MISEN ENERGY AB (publ.)

556526-3968

Annual report and consolidated financial statements for the financial year 2018

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

Contents

Page

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

Administration Report

The Board of Directors and the Managing Director hereby present the following annual accounts and consolidated financial statements for Misen Energy AB (publ) for the financial year 2018.

Misen Energy AB (publ) Corporate Identity Number 556526-3968.

The Misen Energy Group

About the company

Misen Energy AB (publ) ("**Parent Company**" or "**Company**") is a Swedish public limited liability company with its registered offices in Stockholm. The address of the head office is Kungsportsavenyen 32, 411 36 Gothenburg. The Company is listed at Nasdaq First North Stockholm. The Misen Group ("**Misen Group**" or "**Group**") comprises Misen Energy AB (publ) and the partially owned subsidiaries LLC Karpatygaz (Ukraine) and Misen Enterprises AB (Sweden).

In June 2016, in July 2017 and in November 2017, the Parent Company sold respectively 37.5%, 8% and 2% of Misen Enterprises AB shares to the Hong Kong based company Powerful United Limited ("**PUL**"). The same owners that control the Company's shareholder TCT Holding AB also control PUL. In March 2018, Company sold 2% of Misen Enterprises AB shares to Mr. Konstantin Guenevski, Bulgarian citizen, who is a senior trader of one of the world's leading independent commodity trading and logistics houses. Misen Energy AB (publ) remain the owner of 50.5% of Misen Enterprises AB shares and maintain full control of the company. Misen Enterprises AB is consolidated in the Misen Group accounts and the remaining 49.5% held by other investors are accounted for as a non-controlling interest.

Joint Activity and Joint Activity Agreement

Misen Group together with PUL and Mr. Konstantin Guenevski had a 50.01% participation interest in the Joint Activity ("**JA**") dedicated to the hydrocarbon production and sales business in Ukraine. The remaining 49.99% interest in JA was held by the Joint Stock Company Ukrgasvydobuvannya ("JSC Ukrgasvydobuvannya" or "UGV") (Ukraine), a wholly owned subsidiary of the National Joint Stock Company Naftogaz of Ukraine (Ukraine). JA was governed by the Joint Activity Agreement No.3, dated 10 June 2002 ("JAA" or "JAA No.3") (as further restated and amended). JAA No.3 was terminated by the Partial Final Award rendered in July 2018 by the Arbitral Tribunal in the arbitration proceeding under Arbitration Rules of the Arbitration Institute of the Stockholm Chamber of Commerce. Misen Enterprises AB, LLC Karpatygaz and JSC Ukrgasvydobuvannya endeavour to take all steps necessary and appropriate to given a practical effect to termination of the JAA No.3.

History

The Parent Company, formerly Svenska Capital Oil AB (publ), was founded in 2004 and its shares have been traded on the First North List at OMX Stockholm since 12 June 2007. During the period from 2005 to 2010, the Company was engaged in the development of geo resources in Ukraine. As the former jointly-owned subsidiary LLC Capital Oil Ukraine was sold on 30 December 2010, the Company's oil prospecting in Ukraine came to an end. Starting in 2011, the business has focused on gas extraction within a new joint activity, the JA, in Ukraine. Under this revised business focus, all

shares in Misen Enterprises AB and its Ukrainian subsidiary, LLC Karpatygaz, were acquired in 2011.

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

Joint Activity

The Company's partially owned subsidiaries Misen Enterprises AB and LLC Karpatygaz have, between them, rights to 50.01 per cent of the net profit after taxes of a large gas and oil production project in Ukraine. The remaining rights to 49.99 per cent of net profits after taxes belong to JSC Ukrgasvydobuvannya. The net profit from the gas and oil production project attributable to the parties was calculated based on the production volumes assigned to JA in accordance to JAA No.3. These volumes were calculated as the difference between a production level should investments be undertaken and a predetermined base line of production that would have been produced had the project not existed (i.e. no further investment had taken place).

Implementation of JAA No.3 has significantly contributed to the energy security and independence of Ukraine through sustainable growth in production of natural gas, what was the primary objective of JSC Ukrgasvydobuvannya when entering JAA No.3. The project was managed and supervised by the so-called Management Committee consisting of authorized representatives of the participants of JAA No.3. It was the supreme management body of JA that approved and monitored implementation of Annual Programs in accordance to JAA No.3. Misen Group was represented at the Management Committee of JA by the authorised representatives.

In August 2016 JSC Ukrgasvydobuvannya commenced an arbitration proceeding under JAA No.3 in accordance to the Arbitration Rules of the Arbitration Institute of the Stockholm Chamber of Commerce and requested the Arbitral Tribunal to invalidate or, alternatively, terminate JAA No.3. In May 2017, Misen Enterprises AB and LLC Karpatygaz agreed with termination of the JAA No.3 due to the material change in circumstances and impossibility to achieve the purpose of the Joint Activity. The Arbitral Tribunal decided that JAA No.3 shall be terminated as of 11 July 2018 due to material change in circumstances and impossibility to achieve the purpose of JAA No.3. In the ongoing arbitration proceeding, Misen Enterprises AB and LLC Karpatygaz seek compensation for their share in the Joint Activity upon termination of JAA No.3.

Risks and risk management

Significant risks that the Group is exposed to and the risk management for these risks are described in the section Supplementary information on page 28-42 as well as in note 22.

Essential events during 2018

Accounting treatment of the Joint Activity

Misen Enterprises AB and LLC Karpatygaz participate in an arbitration proceeding commenced by JSC Ukrgasvydobuvannya in August 2016 under JAA No.3 and vigorously defend the legitimate interests of their investors.

In accordance to the procedural timetable determined by the Tribunal, the disputing parties exchanged their positions. JSC Ukrgazvydobuvannya requested invalidation or, alternatively, termination of JAA No.3. Misen Enterprises and LLC Karpatygaz agreed with JSC Ukrgazvydobuvannya on termination of JAA No.3 and requested the Arbitral Tribunal to order JSC Ukrgazvydobuvannya to compensate for their share in JA.

On 11 July 2018, the Arbitral Tribunal rendered a Final Partial Award in the arbitration proceeding commenced under JAA No.3 in accordance to Arbitration Rules of the Arbitration Institute of the Stockholm Chamber of Commerce. This award is final on the following issues that were decided at this stage of the arbitration proceeding:

The Arbitral Tribunal has fully, unanimously and unequivocally dismissed all the claims submitted by JSC Ukrgasvydobuvannya in relation to alleged invalidity of JAA.

The Arbitral Tribunal found no corruption or collusion in the negotiation and approval of JAA No.3. The Tribunal did not establish any wrongdoing of present and/or former shareholders (beneficial owners) of Misen Enterprises AB and Karpatygaz LLC. Also, there was no wrongdoing of management of Misen Enterprises AB and Karpatygaz LLC. The JAA complied with all relevant Ukrainian legislation. Specifically, the Arbitral Tribunal found that there is no basis to conclude that JA breached Article 7(4) of the Pipeline Transport Law or public policy. The Arbitral Tribunal established that JSC Ukrgasvydobuvannya retained full rights to access and use its wells and there was no misappropriation of this of JSC Ukrgasvydobuvannya's property. Further, the Arbitral Tribunal has rejected claims of JSC Ukrgasvydobuvannya that JAA breached the prohibition on the sale of gas other than to PJSC NJSC Naftogaz of Ukraine pursuant to Article 10 of the Law on the Functioning of the Gas Market.

Summarizing the Arbitral Tribunal's findings on the above mentioned issues, Tribunal confirmed that JAA No.3 was a legal and fully binding contract, which gave rise to substantial benefits for JSC Ukrgasvydobuvannya (notably the ability to commercialise its gas at higher, unregulated prices, the obligation of Misen Enterprises AB to ensure additional financing to implement the Joint Activity Programs, and the revenues earned by providing services to the Joint Activity under the Services Agreement). The JAA was concluded in the interests of JSC Ukrgasvydobuvannya, not contrary to its interests.

Performing their respective contractual obligations, Misen Enterprises AB and / or LLC Karpatygaz did not make any material breaches of JAA, and, therefore, Arbitral Tribunal has fully, unanimously and unequivocally dismissed all the claims submitted by JSC Ukrgasvydobuvannya to terminate JAA on the ground that Misen Enterprises AB and LLC Karpatygaz allegedly breached their contractual obligations.

Specifically, the Arbitral Tribunal found that Misen Enterprises AB made no breach of its obligation to provide additional financing to implement the Joint Activity Programs; LLC Karpatygaz made no

breaches of JAA by entering into any of the sale of gas agreements; there was no failure to contribute know-how to the Joint Activity; there were no unjustified "threats" to stop operation of certain booster compressor stations; LLC Karpatygaz had a right to enter into settlement agreements with respect to certain debts owed to the Joint Activity; and, finally, the Arbitral Tribunal declared that LLC Karpatygaz complied with its obligations under JAA with respect to commissioning the booster compressor stations (including the major Khrestyshchenska BCS) and conducting repair works of the wells.

The only instance where the Arbitral Tribunal partially endorsed the position of JSC Ukrgasvydobuvannya is the Tribunal's findings that Misen Enterprises AB did not meet its obligation to make part of its contribution in the amount of approximately MUSD 8.5 by 31 December 2015 and that LLC Karpatygaz was late under JAA in equipping certain wells with metering stations.

However, the Arbitral Tribunal decided that these breaches, whether considered alone or together, cannot be characterised as substantially depriving JSC Ukrgasvydobuvannya of what it expected to receive when making JAA and do not give right for JSC Ukrgasvydobuvannya to terminate JAA. Moreover, while the Arbitral Tribunal indicated that a failure to make the remaining part of Misen Enterprises AB contribution may lead to making appropriate adjustments to JAA participant's share of the joint property upon termination of JAA, this does not result in the rescission of the parties' original agreement on the value of their contributions. Thus, the Arbitral Tribunal upheld that, as was contractually agreed, JAA entitled Misen Enterprises AB and LLC Karpatygaz to a 50.01 % share in the joint property.

However, since the 70% royalty imposed by the Government of Ukraine brought a material change in circumstances and it is no longer possible to achieve the purpose of JAA, the Arbitral Tribunal concluded that JAA must be terminated as of 11 July 2018 solely on these grounds.

As previously reported, Misen Enterprises AB and LLC Karpatygaz agreed on termination of JAA particularly on these grounds. Again, the Arbitral Tribunal has fully upheld Misen Enterprises AB and LLC Karpatygaz pleadings in this respect.

Therefore, the Arbitral Tribunal obliged Misen Enterprises AB, LLC Karpatygaz and JSC Ukrgasvydobuvannya to take all steps necessary and appropriate to give practical effect to termination of JAA.

The parties agree that, following the termination, the Joint Activity's assets should be transferred to JSC Ukrgasvydobuvannya, with Misen Enterprises AB and LLC Karpatygaz receiving compensation for their interests in those assets. If after the final partial award the parties will not be able to agree on the valuation of Misen Enterprises AB, LLC Karpatygaz share, this issue will be decided by the Arbitral Tribunal in its final award.

JSC Ukrgasvydobuvannya, Misen Enterprises AB and LLC Karpatygaz agree that, following the termination, the JA's assets should be transferred to JSC Ukrgasvydobuvannya, with Misen Enterprises AB and Karpatygaz LLC receiving compensation for their interests in those assets. The parties assigned LLC Karpatygaz, a former Operator under JAA No.3, to facilitate transfer of the

JA's assets to JSC Ukrgasvydobuvannya. The Arbitral Tribunal shall decide on compensation for the assets of Misen Enterprises AB and LLC Karpatygaz in Joint Activity.

The Final Partial Award is fully binding and shall be executed by Misen Enterprises AB, LLC

Karpatygaz and JSC Ukrgasvydobuvannya. The parties are taking all steps necessary and appropriate to give practical effect to termination of the JAA No.3. The parties waived their right to set aside the Partial Final Award before the Swedish Courts. However, Misen Enterprises AB, LLC Karpatygaz and JSC Ukrgasvydobuvannya have not yet applied for recognition and enforcement of the Final Partial Award in Ukraine.

As the parties at the end of 2017 agreed that JAA No.3shall be terminated, the JA's assets were deconsolidated as of 31 December 2017. As described above, the Arbitral Tribunal rendered a Final Partial Award to terminate JAA No. 3, and the transfer of the JA's assets to JSC Ukrgazvydobuvannya is ongoing. The Group therefore no longer has control over the specific assets owed by JA. Control is required to consolidate the assets as well as the future results of JA in the Group accounts.

The claims against JSC Ukrgazvydobuvannya may not be accounted for as an asset in the Group financial statements as the outcome of the arbitration proceeding in relation to compensation for Misen Enterprises AB and LLC Karpatygaz for their share in JA is still uncertain at the date of this annual report.

The accounting treatment and book value do not purport to reflect the value of the claims of Misen Enterprises AB or LLC Karpatygaz for compensation arising from the termination of JAA No.3. Nor does this accounting treatment imply in any respect any waiver of any claim submitted by Misen Enterprises AB and LLC Karpatygaz in the arbitration proceeding under JAA No.3 or any other right of Misen Group. Misen Enterprises AB and LLC Karpatygaz continue to defend the legitimate interests of their shareholders and seek compensation for their share in the Joint Activity from the dissolution of JA.

Under JAA No.3 Misen Group operated solely in Ukraine.

Financing of the Group's operations

In July 2017, Misen Energy AB (publ) closed the sale of 8% of the shares and shares capital in Misen Enterprises AB to PUL. The purchase sum amounted to MEUR 3.0 (KSEK 28,739). The agreement comprises conditions that allow PUL to require the Company to purchase back all or part of the shares from PUL within 24 months. The price of the shares would be equal to the purchase price multiplied by 3 less the amount of any dividends received by PUL from the shares in 24 months. The Company would be required to repurchase the shares only if it has financial capability to pay the shares price without the need to obtain third party funding.

In November 2017, Misen Energy AB (publ) closed the sale of additional 2% of the shares and shares capital in Misen Enterprises AB to PUL. The purchase sum amounted to MEUR 1.0 (KSEK 9,889). The agreement comprises conditions that allow PUL to require Misen Energy AB (publ) to purchase back all or part of the shares from PUL within 24 months. The price of the shares would be equal to the purchase price multiplied by 3 less the amount of any dividends received by PUL from the shares in 24 months. Misen Energy AB (publ) would be required to repurchase the shares only if it has financial capability to pay the shares price without the need to obtain third party funding.

