Annual report and consolidated financial statements for financial year 2017

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

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

Administration Report

The Board of Directors and the Managing Director hereby present the following annual accounts and consolidated financial statements for Misen Energy AB (publ) for the financial year 2017.

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

The Misen Energy Group

About the Company

Misen Energy AB (publ) (hereinafter referred to as "Company" or "Parent Company") is a Swedish public limited liability company with its registered offices in Stockholm. The address of the Head Office is Kungsportsavenyen 32, SE-411 36 Gothenburg, Sweden. The Company is listed on the First North List at NASDAQ Stockholm.

The Misen group of companies (hereinafter referred to as "Misen Group" or "Group") comprises Misen Energy AB (publ) and its two partially owned subsidiaries, Misen Enterprises AB (Sweden) and LLC Karpatygaz (Ukraine). Through these two subsidiaries, the Misen Group holds a 50.01 per cent stake in the Joint Activity (herein after called "JA") in Ukraine, as described below.

The Misen Group is an oil and gas company specializing in production of hydrocarbons (mainly natural gas, oil and gas condensates) in Ukraine. The business concept of the Misen Group is to develop and significantly increase production of gas and oil fields by implementing large-scale investment programmes and introducing modern know-how and technology.

Misen Energy AB (publ) is the Parent Company of the Misen Group and a Swedish holding company for the subsidiaries operating in Ukraine. The Parent Company's business focus is to carry out Group-wide tasks and, together with its partially owned subsidiary Misen Enterprises AB, ensure financing of the operations in Ukraine when required.

The partially owned Swedish subsidiary of the Parent Company, Misen Enterprises AB, has a 50 per cent interest in the JA in Ukraine.

The partially owned Ukrainian subsidiary of Misen Enterprises AB, LLC Karpatygaz, has a 0.01 per cent interest in the JA and is the company operating the project.

Altogether, the Misen Group has a 50.01 per cent participating interest in the JA. The remaining 49.99 per cent of participating interest in the JA is held by PJSC Ukrgasvydobuvannya (hereinafter referred to as "PJSC Ukrgasvydobuvannya" or "UGV") (Ukraine), a wholly owned subsidiary of the state-owned company NJSC Naftogaz of Ukraine (Ukraine).

The JA is governed by the Joint Activity Agreement No. 3, dated 10 June 2002 (as amended and restated, hereinafter referred to as "JAA No.3") signed by PJSC Ukrgasvydobuvannya, LLC Karpatygaz and Misen Enterprises AB. The main purpose 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.

The Misen Group also includes the wholly-owned subsidiary Capital Oil Resources Sweden AB (Sweden), which is dormant. As of 1 July 2011, consolidated accounts are prepared for the Misen Group. The structure of the Misen Group remains unchanged since 1 July 2011.

History

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

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

On 16 June 2016 the Board of Misen Energy AB (publ) approved the sale of 37.5 per cent of the shares in Misen Enterprises AB to the Hong Kong-based company Powerful United Limited (hereinafter referred to as "PUL"). PUL is controlled by the Swedish company TCT Holding AB, which is a 11.41 per cent shareholder in Misen Energy AB (publ). The deal was finalised on 5 July 2016.

On 3 July 2017 Misen Energy AB (publ) closed the sale of 8 per cent of the shares in Misen Enterprises AB to PUL.

On 26 November 2017 Misen Energy AB (publ) closed the sale of additional 2 per cent of the shares in Misen Enterprises AB to PUL.

As Misen Energy AB (publ) continues to be the majority holder of the shares in Misen Enterprises AB, Misen Energy AB (publ) keeps full control over Misen Enterprises AB.

Joint Activity

The Company's partially owned subsidiaries Misen Enterprises AB and LLC Karpatygaz have, between them, rights to 50.01 per cent of the net profit after taxes of a large gas and oil production project in Ukraine. The remaining rights to 49.99 per cent of net profits after taxes belong to PJSC Ukrgasvydobuvannya. The net profit from the gas and oil production project attributable to the parties is calculated based on the production volumes assigned to the JA in accordance to the JAA No.3. 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).

