

## Interim report January – September 2014

### 1. Summary

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#### MISEN ENERGY AB (publ)

Reg. No. 556526-3968

#### Group definition

The Misen group (herein after referred to as the “Misen Group” or the “Group”) comprises - Misen Energy AB (publ) (the “Company” or the “Parent Company”) and two wholly owned subsidiaries Misen Enterprises AB (Sweden) and LLC Karpatygaz (Ukraine). Consolidated accounts as of 1 July 2011 represent the Misen Group. The structure of the Misen Group remains the same since 1 July 2011.

#### Joint Activity and Joint Activity Agreement

The Misen Group has a 50.01% participation interest in the Joint Activity (“JA”) dedicated to the hydrocarbon production and sales business in Ukraine. The remaining 49.99% interest in the JA is held by the Public Joint Stock Company Ukrgasvydobuvannya (Ukraine), a wholly owned subsidiary of the National Joint Stock Company Naftogaz of Ukraine (Ukraine). JA is governed by the Joint Activity Agreement (“JAA”), signed by Misen Enterprises AB, LLC Karpatygaz, and PJSC Ukrgasvydobuvannya.

#### Results for the Third Quarter 2014 (within brackets same period 2013)

Consolidated group operating income	KSEK 149,730 (21,216)
Consolidated group net turnover	KSEK 323,556 (76,155)
Earnings per share	SEK 0.55 (0.09)
Parent company operating income	KSEK -4,047 (-2,788)
Parent company net turnover	KSEK 0 (2,730)

#### Results for January – September 2014 (within brackets same period 2013)

Consolidated group operating income	KSEK 389,800 (296,748)
Consolidated group net turnover	KSEK 784,565 (600,888)
Earnings per share	SEK 1.57 (1.60)
Parent company operating income	KSEK -14,401 (-12,616)
Parent company net turnover	KSEK 0 (2,730)

## **2. Essential Events During the Period January – September 2014**

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### **Gas balance situation**

During the third quarter 2014 the Company and its subsidiary LLC Karpatygaz have concluded sales of 287.6 million cubic meters (mmcm) of natural gas. This volume includes previously announced sales volumes and comprises a mix of natural gas produced in 2013 and stored in the underground storage facilities since mid-2013 as well as natural gas produced during January – September 2014.

During the period of January – September 2014 the total sales of natural gas constituted 643.1 mmcm.

As result of performed sales, LLC Karpatygaz was able to continue payments associated with the JA debts as well as to continue with the previously suspended investment program.

All natural gas produced, transported, stored and allocated to the final consumers is registered on a monthly basis by the Ukrainian State bodies in the gas balancing process. Since the second quarter 2013, the Company and its subsidiary LLC Karpatygaz have been experiencing challenges and irregularities related to this process. This has been reported to the market and reflected in the previous interim reports as well as the annual report 2013.

During Q3 2014, a major break through has been made in negotiating re-inclusion of the LLC Karpatygaz led JA into the gas balance, leading to a full inclusion of JA into the balance of the on-going production on the monthly basis and partial access for sales of gas previously accumulated in the underground storages. As of the end of Q3 2014, the Company had 170.8 mmcm of unsold gas kept in the underground storages. Please refer to the chapter “Essential events after end of the third quarter 2014” for description of latest event in regards to the gas balance.

By understanding that the gas balancing process in Ukraine is based on monthly cycles of revisions and revaluations, and by assessing the fact that the Company has been included into the gas balance for all three months of August, September and October, the management concludes that by the end of Q3 2014 the Company has been included into the gas balance. In addition, there are no signs for this pattern to change for the upcoming months, hence the situation could be valued as positively stable and represents a limited uncertainty for the future business and going concern.

### **Financing from the Fund**

Within the framework of the financing agreement between the Company and a Dutch financing fund (Stichting Bewaarder Pluribus Optimum Fund), whereby the Company has been granted a financial facility of up to KEUR 7,500 (corresponding to approximately KSEK 69,000), a tranche of KEUR 1,680 (KSEK 15,067) was drawn down during the first three quarters of 2014. Accordingly, the total debt under the financing agreement as of 30 September 2014 is KEUR 5,880 (KSEK 54,120). This facility has been introduced to secure long-term financial requirements for the Company’s Swedish operations.

During Q3 2014 the Company has initiated discussions with the Fund regarding possible extension of the loan. This is related to the previously suspended investment program, which has delayed the project implementation. As result, the Company will have to extend financing of its operations from the borrowed sources for an additional period of time. Negotiations are in progress and the Company will report upon reaching the final agreement with the fund.

## Surveillance list

On 17 September 2014, the Company was lifted from the Surveillance List on the First North NASDAQ OMX Nordic Exchange Stockholm AB and the observation status has been removed. The Company was placed on the surveillance list following concerns that the Company might not have sufficient control over its assets in Ukraine and due to certain articles in the Swedish press containing incorrect information that could be misleading to investors.

## Joint Activity Agreement

The Amendment No. 6 to the JAA, signed on 21 February 2014, has provided greater authority to JA's Management Committee, which in turn agreed on extension of Misen Enterprises AB obligation to contribute funding as per JAA in the amount of KUSD 12,516 (KSEK 90,804) until 31 December 2014. To facilitate this, the Company has entered discussions with the Fund in regards to rising additional financing that would enable the Company to meet the above mentioned goals. Negotiations are in progress and the Company will report upon reaching the final agreement with the fund.

