the number of shares. Following this reduction, share capital amounted to SEK 3,462,444.46. The quotient value per share was, thereafter, SEK 0.02.
- On 2 September 2010, a new share issue of 48,000,000 shares was registered at an issue price of SEK 0.04 per share.
- On 22 September 2011, a new share issue of 14,285,700,000 shares was registered at an issue price of SEK 0.07 per share.
- On 12 January 2012, a reverse split 100:1 was registered, by means of which the number of shares was reduced to 145,068,222 and the quotient value changed to approximately SEK 2.

Note 21. Financial risk management and borrowing

Financial risk management

Financial risk factors

Through its operations, the Group is subject to various financial risks: Market risk (comprehensive foreign exchange risk, interest rate risk and price risk), credit risks and liquidity risks. The Group strives for awareness of potentially negative effects on the Group's financial performance. Interest rates on bank accounts are variable. No foreign exchange hedging has been undertaken during 2013.

Foreign exchange risk

Through its operations in different countries, the Group is exposed to fluctuations in a number of currencies. Therefore, effects on the Company's results and financial position from foreign exchange volatility cannot be disregarded.

Out of the Group's total sales and expenses in 2013, MSEK 618 and MSEK 376, respectively, were denominated in UAH, implying that a +/- 10% change in the UAH exchange rate would affect the Group's profit by +/- 24 MSEK.

The Group's net assets with UAH as reporting currency amounted to MSEK 664. Thereby, a +/- 10% change in the UAH exchange rate would affect the Group's equity by +/- MSEK 66.

Interest rate risk

As per 31 December 2013, the Group had interest-bearing liabilities amounting to MSEK 293 and an interest rate change of +/- 1% would, thus, affect the Group's financial expenses by +/- MSEK 3.

Price risk

The Group's profit for the year is primarily affected by natural gas prices. A +/- 10% change in natural gas prices in Ukraine would affect Group income by +/- MSEK 62. A +/- 10% change of cost level in Ukraine would affect Group expenses by +/- MSEK 38.

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 Joint Activity's sales of products in accordance with applicable payment terms and transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk amounts to the figures reported in the balance sheet. The Group's risks are structured by setting credit limits on counterparties. Limits on the level of credit risk are monitored on an on-going basis and approved regularly by Management. The Joint Activity's management undertakes regular age analyses and follows up on overdue accounts receivables.

Liquidity risk

Liquidity risk refers to the risk that financing of the Group's capital requirements and the refinancing of outstanding loans is made more complicated and expensive. Financing requirements are dependent on the Joint Activity's needs for investments in fixed assets and financing for working capital. The Group's financing requirements are estimated to primarily be covered by the surplus from the Joint Activity. However, in the long term, there will likely be a need for external financing to fulfil the investment needs at hand. The amount of external financing depends on production volume and future price levels for oil and gas. The financing need that may arise in 2014 will be handled through extended credits, and if needed, adjustments in the investment programme. The major part of the current assets is represented by inventories, which are reported at production value, indicating that when sold, the cash flow from inventories will be substantially higher than amount reported in the balance sheet.

The table below shows liabilities at 31 December 2013 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), and gross loans commitments. Such undiscounted cash flows differ from the amount included in the balance sheet because the amounts in the balance sheet are based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the loan terms applicable at the end of the reporting period. Payment obligations in other currencies than the report currency (SEK) are reported after translation at the closing rate of exchange.

Payment dates for financial liabilities as of 31 December 2013	< 1 month	1 month - 1 year	1 year - 2 years	> 2 years	Total
Liabilities to credit institutions	208,550	-	42,058	-	250,608
Liabilities attributable to financial leases	47,444	-	-	-	47,444
Accounts payable and other financial liabilities	118,034	119,994	-	-	238,028
Total	**374,028**	**119,994**	**42,058**	**0**	**536,080**

Covenants

Borrowing in the Group is based on compliance with a certain set of covenants. If these covenants are not met, this could lead to negative effects for the Group, such as increased borrowing costs and early repayment obligations. As a result of the problems with the gas balance, the JA has broken covenants connected to both bank loans as well as leasing agreements. Therefore all loans in the JA are defined as short-term in the balance sheet. With a mutual understanding of the situation and trust that production to storage could be discontinued in 2014, the Company's subsidiary is negotiating extensions with the creditors and suppliers.