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

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

Expected future development

The Management will continue to vigorously defend the interests of the Company's shareholders in the ongoing and forthcoming, if any, arbitration proceedings, and will inform the market about the future development of the Misen Group accordingly.

Significant events in 2017

Deconsolidation of the Joint Activity

During 2017 Misen Enterprises AB and LLC Karpatygaz participated in the arbitration proceeding commenced by PJSC Ukrgasvydobuvannya in August 2016 under JAA No.3 and vigorously defended the legitimate interests of their investors and sought compensation for their share in the Joint Activity upon termination of JAA No.3.

In accordance to the procedural timetable determined by the Arbitral Tribunal, in 2017 the disputing parties exchanged their positions on the merits. Misen Enterprises AB and LLC Karpatygaz received a Statement of Claim from PJSC Ukrgasvydobuvannya in February 2017 and submitted its Statement on Defence in May 2017. Misen Enterprises and LLC Karpatygaz agreed with PJSC Ukrgazvydobuvannya on termination of JAA No.3 and requested the Arbitral Tribunal to order PJSC Ukrgazvydobuvannya to compensate the Company's share of the JA.

Misen Enterprises AB and LLC Karpatygaz received a Statement of Reply from PJSC Ukrgazvydobuvannya in July 2017. Therewith, PJSC Ukrgazvydobuvannya maintained its claims for invalidation or, alternatively, termination of JAA No.3. In response, in October 2017, Misen Enterprises AB and LLC Karpatygaz submitted their Statement of Rejoinder and requested the Arbitral Tribunal to dismiss the UGV's claims. Misen Enterprises AB and LLC Karpatygaz reaffirmed their agreement on termination of JAA No.3 for compensation of the value for their share in the JA.

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

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

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

As a result, Misen Energy AB (publ) stops to present 50.01% of the Joint Activity's assets and liabilities in its financial statements as of 31 December 2017 and a deconsolidation loss of KSEK 984,069 is included in the operating result. Any liabilities in the JA for which the Misen Group might be to any extent jointly responsible are accounted for as contingent liabilities.

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

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

Financing of the Group's Swedish operations

In May 2017, Misen Energy AB (publ) signed a loan agreement with PUL for a loan of EUR 1 million with a fixed loan fee KEUR 150.

In July 2017, Misen Energy AB (publ) closed the sale of 8% of the shares and shares capital in Misen Enterprises AB to PUL. The purchase sum amounted to MEUR 3.0 (KSEK 28,739).

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

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

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

Criminal investigation

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

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

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

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

In November 2016, Misen Enterprises AB and LLC Karpatygaz submitted a request for interim measures to the Arbitral Tribunal constituted under JAA No. 3. Misen Enterprises AB and LLC Karpatygaz requested the Arbitral Tribunal, among other things, to declare that it has exclusive jurisdiction to decide disputes arising out or in connection with JAA No. 3. Misen Enterprises AB and LLC Karpatygaz also requested that the Arbitral Tribunal to instruct PJSC Ukrgazvydobuvannya to refrain from any further or future actions before the Ukrainian authorities in relation to the dispute regarding JAA No.3 pending the rendering of a final award by the Arbitral Tribunal.

On 26 May 2017, a hearing for the request of interim measures was held.

On 6 November 2017, the Arbitral Tribunal rendered an Order on the Request for Interim Measures submitted by Misen Enterprises AB and LLC Karpatygaz. The Arbitral Tribunal dismissed the request for interim measures and noted that Misen Enterprises AB, LLC Karpatygaz and PJSC Ukrgazvydobuvannya do not object the Arbitral Tribunal's exclusive jurisdiction to determine validity of JAA No.3. The Arbitral Tribunal also decided that the parties in dispute should bear their own costs incurred in the phase of proceedings dealing with the request on interim measures.