## Investment program report

With the positive developments related to the gas balance and renewed sales taking place the Company has continued with the investment program during Q3 2014 primarily focusing on completion of construction of Khrestyshchensha Booster Compressor Station (BCS). This is the largest single investment project for JA, featuring complex engineering installation of 60 MW compressing power. The project's budget is estimated at around MSEK 700, with 80% of works and investment completed as of the end of Q3 2014

The Misen Group's capital expenditure on equipment for gas production in Ukraine related to the JA activity January – September 2014 amounted to KSEK 121,830 (KSEK 347,011).

## Production report

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

	Q3 2014	Q3 2013
Natural Gas (mmcm)	1.9	1.9
Gas Condensate (tons)	90.5	84.0
Oil (tons)	44.9	103.0

The table below sets forth the **accumulated production** indicators for January-September:

	Jan-Sep 2014	Jan-Sep 2013
Natural Gas (mmcm)	515	507
Gas Condensate (ktons*)	21.4	23.3
Oil (ktons)	15.3	24.4

\* thousand tons

Previously announced challenges with the gas balance have forced the Company to put investment program on hold. The Company has prioritized continuation of construction of booster compressor stations. Progress on well workovers has been suspended and certain number of wells have been under-serviced during 2014. This has led to non-growing or even decreasing productivity of certain product categories when compared to the previous reporting periods. With the gas balance situation being resolved, the Company is continuing with its investment program. Starting September 2014, the Company begins monthly reporting on production and sales. Please follow our press releases for up to date information.

### **Subsoil use charge (tax) increase**

As of August 2014, Ukraine introduced a set of emergency laws addressing the turbulent situation in the country. Part of these laws concern the need to increase tax collections to the state budget. In particular, the subsoil use charge for production of natural gas in the depth of up to 5,000 meters has been raised from 28% to 55%. The Misen Group is producing primarily from these depths. The subsoil use charge is payable at the time of production and delivery of gas into the gas transport system. This puts additional financing constraints on the production companies in Ukraine. The charge increase is defined as temporary and valid till the end of 2014. The Company's year-end result will be affected by these changes as the production of five months of 2014 (August through December) will be levied by the increased rate. This will also have a negative effect on the implementation of the JA investment program.

Payment of the subsoil use charge is based on the ceiling gas price for industrial consumers set on a monthly basis by the Ukrainian National Commission for State Energy and Public Utilities Regulation (NCSEPUR). For Q3 2014, the average ceiling price of natural gas for industrial consumers set by NCSEPUR was around SEK 2,500 per thousand cubic meters.

### **Exchange rate risks**

Due to the political instability in Ukraine the rate for UAH towards SEK has decreased from 0.7718 on 31 December 2013 to 0.5499 on 30 September 2014, or -28.8%. Since the Misen Group's operations and net assets are almost entirely located in Ukraine this has caused a negative effect on the Group's equity, decreasing it by KSEK-202,099.

The Group's cash flow and income are hedged against currency depreciation since the sales prices of traded products are linked to the import prices in USD; natural gas prices are linked to the import prices of gas from Gazprom and EU, and prices for oil and gas condensate are linked to the crude oil prices traded on recognized international exchanges. Most of the Group's expenses are subsoil use charges, which are also directly linked to the gas and oil prices in USD. As for the rest of the costs, they will most likely increase in line with the prices in USD, due to the common practice in Ukraine to tie major costs to the hard currencies like USD and EUR, hence currency fluctuations should be offset. The Company will continue monitoring the situation and will inform the market accordingly.

### **License risks**

The Company has concluded the previously announced investigation regarding measures required to secure extension of the licenses expiring in 2018. At present all licenses subject to JAA are valid. All licenses subject to JAA have been issued to JA partner, PJSC Ukrgasvydobuvannya, who on its terms made it available to JA. According to JAA, it is direct responsibility of PJSC Ukrgasvydobuvannya to observe timely extension of expiring licenses and the Company trusts that PJSC Ukrgasvydobuvannya will put maximum effort to secure this process. Under the current legislation and accepted practice in Ukraine, the process of extension of licenses that were properly executed (not breached) is

considered to be standardized and not requiring any additional extraordinary attention from the Company. In addition, in accordance with JAA, the Company preserves its right to claim compensation for all damages related to non-performance of JAA partner PJSC Ukgasvydobuvannya, including failure to secure timely extension of applicable licenses.

**Chairman of the Board of Directors of Misen Energy AB (publ) is to step down at the latest at AGM 2015**

Mr. Tore I. Sandvold, Chairman of the Board of Directors of Misen Energy AB (publ) has informed on 24 September 2014 the Nominating Committee of his decision to step down as the member and Chairman of the Board of Misen Energy AB (publ) at the latest at the AGM 2015. Exact timing and further details shall be discussed with the Nominating Committee and released in the due course.

## Essential events after end of the third quarter 2014

### *Gas balance*

Following the third quarter 2014 the Company was successful in addressing and solving the gas balance issue and experienced no problems with being fully included into the gas balancing process during September, October and November. In addition, the Company was also successful in negotiating sales of all gas previously accumulated and stored in the underground storages.

As of the end of October 2014, the remaining volume of gas available for sales in the underground storages constituted 55.9 mmcm.

Due to a successful solution with the gas balance and full ability to sell production entitlements, an uncertainty for the future business and going concern in this regard could be considered as minimal.

### *Ukraine adopts resolutions potentially affecting gas sales process*

In the beginning of November Ukraine passed two resolutions that if implemented will have direct effect on sales process of natural gas in the country. Both resolutions are presented as temporary measures to be effective for the heating season of 2014-2015. The first resolution, No. 596 "On the procedure of procurement of natural gas by industrial, energy-generating and heat-generating enterprises", was passed by the Cabinet of Ministers of Ukraine on 7 November 2014. The resolution bans as of December 1, 2014 through February 28, 2015 some 90 major industrial, energy-generating and heat-generating enterprises to carry out the purchase of natural gas from any suppliers other than NJSC "Naftogaz of Ukraine".