On 2 March 2018, the Company closed the sale of 2% of the shares and shares capital in its partially owned subsidiary Misen Enterprises AB to Mr Konstantin Guenevski, Bulgarian citizen, who is a senior trader of one of the world's leading independent commodity trading and logistics houses. The purchase sum amounted to KEUR 1,000 (KSEK 9,638).

The agreement comprises conditions that allow the Company to repurchase the sold shares from Mr Konstantin Guenevski for the purchase price multiplied by 3 (three). Misen Energy AB (publ) could exercise this right till earlier of (i) 30 April 2019 or (ii) the date of the general meeting of shareholders of Misen Enterprises AB which would consider payment of dividends. Similarly, the agreement comprises conditions that allow Mr Konstantin Guenevski to require Misen Energy AB (publ) to purchase back all or part of the shares from Mr Konstantin Guenevski within 24 months. The price of the shares would be equal to the purchase price multiplied by 3 less the amount of any dividends received by Mr Konstantin Guenevski from the shares in 24 months. The Company would be required to repurchase the shares only if it has financial capability to pay the shares price without the need to obtain third-party funding.

On 16 August 2018, Misen Energy AB (publ) signed the Loan Agreement for KEUR 500 (KSEK 5,150) with Powerful United Limited. Under the Loan Agreement, Powerful United Limited is entitled to a fixed fee equal to the loan amount multiplied by 2 (two) to be paid by Misen Energy AB (publ) alongside with repayment of the loan by the earlier of (i) 1 May 2019 or (ii) the date on which Misen Energy AB (publ) receives sufficient funds in the form of business proceeds, allowing it to repay the loan and the fixed fee.

On 8 October 2018 Misen Energy AB (publ) signed the Loan Agreement with SP Holding Limited for KEUR 250 to be paid in several instalments by 30 November 2018. SP Holdings Limited owns Blankbank Investment Ltd, a shareholder of Misen Energy AB (publ). Similarly, on 25 October 2018 Misen Energy AB (publ) signed an amendment agreement to the Loan Agreement dated 16 August 2018 with PUL for KEUR 100.

In November 2018, Misen Energy AB (publ) and Misen Enterprises AB signed the Financing Agreement with PUL for the maximum sum of up to 12 million Euros. The Agreement obliges PUL to provide financing for the Swedish operations and an arbitration proceeding commented by JSC Ukrgazvydobuvannya under Arbitration Rules of the Arbitration Institute of Stockholm Chamber of Commerce in July 2016 against Misen Enterprises AB and LLC Karpatygaz, partially owned subsidiaries of Misen Energy AB (publ). The Agreement does not obligate PUL to cover any contingent liabilities.

Under the Financing Agreement, PUL agreed to provide financing on a non-recourse, unsecured and unguaranteed basis. Misen Energy AB (publ) and Misen Enterprises AB agreed to repay the financing provided to Misen plus 20 % of any final settlement of the arbitration claim to PUL. The Financing Agreement replaced the Loan Agreement with PUL concluded on 16 August 2018 and amended on 25 October 2018. Therefore, PUL will not be entitled to the payments under the Loan Agreement (as amended); however, PUL will be entitled to an amount equal to PUL’s outlay under the Financing Agreement and 20% of any final settlement of the arbitration claim. Such fee shall only become payable upon a final settlement of the arbitration claim. If Misen Energy AB (publ) does not achieve success in the arbitration proceeding, PUL shall not be entitled to any fee.

In the event of a negative outcome of the ongoing court negotiations described above, additional financing may need to be added to ensure the Group´s continued operation. Considering the significant uncertainties in the ongoing legal proceeding and the risk of a negative outcome there are significant uncertainties that may cast significant doubt about going concern for the Group.

Misen Energy AB (publ) will continue to have a complete control over the arbitration proceeding and have the right to settle the dispute with JSC Ukrgazvydobuvannya, discontinue proceeding, pursue the proceeding to trial and take any action Misen Energy AB (publ) considers appropriate to enforce a final award.

Criminal investigation

The pre-trial investigations in criminal cases commenced by the General Prosecutor Office of Ukraine respectively in 2014 and 2017, as supplemented with the JSC Ukrgasvydobuvannya's criminal complaint dated 5 September 2016 and JSC Ukrgasvydobuvannya's motion and notice of commitment of criminal offence dated 21 and 22 February 2017, were ongoing as of the date of this annual report.

In September 2017, JSC Ukrgasvydobuvannya submitted another criminal complaint to the National Anticorruption Bureau of Ukraine (thereafter as "**NABU**"). In September 2017, NABU finished its pre-trial investigation and submitted a claim to the Commercial Court of Kiev. NABU requested the court to invalidate Amendment No.4 of the JAA No.3 and the agreement for the provision of services on production, collection, treatment and transportation of natural gas, oil and gas condensate that LLC Karpatygaz concluded with JSC Ukrgasvydobuvannya in April 2011. The court instituted a legal proceeding in October 2017 and the preparatory hearings were held in May-August 2018.

Misen Enterprises AB and LLC Karpatygaz relied on the arbitration agreement contained in JAA No.3 and claimed, among other things, that the court shall refer the parties to arbitration. Misen Enterprises AB and LLC Karpatygaz believe that the Arbitral Tribunal constructed in accordance to the SCC Arbitration Rules is only competent authority to assess validity of JAA No.3.

The Court rejected the objections raised by Misen Enterprises AB and LLC Karpatygaz regarding jurisdiction and transferred the case to the consideration phase of the legal proceeding.

The consideration phase of the legal proceeding initiated by NABU was commenced in October 2018. Kyiv Economic Court dismissed a claim what regards, among other issues, invalidation of JAA in its entirety.

NABU and JSC Ukrgasvydobuvannya appealed against the decision. The hearing is scheduled on 21 May 2019.

LLC Karpatygaz and Misen Enterprises AB consider the criminal allegations to be ungrounded and deny them in their entirety. According to Misen Enterprises AB and LLC Karpatygaz the Arbitral Tribunal had the exclusive jurisdiction to determine validity of JAA No.3.

Contribution to JA

Following termination of JAA No. 3, no further contributions can be made under JAA No.3. The liability regarding the remaining contribution, previously accounted for in Misen Group, has been reversed as a part of the deconsolidation of JA as of 31 December 2017.

Operations in JA during 2018

Production report
The table below sets forth the *accumulated reported production* for the specified periods:

	12M 2018	12M 2017	12M 2016	12M 2015	12M 2014
Natural Gas (mmcm)	-	-	596.6	687.5	672.0
Gas Condensate (ktons*)	-	-	31.1	31.9	28.6
Oil (ktons)	-	-	5.4	11.1	18.8
LPG (ktons)	-	-	8.3	6.1	-

* thousand tons

During 2018 and before the Arbitral Tribunal rendered a Final Partial Award to terminate JAA No.3, JSC Ukrgasvydobuvannya continued, as Misen Energy AB (publ) believes, manifestly unlawful actions and refused to provide services in respect to production, collection, treatment and transportation of hydrocarbons to JA (see below "Sale of Hydrocarbons"). Due to this the production of hydrocarbons attributable to JA was zero. Misen Enterprises AB and Karpatygaz LLC believe that they are entitled to their share of hydrocarbons attributable to JA since December 2016 until termination of JAA No.3 (since June 2017 excluding incremental production in Booster Compressor Stations that has been leased out ("BCSs")).

Loan Agreement with the Russian Sberbank of Russia, a bank in JSC Sberbank of Russia´s Group.

In August 2012, Karpatygaz in its capacity as Operator of the Joint Activity, entered into a Loan Agreement with Sberbank of Russia, a bank of JSC Sberbank of Russia´s Group for KUSD 16,250 (KSEK 145,010) at the interest rate of 12% per annum. In 2015, JA defaulted on its loan to Sberbank of Russia.

On 13 June 2018 a settlement agreement was reached between JSC Ukrgasvydobuvannya, LLC Karpatygaz, as Operator of JA, and JSC Sberbank of Russia. According to the agreement the principal amount of loan, interest and JSC Sberbank of Russia court costs was repaid via the funds JSC Ukrgasvydobuvannya owed to the Joint Activity in accordance to the recently renewed agreements for lease of the booster compressor stations as well as own funds of JA. As a result of that, as of 31 December 2018, there is no outstanding liabilities to JSC Sberbank of Russia.

Agreement with Solar Turbines CIS LLC

In June 2013, Karpatygaz in its capacity as Operator of the Joint Activity and Solar Turbines CIS LLC entered into an agreement for equipment maintenance services (as further amended). Solar Turbines CIS LLC rendered the agreed services, however the Joint Activity did not pay for the services mainly due to the halted operations of the Joint Activity.

As of 31 December 2018, outstanding debt to Solar Turbines CIS LLC amounted to KUSD 771.7 (KSEK 6,886.4). Misen Enterprises AB, LLC Karpatygaz and JSC Ukrgasvydobuvannya discuss settlement of the debt to Solar Turbines CIS LLC. Under JAA the parties are joint and several liable. This obligation is included as a contingent liability.

Operation of the Booster Compressor Stations
In early 2016, the JAA's participants agreed on a lease of the Khrestyschenska BCS to JSC Ukrgazvydobuvannya. UGV had operated this BCS for its sole benefit and paid the corresponding fuel gas costs acquired during the lease period since 1 January 2016 until termination of JAA No.3. The payments under agreements should be made proportionally to all participants by UGV.

In addition, given UGV's refusal to allocate the power supply costs as well as the JA's unavailability to sell hydrocarbons, in May 2017 the Joint Activity leased the remaining six BCSs to JSC Ukrgazvydobuvannya. In May 2018 the Lease Agreements, including Khrestyschenska BCS, were renewed until 30 April 2019. In accordance to the lease agreements, JSC Ukrgazvydobuvannya covered all the costs related to operation of the BCSs.

Misen Enterprises AB and LLC Karpatygaz's position is to start from July 11, 2018, when the Arbitral Tribunal announced its decision to terminate JAA No. 3, these leases have ceased

During 2018, JSC Ukrgasvydobuvannya failed to make the lease payments to JA under the signed lease agreement. The monthly lease income amounted to approximately MUAH 18 (MSEK 6) including VAT, while the outstanding receivables amounts to MUAH 224 (MSEK 72) including VAT. Despite the fact that JSC Ukrgasvydobuvannya failed to make lease payments according to the agreements, JA has made VAT payments for the lease payments until termination of JAA No.3.

During the term of lease agreements, JSC Ukrgasvydobuvannya sent to LLC Karpatygaz, as the Operator of JAA No.3, more than 100 set-off notices seeking to offset its lease payment against the alleged payments that LLC Karpatygaz should have made to UGV. As of date of JAA No 3 termination JSC Ukrgasvydobuvannya owed to JA MUAH 212.3 (MSEK 67.8) under lease agreements while claiming under service agreements for undelivered natural gas MUAH 479.7 (MSEK 153.1). LLC Karpatygaz objected all the claims and initiated court proceedings in Ukrainian courts to invalidate the set-off notices.

Subsoil use charge
Due to the 70% subsoil use charge applicable to JA, in October 2015, the Company submitted a notice of investment dispute to the Government of Ukraine in accordance to the Agreement between the Government of the Kingdom of Sweden and the Government of the Ukraine on the Promotion and Reciprocal Protection of Investments. The Government of Ukraine continued to impose the exorbitant subsoil charge for the Joint Activity until termination of JAA No.3 on 11 July 2018. Up until termination of JAA No.3, the Company reached no amicable resolution of the dispute with the Government of Ukraine.

Misen Energy AB (publ) reserves all its rights in this respect.

Tax payments in Ukraine
Despite being prevented from selling hydrocarbons, JA and its participants continued paying value added tax to the Ukrainian tax authorities until the termination of JA. The value added tax refers to the leasing fees that JA invoiced to JSC Ukrgasvydobuvannya. During 2018, JA paid KUAH 18,196 (KSEK 6,667) as value added tax. Since 2011, JA and its participants have contributed to Ukraine

KUAH 11,174,511 (adjusted KSEK 5,243,935) as subsoil use charge, value added tax and corporate profit tax.

Sale of hydrocarbons

From January 2018 until termination of JAA No.3 on 11 July 2018, JSC Ukrgasvydobuvannya continued, as the Company believes, manifestly unlawful actions and refused to provide services in respect of production, collection, treatment and transportation of hydrocarbons to JA. Being prevented from selling the hydrocarbons, Misen Group could not properly implement JAA No.3.

In 2016, LLC Karpatygaz, in its capacity as Operator of the Joint Activity, commenced a court proceeding and requested the court to order JSC Ukrgasvydobuvannya to provide services in respect of production, collection, treatment and transportation of hydrocarbons to JA. The court obliged UGV to provide the respective services, however JSC Ukrgazvydobuvannya appealed against the ruling. The Appeal Court maintained the decision of the first instance court. Subsequently, JSC Ukrgasvydobuvannya filed a cassation appeal with the Supreme Economic Court of Ukraine. In November 2017, the Supreme Court of Ukraine reversed decisions of lower courts and returned the case for reconsideration in a new circle.

In addition, LLC Karpatygaz commenced another court proceeding and requested the court to order JSC Ukrgazvydobuvannya to deliver hydrocarbons produced by JA during the period from December 2016. The court obliged JSC Ukrgasvydobuvannya to deliver hydrocarbons to the Joint Activity. It also dismissed JSC Ukrgasvydobuvannya's counterclaim against JA regarding reimbursement of debt and penalties under the services agreements. JSC Ukrgasvydobuvannya appealed against this court ruling.

In December 2017, the proceedings in both cases were halted until the final court ruling on case initiated by NABU.

Investment program report

Due to financial constraints imposed by the increased subsoil use taxation as well as JSC Ukrgasvydobuvannya's, as the Company believes, manifestly unlawful actions, Misen Group halted investments into the development program until termination of JAA No.3.

Since 2011 and until termination of JAA No.3, the Company has reached the following major milestones:

- at 86 wells repair works using the most up-to-date technical solutions were undertaken,
- 70 wells were commissioned,
- 7 BCSs from 11 were commissioned including Khrestyschenska, the largest in Ukraine,
- 4 BCS were at the final stages of construction.

