MISEN ENERGY AB (publ.)
Corporate Identity Number 556526-3968

Annual report and consolidated financial statements for the financial year 2012

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

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Unless otherwise stated, all amounts are in thousands of SEK. Information in brackets refers to the previous year.

Administration Report

The Group

Misen Energy AB, formerly Svenska Capital Oil AB, is a Swedish company, which during the period from 2005 to 2010 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 co-owned project, Joint Activity ("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. The Group also includes the wholly-owned subsidiary Capital Oil Resources Sweden AB. The UK subsidiary Capital Oil (UK) Ltd, which has been dormant since 2008, has been liquidated during the year.

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 TSEK 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 are applied.

Parent Company

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.

Comparative figures covering several years

Summary of the Company's financial development

	2012	2011	2010	2009	2008
Group					
Net sales, TSEK	586,549	191,113	4,241	-	-
EBITDA, TSEK	360,450	126,233	2,556	-	-
Profit/loss after financial items, TSEK	342,892	110,482	3,252	-	-
Earnings per share, basic*, SEK	1.83	0.58	0.02	-	-
Earnings per share, diluted*, SEK	1.83	0.58	0.02	-	-
Return on equity, %	74.9%	76.0%	48.4%	-	-
Return on capital employed, %	111.6%	88.8%	53.0%	-	-
Balance sheet total, TSEK	628,145	159,941	8,586	-	-
Equity/assets ratio, %	56.4%	68.3%	71.4%	-	-
Proportion of risk-bearing capital, %	56.6%	68.3%	71.4%	-	-
Debt/equity ratio, %	25.1%	0.0%	0.0%	-	-
Number of employees	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.

	2012	2011	2010	2009	2008
Parent Company					
Net sales, TSEK	9,542	-	481	2,320	3,854
EBITDA, TSEK	Neg.	Neg.	Neg.	Neg.	Neg.
Profit/loss after financial items, TSEK	-11,062	-5,644	-7,395	-132,537	-2,296
Return on equity, %	Neg.	Neg.	Neg.	Neg.	Neg.
Return on capital employed, %	Neg.	Neg.	Neg.	Neg.	Neg.
Balance sheet total, TSEK	1,011,091	1,003,063	6,983	11,540	145,287
Equity/assets ratio, %	97.7%	99.6%	66.6%	86.8%	98.2%
Proportion of risk-bearing capital, %	97.7%	99.6%	66.6%	86.8%	98.2%
Debt/equity ratio, %	2.0%	0.0%	0.0%	0.0%	0.0%
Number of employees	2	2	2	2	3

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

Significant events during the financial year

Investments and events during the year

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 Misen Energy AB. This was demonstrated clearly in the consolidated profit for 2011, where Profit after financial items amounted to about MSEK 110 and the Group's operating cash flow was MSEK 96. This positive trend has continued in 2012, with a consolidated profit after financial items of MSEK 343, an increase of 212%. Earnings per share rose from SEK 0.58 in 2011 to SEK 1.83 in 2012, thus tripling. The sharply improved earnings performance is a result of the implemented investment program, whereby both productivity per gas well and the number of wells increased during the year. The number of wells at the end of 2012 amount to 145. JA’s operations are investment intensive and in 2012, the Group’s share of investment in the renovation of gas wells and purchase of production equipment amounted to MSEK 573 (of which MSEK 404 affected the cash flow) compared with MSEK 109 in 2011. Investment requirements will continue to be substantial, which is why the Joint Activity Agreement (“JAA”) stipulates that no dividend will be made until the year 2015 at the earliest. The Group's cash flow, which, in 2012, amounted to MSEK 284 before changes in working capital, is expected to cover most of the future investment requirements.

A financing agreement has been established between Misen Energy AB and a Dutch financing fund, whereby Misen Energy AB has received a funding limit of up to MEUR 7.5, of which EUR 2,325,000 has been utilised as per 31 December 2012. This financing agreement covers the long-term funding needs of Misen Energy AB's Swedish operations.

During the year, Misen Enterprises AB has assumed responsibility for raising USD 12,515,958 before 25 February 2014 and also agreed to secure additional funding for JA up to UAH 3,000,000,000 when required, in accordance with Addendum No. 5 to the existing JAA. The consolidated balance sheet has 50.01% of the aforementioned contributions of MUSD 12.5, recorded as intangible assets in the form of rights and licenses. The UAH 3 billion are reported as contingent liabilities under memorandum items and correspond to MSEK 2,429.

Gas production for the full year 2012 in JA has amounted to 360 million cubic metres compared to 138 million cubic metres in 2011, an increase of 160 per cent. This has been possible thanks to an increase in productivity and also since the number of wells has increased from 110 to 145 during 2012.