The resolution is being seen as controversial and conflicting with a range of existing laws and applicable regulations. It is criticized by the European Energy Community and is being challenged in Ukrainian courts by the local gas producers. The Company is assessing the situation and projects a rather limited impact to the Company due to a historically different construct of sales channels employed by JA. As a result of earlier encountered challenges with the gas balance, JA's current trade partners constitute companies outside the ones specified in the resolution No. 596.

The second resolution passed by the National Security and Defense Council of Ukraine and signed by the President of Ukraine by Order No.876/2014 on 14 November 2014 orders the Cabinet of Ministers of Ukraine to secure that all domestic production of natural gas is being directed to meet the needs of the population, housing and communal services during the heating season 2014-2015. Currently, the price of gas sold to the population is significantly lower than the commercial market price.

As it has been described in the annual report 2013, the natural gas consumers in Ukraine could be divided into three distinct groups: households, utilities and industrial. Sales of natural gas to households and utilities are regulated by the State defined tariffs; meanwhile commercial consumers are buying gas in the open exchange (unregulated environment). State tariffs are defined on a monthly basis by NCSEPUR. It also sets the price ceiling for industrial consumers. As of 31 October 2014, the natural gas price tariff for households was set at SEK 530-600 (dependent on consumed amount and metering systems used by households). At the same the top price for industrial consumers was set at SEK 2,520. The top price is also used for calculations of subsoil use charge.

The resolution is addressed to the executive branch of the Cabinet of Ministers of Ukraine, which on its part shall present the order for resolution implementation. Exact terms and means to address the

price difference remain unknown. The Company is monitoring the situation and will inform the market on further developments.

### **3. Results – the Misen Group and the Company**

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The Misen Group accounted for an operating income of KSEK 149,730 the third quarter 2014 as compared to KSEK 21,216 for the same period last year. Profit after financial items for the period was KSEK 98,272, as compared to KSEK 22,039 for the same period last year. The higher result in the quarter is due to the higher sales volume.

For the first three quarters 2014 operating income of the Misen Group was KSEK 389,800 (KSEK 296,748) and the Misen Group result after the financial items for the first three quarters was KSEK 288,797 to be compared to KSEK 291,358 for the same period 2013. During the first three quarters of 2014 other operating income amounted to KSEK 13,459 (KSEK 3,082) in the 2014 amount gain on operational exchange rates differences represents KSEK 11,919. For the first 9 months of 2014 other operating cost amounted to KSEK 32,979, of this amount KSEK 29,976 represents provisions for legal cases and settlements, fines and penalties which can be derived from the problems the group has encountered due to late payments when not being included in the gas balance

For the first three quarters of 2014 the groups' net profit after financial items has been affected by exchange rate adjustments of KSEK 11,919 in the operating income and KSEK -82 663 included in the financial items.

During January – September 2014, the JA gas production totaled 515 mmcm (507 mmcm during the same period 2013), generating a turnover of MSEK 1,542 (MSEK 1,195) of which 50.01 % is attributable to the Misen Group's interest in JA.

Loss after the financial items for the Company in the third quarter of 2014 amounted to KSEK -6,333 (KSEK -3,302) and for first three quarters 2014 was KSEK -17,939 to be compared to KSEK -14,274 for the same period 2013.

Misen Group revenue for the third quarter of 2014 was KSEK 323,556 (KSEK 76,155) and the Company revenue for this period was KSEK 0 (KSEK 2,730). During January – September 2014, the Misen Group revenue was KSEK 784,565 (KSEK 600,888) while the Company revenue in the same period amounted to KSEK 0 (KSEK 2,730).

#### **Cash position**

As of 30 September 2014, the cash balance of the Misen Group was KSEK 27,897 (KSEK 9,761). The cash flow from operations before changes in working capital was KSEK 385,545 in the first three quarters of 2014 (KSEK 248,842).

#### **Capital expenditure**

The Misen Group's capital expenditure on equipment for gas production in Ukraine related to the JA activity January – September 2014 amounted to KSEK 121,830 (KSEK 347,011).

During January – September 2014, capital expenditure orders not yet delivered have been placed at an aggregate value of KSEK 154,182. The capital expenditures are equipment, constructions and constructions in progress for extraction of natural gas. The activities are capital intensive and the level of capital expenditures will be on a continuing high level.



## **Expected future development of the Company**

With the gas balance situation being resolved, the operations of the JA are expected to develop in a positive way with a continuous substantial growth in production and sale of gas and thereof increasing profits and positive cash flow from operations resulting in an increased shareholder value. The abovementioned challenges with the gas balance have led to temporary suspension of the investment program and certain issues with a stagnant production growth for Q3 2014. The proceeding sales of accumulated gas in the underground storages and continuation of investment program are expected to cause a positive impact on the Group's income and cash flow.

For details, please refer to descriptions of the gas balance issues in earlier chapters of this report.

## **Environmental impact**

The JA operations have an impact on the environment in Ukraine, which is governed by laws and conventions, which in turn control the JA's operations as regards to the environment. Oil and natural gas operations are subject to extensive regulations with respect to the environment at both international and national levels. Environmental legislation covers the control of water and air pollution, waste, licensing requirements, restrictions on operations in environmentally sensitive and coastal areas. Environmental regulations are expected to become more stringent over time, which will most likely result in increasing costs. The Misen Group meets the environmental requirements in order to maintain existing licenses or obtain new ones.

