

## Year-end report January – December 2015

### 1. Summary

---

#### MISEN ENERGY AB (publ)

Reg. No. 556526-3968

#### Group definition

Misen Energy AB (publ) (herein after referred to as the “**Parent Company**” or the “**Company**”) is a Swedish public limited liability company with its registered offices in Stockholm. The address of the Head Office is Engelbrektsgratan 32, 411 37 Gothenburg. The Company is listed at Nasdaq First North Stockholm. The Misen group (“**Misen Group**” or “**Group**”) comprises Misen Energy AB (publ) and two wholly owned subsidiaries Misen Enterprises AB (Sweden) and LLC Karpatygaz (Ukraine). Consolidated accounts represent the Misen Group, with an unchanged structure 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 (“**PJSC Ukrgasvydobuvannya**”) (Ukraine), a wholly owned subsidiary of the National Joint Stock Company Naftogaz of Ukraine (Ukraine). JA is governed by the Joint Activity Agreement No. 3, dated 10 June 2002 (“**JAA**” or “**JAA No.3**”), signed by PJSC Ukrgasvydobuvannya, LLC Karpatygaz and Misen Enterprises AB.

The Misen Group operates solely in Ukraine, where subsidiary LLC Karpatygaz as the operator of the JA performs all industrial operations within a framework of the JA.

#### Results for the fourth quarter 2015 (within brackets same period 2014)

Consolidated operating group loss/income	KSEK -35,500 (160,618)
Consolidated group net turnover	KSEK 210,452 (378,688)
Earnings per share	SEK -0.33 (0.68)
Parent company operating loss	KSEK -4,326 (-5,426)
Parent company net turnover	KSEK 30 (120)

#### Results for January – December 2015 (within brackets same period 2014)

Consolidated operating group income	KSEK 14,609 (550,418)
Consolidated group net turnover	KSEK 884,373 (1,163,253)
Earnings per share	SEK -0.23 (2,25)
Parent company operating loss	KSEK -15,138 (-19,827)
Parent company net turnover	KSEK 120 (120)

## **2. Essential Events during the Period January – December 2015**

---

### **Gas balance situation**

The Misen Group led JA was operating without issues in regards to the gas balancing process during the Q4 2015. All of the natural gas produced in January through December 2015 has been sold and inventories of unsold produce as of the end of December 2015 constituted a zero balance.

Management understands that the gas balancing process in Ukraine is based on monthly cycles of revisions and revaluations; hence, an uncertainty remains as to the stability and continuity of it. By assessing the fact that the JA had no issues with the gas balance for more than a year, including Q4 2015, the management concludes that formally the JA has been included into the gas balance during twelve months of 2015 and there are no signs for this pattern to change for the upcoming period.

### **Group financial situation and going concern**

In July 2015 JA breached the obligation to pay off KUSD 2,240 (KSEK 18,858) out of KUSD 12,250 (KSEK 103,128) to Sberbank Russia. In August 2015 JA breached the obligation to pay off additional KUSD 10,010 (KSEK 84,270) out of KUSD 12,250 (KSEK 103,128). At the same time, JA reached an agreement with Sberbank Russia to restructure the loan based on the new loan repayment terms. However, the restructuring agreement has not been signed as of the end of December 2015 since the consent was not reached between JAA participants. Sberbank Russia has legal grounds to charge fines from JA in the amount of KUAH 52,163 (KSEK 20,171). The fines are represented in the Misen Group financial statement in the amount of KSEK 10,086 as financial expenses.

Currently, the parties to JAA approved the restructuring terms and the signing of the contract is expected in the nearest future.

In August 2015, Sberbank Leasing filed suit against JA with respect to contracts, which represent leaseback transaction. According to the claim, JA had not delivered equipment in time under the sales-purchase agreement and, therefore, Sberbank Leasing had legal basis to sue JA for non-fulfilment of contract conditions. However, JA considers the non-delivery of equipment as legally grounded action of retention of equipment since Sberbank Leasing did not fulfill all its obligations under the contract (payment of the total value of goods) by the time the contract came into force.

Based on the experience in similar cases, JA's management expects the positive court ruling. Due to this, no provision has been made in financial statements.

Taking into consideration the facts outlined above and the fact that JA has stable production and positive cash flows, the board and management believe that JA has sufficient liquidity to cover outstanding obligations to its counterparties. Management and the board will monitor the situation and will report on further developments.

### **Financing of the Company's Swedish operations**

The Company continued borrowing from the shareholder TCT Holding AB during Q4 2015. During Q4 the Company borrowed KUSD 465 (KSEK 3,943) all of it was directed towards financing of the

Company's Swedish operations. There was no financing received from the Dutch financing fund (Stichting Bewaarder Pluribus Optimum Fund), during Q4 2015.

Currently, the Company needs financing of its operations for 2016 and negotiations with the potential finance providers are taking place. Please refer to the section Essential events after end of the fourth quarter 2015 for details.

### **Write-down of shares in subsidiary Misen Enterprises**

Due to increased subsoil use charge up to 70% and historically low natural gas prices the Company included in the financial items of the Parent Company a write down of the shares of the subsidiary Misen Enterprises AB which is the owner of 50% in the JA. The write down has been calculated using the discounted cash-flow method and based on the assumption that the sub-soil charge will remain on 70% for the lifetime of the JA. The weighted average cost of capital (WACC) for the calculation used is 19,9% after tax in UAH. For more information see section 3. Results – the Misen Group and the Company.