At the end of 2012, the monthly gas production was 40 million cubic metres.

Significant events after the end of the financial year

One more Amendment no 6 to the JAA has been signed by Misen Enterprises in April 2013. Under the newly signed Amendment, six existing projects have been enlarged in scope and five new projects have been added, making a total of 27 projects that Misen shall be engaged in Ukraine. Under these projects, the number of fields has been increased to 42 and the number of wells has been increased from 145 to 208. Misen will also construct additional major Booster Compressor Station and two smaller size Booster Compressor Stations (BCS). By signing the JAA 6 Misen´s undertaking to secure further financing when required increased from 3 000 000 000 UAH to 5 000 000 000 UAH.

Future development

Through the acquisition of Misen Enterprises AB and the consequent partnership in the Ukrainian JA, the foundation for the positive development that began in 2011 and continued and improved greatly in 2012 was laid. This development is expected to continue and be further strengthened in the years to come, which will increase value for both old and new shareholders.

This will be realised through a continued future increase in gas production, which in turn leads to continued large investment requirements. To ensure the implementation of the necessary investments, no dividend will be distributed until at least 2015. Instead, profits generated during this period will be reinvested in the operations of the JA.

Ownership structure

The largest shareholders in Misen Energy AB per 31 December 2012

	Number of shares 2012	Participating interest, %
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	14,333,700	9.88 %
TCT Holding AB	14,333,700	9.88 %
Sadkora Resources AB	53,347	0.04 %
Försäkrings AB Avanza Pension	31,680	0.02 %
Pictet & Cie, CH	30,360	0.02 %
Nordnet Pensionsförsäkring AB	30,176	0.02 %
Michael Nord	28,342	0.02 %
Goce Kostovski	25,000	0.02 %
Other	1,532,317	1.06 %
Total	**145,068,222**	**100.00 %**

All shares are fully paid up.

Environmental impact

Operations in the JA 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 the environment. Oil and natural gas operations are subject to extensive regulations with respect to the environment at both international and national level. 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, which will most likely result in increasing costs. The group meets the environmental requirements in order to maintain existing licenses or obtain new ones.

Risks and uncertainties

The Group focuses on exploration and production of hydrocarbons with a focus on the establishment of oil and gas production 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 risks and interest rate risks, regulatory matters relating to investigations, processing and environment and uncertainty in the value of the completed exploration work and the subsequent field development. With operations now focused on production rather than exploration, the risk exposure has been reduced considerably.

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

The need for funding that may arise in 2013 will be handled through extended credits and if necessary, adjustments in the investment program.

A more in-depth explanation of the different risk exposures in the Company's business can be found under Supplementary Information later in this report.

Proposed appropriation of profits

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

Retained earnings and share premium reserve	708,527,827
Net loss for the year	-11,062,491
	697,465,336

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

to be carried forward	697,465,336
	697,465,336

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.

Consolidated Income Statement	**Note**	**2012**	**2011**
Net sales	1, 2	586,549	191,113
Other operating income		97	-
		586,646	191,113
Operating expenses			
Other external expenses	3, 4	-208,728	-62,362
Personnel costs	5, 6	-14,106	-5,287
Depreciation, amortisation and write-downs of tangible and intangible fixed assets	7	-9,777	-792
Write-down of acquired goodwill	7	-	-13,510
Write-down of tangible fixed assets	7	-	-1,483
Profit from sale of subsidiaries		-	2,769
Other operating expenses		-3,362	-
Total operating expenses		-235,973	-80,665
Operating profit/loss		350,673	110,448
Profit/loss from financial items			
Other interest income and similar profit/loss items	8	1,191	292
Interest expenses and similar profit/loss items	9	-8,972	-258
Total profit/loss from financial items		-7,781	34
Profit/loss after financial items		342,892	110,482
Tax on profit for the year	10	-78,142	-27,399
Net profit/loss for the year attributable to the Parent Company's shareholders		264,750	83,083

Statement of comprehensive income - Group		
Net profit/loss for the year	264,750	83,083
Other comprehensive income for the year		
Translation differences	-19,543	6,608
Total comprehensive income for the year attributable to the Parent Company's shareholders	245,207	89,691

Earnings per share before and after dilution calculated on income attributable to the Parent Company's shareholders during the year amounted to SEK 1.83/share (2011: SEK 0.58/share).
The average number of shares for the year amounted to 145,068,222 (2011: 143,962,611).

