

Year-end report January - December 2017

1. Summary

MISEN ENERGY AB (publ)

Reg. No. 556526-3968

Results for the fourth quarter 2017 (within brackets same period 2016)

Consolidated operating group loss/profit	KSEK -1,007,525 (-6,420)
Consolidated group net turnover	KSEK 13,078 (125,028)
Earnings per share	SEK -3.69 (-0.07)
Parent company operating loss	KSEK -6,626 (-5,620)
Parent company net turnover	KSEK 1,394 (1,394)

Results for January – December 2017 (“12M 2017”) (within brackets same period 2016)

Consolidated operating group loss/income	KSEK -1,071,529 (18,832)
Consolidated group net turnover	KSEK 35,549 (675,340)
Earnings per share	SEK -3.95 (-0.05)
Parent company operating loss	KSEK -15,033 (-15,801)
Parent company net turnover	KSEK 5,577 (5,577)

Group definition

Misen Energy AB (publ) (herein after referred to as “**Parent Company**” or “**Company**”) is a Swedish public limited liability company with its registered offices in Stockholm. The address of the Head Office is Kungsporsavenyen 32, 411 36 Gothenburg. The Company is listed at Nasdaq First North Stockholm.

In May 2017, the Board of the Parent Company approved the sale of up to 12 % of the shares and shares capital in its partially owned subsidiary Misen Enterprises AB to the Hong Kong based company Powerful United Limited (“**PUL**”). The same owners that control the shareholder TCT Holding AB also control PUL. Misen Energy AB (publ) closed the sale of 8% and of 2% of the shares and shares capital in its subsidiary Misen Enterprises AB respectively in July and in November 2017. Misen Energy AB (publ) remain the owner of 52.5% of Misen Enterprises AB shares and maintain full control of the company. The Misen Group (“**Misen Group**” or “**Group**”) comprises Misen Energy AB (publ) and the partially owned subsidiaries LLC Karpatygaz (Ukraine) and Misen Enterprises AB (Sweden). Misen Enterprises AB is consolidated in the Misen Group accounts and the 47.5% held by PUL is accounted for as a non-controlling interest within equity.

Joint Activity and Joint Activity Agreement

Misen Group together with PUL, as a shareholder of Misen Enterprises AB, 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 JA is held by the Public Joint Stock Company Ukrasvydobuvannya (“**PJSC Ukrasvydobuvannya**” or “**UGV**”) (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**”) (as further restated and amended).

2. Essential Events during the 12M 2017

Deconsolidation of the Joint Activity

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

In accordance to the procedural timetable determined by the Tribunal, in 2017, the disputing parties exchanged their positions on the merits. Misen Enterprises AB and LLC Karpatygaz received Statement of Claim from PJSC Ukrgasvydobuvannya in February 2017 and submitted its Statement on Defence in May 2017. Misen Enterprises and LLC Karpatygaz agreed with PJSC Ukrgasvydobuvannya on termination of the Joint Activity Agreement and requested the Arbitral Tribunal to order PJSC Ukrgasvydobuvannya to compensate their share of the Joint Activity. Misen Enterprises AB and LLC Karpatygaz received the Statement of Reply from PJSC Ukrgasvydobuvannya in July 2017. Therewith, PJSC Ukrgasvydobuvannya maintained its claims for invalidation or, alternatively, termination of the JAA No.3. In response, in October 2017 Misen Enterprises AB and LLC Karpatygaz submitted their Statement of Rejoinder and requested the Arbitral Tribunal to dismiss the UGV's claims. Misen Enterprises AB and LLC Karpatygaz reaffirmed their agreement on termination of the JAA No.3 for the compensation of the value for their share in the JAA No.3.

On 5-8 December 2017, the disputing parties attended the hearing held in accordance to the Arbitration Rules of the Arbitration Institute of the Stockholm Chamber of Commerce. The parties maintained their claims and counterclaims as previously reported. On 24 January 2018, Misen Enterprises AB and LLC Karpatygaz attended the closing. The disputing parties addressed the validity and the grounds for terminating the JAA No.3. The Arbitral Tribunal intends to rule on all issues other than quantum in a partial award before the end of May 2018. Following this, the Arbitral Tribunal will issue further directions in relation to the quantum.

Given that the parties finally confirmed their agreement to terminate the JAA No.3, the Company believes that control over the specific assets under the JA no longer exists when preparing the annual accounts as for 31 December 2017. Control is required to consolidate the assets as well as the future results of the JA in the Group accounts.

The claims against Ukrgasvydobuvannya may not be accounted for as an asset in the Group financial statements as the outcome of the arbitration proceeding is still uncertain at the date of this report.

As a result, starting with this report, Misen Energy AB stops to present 50.01% of the Joint Activity's assets and liabilities in its financial statements and a deconsolidation loss of KSEK 984,069 is included in the operating result. Any liabilities in the JA for which the Misen Group might be to any extent jointly responsible are accounted as contingent liabilities.

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

Under the JAA No.3 the Misen Group operated solely in Ukraine. A partially owned subsidiary LLC Karpatygaz, in its capacity of Operator of JA, continues to perform all industrial operations until final termination of the JAA No.3.

