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

Annual report and consolidated financial statements

Financial year 2014

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1. The Misen Energy Group

1.1. Business review *

History

The Parent Company, formerly Svenska Capital Oil AB (publ), was founded in 2004 and its shares have been traded on First North List at OMX Stockholm since 12 June 2007. During the period from 2005 to 2010, the Company was engaged in the development of geo resources in Ukraine. As the former wholly owned subsidiary LLC Capital Oil Ukraine was sold on 30 December 2010, the Company's oil exploration in Ukraine came to an end. From 2011, the business has focused on gas exploration in a new cooperation project, the JA in Ukraine. Under this revised business focus, all shares in the Swedish company Misen Enterprises AB and its wholly owned Ukrainian subsidiary LLC Karpatygaz were acquired in 2011.

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

Joint Activity (JA)

The Company's wholly owned subsidiaries Misen Enterprises AB and LLC Karpatygaz have between them rights to 50.01 % of the net profit after taxes of a large gas and oil production project in Ukraine, the duration of which extends for twenty years starting from 2011. The remaining rights to 49.99% of net profits after taxes belong to PJSC Ukrgasvydobuvannya. The net profit from the gas and oil production project attributable to the parties is calculated based on the production volumes legally assigned to the JA. These volumes are calculated as the difference between a production level should investments be undertaken and a predetermined base line of production that would have been produced had the project not existed (i.e. no further investment had taken place).

These rights are established in a formal legal binding agreement JAA No.3, without establishing a legal entity, dated 10 June 2002, among the three participants PJSC Ukrgasvydobuvannya, LLC Karpatygaz and Misen Enterprises AB. The essential objective of the JAA No.3 is to increase hydrocarbon production by means of modernising infrastructure and production facilities and the introduction of the modern production technologies.

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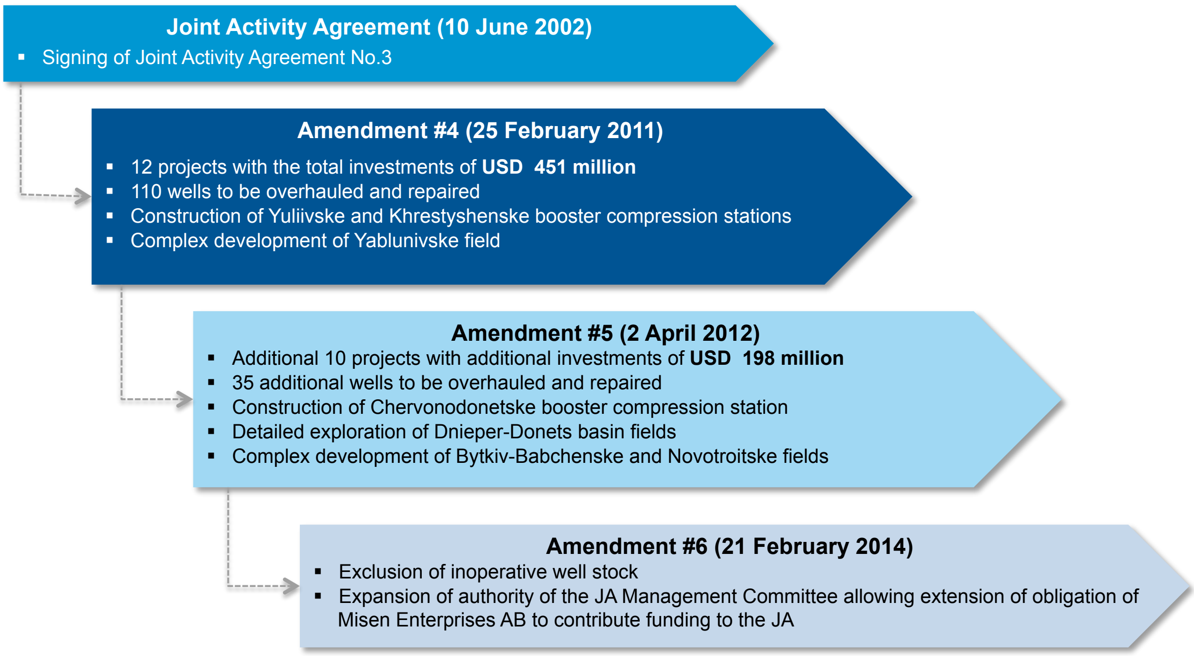
* *Data sources for the chapters in "Business review": Ukraine's Energy Strategy, PJSC Ukrgasvydobuvannya feasibility study, PJSC Ukrgasvydobuvannya Annual Reports, Business Monitor International reports, Joint Activity Agreement No.3 dated 10 June 2002, Amendments No. 4, 5 and 6 to the Joint Activity Agreement No.3.*

These measures will materially contribute to the energy security and independence of the Ukraine through sustainable growth in production, which is the primary objective of PJSC Ukrgasvydobuvannya.

To provide the management and supervision of the JA, the Management Committee consisting of the authorized representatives of the participants of the JAA No.3 has been established. It is the ultimate governing body of the JA, approving and monitoring implementation of the investment program of the JA. The Misen Group is represented at the Management Committee of the JA by directors of subsidiaries Misen Enterprises AB and LLC Karpatygaz.

JA development stages



JA key parameters

The following could be identified as the key advantages and parameters of the JA business model:

- **Ability to sell gas at the market prices**

  Since the Ukrainian State control on the JA is limited to its participation of 49.99%, the JA is free to sell its produce on the commercial terms.
  (For more detailed description, please refer to chapter "Ukrainian gas market").

- **Access to solid reserve base**

  The Misen Group led JA has confirmed reserve base of 28.1-34.3 billion cubic meters ("**bcm**") of natural gas, 5.8-6.8 million barrels ("**MMbbls**") of gas condensate and 3.1-4.5 MMbbls of Liquefied Petroleum Gas ("**LPG**"). Numbers correspond to proven ("**1P**") and proven and probable reserves ("**2P**") assessed via the Competent Persons Report. The Misen Group share of net reserves is 50.01%.
  (For more detailed description, please refer to chapter "Significant events during the financial year").

- **Technology driven investment program of MUSD 649.**

  Investment program has been planned for 2011-2015 and as of the end of 2014 the total performed investment constituted MUSD 336.
  During 2014 the JA invested MUSD 72.1.
  The primary focus of the investment program is development of the complex engineering infrastructure that will sustain continuation of gas production in Ukraine at the current levels.
  (Please note, these numbers represent historic investment values calculated at the exchange rates valid at the moment of performing specific investments. The current book values of investment presented in SEK in chapter "Financials" differ due to a significant devaluation of Ukrainian currency during 2014 against SEK and USD.)

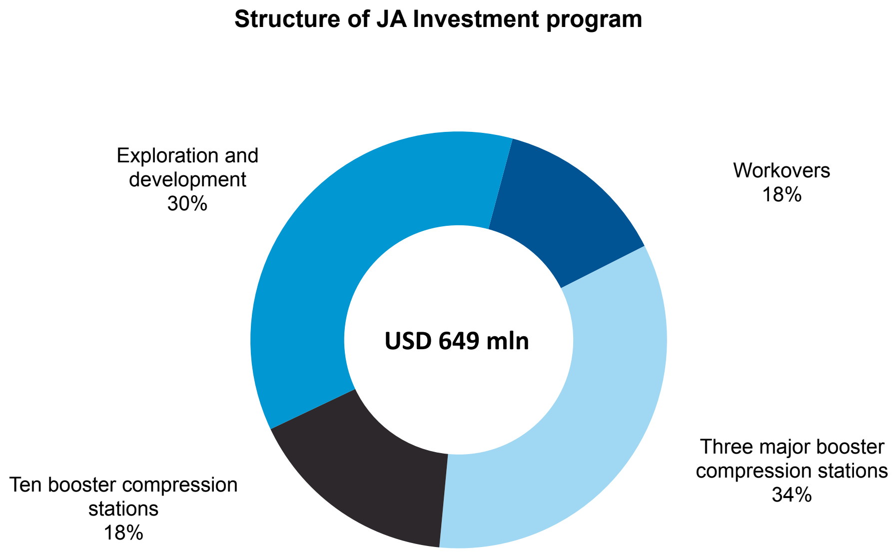
- **Sustainable cash flow allows to implement planned investment program**

  As per the JAA No.3, participants of the JA agreed to reinvest all proceeds during 2011-2013.

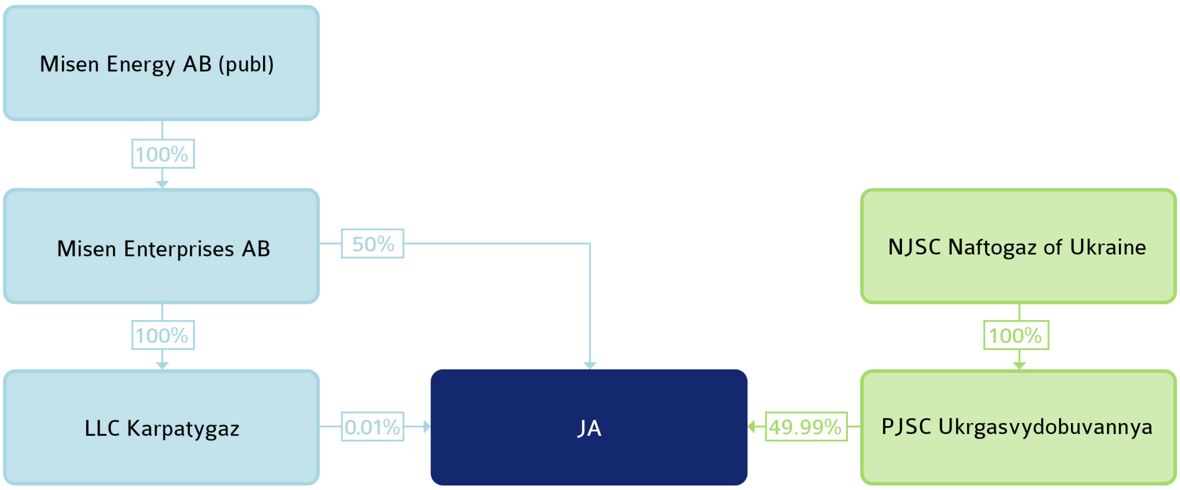
- **Access to the western capital markets and modern technology**

  The Misen Group led JA engages a number of western and domestic contractors and suppliers to perform works as agreed in the JAA No.3. The largest share of investment during 2011-2014 went to the suppliers of equipment from the US, Canada and Western Europe. At the same time, challenges with the gas balance in 2013-2014, followed by the political developments in Ukraine that were coupled with the declining local economy have negatively affected the JA's investment program during 2014. This prevented the Parent Company from the broader engagement with the western capital markets during the year. As the general situation in Ukraine stabilizes, this potential remains to be utilized.

JA investment scope and areas



JA structure



JA participants and their roles

PJSC Ukrgasvydobuvannya is a vertically integrated company with the full production cycle: from the oil and gas fields search and exploration, development and production to processing of raw hydrocarbon deposits and sales of oil product. As the owner of licenses, PJSC Ukrgasvydobuvannya has contributed twenty-two projects to the JA and has undertaken to make available on commercial terms its existing infrastructure and manpower resources to extract, treat and transport produced hydrocarbons.

Basic facts about PJSC Ukrgasvydobuvannya:

- produces around 15 bcm of gas annually
- a dominant gas producer in Ukraine with 72-75% market share
- 134 fields under development
- more than 2,300 operating wells
- 10 compressor stations
- around 22,000 people employed

For more detailed information, please refer to the official website of PJSC Ukrgasvydobuvannya: http://ugv.com.ua

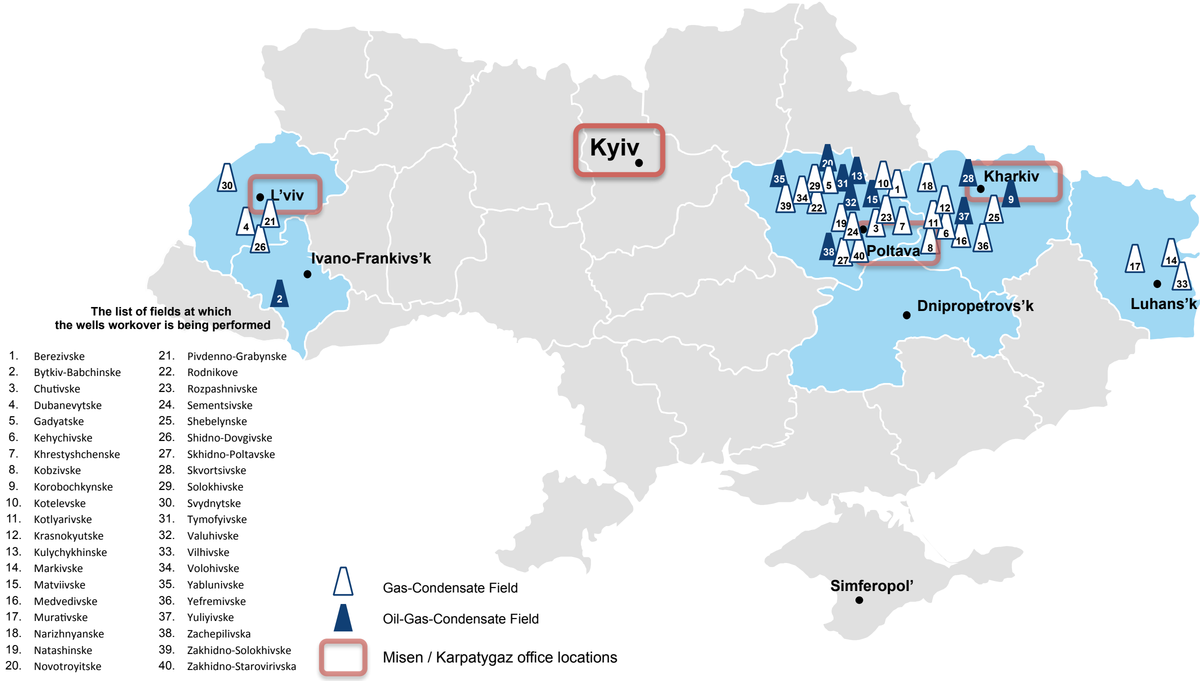
LLC Karpatygaz is the Ukrainian member of the Misen Group and is the operator of the JA. It has four offices in Ukraine – headquarters located in Kiev (Kyiv) and regional branches in Kharkov (Kharkiv), Poltava and Lvov (L'viv). A strong team of professionals caters for a profound competence in oil and gas and deep understanding of local business environment. The main task of LLC Karpatygaz is to ensure efficient planning, development and operation of the JA projects as well as timely and professional implementation of modern know-how and technologies in Ukraine.

Misen Enterprises AB is responsible for procuring from either its own resources or from third parties commercial funding for the financing of the twenty-two projects if the funding is not sufficient from the cash flow from the projects. This responsibility ultimately rests with the Parent Company as the 100% owner of Misen Enterprises AB.

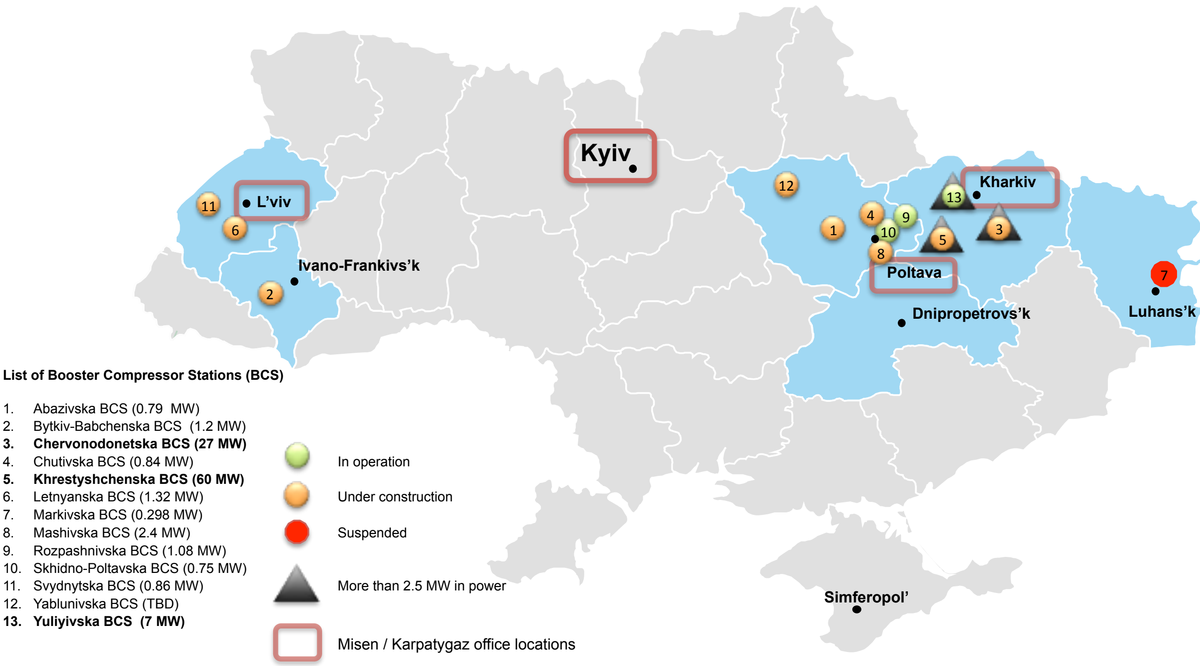
According to the JAA No.3, net profits after tax earned by the JA during the first three years of its operation (2011-2013) will be reinvested in funding the investment programs.