## **Accounting principles**

This report is prepared according to the International Financial Reporting Standards (IFRS), as adopted by EU. This report is prepared according to IAS 34 and The Swedish Annual Accounts Act as well as RFR 2, Accounting for legal entities. As of 1 January 2014 the Group adopted a series of new accounting principles (please see the Annual Report 2013, pages 47-48), otherwise the accounting principles for the Misen Group as well as for the Company remain identical to the last annual and quarterly reports. It is important to note that the newly adopted accounting principles including IFRS 11 ("Joint Arrangements") do not have an impact on the financial statements of the Company or the Group.

## **Financial assets and liabilities**

Booked value of financial assets and liabilities is equal to fair value.

## **Financial and other risks**

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

The Company has concluded the previously announced investigation regarding measures required to secure extension of the licenses expiring in 2018. It is not expected that any problems will arise with extending the licenses. Please refer to chapter "License risks" for more detailed description.

The need for funding that may arise in 2014 will be handled through extended credits and, if necessary, adjustments in the investment program (please see chapters above).

Due to the political instability in Ukraine the rate for UAH towards SEK has decreased -28,8% during January - September 2014. Since the Misen Group's operations and net assets are almost entirely located in Ukraine this has caused a negative effect on the Group's equity, decreasing it by KSEK -202,099.

A more in-depth explanation of the different risk exposures in the Company's business is included in the annual report 2013.

### **Political risks**

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.

The Company is concerned with the latest events in Ukraine that started evolving during the fourth quarter 2013. At present the Company is experiencing a range of negative impacts observed on the Misen Group level as described in previous chapters. The major concern is in regards to the projects developed in the eastern part of Ukraine. At the moment the Company has few non-operational wells and one BCS being constructed in this region. All construction works at the Markivska BCS, located in Luhansk region have been suspended. Company has withdrawn all of its personnel from the site. Investments made in this region currently constitute around KSEK 8,180 (current exchange rate), of which 50.01 % is attributable to the Misen Group's interest in JA

The Company continues monitoring the situation.

### **First North**

Misen Energy AB (publ) is listed on First North, which is an alternative market place operated by Nasdaq Stockholm First North and the Company adheres to the rules and regulations for First North. The Certified Adviser of the Company is Consensus Asset Management AB.

## Sector information - the Misen Group

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

### Geographical area

	30 September 2014	30 September 2013	31 December 2013
<i>(All amounts in KSEK)</i>			
Net sales, external:			
Sweden	--	--	--
Ukraine	771,106	600,888	623,575
Fixed assets:			
Sweden	--	--	--
Ukraine	744,831	879,655	904,656

### Transactions with related parties

	30 September 2014	30 September 2013	31 December 2013
<i>(All amounts in KSEK)</i>			
Ukrigasvydobuvannya:			
Sale	52,736	146,582	164,180
Purchase	118,707	164,367	179,955
Short-term receivables	5	38,661	2,152
Short-term debts	57,903	1,871	16,824
Management and Board:			
Purchase of services	2,993	1,986	2,217
Salaries and remunerations	2,304	1,800	4,199
Short-term debts	738	--	--

## **Publication of the Q3 interim report**

This interim report for the third quarter 2014 is published at the Company's website, [www.misenenergy.se](http://www.misenenergy.se), and a printed version can be ordered at [info@misenergy.com](mailto:info@misenergy.com).

## **Future reports**

Next report, the full year interim report 2014, will be launched on 27 February 2015.

Stockholm, 27 November 2014

## **Misen Energy AB (publ)**

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Misen Energy AB (publ) (formerly Svenska Capital Oil AB (publ)) is a Swedish upstream oil and gas company with operations in Ukraine. The company was founded in 2004 and its shares are since 12 June 2007 traded on Nasdaq Stockholm First North.

In 2011, Misen Energy AB (publ) acquired Misen Enterprises AB and its Ukrainian subsidiary, LLC Karpatygaz, including the rights to 50.01% of the revenue and profit from a gas production project in Ukraine. Under IFRS rules, this transaction is classified as a reverse takeover. In consideration of the acquisition, a new share issue was carried out.

The gas producing assets have been acquired by production cooperation via a joint activity project governed by a Joint Activity Agreement between the wholly-owned direct and indirect subsidiaries of Misen Energy AB (publ), i.e. Misen Enterprises AB and LLC Karpatygaz (together 50.01%) and PJSC Ukrigasvydobuvannya (49.99%), the largest producer of natural gas in Ukraine and subsidiary of the National Joint Stock Company Naftogaz of Ukraine. The value of the assets is estimated to be substantially higher than the purchase price for Misen Enterprises AB.

The purpose of the project is to significantly increase production of gas and oil by providing modern technologies via a large-scale investment program.

The registered office of Misen Energy AB (publ) is in Stockholm and the shares are traded on First North under identification ticker MISE.

The Certified Adviser of the company at Nasdaq Stockholm First North is Consensus Asset Management AB (formerly Thenberg & Kinde Fondkommission AB).

For further information, please visit our website [www.misenenergy.se](http://www.misenenergy.se).