### **Operations of Khrestyshchenska BCS**

In September 2015 JA commissioned Khrestyshchenska booster compressor station ("BCS"). This BCS is one of the biggest stations in Ukraine; it facilitates extraction of up to 25% of total domestic natural gas production.

However, since commissioning of the Khrestyshchenska BCS JA has a disagreement with the state-owned party PJSC UkrGasvydobuvannya as for the distribution of incremental production. According to applied methodology, the production of Khrestyshchenska BCS did not exceed the base line, thus, resulting in zero incremental extraction volumes. Due to this, JA was forced to use part of produced gas to cover the technical needs of Khrestyshchenska BCS operations. Monthly volumes of technical gas amounted up to 9 million cubic meters ("mmcm"). During September-December 2015 Misen Group incurred losses of KSEK 46,150, which are represented in accounts as other operating costs.

Currently, constructive negotiations are taking place between JA parties and temporary agreement has been reached. For details, please, refer to the section Essential events after end of the fourth quarter 2015.

### **Subsoil use charge**

Starting July 2015, the subsoil use charge for the JAs was increased to 70%. This was done in accordance with the laws adopted by Ukraine during 2014.

The subsoil use charge is payable at the time of production and delivery of gas into the gas transportation system. During 2015 the basis price for subsoil use charge calculation was established by the Energy and Utilities National Regulatory Commission, which was historically higher than average import price and JA's natural gas sales prices.

The Misen Group's twelve months 2015 result was affected by the abovementioned facts. These facts had a negative impact on the Company's 2015 year results and will have a negative effect on the implementation of the JA investment program.

In November 2015 the Ukrainian parliament adopted Law of Ukraine on Amendments to Tax Code of Ukraine, which was later signed by the President of Ukraine in December 2015. The Law has come into force starting from January 1, 2016. The amendments establish average import price as the basis price for subsoil use charge calculation. Historically the average import price was equal or lower than the natural gas sales price of JA. This new methodology of subsoil use charge calculation will have positive impact on the JA's results.

### **Tax payments in Ukraine**

Despite difficult situation with the increased subsoil use charge, the Misen led JA continued paying all taxes to Ukrainian tax authorities. Since 2011, the JA has contributed to Ukraine KUAH 7,970,450 (adjusted KSEK 4,204,282) in taxes. During January – December 2015 alone, the JA paid KUAH 4,213,217 (adjusted KSEK 1,629,251).

### **Currency fluctuations and inflation**

In Q4 2015, Ukrainian currency has remained relatively stable in its value in relation to SEK. Main contributors were the provision of loan from the International Monetary Fund and, as a result, growth in international reserves. Still, the net effect on Ukrainian currency versus SEK remains negative during twelve months 2015. This had a corresponding effect on the Group's operations and net assets and is represented in accounts. During twelve months 2015, the rate for UAH towards SEK has decreased from 0.4844 on 31 December 2014 to 0.3468 on 31 December 2015, or by -28,4%. 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 199,037.

To constrain further devaluation of Hryvnia the National Bank of Ukraine has imposed a number of restrictions on operations with foreign currency including: a temporary ban on payment of dividends in foreign currency; a temporary ban on early repayment of debts to non-residents; mandatory sale of 75% of revenue in foreign currency and other restrictions on cash and non-cash operations. The National bank of Ukraine prolonged these restrictions several times during 2015 and the current restrictions are effective until 4 March 2016.

Devaluation of the national currency created pressure on consumer price index. The official inflation rate in Ukraine for 2015 reached 43.3%.

On 11 March 2015 the IMF Executive Board approved a four-year Extended Fund Facility ("EFF") program for Ukraine exceeding USD 17 billion. During 2015 Ukraine obtained first and second tranches in accordance with the program in the amount of USD 5 billion and USD 1.7 billion, respectively. In October 2015, Ukraine reached an agreement with the majority of its creditors for restructuring of part of the national external debt in the amount of USD 15 billion. The restructuring pushes out maturities of restructured debt to 2019-2027, fixing annual interest rate at the level of 7.75% and includes exchange of 20% of the debt into GDP warrants at par value of USD 2.9 billion. There remains a significant portion of debt for which a restructuring has not been agreed to.

After reaching the above restructuring agreement on external debt with the majority of its creditors, the credit rating of Ukraine has improved.

Further disbursements of IMF tranches depend on the implementation of Ukrainian government reforms, and other economic, legal and political factors.

### **Investment dispute notice to the Government of Ukraine**

In early October 2015, the Company has submitted an investment dispute notice to the Government of Ukraine under the Ukrainian Swedish Bilateral Investment Treaty (“BIT”). The Company notified Ukraine that a dispute has arisen between it and Ukraine concerning the Company’s investment in Ukraine, and invited Ukraine to resolve the dispute by consultation and negotiation.

As explained in previous reports and Company announcements, the Ukrainian Government continues targeted discrimination against the Company’s investments in Ukraine by applying a 70% royalty on gas prices fixed by the regulator. If it continues to be applied, the 70% royalty will render it impossible for the Company to realize any return on its investments in Ukraine and ultimately may even force the Company to close its operations in Ukraine and lose the total value of its investment as well as the expected revenue for the remaining life cycle of the investments, estimated at over USD 3 billion.

If the problems described in the notice of investment dispute cannot be settled with the Government of Ukraine within six months, the Company reserves its right to submit the dispute to international arbitration in accordance with the BIT.