Financing of the Group's Swedish operations

In May 2017, Misen Energy AB (publ) signed a loan agreement with PUL for a loan of EUR 1 million with a fixed loan fee KEUR 150. In July 2017, Misen Energy AB (publ) closed the sale of 8% of the shares and shares capital in Misen Enterprises AB to PUL. The purchase sum amounted to MEUR 3.0 (KSEK 28,739).

The agreement comprises conditions that allow the Company to repurchase the sold shares from PUL for the purchase price multiplied by 3 (three). The Company could exercise this right till earlier of (i) 30 April 2018 or (ii) the date of the general meeting of shareholders of Misen Enterprises AB, which would consider payment of dividends. Similarly, the agreement comprises conditions that allow PUL to require the Company to purchase back all or part of the shares from PUL within 24 months. The price of the shares would be equal to the purchase price multiplied by 3 less the amount of any dividends received by PUL from the shares in 24 months. The Company would be required to repurchase the shares only if it has financial capability to pay the shares price without the need to obtain third party funding.

In November 2017, Misen Energy AB (publ) closed the sale of additional 2% of the shares and shares capital in Misen Enterprises AB to PUL. The purchase sum amounted to MEUR 1.0 (KSEK 9,889). As a result, Misen Energy AB (publ) secured short term financing for the Swedish operation and arbitration expenses.

The Share Purchase Agreement dated 22 November 2017 comprises conditions that allow Misen Energy AB (publ) to repurchase the sold shares from PUL for the purchase price multiplied by 3 (three). Misen Energy AB (publ) could exercise this right till earlier of (i) 30 August 2018 or (ii) the date of the general meeting of shareholders of Misen Enterprises AB which would consider payment of dividends. Similarly, the agreement comprises conditions that allow PUL to require Misen Energy AB (publ) to purchase back all or part of the shares from PUL within 24 months. The price of the shares would be equal to the purchase price multiplied by 3 less the amount of any dividends received by PUL from the shares in 24 months. Misen Energy AB (publ) would be required to repurchase the shares only if it has financial capability to pay the shares price without the need to obtain third party funding.

Because of the deal, 47.5% of any return from the operations in Ukraine or from the claim against PJSC Ukrigasvydobuvannya will go to PUL. Since Misen Energy AB (publ) is the owner of 52.5% of Misen Enterprises AB shares, Misen Energy AB (publ) maintain full control of the company.

Criminal investigation

The pre-trial investigations in criminal cases commenced by the General Prosecutor Office of Ukraine respectively in 2014 and 2017, as supplemented with the PJSC Ukrigasvydobuvannya's criminal complaint dated 5 September 2016 and PJSC Ukrigasvydobuvannya's motion and a notice of commitment of criminal offence dated 21 and 22 February 2017, were ongoing during 12M 2017.

In September 2017, PJSC Ukrigasvydobuvannya submitted another criminal complaint to the National Anticorruption Bureau of Ukraine (thereafter as "NABU"). In September 2017, NABU finished its pre-trial investigation and submitted a claim to the Commercial Court of Kiev. NABU requested the court to invalidate the Amendment No.4 to the JAA No.3 and the agreement for the provision of services on production, collection, treatment and transportation of natural gas, natural gas, oil and gas condensate that LLC Karpatygaz concluded with PJSC Ukrigasvydobuvannya in April 2011. In October 2017, the court instituted the proceedings and stayed the proceeding until 15 May 2018.

LLC Karpatygaz and Misen Enterprises AB consider the criminal allegations to be ungrounded, deny them in their entirety, consider that all court rulings issued in this context are illegal and amount to expropriation of their assets. Misen Group has been always cooperative with the investigation authorities and ready to evidence the legitimate nature of the JAA No.3 in Ukraine. Misen's position is that the Arbitral Tribunal has the exclusive jurisdiction to determine validity of the JAA No.3 in the ongoing arbitration proceeding.

Request for Interim Measures submitted by Misen Enterprises AB and LLC Karpatygaz

In November 2016, Misen Enterprises AB and LLC Karpatygaz submitted a request for interim measures to the Tribunal constituted under the JAA No. 3. Misen Enterprises AB and LLC Karpatygaz requested the Tribunal, among other things, to declare that it has exclusive jurisdiction to decide disputes arising out or in connection with the JAA No. 3. Misen Enterprises AB and LLC Karpatygaz also requested that the Tribunal to instruct PJSC Ukgazvydobuvannya to refrain from any further or future actions before the Ukrainian authorities in relation to the dispute regarding JAA No.3 pending the rendering of a final award by the Tribunal. On 26 May 2017, a hearing for the request of interim measures was held. On 6 November 2017, the Arbitral Tribunal rendered an Order on the Request for Interim Measures submitted by Misen Enterprises AB and LLC Karpatygaz. The Arbitral Tribunal dismissed the request for interim measures and noted that Misen Enterprises AB, LLC Karpatygaz and PJSC Ukgazvydobuvannya do not object the Arbitral Tribunal's exclusive jurisdiction to determine validity of the JAA No.3. The Arbitral Tribunal also decided that the parties in dispute should bear their own costs incurred in the phase of proceedings dealing with the request on interim measures.

Contribution to the JA

During 12M 2017, Misen Enterprises AB did not contribute any funds towards its commitment to JA for MUSD 12.5 (MSEK 102.6). The total amount contributed remains at KUSD 3,930 (KSEK 32,256).