Court proceedings against Center of Financial Leasing LLC (previously Sberbank Leasing)

Court proceeding in Case No. 910/21720/15

In 2015, LLC Sberbank Leasing Ukraine ("**Sberbank Leasing**" later as Financial Leasing Center LLC) initiated the court proceeding against JSC Ukrgasvydobuvannya, LLC Karpatygaz and Misen Enterprises AB seeking to enforce the contract and recover penalties. Sberbank Leasing claims that JA failed to deliver the equipment within the terms of the contract and, therefore, Sberbank Leasing is entitled to recover penalties. Contrary to this, LLC Karpatygaz claims that the Joint Activity could suspend delivery of the equipment and, therefore, the Joint Activity has committed no violations.

In October 2016, the Supreme Economic Court of Ukraine voided the verdicts of lower courts. The Ukrainian courts considered the case in a new circle. In February 2017 Sberbank Leasing changed its claims seeking now to recover MUSD 37 (MSEK 332) of advance payment and MUAH 353 (MSEK 113) as foreign exchange losses and fines. In March 2017, Sberbank Leasing was renamed to Financial Leasing Center following by the change of owners. In September 2017, the Supreme Economic Court of Ukraine again sent the case for reconsideration in a new circle. In October 2017 Kyiv Economic Court engaged NABU to the proceeding.

In June 2018, Kyiv Economic Court ruled to halt the proceeding until the court finally decides on the claims brought by NABU. Financial Leasing Center appealed against the ruling of Kyiv Economic Court in June 2018.

In July 2018 Kyiv Economic Court of Appeal upheld the decision taken by Kyiv Economic Court. The court proceedings are thus suspended.

Court proceeding in Case No. 910/24412/16

In December 2016, Financial Leasing Center LLC initiated another case against JSC Ukrgasvydobuvannya, LLC Karpatygaz and Misen Enterprises AB seeking to recover UAH 1,397,704,127 (SEK 446,142,964). Financial Leasing Center LLC claims that the Joint Activity failed to deliver the equipment within the terms of the contract and thereby Financial Leasing Center LLC was deprived of profit under the leaseback agreement. In September 2017, Financial Leasing Center LLC filed additional claim to recover MUSD 10 (MSEK 91). Kyiv Economic Court resolved to recover only MUAH 238 (MSEK 76) of lost profit. The judgment was appealed.

In May 2018, Kyiv Economic Court of Appeal engaged NABU as a third party to the proceeding. In August 2018, Kyiv Economic Court of Appeal upheld the decision of the first instance court and resolved Center of Financial Leasing LLC to recover MUAH 238 (MSEK 76) of lost profit.

LLC Karpatygaz challenged the decision before the Supreme Economic Court of Ukraine. In August 2018 the Supreme Economic Court of Ukraine ruled to halt enforcement of ruling of Kyiv Economic Court of Appeal until it reconsiders the decision according to the cassation procedure.

Essential events after the end of 2018

Ongoing arbitration proceeding under JAA No.3

Misen Enterprises AB, LLC Karpatygaz and JSC Ukrgazvydobuvannya agreed on a schedule for the second phase of the ongoing arbitration proceeding. JSC Ukrgazvydobuvannya filed its submission on 14 March 2019. JSC Ukrgazvydobuvannya requested the Arbitral Tribunal, among other issues, to significantly reduce participation share of Misen Enterprises AB and LLC Karpatygaz in JAA No.3 and to award compensation of damages that JSC Ukrgazvydobuvannya allegedly suffered due to non-fundamental breaches of JAA No.3.

Misen Enterprises AB and LLC Karpatygaz categorically disagree with the claims submitted by JSC Ukrgazvydobuvannya to the Arbitral Tribunal. Misen Enterprises AB and LLC Karpatygaz seek compensation for their share in the Joint Activity upon termination of JAA No.3. Misen Enterprises AB and LLC Karpatygaz shall file their submission by 3 June 2019. The hearing shall take place in July 2019.

Financing of the Group's Swedish operations

In 2019 the Company received a limited financing for the Swedish operations and arbitration proceeding commented by JSC Ukrgazvydobuvannya from PUL in accordance to the Financing Agreement.

Court proceeding in Case No. 910/18439/17 (National Anticorruption Bureau of Ukraine)

The hearing is scheduled to be held on 21 May 2019.

Court proceeding in Case No. 910/24412/16 (Financial Leasing Center LLC)

On 27 February 2019, the Supreme Court of Ukraine decided to, among other issues, annul Ruling of the Kyiv Economic Court of Appeal dated 13 August 2018 and Decision of the Kyiv Economic Court dated 17 August 2017 in part of satisfaction of the claim of Financial Leasing Center LLC to recover lost profit. The Court send the case for a retrial to the court of first instance.

Ownership structure

Major shareholders as of 31 December 2018:

Shareholder	Shares and votes, no.	Shares and votes, %
Norchamo Ltd. (CY)	43,057,475	29.68
Nellston Holdings Ltd. (CY)	43,001,100	29.64
Blankbank Investment Ltd. (CY)	26,491,377	18.26
TCT Holding AB (SE)	16,545,866	11.41
Forest Walkway AB (SE)	13,200,000	9.10
Total, major shareholders	142,295,818	98.09
Others	2,772,404	1.91
Total	145,068,222	100.00

Comparative performance indicators

Alternative performance measures (APM) – Group

As of 3 July 2016, new guidelines for alternative performance indicators (APMs), published by the European Securities and Markets Authority (ESMA) are being applied. Alternative performance indicators refer to financial measurements that are not defined within the framework of IFRS. Misen Energy AB (publ) regularly uses alternative performance indicators in its communications in order to improve comparisons between different periods and provide a more in-depth overview of the Company's performance for analysts, investors and other stakeholders. It is important to note that not all companies calculate their alternative performance indicators using the same methods. The usefulness of these performance indicators is therefore limited, and they should not be used as a substitute for financial measurements within the framework of IFRS. Below the alternative performance indicators for the Group are presented.

Summary of the financial development of the Misen Group and the Parent Company, covering the last five years, is showed below. Unless otherwise stated, all amounts are in KSEK.

	2018	2017	2016	2015	2014
The Group					
Net sales, KSEK	297	7 938	653 122	853 359	1 138 001
EBITDA, KSEK	Neg.	Neg.	60 566	49 454	586 089
Financial expenses	629	6 900	31 096	74 182	138 987
Profit/loss after financial items, KSEK	-4 320	-1 071 791	-5 509	-48 687	414 085
Earnings per share before dilution*, SEK	-0,03	-3,95	-0,05	-0,23	2,25
Earnings per share after dilution*, SEK	-0,03	-3,95	-0,05	-0,23	2,25
Return on equity, %	Neg	Neg.	Neg.	Neg.	57,1 %
Return on capital employed, %	Neg	Neg.	5,1 %	Neg.	69,4 %
Balance sheet total, KSEK	12 002	5 880	592 433	670 407	975 997
Equity/assets ratio, %	Neg.	Neg.	78,4 %	50,6 %	58,6 %
Proportion of risk-bearing capital, %	Neg	Neg.	78,4 %	50,6 %	59,1 %
Debt/equity ratio, %	Neg.	-	6,4 %	52,6 %	37,0 %
Number of employees	69	105	133	118	122

	2018	2017	2016	2015	2014
Parent Company					
Net sales, KSEK	-	-	-	-	-
EBITDA, KSEK	Neg.	Neg.	Neg.	Neg.	Neg.
Profit/loss after financial items, KSEK	- 6 402	-26 037	-33 080	-583 804	-26 392
Return on equity, %	Neg.	Neg.	Neg.	Neg.	Neg.
Return on capital employed, %	Neg.	Neg.	Neg.	Neg.	Neg.
Balance sheet total, KSEK	313 734	325 021	325 855	473 881	1 022 482
Equity/assets ratio, %	91,9%	90,4 %	98,2 %	74,5 %	91,6 %
Debt/equity ratio, %	-	-	0,0 %	28,9 %	7,7 %
Number of employees	3	3	4	4	4

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

Results – Misen Group and the Company

Misen Group net turnover for 2018 was KSEK 26,525 (KSEK 35,549) and the Parent Company net turnover for this period was KSEK 7,620 (KSEK 5,577).

Loss after financial items for the Misen Group was KSEK -4,320 (KSEK -1,071,791).

Parent Company loss after financial items made up KSEK -6,402 (KSEK -26,037).

Since 31 December 2017, JA is no longer consolidated into the accounts of Misen Energy AB (publ) since control ceased to exist. JAA No.3 was terminated on 11 July 2018.

During 2018, due to violation of JAA by JSC Ukrgazvydobuvannya, the production of hydrocarbons attributable to JA was zero (zero level during the same period 2017).

Financial assets and liabilities

The fair value of the financial assets and financial liabilities is estimated to be equal to the carrying value.

Contingent liabilities

As of 31 December 2018, Misen group contingent liabilities amounted to KSEK 27,027 (KSEK 72,022 as of 31 December 2017), the change is mainly explained by the repayment of the loan to PJSC Sberbank, subsidiary bank of Sberbank of Russia.

As described above, the Group is also involved in two court proceedings with Financial Leasing Center LLC(Court proceeding in Case No. 910/21720/15 and Court proceeding in Case No. 910/24412/16). The outcome of these court proceedings is uncertain at the date of this annual report.

Cash position

As of 31 December 2018, the cash balance of the Misen Group was KSEK 42 (KSEK 2,181). The cash flow from operations after changes in working capital for 2018 was KSEK -14,537 (KSEK -40,210).

Capital expenditure

The Misen Group´s capital expenditure on equipment for gas production in Ukraine related to JA activity during 2018 was TSEK 0 (TSEK 7,654).

Amendments to the tax code

As reported in previous reports, as of 1 January 2015 Ukrainian Parliament adopted amendments to the tax code. According to the adopted amendments, Joint Activities are not corporate profit tax ("**CPT**") payers starting from 2015. Instead, Joint Activities' operators are liable to pay income taxes on behalf of the participants. In December 2015 Ukrainian Parliament adopted additional amendments to the tax code. According to these amendments the CPT return is submitted within 40 days after the end of reporting period on a quarterly basis. The CPT obligations are based on the tax returns for the previous quarter and are paid within 10 days after submission of the return.

In this report it has been assumed that Misen Group with regard to the taxes related to JA will be tax payer according to Ukrainian legislation based on the presumption that it has operating activities within the country. Joint operations such as the JA in Ukraine have no clear definition in the Swedish Tax Legislation. JA has in the tax returns of Misen Enterprises since 2015 been treated as a foreign legal entity taxed by the participants (Sw. *I utlandet delägarbeskattad juridisk person*). This report has

been prepared on the assumption that the income in the JA accrued before 1 January 2015 will not be subject to the Swedish tax, that the holding in the JA is considered as business-related shares (Sw. *näringsbetingade aktier*) until 31 December 2014 and that the Ukrainian income tax may be deducted from Swedish income tax.

After the sale of 49.5% of the shares in Misen Enterprises AB the Parent Company can no longer utilize the tax losses carried forward through group contribution from Misen Enterprises AB.

Expected future development of the Company and going concern

For the remaining operations of the Group a long-term financing agreement with PUL was signed 28 November 2018. Group accounts are therefore prepared based on the going concern assumption.

In the event of a negative outcome of the ongoing court negotiations described above, additional financing may need to be added to ensure the Group´s continued operation. Considering the significant uncertainties in the ongoing legal proceeding and the risk of a negative outcome there are significant uncertainties that may cast significant doubt about going concern for the Group.

Proposed appropriation of profits

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

Retained earnings and additional paid-in capital	3,587,596
Net loss for the year	-6,402,429
	-2,814,833

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

To be carried forward	-2,814,833
	-2,814,833

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 additional disclosures, which together with the administration report, constitute an integral part of this annual report.

Consolidated income statement

	Note	2018	2017
Net sales	1, 2	297	7,938
Other operating income	3, 27	26,228	27,611
		26,525	35,549
Operating expenses			
Other external expenses	4, 5, 27	-17,496	-63,598
Personnel expenses	6, 7	-13,048	-11,131
Depreciation and amortisation of tangible and intangible fixed assets	8	-71	-28,562
Result from deconsolidation		-	-984,069
Other operating expenses	9	-50	-19,718
Total operating expenses		-30,665	-1,107,078
Operating profit/loss		-4,140	-1,071,529
Profit/loss from financial items			
Other interest income and similar profit/loss items	10	449	6,638
Interest expenses and similar profit/loss items	11	-629	-6,900
Total profit/loss from financial items		-180	-262
Profit/loss after financial items		-4,320	-1,071,791
Taxes for the year	12	-	-427
Net profit/loss for the year		-4,320	-1,072,218
Profit/loss attributable to:			
Misen Energy AB (publ) shareholders		-5,592	-573,322
Non-controlling interests		1,272	-498,896
		-4,320	-1,072,218
Statement of comprehensive income - Group			
Items that may be subsequently reclassified to profit or loss			
Translation differences		-87	-73,946
Reversed translation differences		-	623,033
Other comprehensive income for the year, net after taxes		-87	549,087
Total comprehensive income for the year		-4,407	-523,131
Attributable to:			
Misen Energy AB (publ) shareholders		-5,637	-286,901
Non-controlling interests		1,230	-236,230
Total comprehensive income for the year		-4,407	-523,131

Average number of shares during the year was 145,068,222 (2017: 145,068,222).

MISEN ENERGY AB (publ.)