	Group		Parent Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Interest-bearing liabilities				
Non-current liabilities				
Liabilities to credit institutions	37,502	87,505	37,502	20,034
Liabilities attributable to financial leases	-	14,790	-	-
Liabilities to Group companies	-	-	93	93
Total	**37,502**	**102,295**	**37,595**	**20,127**
Current liabilities				
Liabilities to credit institutions	208,550	57,243	-	-
Liabilities attributable to financial leases	47,444	7,211	-	-
Total	**255,994**	**64,454**	**0**	**0**
Total interest-bearing liabilities	**293,496**	**166,749**	**37,595**	**20,127**

	Group		Parent Company	
	2013	2012	2013	2012
Interest				
Weighted average effective interest rates on borrowings amounted to				
Non-current liabilities to credit institutions	5.9%	10.1%	5.9%	5.9%
Current liabilities to credit institutions	15.8%	12.4%	n.a.	n.a.
Liabilities to Group companies	n.a.	n.a.	2.0%	2.0%

	Group		Parent Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Currencies				
Interest-bearing liabilities per currency				
EUR	37,502	21,947	37,502	20,034
USD	118,809	20,229	-	-
UAH	137,185	124,573	-	-
Total	**293,496**	**166,749**	**37,502**	**20,034**

Financial liabilities carried at amortised cost

The fair values of interest-bearing liabilities with a fixed maturity have been calculated on the basis of estimated future cash flows expected to be received discounted at current interest rates for instruments with similar credit risk and remaining maturity. The book values of interest-bearing loans, liabilities attributable to financial leases, accounts payable and other financial liabilities are deemed to correspond to the fair values.

Note 22. Financial lease agreements

	Maturity within 1 year	Maturity between 1 and 5 years	Total
Group 2013			
Minimum payments per 31 December 2013	57,078	-	57,078
Less future financing expenses	-9,634	-	-9,634
Present value of minimum lease payments at 31 December 2013	**47,444**	**0**	**47,444**
Group 2012			
Minimum payments per 31 December 2012	10,324	18,096	28,420
Less future financing expenses	-3,113	-3,306	-6,419
Present value of minimum lease payments at 31 December 2012	**7,211**	**14,790**	**22,001**

Note 23. Accrued expenses and deferred income

	Group		Parent Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Accrued interest payments	5,492	193	1,901	192
Accrued salaries and other personnel costs	104	516	175	54
Accrued holiday pay	299	-	-	-
Accrued social security contributions	-	-	104	-
Other items	2,563	858	995	787
Total	**8,458**	**1,567**	**3,175**	**1,033**

Note 24. Pledged assets

	Group		Parent Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
For the Group's and the Company's own liabilities				
Pledged bank balances	153	152	153	152
Pledged fixed assets	395,356	257,738	-	-
Pledged accounts receivable and future customer payments	218,083	101,233	-	-
Total pledged assets	**613,592**	**359,123**	**153**	**152**

Note 25. Contingent liabilities

	Group		Parent Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Rental guarantee	39	39	39	39
Attributable to liabilities in the JA	255 892	204 514	-	-
Other contingent liabilities	3 859 000	2 429 100	-	-
Total contingent liabilities	**4 114 931**	**2 633 653**	**39**	**39**

The Group is jointly liable for liabilities arising in the JA. The difference between the Group's share and total external liabilities in the JA has been reported as a contingent liability.

In accordance with Addendum No. 6 signed in 2013 to the present Joint Activity Agreement, Misen Enterprises AB has, during the year, committed to secure additional funding for the JA up to UAH 5,000,000,000 when required. This UAH 5 billion has been reported as a contingent liability and is equivalent to KSEK 3,859,000.

On 21 February 2014, a new Amendment No. 6 to the JAA has been signed and is pending approval with the Ukrainian State authorities. This effectively cancels the previously signed and announced Amendment No. 6 (in April 2013). The Company's commitment to facilitate additional financing to JA, when required, has been reduced to the original value of UAH 3 billion (approximately KSEK 1,760,000) and will be reflected in 2014 reports under contingent liability in the Misen Group's accounts.

Note 26. Transactions with related parties

	Group		Parent Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Sales to related parties				
Ukrgasvydobuvannya [2]	164,180	-	-	-
Total	**164,180**	**0**	**0**	**0**
Purchases from related parties				
Sadkora AB [1]	-	4,342	-	2,110
Ukrgasvydobuvannya [2]	179,955	235,185	-	-
Sandvold Energy AS [1]	2,050	2,104	2,050	2,104
Ener Vitae [1]	52	-	52	-
HL Development [1]	115	-	115	-
Henry Cameron [1]	-	1,006	-	1,006
Sergiy Probylov, salary [3]	263	328	-	-
Total	**182,435**	**242,965**	**2,217**	**5,220**

Operating receivables/liabilities attributable to related parties

Receivables/liabilities from sales/purchases of goods/services are stated below.

	Group		Parent Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Receivables from related parties				
Ukrgasvydobuvannya [2]	2,152	-	-	-
Total	**2,152**	**0**	**0**	**0**
Liabilities to related parties				
Ukrgasvydobuvannya [2]	16,824	2,120	-	-
Sadkora AB [1]	-	93	-	-
Total	**16,824**	**2,213**	**0**	**0**

[1] Refers to purchases of management services from Board member/company owned by Board member.
[2] Refers to sales to and purchases from JA partner with substantial influence on the JA's operations. According to the JAA, Ukrgasvydobuvannya – the owner of licenses for the JA's oil and gas extraction – is compensated for the JA's extraction of oil and gas and for rental payments and drilling directly related to additional gas extraction within the JA, above the base level for oil and gas extracted by Ukrgasvydobuvannya. The JA further compensates Ukrgasvydobuvannya for oil and gas production, processing and transport undertaken by the Ukrgasvydobuvannya personnel and for the JA's usage of Ukrgasvydobuvannya's production and infrastructural assets.
[3] Refers to salaries to employees with significant ownership and influence in the Group.