### **Contribution to the JA**

With the total amount of KUSD 3,930 (KSEK 33,085) contributed to the JA by the end of 2015, the subsidiary Misen Enterprises AB has formally failed to comply with the deadline of contributing funds in full amount to the JA, which was set for 31 December 2015 as per the Amendment No.6 to the JAA the No.3.

The Company has been engaged in discussions with the JA partner PJSC Ukgasvydobuvannya regarding extension of terms of contribution to the JA. As of now, there is no clarity as for the new deadline to finalize the contribution to JA in the light of the outstanding investment dispute between the Company and Ukraine. The situation has deteriorated with the adoption of the amendments to the Tax Code of Ukraine in November 2015. The amendments establish 29% subsoil use charge for private gas producers with the extraction operations from the depth less than 5,000 meters and 14% with the extraction operations from the depth more than 5,000 meters. These amendments deepen targeted discriminatory conditions for JA in relation to other private gas producers.

In addition, according to the Resolution of the National Bank of Ukraine dated September 3, 2015, it is prohibited to purchase foreign currency and transfer it abroad to pay dividends to a foreign investor. This creates significant uncertainty as for the ability of the Company to earn the return on its contribution as well as uncertainty as for the reimbursement of capital contribution.

## Investment program report

Despite financial constraints imposed by the increased subsoil use taxation, the Company continued construction of booster compressor stations during Q4 2015. During twelve months 2015 KSEK 191,772 (KSEK 390,567) was invested by JA into development program (compared to twelve months 2014).

During January-December 2015, the Company has reached the following major milestones:

- 4 BCS were put into operations
- 4 BCS entered the final stages of construction
- 12 wells were undergoing workover and/or well stimulation works
- 2 metering units were constructed and put into operations
- 5 metering units were under construction

During January-December 2015, the JA commissioned four BCS. This was made possible due to a renewed investment program.

Currently JA operates six BCS in Ukraine what allows stabilizing and maintaining the necessary operational pressures within the dedicated gas and condensate fields and provides for additional gas and condensate production to the JA.

The four BCS commissioned during January-December 2015 are: Khrestyshchenska (Kharkiv region), Letnyanska and Svydnitska (L'viv region) and Abazivska (Poltava region).

- Khrestyshchenska BCS was constructed on the basis of Titan 130 CS gas turbines produced by Solar Turbines International Company (USA) comprising 4 units with the overall capacity of 60 MW. The total investment made by the JA into this project constitutes KUSD 135,300 (KSEK 919,200 using historical exchange rate). Khrestyshchenska BCS represents the largest installation of such kind in Ukraine, effectively supporting up to a quarter of the total domestic production of natural gas in Ukraine. Operating of Khrestyshchenska BCS will allow to maintain production of natural gas within the group of eight fields at the level of 4.65 billion cubic meters (“bcm”) per year. For details, please, refer to section Essential events after end of the fourth quarter 2015. .
- Letnyanska BCS was constructed on the basis of the Ariel gas compressor units and Caterpillar drive (USA) supplied by Propak Systems LTD (Canada) with the overall capacity of 1.23 MW. The total investment by JA into this project constitutes KUSD 6,100 (KSEK 41,200). Operating of Letnyanska BCS will allow to maintain the required operating pressures within the Letnyanske field and adjoining Oparske field, and will ensure incremental production of natural gas to the JA at the level of 9 mmcm per year. Along with Letnyanska BCS a gas dehydration skid was commissioned what allow to improve the quality of natural gas supplied to the main gas pipeline system of PJSC Ukrtransgas.
- Svydnitska BCS was constructed on the basis of the Ariel gas compressor units and Caterpillar drive (USA) supplied by Propak Systems LTD (Canada) with the overall capacity of 0.86 MW. The total investment by JA into this project constitutes KUSD 4,800 (KSEK 33,100). Operating of Svydnitska BCS will allow maintaining the required operating pressures within the Svydnyske field and will ensure incremental production of natural gas to the JA at

the level of 7.5 mmcm per year.

- Abazivska BCS was constructed on the basis of Ariel gas compressor units and Caterpillar drive (USA) supplied by Propak Systems LTD (Canada) with the overall capacity of 0.79 MW. The total investment by JA into this project constitutes KUSD 5,300 (KSEK 35,500). Operating of Abazivska BCS will allow maintaining the required operating pressures within Abazivske and Sementsivske fields and will ensure incremental production of natural gas to the JA at the level of 7 mmcm per year.

### Production report

Adjusted investment program has led to a stagnant or even decreasing productivity of certain product categories during Q1 2015 (when compared to the previous reporting periods). This was partially offset during Q2, Q3 and Q4 2015 due to the increase in production of natural gas caused by the renewed investment program.

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

	January – December 2015	January – December 2014
Natural Gas (mmcm)	687.5	672.0
Gas Condensate (ktons*)	31.9	28.6
Oil (ktons)	11.1	18.8
LPG (ktons)	6.6	--

\* thousand tons

## **Essential events after end of the fourth quarter 2015**

### ***Gas balance***

The Misen Group led JA has continued operating without any issues related to the gas balancing process during January - February 2016.