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Consolidated balance sheet

	Note	31 Dec 2018	31 Dec 2017
Assets			
Fixed assets	2		
Intangible fixed assets			
Rights and licences	13	1	1
		1	1
Tangible fixed assets			
Equipment, tools, fixtures and fittings	14	295	3
Total fixed assets		296	4
Current assets			
Inventories, etc.	15		
Goods for resale		95	-
Current receivables			
Accounts receivable - trade	16, 17	8,384	397
Other receivables	18	2,834	2,943
Prepaid expenses	19	351	355
		11,569	3,695
Cash and bank balances	16	42	2,181
Total current assets		11,706	5,876
TOTAL ASSETS		12,002	5,880

Equity and liabilities

Equity			
Share capital	20	290,136	290,136
Other contributed capital		-274,435	-274,435
Other reserves		-237	-237
Profit/Loss brought forward		-35,365	-6,805
Non-controlling interests		5,677	-28,604
Total equity		-14,224	-19,945
Current liabilities			
Short-term loans	16, 21 22, 23	2,553	-
Accounts payable - trade	16	15,438	21,603
Other liabilities		2,480	781
Accrued expenses and deferred income	24	5,755	3,441
Total current liabilities		26,226	25,825
TOTAL EQUITY AND LIABILITIES		12,002	5,880

Changes in equity for the Group

	Share capital	Other contributed capital	Other reserves	Profit/Loss brought forward	Total	Non-controlling interests	Total equity
Opening equity 1 Jan. 2017	**290,136**	**-274,435**	**-549,324**	**830,544**	**296,921**	**167,636**	**464,557**
Net result							
Net profit/loss for the year	-	-	-	-573,232	-573,232	-498,986	-1,072,218
Other comprehensive income							
Reversed translation differences	-	-	589,848	-262,755	327,093	295,941	623,034
Translation differences	-	-	-40,761	-	-40,761	-33,185	-73,946
Total comprehensive income	**0**	**0**	**549,087**	**-835,987**	**-286,900**	**-236,230**	**-523,130**
Other transactions with non-controlling interests	-	-	-	-	-	-	-
Sale of shares in subsidiary	-	-	-	-1,362	-1,362	39,990	38,628
Total transactions with non-controlling interests	**-**	**-**	**-**	**-1,362**	**-1,362**	**39,990**	**38,628**
Closing equity 31 Dec. 2017	**290,136**	**-274,435**	**-237**	**-6,805**	**8,659**	**-28,604**	**-19,945**
Net result							
Net profit/loss for the year	-	-	-	-5,592	-5,592	1,272	-4,320
Other comprehensive income							
Reversed translation differences	-	-					
Translation differences	-	-		-45	-45	-42	-87
Total comprehensive income	**0**	**0**	**0**	**-5,637**	**-5,637**	**1,230**	**-4,407**
Transactions with holders of non-controlling interests							
Other transactions with non-controlling interests	-	-	-	-34,271	-34,271	34,271	-
Sales of participations in subsidiaries	-	-	-	11,348	11,348	-1,220	10,128
Total transactions with holders of non-controlling interests	**0**	**0**	**0**	**-22,923**	**-22,923**	**33,051**	**10,128**
Closing equity 31 Dec. 2018	**290,136**	**-274,435**	**-237**	**-35,365**	**-19,901**	**5,677**	**-14,224**

Cash flow statement for the Group

	Note	2018	2017
Operating activities			
Operating profit/loss before financial items		-4,140	-1,071,529
Adjustment for non-cash items	25	-8,373	1,002,869
Interest received		4	156
Interest paid		-53	-5,461
Income tax paid		-7	-1,711
		-12,569	-75,676
Cash flow from changes in working capital			
Increase/decrease Inventories		-94	103
Increase/decrease Other current receivables		857	2,065
Increase/decrease Other current operating liabilities		-2,731	33,298
Cash flow from operating activities		-14,537	-40,210
Investment activities			
Investments in tangible fixed assets		-536	-7,654
Tangible fixed assets sold		247	583
Proceeds from sales of shares in subsidiaries		10,128	27,591
Cash flow from investing activities		9,839	20,520
Financing activities			
Loans raised	25	2,553	9,598
Cash flow from financing activities		2,553	9,598
Cash flow for the year		-2,145	-10,092
Cash and cash equivalents at the beginning of the year		2,181	12,498
Exchange rate differences in cash and cash equivalents		6	-225
Cash and cash equivalents at year-end		42	2,181

Income statement for the Parent Company

	Note	2018	2017
Other operating income	3, 27	7,620	5,577
Operating expenses			
Other external expenses	4, 5	-8,386	-14,465
Personnel expenses	6, 7	-5,869	-6,146
Total operating expenses		-14,255	-20,611
Operating profit/loss		-6,635	-15,034
Profit/loss from financial items			
Result from participations in Group companies		488	-9,562
Other interest income and similar profit/loss items	10	-	-
Interest expenses and similar profit/loss items	11	-255	-1,441
Total profit/loss from financial items		233	-11,003
Profit/loss after financial items		-6,402	-26,037
Income tax	12	-	-
Net loss for the year		-6,402	-26,037

Statement of comprehensive income - Parent Company

Net profit/loss for the year	-6,402	-26,037
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-6,402	-26,037

Balance sheet for the Parent Company

	Note	31 Dec 2018	31 Dec 2017
Assets			
Fixed assets			
Financial fixed assets			
Shares in subsidiaries	26	313,359	252,997
Total fixed assets		313,359	252,997
Current assets			
Current receivables			
Receivables from Group companies	16	-	69,849
Other short-term receivables	18	1	177
Prepaid expenses	19	339	354
		340	70,380
Cash and bank	16	35	1,644
Total current assets		375	72,024
Total assets		313,734	325,021
Equity and liabilities			
Equity			
Restricted equity			
Share capital	20	290,136	290,136
Statutory reserves		345	345
		290,481	290,481
Non-restricted equity			
Profit/loss brought forward		3,588	29,627
Net loss for the year		-6,402	-26,037
		-2,814	3,590
Total equity		287,667	294,071
Non-current liabilities			
Liabilities to Group companies	22	88	90
Total non-current liabilities		88	90
Current liabilities			
Accounts payable - trade	16	10,602	17,457
Liabilities to Group companies	16	8,114	-
Liabilities to credit institutions	16, 27	2,553	-
Other short-term liabilities		417	10,616
Accrued expenses and deferred income	24	4,293	2,787
Total current liabilities		25,979	30,860
Total equity and liabilities		313,734	325,021

Statement of changes in equity - Parent Company

	Share capital	Statutory reserves	Share premium reserve	Profit/Loss brought forward	Total equity
Opening equity 1 Jan. 2017	**290,136**	**345**	**714,285**	**-684,660**	**320,106**
Net result					
Net profit/loss for the year	-	-	-	-26,037	-26,037
Total comprehensive income	**0**	**0**	**0**	**-26,037**	**-26,037**
Closing equity 31 Dec. 2017	**290,136**	**345**	**714,285**	**-710,697**	**294,069**
Opening equity 1 Jan. 2018	**290,136**	**345**	**714,285**	**-710,697**	**294,069**
Net result					
Net profit/loss for the year	-	-	-	-6,402	-6,402
Total comprehensive income	**0**	**0**	**0**	**-6,402**	**-6,402**
Closing equity 31 Dec. 2018	**290,136**	**345**	**714,285**	**-717,099**	**287,667**

Cash flow statement for the Parent Company

		2018	2017
Operating activities			
Operating profit/loss before financial items		-6,635	-15,034
Interest paid		53	-2
		-6,688	-15,036
Increase/decrease Other current receivables		40	-52,745
Increase/decrease Accounts payable - trade		-7,057	16,727
Increase/decrease Other current operating liabilities		-585	8,476
Cash flow from operating activities		-14,290	-42,578
Investment activities			
Shareholders' contribution - paid		10,128	27,590
Cash flow from investing activities		10,128	27,590
Financing activities			
Increase in long-term liabilities	25	2,553	9,598
Cash flow from financing activities		2,553	9,598
Cash flow for the year		-1,609	-5,390
Cash and cash equivalents at the beginning of the year		1,644	7,034
Cash and cash equivalents at year-end		35	1,644

Supplementary information

General disclosures

General information

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

Before the termination of JA No 3 in July 2018 the Group main business activities were extraction of hydrocarbons, with the focus of oil- and gas production in Ukraine. The Parent Company Misen Energy AB's business focus is to undertake Group-wide tasks and, together with its subsidiary Misen Enterprises AB, complete the ongoing legal processes.

The Board of Directors and the Managing Director have, on 11 April 2019, approved this annual report and consolidated financial statements for publication. The Board of Directors propose that the retained earnings of the Parent Company will be retained, and no dividend is paid.

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

Summary of important accounting principles

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

Basis of preparation of the financial statements

The consolidated financial statements for the Misen 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 judgement in applying the Group's accounting principles. Areas involving a high level of judgement, 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 definition

Misen Energy AB (publ) ("**Parent Company**" or "**Company**") is a Swedish public limited liability company with its registered offices in Stockholm. The address of the Head Office is Kungsportsavenyen 32, 411 36 Gothenburg. The Company is listed at Nasdaq First North Stockholm. The Misen Group ("**Misen Group**" or "**Group**") comprises Misen Energy AB (publ) and the partially owned subsidiaries LLC Karpatygaz (Ukraine) and Misen Enterprises AB (Sweden).

In June 2016, in July 2017 and in November 2017, Parent Company sold respectively 37.5%, 8% and

2% of Misen Enterprises AB shares to the Hong Kong based company Powerful United Limited ("**PUL**"). The same owners that control the shareholder TCT Holding AB also control PUL.

In March 2018, Company sold 2% of Misen Enterprises AB shares to Mr. Konstantin Guenevski, Bulgarian citizen, who is a senior trader of one of the world's leading independent commodity trading and logistics houses. Misen Energy AB (publ) remain the owner of 50.5% of Misen Enterprises AB shares and maintain full control of the company. Misen Enterprises AB is consolidated in the Misen Group accounts and the 49.5% held by other investors are accounted for as a non-controlling interest.

Standards, amendments and interpretations to existing standards that entered into effect in 2018

During the year, the following standards, amendments or interpretations to existing standards entered into effect with on the Group's financial statements.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments and introduces a new expected credit losses model.

IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition. The principles in IFRS 15 shall provide the users of the financial statements more useful information about the company's revenues. The increased disclosure requirements require information about revenue type, time for settlement, uncertainties related to revenue recognition and cash flows related to the contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers was effective from 1 January 2018. As the Joint Activity agreement (JA) was terminated in 2018 and deconsolidation of the Joint Activity was made as per 31 December 2017, there are no significant revenue or financial assets or liabilities to account for in accordance with IFRS 15 or IFRS 9 respectively. The implementation of these standards did therefore not have any material effect on the Group's financial statements and there was no transition effect in the opening balance from the implementation of these standards.

New standards and interpretations not yet applied by the Group
A number of new standards and interpretations effective for financial years beginning after 1 January 2018 have not been applied in preparing these consolidated financial statements.

IFRS 16 is effective from 1 January 2019. As the Joint Activity's participants have agreed to terminate JAA No.3 in 2018, the remaining operations of the Group will be limited from 2018 and onwards. As of this report, the impact of IFRS 16 will relate to the rental of office premises for Misen Energy AB and the financial impact is insignificant.

The Parent Company does not intend to apply IFRS 16 in the stand-alone financial statements in accordance with the exception in RFR 2.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Consolidated financial statements

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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.

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 activities

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group had only one holding in the Joint Activity in 2017. 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 arrangement, 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 arrangement which corresponds to the other participants' ownership share. The Group does not recognise any share of profits or losses in a joint arrangement which result from the Group's purchase of assets from the joint arrangement 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.

As per 31 December 2017 the Group concluded that control over the specific assets under JA no longer existed when the financial statements were prepared. This conclusion was reached as the parties finally confirmed their agreement to terminate JAA No. 3 in the final hearing held on 24 January 2018. Control is required to consolidate the assets as well as the future results of JA in the Group accounts. The result from JA has therefore not been included in the Group accounts for 2018. The JAA No.3 was terminated on 11 July 2018.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision- maker. 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 and Group management does not follow the operations in any dimension other than the operations as a whole, which is why no separate segment reporting is prepared.

Translation of foreign currencies

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 Swedish Crowns (SEK), which is the Parent Company's functional and presentation currency.

Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within financial income or expenses. All other foreign exchange gains and losses are presented in the income statement within Other operating income/expenses.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) 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 rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

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

Currency	**Income statement**	**Balance sheet**
UAH	0.32	0.32

Revenue recognition

Net sales comprise revenue from sales of goods and services. In accordance with IFRS 15, revenue is recognized when control of the goods/services is transferred to the customer based on a 5-step model:

1. Identify the contract with the customer
2. Identify the various performance commitments in the contract
3. Determine the transaction price
4. Allocate the transaction price to the various performance obligations.
5. Recognise revenue once the obligation has been fulfilled.

The Group recognize revenue when the Group fulfills a performance obligation by transferring goods or services to the customer that is when the customer obtains control over the asset. The performance obligation can be fulfilled either over time or at a point in time. The Group's net sales comprise mainly sales of goods. Sales of goods are recorded as revenue when the control of the goods has been transferred to the customer, which normally corresponds to the delivery of the goods. Delivery has occurred when the goods has been transported to the agreed location, the risk for the goods has been transferred to the customer and the customer has either accepted the goods in accordance with the agreement, the time for objection in accordance with the agreement has passed or the Group has objective evidence that all criteria for acceptance has been fulfilled.

Revenue for services are recognized over time. For services of short-term nature, revenue is in practice recognized when the service has been completed. In all material aspects, the Group's prior accounting principles for recognizing revenue corresponds with IFRS 15 and the implementation of the new standard did not have any significant effect on the financial statements. An adjusted opening balance for 2018 is therefore not presented.

The parent company revenue is comprise only intercompany revenue. The revenue is recognized over time as the services are consumed.

Current and deferred income tax

The tax expense for the period comprises current tax calculated on the period's tax profit according to current tax rates. The current tax expense is adjusted with changes in deferred tax assets and liabilities related to temporary differences and unutilised tax loss carry forwards.

The current tax expense is calculated on the basis of the tax regulations that at the 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 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 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.

Current and deferred tax are 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.

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.

Intangible assets

Intangible assets are recognised at acquisition cost less accumulated amortisation. Intangible assets relate entirely to technical documentation. Amortisation of technical documentation is made with 25% per year

Tangible fixed assets

Tangible fixed assets for the extraction of natural gas are recognised at cost less depreciation according to plan based on the asset's estimated useful life. Cost includes expenditure that is directly attributable to the acquisition of the asset, as well as capitalised interest and borrowing costs when applicable.

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 carrying amount is written down immediately to its recoverable amount if the asset's carrying amount 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.

Depreciation according to plan is made as per the following:
- Equipment, tools, fixtures and fittings 10-50%.

Write-downs of non-financial assets

Assets which are depreciated or amortised are impairment tested 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 carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling expenses and the value in use. When assessing impairment requirements, assets are grouped at the lowest level at which there are separate identifiable

cash flows (cash-generating units). Assets, which have previously been written down, are tested at each balance date to see if a reversal should be made.