Consolidated Balance Sheet	Note	31 Dec 2012	31 Dec 2011
Assets			
Fixed assets	2		
Intangible fixed assets			
Rights and licenses	11	40,514	844
Tangible fixed assets			
Capitalised development expenditure	7, 12	-	15,884
Equipment, tools, fixtures and fittings	13	167,641	1,650
Construction in progress and advance payments regarding tangible fixed assets	14	371,902	85,530
		539,543	103,064
Financial fixed assets			
Other investments held as fixed assets		-	2,483
Total fixed assets		580,057	106,391
Current assets			
Inventories, etc.	15		
Spare parts		545	357
Oil products and natural gas		7,438	14,982
Other		-	444
		7,983	15,783
Current receivables			
Accounts receivable - trade	16, 17	21,346	11,667
Other receivables	18	783	2,565
Advance payments to suppliers		4,429	2,325
Prepaid expenses	19	222	6,391
		26,780	22,948
Cash and cash equivalents	16	13,325	14,819
Total current assets		48,088	53,550
TOTAL ASSETS		628,145	159,941

Consolidated Balance Sheet	Note	31 Dec 2012	31 Dec 2011
Equity and liabilities			
Equity			
Share capital	20	290,136	290,136
Share premium		-274,435	-274,435
Other reserves		-13,087	6,456
Retained earnings		351,884	87,134
Total equity		354,498	109,291
Non-current liabilities			
Long-term borrowings	21	87,505	-
Other non-current liabilities to JA		39,639	1,518
Liabilities attributable to financial leases	22	14,790	-
Deferred tax liabilities		984	-
Total non-current liabilities		142,918	1,518
Current liabilities			
Short-term borrowings	21	57,243	-
Liabilities attributable to financial leases		7,211	-
Advance payments from customers		-	10,508
Accounts payable - trade		26,694	11,476
Current tax liabilities		22,265	18,089
Other liabilities		15,749	6,364
Accrued expenses and deferred income	23	1,567	2,695
Total current liabilities		130,729	49,132
TOTAL EQUITY AND LIABILITIES		628,145	159,941
Pledged assets	24	359,123	39
Contingent liabilities	25	2,633,653	934,892

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**

Cash Flow Statement for the Group	Note	2012	2011
Operating activities			
Operating profit/loss before financial items		350,673	110,446
Adjustment for non-cash items	27	14,091	13,018
Interest received		1,191	292
Interest paid		-8,972	-257
Income tax paid		-72,563	-27,398
		284,420	96,101
Cash flow from changes in working capital			
Increase/decrease in inventories		6,977	-15,783
Increase/decrease in other current receivables		51,071	-23,841
Increase/decrease in other current operating liabilities		16,574	46,979
Cash flows from operating activities		359,042	103,456
Investing activities			
Sales of intangible fixed assets		51	-
Investments in tangible fixed assets*		-404,378	-108,730
Sales of tangible fixed assets		-	2,769
Decrease in non-current receivables		-	2,619
Cash flows from investing activities		-404,327	-103,342
Financing activities			
Borrowings		66,579	1,218
Repayments of borrowings		-24,173	-
New share issue		-	13,467
Cash flows from financing activities		42,406	14,685
Cash flow for the year		-2,879	14,799
Cash and cash equivalents at beginning of year		14,819	20
Exchange rate difference in cash and cash equivalents		1,385	-
Cash and cash equivalents at end of year		13,325	14,819

*Investments in tangible fixed assets that have not affected cash flow amount to TSEK 126,798 (2011: TSEK 0), these have been excluded from the cash flow statement.

Parent Company Income Statement

	Note	2012	2011
Net sales	1, 2	9,542	-
Operating expenses			
Other external expenses	3, 4, 26	-18,603	-3,977
Personnel costs	5, 6	-2,695	-2,705
Depreciation, amortisation and write-downs of tangible and intangible fixed assets	7	-	-1,559
Loss on disposals of tangible, intangible and financial fixed assets		-	-150
Gains on sales of subsidiaries		-	2,764
Total operating expenses		-21,298	-5,627
Operating profit/loss		-11,756	-5,627
Profit/loss from financial items			
Other interest income and similar profit/loss items	8	899	1
Interest expenses and similar profit/loss items	9	-206	-18
Total profit/loss from financial items		693	-17
Profit/loss after financial items		-11,063	-5,644
Tax on profit for the year	10	1	-
Net loss for the year		-11,062	-5,644

Statement of comprehensive income - Parent Company

Net profit/loss for the year		-11,062	-5,644
Other comprehensive income for year		-	-
Total comprehensive income for year		-11,062	-5,644

Parent Company Balance Sheet	**Note**	**31 Dec 2012**	**31 Dec 2011**
Assets			
Fixed assets			
Tangible fixed assets			
Equipment, tools, fixtures and fittings	13	-	-
Financial fixed assets			
Participations in Group companies	28	1,001,799	1,000,899
Total fixed assets		1,001,799	1,000,899
Current assets			
Current receivables			
Other current receivables	18	573	167
Prepaid expenses	19	207	1,358
		780	1,525
Cash and bank balances		8,512	639
Total current assets		9,292	2,164
Total assets		1,011,091	1,003,063