### ***Financing of the Company's Swedish operations and Contribution to the JA***

The Company continued borrowing from the shareholder TCT Holding AB. In January 2016, the Company borrowed KSEK 270. In February 2016 the Company borrowed KEUR 700 (KSEK 6,607) from Prolux Resources AG a company registered in Panama, which is controlled by the shareholder Blankbank. Both these loans were directed towards financing of the Company's Swedish operations. These loans are due for payment the first half of 2017 and are carrying interest rates between 5,5 % and 9.0 %. Additional capital is required to ensure going concern during 2016 and to address the going concern issue the Company is negotiating on extended financing with external investors. As of today no further agreements have been made in this context, which leaves the problem with the Company's financing for 2016 unsolved.

The remaining part of the obligation for the Company to contribute to the JA MUS\$ 8.6 is still unsolved and depending on the outcome of the investment dispute with the Government of Ukraine.

### ***Currency fluctuations***

During the period January to mid-February 2016, Ukrainian currency depreciated by -8.0% in relation to SEK from 0.3486 to 0.3223.

### ***Operations of Khrestyshchenska BCS***

In the beginning of February 2016 the Company and the JA partner PJSC Ukrgasvydobuvannya had a meeting regarding operations of Khrestyshchenska BCS. During this meeting, preliminary agreement has been reached as for the gas used for the technical needs of Khrestyshchenska BCS. According to this agreement, the subsidiary LLC Karpatygaz as an operator of JA will lease the BCS to Ukrgasvydobuvannya with the obligation of the latter to cover the needs of technical gas. The lease agreement assumed to be concluded on a monthly basis. This temporary decision until the final agreement is reached will have positive impact on the JA's results in 2016 compared to 2015.



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

---

The Misen Group accounted for an operating loss of KSEK -35,500 for the fourth quarter 2015 as compared to an income of KSEK 160,618 for the same period last year. Loss after financial items for the period was KSEK -65,369 as compared to an income of KSEK 125,288 for the same period last year. The lower result in the quarter is due to lower sales prices and higher subsoil charges as well as provisions for bad debts of KSEK 20,571

For twelve months 2015, operating income of the Misen Group was KSEK 14,609 (KSEK 550,418 and the Group result after financial items for twelve months 2015 was KSEK -48,687 to be compared to KSEK 414,085 for the same period 2014.

The weak financial development observed during the first nine month of 2015 has continued during the fourth quarter mainly due to the lower sales prices and increased subsoil charges and provisions for bad debts of KSEK 20,571.

During January – December 2015, the JA gas production totaled 687.5 mmcm (671.9 mmcm during the same period 2014), generating a turnover of KSEK 1,706,289 (KSEK 2,275,444) of which 50.01 % is attributable to the Misen Group's interest in JA, the corresponding numbers in KUAH is 4,412,435 (3,941,527).

Loss after financial items for the Parent Company in the fourth quarter of 2015 amounted to KSEK -565,307 (KSEK -8,453) and for twelve months 2015 was KSEK -583,804 to be compared to KSEK -26,392 for the same period 2014. The result for 2015 was affected by the write-down of shares in Misen Enterprises AB of KSEK 560,000 as described below.

Misen Group revenue for the fourth quarter of 2015 was KSEK 210,452 (KSEK 378,688) and the Parent Company revenue for this period was KSEK 30 (KSEK 120). During January – December 2015, the Misen Group revenue was KSEK 884,873 (KSEK 1,163,253) while the Parent Company revenue in the same period amounted to KSEK 120 (KSEK 120).

Included in the financial items of the Parent Company is a write down of the shares of the subsidiary Misen Enterprise AB amounting to KSEK 560,000. The write down has been calculated using the discounted cash-flow method and based on the following assumptions:

- The JA is considered to be a single cash-generating unit (CGU)
- Subsoil use charge will remain at 70% for the lifetime of the JA
- The average natural gas price will make up USD 217 per thousand cubic meters in 2016 and growing for the lifetime of the JA according to dynamics forecasted for European consumers by Economist Intelligence Unit
- JA will continue implementation of the investment program according to JAA depending on the availability of funds
- The production volumes forecasts were based on Competent Persons Report provided by AGR-TRACS International Consultancy Ltd. (Norway-Russia) adjusted for the current operating environment uncertainty, which described in previous sections of this report
- The after-tax Weighted Average Cost of Capital (WACC) used for calculations makes up 19.9% in UAH including cost of equity 21.2% in UAH.

To account for significant uncertainty in the forecasts sensitivity analysis was undertaken, the result of which is presented below:

- The change of the natural gas price by +/-10% gives change in Enterprise Value of JA by +/- 14%

- The change of the foreign exchange rate of UAH relative SEK by +/-10% gives change in Enterprise Value of JA by +/- 24%
- The change of WACC by +/-20% (from 19.9% to 23.9% and from 19.9% to 15.9%) results in change of JA's Enterprise Value by -21% and +30% correspondingly
- The decrease of subsoil use charge down to 29%, which is the same rate as private producers, results in increase of JA's Enterprise Value by 246%.

### **Amendments to the tax code**

As reported in the annual report 2014, as of 1 January 2015 Ukraine adopted amendments to the tax code. According to the newly adopted amendments, JAs are not corporate profit tax ("CPT") payers starting from 2015. Instead, participants of JAs are liable to pay income taxes monthly, calculations of which are based on the tax returns for the previous period (one twelfth of the total amount in the latest tax return). The tax return will be submitted to tax authorities each year before June 1. Since the new rules came into effect 2015 there are no tax returns for the previous periods submitted by JA participants to the tax authorities. Accordingly, the first payments to be made by the participants of JAs will be due in May 2016. Starting from June 2016 the participants will have to make monthly payments based on the results stated in tax return for 2015.