Financial assets

From 1 January 2018 (the transition date for IFRS 15), the group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through OCI or through profit or loss), and those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group determines the classification of the financial assets at initial recognition.

The Group has only financial assets in the category amortised cost. For the comparative year 2017, the group classifies the financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, financial assets held for sale and derivatives. By the end of 2017 there were only financial assets in the category loans and receivables. These were reclassified per 1 January 2018 to the category amortised cost in accordance with IFRS 9. The reclassification did not have any impact on the amounts recorded.

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. 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. Interest income from these financial assets is included in finance income using the effective interest rate method. The Group's financial assets measured at amortised cost (prior Loans and receivables) comprise accounts receivables and cash and cash equivalents. Cash and cash equivalents include cash and bank deposits.

Impairment of financial assets

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. For more information about the expected credit loss, see note 17. The expected credit losses for the parent company's receivables on Group companies is considered insignificant and no expected credit loss is therefore recorded for these receivables.

Financial liabilities

From 1 January 2018 the Group classifies the financial liabilities in the following categories: liabilities measured at amortised cost and derivatives. At the end of 2017 the Group classified the financial liabilities in the categories: liabilities at fair value through profit or loss, other financial liabilities and derivatives. At the end of 2017 the Group had only financial liabilities in the category other financial liabilities. These were reclassified at 1 January 2018 to the category financial liabilities at amortised cost. The reclassification did not have any impact on the recorded amounts. The Group has the following liabilities measured at amortised cost:

Accounts payable - trade

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 are due for payment within one year or less. 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. The fair value of current accounts payable and other current liabilities corresponds to their carrying amounts as the discount effect is immaterial.

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.

Fees paid for loan facilities are recognised as transaction costs for the borrowing 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.

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. Borrowing costs are charged to profit or loss for the period to which they relate.

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.

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 expensed as they arise.

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. The net realisable value is estimated at the normal selling price less selling and completion expenses.

Provisions

Provisions 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 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.

Remuneration of employees

Short-term remuneration of employees

Liabilities for salaries and benefits, including non-monetary benefits and paid leave, which are expected to be settled within 12 months of the end of the financial year, are recognised as current liabilities in the undiscounted amount expected to be paid when the liabilities are settled. The expense is recognised as the services are rendered by the employees.

Remuneration after concluded employment

The Group only has defined contribution pension plans. 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.

Share capital

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

Earnings per share

Profit/loss per share before dilution

Earnings per share before dilution are calculated by dividing the profit or loss attributable to Parent Company shareholders with a weighted average number of outstanding ordinary shares during the period.

Profit/loss per share after dilution

For the calculation of earnings per share after dilution, the amounts used for the calculation of earnings per share before dilution are adjusted by taking into account the effect after tax of dividends and interest expenses on potential ordinary shares and the weighted average of the additional ordinary shares that would have been outstanding in a conversion of all potential ordinary shares.

At present, the Group has no effect from dilution, which means that the earnings per share before dilution correspond to earnings per share after dilution.

Parent Company accounting principles

The Parent Company has prepared its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board’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 are to be made to the IFRS.

The Parent Company accordingly applies the principles presented above except for the exemptions

presented below. Unless otherwise stated, these principles have been consistently applied for all years disclosed.

Financial instruments

The parent company applies the paragraphs in RFR 2 (IFRS 9 Financial instuments p 3-10), whereby financial instruments are measured at cost. Financial instruments of short term nature are subsequently measured at the lower of cost and fair value. For the calculation of the net realizable value of receivables recorded as current assets the principles of impairment and expected credit loss in IFRS 9 shall be used. The parent company has only inter-company receivables where the expected credit loss risk is deemed insignificant.

Presentation

The income statement and balance sheet follow the presentation according to the Annual Accounts Act.

Borrowing expenses

The Parent Company immediately expenses all borrowing expenses.

Participations in subsidiaries

Shares and participations in subsidiaries and associates are recognised at cost less potential write-downs. Cost includes acquisition-related costs and any additional purchase price. Received dividends are recognised as financial income. Dividends, which exceed the subsidiary's comprehensive income for the period or mean that the book value of the holding's net assets in the consolidated financial statements is below the book value of the participations, are an indication that there is an impairment requirement.

When there is an indication that shares or participations in a subsidiary or associate have decreased in value, an estimate of the recoverable amount is made. If this is lower than the carrying amount, a write-down is made. Write-downs are recognised in Result from participations in Group companies or Result from participations in associated companies.

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 paid or received by the Parent Company with the aim of minimising the Group's total tax are recognised in the income statement as appropriations.

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.

Assessment of ongoing disputes and claims

Management has evaluated the ongoing disputes and claims as described in the administration report.

- Request for Arbitration from PJSC Ukrgasvydobuvannya

After closing statement in the ongoing arbitration proceeding commenced by PJSC Ukrgasvydobuvannya in August 2016, where the parties confirmed their agreement to terminate JAA No. 3, the Group no longer reports its share of the assets or liabilities related to JAA No 3 in the balance sheet as management view is that the IFRS requirements for control are no longer met.

The assessed potential Group exposure to debts in JA are shown as contingent liabilities (see note 21). It cannot be excluded that any negative outcome of this arbitration proceeding may have a material effect on the Group's financial results in the future, including costs related to claims from the counterpart or other parties. The Arbitral Tribunal shall decide, among other issues, on valuation of the JA's assets and compensation to be paid for Misen Enterprises AB and LLC Karpatygaz for their share in those assets.

- Other legal cases

Based on the information currently available as well as supporting documentation from legal counsel, these ongoing disputes and claims described in the administration report do not require any additional provision or adjustment to the carrying values of assets and liabilities at the balance sheet date. However, it cannot be excluded that the outcome of these disputes and claims may have a material effect on the Group's financial results and carrying value of assets and liabilities in the future.

Recognition of current tax and deferred tax

Amendments to the tax code in Ukraine were adopted as of 1 January 2015. According to the newly adopted amendments, JAs are not corporate profit tax ("CPT") payers starting from 2015. Instead, it is the operators in the JAs that are obliged to pay tax monthly on behalf of the participants.

The tax is based on the calculation from the most recently filed tax return. In December 2015, the Ukrainian Parliament passed further amendments to the tax legislation. According to these amendments, returns shall be filed quarterly within 40 days after the end of each quarter. The tax payment is based on the return for the previous quarter and shall be paid within 10 days from the return being submitted.

In this annual report, it has been presumed that the Misen Group will be a taxpayer under Ukrainian law with regard to taxes related to JA, based on the assumption that the Misen Group has operations in Ukraine. JAs such as the JA in Ukraine have not been clearly defined in Swedish tax legislation. JA has in the tax return of Misen Enterprises since 2015 been treated as a foreign legal entity taxed by the participants (Sw. I utlandet delägarbeskattad juridisk person). This annual report has been prepared on the assumption that the income in JA accrued before 1 January 2015 will not be subject to Swedish tax, that the holding in JA is considered as business-related shares (Sw. näringsbetingade aktier) until 31 December 2014 and that the Ukrainian income tax may be deducted from Swedish income tax.

After the sale of 49.5 % of the shares in Misen Enterprises AB, the Company's tax losses carried forward can no longer utilised through group contributions from Misen Enterprises AB.

Recognition of deferred tax assets and tax loss carry forwards

The Group continuously evaluates the possibility of utilising tax loss carry forwards in each legal entity. At present, there are tax loss carry forwards in the Group's Swedish units. Because it is uncertain when and to what extent the tax loss carry forwards can be utilised against future taxable profits, no deferred tax assets regarding tax loss carry forwards have been recognised. Tax loss carry forwards in Sweden can be rolled over and have no expiration date.

Impairment requirements for shares in subsidiaries

If there is an indication of an impairment requirement on the Parent Company's shares in subsidiaries, impairment testing is done.

Valuation of shares in Misen Enterprises

The value of the Parent Company's shares in Misen Enterprises AB at the balance sheet date amounts to MSEK 313 (MSEK 253). The Parent Company owns 50.5% of the total outstanding shares in Misen Enterprises AB.

The value of Misen Enterprises AB is dependent on the value of the assets that were held by JA at the date of the Arbitral Tribunal's decision to terminate JAA No.3 as of 11 July 2018. In accordance with the Final Partial Award issued by the Arbitral Tribunal, the assets shall be transferred to the JA's participant UGV with Misen Enterprises AB and LLC Karpatygaz receiving compensation for their share of those assets. The Arbitral Tribunal shall decide on the size of the compensation for the assets of Misen Enterprises AB and LLC Karpatygaz in the Joint Activity. The size of the compensation has not yet been decided.

The Board of Directors has performed valuations in accordance with generally accepted valuation techniques for the assets held by JA as of 11 July 2018 based on realistic scenarios. These valuations show that the value of the Parent Company's shares in Misen Enterprises AB can be supported. As the final value of the assets are dependent on the decision by the Arbitral Tribunal, there is a risk that another value will be decided by the Arbitral Tribunal.

Business risks

Local risk

Ukraine still suffers from heavy bureaucracy. Furthermore, all business activities are strongly dependent upon personal networks. It takes both time and resources to acquire information and obtain the necessary permits.

Political risks

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

During the summer of 2014, the subsoil use charge to be paid in connection with production was increased from 25% to 55% and in 2016, this tax was 70% for JAs with private partners. This had a

negative effect on the Group and complicates implementation of the investment program.

These latest events clearly illustrate how the political risks affect the conditions for business activities in Ukraine.

Economic risks

Ukraine's transformation from a rigid, centrally planned economy to a market economy has been hampered by strong economic and political special interests. A small number of people with substantial wealth have had a dominant position in the country and have influenced policies in a negative way.

After the events during 2013-2014 a new platform was introduced for economic development in Ukraine. The country is negotiating closer integration with the EU and substantial financial support from the IMF, EU and US is being offered, provided country accelerates the major reforms of its economy.

Economic risks remain, but should decrease provided Ukraine's integration with Western Europe does not stall.

Foreign exchange risk

During the year, the exchange rate between UAH and SEK increased from 0.2891 on 31 December 2017 to 0.3192 on 31 December 2018, an increase of 10 percent. The primary reason for this was the resumption of the cooperation with the International Monetary Fund (IMF). Since the Misen Group's all assets are located in Ukraine, this has had a positive impact on the equity of the Misen Group.

Currency restrictions risk

In December 2014, the government implemented several temporary "anti-crisis" currency restrictions aimed at regulating the foreign currency exchange market and preventing capital outflows from Ukraine. In 2017 and 2018 the National Bank of Ukraine (NBU) gradually liberalized these restrictions to:

- Decrease the mandatory sale of foreign currency proceeds received from foreign entities (except banks) from 75 to 50 percent.
- Partially lift the ban on the repatriation of unrestricted dividends for 2017, allowing companies to repatriate up to USD 7 million per company per month.
- Ukrainian borrowers are no longer required to sell 50 percent of the foreign currency proceeds that they receive in connection with cross-border loans for the purposes of refinancing existing loans or loans from non-residents or Ukrainian banks.
- Ukrainian borrowers are now allowed to make early repayments of cross-border loans in an amount of up to USD 2 million per month.

In addition, in 2018 the new Law on Currency and Exchange Transactions was adopted by parliament, which significantly liberalizes currency control system in Ukraine.

The National Bank of Ukraine has approved and promulgated all regulations, serving as the basis for a new liberal system of foreign currency controls. The new currency control system was launched on 7 February 2019, the same day as the Law of Ukraine on Currency and Exchange Transactions came into force. The changes are aimed at deregulation, facilitating cross-border transactions with foreign currency and expanding the list of available foreign currency transactions.

With the new currency control system, the National Bank of Ukraine is making a transition from the system of total currency control over each transaction to a system of foreign currency supervision.

For example, the requirement for registration of cross-border loans granted by non-residents has been cancelled. The procedure for registration, amendment and cancellation of registration of cross-border foreign currency loans obtained by residents will be fully automated. Such procedures shall be initiated by an authorized bank by sending a respective electronic document to the NBU, on the basis of which the NBU will perform the required automated verification.

Moreover, the NBU has lifted the restriction on early repayment of cross-border loans. This will enable businesses to more effectively manage their debt obligations to non-residents.

Other key amendments include:

- the maximum term established for export and import contracts has been doubled – up to 365 days (earlier 180 days);
- export and import operations under UAH 150,000 shall no longer be subject to currency control. Instead, the NBU, fiscal authorities and other competent bodies will exercise currency supervision over transactions over UAH 150,000 in order to ensure compliance with the currency legislation requirements;
- legal entities may now freely use accounts abroad (except for transactions for the transfer of funds from Ukraine to such accounts);
- sanctions for failure to meet payment deadlines in the form of suspension of foreign economic activity have been abolished;
- transactions on accounts of non-resident legal entities in Ukrainian banks shall be allowed; banks are allowed to sell government securities denominated in foreign currencies to their clients for foreign currency;
- banks may enter into currency swaps with residents and non-residents; limit on foreign currency transfers abroad by individuals without opening an account has been increased from UAH 15,000 to UAH 150,000 per year;
- dual control over export operations shall no longer be applied: currency supervision will be exercised only by the bank, having received the information on the respective customs declaration.

The above mentioned changes are aimed at lifting all existing restrictions and enabling the transition to free capital movement, which will be the basis for facilitating business and investment opportunities in Ukraine,

Tax risk

The Misen Group currently conducts activities in Sweden and, through its subsidiary Karpatygaz LLC and the participation in the JA, 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 Misen Group's profit.

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 judgement will not be questioned by the Ukrainian authorities.

Risks from litigation and claims

In the course of operating activities, the Joint Activity, as represented by LLC Karpatygaz, got involved in a great number of legal disputes and court proceedings in Ukraine. In particular, such legal disputes and court proceedings occurred or could occur in relation to suppliers or services providers. For the Misen Group, these may result in payments corresponding to their share in JAA No.3. Risks may also emerge in connection with the ongoing arbitration proceeding commenced by JSC Ukrgasvydobuvannya in August 2016. The Misen Group could be liable to pay damages for non-material breaches of JAA No.3 claimed by JSC Ukrgasvydobuvannya and/or face challenges in relation to enforcement of the final award before Ukrainian courts.

Financial risks and risk management

The Group is exposed to financial risks including market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. For a description of the Group's exposure and risk management regarding these risks, please see Note 22.