Parent Company Balance Sheet	Note	31 Dec 2012	31 Dec 2011
Equity and liabilities			
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		-5,757	-114
Net loss for the year		-11,062	-5,644
		697,466	708,527
Total equity		987,947	999,008
Non-current liabilities			
Other liabilities to credit institutions	21	20,034	-
Liabilities to Group companies		93	93
Total non-current liabilities		20,127	93
Current liabilities			
Accounts payable - trade		1,080	743
Liabilities to Group companies		399	624
Other current liabilities		505	295
Accrued expenses and deferred income	23	1,033	2,300
Total current liabilities		3,017	3,962
Total equity and liabilities		1,011,091	1,003,063
Pledged assets	24	152	39
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 2011	**4,422**	**345**	**960**	**-1,073**	**4,654**
Comprehensive income					
Net loss for the year	-	-	-	-5,644	-5,644
Other comprehensive income					
Translation difference	-	-	-	-	-
Total comprehensive income	**0**	**0**	**0**	**-5,644**	**-5,644**
Transactions with shareholders					
New share issue	285,714	-	713,325	960	999,999
Total transactions with shareholders	**285,714**	**0**	**713,325**	**960**	**999,999**
Closing equity, 31 December 2011	**290,136**	**345**	**714,285**	**-5,757**	**999,009**
Opening equity, 1 January 2012	**290,136**	**345**	**714,285**	**-5,757**	**999,009**
Comprehensive income					
Net loss for the year	-	-	-	-11,062	-11,062
Other comprehensive income					
Translation difference	-	-	-	-	-
Total comprehensive income	**0**	**0**	**0**	**-11,062**	**-11,062**
Closing equity, 31 December 2012	**290,136**	**345**	**714,285**	**-16,819**	**987,947**

Cash Flow Statement for the Parent Company	**Note**	**2012**	**2011**
Operating activities			
Operating profit/loss before financial items		-11,756	-5,627
Adjustment for non-cash items	27	-29	-1,060
Interest received		899	1
Interest paid		-206	-18
Income tax paid		-	-
		-11,092	-6,704
Increase/decrease in other current receivables		745	3,314
Increase/decrease in accounts payable		337	102
Increase/decrease in other current operating liabilities		-1,281	997
Cash flows from operating activities		-11,291	-2,291
Investing activities			
Shareholders' contribution paid		-900	-800
Sales of tangible fixed assets		-	150
Sales of subsidiaries		-	2,770
Cash flows from investing activities		-900	2,120
Financing activities			
Increase in non-current liabilities		20,063	626
Group contribution received		1	-
Cash flows from financing activities		20,064	626
Cash flow for the year		7,873	455
Cash and cash equivalents at beginning of year		639	184
Cash and cash equivalents at end of year		8,512	639

Supplementary information

General disclosures

General information

The Group’s operations involve exploring for and extracting hydrocarbons, with the focus on establishing 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 24 April 2013, approved this annual report and consolidated financial statements for publication.

Unless otherwise stated all amounts are reported in TSEK. 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 TSEK 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."

This implies that both the consolidated financial statements in this report and the comparative figures for 2011 refer to the Misen Enterprises Group.

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 Ukrgazvydubovannya. The consolidated financial statements also include Misen Energy Group, but only from the second half of 2011, as the reverse acquisition became effective on 1 July 2011.

The accounts relating to the Parent Company do, however, as before, include Misen Energy AB, formerly Svenska Capital Oil AB.

New and amended standards applied by the Group
None of the IFRS or IFRIC interpretations which were obligatory for the first time for the financial year commencing on 1 January 2012 have had a significant impact on the Group.

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

- Amendments have been introduced to IAS 1 "Presentation of Financial Statements" regarding the reporting of Other comprehensive income. The most significant change to the amended IAS 1 is the requirement that the items reported under "Other comprehensive income" are to be classified according to two categories. This classification is based on whether or not the items can be recycled to an item in the income statement (recyclable adjustments). The change does not address the matter of which items are to be included in "Other comprehensive income". The Group intends to apply the amendments to IAS 1 for the financial year beginning 1 January 2013.

- 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.

- IFRS 13 "Fair Value Measurement" aims at more consequent and less complex valuations at fair value by providing an exact definition and a common source in IFRS for valuations at fair value and associated disclosures. The requirements do not extend the area of application as to when fair value should be applied but provide guidance regarding the manner in which fair value should be applied in areas where other IFRS already require, or allow, valuation at fair value. The Group has not yet evaluated the full effects of IFRS 13 on the financial statements. The Group intends to apply the new standard for the financial year beginning 1 January 2013. The standard is yet to be adopted by the EU.