**CONDENSED INCOME STATEMENT-THE GROUP**

<i>All amounts in KSEK</i>	1 July-30 Sept 2014 3 months	1 July-30 Sept 2013 3 months	1 Jan-30 Sept 2014 9 months	1 Jan-30 Sept 2013 9 months	1 Jan-31 Dec 2013 12 months
<b>Operating revenue</b>					
Net sales	313,193	76,155	771,106	597,806	618,332
Other operating income	10,363	0	13,459	3,082	5,243
	<b>323,556</b>	<b>76,155</b>	<b>784,565</b>	<b>600,888</b>	<b>623,575</b>
<b>Operating expenses</b>					
Other external expenses	-152,639	-39,623	-328,165	-270,989	-283,746
Personnel expenses	-4,213	-4,241	-11,530	-11,041	-16,536
Depreciation and amortisation of tangible and intangible fixed assets	-8,148	-7,996	-22,091	-19,295	-25,251
Other operating cost	-8,826	-3,079	-32,979	-2,815	-20,920
	<b>-173,826</b>	<b>-54,939</b>	<b>-394,765</b>	<b>-304,140</b>	<b>-346,453</b>
<b>Operating income</b>	<b>149,730</b>	<b>21,216</b>	<b>389,800</b>	<b>296,748</b>	<b>277,122</b>
<b>Financial items</b>	<b>-51,458</b>	<b>823</b>	<b>-101,003</b>	<b>-5,390</b>	<b>-9,561</b>
<b>Profit/loss after financial items</b>	<b>98,272</b>	<b>22,039</b>	<b>288,797</b>	<b>291,358</b>	<b>267,561</b>
Taxes for the period	-18,897	-8,612	-60,403	-59,289	-59,094
<b>Profit/loss for the period attributable to the parent company shareholders</b>	<b>79,375</b>	<b>13,427</b>	<b>228,394</b>	<b>232,069</b>	<b>208,467</b>
<b>Statement of comprehensive income - The Group</b>					
Net profit for the period	79,375	13,427	228,394	232,069	208,467
Other comprehensive income					
Items possible for later reclassification in income statement:					
Translation differences	-31,706	-17,920	-202,099	-20,281	-23,695
Other comprehensive income for the period, net after taxes	-31,706	-17,920	-202,099	-20,281	-23,695
<b>Total comprehensive income for the period</b>	<b>47,669</b>	<b>-4,493</b>	<b>26,295</b>	<b>211,788</b>	<b>184,772</b>
<b>Net earnings per share, allocated to the share owners in the parent company ( in SEK per share)</b>					
Net earnings for the period, before and after dilution	0.55	0.09	1.57	1.60	1.43
Average number of shares for the period was 145,068,222					

## CONDENSED BALANCE SHEET-THE GROUP

<i>All amounts in KSEK</i>	30 Sept 2014	30 Sept 2013	31 Dec 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible fixed assets	35,543	38,348	37,684
Tangible fixed assets	708,838	841,307	866,972
<b>Total non-current assets</b>	<b>744,381</b>	<b>879,655</b>	<b>904,656</b>
<b>Current assets</b>			
Stock	74,384	59,686	142,773
Accounts receivable	169,755	54,237	4,999
Other receivables	23,229	6,241	37,117
Prepaid expenses and accrued income	478	1,430	237
	<b>267,846</b>	<b>121,594</b>	<b>185,126</b>
Cash and bank balances	27,897	9,761	949
<b>Total current assets</b>	<b>295,743</b>	<b>131,355</b>	<b>186,075</b>
<b>TOTAL ASSETS</b>	<b>1,040,124</b>	<b>1,011,010</b>	<b>1,090,731</b>
<hr/>			
<i>All amounts in KSEK</i>	30 Sept 2014	30 Sept 2013	31 Dec 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>565,565</b>	<b>566,286</b>	<b>539,270</b>
<b>Non-current liabilities</b>			
Long-term loans	20,753	103,217	37,502
Long-term deferred tax liability	6,319	5,439	17,011
Other long-term liabilities	22,089	6,644	2,468
<b>Total non-current liabilities</b>	<b>49,161</b>	<b>115,300</b>	<b>56,981</b>
<b>Total non-current liabilities</b>			
Accounts payable	57,755	71,412	118,034
Tax debts	36,071	9,308	-
Short-term loans	199,847	132,054	255,994
Other short-term debt to JA	43,061	37,226	37,733
Other short-term debt	80,271	73,868	74,261
Accrued expenses and deferred income	8,393	5,556	8,458
<b>Total current liabilities</b>	<b>425,398</b>	<b>329,424</b>	<b>494,480</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,040,124</b>	<b>1,011,010</b>	<b>1,090,731</b>
Pledged assets	327,814	463,903	613,592
Contingent liabilities	1,884,905	4,081,617	4,114,931

CONDENSED STATEMENT OF CHANGES IN EQUITY - THE GROUP

<i>All amounts in KSEK</i>	Share capital	Other paid in capital	Other reserves	Retained earnings	Total equity
Equity brought forward 2013-01-01	290,136	-274,435	-13,087	351,884	354,498
<b>Net profit</b>					
Net profit of the period Jan- Sept 2013	-	-	-	232,069	232,069
<b>Other comprehensive income</b>					
Translation difference	-	-	-20,281	-	-20,281
<b>Total comprehensive income</b>	<b>290,136</b>	<b>-274,435</b>	<b>-33,368</b>	<b>583,953</b>	<b>566,286</b>
Equity brought forward 2013-09-30	290,136	-274,435	-33,368	583,953	566,286
Equity brought forward 2013-10-01	290,136	-274,435	-33,368	583,953	566,286
<b>Net profit</b>					
Net profit of the period Oct-Dec 2013	-	-	-	-23,602	-23,602
<b>Other comprehensive income</b>					
Translation difference	-	-	-3,414	-	-3,414
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-3,414</b>	<b>-23,602</b>	<b>-27,016</b>
Equity brought forward 2013-12-31	290,136	-274,435	-36,782	560,351	539,270
Equity brought forward 2014-01-01	290,136	-274,435	-36,782	560,351	539,270
<b>Net profit</b>					
Net profit of the period Jan- Sept 2014	-	-	-	228,394	228,394
<b>Other comprehensive income</b>					
Translation difference	-	-	-202,099	-	-202,099
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-202,099</b>	<b>228,394</b>	<b>26,295</b>
Equity brought forward 2014-09-30	290,136	-274,435	-238,881	788,745	565,565