The new tax code however lacks a clear description on how this will be implemented for the participants who are foreign tax residents. The Ukrainian state and the tax authorities have not yet developed rules for how the new amendments to the tax code will be carried out. It is thus still not clear how the taxation of Misen Enterprises' income and earlier gains in JA will be taxed.

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 an operating activities within the country. The income in the JA accrued before 1 January 2015 will not be subject to Swedish tax, that the holding in the JA is considered as business-related shares (*Sw. näringsbetingade aktier*) and that the difference in tax rates in Sweden and Ukraine can be set off against Swedish CPT and losses carried forward in the Swedish companies.

### **Cash position**

As of 31 December 2015, the cash balance of the Misen Group was KSEK 7,413 (KSEK 80,976). The cash flow from operations after changes in working capital was KSEK 85,848 in 2015 (KSEK 392,306).

### **Capital expenditure**

The Misen Group's capital expenditure on equipment for gas production in Ukraine related to the JA activity during January – December 2015 amounted to KSEK 103,108 (KSEK 209,031).

During January – December 2015, capital expenditure orders not yet delivered have been placed at an aggregate value of KSEK 138,657. 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**

Challenges with the gas balance during 2013-2014 have affected the investment program during Q1 2015. This resulted in a stagnant and even decreasing production growth during the year. With the gas balance situation being resolved, the operations of the JA were developing in a positive way during Q2, Q3 and Q4 2015. This (as described in the chapters "Investment program report" and "Production report") reflected in increasing production of natural gas and introduction of the new product group category Liquefied Petroleum Gas (LPG).

Ongoing sales of natural gas produced will have a positive impact on the Group's income and cash flows in 2016, providing grounds for continued investment program. However, this will be offset by the increased subsoil charges to 70%, what will hamper production growth and give a negative effect to the Misen Group's results during 2016.

Management and the board are concerned with the situation and will report on further developments in upcoming reports.

Provided that the subsoil charge remains at the level of 70% the result and cash flow for the remaining life time of the project will be seriously reduced which is reflected in the decision taken to write down the value of Misen Enterprises in the Company.

## **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. The accounting principles for the Misen Group as well as for the Company are identical to the last annual and quarterly reports.

## **Financial assets and liabilities**

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

During the fourth quarter 2015 JA made provisions for bad debts of KUAH 106,372 (KSEK 41,374) out of which 50,01% has affect the Misen Groups' result. Subsidiary LLC Karpatygaz as the operator of JA is engaged in constructive negotiations with the debtors. The settlement of these outstanding obligations is also sought through the legal proceedings in Ukraine.

## **Financial and other risks**

The Misen Group focuses on increasing the local hydrocarbons production in Ukraine by undertaking a large-scale investment program focused on development and modernization of gas production infrastructure. In this activity, the Group 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 being focused on production rather than exploration, the risk exposure could be considered as being moderate.

The need for funding that may arise in 2016 will be handled through extended credits and, if necessary, adjustments in the investment program.

As a result of the continuing political instability in Ukraine during January – December 2015 the rate for UAH towards SEK has decreased by 28,4%. 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 199 037.

A more in-depth explanation of the different risk exposures in the Company's business is included in the annual report 2014.

## **First North**

Misen Energy AB (publ) is listed on First North, which is an alternative market place operated by Nasdaq First North Stockholm 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

	31 Dec 2015	31 Dec 2014
<i>(All amounts in KSEK)</i>		
Net sales, external:		
Sweden	--	--
Ukraine	853,359	1,138,001
Fixed assets:		
Sweden	--	--
Ukraine	588,941	726,232

### Transactions with related parties

	31 Dec 2015	31 Dec 2014
<i>(All amounts in KSEK)</i>		
Ukrigasvydobuvannya:		
Sale	--	34,345
Purchase	179,140	164,740
Short-term receivables	--	464
Short-term debts	17,708	9,526
Management, Board and major Shareholders:		
Purchase of services	4,446	6,777
Interest	350	
Salaries and remunerations	4,885	3,081
Short-term debts	3,510	1,271
Long-term debts	10,613	--

## Publication of the Q4 2015 year-end report

This year-end report for Q4 2015 is published at the Company's website [www.misenenergy.se](http://www.misenenergy.se), and a printed version can be ordered at [info@misenergy.se](mailto:info@misenergy.se).

## Dividend

No dividend is proposed for 2015

## Future reports

Next report, the annual report for 2015, will be published on 7 April 2016.

The AGM will be held 28 April 2016 and the report for the first quarter 2016 will be published 31 May 2016.

This report has not been subject to review by the Company's auditors.

Stockholm, 29 February 2016

### Misen Energy AB (publ)

The Board and Managing Director

For further information, please contact:

Göran Wolff, MD

Direct line: +46 31 759 50 72

Mobile: +46 709 45 48 48

E-mail: [goran@misenergy.se](mailto:goran@misenergy.se)

[info@misenergy.se](mailto:info@misenergy.se)

Misen Energy 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 First North Stockholm.

In 2011, Misen Energy AB (publ) acquired Misen Enterprises AB and its Ukrainian subsidiary, LLC Karpatygas, including the rights to 50.01% of the revenue and profit from a gas production project in Ukraine. In consideration of this 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 Karpatygas (together 50.01%) and PJSC Ukrgasvydobuvannya (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 First North Stockholm is Consensus Asset Management AB.