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	8.7113	8.6159
UAH	0.8497	0.8097
USD	6.7765	6.5096

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 Agreement") 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 invoicing of services plus expenses. 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 that have been paid or received by the Parent Company in order to minimise the total Group tax, are recognised in equity in the balance sheet.

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 2012 would be to increase it by 742 TSEK or decrease it by 607 TSEK (2011: increase by 88 TSEK or decrease by 72 TSEK).

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, 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.

Production risk
Until an oil or natural gas project reaches a 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 bore hole 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 built on 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 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 exploration 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 every purchase of concessions, as well as before the commencement of the drilling of bore holes, the Group carries out thorough investigations regarding the ownership of 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 will initiate a process that will aim to investigate what measures are needed to extend the licenses expiring in 2018, as most of the licenses formally expire at that time.

Geological risks
All estimations of extractable geo-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 geologists and based on factors gathered from different types of geological and geophysical 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 operations programmes. The estimations that the Group has reported is the latest information available for each 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.

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 policy in a negative way. This has resulted in a deceleration of the reform of the 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 stage where the special interests between Ukraine, the transit country, and Russia, the supplier country, periodically appear. 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 recent presidential election has also led to a stabilisation of the country's political climate.

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.

Notes, for the Parent Company and the Group

Note 1 Classification of income

	Group		Parent Company	
	2012	2011	2012	2011
Included in net sales are revenues from:				
Natural gas	532,061	176,876	-	-
Oil products	44,724	14,237	-	-
Other	9,764	-	9,542	-
Total	586,549	191,113	9,542	0

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 2012	31 Dec 2011
Net sales, external		
Sweden	9,542	-
Ukraine	577,007	191,113
Fixed assets		
Sweden	-	-
Ukraine	580,057	106,391

Note 3 Remuneration to auditors

	Group		Parent Company	
	2012	2011	2012	2011
PwC				
Audit assignment	1,175	136	871	-
Tax advisory services	85	-	85	-
Other services	984	136	673	-
Total	2,244	272	1,629	0
Moore Stephens KLN AB				
Audit assignment	-	377	-	377
Tax advisory services	-	15	-	15
Other services	125	29	125	29
Total	125	421	125	421
Other				
Audit assignment	-	81	-	-
Total	2,369	774	1,754	421

Fees related to the Group audit of JA and LLC Karpatygaz are invoiced to the parent company. Fees related to the audit of the Swedish subsidiaries are invoiced to the parent company.

Note 4 Other external expenses

	Group		Parent Company	
	2012	2011	2012	2011
Rent and royalties	119,110	45,454	-	-
Production and transport costs	36,742	15,858	-	-
Land expenses	7,373	2,767	-	-
Refinery expenses	3,505	1,039	-	-
External services	1,526	1,407	-	-
Change in inventories	7,201	-14,545	-	-
Other	33,271	10,382	18,603	3,977
Total	208,728	62,362	18,603	3,977

Note 5 Salaries and remuneration to the Board and Company management

2012	Basic salary/ Directors' fee	Other remuneration	Benefits	Pension	Total
Parent Company and Group					
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**

2011	Basic salary	Other remuneration	Benefits	Pension	Total
Parent Company and Group					
Leif Larsson, Managing Director	1,398	-	89	469	1,956
Total	**1,398**	**0**	**89**	**469**	**1,956**

No board of directors' fees were paid in 2011. No variable remuneration is paid.

Note 6 Salaries, other remuneration and social security contributions

	Group		Parent Company	
	2012	2011	2012	2011
Average number of employees				
Women	24	13	1	1
Men	64	19	1	1
Total	88	32	2	2
Total salaries, remuneration, social security contributions and pension costs				
Salaries and remuneration to the Board of Directors, Managing Director and other senior management	3,682	699	3,425	1,398
Salaries and remuneration to other employees	6,808	2,948	93	120
	10,490	3,647	3,518	1,518
Statutory and contractual social security contributions	694	1,114	694	691
Pension costs for Board of Directors, Managing Director and other senior management	556	235	556	469
Pension costs for other employees	-	10	-	19
Total	11,740	5,006	4,768	2,697

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

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

Members of the Board and senior management
Number of Board members on the balance sheet date

Men	5	5	5	5
Total	5	5	5	5

Number of Managing Directors and other senior management

Men	2	1	1	1
Total	2	1	1	1

Note 7 Amortisation/depreciation and write-downs

	Group		Parent Company	
	2012	2011	2012	2011
Depreciation, amortisation and write-downs of tangible and intangible fixed assets				
Amortisation of intangible assets	3,096	-	-	-
Depreciation of equipment	6,681	792	-	75
Write-downs of goodwill arising on acquisitions	-	13,510	-	-
Write-downs of machinery	-	1,483	-	1,484
Total	9,777	15,785	0	1,559