Contribution to JA

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

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

Operations in the JA during 2017

Production report

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

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

** thousand tons*

Loan Agreement with PJSC subsidiary bank of Sberbank of Russia

In August 2012, Karpatygaz in its capacity of Operator of the Joint Activity, entered into the Loan Agreement with PJSC subsidiary bank of Sberbank of Russia for KUSD 16,250 (KSEK 133,373) at the interest rate of 12% per annum. In 2015, the JA defaulted on its loan to Sberbank Russia. In conjunction with this, the JA reached an agreement with Sberbank Russia to restructure the debt with new repayment terms. However, the restructuring agreement was not signed as of the end of December 2017 due to no agreement having been reached between the Participants of JAA No.3. Sberbank Russia therefore could impose punitive interest on the JA amounting to KUAH 29,424 (KSEK 8,508).

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

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

Agreement with Solar Turbines CIS LLC

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

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

Operation of the Booster Compressor Stations (BCSs)

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

In early 2016, the Participants of JAA No.3 agreed that the JA would lease Khrestyschenska BCS to PJSC Ukrgazvydobuvannya. UGV has operated this BCS for its sole benefit and paid the corresponding fuel gas costs acquired during the lease period since 1 January 2016. The Lease Agreement was renewed in May 2017, although on different terms, and JA transferred Khrestyschenska BCS to PJSC Ukrgazvydobuvannya use until 30 April 2018.

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

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

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

During 2017, PJSC Ukrgasvydobuvannya failed to make the lease payments to JA. The monthly lease income amounts to approximately MUAH 18 (MSEK 5.2) including VAT, while the outstanding receivables amounts to MUAH 134 (MSEK 39) including VAT. Despite the fact that PJSC Ukrgasvydobuvannya does not make lease payments according to the agreements, JA bears

liability to pay VAT on a monthly basis. In July-December 2017, PJSC Ukrgasvydobuvannya sent to LLC Karpatygaz, as the Operator of JAA No.3, more than 100 set-off notices seeking to offset its lease payment against the alleged payments that LLC Karpatygaz should make to UGV.
LLC Karpatygaz objected all the claims and initiated the court proceedings in Ukrainian courts to invalidate the set-off notices.

Subsoil use charge

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

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

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

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

Tax payments in Ukraine

Despite being prevented from selling hydrocarbons, JA and its participants continued paying value added tax and corporate profit tax during 2017.

During 2017, JA paid KUAH 36,054 (adjusted KSEK 11,378) as value added tax and corporate profit tax. Since 2011, JA and its Participants have contributed to Ukraine KUAH 11,169,436 (adjusted KSEK 5,262,864) as subsoil use charge, value added tax and corporate profit tax.

Sale of hydrocarbons

In 2017, PJSC Ukrgasvydobuvannya continued, as the Company believes, manifestly unlawful actions and refused to provide services in respect to production, collection, treatment and transportation of hydrocarbons to JA. Due to this the production of natural gas attributable to JA was at zero level.

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

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

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

Investment program report

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

During 2017, Misen Enterprises AB invested KSEK 7,654 (compared to KSEK 14,508 invested during 2016) in the JA development programmes. The investments were mainly made in metering units as well as maintenance of BCSs already in.

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

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

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

In 2015, Sberbank Leasing initiated suit against the JA for violation of a leaseback agreement. According to the suit, the JA has not delivered equipment in time, based on the agreement, and Sberbank Leasing, therefore, has legal grounds to sue the JA for breach of the contract. However, the JA considers that the unrealised delivery of equipment has legal grounds as Sberbank Leasing did not fulfil its obligations under the contract (full payment of the value of the equipment) at the time the agreement came into effect.

In October 2016, the Supreme Economic Court of Ukraine voided the verdicts of the lower courts and ordered them to retry the case.