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 are calculated by dividing the profit or loss attributable to Parent Company shareholders with a weighted average number of outstanding ordinary shares during the period.

3. Earnings per share after dilution are calculated by the amounts used for the calculation of earnings per share before dilution being adjusted by taking into account the effect after tax of dividends and interest expenses on potential ordinary shares and the weighted average of the additional ordinary shares that would have been outstanding in a conversion of all potential ordinary shares. At present, the Group has no effect from dilution, which means that the earnings per share before dilution correspond to earnings per share after dilution.

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 interest expenses plus/minus exchange rate differences for financial loans divided by total 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 equity.

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 number of outstanding shares including maximum utilisation of warrants as well as outstanding paid subscribed shares.

10. The number of employees reflects the average number of employees converted into full-time equivalents and calculated as total hours of work during the year divided by the theoretical working hours. For JA, 50.01% of this number has been consolidated until 31 December 2017.

Notes, common for Parent Company and Group

Note 1 Revenue distribution

	Group		Parent Company	
	2018	2017	2018	2017
Income included in net sales:				
Natural gas		7,938	-	-
Other	297	-	-	-
Total	297	7,938	-	-

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 2018	31 Dec 2017
Net sales, external		
Ukraine	297	7,938
Fixed assets		
Ukraine	296	4

Note 3 Other operating income

	Group		Parent Company	
	2018	2017	2018	2017
Invoiced leasing fees	-	17,760	-	-
Invoiced employee expenses	6,610	-	-	-
Translation differences	-	1,513	-	-
Received fines and penalties	-	1,492	-	-
In previous periods, penalty charges which were not realised were expensed	-	6,049	-	-
Receivables recovered	6,327	-	-	-
Capital contribution in accordance with financing agreement	13,283	-	2,043	-
Management fee	-	-	5,577	5,577
Other	8	797	-	-
Total	26,228	27,611	7,620	5,577

Capital Contribution in accordance with financing agreement

In November 2018, Misen Energy AB (publ) and Misen Enterprises AB signed the Financing Agreement with Powerful United Limited (PUL) for the maximum sum of up to 12 MEUR. The Agreement obliges PUL to provide financing for the Swedish operation and an arbitration proceeding commented by JSC Ukrgazvydobuvannya under Arbitration Rules of the Arbitration Institute of Stockholm Chamber of Commerce in July 2016 against Misen Enterprises AB and LLC Karpatygaz, both are partly owned subsidiaries of Misen Energy Ab (publ) The Agreement does not obligate PUL to cover any contingent liabilities.

Under the Financing Agreement, PUL agreed to provide financing on a non-recourse, unsecured and unguaranteed basis. Misen Energy AB (publ) agreed to repay received financing and pay 20 % of any final settlement of the arbitration claim to PUL. Such fee shall only become payable upon a final settlement of the arbitration claim. If Misen Energy AB (publ) does not achieve success in the arbitration proceeding, PUL shall not be entitled to any fee. The capital contribution has therefore entirely been recorded as Other operating income.

Misen Energy AB (publ) will continue to have a complete control over the arbitration proceeding and have the right to settle with JSC Ukrgazvydobuvannya, discontinue proceeding, pursue the proceeding to trial and take any action Misen Energy AB (publ) considers appropriate to enforce a final award.

For information about recovered receivables, see note 17.

Note 4 Remuneration of auditors

	Group		Parent Company	
	2018	2017	2018	2017
PwC				
Audit assignment	847	1,068	847	1,068
Tax advisory services	90	442	90	442
Other services	-	65	-	65
Total	937	1,575	937	1,575

Note 5 Other external expenses

	Group		Parent Company	
	2018	2017	2018	2017
Extraction/trading expenses	-	7,747	-	-
Production and transport expenses	177	-	-	-
Refinery expenses	-	-	-	-
Change in inventories	-	103	-	-
Legal costs	6,772	43,031	210	224
Other	10,547	12,717	8,176	14,241
Total	17,496	63,598	8,386	14,465

The increase in legal costs is primarily attributable to the costs of the arbitration process against UGV.

Note 6 Salaries and remuneration to the Board and Company management

	Basic salary / Director's fee	Other remuneration	Benefits	Pension	Total
2018					
Group					
Göran Wolff, MD	1,816	-	28	426	2,270
Andrius Smaliukas, Chairman of the Board	378	-	-	-	378
Oleg Batyuk, Board of Directors	163	-	-	-	163
Dimitrios Dimitriadis, Board of Directors	163	-	-	-	163
Pavel Prysiazhniuk, Board of Directors	72	-	-	-	72
Other senior executives, 3 individuals	2,581	-	-	146	2,727
Total	**5,173**	**0**	**28**	**572**	**5,773**

	Basic salary / Director's fee	Variable remuneration	Benefits	Pension	Total
2017					
Group					
Göran Wolff, MD	1,547	22	41	273	1,883
Andrius Smaliukas, Chairman of the Board	336	-	-	-	336
Oleg Batyuk, Board of Directors	136	14	-	-	150
Dimitrios Dimitriadis, Board of Directors	136	-	-	-	136
Hans Lundgren, Board of Directors	20	-	-	-	20
Pavel Prysiazhniuk	48	26	-	-	74
Other senior executives, 3 individuals	2,314		-	190	2,504
Total	**4,537**	**62**	**41**	**463**	**5,103**

Note 7 Wages, salaries, other remuneration and social security contributions

	Group		Parent Company	
	2018	2017	2018	2017
Average number of employees				
Women	25	29	1	1
Men	44	76	2	2
Total	69	105	3	3
Employees per country				
Sweden	3	3	3	3
of which men	2	2	2	2
Ukraine	66	102	-	-
of which men	42	74	-	-
Total	69	105	3	3
of which men	44	76	2	2

	Group		Parent Company	
	2018	2017	2018	2017
Total wages, salaries, other remuneration, social security contributions and pension costs				
Salaries and remuneration of the Board of Directors, Managing Director and other senior executives	5,173	5,830	4,669	4,616
Salaries and remuneration of other employees	5,347	3,530	-	214
	10,520	9,360	4,669	4,830
Statutory and contractual social security contributions	1,956	1,167	804	853
Pension costs for Board of Directors, Managing Director or other senior executives	572	604	396	463
Total	13,048	11,131	5,869	6,146

No agreements regarding severance pay are in place.
The MD has a period of notice of 24 months with retained fixed remuneration.

Wages, salaries and other remuneration by country and between management staff and other employees				
Management staff, Sweden	4,936	5,365	4,669	4,830
Management staff, Ukraine	237	99	-	-
Other employees, Ukraine	5,347	3,530	-	-

	Group		Parent Company	
	2018	2017	2018	2017
Members of the Board and senior executives				
No. of members of the Board at balance sheet date				
Men	4	4	4	4
Total	4	4	4	4
No. of Managing Directors and other senior executives				
Women	1	1	1	1
Men	3	3	2	2
Total	4	4	3	3

Note 8 Depreciation/amortisation and write-downs

	Group	
	2018	2017
Depreciation, amortisation and write-downs of tangible and intangible assets		
Amortisation of intangible assets	-	140
Depreciation of equipment and buildings	71	28,422
Total	71	28,562

Note 9 Other operating expenses

	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Maintenance costs Booster Compressor Station 1)	-	746	-	-
Maintenance costs for other Booster Compressor Stations	-	5,436	-	-
Bad debt losses	-	10,910	-	-
Fines and penalties	50	1,853	-	-
Other operating expenses	-	773	-	-
Total	50	19,718	0	0

1) Pertains to operating costs for Khrestyschenska Booster Compressor Station

Note 10 Other interest income and similar profit/loss items

	Group		Parent Company	
	2018	2017	2018	2017
Interest income	4	156	-	-
Translation Differences	445	6,482	-	-
Total	449	6,638	-	-

Note 11 Other interest income and similar profit/loss items

	Group		Parent Company	
	2018	2017	2018	2017
Other interest expenses	629	5,461	53	1,441
Other financial expenses	-	1,439	202	-
Total	629	6,900	255	1,441

Note 12 Tax on profit for the year

Distribution of income tax	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Current tax	-	-	-	-
Deferred taxes	-	-427	-	-
Total	**0**	**-427**	**0**	**0**

	Group		Parent Company	
	2018	2017	2018	2017
Reported profit before taxes	-4,320	-1,071,791	-6,402	-26,036
Tax according to national tax rates	1,175	234,650	1,408	5,728
Effect of non-deductible expenses	-493	-216,847	-41	-2,917
Effect of non-taxable income	1,520	222	107	-
Increase in tax deficits not recognized	-2,202	-18,317	-1,474	-2,811
Adjustment in prior year tax	-	-135	-	-
Tax expenses for the year	-	-427	-	-

Weighted average tax rate was 21% (2017: 20%).

Deferred tax assets related to tax losses carried forward for the Group and the parent company have not been recognized since the possibility to use these assets to reduce future tax payments is uncertain.

Note 13 Rights and licences

	Group	
	31 Dec 2018	31 Dec 2017
Opening acquisition value	1	43,553
Translation differences	-	-222
Sales and scrapping	-	-11
Deconsolidation	-	-43,319
Closing accumulated acquisition value	1	1
Opening amortisation/depreciation	-	-14,602
Deconsolidation	-	14,645
Depreciation/amortisation for the year	-	-140
Translation differences	-	97
Closing accumulated depreciation/amortisation	0	0
Closing residual value according to plan	1	1

Note 14 Equipment, tools, fixtures and fittings

	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Opening acquisition value	58	443,032	403	403
Purchases	536	-	-	-
Translation differences	9	-55,940	-	-
Sales and scrapping	-178	-88	-	-
Deconsolidation	-	-396,767	-	-
Reclassifications	-	9,821	-	-
Closing accumulated acquisition value	425	58	403	403
Opening amortisation/depreciation	-55	-93,729	-403	-403
Sales and scrapping	3	36	-	-
Deconsolidation	-	108,054	-	-
Depreciation/amortisation for the year	-71	-28,421	-	-
Translation differences	-7	14,005	-	-
Closing accumulated depreciation/amortisation	-130	-55	-403	-403
Closing residual value according to plan	295	3	0	0

Note 15 Inventories

	Group	
	31 Dec 2018	31 Dec 2017
Valued at acquisition value		
Goods for resale	95	-
Total	95	0

Note 16 Financial instruments by category

	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Assets				
Amortized cost / Loans and receivables				
Accounts receivable, external	8,384	397	-	-
Receivables from Group companies	-	-	-	69,849
Cash and bank balances	42	2,181	35	1,644
Total	8,426	2,578	35	71,493
Liabilities				
Other financial expenses				
Borrowing (excluding liabilities attributable to financial leasing)	2,553	-	2,553	-
Liabilities to Group companies	-	-	8,114	-
Accounts payable and other liabilities excluding non-financial liabilities	17,918	22,384	10,602	17,547
	20,471	22,384	21,269	17,547

Note 17 Accounts receivable - trade

	Group	
	31 Dec 2018	31 Dec 2017
Accounts receivable, external	8,384	397
Total	8,384	397

As per 31 December 2018, Accounts receivable (excluding doubtful debts) amounted to KSEK 8,384 (2017: KSEK 397) less write-downs, totalling KSEK 0 (KSEK 10,910).

Maturity analysis of accounts receivable:		
Not overdue	8,384	397
Total	8,384	397

Impairment of accounts receivables
For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Trade receivables are written-off when there is no reasonable possibility of repayment. Since the termination of the JA, the Group has only remaining accounts receivables from the prior operations. The Group has reversed the prior recognized impairment of these receivables since an agreement with the customer has been reached including a plan for repayment. Management's view is that these receivables will be paid in full and no expected credit loss has been recorded.

Note 18 Other receivables

	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
VAT recoverable	232	725	-	60
Receivable JA 493	2,100	1,902	-	-
Tax assets	7	-	-	-
Other receivables	495	316	1	117
Total	2,834	2,943	1	177

Mangement's assessment is that these receivables will be paid in full and no expected credit loss has been recorded.

Note 19 Prepaid expenses

	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Other prepaid expenses	351	355	339	354
Total	351	355	339	354

Note 20 Share capital

Share information	2018	2017
Parent Company		
Weighted average number of shares for the year	145,068,222	145,068,222
No. of outstanding shares at balance date before dilution	145,068,222	145,068,222
No. of outstanding shares at balance date after full dilution	145,068,222	145,068,222

Note 21 Contingent liabilities

	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Guarantee commitment JA	27,027	72,022	-	-
Total contingent liabilities	27,027	72,022	0	0

As of 31 December 2018, the Misen Group contingent liabilities amounted to KSEK 27,027 (KSEK 72,022 as of 31 December 2017), the change is mainly explained by the repayment of the loan to PJSC Sberbank, subsidiary bank of Sberbank of Russia. The Group is jointly liable for liabilities arising in JA. As the JA's balance sheet is no longer consolidated in the consolidated balance sheet, 100% of the JA’s external liabilities, excluding liabilities to JA’s partner JSC Ukrgasvydobuvannya and provisions for decommissioning costs, have been included as contingent liabilities. Any liabilities to JSC Ukrgasvydobuvannya are expected to be settled in connection with the termination of JAA No.3 in the arbitration proceeding.

As described in the administration report, the Group is also involved in two court proceedings with Center of Financial Leasing LLC (Court proceeding in Case No. 910/21720/15 and Court proceeding in Case No. 910/24412/16). The outcome of these court proceedings is uncertain at the date of this annual report.

Note 22 Financial risk management and borrowing

Financial risk management

Financial risk factors

Before the termination of JAA No 3, the Group was subject to various financial risks: Market risk (comprehensive foreign exchange risk, interest rate risk and price risk), credit risks and liquidity risks. After the termination of JA No 3, these risks are considered limited. The Group strives for awareness of potentially negative effects on the Group's financial performance. The financing costs comprise only a fixed borrowing fee. No foreign exchange hedging has been undertaken during 2018.

Market risk

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 earnings and financial position from foreign exchange volatility cannot be disregarded.

Out of the Group's total sales and expenses in 2018, SEK 6 million and SEK 1 million, respectively, were denominated in UAH, implying that a +/- 10% change in the UAH exchange rate would affect the Group's profit by SEK +/- 0,5 million.