JA geography

Geography of fields where the JA is operating



Geography of Booster Compressor Stations ("**BCS**") constructed by the JA



Competent Persons Report

During 2014 the Company completed works related to assessing and verifying the hydrocarbon reserves and resources allocated to the JA. The independent global services and technology company AGR-TRACS International Consultancy Ltd. (Norway-Russia) was engaged by the Company to prepare an independent Competent Persons Report ("**CPR**") of the petroleum reserves and resources attributable to the subsidiaries Misen Enterprises AB and LLC Karpatygaz as parties of the JA.

The CPR is based on data as of 1 January 2013 and follows the specifications of the Amendment No.5 to the JAA No.3.

The CPR concludes the following ***net reserves attributable to the Parent Company*** for all projects included in the JA for the development period of 2013 – 2030: *

Net Misen Group Reserves

	1P	**2P**
Total gas reserves (bcm)	14.06	17.15
Total LPG reserves (MMbbls)	1.57	2.27
Total condensate reserves (MMbbls)	2.88	3.38

Ukrainian gas market

Reserves

Ukraine's natural gas reserves constitute 1.1 trillion cubic meters, 71% of which is licensed to PJSC Ukrgasvydobuvannya. Other State companies are licensed with 17% of the country's proven gas reserves. The remaining 12% is shared among the private corporations and other JAs between private and State companies.

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* *Reserves are those quantities of petroleum, which are anticipated to be commercially recovered from known accumulations from a given date forward. There is uncertainty inherent in all calculations of reserves which depend on completeness and reliability of geological and engineering data. This uncertainty is expressed by the subdivision of reserves into proved and unproved.*

Proved Reserves (1P) are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations.
Probable Reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable.
The category 2P equals Proven Reserves + Probable Reserves.

Consumption

In 2014 Ukraine's natural gas consumption made up 42.6 billion cubic meters ("**bcm**"), which represents a 15.5% drop from the previous year.

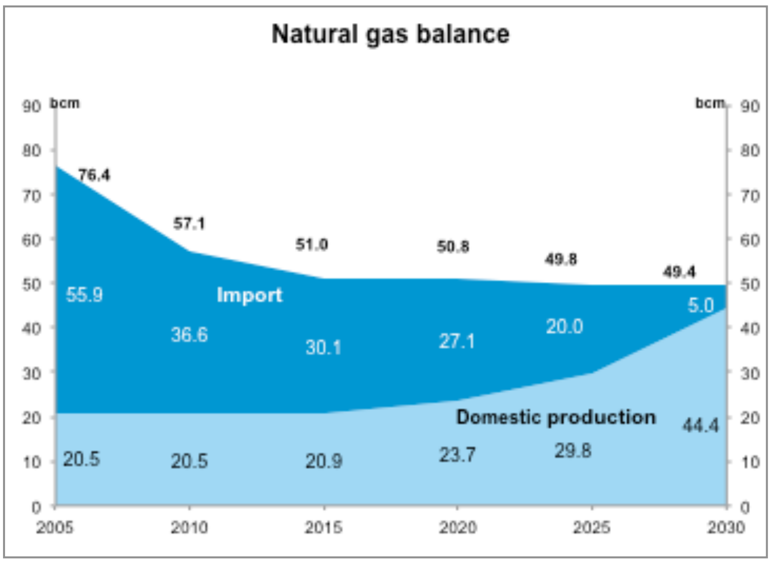
Ukraine's natural gas consumption is decreasing primarily due to reduced industrial consumption, which dropped by 21.9% from 20.1 bcm to 15.7 bcm due to falling production. Heating utilities and population decreased consumption from 8.3 bcm to 7.0 bcm and 17.7 bcm to 15.8 bcm respectively.

Production and imports

Ukraine's domestic natural gas production in 2014 made up 19.8 bcm, which is 2.4% higher compared to 2013 (excluding SJSC Chornomornaftogaz, which was nationalized after Crimea annexation by Russian Federation). PJSC Ukrgasvydobuvannya produced 15.1 bcm (76% market share), from which 0.8 bcm were produced by enterprises established under JAAs. The total gas production by private producers amounted to 3.0 bcm. In 2014 the Misen Group led JA remained one of the leading market players by producing 672 million cubic meters ("**mmcm**").

Investments made by the Misen Group will allow domestic production to be sustained and increased, thus contributing to Ukraine's energy independence. Overall, the Misen Group led JA is expected to facilitate an increase of gas production in Ukraine by 28 bcm accumulated for the period till 2030 (*for details please refer to section "Competent Persons Report" in chapter "Significant events during the financial year"*).

Due to decreased consumption in 2014 Ukraine imported 30.1% less natural gas (19.5 bcm) compared to the previous year. From these volumes around 15 bcm was purchased from the Russian Gazprom, and around 3 bcm was taken from the underground storage facilities. For the first time Ukraine managed to diversify its imports of natural gas on a major scale by acquiring some 5 bcm of the "reversed" gas from its western neighbours such as Poland, Slovakia and Hungary.



Pricing

Natural gas consumers in Ukraine could be divided into three distinct categories: households, utilities and industrial. Prices and tariffs policy is determined and implemented by the National Commission for State Energy and Public Utilities Regulation ("**NCSEPUR**"). NCSEPUR establishes prices based on the market conditions as well as long-term goal of price convergence between industrial and other types of consumers.

Historically, significant natural gas price difference could be observed between prices for industrial consumers and prices for other types of consumers. The price for households is subsidized by the government and ranges between SEK 599 to SEK 2,056 per thousand cubic meters depending on the level of consumption.

The price for utilities makes up around SEK 1,475 per thousand cubic meters.

This price for industrial consumers is highly dependent on the price of imported natural gas under contract with OJSC Gazprom as well as the prices on the recognized international exchanges. The current natural gas import structure in Ukraine is approximately 45% from OJSC Gazprom and 55% from the European counterparties. The price for industrial consumers set by NCSEPUR at the end of 2014 was SEK 2,950 per thousand cubic meters (and reached SEK 3,531 by mid March 2015), which is fairly high due to the recent UAH exchange rate fluctuations. At one of the biggest natural gas trading hubs in Europe (CEGH, Austria) current natural gas price is approximately SEK 2,083-2,387 per thousand cubic meters. Taking into account delivery costs to the Ukrainian border gas would cost around SEK 2,604 per thousand cubic meters.

A private enterprise, defined at a minimum of 50.01% private ownership, operating in the local gas market, as is the case of the JA, is allowed to sell natural gas at price set for industrial consumers. This has created a historic precedent for State companies like PJSC Ukrgasvydobuvannya to enter into the JAAs with the private producers in order to facilitate part of production to be sold at the price set for industrial consumers, thus creating platform for income and investments into aging infrastructure.

Despite numerous increases in the gas price for households and rising of the heating tariffs, both remain among the lowest in Europe and well below import parity.

Gas balance

All gas contained in the Ukrainian gas transportation system, including underground gas storage facilities, is accounted for in the technical gas balances. These gas balances are used for hydrocarbons transportation, accounting, storing and sales purposes.

Gas balance represented the biggest business challenge for the Misen Group and the JA during 2013 and the first half of 2014. Changing geopolitics and efforts of the management team to address the situation proved to be successful and the JA finished 2014 with the gas balance situation being resolved.

For more detailed description, please refer to chapter "Significant events during the financial year".

1.2. Investment program report

During the year 2014 the Misen Group led JA reached the following milestones:

- The Misen Group's capital expenditure in Ukraine related to the JA activity during January-December 2014 amounted to KSEK 209,031 (KSEK 370,668 in 2013), reaching the total acquisition value of the closing balance of 2014 at KSEK 778,133 (KSEK 1,797,768), calculated using exchange rate of 31 December 2014.
- 8 wells have undergone complete renovation during 2014, making the total number of operational wells 64.
- 14 wells are undergoing workover.
- 2 Booster Compressor Stations have been commissioned.
- 10 Booster Compressor Stations are under construction.

The gas balance situation and constrains imposed on the JA's ability to dispose of its production entitlements have forced the Company to introduce a temporary measure of suspending new investments during Q1 2014. With the positive developments related to the gas balance and renewed sales that took place during Q2 2014, this temporary measure was revoked and the investment program was resumed. This allowed to finish construction of two Booster Compressor Stations ("**BCS**").

The combined capacity of two BCS commissioned during Q2 2014 is expected to generate an increase of gas production to the JA in the range of 3-5%.

Rozpashnivske BCS

In late May 2014 subsidiary LLC Karpatygaz commissioned a BCS at the Rozpashnivske gas field in Poltava Region, Ukraine. As of the beginning of June 2014, Rozpashnivske BCS with projected capacity of 1.08 MW and equipped with Ariel compressor, powered by Caterpillar engine, was fully operational. The aim of Rozpashnivske BCS is to stabilize and maintain all necessary operating pressures within the Rozpashnivske gas field. In addition, operations of Rozpashnivske BCS would ensure incremental gas production to the JA in the amount of 12 mmcm of natural gas per year as well as the additional production of gas condensate, with the Misen Group's share being 50.01% of that.

Incremental production to the JA since commissioning till 31 December 2014 constituted 3.2 mmcm of natural gas and 7 tons of gas condensate.

East-Poltava BCS

On 27 June 2014, subsidiary LLC Karpatygaz commissioned East-Poltava BCS at the East-Poltava gas and condensate field in Poltava Region, Ukraine. East-Poltava BCS features Ariel turbo-compressor units driven by Caterpillar gas turbine supplied by Propak Systems (Canada). Projected BCS capacity of 0.75 MW will allow to stabilize and maintain the necessary operational pressures within the East-Poltava gas and condensate field and will provide for additional gas production to the JA of 11 mmcm annually, with the Misen Group’s share being 50.01% of that.

East-Poltava BCS is the third such installation in Ukraine constructed within the framework of investment program agreed by the JA. The commissioning ceremony was attended by among others Mr. Sergiy Kostiuk, Chairman of the board of PJSC Ukrgasvydobuvannya and representatives of the Ministry of Energy and Coal Industry of Ukraine.

Incremental production to the JA since commissioning till 31 December 2014 constituted 3.9 mmcm of natural gas and 247 tons of gas condensate.

The JA is in charge of constructing and making operational thirteen BCS in Ukraine. With three BCS already operational, remaining ten BCS are under construction works supervised by subsidiary LLC Karpatygaz.

Yuliyivska BCS

Yuliyivska BCS commissioned in September 2012 has been successfully operating throughout 2014, ensuring total gas production volumes on the Yuliyivska gas and condensate field at the level of 600-800 mmcm per year. During the period September 2012 - 31 December 2014 the incremental JA's production constituted 313.2 mmcm of natural gas and 19.2 ktons of gas condensate, with the Misen Group's share being 50.01% of that.

With the positive developments related to the gas balance and renewed sales taking place during the second half of 2014, the Company has continued with the investment program primarily focusing on completion of construction of Khrestyshchenska BCS.

Khrestyshchenska BCS

Khrestyshchenska BCS is the largest single investment project for the JA, featuring complex engineering installation of 60 MW compressing power. The project's budget is estimated at around MSEK 700, with 75% of works completed as of the end of 2014.

During 2014 the investment to the well workovers was limited and as result, only 8 wells undergone complete renovation and were put into production. In addition, 14 wells were undergoing workover process as of the end 2014.

During 2014 no new commercial metering units have been commissioned and the JA continued operating with 11 metering stations installed during 2013.

1.3. Production report

Issues with the gas balance during 2013-2014 have forced the JA to adjust the investment program during 2014. The Company prioritized continued construction of BCS. Progress on well workovers was suspended and certain wells were under-serviced during 2014. This has led to stagnant or even decreasing productivity of certain product categories when compared to the previous reporting periods.

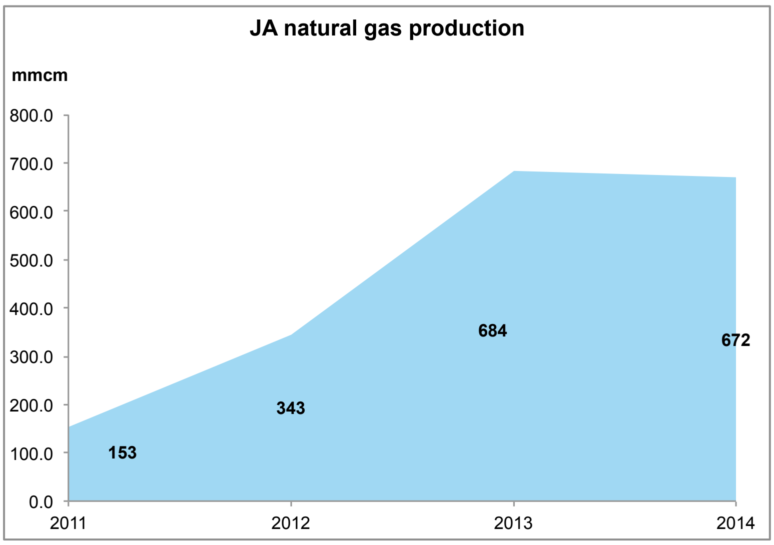
The table below sets forth the ***average daily production*** indicators by the end of the period:
(Please note these are only the year-end indicators and do not represent the weighted average or median production numbers for any given period)

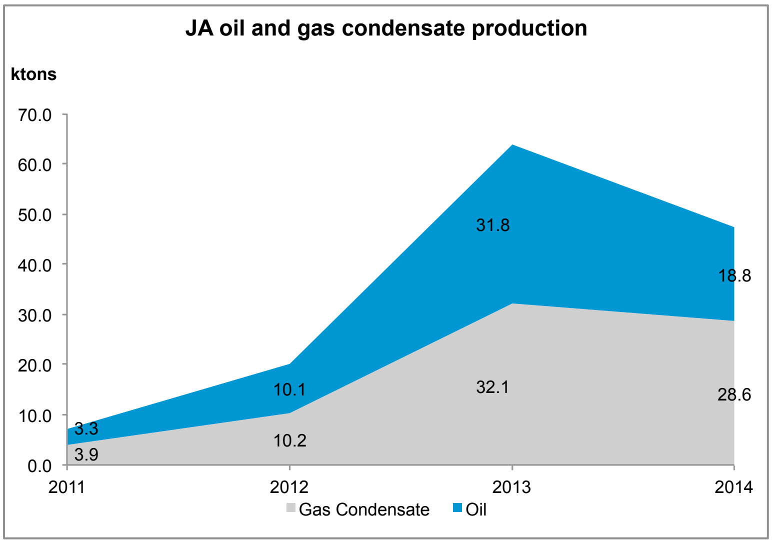
	Year-end 2014	Year-end 2013	Year-end 2012	Year-end 2011
Natural Gas (mmcm)	1.7	2.0	1.2	0.8
Gas Condensate (tons)	79.9	98.0	45.8	19.6
Oil (tons)	24.6	70.7	60.0	13.1

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

	Year 2014	Year 2013	Year 2012	Year 2011
Natural Gas (mmcm)	672	684	343	153
Gas Condensate (ktons*)	28.6	32.1	10.2	3.9
Oil (ktons)	18.8	31.8	10.1	3.3

**thousand tons*





The total production of the natural gas by the Misen Group led JA, from the inception of the JA in its current form in 2011 till the end of 2014, has reached 1,848 mmcm. This volume represents an incremental or additional production for Ukraine and would have not been produced had the project not existed.

Since September 2014, the Company has been reporting monthly on production and sales results. Please follow our press releases for up to date information.

1.4. The Company

Board of directors

The board of directors of the Company and Misen Enterprises AB each comprise the same members.

Dr. Andrius Smaliukas, Chairman of the board of directors, (board member since 2013)

Dr. Smaliukas is a Dispute Resolution Partner at LAWIN, the leading Pan-Baltic law firm. He frequently serves as arbitrator and counsel to numerous international and domestic arbitration proceedings. Dr. Smaliukas also has corporate governance experience including experience serving as a board member and advising the board on corporate governance and legal compliance issues.