In the beginning of 2017, the court partially sustained the application made by Sberbank Leasing, which changed the name of legal entity to Center of Financial Leasing LLC, and ordered Misen Enterprises AB, LLC Karpatygaz and PJSC Ukrgasvydobuvannya to compensate approximately MUSD 37 (MSEK 304) to Sberbank Leasing. LLC Karpatygaz and PJSC Ukrgasvydobuvannya respectively filed appeals with the court. Appeal court sustained the ruling of lower court, which orders Misen Enterprises AB, LLC Karpatygaz and PJSC Ukrgasvydobuvannya to compensate approximately USD 37 million to Sberbank Leasing.

In July 2017 the Supreme Economic Court of Ukraine suspended the implementation of ruling of appeal court till the trial.

In September 2017 the Supreme Economic Court of Ukraine voided the verdicts of the lower courts and ordered them to retry the case.

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

In parallel, in December 2016, Sberbank Leasing filed another lawsuit against the JA, according to which the JA allegedly committed further violations of the leaseback agreement. According to this lawsuit, Sberbank Leasing's claim amounted to KUAH 1,397,704 (KSEK 404,129).

In June 2017 Center of Financial Leasing LLC filed a claim, in which it increased requested compensation amount up to MUSD 37 (MSEK 304) and MUAH 974 (MSEK 282) including fines, interests and lost profits.

In August 2017, the court partially sustained the claim submitted by Center of Financial Leasing LLC and ordered Misen Enterprises AB, LLC Karpatygaz and PJSC Ukrgasvydobuvannya to compensate to Center of Financial Leasing LLC its lost profits in amount of KUAH 237,507 (KSEK 68,672). Karpatygaz and PJSC Ukrgasvydobuvannya filed appeal with the court in August 2017. The court hearing was scheduled for 6 March 2018.

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

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

Significant events after the end of the financial year 2017

Financing of the Group's Swedish operations

On 2 March 2018, Misen Energy AB (publ) closed the sale of 2 per cent of the shares and shares capital in its partially owned subsidiary Misen Enterprises AB to Mr. Konstantin Guenevski, Bulgarian citizen, a senior trader of one of the world's leading independent commodity trading and logistics houses. The purchase sum amounted to EUR 1 million. As a result, Misen Energy AB (publ) secured short term financing for the Swedish operation. Because of the deal, additional 2 per cent of any future dividend from Misen Enterprises AB will go to Mr. Konstantin Guenevski.

Misen Energy AB (publ) remains the owner of 50.5 per cent of Misen Enterprises AB shares and maintains full control.

The agreement comprises conditions that allow Misen Energy AB (publ) to repurchase the sold shares from Mr. Konstantin Guenevski for the purchase price multiplied by 3 (three). Misen Energy AB (publ) could exercise this right till earlier of (i) 30 April 2019 or (ii) the date of the general meeting of shareholders of Misen Enterprises AB, which would consider payment of dividends for financial year 2018. Similarly, the agreement comprises conditions that allow Mr. Konstantin Guenevski to require Misen Energy AB (publ) to purchase back all or part of the shares from Mr. Konstantin Guenevski within 24 months. The price of the shares would be equal to the purchase price multiplied by 3 less the amount of any dividends received by Mr. Konstantin Guenevski from the shares in 24 months. Misen Energy AB (publ) would be required to repurchase the shares only if it has financial capability to pay the shares price without the need to obtain third party funding.

Arbitration under JAA No.3

On 24 January 2018, Misen Enterprises AB and LLC Karpatygaz, partially owned subsidiaries of Misen Energy AB (publ), attended the closing statement in accordance to the Arbitration Rules of the Arbitration Institute of the Stockholm Chamber of Commerce in the arbitration case commenced by PJSC Ukrgazvydobuvannya in July 2016.

In the closing statement, the disputing parties addressed the validity and the grounds for terminating

JAA No.3 (as amended and restated). The Arbitral Tribunal intends to rule on all issues other than quantum in a partial award before the end of May 2018. Following this, the Arbitral Tribunal will issue further directions in relation to the quantum.