The Group's net assets with UAH as reporting currency amounted to SEK 4 million. Thereby, a +/- 10% change in the UAH exchange rate would affect the Group's equity by SEK +/- 0,4 million.

Interest rate risk
As decribed above, the Group had as at 31 December 2018 only borrowings with fixed fees amounting to MSEK 3. Therefore a change in the market interest rates would have no impact on the Group's financial costs.

Price risk
Since the Group's sales of hydrocarbons has ceased since the termination of JA No 3, the Group is no longer exposed for price risks.

Credit risk
The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to fulfil an obligation.

The Group's maximum exposure to credit risk amounts to the figures reported in the balance sheet. The Group's risks are structured by setting credit limits on counterparties. Limits on the level of credit risk are monitored on an ongoing basis and approved regularly by Management. LLC Karpatygaz 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 and expensive.

The Group is currently involved in the arbitration case against the JA's partner JSC Ukrgasvydobuvannya which is described in the administration report and the required financing is dependent on the capital requirements for completing this process. The Group is also involved in a number of additional court proceeding which require financing to complete. Within the JA there are external liabilities where the Group is joint and several liable which may require additional financing.

The financing need that may arise in 2019 will be handled through the financing agreement with PUL. The major part of the current assets comprise receivables accounted for at amortized cost.

The table below shows liabilities at 31 December 2018 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows including gross loan commitments. Such undiscounted cash flows may 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 currencies other than the report currency (SEK) are reported after translation at the closing rate of exchange.

Payment dates for financial liabilities as per 31 December 2018	< 1 month	1 month - 1 year	1 year - 2	> 2 years	Total
Liabilities to credit institutions		2,553			2,553
Accounts payable and other financial liabilities	17,918	-	-	-	17,918
Total	**17,918**	**2,553**	**-**	**-**	**20,471**
Payment dates for financial liabilities as per 31 December 2017					
Accounts payable and other financial liabilities	21,603	-	-	-	21,603
Total	**21,603**	**-**	**-**	**-**	**21,603**

	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Interest-bearing liabilities				
Non-current liabilities				
Liabilities attributable to finance leases	-	-	-	-
Total	0	0	0	0
Current liabilities				
Liabilities to credit institutions	-	-	-	-
Liabilities attributable to finance leases	-	-	-	-
Total	-	-	-	-
Total interest-bearing liabilities	-	-	-	-

Interests

Weighted average effective interest rates on borrowing amounted to:

	Group		Parent Company	
	2018	2017	2018	2017
Long-term liabilities to credit institutions	-	-	-	-
Current liabilities to credit institutions	-	12.0%	-	-
Liabilities to Group companies	ET	ET	-	-

Currencies

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Interest-bearing liabilities per currency				
EUR	-	-	-	-
Total	**-**	**-**	**-**	**-**

Financial liabilities valued at accrued acquisition value

The fair values of interest-bearing liabilities with a fixed maturity have been calculated on the basis of estimated future cash flows expected to be received discounted at current interest rates for instruments with similar credit risk and remaining maturity. The book value for interest-bearing loans, liabilities attributable to finance leases, accounts payable and other financial liabilities are deemed to correspond to the fair values. The amounts in the tables are presented in KSEK at the closing-date rate. The borrowing costs for the Group and the Parent company comprise only a borrowing fee.

Note 23 Pledged assets

	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
For the Group's and the Company's own liabilities				
Total pledged assets	0	0	0	0

Note 24 Accrued expenses and deferred income

	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Accrued interest charges	576	-	576	
Accrued salaries and other staff expenses	350	654	-	-
Accrued holiday pay	1,152	1,003	1,018	1,003
Accrued social security contributions	-	131	134	131
Other items	3,677	1,653	2,565	1,653
Total	5,755	3,441	4,293	2,787

Note 25 Adjustment for non-cash items

	Group		Parent Company	
	2018	2017	2018	2017
Depreciation/amortisation	71	28,562	-	-
Result from deconsolidation excl. cash	-	983,822	-	-
Profit/loss from sales of fixed assets	-72	675	-	-
Unpaid leasing income	-	-17,760	-	-
Bad debt loss	432	10,910	-	-
Change in provisions	-	3,889	-	-
Unrealised exchange rate differences	-8,804	-	-	-
Other non-cash items	-	-7,229	-	-
Total	-8,373	1,002,869	0	0

	Group		Parent Company	
Change in financial liabilities	2018	2017	2018	2017
Opening financial liabilities	0	29,848	0	-
Loans raised	2,553	9,598	2,553	9,598
Total cash items	2,553	9,598	2,553	9,598
Settlement of loans on the sale of shares	-	-9,598	-	-9,598
Deconsolidation	-	-29,457	-	-
Translation differences	-	-391	-	-
Total non-cash items	0	-39,446	-	-9,598
			-	-
Closing financial liabilities	2,553	0	2,553	0

Note 26 Participations in Group companies

Group	Corp. ID no.	Domicile	Share of equity (%)
Misen Enterprises AB	556526-3968	Sweden	50,5%
Capital Oil Resources Sweden AB	556754-4878	Sweden	100%
LLC Karpatygaz	30162340	Ukraine	100%

Parent Company	Share of equity %	Share of votes %	No. of shares	Book value, 31 Dec. 2018	Book value, 31 Dec. 2017
Misen Enterprises AB	50.5	50.5	25,250	313,359	252,997
Total				313,359	252,997

The Group's participation in the JA	2018	2017
Income Statement		
Income	-	1,647
Expenses	-	31,435
Balance sheet		
Fixed assets	-	-
Current assets	-	-
Non-current liabilities	-	-
Current liabilities	-	-

	2018	2017
Participations in Group companies		
Opening acquisition value	252,997	301,287
Capital contribution	70,000	-
Sales of participations	-9,638	-48,290
Closing accumulated acquisition value	313,359	252,997
Closing book value	313,359	252,997

Note 27 Transactions with related parties

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Sales to related parties				
Misen Enterprises AB	-	-	5,577	5,577
Powerful United Ltd capital contribution	13,283	-	2,043	-
Ukrgazvydobuvannya 2)	-	35,503	-	-
Total	13,283	35,503	7,620	5,577
Purchases and interest from related parties				
Ukrgazvydobuvannya 2)	-	9,491	-	-
Balit LLC 4)	2,362	2,157	2,362	2,157
Dentons 1)	6,230	21,006	-	14
Lexford Investment 1)	47	-	47	26
AIM Partners 1)	-	119	-	-
Powerful United Ltd 5)	-	1,439	-	-
SP Holdings 5)	574	-	-	-
Total	9,213	34,212	2,409	2,197

Operating receivables/liabilities attributable to related parties
Receivables/liabilities from the sale/purchase of goods/services are stated below.

Receivables from related parties				
Misen Enterprises AB	-	-	-	69,849
Total	0	0	0	69,849
Liabilities to related parties				
Capital Oil Resources AB	-	-	88	90
Misen Enterprises AB	-	-	8,114	-
Ukrgazvydobuvannya 2)	-	-	-	-
Balit LLC 4)	422	159	422	159
Dentons 1)	890	7,524	890	7,524
TCT Holding 5)	-	-	-	-
SP Holding)	3,127	-	3,127	-
Powerful United Ltd)	-	-	-	-
Sergiy Probylov, lön 3)	718	-	-	-
Lexford Investment 1)	47	-	47	-
Total	5,204	7,683	12,668	7,773

1) Refers to purchases of management services from a company where a Board member is a partner.
2) Refers to sales and purchases from JA partner with substantial influence on JA operations. According to JAA, Ukrgazvydobuvannya - the owner of licences for JA's oil and gas extraction - is compensated for rental payments and drilling in direct relation to extra gas extraction within JA in addition to the base level for gas and oil extracted by Ukrgazvydobuvannya. JA also compensates Ukrgazvydobuvannya for oil and gas production, processing and transportation performed by Ukrgasvydobuvannya's staff and JA's utilising of Ukrgasvydobuvannya's production and infrastructure buildings.
3) Refers to salaries to employees who are a significant shareholder with substantial influence in the Group.
4) Refers to purchases of management services from a Board member/prior Managing Director in a subsidiary
5) Refers to interest and liabilities to major shareholders.

Note 28 Proposed appropriation of profits

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

Retained earnings and additional paid-in capital	3,587,596
Net loss for the year	-6,402,429
	-2,814,833

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

To be carried forward	-2,814,833
	-2,814,833

Note 29 Essential events after the end of 2018

Ongoing arbitration under JAA No.3

Misen Enterprises AB, LLC Karpatygaz and JSC Ukrgazvydobuvannya agreed on a schedule for the second phase of the ongoing arbitration proceeding. JSC Ukrgazvydobuvannya filed its submission on 14 March 2019. JSC Ukrgazvydobuvannya requested the Arbitral Tribunal, among other issues, to significantly reduce participation share of Misen Enterprises AB and LLC Karpatygaz in JAA No.3 and to award compensation of damages that JSC Ukrgazvydobuvannya allegedly suffered due to non-fundamental breaches of JAA No.3.

Misen Enterprises AB and LLC Karpatygaz categorically disagree with the claims submitted by JSC Ukrgazvydobuvannya to the Arbitral Tribunal. Misen Enterprises AB and LLC Karpatygaz seek compensation for their share in the Joint Activity upon termination of JAA No.3. Misen Enterprises AB and LLC Karpatygaz shall file their submission by 3 July 2019. The hearing shall take place in July 2019.

Financing of the Group's Swedish operations

In 2019 the Company received a limited financing for the Swedish operations and arbitration proceeding commented by JSC Ukrgazvydobuvannya from PUL in accordance to the Financing Agreement.

Court proceeding in Case No. 910/18439/17 (National Anticorruption Bureau of Ukraine)

The hearing is scheduled to be held on 21 May 2019.

Court proceeding in Case No. 910/24412/16 (Financial Leasing Center LLC)

On 27 February 2019, the Supreme Court of Ukraine decided to, among other issues, annul Ruling of the Kyiv Economic Court of Appeal dated 13 August 2018 and Decision of the Kyiv Economic Court dated 17 August 2017 in part of satisfaction of the claim of Financial Leasing Center LLC to recover lost profit. The Court send the case for a retrial to the court of first instance.

MISEN ENERGY AB (publ.)

556526-3968

Affirmation

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

The income statements and balance sheets will be submitted for adoption at the Annual General Meeting on 25 April 2019.

Stockholm, 11 April 2019.

Andrius Smaliukas
Board member, Chairman

Oleg Batyuk
Board member

Dimitrios Dimitriadis
Board member

Pavel Prysiazhniuk
Board member

Göran Wolff
Managing Director

Our audit report was submitted 11 April 2019.

PricewaterhouseCoopers AB

Johan Palmgren
Authorised Public Accountant
Auditor-in-Charge

Auditor's report

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

Report on the annual accounts and consolidated accounts

Disclaimer of Opinions and Opinion

We were engaged to audit the annual accounts of Misen Energy AB (publ.) for the year 2018 and we have audited the consolidated accounts of Misen Energy AB (publ.) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 3-62 in this document.

We do not express an opinion on the accompanying annual accounts. Because of the significance of the matters described in the Basis for Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the annual accounts.

The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the consolidated accounts.

Because of the matters described in the Basis for Opinion section of our report, we can neither recommend nor oppose to the general meeting of shareholders to adopt the income statement and the balance sheet.

We recommend that the general meeting of shareholders adopts the income statement and balance sheet for the group.

Basis for Opinions

The assessment of the value of the parent company's shares in the subsidiary Misen Enterprises AB, which amounts to KSEK 313,353 and corresponds to approximately 99% of the parent company's total assets and thereby representing a significant share of the parent company's total assets, is fully dependent on the outcome of the ongoing legal processes between the participants of the JA.

Based on the material uncertainties related to the final outcome of the arbitration, we have not been able to obtain sufficient appropriate audit evidence on which to base an opinion on the opening value or the value as of 31 December 2018 of the parent company's shares in Misen Enterprises AB.

Since the value of the shares in subsidiaries enter into the determination of the financial performances, we were unable to determine whether adjustments might have been necessary in respect of the result for the year reported in the parent company income statement.

We conducted our audit of the consolidated accounts in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter

As described in the administration report in the sections "Accounting treatment of the Joint Activity", "Criminal investigation" and "Court proceedings against Center of Financial Leasing LLC (previously Sberbank Leasing)" the Group is currently part in several legal processes. The outcome of these legal processes may have a significant impact on the Group's financial results and position. The uncertainty of the outcome of these legal processes is by the date of this report still high. We have not qualified our opinion in this regard.

Material Uncertainty Related to Going Concern

Without modifying our opinion above, we draw attention to the sections "Financing of the Group's operations" and "Expected future development of the Company and going concern" stating that the Group has signed a financing agreement for the maximum sum of up to 12 million Euros for the Swedish operations. The balance sheet for the Group shows that the short term liabilities for the Group exceed the total assets of the Group with TSEK 14,615. The Group is also involved in several legal processes where the outcomes are associated with significant uncertainty and a negative outcome would result in significant costs not covered by the financing agreement. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 67-72. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

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

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. However, because of the matters described in the Basis for Opinions section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the annual accounts.

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Director's and the Managing Director.
- Conclude on the appropriateness of the Board of Director's and the Managing Director's use of the going concern basis of accounting in preparing the consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Disclaimer of Opinion and Opinion

In addition to our engagement to audit the annual accounts and our audit of the consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Misen Energy AB (publ.) for the year 2018 and been engaged to audit the proposed appropriations of the company's profit or loss.

Because of the matters described in the *Basis for Opinion* section of our report, we can neither recommend nor oppose to the general meeting of shareholders that the loss dealt with in accordance with the proposal in the statutory administration report.

We recommend that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

Because of the matters described in our Report on the annual accounts and consolidated accounts, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion if the annual accounts give a fair presentation of the financial performance and financial position of the parent company.

We conducted the audit of the administration of the Board of Directors and the Managing Director in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of Misen Energy AB (publ.) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinpektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Remark

Without impacting our opinion, we make note that VAT, deducted taxes and social security contributions were not paid within the prescribed time periods on a number of occasions.