Other assignments:

- Member of International Council for Commercial Arbitration (ICCA)
- Member of International Bar Association and Lithuania Bar
- Recommended arbitrator of Vilnius Court of Commercial Arbitration
- Member of Permanent Court of Arbitration, appointed by the Government of the Republic of Lithuania
- Arbitrator at the Permanent Court of Arbitration in the Hague
- Associate professor at the Faculty of Law Vilnius University, reading lectures of Contract law and Property law
- Member of the Committee for Supervision of the Civil Code, appointed by the Minister of Justice of the Republic of Lithuania

Dr. Andrius Smaliukas holds Ph.D and Master of Laws degrees of Vilnius University, LL.M from Queen Mary & Westfield College, London University, executive education of University of Cambridge Judge Business School and Harvard Law School.

Hans Lundgren, board member (since 2011)

Mr. Lundgren is a partner and investment director of the Swedish venture capital fund Sustainable Technologies Fund. In that capacity he serves on the board of Hexaformer AB, a transformer manufacturer.

His previous experience include 12 years with Vattenfall AB in Sweden (EUs 4th largest electricity producer) where he was Vice President of Corporate Strategy and prior to that Deputy Head of Business Area International with responsibility for all overseas investments in Vattenfall AB, which were primarily located in Asia and Latin America.

Prior to these appointments Mr. Lundgren was a management consultant for McKinsey and Co. for 10 years, first in Munich, Germany and then in Stockholm, Sweden.

Other assignments:

- Investment manager with Industor AB, Stockholm, a private equity company
- Undersecretary for planning with responsibility for privatizing Swedish state-owned companies at the Ministry for Industry and Commerce in Stockholm
- Assistant science counsellor at the Swedish Embassy in Bonn, Germany
- Research engineer at ABB in Västerås, Sweden

Hans Lundgren holds a Master of Science in engineering physics at the Royal Institute of Technology in Stockholm and an MBA at the Stockholm School of Economics and Business Administration.

Dimitrios Dimitriadis, board member (since 2011)

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

Other assignments:

- Senior Consultant at Windberg Management Consulting GmbH in Switzerland
- Adviser and representative for Russian, Greek and Bulgarian clients in the energy and construction industry
- CEO Limecom Swiss, a global acting Telecommunication Company
- Chairman of DMP Bacterin, a global acting medical device company

Dimitrios Dimitriadis holds a degree in economics of the University of Zürich and AZEK, Swiss Training Centre for Investment Professionals. His earlier studies contain a pre-degree in human medicine of the University of Zürich as well as a Swiss federal diploma in dental laboratory technology.

Oleg Batyuk, board member (since 2014)

Oleg Batyuk is the Managing Partner of the Dentons (formerly Salans) Kyiv office and the Head of Corporate Practice in Ukraine. In 2011 Oleg was elected and in 2013 re-elected for a two year term to serve as a member of the board of Dentons Europe, the part of Dentons comprising France, Germany, Spain, Turkey, CEE and CIS countries.

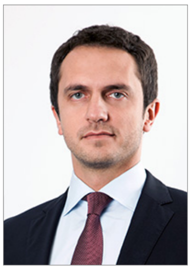
Mr. Batyuk has substantial experience in advising international and domestic clients on foreign investments in Ukraine, joint ventures, loan arrangements, banking regulations and transactions on international capital markets. Mr. Batyuk has advised major international companies and financial institutions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

Other assignments:

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

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

Pavel Prysiazhniuk, board member (since 2014)



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

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

Other assignments:

- Advisor for strategy and investments to several committees of Ukraine Parliament

Pavel Prysiazhniuk holds a Master of Science in electronics at the National Technical University of Ukraine and diplomas from special corporate programs in finance and business administration.

Board committees

The audit committee comprises:

- Dimitrios Dimitriadis as chair
- Pavel Prysiazhniuk as member

The remuneration committee comprises:

- Hans Lundgren as chair
- Andrius Smaliukas as member
- Oleg Batyuk as member

The AGM 2014 appointed the nomination committee, comprising:

- Sergey Probylov as chair
- Andrius Smaliukas as member
- Dimitrios Dimitriadis as member
- Sergiy Petukhov as member

Management

Management of the Parent Company comprises:

Göran Wolff, Managing Director and the Company's CFO

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

Vaiva Burgytė Eriksson, Chief Legal Officer

Ms. Burgytė Eriksson has worked as an attorney-at-law for 13 years, initially with White & Case Advokat AB, both in Stockholm and Moscow, and later with Ashurst Advokatbyrå AB. She specializes in private and public M&A (including private equity), general corporate law and acquisition finance. Ms. Burgytė Eriksson holds LL.M. from the School of Business, Economics and Law at the University of Gothenburg.

Pavel Stolayev, Group Controller, ACCA

Mr. Stolayev is experienced in investment banking and professional consulting. He worked at Ernst&Young LLC Ukraine in Transactions Advisory Services Department as Executive.
Mr. Stolayev holds a diploma with a distinction from Donetsk University of Economics and Law. He has attended training programs at Deloitte Academy, International Business Institute, Kyiv. Mr. Stolayev is member of ACCA since 2011.

Ownership structure

Largest shareholders as of 30 December 2014

Shareholder	Number of shares and votes	Percent of shares and votes
Nellston Holdings Ltd. (CY)	43,001,100	29.64
Norchamo Ltd. (CY)	43,001,100	29.64
Blankbank Investment Ltd. (CY)	28,667,400	19.76
TCT Holding AB (SE)	14,321,682	9.87
Forest Walkway AB (SE)	14,124,596	9.74
Total, largest shareholders	**143,115,878**	**98.65**
Others	1,952,344	1.35
Total	**145,068,222**	**100**

All shares are fully paid up.

The board of directors and managing director of Misen Energy AB (publ), corporate identity number 556526-3968, present the following annual report and consolidated financial statements for the year ended 31 December 2014.

2. Administration report

2.1. General disclosures and definitions

The board of directors and the managing director have, on 2 April 2015, approved this annual report and consolidated financial statements for publication.

About the Company

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 Engelbrektsgatan 32, 411 37 Gothenburg. The Company is listed on the First North List at NASDAQ Stockholm.

The Misen group ("**Misen Group**" or "**Group**") comprises Misen Energy AB (publ) and two wholly owned subsidiaries Misen Enterprises AB and LLC Karpatygaz (Ukraine). Via these two subsidiaries, the Misen Group includes 50.01% interest in the Joint Activity in Ukraine as described below.

The Misen Group also includes the wholly owned subsidiary Capital Oil Resources Sweden AB (Sweden), which is dormant. Consolidated accounts as of 1 July 2011 represent the Misen Group. The structure of the Misen Group remains the same since 1 July 2011.

Business description

Misen Energy AB (publ) as the Parent Company of the Misen Group is a Swedish holding entity for the subsidiaries operating in Ukraine. The Parent Company's focus is to undertake Misen Group wide tasks and, together with its subsidiary Misen Enterprises AB, when required, to ensure finance provision for operations in Ukraine.

Misen Enterprises AB as the wholly owned Swedish subsidiary of the Parent Company is the 50% participant and investor in the Joint Activity ("**JA**") in Ukraine.

LLC Karpatygaz as the wholly owned Ukrainian subsidiary of Misen Enterprises AB is the 0.01% participant in the JA and acts as the operator of the JA.

The Misen Group specializes in an upstream oil and gas business dedicated to the production of hydrocarbons (mainly natural gas, oil and gas condensates) in Ukraine. Business concept of the Misen Group is to develop and significantly increase production in gas and oil fields by implementation of large scale investment programs and introduction of modern western knowhow and technology.

Altogether the Misen Group has a 50.01% participating interest in the JA. The remaining 49.99% of participating 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.

Joint Activity (JA)

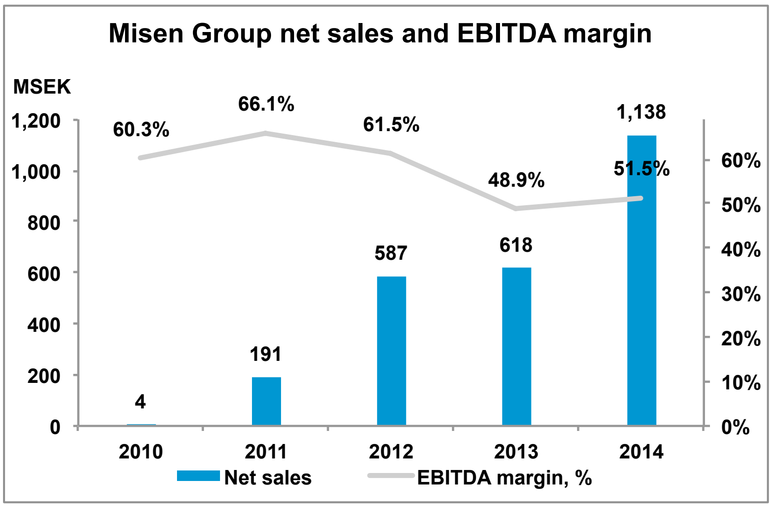
The Company's wholly owned subsidiaries Misen Enterprises AB and LLC Karpatygaz have between them rights to 50.01 % of the net profit after taxes of a large gas and oil production project in Ukraine, the duration of which extends for twenty years starting from 2011. The remaining rights to 49.99% of net profits after taxes belong to PJSC Ukrgasvydobuvannya. The net profit from the gas and oil production project attributable to the parties is calculated based on the production volumes legally assigned to the JA. These volumes are calculated as the difference between a production level should investments be undertaken and a predetermined base line of production that would have been produced had the project not existed (i.e. no further investment had taken place).

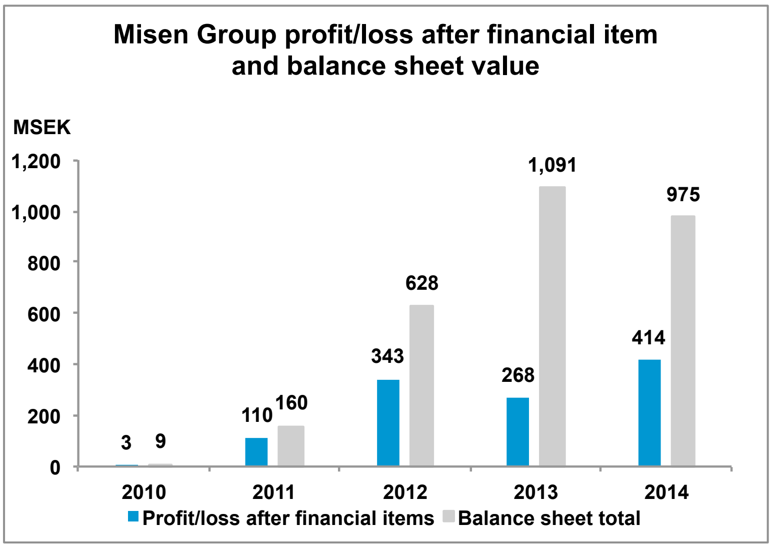
These rights are established in a formal legal binding agreement JAA No.3, without establishing a legal entity, dated 10 June 2002, among the three participants PJSC Ukrgasvydobuvannya, LLC Karpatygaz and Misen Enterprises AB. The essential objective of the JAA No.3 is to increase hydrocarbon production by means of modernising infrastructure and production facilities and the introduction of the modern production technologies.

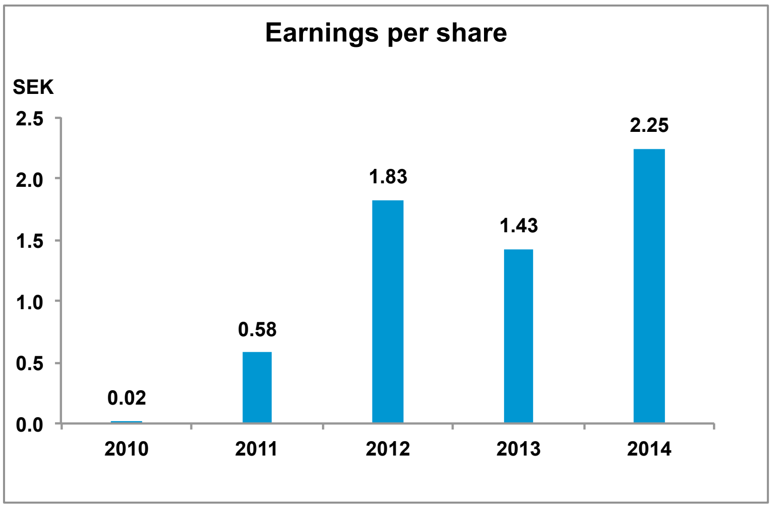
These measures will materially contribute to the energy security and independence of the Ukraine through sustainable growth in production, which is the primary objective of PJSC Ukrgasvydobuvannya.

To provide the management and supervision of the JA, the Management Committee consisting of the authorized representatives of the participants of the JAA No.3 has been established. It is the ultimate governing body of the JA, approving and monitoring implementation of the investment program of the JA. The Misen Group is represented at the Management Committee of the JA by directors of subsidiaries Misen Enterprises AB and LLC Karpatygaz.

2.2. Comparative performance indicators







Summary of the Misen Group's and the Parent Company's financial development, covering five past years.

All in KSEK except as indicated otherwise.

	2014	2013	2012	2011	2010
Misen Group					
Net sales	1,138,001	618,232	586,549	191,113	4,241
EBITDA	586,089	302,373	360,450	126,233	2,556
Profit/loss after financial items	414,085	267,561	342,892	110,482	3,252
Earnings per share, basic*, SEK	2.25	1.43	1.83	0.58	0.02
Earnings per share, diluted*, SEK	2.25	1.43	1.83	0.58	0.02
Return on equity, %	57.1%	38.7%	74.9%	76.0%	48.4%
Return on capital employed, %	69.4%	41.0%	111.6%	88.8%	53.0%
Balance sheet total	975,997	1,090,731	628,145	159,941	8,586
Equity/assets ratio, %	58.6%	49.5%	56.4%	68.3%	71.4%
Proportion of risk-bearing capital %	59.1%	51.0%	56.6%	68.3%	71.4%
Debt/equity ratio, %	37.0%	54.4%	25.1%	0.0%	0.0%
P/E	3.0	7.9	1.9	n.a	n.a
Number of employees	122	86	87	32	-

** Adjusted for reverse split 100:1 in January 2012.*
Information regarding the Group prior to 2010 is not available, as the Group was formed in 2010.

	2014	2013	2012	2011	2010
Parent Company					
Net sales	-	-	9,542	-	481
EBITDA	Neg.	Neg.	Neg.	Neg.	Neg.
Profit/loss after financial items	-26,392	-24,565	-11,062	-5,644	-7,395
Return on equity, %	Neg	Neg.	Neg.	Neg.	Neg.
Return on capital employed, %	Neg	Neg.	Neg.	Neg.	Neg.
Balance sheet total	1,022,482	1,008,053	1,011,091	1,003,063	6,983
Equity/assets ratio, %	91.6%	95.6%	97.7%	99.6%	66.6%
Proportion of risk-bearing capital, %	91.6%	95.6%	97.7%	99.6%	66.6%
Debt/equity ratio, %	7.7%	3.9%	2.0%	0.0%	0.0%
Number of employees	4	4	2	2	2

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

2.3. Significant events during the financial year

Gas balance situation

During 2014 the Misen Group solved the biggest business challenge of the previous year that was related to irregularities with the gas balance. Since early 2013, production of the Misen Group led JA was allowed to be transported into the underground storages, but numerous formal technical issues prevented this gas from being accepted into the transportation grid and making it available to the sales channels and end-users. No sustainable solution was found during 2013, and the JA began the year 2014 with the five months of production involuntarily being kept in the underground storages.

To address the situation, on 13 January 2014 the Company submitted to Ukraine a formal Notice of Investment Dispute under the Agreement between the Government of Ukraine and the Government of the Kingdom of Sweden concerning the Promotion and Reciprocal Protection of Investments ("**BIT**"), as well as under the Energy Charter Treaty. If the problems described in the Notice of Investment Dispute could not be settled within six months, the Company reserved its right to submit the dispute for international arbitration in accordance with the BIT.

Despite the efforts to resolve the situation, the pattern of being excluded from the gas balance continued through Q1 2014 and in February 2014 the JA accumulated an inventory of six months production of natural gas in the underground storage, thus sustaining a negative impact on both the income and the cash flow of the Misen Group.

The breakthrough came in the end of March 2014 when the JA managed to negotiate sales of 128 mmcm of natural gas. This allowed the subsidiary LLC Karpatygaz to initiate a series of payments associated with the JA's debts.

In the following months of Q2 2014, a substantive progress was made in further negotiating re-inclusion of the Misen Group led JA into the gas balance and the JA sold 227.5 mmcm of natural gas during Q2 2014.