Note 8 Other interest income and similar profit/loss items

	Group		Parent Company	
	2012	2011	2012	2011
Interest income	1,191	292	899	1
Total	1,191	292	899	1

Note 9 Other interest expenses and similar profit/loss items

	Group 2012	Group 2011	Parent Company 2012	Parent Company 2011
Other interest expenses	3,124	243	206	11
Exchange rate differences	2,208	15	-	7
Other financial expenses	3,640	-	-	-
Total	8,972	258	206	18

Note 10 Tax on profit for the year

Distribution of income tax	Group 2012	Group 2011	Parent Company 2012	Parent Company 2011
Current tax	-78,329	-27,399	1	-
Deferred tax	187	-	-	-
Total	**-78,142**	**-27,399**	**1**	**0**

	Group 2012	Group 2011	Parent Company 2012	Parent Company 2011
Reported profit before tax	342,892	110,481	-11,063	-5,645
Tax according to national tax rates	-72,783	-29,658	2,909	1,485
Tax attributable to non-taxable income	-	3,245	-	-
Tax attributable to non-deductible expenses	-2,457	-9	-7	-9
Tax losses for which no deferred tax asset is recognised	-2,902	-977	-2,902	-1,476
Tax on Group contributions	-	-	1	-
Tax expenses for the year	-78,142	-27,399	1	0

As per 31 December 2012, the Group had a fiscal deficit amounting to SEK 153,285,016, of which the Parent Company's deficit amounted to SEK 151,546,891. Deferred tax assets totalling SEK 33,722,703 for the Group and SEK 33,340,316 for the Parent Company have not been reported as an asset, as the possibility of utilizing these amounts against of tax loss carry forwards in the foreseeable future is uncertain. Tax losses in Sweden for the Parent company do not expire.

Note 11 Rights and licenses

	Group	
	31 Dec 2012	31 Dec 2011
Opening acquisition cost	1,452	-
The Group's share of contributions to JA	41,748	-
Purchases	1,118	1,452
Translation differences	-159	-
Closing accumulated acquisition cost	44,159	1,452
Opening amortisation	-608	-
Amortisation for the year	-3,096	-608
Translation differences	59	-
Closing accumulated amortisation	-3,645	-608
Closing residual value according to plan	40,514	844

Note 12 Capitalised development expenditure

	Group	
	31 Dec 2012	31 Dec 2011
Opening acquisition cost	16,306	16,306
Reclassifications	-15,860	-
Translation differences	-446	-
Closing accumulated acquisition cost	0	16,306
Opening depreciation	-422	-
Depreciation for the year	-	-397
Reclassifications	411	-
Translation differences	11	-25
Closing accumulated depreciation	0	-422
Closing residual value according to plan	0	15,884

Note 13 Equipment, tools, fixtures and fittings

	Group		Parent Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Opening acquisition cost	2,315	-	403	403
Purchases	163,939	1,912	-	-
Translation differences	-9,088	-	-	-
Sales and disposals	-64	-	-	-
Via acquisitions of subsidiaries	-	403	-	-
Reclassifications	17,566	-	-	-
Closing accumulated acquisition cost	174,668	2,315	403	403
Opening depreciation	-665	-	-403	-328
Sales and disposals	13	-	-	-
Depreciation for the year	-6,682	-284	-	-75
Reclassifications	-453	-	-	-
Translation differences	760	-16	-	-
Acquisitions of subsidiaries	-	-365	-	-
Closing accumulated depreciation	-7,027	-665	-403	-403
Closing residual value according to plan	167,641	1,650	0	0

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

	Group		Parent Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Opening acquisition cost	85,530	-	-	1,784
Expenses accrued during the year	303,498	85,530	-	-
Acquisitions of subsidiaries	-	1,784	-	-
Sales	-	-300	-	-300
Reclassifications	-1,706	-	-	-
Capitalized interest expenses incl. exchange rate differences	3,507	-	-	-
Translation differences	-18,927	-	-	-
Write-downs for the year	-	-1,484	-	-1,484
Closing accrued expenses	371,902	85,530	0	0

Advance payments from suppliers in 2011 also referred to constructions in progress for tangible assets, and have, therefore, been partially reclassified to this category.