## CONDENSED STATEMENT OF CASH FLOWS - THE GROUP

	1 Jan-30 Sept 2014	1 Jan-30 Sept 2013	1 Jan-31 Dec 2013
<i>All amounts in KSEK</i>			
Operating activities			
Operating income	389,800	296,748	277,122
Adjustment for non-cash items	29,716	29,935	19,057
Interest received	123	328	341
Interest paid	-16,476	-5,718	-678
Income tax	-15,631	-66,981	-78,433
<b>Cash flow from operating activities before working capital changes</b>	<b>387,532</b>	<b>254,312</b>	<b>217,409</b>
Decrease(+)/increase in stocks	28,283	-52,987	-137,671
Decrease(+)/increase in receivables	-185,408	-35,884	-884
Decrease(-)/increase in short-term debts	-8,014	108,377	155,279
<b>Cash-flow from operating activities</b>	<b>222,393</b>	<b>273,818</b>	<b>234,133</b>
Investing activities			
Acquisition of tangible and intangible assets*	-121,830	-376,305	-370,668
Sale of tangible and intangible assets	2,070	50,930	48,812
Change of long-term receivables (increase-)			
<b>Cash flow from investing activities</b>	<b>-119,760</b>	<b>-325,375</b>	<b>-321,856</b>
Financing activities			
Change in long-term debt (increase+)	-73,308	48,062	75,965
<b>Cash flow from financing activities</b>	<b>-73,308</b>	<b>48,062</b>	<b>75,965</b>
Cash flow for the period	29,325	-3,495	-11,758
Cash at the beginning of the period	949	13,325	13,325
Exchange rate difference in cash	-2,377	-69	-618
<b>Cash at the end of the period</b>	<b>27,897</b>	<b>9,761</b>	<b>949</b>

\*During 2014 no net investments through financial leasing agreements have been made, the amount for the full year 2013 was KSEK 61,061. During the three first quarters of 2014 no investments through financial leasing have been made. Investments through financial leasing are considered as not affecting the cash flow.



**CONDENSED INCOME STATEMENT - PARENT COMPANY**

(Misen Energy AB (publ))

	1 June-30 Sept 2014 3 months	1 June-30 Sept 2013 3 months	1 Jan-30 Sept 2014 9 months	1 Jan-30 Sept 2013 9 months	1 Jan-31 Dec 2013 12 months
<i>All amounts in KSEK</i>					
<b>Operating revenue</b>					
Net sales	0	2,730	0	2,730	2,730
	<b>0</b>	<b>2,730</b>	<b>0</b>	<b>2,730</b>	<b>2,730</b>
<b>Operating expenses</b>					
Other external expenses	-3,091	-4,786	-10,701	-13,785	-21,746
Personnel expenses	-956	-732	-3,700	-1,561	-2,889
	<b>-4,047</b>	<b>-5,518</b>	<b>-14,401</b>	<b>-15,346</b>	<b>-24,635</b>
<b>Operating income</b>	<b>-4,047</b>	<b>-2,788</b>	<b>-14,401</b>	<b>-12,616</b>	<b>-21,905</b>
Interest income	0	1	0	2	337
Interest expense	-2,286	-515	-3,538	-1,660	-2,998
	<b>-2,286</b>	<b>-514</b>	<b>-3,538</b>	<b>-1,658</b>	<b>-2,661</b>
<b>Profit/loss after financial items</b>	<b>-6,333</b>	<b>-3,302</b>	<b>-17,939</b>	<b>-14,274</b>	<b>-24,566</b>
Taxes for the period	-	-	-	-	-
<b>Net profit/loss</b>	<b>-6,333</b>	<b>-3,302</b>	<b>-17,939</b>	<b>-14,274</b>	<b>-24,566</b>
<b>Statement of comprehensive income - Parent company</b>					
Net loss for the period	-6,333	-3,302	-17,939	-14,274	-24,566
Other comprehensive income	0	0	0	0	0
Other comprehensive income for the period, net after taxes	0	0	0	0	0
<b>Total comprehensive income for the period</b>	<b>-6,333</b>	<b>-3,302</b>	<b>-17,939</b>	<b>-14,274</b>	<b>-24,566</b>

**CONDENSED BALANCE SHEET - PARENT COMPANY**

(Misen Energy AB (publ))

<i>All amounts in KSEK</i>	30 Sept 2014	30 Sept 2013	31 Dec 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Financial fixed assets</b>			
Shares in subsidiaries	1,001,799	1,001,799	1,001,799
<b>Total financial fixed assets</b>	<b>1,001,799</b>	<b>1,001,799</b>	<b>1,001,799</b>
<b>Total fixed assets</b>	<b>1,001,799</b>	<b>1,001,799</b>	<b>1,001,799</b>
<b>Total non-current assets</b>	<b>1,001,799</b>	<b>1,001,799</b>	<b>1,001,799</b>
<b>Current receivables</b>			
Other receivables	222	217	803
Short-term receivables subsidiaries	4,976	4,392	4,745
Prepaid expenses and accrued income	250	218	227
	<b>5,448</b>	<b>4,827</b>	<b>5,775</b>
<b>Cash and bank balances</b>	<b>444</b>	<b>8,843</b>	<b>479</b>
<b>Total current assets</b>	<b>5,892</b>	<b>13,670</b>	<b>6,254</b>
<b>TOTAL ASSETS</b>	<b>1,007,691</b>	<b>1,015,469</b>	<b>1,008,053</b>

(Misen Energy AB (publ))