Q3 2014 was marked by a major progress leading to a full inclusion of the JA into the gas balance of the on-going monthly production as well as partial access for sales of gas previously accumulated in the underground storages. During Q3 2014 the JA concluded sales of 287.6 mmcm of natural gas and finished the period with inventories of unsold gas reduced to 170.8 mmcm, representing approximately 3 months of production volumes. Sales were carried out at the then-current market prices. To facilitate the sales process, discounts were applied in certain cases.

Finally, after a period of eighteen months of challenges with the gas balance, in Q4 2014 the Company and its subsidiaries were successful in addressing and solving the gas balance situation. The JA experienced no problems with being fully included into the gas balancing process during October, November and December. In addition, the JA negotiated sales of all remaining gas stored in the underground storage facilities since early 2013.

During Q4 2014 the JA sold 301.79 mmcm of natural gas. Sales represent production of Q4 2014 and include remaining volumes of natural gas lifted from the underground storages.

As of the end of Q4 2014, the total remaining amount of gas available for sale constituted 25.9 mmcm and represented the on-going production volume from the month of December 2014.

All gas condensate and oil produced during 2014 was transferred to further processing and subsequent sales.

By assessing the fact that the JA had no issues with the gas balance during the second half of 2014, the management concludes that formally the JA has been included into the gas balance during Q3-Q4 2014. There are no signs for this pattern to change for the upcoming period, hence the situation with being included into the gas balance, when compared to the previous reporting periods, could be valued as positive.

At the same time, by understanding that the gas balancing process in Ukraine is based on monthly cycles of revisions and revaluations, an uncertainty remains as to the stability and continuity of this process. This uncertainty is complicating the planning process and negatively affecting continuation of investment programs. In addition, uncertainty is also affected and closely linked to the country, political, tax, financial and exchange rate risks. For details please refer to the following chapters describing these risks

Please also refer to chapter Essential events after the end of the year 2014.

Amendment No. 6 to the JAA No.3

On 21 February 2014, an Amendment No. 6 to the JAA No.3 was signed. This was preceded by negotiations regarding extension of the subsidiary Misen Enterprises AB obligation to contribute financing to the JA. With the full support and understanding from all related parties, the amendment No.6 provided greater authority to the JA's Management Committee, which in turn agreed on extension of Misen Enterprises AB obligation to contribute funding until 31 December 2014.

In addition, Amendment No. 6 excluded inoperative well stock that fell under the expiring licenses held by PJSC Ukrgasvydobuvannya, thus addressing and mitigating company-related license risks.

The commitment to facilitate additional financing to the JA when required, has been reduced to the original value of KUAH 3,000,000 (approximately KSEK 1,760,000) and is reflected in 2014 reports under contingent liability in the Misen Group's accounts.

The above-mentioned signing of Amendment No. 6, effectively has cancelled the previously signed and announced Amendment No. 6 (in April 2013).

In April 2014, the Company has received all required approvals and confirmations with the Ukrainian State authorities, enforcing de facto and de jure validity of the Amendment No. 6 to the JAA No.3.

Financing of the Swedish operations

In late 2014 the Parent Company signed an extension to the financing agreement with the Dutch financing fund (Stichting Bewaarder Pluribus Optimum Fund or the "**Fund**"). This facility was originally introduced to secure long-term financial requirements for the Parent Company's Swedish operations. Need for extension arose due to the previously suspended JA investment program, which has delayed the project implementation and the ability to finance the Parent Company during 2015 from a potential dividend distributed by the JA. With amended agreement with the Fund, the Parent Company has extended financing of its operations from the borrowed sources expected to last for the period till 30 June 2016.

Within the framework of the amended financing agreement, where the Parent Company has been granted an extended financial facility of up to KEUR 8,850 (corresponding to approximately KSEK 83,900), a tranche of KEUR 2,890 (KSEK 26,538) was drawn during 2014.

The total debt under the financing agreement as of 31 December 2014 constituted KEUR 7,623 (KSEK 72,587). During 2014 the Company experienced delays in getting financing from the Fund and ended the year underfinanced, what raises concerns of financing Company's Swedish operations.

Contribution to the JA

From the total amount of KEUR 2,890 (KSEK 26,538) borrowed from the Fund during 2014, the Company contributed KUSD 920 (KSEK 7,173) as funding to the JA as per the JAA No.3. To further secure Misen Enterprises AB obligation to contribute funding to the JA as per the JAA No.3, the Parent Company has agreed with the Fund to extend agreement with additional loan facility of up to KUSD 12,516 (KSEK 97,581). To facilitate this, the Company has agreed to increase the pledge in shares of subsidiary Misen Enterprises AB from 10% to 25%.

Due to the restructuring of the loan facility provided by the Fund and in order to minimize delays in provision of contribution to the JA, the Fund advised the Company to engage into a short term financing arrangement with an independent third party.

In December 2014 the subsidiary Misen Enterprises AB entered into a KUSD 1,250 (KSEK 9,745) loan agreement with a company Powerful United Ltd ("**PUL**"). The loan has been arranged in cooperation with the Fund and was directed to the JA as part of contribution agreed in the JAA No.3. The loan is considered as an interim solution until the Fund resumes financing under the amended agreements.

With the total amount of KUSD 2,170 (KSEK 16,918) contributed to the JA by the end of 2014, the subsidiary Misen Enterprises AB has formally failed to comply with the original deadline of contributing funds in full amount to the JA, which was set for 31 December 2014 as per the JAA No.3.

Notwithstanding this, the Amendment No.6 to the JAA, which was signed on 21 February 2014, provides for an easier procedure for the parties of the JA to agree on terms of the contribution. As of the end of 2014, the Company has been engaged in discussions with the JA partner PJSC Ukrgasvydobuvannya regarding extension of terms of contribution to the JA. The process of contributing funding to JA was initiated in Q4 2014 and is expected to be finalized during 2015. The Company is concerned with not being able to contribute funds and is working on finding a solution.

Please also refer to chapter Essential events after the end of the year 2014.

Surveillance list and temporary suspension of trade

On 24 January 2014, the Parent Company was transferred to the Surveillance List on the First North NASDAQ OMX Nordic Exchange Stockholm AB. The reasons for assigning the Company an observation status were not primarily related to the on-going financial difficulties, but were rather triggered by concern over the Company's control of its assets and the overall uncertainty related to the turbulent political and economic situation in Ukraine. Under the Swedish stock exchange rules, transfer to the Observation List is a signal to the market/shareholders that the development of the company should be closely monitored.

Due to incorrect and misleading information to investors in articles in the Swedish press in late June 2014, the trade of the Parent Company´s shares on the First North was suspended for four days. After the Company had met with Surveillance and provided information regarding the Misen Group's actual situation, the trade was resumed. The Company issued a clarifying statement on 1 July 2014 that is available on the Company's website.

With the general situation in Ukraine showing signs of stabilization and further information exchange between the Parent Company and the stock exchange, on 17 September 2014, the Parent Company was lifted from the Surveillance List on the First North NASDAQ Nordic Exchange Stockholm AB and the observation status was removed.

Entering into JAA No. 493

In February 2014 the Company's subsidiary LLC Karpatygaz entered as a third participant and operator into the JAA No.493 between LLC Naukovo-vyrobnycha firma Tekhproekt ("**Tekhproekt**") and the PJSC Ukrgasvydobuvannya. JAA No.493 is an already operational project similar to the JAA No.3, but the scale of operations is significantly lower. Strong performance of the management team of LLC Karpatygaz and results achieved during 2011-2013 were the primary reasons for inviting LLC Karpatygaz to join as an operator and participant into JAA No.493.

As per the JAA No.493, participants have agreed to combine their contributions and perform the joint investment and production activities with the objective of stabilization of hydrocarbons extraction on 24 wells located in 10 fields. The works are to include capital repairs wells, preparation and development of programs for increase of efficiency of production layers and productivity of fields, extraction and sale of hydrocarbons.

PJSC Ukrgasvydobuvannya has agreed to contribute rights to extract hydrocarbons through its wells, Tekhproekt and LLC Karpatygaz agreed to contribute financing according to the investment program, and LLC Karpatygaz agreed to act as an operator of the JA under the JAA No.493.

The agreed investment program prescribes the total contribution from Tekhproekt to JA of KUAH 24,600 (KSEK 6,000) till 31 December 2015, out of which up to KUAH 4,920 (KSEK 2,840) shall be invested by LLC Karpatygaz. Proportions for profit distribution are set as follows: PJSC Ukrgasvydobuvannya 50%, Tekhproekt 40%; and LLC Karpatygaz 10%. The agreement is valid till 2024.

Effects of JAA No. 493 to the Misen Group's results are presented in profit and loss statement and balance sheet that follow in later chapters of this report.

Change of the board of directors

On 27 November 2014, following on the previously announced intentions to step down, Mr. Tore I. Sandvold, Chairman of the board of directors of the Company submitted to the board his formal resignation. Mr. Sergiy Petukhov submitted his resignation as well. Both resignations were effective as of 27 November 2014 and the board elected Dr. Andrius Smaliukas as the Chairman of the board of directors to serve until the next annual general meeting of shareholders. Both resigning members also resigned from the remuneration and audit committees respectively.

On 11 December 2014, Mr. Knud Nørve, member of the board of directors submitted to the board his formal resignation. The resignation was effective as of 11 December 2014. Mr. Knud Nørve also resigned from the audit committee.

Country and political risks

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

The Company is greatly concerned with events unfolding in the eastern territories of Ukraine. At present the Parent Company is experiencing a range of negative impacts observed on the Misen Group level as described in this report.

Markivska BCS

The major concern is in regards to the projects developed in the eastern part of Ukraine. All but one project of the JA are located outside these regions. The project in question is Markivska BCS located in the Luhansk region. This is the smallest installation planned by the Company as part of the JA investment program. The projected capacity of Markivska BCS is 0.298 MW, i.e. more than twenty times less than the capacity of successfully operating Yuliyivska BCS.

As of the end of 2014, the JA has invested KUSD 2,062 (KSEK 17,150) (as per historic exchange rates) into the development of Markivska BCS, which constitutes about 75% of all planned works on this project. As of the end of 2014 all works at Markivska BCS have been suspended and all personnel has been removed from the site.

Investment into Markivska BCS has been written-down, decreasing the Misen Group's operating income with KSEK 5,080, what represents 50.01% of the total investment at adjusted exchange rate as per the end of 2014.

Resolutions affecting gas sales process

In late 2014 Ukraine passed two resolutions that had a direct effect on sales process of natural gas in the country. Both resolutions were presented as temporary measures to be effective only for the heating season of 2014-2015.

The first resolution, No.596 "On the procedure of procurement of natural gas by industrial, energy-generating and heat-generating enterprises", was passed by the Cabinet of Ministers of Ukraine on 7 November 2014. The resolution directs that as of 1 December 2014 through 28 February 2015 the major industrial, energy-generating and heat-generating enterprises shall carry out the purchase of natural gas exclusively from NJSC Naftogaz of Ukraine.

The resolution has been seen as controversial and conflicting with a range of existing laws and applicable regulations. It was criticized by the European Energy Community and has been challenged in Ukrainian courts by the local gas producers.

The impact from this resolution was limited to the JA during Q4 2014 the JA due to a historically different construct of sales channels employed by the JA. As a result of earlier encountered challenges with the gas balance, the JA's trade partners constitute mostly companies outside the ones specified in the resolution No.596.

The second resolution passed by the National Security and Defence Council of Ukraine and signed by the President of Ukraine by Order No.876/2014 on 14 November 2014 mandates the Cabinet of Ministers of Ukraine to secure that all domestic production of natural gas is directed to meet the needs of the population, housing and communal services during the heating season 2014-2015.

As it has been described in earlier chapters, the price of gas sold to the population is significantly lower than the commercial market price. The resolution was addressed to the executive branch of the Cabinet of Ministers, which on its part had to present an order for the resolution implementation.

As of the end of 2014 no such order has been issued and the JA has not been affected by this resolution.

Tax risks

Subsoil use charge increase

In August 2014, Ukraine introduced a set of emergency laws addressing the turbulent situation in the country. Part of these laws concerns the need to increase tax collections to the state budget. In particular, the subsoil use charge for production of natural gas in the depth of up to 5,000 meters was raised from 28% to 55%. The Misen Group is producing primarily from these depths.

The subsoil use charge is payable at the time of production and delivery of gas into the gas transportation system. This puts additional financing constrains on the producing companies. The charge increase was defined as temporary and valid till the end of 2014. Nonetheless, in late December 2014, Ukrainian Parliament passed law on amendments to the tax code, where among other items, a gradual quarterly increase of the subsoil use charge during 2015 was introduced for Joint Activities.

The law is effective as of 1 January 2015 whereby the subsoil charge is set at 60%. As of 1 April 2015 the law sets the subsoil charge rate at 65% and as of 1 July 2015 the subsoil use charge is set at 70%.

The Misen Group's year-end result has been affected by these changes as the production of five months of 2014 (August through December) was levied at the increased rate.

This will also have a negative effect on the implementation of the JA investment program during 2015. Provided the increase of the subsoil use charge is not reverted, there will be a negative impact on the Company's 2015 year results and will have a negative effect on the implementation of the JA investment program.

Amendments to the tax code

As of 1 January 2015 Ukraine adopted amendments to the tax code. According to the newly adopted amendments, JAs are not a 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 previous period tax returns (one twelfth of the total amount in return). The tax return will be submitted to tax authorities annually, before June 1. Since the new rules have just come into effect there is no previous period returns submitted by JA participants to tax authorities and, based on this, the first payments made by participants of JAs will be due in May 2016. Starting June 2016 participants will have to make monthly payments based on the results stated in tax return for 2015.

The new tax code however lacks clear description how this will be implemented for the participants who are the foreign tax residents. Ukrainian state and tax authorities will have to prepare a set of rules for the new amendments to the tax code to become operative. Company continues monitoring this and will inform the market, as the new material development will be taking place.

Financial and exchange rate 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 2015 will be handled through extended credits and, if necessary, adjustments in the investment program (please see chapters above).

Due to the political instability in Ukraine the rate for UAH towards SEK has decreased by 37.2% during January - December 2014. Since the Misen Group's operations and net assets are almost entirely located in Ukraine this has caused a negative effect on the Group's equity, decreasing it by KSEK -293,834.

Effect from the currency depreciation on the Group's cash flow and income is mostly related to delayed payments that provide for time windows for the negative exchange rate fluctuation. The sales prices of traded products are linked to the import prices in USD (natural gas prices are linked to the import prices of gas from OJSC Gazprom and EU) and the prices for oil and gas condensate are linked to the crude oil prices traded on recognized international exchanges. With the recently adopted resolutions, subsoil use charges are making the largest share of the Misen Group expenses, which are also directly linked to the gas and oil prices in USD. As for the rest of the costs, they are likely to increase in line with the prices in USD, due to the common practice in Ukraine to tie major costs to the hard currencies like USD and EUR, hence currency fluctuations should be offset to a certain degree. The Parent Company is concerned with the situation and continues monitoring the situation.

License risks

During 2014 the Misen Group has concluded the previously announced investigation regarding measures required to secure extension of the licenses expiring in 2018.

At present all licenses subject to the JAA No.3 are valid.

All licenses subject to JAA No.3 have been issued to the JA participant PJSC Ukrgasvydobuvannya, who made it available to the JA. According to the JAA No.3, it is the direct responsibility of PJSC Ukrgasvydobuvannya to observe timely extension of expiring licenses and the Misen Group trusts that PJSC Ukrgasvydobuvannya will put maximum effort to secure this process. Under the current legislation and accepted practice in Ukraine, the process of extension of licenses that were properly complied with (not breached) is considered to be standardized and not requiring any additional extraordinary attention from the Company. In addition, in accordance with the JAA No.3, the Parent Company preserves its right to claim compensation for all damages related to non-performance of the JA partner PJSC Ukrgasvydobuvannya, including failure to secure timely extension of applicable licenses.

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 led JA meets the environmental requirements in order to maintain existing licenses.

Expected future development of the Company

Challenges with the gas balance during 2013-2014 have led to a temporary suspension of the investment program during 2014, which resulted in a stagnant and even decreasing production growth during the year. With the gas balance situation being resolved, the operations of the JA are expected to develop in a positive way during 2015.

Sales of accumulated gas in the underground storages had a positive impact on the Group's income and cash flow during the second half of 2014, providing grounds for continued investment program in the 2015.

This however, might be offset by the increase in subsoil charges that could hamper production growth and give a negative effect to the Misen Group's results.

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

2.4. Essential events after end of the year 2014

Gas balance

The Misen Group led JA has continued operating without any issues with the gas balancing process in the beginning of 2015. All of the natural gas produced in January and February 2015 has been sold and inventories by the end of February 2015 constituted 18.5 mmcm, which is the lowest volume since early 2013 when the JA started facing challenges with the gas balance.