Note 15 Inventories

	Group	
	31 Dec 2012	31 Dec 2011
Valued at acquisition cost		
Spare parts	545	357
Oil products and natural gas	7,438	14,982
Other	-	444
Total	7,983	15,783

Note 16 Financial instruments by category

	Group		Parent Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Assets				
Loans and receivables				
Accounts receivable, external	19,218	11,667	-	-
Accounts receivable, JA	2,128	-	-	-
Cash and cash equivalents	13,325	14,819	8,512	639
Total	34,671	26,486	8,512	639
Liabilities				
Other financial liabilities				
Borrowing (excluding liabilities attributable to financial leases)	114,748	-	-	-
Liabilities attributable to financial leases	22,001	-	-	-
Accounts payable and other liabilities excluding non-financial liabilities	66,333	21,984	1,572	1,460
	203,082	21,984	1,572	1,460

Note 17 Accounts receivable - trade

	Group	
	31 Dec 2012	31 Dec 2011
Accounts receivable, external	19,218	11,667
Total	19,218	11,667

As per 31 December 2012, accounts receivable (excluding doubtful debts) amounted to TSEK 19,218 (2011: 11,667), after deductions for write-downs totalling TSEK 658 (710).

As per 31 December 2012, accounts receivable amounting to TSEK 9,349 were overdue, but no reserve was deemed to be necessary for this amount. The overdue accounts receivable are attributable to customers that have not previously encountered financial difficulties.

Maturity analysis of accounts receivable:		
Not overdue	9,869	6,325
< 30 days overdue	9,349	5,342
361 – days overdue	658	710
Total	19,876	12,377

Note 18 Other receivables

	Group		Parent Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
VAT recoverable	573	167	573	167
Other receivables	210	2,398	-	-
Total	783	2,565	573	167

Note 19 Prepaid expenses

	Group		Parent Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Prepaid production costs	-	5,031	-	-
Other prepaid expenses	222	1,360	207	1,358
Total	222	6,391	207	1,358

Note 20 Share capital

Share information	2012	2011
Group		
Weighted average number of shares for the year*	145,068,222	143,962,611
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)		
Weighted average number of shares for the year*	145,068,222	73,639,722
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 2012.

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 2012, MSEK 558 and MSEK 276, respectively, were denominated in UAH, implying that a +/-10 % change in the UAH exchange rate would affect the Group’s profit by MSEK +/- 28.

The Group’s net assets with UAH as reporting currency amounted to MSEK 407. Thereby, a +/- 10 % change in the UAH exchange rate would affect the Group’s equity by MSEK +/- 41.

Interest rate risk
As per 31 December 2012, the Group had interest-bearing liabilities amounting to MSEK 167 and a change of the interest rate by +/- 1% would affect the Group’s financial expenses by MSEK +/- 2.

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 +/- 58. A +/- 10 % change of cost level in Ukraine would affect Group expenses by MSEK +/- 28.

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 a revolving basis and approved regularly by Management. The Joint Activity’s Management undertakes regular age analyses and follows up on overdue accounts receivable.

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 or more 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 probably be a need for external financing to fulfil the investment need 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 2013 will be handled

through extended credits, and if needed, adjustments in the investment programme.

The table below shows liabilities at 31 December 2012 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 loan 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 2012	> 1 month	1 month - 1 year	1 year - 2 year	> 2 years	Total
Liabilities to credit institutions	4,455	64,247	65,397	23,630	157,729
Liabilities attributable to financial leases	949	9,377	9,838	8,259	28,423
Accounts payable and other financial liabilities	27,096	-	39,639	-	66,735
Total	**32,500**	**73,624**	**114,874**	**31,889**	**252,887**

At 31 December 2011, the Group's financial liabilities were due either at immediate notice or within less than a month.

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. The Group fulfilled all applicable covenants at 31 December 2012, with the exception of one guarantee from Ukrgazvydubovannya that was not pledged in time, according to the terms for a Letter of Credit arrangement. This implied a 2 % increase of the JA borrowing interest rate cost during the period of delay, within the scope of the Letter of Credit arrangement. The implied cost increase did not significantly affect the Group’s profit for the year.

	Group		Parent Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Interest-bearing liabilities				
Non-current liabilities				
Liabilities to credit institutions	87,505	-	20,034	-
Liabilities attributable to financial leases	14,790	-	-	-
Liabilities to Group companies	-	-	93	93
Total	102,295	0	20,127	93
Current liabilities				
Liabilities to credit institutions	57,243	-	-	-
Liabilities attributable to financial leases	7,211	-	-	-
Total	64,454	0	0	0
Total interest-bearing liabilities	166,749	0	20,127	93

Interest
Weighted average effective interest rates on borrowings amounted to:

	Group		Parent Company	
	2012	2011	2012	2011
Non-current liabilities to credit institutions	10.1%	n.a.	5.9%	n.a.
Current liabilities to credit institutions	12.4%	7.0%	n.a.	n.a.
Liabilities to Group companies	n.a.	n.a.	2.0%	2.0%

Currencies

	Group		Parent Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Interest-bearing liabilities per currency				
EUR	21,947	-	20,034	-
USD	20,229	-	-	-
UAH	124,573			
Total	**166,749**	**0**	**20,034**	**0**

Financial assets carried at amortised cost.
The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Carrying amounts of trade and other financial receivables approximate fair values.