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

**CONDENSED INCOME STATEMENT-THE GROUP**

	1 Oct -31 Dec 2015 3 months	1 Oct -31 Dec 2014 3 months	1 Jan - 31 Dec 2015 12 months	1 Jan - 31 Dec 2014 12 months
<i>All amounts in KSEK</i>				
<b>Operating revenue</b>				
Net sales	196,747	366,895	853,359	1,138,001
Other operating income	13,115	8,967	27,528	22,426
Result from associated companies	590	2,826	3,486	2,826
	<b>210,452</b>	<b>378,688</b>	<b>884,373</b>	<b>1,163,253</b>
<b>Operating expenses</b>				
Other external expenses	-191,489	-199,753	-760,107	-527,918
Personnel expenses	-3,397	-4,801	-14,995	-16,331
Depreciation and amortisation of tangible and intangible fixed assets	-11,632	-13,580	-34,845	-35,671
Other operating cost	-39,434	64	-59,817	-32,915
	<b>-245,952</b>	<b>-218,070</b>	<b>-869,764</b>	<b>-612,835</b>
<b>Operating income/loss</b>	<b>-35,500</b>	<b>160,618</b>	<b>14,609</b>	<b>550,418</b>
<b>Financial items</b>	<b>-29,869</b>	<b>-35,330</b>	<b>-63,296</b>	<b>-136,333</b>
<b>Profit/loss after financial items</b>	<b>-65,369</b>	<b>125,288</b>	<b>-48,687</b>	<b>414,085</b>
Taxes for the period	16,813	-26,939	14,963	-87,342
<b>Profit/loss for the period attributable to the parent company shareholders</b>	<b>-48,556</b>	<b>98,349</b>	<b>-33,724</b>	<b>326,743</b>
<b>Statement of comprehensive income - The Group</b>				
Net profit for the period	-48,556	98,349	-33,724	326,743
Other comprehensive income				
Items possible for later reclassification in income statement:				
Translation differences	-59,841	-91,735	-199,037	-293,834
Other comprehensive income for the period, net after taxes	-59,841	-91,735	-199,037	-293,834
<b>Total comprehensive income for the period</b>	<b>-108,397</b>	<b>6,614</b>	<b>-232,761</b>	<b>32,909</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	-0.33	0.68	-0.23	2.25
Average number of shares for the period was 145,068,222				

**CONDENSED BALANCE SHEET-THE GROUP**

<i>All amounts in KSEK</i>	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible fixed assets	31,859	35,115
Tangible fixed assets	554,800	688,734
Shares in associated companies	2,282	2,383
Deferred tax receivables	14,736	-
<b>Total non-current assets</b>	<b>603,677</b>	<b>726,232</b>
<b>Current assets</b>		
Stock	3,157	31,025
Accounts receivable	44,763	100,633
Other receivables	10,872	36,051
Prepaid expenses and accrued income	525	1,080
<b>Total current assets</b>	<b>59,317</b>	<b>168,789</b>
Cash and bank balances	7,413	80,976
<b>Total current assets</b>	<b>66,730</b>	<b>249,765</b>
<b>TOTAL ASSETS</b>	<b>670,407</b>	<b>975,997</b>

<i>All amounts in KSEK</i>	31 Dec 2015	31 Dec 2014
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>339,418</b>	<b>572,179</b>
<b>Non-current liabilities</b>		
Long-term loans	99,161	85,132
Deferred tax liability	-	4,327
Other long-term liabilities	30,737	20,018
<b>Total non-current liabilities</b>	<b>129,898</b>	<b>109,477</b>
<b>Current liabilities</b>		
Accounts payable	21,811	26,204
Tax debts	4,414	50,442
Short-term loans	79,411	126,776
Other short-term debt to JA	33,829	42,075
Other short-term debt	55,896	43,845
Accrued expenses and deferred income	5,730	4,999
<b>Total current liabilities</b>	<b>201,091</b>	<b>294,341</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>670,407</b>	<b>975,997</b>
Pledged assets	535,730	519,735
Contingent liabilities	1,102,483	1,643,324



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 2014-01-01	290,136	-274,435	-36,782	560,351	539,270
<b>Net result</b>					
Net result 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>290,136</b>	<b>-274,435</b>	<b>-238,881</b>	<b>788,745</b>	<b>565,565</b>
Equity brought forward 2014-09-30	290,136	-274,435	-238,881	788,745	565,565
Equity brought forward 2014-10-01	290,136	-274,435	-238,881	788,745	565,565
<b>Net result</b>					
Net result of the period Oct-Dec 2014	-	-	-	98,349	98,349
<b>Other comprehensive income</b>					
Translation difference	-	-	-91,735	-	-91,735
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-91,735</b>	<b>98,349</b>	<b>6,614</b>
Equity brought forward 2014-12-31	290,136	-274,435	-330,616	887,094	572,179
Equity brought forward 2015-01-01	290,136	-274,435	-330,616	887,094	572,179
<b>Net result</b>					
Net result of the period Jan- Sept 2015	-	-	-	14,832	14,832
<b>Other comprehensive income</b>					
Translation difference	-	-	-139,196	-	-139,196
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-139,196</b>	<b>14,832</b>	<b>-124,364</b>
Equity brought forward 2015-09-30	290,136	-274,435	-469,812	901,926	447,815
Equity brought forward 2015-10-01	290,136	-274,435	-469,812	901,926	447,815
<b>Net result</b>					
Net result of the period Oct - Dec 2015	-	-	-	-48,556	-48,556
<b>Other comprehensive income</b>					
Translation difference	-	-	-59,841	-	-59,841
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-59,841</b>	<b>-48,556</b>	<b>-108,397</b>
Equity brought forward 2015-12-31	290,136	-274,435	-529,653	853,370	339,418