Ukrainian courts cancel resolution limiting sales of natural gas

In February 2015 Ukrainian local courts cancelled the previously adopted resolution enforcing purchase of natural gas exclusively via NJSC Naftogaz of Ukraine. This decision, however, was further questioned by the Ukrainian state at the court of appeal and the Company identifies this as a formal action by the Ukrainian state. The above mentioned resolution was introduced as a temporary measure till 28 February 2015. No formal extension has been announced. The Company concludes that market conditions could be seen as favourable to facilitate further sales, although certain risks remain in regards to volumes sold during February 2015.

Increased pledge in subsidiary shares

Due to the market price of the Parent Company shares staying below certain benchmarks agreed with the Fund, as of mid-February 2015 the Company has pledged additional 25% of shares in subsidiary Misen Enterprises AB in favour of the Fund, making the total pledge at 50%.

Financing of the Company’s Swedish operations

Due to the restructuring of the loan facility provided by the Fund and in order to avoid possible delays in provision of financing to the Company’s Swedish operations, the scope of short term financing arrangement with the PUL has been expanded and agreement has been extended till mid-2015.

In January 2015 the subsidiary Misen Enterprises AB received a KSEK 2,000 tranche that was directed towards financing of the Company’s Swedish operations.

In February 2015 the subsidiary Misen Enterprises AB received a tranche of KEUR 425 (KSEK 3,888), where of KEUR 200 (KSEK 1,829) was directed towards financing of the Company’s Swedish operations and KUSD 250 (KSEK 2,178) was contributed to the JA as per the JAA No.3.

The extended loan is considered as an interim solution until the Fund resumes financing under the amended agreements.

In March 2015 the Company submitted a notice of breach to the Fund, requesting the Fund to comply with the terms of the loan agreements and execute payments that are due.

For more detailed description, please refer to chapter "Financing of the Swedish operations" and chapter "Contribution to the JA".

Currency depreciation

Due to continued financial instability in Ukraine, during Q1 2015 Ukrainian currency has continued its depreciation and as a result decreased in its value in relation to SEK by 27%. The effect on Misen Group's operations and net assets is similar to the described above.

2.5. Results - the Misen Group and the Company

For the whole year 2014 operating profit of the Misen Group was KSEK 550,418 (KSEK 277,122) and the Misen Group result after financial items for the year was KSEK 414,085 to be compared to KSEK 267,561 in 2013. The higher result is due to the fact that inventory kept in storage in the beginning of the year has been successfully disposed of during 2014. The gas production during 2014 was on the same level as in 2013.

The main activity of the JA is the extraction and sale of natural gas in the Ukraine. During 2014, the JA has put additional wells into production.

During 2014, the gas production within the JA totalled 672 mmcm (684 mmcm in 2013), generating a turnover of KSEK 2,275,444 (KSEK 1,236,000) of which 50.01 % is attributable to the Misen Group´s interest in the JA.

Due to the governmental regulations, a half-month's of the JA production of natural gas was kept in storage as of the end of 2014.

The Parent Company's loss after the financial items for the year of 2014 was KSEK -26,392 to be compared to KSEK -24,565 during last year.

During 2014, the Misen Group revenue was KSEK 1,160,427 (KSEK 623,575) while the Parent Company revenue in the same period amounted to KSEK 120 (KSEK 2,730).

The margin in the JA has been suffering from the dropping market prices on natural gas, higher subsoil charges levied by the Ukrainian State as well as increased sales of gas condensate and oil, which have lower profitability compared to natural gas. To facilitate the sales process during 2014, discounts corresponding to prevailing market conditions were applied in certain instances that also affected margins.

Cash position

As of 31 December 2014, the cash balance of the Misen Group was KSEK 80,976 (KSEK 949). The cash flow from the operations after changes in the working capital was KSEK 392,306 (KSEK 234,133).

Capital expenditure

The Misen Group's capital expenditure on equipment for gas production in Ukraine related to the JA activity in 2014 amounted to KSEK 209,031 (KSEK 370,668).

During the accounting year, capital expenditure orders not yet delivered have been placed at an aggregate value of KSEK 31,106 (KSEK 633,447). The capital expenditures are equipment, constructions and constructions in progress for production of natural gas. The activities are capital intensive and the level of capital expenditures will be continuing on a high level.

2.6. Proposed appropriation of profits

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

Retained earnings and share premium reserve	672,899,983
Net loss for the year	-26,391,822
	646,508,161

The board of directors proposes that profits brought forward be appropriated as follows:

To be carried forward	646,508,161
	646,508,161

For information regarding the result of the Company's operations and its financial position, please refer to the income statement and balance sheet below, with accompanying supplementary information, which together with the administration report, constitute an integral part of this annual report.

3. Financials

3.1. Financials – the Misen Group

All amounts are reported in KSEK, unless stated otherwise.

Consolidated Income Statement	**Note**	**2014**	**2013**
Net Sales	1, 2	1,138,001	618,332
Other operating income	3	22,426	5,243
Share from associated companies	4	2,826	-
		1,163,253	623,575
Operating expenses			
Other external expenses	5, 6	-527,918	-283,746
Personnel costs	7, 8	-16,331	-16,536
Depreciation, amortization and write-downs of tangible and intangible fixed assets	9	-35,671	-25,251
Other operating expenses	10	-32,915	-20,920
Total operating expenses		-612,835	-346,453
Operating profit		550,418	277,122
Profit/loss from financial items			
Other interest income and similar profit/loss items	11	2,654	341
Interest expenses and similar profit/loss items	12	-138,987	-9,902
Total profit/loss from financial items		-136,333	-9,561
Profit/loss after financial items		414,085	267,561
Tax on profit for the year	13	-87,342	-59,094
Net profit/loss for the year attributable to the shareholders of the Parent Company		326,743	208,467
Statement of Comprehensive Income – Group			
Items that may be subsequently reclassified to profit or loss			
Translation differences		-293,834	-23,695
Total comprehensive income for the year attributable to the shareholders of the Parent Company		32,909	184,772

Earnings per share before and after dilution calculated on profit attributable to the shareholders of the Parent Company during the year amounted to SEK 2.25/share (2013: 1.43/share).

The average number of shares for the year amounted to 145,068,222 (2012: 145,068,222).

Consolidated balance sheet	Note	31 Dec. 2014	31 Dec. 2013
Assets			
Fixed assets	2		
Intangible fixed assets			
Rights and licenses	14	35,115	37,684
		35,115	37,684
Tangible fixed assets			
Equipment, tools, fixtures and fittings	15	168,551	226,352
Construction in progress and advance payments regarding tangible fixed assets	16	520,183	640,620
		688,734	866,972
Financial fixed assets			
Participations in associated companies	4	2,383	-
Total fixed assets		726,232	904,656
Current assets			
Inventories etc.	17		
Spare parts		382	459
Oil products and natural gas		30,643	142,314
		31,025	142,773
Current receivables			
Accounts receivable - trade	18, 19	100,633	4,999
Other receivables	20	17,932	37,117
Advance payments to suppliers		18,119	-
Prepaid expenses	21	1,080	237
		137,764	42,353
Liquid funds	18	80,976	949
Total current assets		249,765	186,075
TOTAL ASSETS		975,997	1,090,731

Equity and liabilities

Equity

Share capital	22	290,136	290,136
Other contributed equity		-274,435	-274,435
other reserves		-330,616	-36,782
Profit/loss brought forward		887,094	560,351
Total equity		572,179	539,270
Long-term liabilities			
Long-term borrowings	23	77,920	37,502
Liabilities attributable to financial leases	23, 24	7,212	-
Deferred tax liability		4,327	17,011
Other liabilities		20,018	2,468
Total long-term liabilities		109,477	56,981
Current liabilities			
Short-term borrowings	23	103,532	208,550
Liabilities attributable to financial leases	23, 24	23,244	47,444
Accounts payable - trade		26,204	118,034
Current Income tax liability		50,442	-
Other current liabilities		42,075	37,733
Other liabilities		43,845	74,261
Accrued expenses and deferred income	25	4,999	8,458
Total current liabilities		294,341	494,480
TOTAL EQUITY AND LIABILITIES		975,997	1,090,731
Pledged assets	26	519,735	613,592
Contingent liabilities	27, 28	1,643,324	4,114,931

Changes in equity for the Group

	Share equity	Other Contributed equity	Other reserves	Profit/loss brought forward	Total equity
Opening equity 1 January 2013	**290,136**	**-274,435**	**-13,087**	**351,884**	**354,498**
Total comprehensive income					
Net income for the year	-	-	-	208,467	208,467
Other comprehensive income					
Translation differences	-	-	-23,695	-	-23,695
Total comprehensive income	**0**	**0**	**-23,695**	**208,467**	**184,772**
Closing equity 31 Dec. 2013	**290,136**	**-274,435**	**-36,782**	**560,351**	**539,270**
Total comprehensive income					
Net income for the year	-	-	-	326,743	326,743
Other comprehensive income					
Translation differences	-	-	-293,834	-	-293,834
Total Comprehensive income	**0**	**0**	**-293,834**	**326,743**	**32,909**
Closing equity 31 Dec. 2014	**290,136**	**-274,435**	**-330,616**	**887,094**	**572,179**

Cash flow statement for the Group	Note	2014	2013
Current operations			
Operating income before financial items		550,418	277,122
Adjustment for items not included in the cash flow	29	51,641	19,057
Interest received		2,654	341
Interest paid		-21,857	-678
Income tax paid		-24,585	-78,433
		558,271	217,409
Cash flow from changes in working capital			
Increase/decrease Inventories		61,805	-137,671
Increase/decrease Other current receivables		-156,267	-884
Increase/decrease Other current liabilities		-71,503	155,279
Cash flow from current operations		392,306	234,133
Investing activities			
Investments in intangible fixed assets		-1,027	-
Investments in tangible fixed assets*		-208,004	-370,668
Tangible fixed assets sold		2,677	48,812
Investments in Joint Activity		-4,040	-
Cash flow from investing activities		-210,394	-321,856
Financing activities			
Loans taken		42,364	140,765
Amortization of loan		-130,409	-64,800
Cash flow from financing activities		-88,045	75,965
Cash flow for the year		93,867	-11,758
Liquid funds at the beginning of the year		949	13,325
Exchange rate differences in liquid funds		-13,840	-618
Liquid funds at year-end		80,976	949

*Investments in tangible fixed assets that have not impacted cash flow have not been made during 2014 (2013 61 061 SEK in thousands).

3.2. Financials – the Company

All amounts are reported in KSEK, unless stated otherwise.

Income Statement for the Parent Company	**Note**	**2014**	**2013**
Other operating income	1, 3	120	2,730
Operating Expenses			
Other external expenses	5, 6	-14,864	-21,746
Personnel costs	7, 8	-5,083	-2,889
Total operating expenses		-19,947	-24,635
Operating income		-19,827	-21,905
Income from financial items			
Other interest income and similar profit/loss items	11	1	337
Interest expenses and similar profit/loss items	12	-6,566	-2,998
Total from financial items		-6,565	-2,661
Loss after financial items		-26,392	-24,566
This year's loss		-26,392	-24,566

Statement of Comprehensive Income - Parent Company		
Net income for the year	-26,392	-24 565
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-26,392	-24,565

Balance sheet for the parent company	Note	31 Dec. 2014	31 Dec. 2013
Assets			
Fixed assets			
Financial fixed assets			
Participations in Group companies	30	1,018,323	1,001,799
Total fixed assets		1,018,323	1,001,799
Current assets			
Current receivables			
Receivables from Group companies		3,280	4,745
Other current receivables	20	190	803
Prepaid expenses	21	331	227
		3,801	5,775
Cash and bank		358	479
Total current assets		4,159	6,254
Total assets		1,022,482	1,008,053

Equity and liabilities

Equity

	Note		
Restricted equity			
Share capital	22	290,136	290,136
Statutory reserve		345	345
		290,481	290,481
Non-restricted equity			
Share premium reserve		714,285	714,285
Profit/loss brought forward		-41,384	-16,819
Net loss for the year		-26,392	-24,565
		646,509	672,901
Total equity		936,990	963,382
Long-term liabilities			
Other liabilities to credit institutions	23	72,587	37,502
Liabilities to Group companies	23	92	93
Total long-term liabilities		72,679	37,595
Current liabilities			
Accounts payable - trade		1,671	3,568
Liabilities to Group companies	23	7,238	-
Other current liabilities		257	333
Accrued expenses and deferred income	25	3,647	3,175
Total current liabilities		12,813	7,076
Total equity and liabilities		1,022,482	1,008,053
Pledged assets	26	254,709	153
Contingent liabilities	27	39	39

Changes in equity for the Parent Company

	Share equity	Statutory reserve	Share premium reserve	Profit/loss brought forward	Total equity
Opening equity 1 January 2013	**290,136**	**345**	**714,285**	**-16,818**	**987,948**
Total comprehensive income					
Net income for the year	-	-	-	-24,565	-24,565
Total comprehensive income	**0**	**0**	**0**	**-24,565**	**-24,565**
Closing equity 31 December 2013	**290,136**	**345**	**714,285**	**-41,383**	**963,383**
Opening equity 1 January 2014	**290,136**	**345**	**714,285**	**-41,383**	**963,383**
Total comprehensive income					
Net income for the year	-	-	-	-26,392	-26,392
Total comprehensive income	**0**	**0**	**0**	**-26,392**	**-26,392**
Closing equity 31 December 2014	**290,136**	**345**	**714,285**	**-67,775**	**936,991**

Cash flow statement for the Parent Company	2014	2013
Current operations		
Operating income before financial items	-19,827	-21,905
Interest received	1	2
	-19,826	-21,903
Increase/decrease Other current receivables	1,974	-4,661
Increase/decrease Accounts payable - trade	-1,897	2,488
Increase/decrease Other current liabilities	-277	-300
Cash flow from current operations	-20,026	-24,376
Investing activities		
Shareholders' contribution - paid	-8,572	-
Cash flow from investing activities	-8,572	0
Financing activities		
Increase in long-term liabilities	28,478	16,343
Cash flow from financing activities	28,478	16,343
Cash flow for the year	-120	-8,033
Liquid funds at the beginning of the year	479	8,512
Liquid funds at year-end	359	479

4. Supplementary information

General disclosures

General information

The Group’s operations involve exploration for and extraction of hydrocarbons, with the focus on continued oil and gas production in Ukraine.

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

Misen Energy AB's business focus is to undertake Group-wide tasks and, together with its subsidiary Misen Enterprises AB, provide funding for operations in Ukraine.

The Board of Directors and the Managing Director have, on 2 April 2015, approved this annual report and consolidated financial statements for publication.

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

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

Basis of preparation of the consolidated financial statements
The consolidated financial statements for the Misen Energy AB Group have been prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary Accounting for Groups, and International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statements have been prepared using the cost method.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in applying the Group's accounting principles. Areas involving a high level of judgment, which are complex, or areas where assumptions and estimates are of substantial significance to the consolidated financial statements are commented on, where applicable, in the notes.

Group concepts
The Annual General Meeting on 30 June 2011 approved the Board's proposal to acquire all shares in Misen Enterprises AB. This acquisition was made as of 1 July 2011. Payment was made through the issue of new shares in what was then Svenska Capital Oil AB, now Misen Energy AB, for the entire purchase price, which amounted to KSEK 999,999. Through this transaction, the five previous owners of Misen Enterprises AB became the dominant shareholders in Svenska Capital Oil AB, with a total shareholding of 98.8 % of all shares. In this manner, the IFRS rules for reverse acquisitions are applied.

The Misen Enterprises Group, which is included in the consolidated financial statements, consists of Misen Enterprises AB, its wholly-owned Ukrainian subsidiary LLC Karpatygaz and 50.01 % of the partner-owned, Joint Activity, which Misen and Karpatygaz operate jointly with the Ukrainian state-owned gas company Ukrgazvydubovannya.

New and amended standards applied by the Group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2014:

- IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. See note 43 for the impact on the financial statements.
- IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. See note 43 for the impact of adoption on the financial statements.
- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

There are no other IFRSs or IFRIC interpretations that are effective from 1 January 2014 that have a material impact on the Group's financial reports.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15.
-

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

Consolidated financial statements

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

The acquisition method is used to report the Group's business combinations. The purchase price for the acquisition of a subsidiary comprises the fair value of assets and liabilities that the Group transfers to former owners of the acquired company and the shares issued by the Group. The purchase price also includes the fair value of all assets and liabilities resulting from an agreement on contingent consideration. Identifiable assets acquired and liabilities assumed at a business combination, are measured initially at their fair values at the acquisition date. For each acquisition – i.e. on a case-by-case basis – the Group determines whether non-controlling interest in the acquired company is reported at fair value or at the proportionate share of the reported value of the acquired company's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any intra-Group transactions, balance sheet items, income and expenses on transactions between Group companies are eliminated. Gains and losses resulting from intra-Group transactions and reported as assets are also eliminated. Accounting standards of subsidiaries have been changed, where necessary, to ensure a consistent application of the Group's standards.