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

On 6 March 2018 court hearings were held as stated above. The court postponed the proceedings to 5 April 2018 due to Karpatygaz's and PJSC Ukrgazvydobuvannya's application to halt the case due to the ongoing court proceeding commenced by NABU (as described above).

Results – Misen Group and the Company

Consolidated net sales in 2017 were KSEK 35,549 (compared to KSEK 675,340 in 2016) while the Parent Company's reported net sales for the same period was KSEK 5,577 (KSEK 5,577). The decrease in net sales of the Misen Group was caused by refusal to deliver hydrocarbons by PJSC Ukrgazvydobuvannya since December 2016.

For 2017 the Group reported an operating loss of KSEK -1,071,529 (KSEK 18,832) and a consolidated loss after financial items of KSEK -1,071,791 (KSEK -5,509). The loss is explained by the fact that PJSC Ukrgazvydobuvannya refused to deliver hydrocarbons since December 2016 as well as the deconsolidation effect in the amount of KSEK -984,069 as explained in previous chapters.

In 2017, as the Company believes, due to failure to implement the services agreements concluded under JAA No.3 by PJSC Ukrgasvydobuvannya (as described in "Sale of hydrocarbons"), the production of natural gas attributable to JA was at zero level (596.6 mmcm in 2016).

For 2017, the Parent Company's loss after financial items amounted to KSEK -26,037 (KSEK -33,080). During the year 2017, the Parent Company reported a loss on the sale of shares in Misen Enterprises AB totalling to KSEK -9,562.

Financial assets and liabilities

In 2017 JA wrote-off KUAH 40,464 (KSEK 12,770) in bad debt. The partially owned subsidiary LLC Karpatygaz as the Operator of JA is engaged in constructive negotiations with the debtors. The settlement of these outstanding obligations is also sought through the court proceedings in Ukraine.

The fair value of the financial assets and financial liabilities at the balance sheet date is estimated to equal the carrying value.

Contingent liabilities

As of 31 December 2017, the Misen Group contingent liabilities amounted to KSEK 72,022 (KSEK 1,020,086), the change is explained by the deconsolidation. The Misen Group believes that it has no obligation to provide financing to the JA given that the JAA's Participants agreed to terminate JAA No.3. The Arbitral Tribunal will rule on this issue in the forthcoming partial award. Consequently, the Misen Group reports the remaining contingent liabilities that relate to liabilities in the JA where Misen Enterprises might be joint and several liable.

Cash position

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

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

Capital expenditure

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

As of 31 December 2017, JA's capital expenditure orders not yet delivered have been placed at an aggregate value of KSEK 3,643. The capital expenditures are equipment, project works, constructions and constructions in progress for extraction of natural gas.

Changes in tax legislation

As described in previous reports, on 1 January 2015 Ukraine adopted amendments to its tax code. As a result of the amendments, joint arrangements such as the JA could no longer constitute taxable entities with regard to income tax in 2015. Instead, it is the operators of the joint arrangements that are liable to pay tax, on a monthly basis, on behalf of the joint owners.

The tax is calculated on the basis of information collected from the most recently submitted tax return. In December 2015 the Ukrainian Parliament adopted an additional amendment to the tax legislation. The new amendment introduces a requirement to submit tax returns on quarterly basis, within 40 days of the end of each quarter. The tax due is based on the tax return for the previous quarter and must be paid within 10 days of submission of the tax return.

In this report it has been assumed that the Misen Group, as regards taxes related to JA, will constitute a taxpayer under Ukrainian legislation based on the assumption that the Misen Group has operations in the country. Joint arrangements such as the JA in Ukraine have not been clearly defined in Swedish law. In Misen Enterprises AB's income tax return for 2015 the JA has been treated as a foreign joint owner-taxed legal entity. Furthermore, in this report it has been assumed *that* the profits arising in JA prior to 1 January 2015 will not be taxed in Sweden, *that* the holding in the JA will be seen to comprise shares held for commercial purposes up and until 31 December 2014 and *that* Ukrainian income tax can be offset against Swedish income tax.