Göteborg 11 April 2019

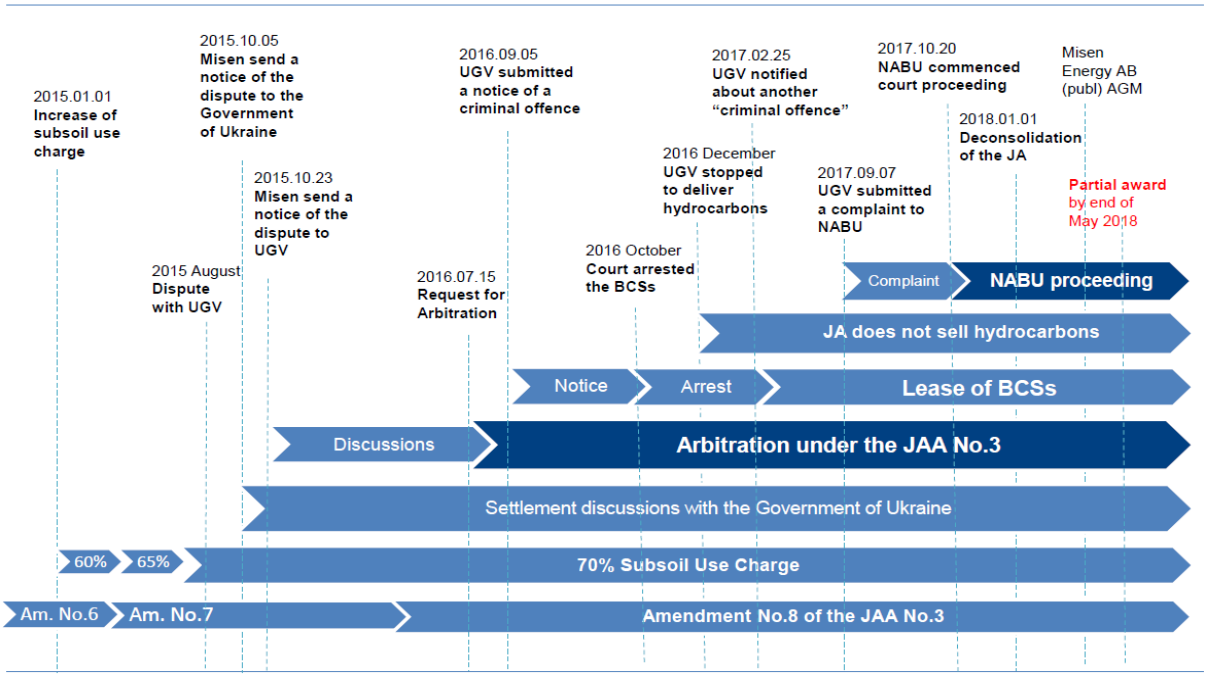
PricewaterhouseCoopers AB

Johan Palmgren
Authorized Public Accountant

Report on Legal Proceedings

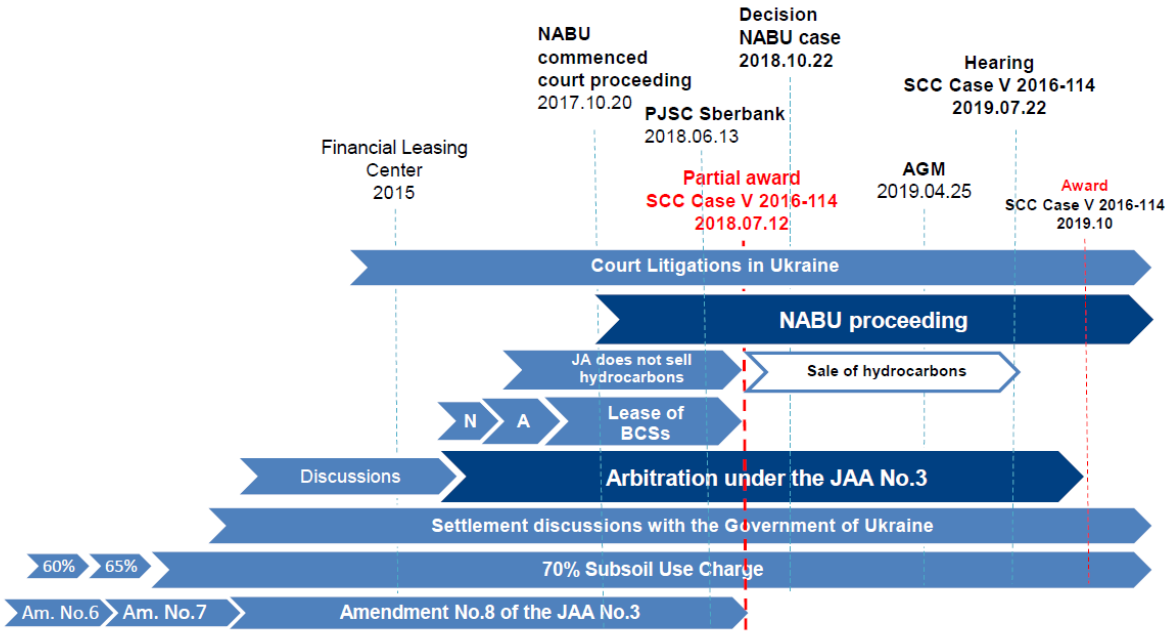
Legal Report at the AGM held on 26 April 2018

The first chart reflects chronology and a number of the most material legal proceedings initiated before the AGM held on 26 April 2018. Specifically, the first chart demonstrates that Misen Energy AB (publ) reached no amicable resolution of the dispute what regards exorbitant subsoil use charge with the Government of Ukraine. The chart further shows that Misen Enterprises AB and LLC Karpatygaz, partially owned subsidiaries of Misen Energy AB (publ) participated in the arbitration proceeding commenced by JSC Ukrgasvydobuvannya in August 2016 under JAA No.3 and vigorously defend the legitimate interests of their investors. Finally, the first chart shows that pending the arbitration proceeding, Misen Enterprises AB and LLC Karpatygaz could not properly implement the JAA No.3: JSC Ukrgasvydobuvannya refused to deliver hydrocarbons produced by JA since December 2016 and initiated a number of pre-trial investigations in criminal cases in relation to implementation of JAA No.3.



Report on Legal Proceedings after the AGM held on 26 April 2018

The second chart reflects chronology and a number of the most material legal proceedings ongoing after the AGM held on 26 April 2018 and until this Annual Report. The material event affecting the ongoing legal proceedings was the Final Partial Award issued by the Arbitral Tribunal in the arbitration proceeding commenced by JSC Ukrgasvydobuvannya in August 2016. The Arbitral Tribunal, among other issues, concluded that since the 70% royalty imposed by the Government of Ukraine brought a material change in circumstances and it is no longer possible to achieve the purpose of the Joint Activity, JAA No.3 must be terminated as of 11 July 2018. Given this, Misen Enterprises AB and LLC Karpatygaz stopped to produce hydrocarbons in Ukraine. The parties are taking all steps necessary and appropriate to give practical effect to termination of JAA No.3: performed inventory in the regions, handled (or are handling) the legal proceedings concerning the JA's activities, continue discussions in relation to what other matters are necessary to enforce termination of JAA No.3 and etc. All pre-trial investigations in criminal cases are ongoing. In the next stage of the arbitration proceeding, the Arbitral Tribunal shall decide on compensation for the assets of Misen Enterprises AB and LLC Karpatygaz in the Joint Activity. Misen Energy AB (publ) reached no amicable resolution of the dispute what regards exorbitant subsoil use charge with the Government of Ukraine.



Board of Directors, Group Management and Auditor

Board of Directors

Dr. Andrius Smaliukas, Chairman of the Board of Directors (since 2013)

Dr. Smaliukas is Partner at Ellex, the leading Pan - Baltic law firm. He works in energy and infrastructure sectors and serves as an arbitrator and counsel at numerous international arbitration proceedings.

Dr. Smaliukas also has extensive corporate governance experience including experience serving as a board member and advising the board on corporate governance and legal compliance issues.

Dr. Smaliukas holds Ph.D. and Master of Laws degrees of Vilnius University, as well as LL.M from Queen Mary University of London. He did postgraduate research at Oxford University and completed executive education programs at University of Cambridge Judge Business School and Harvard Law School.

Independence: independent in relation to the company and the company´s management, and in relation to major shareholders.

Dimitrios Dimitriadis, Board Member (since 2011)

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

Other assignments:

- CEO HF SWISS, a global Wealth Management and Family Office Company in Switzerland;
- Advisor and representative for eastern European and Greek clients, in the energy and construction industry;
- Chairman of Sensap Swiss, a Technology Company in Switzerland;
- Chairman of Innomedis, a global medical device company.

Dimitrios Dimitriadis holds a degree in economics of the University of Zürich and AZEK, Swiss Training Centre for Investment Professionals. His earlier studies contain a Swiss federal degree in dental laboratory technique.

Independence: independent in relation to the company and the company´s management, non-independent in relation to major shareholders (Nellston Holdings Ltd.).

Oleg Batyuk, Board Member (since 2014)

Oleg Batyuk is the Managing Partner of the Dentons Europe (formerly Salans) Ukraine practice and the Head of Corporate Practice in Ukraine. In 2011 Oleg was elected and in 2013 re-elected for a two year term to serve as a member of the Board of Salans and later Dentons Europe, the part of Dentons comprising at the timeFrance, Germany, Spain, Turkey, CEE and CIS countries. In 2012-2015 Oleg served as a member of the Dentons' Global Council. Since August 2016 Oleg has been serving as a member of the Supervisory Council of PJSC State Export-Import Bank of Ukraine (Ukreximbank).

Mr. Batyuk has substantial experience in advising international and domestic clients on foreign investments in Ukraine, joint ventures, loan arrangements, banking regulations and transactions on international capital markets. Mr. Batyuk has advised major international companies and financial institutions on key infrastructure projects in Ukraine. He has been engaged as an expert witness on Ukrainian legal matters in several high-profile litigation and arbitration proceedings in England, USA, Canada and Sweden.

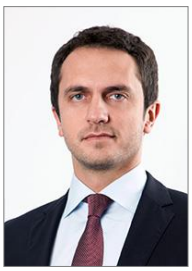
Other assignments:

- Lecturer on Ukrainian civil law at the Law faculty of Taras Shevchenko National University of Kyiv; and
- Author of numerous articles and books on Ukrainian law and practice, published in the US, UK, Netherlands, Ukraine and in other countries. Mr. Batyuk has been involved in drafting Ukrainian civil and criminal legislation

Oleg Batyuk graduated from the Centre for Commercial Law Studies, Queen Mary and Westfield College, University of London (1992). His earlier studies contain Candidate of Science degree in Law (1988) and degree in Law from Taras Shevchenko National University of Kyiv (1985).

Independence: independent in relation to the company and the company´s management, and in relation to major shareholders.

Pavel Prysiazhniuk, Board Member (since 2014)



Mr. Prysiazhniuk is a founder and managing partner of AIM Group a financial and operational advisory consulting firm based in Ukraine. The company provides full range of financial advisory and capital markets services, advisory on alternative and individual investments for companies based in Ukraine and CEE. Prior to this appointment he served as Strategy and Business development director in leading Ukrainian Investment firm Concorde Capital.

Mr. Prysiazhniuk previous experience include more than 12 years with international corporations such as Siemens AG, NSN and Microsoft where he held executive positions in strategy, corporate finance and sales.

Other assignments:

- Advisor for strategy and investments to several committees of Ukraine Parliament
- Board Member of „ColorTec Hungary", Color Coated Steel Producer

Pavel Prysiazhniuk holds a Master of Science in Electronics at the National Technical University of

Ukraine and diplomas from special corporate programs in finance and business administration.

Independence: independent in relation to the company, independent to the company´s management, and independent in relation to major shareholders.

Auditor

PricewaterhouseCoopersAB, auditor-in-charge Johan Palmgren.

Board committees

Audit Committee:

- Dimitrios Dimitriadis as chair
- Pavel Prysiazhniuk as member

Remuneration Committee:

- Oleg Batyuk as chair
- Andrius Smaliukas as member
- Pavel Prysiazhniuk as member

The AGM 2017 appointed the Nomination Committee, comprising:

- Sergey Probylov as chair (representing Blankbank Investments Limited)
- Andrius Smaliukas as member, in his capacity as chairman of the Board of Directors of Misen Energy AB (publ)
- Dimitrios Dimitriadis as member (representing Nellston Holdings Limited)
- Aurimas Augustinavicius as member (representing TCT Holding AB)

Group management

At the balance sheet date, Management of the Parent Company comprises:

Göran Wolff, Managing Director and the Company's CFO

Mr. Wolff has been CFO of the Parent Company since February 2012 and became Managing Director later the same year. He has more than 30 years of experience from business administration in industrial operations. He has had a range of assignments as CFO and controller in Swedish listed as well as private owned companies, most recently with Geveko, a company previously listed on a small cap list at NASDAQ OMX. Mr. Wolff holds a BA in business administration from the University of Gothenburg.

Pavel Stolayev, Group Controller, ACCA, CFA

Mr. Stolayev joined Misen Energy AB (publ) in September 2013. He is experienced in investment banking and professional consulting. Mr. Stolayev worked at Ernst & Young LLC Ukraine in Transactions Advisory Services Department as Executive.

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

Mr. Stolayev is member of ACCA since 2011 and CFA charter holder since 2016.

Raimonda Kundrotaite, Chief Legal Officer

Ms. Kundrotaite joined Misen Energy AB (publ) in November 2015. Previously she worked at the leading Pan - Baltic law firm Valiunas Ellex in Vilnius (Lithuania).

Ms. Kundrotaite specializes in global energy and international arbitration law. She has experience on working with multimillion international investment and commercial arbitration cases on various matters in energy industry.

Ms. Kundrotaite is a candidate of LL.M in Global Energy Law at the University of Texas at Austin (the United States of America), as well as holds Master of Laws degree in International Commercial Arbitration Law from Stockholm University (Sweden) and Bachelor of Laws degree in Law and Management Program at Mykolas Romeris University (Lithuania).

Ms. Kundrotaite successfully participated at Willem C. Vis International Commercial Arbitration Moot (Hong Kong, 2016). She was also awarded a scholarship of the American Chamber of Commerce in Lithuania to participate at the 56th Philip C Jessup International Law Moot Court Competition (Washington, 2015), a grant from the United States Embassy in Lithuania to participate at FDI Moot (Los Angeles, 2014) and a scholarship of the global law firm Clyde & Co LLP to attend Paris Arbitration Academy (France, 2014).