Joint operations / Joint ventures
The group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group's interests in jointly controlled entities are recognised by proportionate consolidation.
The Group combines its share of income and expenses, assets and liabilities and cash flows of the joint venture, with the corresponding items in its own consolidated financial statements. The Group recognises the portion of gains or losses from its sale of assets to a joint venture which corresponds to the other participants' ownership share. The Group does not recognise any share of profits or losses in a joint venture which result from the Group's purchase of assets from the joint venture until the assets are sold on to an independent party. Nevertheless, if a transaction involves a loss, it is recognised immediately, provided that the loss is incurred due to overvaluation of an asset.
As the Group has assessed its participation in the JAA as a joint operation there will be no transition effect by implementing IFRS 11, as the participation was already accounted for by proportionate consolidation.

Associates
Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.
The group's share of post-acquisition profit or loss is recognised in the income statement, and its

share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the income statement.
Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Segment reporting
An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments.

Geographical segments provide products or services within a particular economic environment that are subject to risks and returns that are different from other economic environments. The Group's operations are confined in its entirety to Ukraine and focused on the production of natural gas.

The chief operating decision-maker is the function responsible for allocating resources and assessing the performance of operating segments. In the Group, this function has been identified as the Board of Directors and Group Management. The Board of Directors and Group Management do not monitor the business in any other dimension than the legal, for which reason reporting of a particular segment is not established. Operating segments are thus reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Translation of foreign currencies

(a) Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are estimated using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Swedish Crowns (SEK), which is the Parent Company's functional and presentation currency.

(b) Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.
Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within Other operationg income/expenses.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

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

Currency	**Income statement**	**Balance sheet**
EUR	9.0961	9.4804
UAH	0.5573	0.4844
USD	6.8587	7.7965

Tangible fixed assets

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

Subsequent costs are added to the asset's reported value or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will flow to the Group and that the cost of the asset can be measured reliably. All other forms of repairs and maintenance are expensed in the income statement in the period in which they arise. The assets' residual values and useful lives are reviewed at each reporting date and adjusted if necessary. An asset's reported value is written down immediately to its recoverable amount if the asset's reported value exceeds its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds of the sale with the reported value and are recognised in the income statement.

Depreciations have been made as follows:

- Equipment, tools, fixtures and fittings	10-50 %
- Capitalised development expenditure	9 %

Constructions in progress also include advance payments. No depreciation is made for constructions in progress. Depreciation is recognised when the facility is completed and taken into use.

Assets for oil and gas exploration

Expenditure on exploration and the evaluation of oil and natural gas are accounted for using a method based on successful exploration and evaluation ("successful efforts method"). Costs are accumulated separately for each field. Geological and geophysical costs are expensed as incurred. Costs directly attributable to an oil well borehole, the cost of exploration and acquisition of concessions, licenses, etc., are capitalised until the value of the reserves has been established. If it is found that no commercial opportunities exist, the costs are expensed in the income statement.

Capitalisation occurs for tangible fixed assets, such as Equipment, tools, fixtures and fittings.

When exploitable sources are discovered, exploration and evaluation assets are assessed with respect to any potential need for write-downs and are reclassified as tangible and intangible development assets. No depreciation or amortisation is recognised during the exploration and evaluation phase.

Tangible fixed assets
Expenditures for the construction, installation or completion of infrastructure equipment such as platforms, pipelines and the expansion of commercially proven development wells are capitalised as tangible and intangible assets, depending on the nature of the asset. When the expansion of a certain field is completed, the item is reclassified to production assets or intangible assets. No depreciation is recognised during the exploration and evaluation phase.

Assets for oil and gas production
Oil and gas production assets are the aggregation of property exploration and evaluation assets, and development costs attributable to the production of commercially proven reserves.

Depreciation
Depreciation of reported wells has been made on a straight-line basis based on the asset's useful life.

Write-downs of exploration and evaluation assets and constructions in progress
Exploration and evaluation assets are tested for write-down requirements when the assets are reclassified to tangible fixed assets or when facts or circumstances suggest that a write-down requirement may exist. Write-downs are recognized in the amount by which the exploration and evaluation asset’s reported value exceeds its recoverable amount. The recoverable amount is the higher of the exploration and evaluation asset’s fair value less costs to sell and value in use. For the purpose of assessing write-down requirements, the exploration and evaluation assets are grouped to existing cash-generating units in production fields located in the corresponding geographic region.

Write-downs of commercially proven oil and gas properties
Commercially proven oil and gas properties are tested for write-down requirements whenever events or changes in various circumstances indicate that the reported value may not be recoverable. Write-downs are recognized in the amount by which the asset’s reported value exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purpose of assessing write-down requirements, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Intangible assets
Intangible assets are recognised at acquisition cost less accumulated amortisation.
Intangible assets relate entirely to extraction licenses and technical documentation. The intangible assets are amortized on a straight-line basis over the JAA (“Joint Activity Agreement”) contract’s duration, which expires in 2031, as it is anticipated that it will be possible to extend licenses with expiry dates prior to 2031.
- Annual amortisation of 8 %

Financial assets
The Group classifies its financial assets in the following categories: financial assets measured at fair value through profit or loss, loans and receivables, and financial assets available for sale. Classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. Currently, the Group only has financial assets in the category Loans and receivables.

Loans and receivables
Loans and receivables are financial assets that are not derivatives, that have fixed or determinable payments and that are not quoted in an active market. They are included in current assets, with the exception of assets with maturities greater than 12 months after the reporting date, which are instead classified as fixed assets. The Group's loans and receivables comprise accounts receivable and cash and cash equivalents in the balance sheet.

Accounts receivable
Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any reserves for write-downs. A reserve for write-downs of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Significant financial difficulties on the part of the debtor, probability that the debtor will enter bankruptcy or financial restructuring, and default or delinquency in payments are considered indicators that the need for a write-down of accounts receivable may be present. Reserves are measured as the difference between the asset's reported value and the present value of estimated future cash flows, discounted at the effective interest rate. The asset's reported value is reduced through the use of a depreciation account and the loss is recognised in the income statement. When receivables cannot be collected, these are written off against the depreciation account for accounts receivable. Subsequent recoveries of amounts previously written off are credited to the income statement.

Cash and cash equivalents
Cash and cash equivalents include cash, bank deposits and other short-term investments with maturities of three months or less.

Financial liabilities

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently recognised at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the borrowing period using the effective interest method.

Fees paid for loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be utilised. In such cases, the fee is incurred when the facility is utilised. When there is no evidence that it is probable that some or all of the facility will be utilised, the fee is recognised as a pre-payment for financial services and amortised over the maturity of the loan facility.

Bank overdrafts are reported as borrowings under Current Liabilities in the balance sheet.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Accounts payable
Accounts payable are commitments to pay for goods or services which have been purchased from the supplier in the course of the day-to-day operations. Accounts payable are classified as current liabilities if they mature within one year (or during the normal business cycle if this is shorter). If this is not the case, they are reported as non-current liabilities. Accounts payable are initially recognised at fair value and subsequently measured at amortised cost by applying the effective interest method.

Borrowing expenses
General and specific borrowing expenses which are directly attributable to the purchase, establishment or production of qualified assets, that is, assets which necessarily require a considerable amount of time to prepare for their intended purpose or sale, are recognised as a portion of their acquisition cost. Capitalisation ceases when all activities required to prepare the asset for its intended use or sale have largely been completed. The Group has capitalised interest expenses for new constructions in progress regarding tangible fixed assets.

Financial income which has accrued when special borrowed capital has been temporarily invested while waiting to be utilised to finance assets, reduces the borrowing expenses which can be capitalised. All other borrowing expenses are written off as they arise.

Write-downs
Assets which are depreciated or amortised are assessed with regard to reductions in value at such time as events or changes in circumstances indicate that the reported value may not be recoverable. Write-downs are undertaken in the amount with which the asset's reported value exceeds its recoverable value. The recoverable value is the higher of an asset's fair value less selling expenses and the value in use. When assessing write-down requirements, assets are grouped at the lowest level at which there are separate identifiable cash flows (cash-generating units). Assets other than financial assets and goodwill, which have previously been written down, are tested at each balance date to see if a cancellation should be made.

Inventories
Inventories are valued at the lower of acquisition cost and net realisable value, whereby the FIFO principle is applied. The net realisable value has been calculated as the selling price after deductions for estimated selling expenses.

Share capital
Transaction costs which can be directly attributed to the issue of new shares or options are recognised in equity, net after tax, as a deduction from the proceeds of the issue.

Leasing
Leases in which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made during the lease term (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease period.

The Group leases certain tangible fixed assets. Lease agreements of fixed assets where the Group essentially takes all the risks and benefits associated with ownership are classified as financial leases.

When the lease period commences, financial leases are capitalised in the balance sheet at whichever is the lower of the leased asset's fair value and the present value of the minimum lease payments.

Each lease payment is allocated among the repayment of debt and financial charges. The corresponding payment obligations, net of finance charges, are included in the balance sheet items Long-term borrowings and Short-term borrowings. The interest portion of the financial expenses is reported in the income statement over the lease period so that each accounting period is charged with an amount corresponding to a fixed interest rate for the respective period's reported liability.
Fixed assets held under financial leasing agreements are impaired over the shorter period of the asset's useful life and the lease term.

Current and deferred income tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except when the tax relates to items recognised in other comprehensive income or directly in equity. In such cases, tax is also recognised in other comprehensive income or equity.

The current tax expense is calculated on the basis of the tax regulations that at balance sheet date have been enacted or substantively enacted in countries where the Parent Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. When deemed appropriate, Management makes provisions for amounts expected to be paid to the tax authorities.

Deferred tax is recognised, in accordance with the balance sheet method, on all temporary differences arising between the fiscal value of assets and liabilities and their reported values in the consolidated financial statements. Deferred tax is not recognised if it arises from the initial recognition of goodwill. Nor is deferred tax recognised if it arises as a result of a transaction that constitutes the initial recognition of an asset or liability in a business combination that, at the time of the transaction, affects neither the accounting or fiscal results. Deferred income tax is calculated using tax rates (and legislation) that have been determined or advised by the balance sheet date and which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is calculated on temporary differences arising on participations in subsidiaries, except for deferred tax liabilities when the date of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse within the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority and relate to either the same taxable entity or different taxable entities where there is an intention to settle balances by net payments.

Remuneration to employees

Pension obligations
For defined contribution pension plans, the Group pays contributions to publicly or privately

administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as personnel costs when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments may accrue to the Group.

Provisions
Provisions for environmental restoration measures, restructuring costs and legal claims are recognised when the Group has a legal or informal obligation as a result of prior events and it is probable that an outflow of resources will be required in order to settle the obligation so that this does not take place and the amount has been calculated in a reliable manner. Provisions for restructuring include costs for lease terminations and severance pay. Provisions are not recognised for future operating losses. If there are a number of similar obligations, the likelihood that an outflow of resources will be required in the regulation of the entire group of commitments is assessed. A provision is recognised even if the likelihood of an outflow with respect to any one item in this group of obligations is minimal. No such provisions have been recognised within the Group.

Revenue recognition
Revenue comprises the fair value of goods and services sold, net of VAT and discounts, and after elimination of internal Group sales. Revenues in the Parent Company relate to sales of PPE. The revenue from the Company’s sale of goods is recognised as income when the significant risks and rewards of ownership of the goods passes to the buyer.

The Group reports revenue when the amount can be measured in a reliable manner, it is probable that future economic benefits will flow to the Company and specific criteria have been met for each of the Group's operations.

Within the JA there are, on occasion, exchanges of gas products with other companies, partly in order to, reduce transportation costs. Such an exchange may mean that the company replaces gas in pipes with gas in storage and vice versa. This exchange can lead to gross invoicing taking place from both parties, but it is not recognised as income or expense in the financial statements.

Parent Company accounting principles
The Parent Company has prepared its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Financial Reporting Council’s recommendation RFR 2 Accounting for Legal Entities. RFR 2 states that the parent company, in the annual report for the legal entity, shall apply all EU-approved IFRS as far as possible within the framework of the Swedish Annual Accounts Act, taking into account the relationship between accounting and taxation. The recommendation states which exceptions and additions to be made from IFRS.

Financial instruments
Financial instruments are recognised in the Parent Company in accordance with IAS 39, Financial Instruments.

Participations in subsidiaries
Participations in subsidiaries are accounted for using the cost method. The cost includes acquisition-related costs and any additional purchase price. When there is an indication that a participation in a subsidiary has decreased in value, an estimate of the recoverable amount is made. If this is lower than the reported value, the participation is written down to this lower value.

Taxes
The Parent Company reports untaxed reserves including deferred tax where applicable. In the consolidated financial statements, however, untaxed reserves are divided between deferred tax liabilities and equity.

Group contributions
Group contributions are accounted for in the income statement as an appropriation.

Calculation of fair value
Nominal value, less any estimated credit entries for accounts receivable and accounts payable are assumed to correspond to the fair value.

Significant estimates and assumptions for accounting purposes
Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The accounting estimates that result from these, by definition, seldom correspond to the actual results. The estimates and assumptions that imply a significant risk of material adjustments in the carrying values of assets and liabilities within the next financial year are outlined below.

Useful lives of property, plant and equipment.
The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage based on production and reserve estimates, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2014 would be to increase it by KSEK 3,399 or decrease it by KSEK 2,781 (in 2013 increase by KSEK 2,806 or decrease by KSEK 2,296).

Accounting for joint arrangements and associated companies
The Group holds a 50,01% share in the joint operation according to the Joint Activity Agreement (JAA). The Group has joint control of the JAA as it, according to the agreement, requires consent from all parties for all relevant activities.
The Group's JAA is structured without incorporation and has been assessed by the Group as a joint operation, which means that the Group's share of the joint operation's assets and liabilities are accounted for by 50,01% in the consolidated financial statements by using proportional consolidation.

The Group has also a 10% share in the joint operation according to Joint Activity Agreement #493 (JAA #493). The Group's joint operation, JAA #493, is structured without incorporation. The Group has assessed that it has significant influence in the joint operation even if the share is below 20%. This joint operation is therefore accounted for as an associated company in the Group's consolidated financial statements.

Business risks

Oil and natural gas prices

The Misen Group's revenues and profitability is dependent on the prevailing price of oil and natural gas, which are macro factors beyond the control of the Misen Group. There are numerous such factors, including market fluctuations, proximity to and capacity in oil and natural gas pipelines, as well as decisions taken by public authorities. In the case of Ukraine, prices for oil and natural gas are also affected by the geopolitics. Country is going through a challenging period in its history accompanied by the economic decline that is likely to continue in 2015. Demand from commercial consumers has been decreasing throughout 2014.

The price of oil and natural gas historically has been volatile and is expected to continue to be so in the future. In addition, prices for oil and natural gas in Ukraine are directly related to the pricing formula imposed by the OJSC Gazprom. This implies it will be difficult to predict future oil and natural gas prices. If the currently observed fall in oil and natural gas prices continues and proves to be substantial and long-term, this will have a significant negative effect on the result and financial position of the Misen Group. In the event of a significant fall in the price of natural gas, the conditions for production operations would worsen. A fall in price might lead to a decrease in the volumes of reserves that the Misen Group can harvest, as a result of the Group being potentially unable to establish profitable production in certain bore holes. In addition the Misen Group will face difficulties in implementation of the JA investment program. Please also refer to the section related to the gas balance situation in the administration report.

Production risk

Until an oil or natural gas development project reaches certain maturity, it is extremely difficult to assess whether or not production will be successful. Oil and natural gas reservoirs have an inherent uncertainty regarding the possibility of commercially extracting the oil and natural gas that only can be solved through actual production during a certain period of time. A production well generally needs three to six months before it is possible to draw conclusions about its stability. For a completely new field this time is even longer. In the case of Misen Group, most of the wells are representing depleted stock requiring heavy workovers. For this reason it can be almost impossible to assess the level of extraction from a source before production tests have been carried out.

Local risk

Ukraine still suffers from heavy bureaucracy. Furthermore, all business activities are strongly depending upon personal networks. It takes both time and resources to acquire information and obtain the necessary permits. On the other hand, it is a closed market in which access to specialised services and equipment is sufficiently good: drilling services, drilling equipment, etc. can be procured with satisfactory speed and efficiency.

Tax risk

The Misen Group currently conducts activities in Sweden and, through its participation in the JA, in Ukraine. The tax legislation in each country can change over time. Consequently, it cannot be ruled out that changes regarding the tax legislation and its enforcement might, in the future, affect the Misen Group's profit.