Since the participants of the JAA No.3 have agreed to terminate the agreement, no further contributions can be made under JAA No.3. The liability regarding the remaining contribution, previously accounted for in the Group, has been reversed as a part of the deconsolidation of the JA.

Operations in the JA during 2017

Production report

The table below sets forth the **accumulated reported production** indicators attributable to the JA for the specified periods:

	January – December 2017	January – December 2016	January – December 2015	January – December 2014
Natural Gas (mmcm)	-	596.6	687.5	672.0
Gas Condensate (ktons*)	-	31.1	31.9	28.6
Oil (ktons)	-	5.4	11.1	18.8
LPG (ktons)	-	8.3	6.06	-

* thousand tons

Loan Agreement with PJSC subsidiary bank of Sberbank of Russia

In August 2012, Karpatygaz in its capacity of Operator of the Joint Activity, entered into the Loan Agreement with PJSC subsidiary bank of Sberbank of Russia for KUSD 16,250 (KSEK 133,373) at the interest rate of 12% per annum. In 2015, the JA defaulted on its loan to Sberbank Russia. In conjunction with this, the JA reached an agreement with Sberbank Russia to restructure the debt with new repayment terms. However, the restructuring agreement had not been signed as of the end of December 2017 due to agreement not having been reached between the JAA's participants. Sberbank Russia therefore could impose punitive interest on JA amounting to KUAH 29,424 (KSEK 8,508).

JA is subject to certain terms and conditions associated with its loans. As of 31 December 2017, JA had not fully satisfied these conditions in its agreement with PJSC Sberbank.

As of 31 December 2017, outstanding debt to PJSC Sberbank amounted to KUSD 6,650 (KSEK 54,581).

Agreement with Solar Turbines CIS LLC

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

As of 31 December 2017, outstanding debt to Solar Turbines CIS LLC amounted to KUSD 771.7 (KSEK 6,333.8).

Operation of the Booster Compressor Stations (BCSs)

In September 2015, Khrestyschenska Booster Compressor Station (BCS) was commissioned. This BCS is one of the largest in Ukraine and provides the extraction of up to 25 per cent of the total domestic natural gas production. However, a dispute arose between the JA and PJSC Ukrgasvydobuvannya regarding how to allocate the incremental production of gas at Khrestyschenska BCS.

In early 2016, the JAA's participants agreed that the JA would lease Khrestyschenska BCS to PJSC Ukrgasvydobuvannya. UGV has operated this BCS for its sole benefit and paid the corresponding fuel gas costs acquired during the lease period since 1 January 2016. The Lease Agreement was

renewed in May 2017, although on different terms, and JA transferred Khrestyschenska BCS to PJSC Ukrgasvydobuvannya use until 30 April 2018.

In addition, given UGV's refusal to allocate the power supply costs as well as the JA's unavailability to sell hydrocarbons, Misen Enterprises AB and LLC Karpatygaz could not properly implement the JAA No.3. Under the circumstances, in May 2017 the Joint Activity leased the remaining 6 BCSs to PJSC Ukrgasvydobuvannya. The following BCSs were transferred to the use until 30 April 2018 to PJSC Ukrgasvydobuvannya:

- Abazivska BCS
- Letnyanska BCS
- Rozpashnivska BCS
- Skhidno-Poltavska BCS
- Svydnytska BCS
- Yuliyivska BCS.

PJSC Ukrgasvydobuvannya covers all the costs related to operation of the BCSs.

During 12M 2017, PJSC Ukrgasvydobuvannya failed to make the lease payments to JA. The monthly lease income amounts to approximately MUAH 18 (MSEK 5.2) including VAT, while the outstanding receivables amounts to MUAH 134 (MSEK 39) including VAT. Despite the fact that PJSC Ukrgasvydobuvannya doesn't make lease payments according to the agreements, JA bears liability to pay VAT on a monthly basis. In July-December 2017, PJSC Ukrgasvydobuvannya sent to LLC Karpatygaz, as the Operator of the JAA No.3, more than 100 set-off notices seeking to offset its lease payment against the alleged payments that LLC Karpatygaz should make to UGV. LLC Karpatygaz objected all the claims and initiated the court proceedings in Ukrainian courts to invalidate the set-off notices.

Subsoil use charge

The Ukrainian Government continued applying 70% subsoil use charge to the joint activities in accordance with laws adopted in 2014.

The situation has deteriorated when the Parliament of Ukraine amended tax legislation. The changes determine the subsoil use charge for private producers at 29 per cent for natural gas extracted from depths not exceeding 5,000 meters, and 14 per cent for natural gas extracted from depths exceeding 5,000 meters. The subsoil use charge applicable to the JA is much higher than the charges applicable to private producers.

At the start of October 2015, the Company submitted a notice of investment dispute to the Government of Ukraine in accordance to the Agreement between the Government of the Kingdom of Sweden and the Government of the Ukraine on the Promotion and Reciprocal Protection of Investments. During 12M 2017, the Government of Ukraine continued to impose the exorbitant subsoil charge for the joint activities conducted in accordance with the JAA No.3. However, given that PJSC Ukrgasvydobuvannya continued, as the Company believes, its manifestly unlawful actions and refused to deliver the hydrocarbons from the wells attributed to the Joint Activity, the JA could not pay the subsoil use charge to the Government of Ukraine. Misen Energy AB (publ) reserves all its rights in this respect, including to commence the arbitration proceeding.