## CONDENSED STATEMENT OF CASH FLOWS - THE GROUP

	1 Jan-31 Dec 2015 12 months	1 Jan-31 Dec 2014 12 months
<i>All amounts in KSEK</i>		
<b>Operating activities</b>		
Operating income	14,609	550,418
Adjustment for non-cash items	70,264	51,641
Interest and dividends received	13,731	2,654
Interest paid	-8,148	-21,857
Income tax	-50,950	-24,585
<b>Cash flow from operating activities before working capital changes</b>	<b>39,506</b>	<b>558,271</b>
Decrease(+)/increase in stocks	21,247	61,805
Decrease(+)/increase in receivables	13,664	-156,267
Decrease(-)/increase in short-term debts	11,431	-71,503
<b>Cash-flow from operating activities</b>	<b>85,848</b>	<b>392,306</b>
<b>Investing activities</b>		
Acquisition of tangible and intangible assets	-103,108	-209,031
Sale of tangible and intangible assets	1,737	2,677
Contribution to JA	-4,124	-4,040
<b>Cash flow from investing activities</b>	<b>-105,495</b>	<b>-210,394</b>
<b>Financing activities</b>		
Change in long-term debt (increase+)	-38,646	-88,045
<b>Cash flow from financing activities</b>	<b>-38,646</b>	<b>-88,045</b>
Cash flow for the period	-58,293	93,867
Cash at the beginning of the period	80,976	949
Exchange rate difference in cash	-15,270	-13,840
<b>Cash at the end of the period</b>	<b>7,413</b>	<b>80,976</b>

**CONDENSED INCOME STATEMENT - PARENT COMPANY**

(Misen Energy AB (publ))

	1 Oct - 31 Dec 2015 3 months	1 Oct - 31 Dec 2014 3 months	1 Jan-31 Dec 2015 12 months	1 Jan-31 Dec 2014 12 months
<i>All amounts in KSEK</i>				
<b>Operating revenue</b>				
Net sales	30	120	120	120
	<b>30</b>	<b>120</b>	<b>120</b>	<b>120</b>
<b>Operating expenses</b>				
Other external expenses	-2,811	-4,163	-8,988	-14,864
Personnel expenses	-1,545	-1,383	-6,270	-5,083
	<b>-4,356</b>	<b>-5,546</b>	<b>-15,258</b>	<b>-19,947</b>
<b>Operating result</b>	<b>-4,326</b>	<b>-5,426</b>	<b>-15,138</b>	<b>-19,827</b>
Interest income	1,379	1	1,379	1
Write-down of shares in subsidiary	-560,000	-	-560,000	-
Interest expense	-2,360	-3,028	-10,045	-6,566
	<b>-560,981</b>	<b>-3,027</b>	<b>-568,666</b>	<b>-6,565</b>
<b>Profit/loss after financial items</b>	<b>-565,307</b>	<b>-8,453</b>	<b>-583,804</b>	<b>-26,392</b>
Taxes for the period	-	-	-	-
<b>Net profit/loss</b>	<b>-565,307</b>	<b>-8,453</b>	<b>-583,804</b>	<b>-26,392</b>
<b>Statement of comprehensive income - Parent company</b>				
Net loss for the period	-565,307	-8,453	-583,804	-26,392
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-565,307</b>	<b>-8,453</b>	<b>-583,804</b>	<b>-26,392</b>

**CONDENSED BALANCE SHEET - PARENT COMPANY**  
(Misen Energy AB (publ))

<i>All amounts in KSEK</i>	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>		
<b>Non-current assets</b>		
<b>Financial fixed assets</b>		
Shares in subsidiaries	468,069	1,018,323
<b>Total financial fixed assets</b>	<b>468,069</b>	<b>1,018,323</b>
<b>Total fixed assets</b>	<b>468,069</b>	<b>1,018,323</b>
<b>Total non-current assets</b>	<b>468,069</b>	<b>1,018,323</b>
<b>Current receivables</b>		
Other receivables	401	190
Short-term receivables subsidiaries	3,536	3,280
Prepaid expenses and accrued income	171	331
	<b>4,108</b>	<b>3,801</b>
<b>Cash and bank balances</b>	<b>1,704</b>	<b>358</b>
<b>Total current assets</b>	<b>5,812</b>	<b>4,159</b>
<b>TOTAL ASSETS</b>	<b>473,881</b>	<b>1,022,482</b>