Ukrainian tax, currency and customs legislation is under continued development. In cases of conflict between different legal systems, Management applies different interpretations. The Group Management considers that its interpretations are accurate and durable, but cannot guarantee that its judgment will not be questioned by the Ukrainian authorities.

On 2 December 2010, new tax legislation in Ukraine was adopted, of which the majority of the regulations took effect on 1 January 2011. Particularly significant major changes include a reduction in tax rates for companies from 25% to 16% which will be introduced progressively during the years 2011 to 2014 (it was reduced from 21% in 2012 to 19% in 2013 and to 18% in 2014), a change in the VAT rate from 20% to 17% starting from 1 January 2014 and a change in the methods for determining the basis for income tax and VAT.

In August 2014, Ukraine introduced a set of emergency laws addressing the turbulent situation in the country. Part of these laws concerns the need to increase tax collections to the state budget. In particular, the subsoil use charge for production of natural gas in the depth of up to 5,000 meters has been raised from 28% to 55%. The Misen Group is producing primarily from these depths.

The subsoil use charge is payable at the time of production and delivery of gas into the gas transport system. This puts additional financing constrains on the producing companies. The charge increase was defined as temporary and valid till the end of 2014.

The Parent Company's year-end result has been affected by these changes as the production of five months of 2014 (August through December) was levied at the increased rate. This will also have a negative effect on the implementation of the JA investment program during 2015.

Please also refer to chapter 2.3, subsections Subsoil use charge increase and Amendment to the tax code.

Supply of equipment
Working with the upstream of oil and natural gas requires advanced drilling and production equipment. It can therefore not be ruled out that there might be a shortage of drilling equipment and/or other necessary equipment, or that such equipment would require further investment, which could result in increased costs and delays, despite a focus on production operations from the current development activity.

Key personnel risk
The Misen Group is dependent on a small number of professionals. The future success of the Group is, to a large extent, dependent on the ability to retain, recruit and develop qualified personnel.

The need for additional capital
The Misen Group's operations may require additional financial resources in the future if the Group is to continue expanding its operations. This will lead to the requirement for additional capital from the owners or for other types of financing. The Misen Group's future growth will, to a large extent, be dependent on prevailing oil and natural gas prices. A positive trend in this market may also result in the Group requiring financing, for example through a new share or bond issue. A longer period of falling oil and natural gas prices will have a negative impact on the Group's financial position and results.

Environmental risks
Stricter laws regarding environmental control are continuously being drawn up in Ukraine, with stricter environmental directives being introduced and stricter regulations governing the environment constantly being considered.
The Misen Group continuously evaluates its obligations according to the prevailing environmental legislation. As soon as environmental obligations are determined they are taken into account by the

Misen Group. Potential obligations that can be introduced as a consequence of changes in legislation, regulations or legislation governing civil law cannot be assessed, but can be significant. For the time being, the Group does not deem that there are any significant risks regarding environmental influence. With Ukraine moving towards a closer integration with the EU, it is likely that Ukrainian environmental standards will become homogenous with the EU standards, making the operational environment more comprehensive from the environmental risk perspective.

License risk

During 2014 the Misen Group has concluded the previously announced investigation regarding measures required to secure extension of the licenses expiring in 2018.

At present all licenses subject to the JAA No.3 are valid. All licenses subject to JAA No.3 have been issued to the JA participant PJSC Ukrgasvydobuvannya, who made it available to the JA. According to the JAA No.3, it is direct responsibility of PJSC Ukrgasvydobuvannya to observe timely extension of expiring licenses and the Misen Group trusts that PJSC Ukrgasvydobuvannya will put maximum effort to secure this process. Under the current legislation and accepted practice in Ukraine, the process of extension of licenses that were properly complied with (not breached) is considered to be standardized and not requiring any additional extraordinary attention from the Company. In addition, in accordance with the JAA No.3, the Parent Company preserves its right to claim compensation for all damages related to non-performance of the JA partner PJSC Ukrgasvydobuvannya, including failure to secure timely extension of applicable licenses.

Before any amendments to the JAA No.3, as well as before the commencement of the well workovers, the Misen Group carries out thorough investigations regarding risks related to each license. Despite these investigations, the Misen Group cannot guarantee that it has obtained a correct picture of the ownership situation, which can result in the Company's rights being questioned. This can have a negative impact on the Group's result and financial position.

Geological risks

All estimations of extractable petroleum resources are based, to a large extent, on probabilities. The estimations of the oil and natural gas reserves are thus based on the investigations that are, in each case, made by reservoir engineers and based upon factors gathered from different types of geological and geophysical, and reservoir engineering methods of investigation. The Misen Group's activities continuously utilise the best available technology in each case in order to investigate probable outcomes with the highest precision and to improve the forecasts through well-balanced work programmes. The estimations that the Misen Group has reported in the form of the Competent Persons Report represents the latest information available for each development project. There are, therefore, no guarantees that the size of these estimations will remain constant over time.

Political risks

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

During 2014 major political changes took place in in Ukraine. The country has elected a new president, new parliament and formed a new Government. New heads of Ukrainian State Company Naftogaz and of its subsidiary PJSC Ukrgasvydobuvannya have been appointed. These changes proved to be positive for the Misen Group as the situation with being excluded from the gas balance discontinued and the Misen led JA managed to sell of its production from 2014 as well as liquidate

the stock accumulated during 2013.
However, in mid 2014 the subsoil use charge, which is payable at the point of production, has been increased from 25% to 55%. This had a negative effect to the Group and once again complicated implementation of the investment program. The amendments to the tax reform adopted in December 2014 raise additional concerns for the Misen Group as the subsoil use charge has been set to further increase during 2015 and reach 70% by July 2015. Please see previous chapters for more detailed descprition.
Tension with the neighbouring state of the Russian Federation continued escalating during 2014. One of the investment projects, construction of Markivska Booster Compressor Station, had to be suspended, due to its location in the Luhansk region that fell under control of the separatist movement in 2014. No personnel was harmed, all of it was timely removed from the site. The project was 75% complete with total investment reaching KUSD 2,062 (KSEK 17,150). As result, investment into Markivska BCS has been written-down, decreasing the Misen Group's operating income with KSEK 5,080.
These latest events clearly demonstrate the remaining ambiguity and influence of political risks on the business.

Economic risks
Ukraine's transformation from a rigid, centrally planned economy to a market economy has been hampered by strong economic and political special interests. A small number of people with substantial wealth have had a dominant position in the country and have influenced policies in a negative way. This has resulted in a deceleration of the reform towards a market economy. Ukraine's economy is characterised by a strong dependence on heavy industry - chemicals, steel, shipbuilding, machine building and weaponry.

Ukraine also acts as a transit country for the Russian gas, which provides the state with much-needed revenue and offers a degree of security in the country's energy supply. Meanwhile, the energy policy remains a foreign policy scene where the special interests between Ukraine, the transit country, and Russia, the supplier country, periodically are on display. After the Orange Revolution, there was an upswing in the business climate in the country thanks to the country's new goodwill and a generally prevailing optimism. This development has taken a turn for the worse, largely due to the previous disagreement among the country's political leadership. There is, however, still a desire within the country to increase trade and attract foreign investors. The presidential election of 2010 has led to certain stabilisation of the country's political climate, but emerging closer ties with the Russian Federation started slowing down Ukraine's transition to the market economy. The events of 2013-2014 introduced a new platform for economic development in Ukraine. The country is negotiating closer integration with the EU and substantial financial from IMF, EU and US is being offered, provided country accelerates with the major reforms of its economy.

Economic risks remain, but should be decreasing provided Ukraine's further integration with the Western Europe.

Definitions of key ratios

1. EBITDA (earnings before interest, tax, depreciation and amortisation) is defined as the Group's and Parent Company's respective operating profit plus depreciation.

2. Earnings per share before dilution is defined as the Group's and Parent Company's respective profit after tax divided by the total number of outstanding shares before dilution at the end of the period.

3. Earnings per share after dilution is defined as the Group's and Parent Company's respective profit after tax divided by the number of outstanding shares after dilution at the end of the period.

4. Return on equity is defined as the Group's and Parent Company's respective profit divided by equity at the end of the period.

5. Return on working capital is defined as the Group's and Parent Company's respective profit after financial items plus/minus interest expenses plus/minus exchange rate differences for financial loans divided by the working capital (the average of the two most recent balance sheet totals less non-interest-bearing liabilities).

6. Debt/equity ratio is defined as the Group's and Parent Company's respective interest-bearing liabilities in relation to the reported equity.

7. Equity/assets ratio is defined as the Group's and Parent Company's respective equity (including minority interest) as a percentage of the balance sheet total.

8. The portion of risk-bearing capital is defined as the sum of the Group's and Parent Company's respective equity and deferred tax (including minority interest) divided by the balance sheet total.

9. Number of outstanding shares at full dilution is defined as the amount of outstanding shares including maximum utilisation of options as well as outstanding paid underwritten shares.

10. The number of employees reflect the average number of employees converted into the full-time and calculated as a total hours of work divided by the theoretical working hours. For JA, 50.01% of this number has been consolidated.

11. P/E is defined as the latest bid price of the Company's shares for the year divided by earnings per share.

5. Notes, for the Group and the Parent Company

Note 1 Net sales and other operating income

	The Group		Parent company	
	2014	2013	2014	2013
Income included in the net sales:				
Natural gas	1,036,316	493,112	-	-
Oil products	101,574	125,178	-	-
Other	111	42	120	2,730
Total	1,138,001	618,332	120	2,730

Note 2 Segment information - Group

The Group's operational activities are located in Ukraine. Only administrative issues are undertaken in Sweden.

Geographical area	31 Dec. 2014	31 Dec. 2013
Net sales, external		
Ukraine	1,138,001	618,332
Fixed assets		
Ukraine	723,849	904,656

Note 3 Other operating income

	Group		Parent company	
	2014	2013	2014	2013
Translation differences	18,808	-	-	-
Other	3,618	5,243	120	2,730
Total	22,426	5,243	120	2,730

Note 4 Participations in associated companies

Indirectly owned	Corporate Id. No.	Domicile	Share of equity %	Voting share %
JAA 493	e.t	Ukraine	10,0	10,0

	The Group	
	2014	2013
Acquisition of participation share JA 493	2,840	-
This year's share in profits	2,826	-
Dividends	-2,826	-
Translation differences	-457	-
Closing Book value	2,383	0

A desciption of JAA 493 is included in the administration report.

Note 5 Remuneration to auditors

	The Group		The parent company	
	2014	2013	2014	2013
PwC				
Audit assignment	1,616	1,296	1,406	1,059
Other services besides the audit assignment	250	250	250	250
Tax advisory services	413	1,394	413	957
Other services	400	1,850	350	1,850
Total	2,679	4,790	2,419	4,116

Note 6 Other external expenses

	The Group		Parent company	
	2014	2013	2014	2013
Extraction expenses	354,466	277,532	-	-
Production and transport expenses	61,976	75,289	-	-
Refinery expenses	9,435	10,221	-	-
Change in inventories	69,819	-138,254	-	-
Other	32,222	58,958	14,864	21,746
Total	527,918	283,746	14,864	21,746

Note 7 Salaries and remuneration to the Board and Company management

2014	Basic salary/ Director's fee	Other remuneration	Benefits	Pension	Total
Parent company and Group					
Göran Wolff, managing director	1,396	-	-	227	1,623
Tore I. Sandvold, Chairman of the Board up until 27 October 2014	388	1,949	-	-	2,337
Andrius Smailukas, Chairman of the Board as of 27 October 2014	77	-	-	-	77
Dimitrios Dimitriadis, Board of Directors	178	-	-	-	178
Hans Lundgren, Board of Directors	273	60	-	-	333
Knud H. Nørve, Board of Directors	257	-	-	-	257
Sergiy Petukhov, Board of Directors	93	-	-	-	93
Oleg Batyuk, Board of Directors	150	-	-	-	150
Pavel Prysiazhniuk	6		-	-	6
Other senior executives	1,781	1,504	-	209	3,494
Total	**4,599**	**3,513**	**0**	**436**	**8,548**

2013	Basic salary/ Director's fee	Other remuneration	Benefits	Pension	Total
Parent company and Group					
Göran Wolff, Managing Director	1,255	-	-	266	1,521
Tore I. Sandvold, Chairman of the Board	517	2,050	-	-	2,567
Henry Cameron, Board of Directors	42		-	-	42
Dimitrios Dimitriadis, Board of Directors	345	-	-	-	345
Hans Lundgren, Board of Directors	345	115	-	-	460
Knud H. Nørve, Board of Directors	345	52	-	-	397
Sergiy Petukhov, Board of Directors	261				261
Andrius Smaliukas, Board of Directors	261				261
Other senior executives	593		-	69	662
Total	**3,964**	**2,217**	**0**	**335**	**6,516**

No variable remuneration is paid. Amounts include fees that have been invoiced.

Note 8 Wages, salaries, other remuneration and social security contributions

	Group		Parent company	
	2014	2013	2014	2013
Average number of employees				
Women	26	20	2	2
Men	96	66	2	2
Total	122	86	4	4
Total salaries, remuneration, social security contributions and pension costs				
Salaries and remuneration to the board of directors, Managing Director and other senior executives	4,599	3,964	4,441	3,964
Salaries and remuneration to other employees	11,435	8,393	344	26
	16,034	12,357	4,785	3,990
Statutory and contractual social security contributions	926	636	926	636
Pension costs for board of Directors, Managing Director or other senior executives	436	335	436	335
Pension costs for other employees	24	3,406	24	-
Total	17,420	16,734	6,171	4,961

All salaries are fixed and no variable remuneration is paid. No agreements regarding severance pay are in place. Remuneration to the Board of Directors is reported in Other external expenses.

	Group		Parent company	
	2014	2013	2014	2013
Members of the board and senior executives				
No. of members of the board at balance sheet date				
Men	5	6	5	6
Total	5	6	5	6
No. of Managing Directors and other senior executives				
Women	1	1	1	1
Men	4	3	2	2
Total	5	4	3	3

Note 9 Depreciations/amortisation and write-downs

	Group	
	2014	2013
Depreciation, amortisation and write-downs of tangible and intangible assets		
Amortisation of intangible assets	2,887	3,088
Depreciation of equipment and buildings	27,704	22,163
Write-down of machinery	5,080	-
Total	35,671	25,251

Note 10 Other operating expenses

	Group	
	31 Dec. 2014	31 Dec. 2013
Expenses for legal cases	15,462	-
Distribution costs	-	760
for	14,863	14,865
Capital loss	2,227	-
Other operating expenses	363	5,295
Total	32,915	20,920

Note 11 Other interest income and similar profit/loss items

	Group		Parent company	
	2014	2013	2014	2013
Interest income	2,654	341	1	2
Received group contribution	-	-	-	335
Total	2,654	341	1	337

Note 12 Other interest expenses and similar profit/loss items

	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Other interest expenses	24,668	4,134	3,227	1,722
Exchange rate differences	114,319	5,201	3,339	1,276
Other financial expenses	-	567	-	-
Total	138,987	9,902	6,566	2,998

Note 13 Tax on profit for the year

Distribution of income tax	Group 2014	The Group 2013	Parent company 2014	Parent company 2013
Current tax	-94,910	-42,661	-	-
Deferred taxes	7,568	-16,433	-	-
Total	**-87,342**	**-59,094**	**0**	**0**

	The Group 2014	The Group 2013	Parent company 2014	Parent company 2013
Reported income before taxes	414,085	267,561	-26,392	-24,566
Tax according to national tax rates	-73,340	-50,921	5,806	5,404
Associates results reported net of tax	494			
Tax attributable to non-deductible expenses and non-taxable income	-4,976	-2,769	-17	-3
Fiscal losses for which no deferred tax asset is recognised	-9,520	-5,404	-5,789	-5,475
Tax on Group contribution	-	-	-	74
Tax expenses for the year	-87,342	-59,094	0	0

Weighted average tax rate was 18% (2013: 19%).

As per 31 December 2014, the Group had a fiscal deficit amounting to SEK 88,587,903, of which the Parent Company's deficit amounted to SEK 70,272,861. Deferred tax asset totalling SEK 19,489,339 for the Group and SEK 15,460,029 for the Parent Company have not been reported as an asset, as the possibility of utilizing these amounts against tax loss carry forward in the foreseeable future is uncertain.