As of the end of 12M 2017, the Company has reached no amicable resolution of the dispute with the Government of Ukraine.

Tax payments in Ukraine

Despite being prevented from selling hydrocarbons, JA and its participants continued paying value added tax and corporate profit tax during 12M 2017. During 12M 2017, JA paid KUAH 36,054 (adjusted KSEK 11,378) as value added tax and corporate profit tax. Since 2011, JA and its participants have contributed to Ukraine KUAH 11,169,436 (adjusted KSEK 5,262,864) as subsoil use charge, value added tax and corporate profit tax.

Sale of hydrocarbons

In 2017, PJSC Ukrgasvydobuvannya continued, as the Company believes, manifestly unlawful actions and refused to provide services in respect of production, collection, treatment and transportation of hydrocarbons to JA. Being prevented from selling the hydrocarbons, Misen Group could not properly implement JAA No.3.

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

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

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

Investment program report

Due to financial constraints imposed by the increased subsoil use taxation as well as PJSC Ukrgasvydobuvannya, as the Company believes, manifestly unlawful actions, Misen Group almost completely halted investments into the development program in 12M 2017.

During this period, Misen invested KSEK 7,654 (KSEK 14,508) in the JA development programmes (compared with the same period in 2016).

As of 31 December 2017, the Company has reached the following major milestones:

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

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

In 2015, Sberbank Leasing initiated suit against the JA for violation of a leaseback agreement. According to the suit, the JA has not delivered equipment in time, based to the agreement, and Sberbank Leasing therefore has legal grounds to sue the JA for breach of contract. However, the JA considers that the unrealised delivery of equipment has legal grounds as Sberbank Leasing did not fulfil its obligations under the contract (full payment of the value of the equipment) at the time the agreement came into effect. In October 2016, the Supreme Economic Court of Ukraine voided the verdicts of the lower courts and ordered them to retry the case. In the beginning of 2017, the court partially sustained the application made by Sberbank Leasing, which changed the name of legal entity to Center of Financial Leasing LLC, and ordered Misen Enterprises AB, LLC Karpatygaz and PJSC Ukrgasvydobuvannya to compensate approximately MUSD 37 (MSEK 304) to Sberbank Leasing. LLC Karpatygaz and PJSC Ukrgasvydobuvannya respectively filed appeals with the court. Appeal court sustained the ruling of lower court, which orders Misen Enterprises AB, LLC Karpatygaz and PJSC Ukrgasvydobuvannya to compensate approximately USD 37 million to Sberbank Leasing. In July 2017 the Supreme Economic Court of Ukraine suspended the implementation of ruling of appeal court till the trial. In September 2017 the Supreme Economic Court of Ukraine voided the verdicts of the lower courts and ordered them to retry the case.

In November 2017 new court proceedings were held. The court postponed the proceedings to 6 June 2018 to fulfil the requirements of timely and proper notification of the foreign participant Misen Enterprises AB.

In parallel, in December 2016, Sberbank Leasing filed another lawsuit against the JA, according to which the JA allegedly committed further violations of the leaseback agreement. According to this lawsuit, Sberbank Leasing's claim amounted to KUAH 1,397,704 (KSEK 404,129). In June 2017 Center of Financial Leasing LLC filed a claim, in which it increased requested compensation amount up to MUSD 37 (MSEK 304) and MUAH 974 (MSEK 282) including fines, interests and lost profits. In August 2017, the court partially sustained the claim submitted by Center of Financial Leasing LLC and ordered Misen Enterprises AB, LLC Karpatygaz and PJSC Ukrgasvydobuvannya to compensate to Center of Financial Leasing LLC its lost profits in amount of KUAH 237,507 (KSEK 68,672). Karpatygaz and PJSC Ukrgasvydobuvannya filed appeal with the court in August 2017. The court hearings were scheduled on 6 March 2018.

Management believes that the claims to compensate MUSD 37 in both cases are offsetting and at the later stages of the hearings one of them will be repealed. In this case the total requested claim will not exceed MUAH 1,973 (MSEK 571).

The JA maintains that the non-delivery could be justified given that Sberbank Leasing (currently Center of Financial Leasing LLC) has not fulfilled its obligations in accordance with the leaseback agreement (full payment of the value of the equipment) at the time the agreement came into effect. Furthermore, the JA claims that it already has repaid the amount of the advance, within the framework of the leaseback agreement. The JA also refutes all claims based on the depreciation of the Ukrainian currency, as no such provisions exist in the leaseback agreement for the amounts of the advance that was received from Sberbank Leasing.

Essential events after the end of the 12M 2017

Criminal investigation

Pre-trial investigations in criminal cases are ongoing.

In September 2017, PJSC Ukrgezvydobuvannya sent a criminal complaint to NABU (as defined above). NABU finished its pre-trial investigation and submitted a claim to the Commercial Court of Kiev. The court hearing is held on 15 May 2018.