After the sale of 49.5 per cent of the shares in Misen Enterprises AB, the Parent Company's loss carry-forwards can no longer be used through Group contributions provided by Misen Enterprises AB.

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

Company's expected future development and going concern

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

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

Risks and risk management

Significant risks that the Group is exposed to and the risk management for these risks are described in the section Supplementary information on page 44-45 as well as in note 23.

Ownership structure

Major shareholders as of 31 December 2017:

Shareholder	**Shares and votes, no.**	**Shares and votes, %**
Nellston Holdings Ltd. (CY)	43,057,475	29.68
Norchamo Ltd. (CY)	43,001,100	29.64
Blankbank Investment Ltd. (CY)	26,491,377	18.26
TCT Holding AB (SE)	16,545,866	11.41
Forest Walkway AB (SE)	13,900,000	9.58
Total, major shareholders	**142,995,818**	**98.57**
Other	**2,072,404**	**1.43**
Total	**145,068,222**	**100.00**

Comparative performance indicators

Alternative performance measures (APM) – Group

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

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

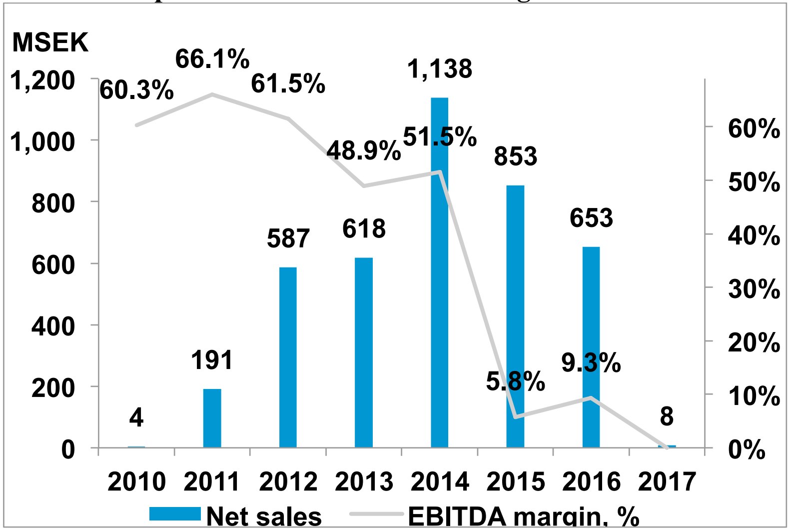
	2017	2016	2015	2014	2013
The Group					
Net sales, KSEK	7,938	653,122	853,359	1,138,001	618,332
EBITDA, KSEK	Neg	60,566	49,454	586,089	302,373
Financial expenses	6 900	31,096	74,182	138,987	9,902
Profit/loss after financial items, KSEK	-1,071,791	-5,509	-48,687	414,085	267,561
Earnings per share before dilution*, SEK	-3,95	-0.05	-0.23	2.25	1.43
Earnings per share after dilution*, SEK	-3,95	-0.05	-0.23	2.25	1.43
Return on equity, %	n.a.	Neg	Neg	57.1%	38.7%
Return on capital employed, %	n.a.	5.1%	Neg	69.4%	41.0%
Balance sheet total, KSEK	5,880	592,433	670,407	975,997	1,090,731
Equity/assets ratio, %	Neg.	78.4%	50.6%	58.6%	49.5%
Proportion of risk-bearing capital, %	Neg.	78.4%	50.6%	59.1%	51.0%
Debt/equity ratio, %	n.a.	6.4%	52.6%	37.0%	54.4%
Number of employees	105	133	118	122	86