Note 14 Rights and licenses

	Group	
	31 Dec. 2014	31 Dec. 2013
Opening acquisition value	44,370	44,159
Purchases	1,027	331
exchange rate differences	-1,108	-120
Sales and scrapping	-208	-
Closing accumulated acquisition value	44,081	44,370
Opening amortisation/depreciation	-6,686	-3,645
Sales and scrapping	208	-
This year's depreciation	-2,887	-3,088
Translation differences	399	47
Closing accumulated amortisation	-8,966	-6,686
Closing residual value according to plan	35,115	37,684

Note 15 Equipment, tools, fixtures and fittings

	Group		Parent company	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2014
Opening acquisition value	254,733	174,668	403	403
Purchases	8	93,188	-	-
Translation differences	-105,003	-10,149	-	-
Sales and scrapping	-5	-1,365	-	-
Re-classifications	59,874	-1,609	-	-
Closing accumulated acquisition value	209,607	254,733	403	403
Opening amortisation/depreciation	-28,381	-7,027	-403	-403
This year's depreciation	-27,704	-22,163	-	-
Translation differences	15,029	809	-	-
Closing accumulated depreciation	-41,056	-28,381	-403	-403
Closing residual value according to plan	168,551	226,352	0	0

Not 16 Construction in progress and advance payments regarding tangible fixed assets

	Group	
	31 Dec. 2014	31 Dec. 2013
Opening acquisition value	640,620	371,902
Expenses accrued during the year	192,558	393,590
Sales	-2,274	-107,824
Re-classifications	-59,874	1,609
Capitalised interest expenses incl. exchange rate differences	17,114	4,912
Translation differences	-262,881	-23,569
Write-downs for the year	-5,080	-
Closing expenses accrued	520,183	640,620

Note 17 Inventories

	Group	
	31 Dec. 2014	31 Dec. 2013
Valued at acquisition value		
Spare parts	382	459
Oil products and natural gas	30,643	142,314
Total	31,025	142,773

Note 18 Financial instruments by category

	Group		Parent company	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Assets				
Accounts receivable - trade				
Accounts receivable - external	100,633	4,999	-	-
Accounts receivable - JA	-	-	3,280	2,723
Liquid funds	80,976	949	358	479
Total	181,609	5,948	3,638	3,202
Liabilities				
Other financial liabilities				
Borrowing (excluding liabilities attributable to financial leasing)	181,452	246,052	72,587	37,502
Liabilities attributable to financial leasing	30,456	47,444	-	-
Accounts payable and other liabilities excluding non-financial liabilities	112,124	230,028	9,258	-
	324,032	523,524	81,845	37,502

Note 19 Accounts receivable - trade

	Group	
	31 Dec. 2014	31 Dec. 2013
Accounts receivable, external	100,633	4,999
Total	100,633	4,999

As per 31 December 2014, Accounts receivable (excluding doubtful debts) amounted to SEK 100,633 thousands (2013: SEK 4,999 thousands) after deduction for write-downs, totalling SEK 0 (SEK 0).

As per 31 December 2014, Accounts receivable amounting to SEK 80,646 thousands was overdue, but no reservation was necessary for this amount. The overdue Accounts receivable are attributable to customers that have not previously encountered financial difficulties.

Maturity analysis of accounts receivable:		
Not overdue	19,987	2,065
< 30 days overdue	10,766	2,934
> 30 days overdue	69,880	-
Total	100,633	4,999

Note 20 Other receivables

	Group		Parent company	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
VAT recoverable	15,477	22,984	190	803
Receivables attributable to income tax	-	14,036	-	-
Other receivables	2,455	97	-	-
Total	17,932	37,117	190	803

Note 21 Prepaid expenses

	Group		Parent company	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Other prepaid expenses	1,080	237	331	227
Total	1,080	237	331	227

Note 22 Share capital

Share information	2014	2013
Group		
Weighted average number of shares for the year	145,068,222	145,068,222
No. of outstanding shares at balance date before dilution	145,068,222	145,068,222
No. of outstanding share at balance date after dilution	145,068,222	145,068,222
Parent Company (Misen Energy AB)		
Weighted average number of shares for the year	145,068,222	145,068,222
No. of outstanding shares at balance date before dilution.	145,068,222	145,068,222
No. of outstanding shares at balance date after full dilution	145,068,222	145,068,222

Note 23 Financial risk management and borrowing

Financial risk management

Financial risk factors
Through its operations, the Group is subject to various financial risks: Market risk (comprehensive foreign exchange risk, interest rate risk and price risk), credit risks and liquidity risks. The Group strives for awareness of potentially negative effects on the Group's financial performance. Interest rates on bank accounts are variable. No foreign exchange hedging has been undertaken during 2014.

Foreign exchange risk
Through its operations in different countries, the Group is exposed to fluctuations in a number of currencies. Therefore, effects on the Company's results and financial position from foreign exchange volatility cannot be disregarded.

Out of the Group's total sales and expenses in 2014, SEK 1,138 million and SEK 768, respectively, were denominated in UAH, implying that a +/- 10% change in the UAH exchange rate would affect the Group's profit by SEK +/- 37 million.

The Group's net assets with UAH as reporting currency amounted to SEK 704 million.
Thereby, a +/- 10% change in the UAH exchange rate would affect the Group's equity by SEK +/- 70 million.

Interest rate risk
As per 31 December 2014, the Group had interest-bearing liabilities amounting to SEK 212 million and an interest rate change of +/- 1% would, thus, affect the Group's financial expenses by SEK +/- 2 million.

The Group's liabilities include loans with fixed interest rate and loans with floating interest rate.

Price risk
The Group's profit for the year is primarily affected by natural gas prices. A +/- 10% change in natural gas prices in Ukraine would affect Group income by SEK +/- 114 million. A +/- 10% change of cost level in Ukraine would affect Group expenses by SEK +/- 77 million..

Credit risk
The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Joint Activity's sales of products in accordance with applicable payment terms and transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk amounts to the figures reported in the balance sheet. The Group's risks are structured by setting credit limits on counterparties. Limits on the level of credit risk are monitored on an on-going basis and approved regularly by Management. The Joint Activity's management undertakes regular age analyses and follows up on overdue accounts receivables.

Liquidity risk
Liquidity risk refers to the risk that financing of the Group's capital requirements and the refinancing of outstanding loans is made more complicated and expensive. Financing requirements are dependent on the Joint Activity's needs for investments in fixed assets and financing for working capital. The Group's financing requirements are estimated to primarily be covered by the surplus from the Joint Activity. However, in the long term, there will likely be a need for external financing to fulfil the investment needs at hand. The amount of external financing depends on production volume and future price levels for oil and gas. The financing need that may arise in 2015 will be handled through extended credits, and if needed, adjustments in the investment programme. The major part of current assets is attributable to inventories, which are reported at production cost. When this inventory is sold, the cash flow from this sale will significantly be in excess the reported amount in the balance sheet.

The table below shows liabilities at 31 December 2014 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), and gross loans commitments. Such undiscounted cash flows differ from the amount included in the balance sheet because the amounts in the balance sheet are based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the loan terms applicable at the end of the reporting period. Payment obligations in other currencies than the report currency (SEK) are reported after translation at the closing rate of exchange.

Payment dates for financial liabilities as per 31 December 2014	< 1 month	1 month – 1 year	1 year – 2 years	> 2 years	Total
Liabilities to credit institutions	2,170	109,334	89,639	-	201,143
Liabilities attributable to financial leasing	2,399	24,278	7,643	-	34,320
Accounts payable and other financial liabilities	60,533	102,033	-	-	162,566
Total	**65,102**	**235,645**	**97,282**	**0**	**398,029**

Payment dates for financial liabilities as per 31 December 2013					
Liabilities to credit institutions	208,550	-	42,058	-	250,608
Liabilities attributable to financial leasing	47,444	-	-	-	47,444
Accounts payable and other financial liabilities	118,034	119,994	-	-	238,028
Total	**374,028**	**119,994**	**42,058**	**0**	**536,080**

Covenants

Borrowing in the Group is based on compliance with a certain set of covenants. If these covenants are not met, this could lead to negative effects for the Group, such as increased borrowing costs and early repayment obligations. As a consequence of the problems the Group had in connection with the gas balance, not all current covenants in JA were fulfilled during 2014. The costs that arose due to this, SEK 13 million was written off in its entirety.

As per 31 December 2014 the Group complied with all covenants.

	Group		Parent company	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2014

Interest-bearing liabilities

Long-term liabilities

Liabilities to credit institutions	77,920	37,502	72,587	37,502
Liabilities attributable to financial leases	7,212	-	-	-
Liabilities to Group companies	-	-	92	93
Total	85,132	37,502	72,679	37,595
Current liabilities				
Liabilities to credit institutions	103,532	208,550	-	-
Leasing	23,244	47,444	-	-
Liabilities to Group companies	-	-	7,238	-
Total	126,776	255,994	7,238	0
Total interest-bearing liabilities	211,908	293,496	79,917	37,595

Interests

Weighted average effective interest rates on borrowing amounted to:

	Group		Parent company	
	2014	2013	2014	2013
Long-term liabilities to credit institutions	11.1%	5.9%	10.0%	5.9%
Current liabilities to credit institutes	10.2%	15.8%	2.6%	ET
Liabilities to Group companies	ET	ET	2.0%	2.0%

Currencies

	Group		Parent company	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Interest-bearing liabilities per currency				
EUR	65,375	37,502	65,375	37,502
USD	97,613	118,809	7,212	-
UAH	48,920	137,185	-	-
Total	**211,908**	**293,496**	**72,587**	**37,502**

Financial liabilities valued at accrued acquisition value
The fair values of interest-bearing liabilities with a fixed maturity have been calculated on the basis of estimated future cash flows expected to be received discounted at current interest rates for instruments with similar credit risk and remaining maturity. The book value for interest-bearing loans, liabilities attributable to financial leases, accounts payable and other financial liabilities are deemed to correspond to the fair values.

Note 24 Financial leasing agreements

Group SEK in thousands	Maturity within 1 year	maturity between 1 and 5 years	Total
2014			
Minimum payments as per 31 December 2014	26,676	7,643	34,319
Minus future financing expenses	-3,432	-431	-3,863
Total	**23,244**	**7,212**	**30,456**
2013			
Minimum payments as per 31 December 2013	57,078	-	57,078
Minus future financing expenses	-9,634	-	-9,634
Total	**47,444**	**0**	**47,444**

Note 25 Accrued expenses and deferred income

	Group		Parent company	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Accrued interest expenses	5	5,492	-	1,901
Accrued salaries other staff expenses	652	104	497	175
Accrued holiday pay	298	299	277	-
Accrued social security contributions	74	-	150	104
Other items	3,970	2,563	2,723	995
Total	4,999	8,458	3,647	3,175

Note 26 Pledged assets

	Group		Parent company	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2014
For the Group's and the Company's own liabilities				
Pledged bank balances	153	153	153	153
Pledged fixed assets	355,878	395,356	-	-
Pledged accounts receivable and future customer payments	-	218,083	-	-
Pledged shares in subsidiaries	163,704	-	254,556	-
Total pledged assets	519,735	613,592	254,709	153

Note 27 Contingent liabilities

	Group		Parent company	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2014
Contingent liabilities				
Rental guarantee	39	39	39	39
Attributable to liabilities in JA	129,523	255,892	-	-
Other contingent liabilities	1,513,762	3,859,000	-	-
Total contingent liabilities	1,643,324	4,114,931	39	39

The Group is jointly liable for liabilities arising in JA. The difference between the Group's share and total external liabilities in JA has been reported as a contingent liability.

A new Amendment No. 6 was signed on 21 February 2014. This Amendment replaces, in its entirety, the earlier signed and published Amendment No. 6 (April 2013). The Group's commitment to secure additional funding for JA has hereby been reduced to the original amount of KUAH 3,000,000 (SEK 1,453,200 thousands), which is reported in Contingent liabilities.

Note 28 Transactions with related parties

	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Sales to related parties				
Ukrgazvydobuvannya 2)	34,345	164,180	-	-
Total	34,345	164,180	0	0
Purchases from related parties				
Ukrgazvydobuvannya 2)	164,740	179,955	-	-
Sandvold Energy AS 1)	1,949	2,050	1,949	2,050
Ener Vitae 1)	-	52	-	52
HL Development 1)	60	115	-	115
Balit LLC 4)	2,223	-	-	-
Lexford Investment 1)	610	-	610	-
AIM Partners 1)	1,364	-	-	-
Sergiy Probylov, salary 3)	236	263	-	-
Total	171,182	182,435	2,559	2,217
Operating receivables/liabilities attributable to related parties				
Receivables from related parties				
Ukrgazvydobuvannya 2)	464	2,152	-	-
Total	464	2,152	0	0
Liabilities to related parties				
Ukrgazvydobuvannya 2)	9,526	16,824	-	-
Sanvold Energy AS 1)	731	-	731	-
Lexford Investment 1)	32	-	32	-
Total	10,289	16,824	763	0

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

Separate notes contain information about
- Salaries and remuneration Board of Directors and Managing Director
- Participations in Group companies and JA

All amounts related to the JA are included at 100%, the impact on the Misen Group of those transactions and balances is 50,01%.

Note 29 Adjustment for non-cash items

	Group		Parent company	
	2014	2013	2014	2013
Depreciation/amortisation	30,591	25,251	-	-
Write-downs	5,080	-	-	-
Profit/loss from sales of fixed assets	-398	-2,967	-	-
Participations in Associated companies	-2,826	-	-	-
Unrealised exchange rate result	-4,090	-	-	-
Bad debt loss	1,766	-	-	-
Change in provisions	21,518	-	-	-
Other adjustments	-	-3,227	-	-
Total	51,641	19,057	0	0

Note 30 Participations in Group companies

Group	Corporate Id. No.	Domicile	Share of equity (%)
Misen Enterprises AB	556526-3968	Sweden	100
LLC Karpatygaz	30162340	Ukraine	100
JA*	ET	Ukraine	0.01%
JA*	ET	Ukraine	50%
Capital Oil Resources Sweden AB	556754-4878	Sweden	100

* Joint Activity between Ukrgazvydobuvannia (a subsidiary of NJSC Naftogaz of Ukraine), LLC Karpatygaz and Misen Enterprises AB in accordance with regulations in the Joint Activity Agreement, without establishment of a legal entity, on 10 June 2002.

Parent company	Share of equity %	Voting rights - share %	No. of shares	Book value 31 Dec. 14	Book value 31 Dec. 13
Misen Enterprises AB	100	100	50,000	1,018,223	1,001,699
Capital Oil Resources Sweden AB	100	100	1,000	100	100
Total				1,018,323	1,001,799

The Group's participation in the JA	2014	2013
Income Statement		
Income	1,160,351	618,322
Expenses	793,252	383,551
Balance Sheet		
Fixed assets	691,800	868,265
Current assets	281,116	221,890
Long-term liabilities	36,890	19,479
Current liabilities	236,476	452,074

	2014	2013
Participations in Group companies		
Opening acquisition value	1,001,799	1,001,799
Capital contribution	16,524	-
Closing accumulated acquisition value	1,018,323	1,001,799
Closing book value	1,018,323	1,001,799

Affirmation

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

The income statements and balance sheets will be submitted for adoption at the Annual General meeting on 23 April 2015

Stockholm 2 April 2015

Andrius Smaliukas
Chairman

Hans Lundgren
Board member

Dimitrios Dimitriadis
Board member

Oleg Batyuk
Board member

Pavel Prysiazhniuk
Board member

Göran Wolff
Managing Director

Our audit report deviates from the standard wording and was submitted 2 April 2015

PricewaterhouseCoopers AB

Johan Palmgren
Authorised Public Accountant
Auditor-in-charge

Klas Brand
Authorised Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Misen Energy AB (publ) for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 23–84.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

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

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Emphasis of matters

Without qualifying our opinion, we draw your attention to the Annual report in chapter 2.3 "Significant events during the financial year" in sections "Subsoil use charge increase" and "Amendments to the Tax code" and on page 60 in section "Tax risk" and on page 62 in section "Political risks" stating that the operations of the Group, and those of other entities in Ukraine, have been affected and may continue to be affected for the foreseeable future by the continuing political and economic uncertainties in Ukraine. The impact of these circumstances on the Group's operations and the future development of the political and economic situation in Ukraine are very difficult to assess at the moment and it may also have further significant effects on the financial conditions for the Group's operations.

Further, without qualifying our opinion set out above, we wish to draw attention to the conditions mentioned in the Administration report in chapter 2.3 "Significant events during the financial year" in sections "Financing of the Swedish operations" and "Contribution to the JA" and in chapter 2.4 "Essential events after end of the year 2014" in section "Financing of the Company's Swedish operations" where it is described that the company has problems with financing the operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt about going concern.

In a situation where the group's going concern cannot any longer be assumed, which is not the case for the group, there is a risk for a need to make significant write downs of the groups assets as well as of the parent company's book values of shares in subsidiaries.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Misen Energy AB (publ) for the year 2014.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year

Observation

Without qualifying our opinions set out above, we want to point out that three payments of preliminary taxes and social security contributions for the company were not made at the correct time. The failure has not resulted in any significant damage for the company.

Göteborg 2 April 2015

PricewaterhouseCoopers AB

Johan Palmgren
Authorized Public Accountant
Auditor-in-charge

Klas Brand
Authorized Public Accountant