Operations in the JA in 2018

Operation of the Booster Compression Stations (BCSs)

As of publishing of this report, PJSC Ukrgezvydobuvannya failed to make the lease payments to JA. PJSC Ukrgezvydobuvannya declared that it offset its lease payment against the alleged payments that LLC Karpatygas should make to PJSC Ukrgezvydobuvannya. LLC Karpatygas objected these claims and initiated the court proceedings in Ukrainian courts to invalidate the set-off notices. The court proceedings are ongoing.

Sale of hydrocarbons

As of publishing of this report, PJSC Ukrgezvydobuvannya refused to deliver to JA hydrocarbons produced since December 2016 until February 2018.

3. Results – the Misen Group and the Company

Misen Group net turnover for fourth quarter of 2017 was KSEK 13,078 (KSEK 125,028) and the Parent Company net turnover for this period was KSEK 1,394 (KSEK 1,394).

In the fourth quarter of 2017 loss after financial items for the Misen Group was KSEK -1,012,703 (KSEK -12,408) the Parent Company loss after financial items made up KSEK -6,375 (KSEK -5,620).

For 12M 2017, the Misen Group net turnover amounted to KSEK 35,549 (KSEK 675,340). The Misen Group accounted for an operating loss of KSEK -1,071,529 for 12M 2017 (income of KSEK 18,832 for the same period 2016). Loss after financial items for the period was KSEK -1,071,791 (loss of KSEK -5,509 for the same period 2016). The lower operating results and results after financial items are mainly influenced by deconsolidation of the JA from the Group's financial statements as explained above.

The Parent Company net turnover for 12M 2017 amounted to KSEK 5,577 (KSEK 5,577). Loss after financial items for the Parent Company amounted to KSEK -26,036 (KSEK -33,079). The loss after financial items includes a result from sale of shares in subsidiaries of KSEK -9,562 (KSEK -9,309).

During 12M 2017, due to violation of JAA by PJSC Ukrigasvydobuvannya, the production of natural gas attributable to the JA was at zero level (596.6 mmcm during the same period 2016).

Financial assets and liabilities

During 12M 2017 JA wrote-off KUAH 40,464 (KSEK 12,770) in bad debt. The subsidiary LLC Karpatygas 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.

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

Contingent liabilities

As of 31 December 2017 Misen group contingent liabilities amounted to KSEK 60,301 (KSEK 1,020,086), the change is explained by the deconsolidation.

Cash position

As of 31 December 2017, the cash balance of the Misen Group was KSEK 2,181 (KSEK 12,498). The cash flow from operations after changes in working capital for 12M 2017 was KSEK -40,210 (KSEK 15,211).

The cash effect of the deconsolidation of the JA as at 31 December 2017 was KSEK -247, corresponding to the cash balance in the JA at the time of deconsolidation.

Capital expenditure

The Misen Group's capital expenditure on equipment for gas production in Ukraine related to the JA activity during 12M 2017 amounted to KSEK 7,654 (KSEK 14,508).

As of 31 December 2017 capital expenditure orders not yet delivered have been placed at an aggregate value of KSEK 3,643. The capital expenditures are equipment, project works, constructions

and constructions in progress for extraction of natural gas.

Proposed disposition of parent company earnings

Retained earnings for the parent company amounts to KSEK 3,589. The Board proposes that the retained earnings are carried forward and no dividend is paid.

Amendments to the tax code

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

In this report it has been assumed that Misen Group with regard to the taxes related to JA will be tax payer according to Ukrainian legislation based on the presumption that it has an operating activities within the country. Joint operations such as the JA in Ukraine has no clear definition in the Swedish Tax Legislation. JA has in the tax return of Misen Enterprises for 2015 been treated as a foreign legal entity taxed by the participants (*Sw. I utlandet delägarbeskattad juridisk person*). This report has been prepared on the assumption that the income in the JA accrued before 1 January 2015 will not be subject to Swedish tax, that the holding in the JA is considered as business-related shares (*Sw. näringsbetingade aktier*) until 31 december 2014 and that the Ukrainian income tax may be deducted from Swedish income tax.

After the sale of 47.5% of the shares in Misen Enterprises AB the Parent Company can no longer utilize the tax losses carried forward through group contribution from Misen Enterprises AB.

During 12M 2017 JA paid KUAH 10,881 (KSEK 3,434) as corporate profit tax on behalf of Misen Group to Ukrainian tax authorities related to prior years.

Expected future development of the Company and going concern

As described earlier in this report, the participants of the JAA No.3 have confirmed their agreement to terminate the JAA No 3 on 24 January 2018. Due to this fact, the JA can no longer be considered a going concern. The value of the net assets and the size of the any compensation entitled to the Group as a consequence of the termination of the JAA No.3 is uncertain at the date of this report. To account for an asset in accordance with IFRS the asset needs to be virtually certain which is not the case as the size of any compensation is dependent on the outcome of the arbitration.

For the remaining operations of the Group, management continues to investigate the available finance options and will inform the market accordingly. As financing is not secured for upcoming 12 months and there is material uncertainty that may cast significant doubt on the Misen Group's ability to continue as a going concern. Therefore, the Misen Group may be unable to realize its assets and discharge its liabilities in the normal course of business. Management's view is that there are realistic alternatives available to finance the Group's future operations and the Group accounts are therefore prepared based on the going concern assumption.