<i>All amounts in KSEK</i>	30 Sept 2014	30 Sept 2013	31 Dec 2013
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	290,136	290,136	290,136
Statutory reserves	345	345	345
	<b>290,481</b>	<b>290,481</b>	<b>290,481</b>
<b>Non-restricted equity</b>			
Profit/Loss brought forward	672,900	697,465	697,466
Profit/loss for the year	-17,939	-14,274	-24,565
	<b>654,961</b>	<b>683,191</b>	<b>672,901</b>
<b>Total equity</b>	<b>945,442</b>	<b>973,672</b>	<b>963,382</b>
<b>Non-current liabilities</b>			
Long-term loan	0	36,564	37,502
Other long-term debts to group companies	92	95	93
<b>Total non-current liabilities</b>	<b>92</b>	<b>36,659</b>	<b>37,595</b>
<b>Total non-current liabilities</b>			
Accounts payable	1,292	1,816	3,568
Other short-term liabilities	252	414	333
Short-term loans	54,119	-	-
Accrued expenses and deferred income	6,494	2,908	3,175
<b>Total current liabilities</b>	<b>62,157</b>	<b>5,138</b>	<b>7,076</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,007,691</b>	<b>1,015,469</b>	<b>1,008,053</b>
<b>Pledged assets</b>	<b>100,333</b>	<b>152</b>	<b>153</b>
<b>Contingent liabilities</b>	<b>332,935</b>	<b>39</b>	<b>39</b>

**CONDENSED STATEMENT OF CHANGES IN EQUITY - PARENT COMPANY**

(Misen Energy AB (publ))

<i>All amounts in KSEK</i>	Share capital	Statutory reserves	Share Premium reserve	Retained earnings	Total equity
<b>Equity brought forward 2013-01-01</b>	<b>290,136</b>	<b>345</b>	<b>714,285</b>	<b>-16,819</b>	<b>987,947</b>
<b>Net profit</b>					
Net profit of the period Jan-Sept 2014	-	-	-	-14,274	-14,274
<b>Other comprehensive income</b>					
Translation difference	-	-	-	-	0
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-14,274</b>	<b>-14,274</b>
<b>Equity brought forward 2013-09-30</b>	<b>290,136</b>	<b>345</b>	<b>714,285</b>	<b>-31,093</b>	<b>973,673</b>
<b>Equity brought forward 2013-10-01</b>	<b>290,136</b>	<b>345</b>	<b>714,285</b>	<b>-31,093</b>	<b>973,673</b>
<b>Net profit</b>					
Net profit for the period Oct - Dec 2013	-	-	-	-10,291	-10,291
<b>Other comprehensive income</b>					
Translation difference	-	-	-	-	0
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-10,291</b>	<b>-10,291</b>
<b>Equity brought forward 2013-12-31</b>	<b>290,136</b>	<b>345</b>	<b>714,285</b>	<b>-41,384</b>	<b>963,382</b>
<b>Equity brought forward 2014-01-01</b>	<b>290,136</b>	<b>345</b>	<b>714,285</b>	<b>-41,384</b>	<b>963,382</b>
<b>Net profit</b>					
Net profit of the period Jan-Sept 2014	-	-	-	-17,939	-17,939
<b>Other comprehensive income</b>					
Translation difference	-	-	-	-	0
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-17,939</b>	<b>-17,939</b>
<b>Equity brought forward 2014-09-30</b>	<b>290,136</b>	<b>345</b>	<b>714,285</b>	<b>-59,323</b>	<b>945,443</b>

**CONDENSED STATEMENT OF CASH FLOWS - PARENT COMPANY**

(Misen Energy AB (publ))

	1 Jan-30 Sept 2014 9 months	1 Jan-30 Sept 2013 9 months	1 Jan-31 Dec 2013 12 months
<i>All amounts in KSEK</i>			
Operating activities			
Operating income	-14,401	-12,616	-21,905
Adjustment for non-cash items	-	-35	-
Interest received	-	2	2
Interest paid	-	-9	-
<b>Cash flow from operating activities before working capital changes</b>	<b>-14,401</b>	<b>-12,658</b>	<b>-21,903</b>
Cash flow from working capital changes			
Decrease(+)/increase in receivables	327	-4,046	-4,661
Decrease(-)/increase in accounts payable	-2,276	736	2,488
Decrease(-)/increase(+) in short term debts	1,248	209	-300
<b>Cash flow from operating activities</b>	<b>-15,102</b>	<b>-15,759</b>	<b>-24,376</b>
Financing activities			
Increase in long-term debt	15,067	16,090	16,343
<b>Cash flow from financing activities</b>	<b>15,067</b>	<b>16,090</b>	<b>16,343</b>
Cash flow for the period	-35	331	-8,033
Cash at the beginning of the period	479	8,512	8,512
<b>Cash at the end of the period</b>	<b>444</b>	<b>8,843</b>	<b>479</b>

**CONDENSED FINANCIAL AND OPERATIONAL KEY RATIOS**

	1 Jan-30 Sept 2014 9 months	1 Jan-30 Sept 2013 9 months	1 Jan-31 Dec 2013 12 months
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**The Group**
**Financial key ratios**

EBITDA (KSEK)	411,891	316,043	302,373
Profit/loss per share before dilution SEK*	1.57	1.60	1.43
Profit/loss per share after dilution SEK*	1.57	1.60	1.43
Return on equity (ROE)	n.a.	n.a.	38.7%
Return on capital employed (ROCE)	n.a.	n.a.	41.0%
Debt/equity ratio	39.0%	43.7%	54.4%
Equity ratio	54.4%	56.0%	49.5%
Share of risk bearing capital	55.0%	56.0%	51.0%
Weighted average number of shares for the period*	145,068,222	145,068,222	145,068,222
Number of outstanding shares before dilution *	145,068,222	145,068,222	145,068,222
Number of outstanding shares after dilution *	145,068,222	145,068,222	145,068,222
Weighted average number of shares for the period after dilution*	145,068,222	145,068,222	145,068,222