	2017	2016	2015	2014	2013
Parent Company					
Net sales, KSEK	-	-	-	-	-
EBITDA, KSEK	Neg	Neg	Neg	Neg	Neg
Profit/loss after financial items, KSEK	-26,037	-33,080	-583,804	-26,392	-24,565
Return on equity, %	Neg	Neg	Neg	Neg	Neg
Return on capital employed, %	Neg	Neg	Neg	Neg	Neg
Balance sheet total, KSEK	325,021	325,855	473,881	1,022,482	1,008,053
Equity/assets ratio, %	90,4%	98.2%	74.5%	91.6%	95.6%
Proportion of risk-bearing capital, %	90,4%	98.2%	74.5%	91.6%	91.7%
Debt/equity ratio, %	-	0.0%	28.9%	7.7%	3.9%
Number of employees	3	4	4	4	2

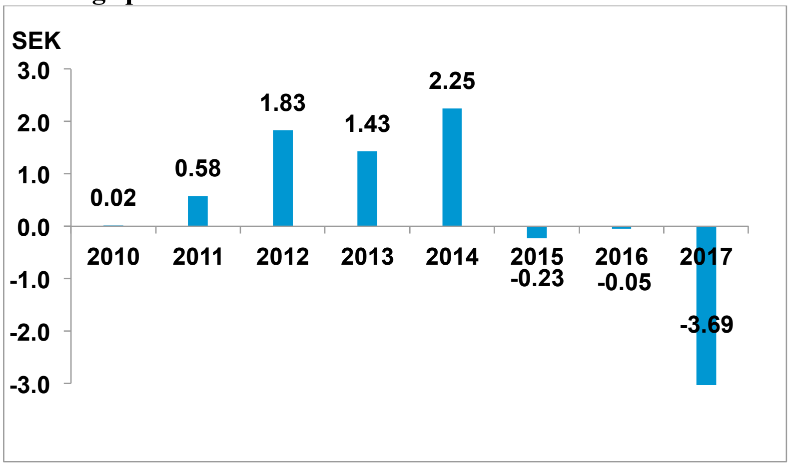
* Adjusted for reverse split 100:1 in January 2012. Number of shares before and after dilution 145,068,222.

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

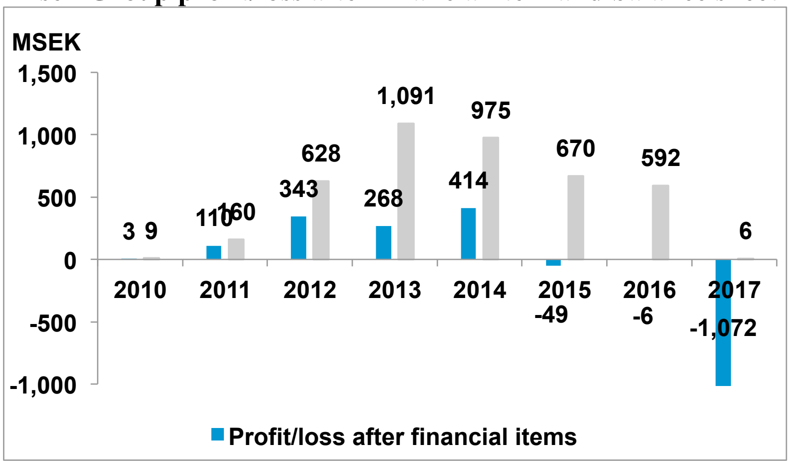
Misen Group net sales and EBITDA margin



Earnings per share



Misen Group profit/loss after financial item and balance sheet value



Proposed appropriation of profits

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

Retained earnings and additional paid-in capital	29,624,278
Net loss for the year	-26,036,682
	3,587,596