Sector information - the Misen Group

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

Geographical area

	31 December 2017	31 December 2016
<i>(All amounts in KSEK)</i>		
Net sales, external:		
Sweden	--	--
Ukraine	7,082	653,122
Fixed assets:		
Sweden	--	--
Ukraine	4	508,677

Transactions with related parties

	31 December 2017	31 December 2016
<i>(All amounts in KSEK)</i>		
Ukrigasvydobuvannya*:		
Sale	35,503	43,503
Purchase	9,491	128,028
Short-term receivables	--	--
Short-term debts	--	72
Management, Board and major Shareholders:		
Purchase of services	23,282	7,759
Interest	1,439	1,632
Salaries and remunerations	5,029	5,608
Short-term debts	9,229	1,862
Long-term debts	--	--

* 100% of the transaction values.

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 JA 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 and other risks

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.

A more in-depth explanation of the different risk exposures in the Company's business is included in the annual report 2016.

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 Erik Penser Bank AB.

Publication of the January - December 2017 year-end report

This January - December 2017 year-end report is published at the Company's website (<http://www.misenenergy.se>), and a printed version can be ordered at info@misenergy.se.

This information is information that Misen Energy AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 10:00 CET on 28 February 2018.

Future reports

Next report, the annual report 2017, will be published on 5 April 2018.

The AGM will be held 26 April 2018.

The report for the first quarter 2018 will be published 31 May 2018.

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

Stockholm, 28 February 2018.

Misen Energy AB (publ)

The Board and Managing Director

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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 traded on Nasdaq First North since 12 June 2007.

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. 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 were acquired by production cooperation via a joint activity project governed by a Joint Activity Agreement between at that time 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%), a subsidiary of the National Joint Stock Company Naftogaz of Ukraine. PJSC UkrGasvydobuvannya is the largest producer of natural gas in Ukraine. The purpose of the Joint Activity Agreement is to significantly increase production of gas and oil by providing modern technologies via a large-scale investment program for the purposes of attainment of profits.

In 2016 and in 2017, Misen Energy AB (publ) sold respectively 37.5 % and 10 % of Misen Enterprises AB shares to the Hong Kong based company Powerful United Limited. Owning (the remaining) 52.5% of Misen Enterprises AB shares, Misen Energy AB (publ) maintains full control of the company and preserves a right to obtain 52.5% of the future dividends from the operations in Ukraine.

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 is Erik Penser Bank AB.

For further information, please visit our website www.misenergy.se.

CONDENSED INCOME STATEMENT-THE GROUP

	1 Oct - 31 Dec 2017 3 months	1 Oct - 31 Dec 2016 3 months	1 Jan - 31 Dec 2017 12 months	1 Jan - 31 Dec 2016 12 months
<i>All amounts in KSEK</i>				
Operating revenue				
Net sales	7,082	117,599	7,938	653,122
Other operating income	5,996	7,424	27,611	21,868
Result from associated companies	0	5	0	350
	13,078	125,028	35,549	675,340
Operating expenses				
Other external expenses	-28,260	-89,076	-73,779	-549,519
Personnel expenses	-3,833	-4,792	-11,860	-16,174
Depreciation and amortisation of tangible and intangible fixed assets	-4,507	-14,034	-28,562	-41,734
Other operating cost	66	-23,546	-8,808	-49,081
Result from deconsolidation	-984,069	0	-984,069	0
	-1,020,603	-131,448	-1,107,078	-656,508
Operating income/loss	-1,007,525	-6,420	-1,071,529	18,832
Financial items	-5,178	-5,988	-262	-24,341
Profit/loss after financial items	-1,012,703	-12,408	-1,071,791	-5,509
Taxes for the period	-1,568	-684	-427	-11,139
Profit for the period	-1,014,271	-13,092	-1,072,218	-16,648
Profit is attributable to:				
Owners of Misen Energy AB (publ)	-535,097	-10,291	-573,322	-7,230
Non-controlling interests	-479,174	-2,801	-498,896	-9,418
	-1,014,271	-13,092	-1,072,218	-16,648
Statement of comprehensive income - The Group				
Net profit for the period	-1,014,271	-13,092	-1,072,218	-16,648
Other comprehensive income				
Items possible for later reclassification in income statement:				
Translation differences	-30,561	3,142	-73,946	-24,391
Reversed translation differences	623,033	0	623,033	0
Other comprehensive income for the period, net after taxes	592,472	3,142	549,087	-24,391
Total comprehensive income for the period	-421,799	-9,950	-523,131	-41,039
Total comprehensive income for the period is attributable to:				
Owners of Misen Energy AB (publ)	-224,166	2,565	-286,901	-26,901
Non-controlling interests	-197,633	-12,515	-236,230	-14,138
	-421,799	-9,950	-523,131	-41,039
Net earnings per share, attributable to the owners of Misen Energy AB's (publ) (in SEK per share)				
Net earnings for the period, before and after dilution	-3.69	-0.07	-3.95	-0.05
Average number of shares for the period was 145,068,222				

CONDENSED BALANCE SHEET-THE GROUP

<i>All amounts in KSEK</i>	31 Dec 2017	31 Dec 2016
ASSETS		
Non-current assets		
Intangible fixed assets	1	28,951
Tangible fixed assets	3	502,059
Deferred tax receivables	-	10,202
Total non-current assets	4	541,212
Current assets		
Stock	-	579
Accounts receivable	397	20,260
Other receivables	2,943	13,869
Prepaid expenses and accrued income	355	4,015
Total current assets	3,695	38,723
Cash and bank balances	2,181	12,498
Total current assets	5,876	51,221
TOTAL ASSETS	5,880	592,433