\*Adjusted for amalgamation of shares 100:1 in January 2012

**The Parent Company (Misen Energy AB)**

EBITDA (KSEK)	neg	neg	neg
Profit/loss per share before dilution SEK*	neg	neg	neg
Profit/loss per share after dilution SEK*	neg	neg	neg
Return on equity (ROE)	n.a.	n.a.	neg
Return on capital employed (ROCE)	n.a.	n.a.	neg
Debt/equity ratio	0.0%	3.8%	3.9%
Equity ratio	93.8%	95.9%	95.6%
Share of risk bearing capital	93.8%	95.9%	95.6%
Weighted average number of shares for the period*	145,068,222	145,068,222	145,068,222
Number of outstanding shares before dilution *	145,068,222	145,068,222	145,068,222
Number of outstanding shares after dilution *	145,068,222	145,068,222	145,068,222
Weighted average number of shares for the period after dilution*	145,068,222	145,068,222	145,068,222

\*Adjusted for amalgamation of shares 100:1 in January 2012

**Definition of financial key ratios**

1. EBTDA (profit before interest, tax, depreciation, write-downs) defined as the group and the parent company's operating profit/loss before depreciation.
2. Profit/loss per share before dilution defined as the group and the parent company's net profit/loss after tax divided by the number of outstanding shares before dilution at the end of period.
3. Profit/loss per share after dilution defined as the group and the parent company's net profit/loss after tax divided by the number of outstanding shares after dilution at the end of period.
4. Return on equity defined as the group and the parent company's profit/loss divided by total equity at the end of period.
5. Return on working capital is defined as the group and the parent company's profit/loss after financial items plus interest expense plus/minus exchange differences on financial items divided by total capital employed (average of the two latest periods balance sheet total with reduction for non-interest bearing debt).
6. Debt/equity ratio defined as the group and the parent company's interest bearing debt divided by equity.
7. Equity ratio defined as the group and the parent company's equity including minority owner shares divided by balance sheet total.

**Share capital information**

8. Share of risk bearing capital defined as the sum of the group and the parent company's equity and deferred tax liabilities (including minority shares) divided by balance sheet total.
9. Number of outstanding shares with full dilution defined as number of outstanding shares including maximum utilized warrants.
10. Registration of new share issues took place at the 31st of January, 20th of February and 13th of April 2006 of 4,000,000; 2,537,454 and 6,530,546 shares respectively at a price of 0.25 per share.
11. Registration of new share issues took place at the 3rd of November, 21st of November and 22nd of November 2006 of 988,563; 213,000 and 1,700,089 shares respectively at a price of 1.2240 SEK per share.
12. Registration of an offset issue took place at the 30th of November 2006.
13. Registration of new share issues took place at the 11th of January and the 22nd of February 2007 of 4,650,000 and 1,670,180 shares respectively at a price of 1.2240 SEK per share.
14. Registration of a new share issue took place at the 15th of March 2007 of 13,200,000 shares at a price of 1.54 SEK per share.
15. Registration of a new share issue took place the 2nd of April 2007 of 10,185,000 shares at a price of 1.54 SEK per share.
16. Registration of a new share issue on the 12th of July 2007 of 42,000,000 at a price of 2.40 SEK per share.
17. Registration of a new share issue on the 11th of February 2009 of 32,339,802 at a price of 0.60 SEK per share.
18. Registration of share capital write-down of 13,849,777.84 SEK on the 6th of May 2010 without reduction in number of shares. Share capital was thereafter 3,462,444.46 SEK. Quota value per share thereafter 0.02 SEK per share.
19. Registration of a new share issue on the 2nd of September 2010 of 48,000,000 shares at a price of 0.04 per share.
20. Registration of a new share issue on 22nd of September 2011 of 14,285,700 000 shares at a price of 0.07 SEK per share.
21. On the 12th of January 2012 an amalgamation of shares 100:1 was registered whereby the number of shares were reduced to 145,068,222 and the quota value became approximately 2 SEK.

## **Auditors' Report on Review of Interim Financial Information**

### *Introduction*

We have reviewed the accompanying balance sheets of Misen Energy AB (publ) for the group and the parent company as of September 30, 2014 and the related statements of income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

### *Emphasis of matter*

Without qualifying our opinion, we draw your attention to pages 4, 6, 10 in sections "Subsoil use charge (tax) increase", "Ukraine adopts resolutions potentially affecting gas sales process" and "Political risks" of the interim report stating that the operations of the Group, and those of other entities in Ukraine, have been affected and may continue to be affected for the foreseeable future by the continuing political and economic uncertainties in Ukraine. The impact of these circumstances on the Group's operations and the final resolution of the political and economic uncertainties in Ukraine are difficult to assess at the moment and it may have further severe effects on the Ukrainian financial situation and the Group's operations.

Further, without qualifying our opinion, we draw your attention to pages 2-3 in sections "Financing from the Fund" and "Joint Activity Agreement" of the interim report where it is described that negotiations are in progress for solving the financing of the activities of the parent company as well as to finance the contribution according to the Joint Activity Agreement. These conditions indicate the existence of a material uncertainty that may cast significant doubt about going concern.

Gothenburg, November 27, 2014

PricewaterhouseCoopers AB

PricewaterhouseCoopers AB

Johan Palmgren

Klas Brand

Authorised Public Accountant

Authorised Public Accountant