<i>All amounts in KSEK</i>	31 Dec 2015	31 Dec 2014
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
<b>Restricted equity</b>		
Share capital	290,136	290,136
Statutory reserves	345	345
	<b>290,481</b>	<b>290,481</b>
<b>Non-restricted equity</b>		
Profit/Loss brought forward	646,508	672,901
Profit/loss for the year	-583,804	-26,392
	<b>62,704</b>	<b>646,509</b>
<b>Total equity</b>	<b>353,185</b>	<b>936,990</b>
<b>Non-current liabilities</b>		
Long-term loan	99,161	72,587
Other long-term debts to group companies	92	92
<b>Total non-current liabilities</b>	<b>99,253</b>	<b>72,679</b>
<b>Current liabilities</b>		
Accounts payable	4,935	1,671
Short-term loans	2,917	-
Other short-term liabilities	464	257
Other short-term liabilities group	8,699	7,238
Accrued expenses and deferred income	4,428	3,647
<b>Total current liabilities</b>	<b>21,443</b>	<b>12,813</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>473,881</b>	<b>1,022,482</b>
<b>Pledged assets</b>	<b>233,985</b>	<b>254,709</b>
<b>Contingent liabilities</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 2014-01-01</b>	<b>290,136</b>	<b>345</b>	<b>714,284</b>	<b>-41,383</b>	<b>963,382</b>
<b>Net result</b>					
Net result of the period Jan-Sept 2014	-	-	-	-17,939	-17,939
<b>Other comprehensive income</b>					
Translation difference	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</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>714,284</b>	<b>-59,322</b>	<b>945,443</b>
<b>Equity brought forward 2014-10-01</b>	<b>290,136</b>	<b>345</b>	<b>714,284</b>	<b>-59,322</b>	<b>945,443</b>
<b>Net result</b>					
Net result for the period Oct - Dec 2014	-	-	-	-8,453	-8,453
<b>Other comprehensive income</b>					
Translation difference	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-8,453</b>	<b>936,990</b>
<b>Equity brought forward 2014-12-31</b>	<b>290,136</b>	<b>345</b>	<b>714,284</b>	<b>-67,775</b>	<b>936,989</b>
<b>Equity brought forward 2015-01-01</b>	<b>290,136</b>	<b>345</b>	<b>714,284</b>	<b>-67,774</b>	<b>936,989</b>
<b>Net result</b>					
Net result of the period Jan-Sept 2015	-	-	-	-18,497	-18,497
<b>Other comprehensive income</b>					
Translation difference	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-18,497</b>	<b>-18,497</b>
<b>Equity brought forward 2015-09-30</b>	<b>290,136</b>	<b>345</b>	<b>714,284</b>	<b>-86,271</b>	<b>918,492</b>
<b>Equity brought forward 2015-10-01</b>	<b>290,136</b>	<b>345</b>	<b>714,284</b>	<b>-86,271</b>	<b>918,492</b>
<b>Net result</b>					
Net result of the period Oct-Dec 2015	-	-	-	-565,307	-565,307
<b>Other comprehensive income</b>					
Translation difference	-	-	-	-	-
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-565,307</b>	<b>-565,307</b>
<b>Equity brought forward 2015-12-31</b>	<b>290,136</b>	<b>345</b>	<b>714,284</b>	<b>-651,578</b>	<b>353,185</b>

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

(Misen Energy AB (publ))

	1 Jan-31 Dec 2015 12 months	1 Jan-31 Dec 2014 12 months
<i>All amounts in KSEK</i>		
Operating activities		
Operating income	-15,138	-19,827
Adjustment for non-cash items		
Interest received	-	-
Interest paid	-	-
<b>Cash flow from operating activities before working capital changes</b>	<b>-15,138</b>	<b>-19,827</b>
Decrease(+)/increase in receivables	-307	1,974
Decrease(-)/increase in accounts payable	3,264	-1,897
Decrease(-)/increase(+) in short term debts	2,447	-277
<b>Cash flow from operating activities</b>	<b>-9,734</b>	<b>-20,027</b>
Investment activities		
Payment of shareholders contribution	-9,746	-8,572
<b>Cash flow from investing activities</b>	<b>-9,746</b>	<b>-8,572</b>
Financing activities		
Increase in long-term debt	20,825	28,479
<b>Cash flow from financing activities</b>	<b>20,825</b>	<b>28,479</b>
Cash flow for the period	1,345	-120
Cash at the beginning of the period	359	479
<b>Cash at the end of the period</b>	<b>1,704</b>	<b>359</b>

**CONDENSED FINANCIAL AND OPERATIONAL KEY RATIOS**

	1 Jan - 31 Dec 2015 12 months	1 Jan-31 Dec 2014 12 months
--	-------------------------------------	-----------------------------------

**The Group****Financial key ratios**

EBITDA (KSEK)	49,454	586,089
Profit/loss per share before dilution SEK*	-0.23	2.24
Profit/loss per share after dilution SEK*	-0.23	2.24
Return on equity (ROE)	neg	57.1%
Return on capital employed (ROCE)	neg	69.4%
Debt/equity ratio	52.6%	37.0%
Equity ratio	50.6%	58.6%
Share of risk bearing capital	50.6%	59.1%
Weighted average number of shares for the period*	145,068,222	145,068,222
Number of outstanding shares before dilution *	145,068,222	145,068,222
Number of outstanding shares after dilution *	145,068,222	145,068,222
Weighted average number of shares for the period after dilution*	145,068,222	145,068,222

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

EBITDA (KSEK)	neg	neg
Profit/loss per share before dilution SEK*	neg	neg
Profit/loss per share after dilution SEK*	neg	neg
Return on equity (ROE)	neg	neg
Return on capital employed (ROCE)	neg	neg
Debt/equity ratio	28.1%	7.7%
Equity ratio	74.5%	91.6%
Share of risk bearing capital	74.5%	91.6%
Weighted average number of shares for the period*	145,068,222	145,068,222
Number of outstanding shares before dilution *	145,068,222	145,068,222
Number of outstanding shares after dilution *	145,068,222	145,068,222
Weighted average number of shares for the period after dilution*	145,068,222	145,068,222

**Definition of financial key ratios**

- 1 EBITDA (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. 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.