<i>All amounts in KSEK</i>	31 Dec 2017	31 Dec 2016
EQUITY AND LIABILITIES		
Equity attributable to owners of Misen Energy AB (publ)	8,659	296,921
Non-controlling interests	-28,604	167,637
Total equity	-19,945	464,558
Non-current liabilities		
Other long-term liabilities	-	36,197
Total non-current liabilities	0	36,197
Current liabilities		
Accounts payable	21,603	6,581
Tax debts	-	1,711
Short-term loans	-	29,848
Other short-term debt to JA	-	44,426
Other short-term debt	781	3,521
Accrued expenses and deferred income	3,441	5,591
Total current liabilities	25,825	91,678
TOTAL EQUITY AND LIABILITIES	5,880	592,433

CONDENSED STATEMENT OF CHANGES IN EQUITY - THE GROUP

	Attributable to owners of Misen Energy AB (publ)						Non-controlling interests	Total equity
	Share capital	Other equity	Other reserves	Retained earnings	Total			
<i>All amounts in KSEK</i>								
Equity brought forward 2016-01-01	290,136	-274,435	-529,653	853,370	339,418	0	339,418	
Net result								
Net result of the year Jan - Dec 2016	-	-	-	-7,230	-7,230	-9,418	-16,648	
Other comprehensive income								
Translation difference	-	-	-19,671	0	-19,671	-4,720	-24,391	
Total comprehensive income	0	0	-19,671	-7,230	-26,901	-14,138	-41,039	
Transactions with non-controlling interests								
Sale of shares in subsidiary	0	0	0	-3,265	-3,265	3,265	0	
Other transactions with non-controlling interests	0	0	0	-15,596	-15,596	181,775	166,179	
Total transactions with non-controlling interests	290,136	-274,435	-549,324	830,544	296,921	167,637	464,558	
Equity brought forward 2016-12-31	290,136	-274,435	-549,324	830,544	296,921	167,637	464,558	
Equity brought forward 2017-01-01	290,136	-274,435	-549,324	830,544	296,921	167,637	464,558	
Net result								
Net result of the year Jan - Dec 2017	0	0	0	-573,232	-573,232	-498,986	-1,072,218	
Other comprehensive income								
Reversed translation differences	0	0	589,848	-262,755	327,093	295,941	623,034	
Translation difference	0	0	-40,761	0	-40,761	-33,185	-73,946	
Total comprehensive income	0	0	549,087	-835,987	-286,900	-236,230	-523,130	
Transactions with non-controlling interests								
Sale of shares in subsidiary	0	0	0	-1,362	-1,362	39,990	38,628	
Total transactions with non-controlling interests	0	0	0	-1,362	-1,362	39,990	38,628	
Equity brought forward 2017-12-31	290,136	-274,435	-237	-6,805	8,659	-28,604	-19,945	

CONDENSED STATEMENT OF CASH FLOWS - THE GROUP

	1 Jan-31 Dec 2017 12 months	1 Jan-31 Dec 2016 12 months
<i>All amounts in KSEK</i>		
Operating activities		
Operating income	-1,071,529	18,832
Adjustment for non-cash items	991,959	70,066
Interest and dividends received	156	2,714
Interest paid	-5,461	-7,390
Income tax	0	-9,807
Cash flow from operating activities before working capital changes	-84,875	74,415
Decrease(+)/increase in stocks	103	2,437
Decrease(+)/increase in receivables	12,975	1,105
Decrease(-)/increase in short-term debts	31,587	-62,746
Cash-flow from operating activities	-40,210	15,211
Investing activities		
Acquisition of tangible and intangible assets	-7,654	-14,508
Sale of tangible and intangible assets	583	1,464
Sale of shares in subsidiary	27,591	25,517
Cash flow from investing activities	20,520	12,473
Financing activities		
Change in interestbearing debt (increase+)	9,598	-22,330
Cash flow from financing activities	9,598	-22,330
Cash flow for the period	-10,092	5,354
Cash at the beginning of the period	12,498	7,413
Exchange rate difference in cash	-225	-269
Cash at the end of the period	2,181	12,498

CONDENSED INCOME STATEMENT - PARENT COMPANY

(Misen Energy AB (publ))

	1 Oct - 31 Dec 2017 3 months	1 Oct - 31 Dec 2016 3 months	1 Jan-31 Dec 2017 12 months	1 Jan-31 Dec 2016 12 months
<i>All amounts in KSEK</i>				
Operating revenue				
Net sales	1,394	1,394	5,577	5,577
	1,394	1,394	5,577	5,577
Operating expenses				
Other external expenses	-4,933	-2,484	-12,924	-10,960
Personnel expenses	-3,087	-4,530	-7,686	-10,418
	-8,020	-7,014	-20,610	-21,378
Operating result	-6,626	-5,620	-15,033	-15,801
Loss on sale of subsidiary	251	-	-9,562	-9,309
Interest expense	0	-	-1,441	-7,969
	251	0	-11,003	-17,278
Profit/loss after financial items	-6,375	-5,620	-26,036	-33,079
Taxes for the period	-	-	-	-
Net profit/loss	-6,375	-5,620	-26,036	-33,079
Statement of comprehensive income - Parent company				
Net loss for the period	-6,375	-5,620	-26,036	-33,079
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-6,375	-5,620	-26,036	-33,079