Note 22 Financial lease agreements

Group TSEK	Maturity within 1 year	Maturity between 1 and 5 years	Total
Minimum payments per 31 December 2012	10,324	18,096	28,420
Minus 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 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Accrued interest expenses	193	-	192	-
Accrued salaries and other personnel costs	516	2,163	54	1,863
Other items	858	532	787	437
Total	1,567	2,695	1,033	2,300

Note 24 Pledged assets

	Group		Parent Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
For the Company's own liabilities				
Pledged bank balances	152	39	152	39
Pledged fixed assets	257,738	-	-	-
Pledged accounts receivable and future customer payments	101,233	-	-	-
Total pledged assets	359,123	39	152	39

Note 25 Contingent liabilities

	Group		Parent Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Contingent liabilities				
Rental guarantee	39	39	39	39
Attributable to liabilities in the JA	204,514	28,412	-	-
Other contingent liabilities	2,429,100	906,441	-	-
Total contingent liabilities	2,633,653	934,892	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 Nr 5 to the present Joint Activity Agreement, Misen Enterprises AB has, during the year, committed to secure additional funding for JA up to UAH 3,000,000,000 when required. These three billion UAH are reported as contingent liabilities and are equivalent to TSEK 2,149,100.

Note 26 Transactions with related parties

	Group 2012	Group 2011	Parent Company 2012	Parent Company 2011
Purchases from related parties				
Sadkora AB 1)	4,342	120	2,110	-
Ukrgazvydubovannya 2)	235,185	153,560	-	-
Sandvold Energy AS 1)	2,104	-	2,104	-
Henry Cameron 1)	1,006	-	1,006	-
Sergiy Probylov, salaries 3)	328	-	-	-
Total	242,965	153,680	5,220	0

Operating receivables/liabilities attributable to related parties
Receivables/liabilities from sales/purchases of goods/services are stated below.

Liabilities to related parties				
Ukrgazvydobuvannya 2)	2,120	-	-	-
Sadkora AB 1)	93	-	-	-
Total	2,213	0	0	0

1) Attributable to purchases of management services from Board member/company owned by Board member
2) Attributable to purchases from JA partner with substantial influence on the JA’s operations. In accordance with the JAA, Ukrgazvydobuvannya - the owner of licenses for JA’s oil and gas extraction - is compensated for rental payments and drilling in direct relation to additional gas extraction within the JA, above the base level for oil and gas extracted by Ukrgazvydobuvannya. The JA further compensates Ukrgazvydobuvannya for oil and gas production, processing and transport undertaken by the Ukrgazvydobuvannya personnel and JA’s utilisation of Ukrgazvydobuvannya’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
- Participations in Group companies and JA

Note 27 Adjustment for non-cash items

	Group		Parent Company	
	2012	2011	2012	2011
Depreciation/amortisation	9,777	793	-	75
Write-downs	-	14,994	-	1,484
Gains/losses from sales of fixed assets	2,413	-2,769	-	-2,619
Other adjustments	1,901	-	-29	-
Total	14,091	13,018	-29	-1,060

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 Ukrgazvydubovannya (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 12	Book value, 31 Dec 11
Misen Enterprises AB	100	100	50,000	1,001,699	1,000,799
Capital Oil Resources Sweden AB	100	100	1,000	100	100
Total				1,001,799	1,000,899

The Group's participation in the JA	2012	2011
Income Statement		
Income	557,827	191,104
Expenses	275,557	90,491
Balance Sheet		
Fixed assets	580,629	44,703
Current assets	36,463	97,336
Non-current liabilities	81,273	2,163
Current liabilities	129,008	34,329

	2012	2011
Participations in Group companies		
Opening acquisition cost	1,000,899	1,000,899
Capital contribution	900	-
Closing accumulated acquisition cost	1,001,799	1,000,899
Closing book value	1,001,799	1,000,899

Confirmation
The Board of Directors and the Managing Director hereby confirm 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 significant risks and uncertainty factors 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 accounting 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 Group's operations, financial position and results and, additionally, describes significant risks and uncertainty factors faced by the Group.

The income statements and balance sheets will be presented for adoption at the annual general meeting on 23 May 2013.

Stockholm, 24 April 2013

Tore I. Sandvold
Chairman

Dimitrios Dimitriadis
Board member

Hans Lundgren
Board member

Knud H. Nørve
Board member

Göran Wolff
Managing Director

Our audit report was presented on 24 April 2013.

PricewaterhouseCoopers AB

Johan Palmgren
Authorised Public Accountant
Auditor-in-Charge

Klas Brand
Authorised Public Accountant