Separate notes contain information about
- Salaries and remuneration to the Board of Directors and Managing Director
- Participation in Group companies and the JA

All amounts disclosed represent 100% of the transactions and balances. For transactions made by the JA, the Group's share is 50.01%.

Note 27. Adjustment for non-cash items

	Group		Parent Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Depreciation/amortisation	25,251	9,777	-	-
Gains/losses from sales of fixed assets	-2,967	2,413	-	-
Other adjustments	-3,227	1,901	-	-29
Total	**19,057**	**14,091**	**0**	**-29**

Note 28. Participations in Group companies

Group	Corporate Identity Number	Registered offices	Share of equity (%)
Misen Enterprises AB	556526-3968	Sweden	100
LLC Karpatygaz	30162340	Ukraine	100
JA*	NA	Ukraine	0.01
JA*	NA	Ukraine	50
Capital Oil Resources Sweden AB	556754-4878	Sweden	100

** Joint Activity between Ukrgasvydobuvannya (a subsidiary of NJSC Naftogaz of Ukraine), LLC Karpatygaz and Misen Enterprises AB in accordance with regulations in the Joint Activity Agreement, without establishment of a legal entity, on 10 June 2002.*

Parent Company	Share of equity %	Share of voting power %	Number of shares	Book value, 31 Dec 13	Book value, 31 Dec 12
Misen Enterprises AB	100	100	50,000	1,001,699	1,001,699
Capital Oil Resources Sweden AB	100	100	1,000	100	100
Total				**1,001,799**	**1,001,799**

The Group's participation in the JA	2013	2012
Income Statement		
Income	618,322	557,827
Expenses	383,551	275,557
Balance Sheet		
Fixed assets	868,265	580,629
Current assets	221,890	36,463
Non-current liabilities	19,479	81,273
Current liabilities	452,074	129,008

Participations in Group companies	2013	2012
Opening acquisition cost	1,001,799	1,000,899
Capital contribution	-	900
Closing accumulated acquisition cost	1,001,799	1,001,799
Closing book value	**1,001,799**	**1,001,799**

Affirmation

The Board of Directors and the Managing Director hereby affirm that the annual report has been prepared in accordance with Generally Accepted Accounting Principles, gives a true and fair view of the Parent Company's financial position and results, and that the administration report gives a fair overview of the development of the Parent Company's operations, financial position and results and, additionally, describes the significant risks and factors of uncertainty faced by the Parent Company. The Board of Directors and the Managing Director also confirm that the consolidated financial statements have been prepared in accordance with international financial reporting standards, IFRS, as adopted by the EU, that they give a true and fair view of the Group's financial position and results, and that the administration report for the Group gives a fair overview of the Group's operations, financial position and results, and, additionally, describes significant risks and factors of uncertainty faced by the Group.

The income statements and balance sheets will be presented for adoption at the Annual General Meeting on 29 April 2014.

Stockholm, 8 April 2014

Tore I. Sandvold
Chairman

Dimitrios Dimitriadis
Board member

Hans Lundgren
Board member

Knud H. Nørve
Board member

Sergiy Petukhov
Board member

Andrius Smaliukas
Board member

Göran Wolff
Managing Director

Our audit report deviates from the standard formulations, and has been presented on 8 April 2014.

PricewaterhouseCoopers AB

Johan Palmgren
Authorised Public Accountant
Auditor-in-Charge

Klas Brand
Authorised Public Accountant

Auditor's report

To the annual meeting of the shareholders of Misen Energy AB (publ), corporate identity number 556526-3968

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Misen Energy AB (publ) for the year 2013.

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

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the 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 opinions.

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 2013 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 2013 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. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Other significant information

Without qualifying our opinion set out above, we wish to draw attention to the conditions mentioned in the Directors report in sections "Significant events during the financial year" and "Essential events after end of the year 2013" where it is described that the company has problems as they have been prevented from selling the gas that has been produced. These conditions indicate the existence of a material uncertainty that may cast significant doubt about going concern.

In a situation where the group's going concern cannot any longer be assumed there is a risk for a need to make significant write downs of the groups assets as well as of the parent company's book values of shares in subsidiaries.

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 Misen Energy AB (publ) for the year 2013.

Responsibilities of the Board of Directors and the Managing Director

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

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated 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 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 opinions.

Opinions

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

Observation

Without qualifying our opinions set out above, we want to point out that two tax payments for the company were not made at the correct time. The negligence has not resulted in any significant damage for the company.

Göteborg 8 April 2014
PricewaterhouseCoopers AB

Johan Palmgren
Authorised Public Accountant
Auditor-in-charge

Klas Brand
Authorised Public Accountant

pwc

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