CONDENSED BALANCE SHEET - PARENT COMPANY

(Misen Energy AB (publ))

All amounts in KSEK 31 Dec 2017 31 Dec 2016**ASSETS****Non-current assets****Financial fixed assets**

Shares in subsidiaries 252,997 301,287

Total financial fixed assets 252,997 301,287**Total fixed assets** 252,997 301,287**Total non-current assets** 252,997 301,287**Current receivables**

Other receivables 177 -

Short-term receivables subsidiaries 59,795 17,265

Prepaid expenses and accrued income 354 269

60,326 **17,534****Cash and bank balances** 1,644 7,034**Total current assets** 61,970 24,568**TOTAL ASSETS** 314,967 325,855*All amounts in KSEK* 31 Dec 2017 31 Dec 2016**EQUITY AND LIABILITIES****Equity****Restricted equity**

Share capital 290,136 290,136

Statutory reserves 345 345

290,481 **290,481****Non-restricted equity**

Profit/Loss brought forward 29,625 62,704

Profit/loss for the year -26,036 -33,079

3,589 **29,625****Total equity** 294,070 320,106**Non-current liabilities**

Other long-term debts to group companies 90 92

Total non-current liabilities 90 92**Current liabilities**

Accounts payable 17,457 730

Other short-term liabilities 563 406

Accrued expenses and deferred income 2,787 4,521

Total current liabilities 20,807 5,657**TOTAL EQUITY AND LIABILITIES** 314,967 325,855

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
Equity brought forward 2016-01-01	290,136	345	714,285	-651,581	353,185
Net result					
Net result of the year Jan - Dec 2016	-	-	-	-33,079	-33,079
Total comprehensive income	-	-	-	-33,079	-33,079
Equity brought forward 2016-09-30	290,136	345	714,285	-684,661	320,105
Equity opening balance 2017-01-01	290,136	345	714,285	-684,661	320,105
Net result					
Net result for the year Jan - Dec 2017	-	-	-	-26,036	-26,036
Total comprehensive income	-	-	-	-26,036	294,070
Equity brought forward 2017-12-31	290,136	345	714,285	-710,695	294,070

CONDENSED STATEMENT OF CASH FLOWS - PARENT COMPANY

(Misen Energy AB (publ))

	1 Jan-31 Dec 2017 12 months	1 Jan-31 Dec 2016 12 months
<i>All amounts in KSEK</i>		
Operating activities		
Operating income	-15,033	-15,801
Interest paid	-2	-
Cash flow from operating activities before working capital changes	-15,035	-15,801
Decrease(+)/increase in receivables	-42,691	-2,158
Decrease(-)/increase in accounts payable	16,727	-4,205
Decrease(-)/increase(+) in short term debts	-1,579	-9,796
Cash flow from operating activities	-42,578	-31,960
Investment activities		
Payment of shareholders contribution	-	-
Sale of shares in subsidiary	27,590	25,517
Cash flow from investing activities	27,590	25,517
Financing activities		
Change in interest bearing debt debt	9,598	11,774
Cash flow from financing activities	9,598	11,774
Cash flow for the period	-5,390	5,331
Cash at the beginning of the period	7,034	1,703
Cash at the end of the period	1,644	7,034

Alternative Performance Measures – Group

As of July 3, 2016 new guidelines on APMs (Alternative Performance Measures) were issued by ESMA (the European Securities and Markets Authority). APMs are financial measures other than financial measures defined or specified by International Financial Reporting Standards (IFRS).

Misen Energy AB (publ) regularly uses alternative performance measures to enhance comparability from period to period and to give deeper information and provide meaningful supplemental information to analysts, investors and other parties.

It is important to know that not all companies calculate alternative performance measures identically, therefore these measurements have limitations and should not be used as a substitute for measures of performance in accordance with IFRS.

Below you find our presentation of the APMs and how we calculate these measures.

CONDENSED FINANCIAL AND OPERATIONAL KEY RATIOS

	1 Jan - 31 Dec 2017 12 months	1 Jan-31 Dec 2016 12 months
The Group		
Financial key ratios		
EBITDA (KSEK)	-1,042,967	60,566
Financial cost	418	31,096
Profit/loss per share before dilution SEK*	-3.95	-0.05
Profit/loss per share after dilution SEK*	-3.95	-0.05
Return on equity (ROE)	n.a.	neg
Return on capital employed (ROCE)	n.a.	5.1%
Debt/equity ratio	n.a.	6.4%
Equity ratio	neg	78.4%
Share of risk bearing capital	neg	78.4%
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)	-15,033	-15801
Profit/loss per share before dilution SEK*	-0.18	-0.23
Profit/loss per share after dilution SEK*	-0.18	-0.23
Return on equity (ROE)	neg	neg
Return on capital employed (ROCE)	neg	neg
Debt/equity ratio	e.a	28.1%
Equity ratio	93.4%	98.2%
Share of risk bearing capital	93.4%	98.2%
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.