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

To be carried forward	3,587,596
	3,587,596

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

Consolidated income statement

	Note	2017	2016
Net sales	1, 2	7,938	653,122
Other operating income	3	27,611	21,868
Result from associated companies		-	350
		35,549	675,340
Operating expenses			
Other external expenses	4, 5, 28	-63,598	-549,519
Personnel expenses	6, 7	-11,131	-16,174
Depreciation and amortisation of tangible and intangible fixed assets	8	-28,562	-41,734
Result from deconsolidation		-984,069	-
Other operating expenses	9	-19,718	-49,081
Total operating expenses		-1,107,078	-656,508
Operating profit/loss		-1,071,529	18,832
Profit/loss from financial items			
Other interest income and similar profit/loss items	10	6,638	6,755
Interest expenses and similar profit/loss items	11	-6,900	-31,096
Total profit/loss from financial items		-262	-24,341
Profit/loss after financial items		-1,071,791	-5,509
Taxes for the year	12	-427	-11,139
Net profit/loss for the year		-1,072,218	-16,648
Profit/loss attributable to:			
Misen Energy AB (publ)		-573,322	-7,230
Non-controlling interests		-498,896	-9,418
		-1,072,218	-16,648
Statement of comprehensive income - Group			
Items that may be subsequently reclassified to profit or loss			
Translation differences		-73,946	-24,391
Reversed translation differences		623,033	-
Other comprehensive income for the year, net after taxes		549,087	-24,391
Total comprehensive income for the year		-523,131	-41,039
Attributable to:			
Misen Energy AB (publ)		-286,901	-26,901
Non-controlling interests		-236,230	-14,138
Total comprehensive income for the year		-523,131	-41,039

Earnings per share before and after dilution, attributable to the parent company shareholders is -3,95 SEK (-0,05 SEK) Average number of shares during the year was 145,068,222 (2016: 145,068,222).

Consolidated balance sheet

	Note	31 Dec 2017	31 Dec 2016
Assets			
Fixed assets	2		
Intangible fixed assets			
Rights and licences	13	1	28,951
		1	28,951
Tangible fixed assets			
Equipment, tools, fixtures and fittings	14	3	349,303
Construction in progress and advance payments regarding tangible fixed assets	15	-	152,756
		3	502,059
Financial fixed assets			
Deferred tax assets		-	10,202
Total fixed assets		4	541,212
Current assets			
Inventories, etc.	16		
Spare parts		-	512
Oil products and natural gas		-	67
		0	579
Current receivables			
Accounts receivable - trade	17, 18	397	20,260
Other receivables	19	2,943	11,766
Advance payments to suppliers		-	2,103
Prepaid expenses	20	355	4,015
		3,695	38,144
Cash and bank balances	17	2,181	12,498
Total current assets		5,876	51,221
TOTAL ASSETS		5,880	592,433

Equity and liabilities

Equity			
Share capital	21	290,136	290,136
Other contributed capital		-274,435	-274,435
Other reserves		-237	-549,324
Profit/Loss brought forward		-6,805	830,544
Non-controlling interests		-28,604	167,637
Total equity		-19,945	464,558
Non-current liabilities			
Other provisions		-	36,197
Total non-current liabilities		0	36,197
Current liabilities			
Short-term loans	17, 22, 23, 24.26	-	29,848
Advances from customers		-	8
Accounts payable - trade	17	21,603	6,581
Current tax liability		-	1,711
Other current liabilities to JA	22	-	44,426
Other liabilities		781	3,513
Accrued expenses and deferred income	25	3,441	5,591
Total current liabilities		25,825	91,678
TOTAL EQUITY AND LIABILITIES		5,880	592,433

Changes in equity for the Group

	Share capital	Other contributed capital	Other reserves	Profit/Loss brought forward	Total	Non-controlling interests	Total equity
Opening equity 1 Jan. 2016	**290,136**	**-274,435**	**-529,653**	**853,370**	**339,418**	**-**	**339,418**
Net result							
Net profit/loss for the year	-	-	-	-7,230	-7,230	-9,418	-16,648
Other comprehensive income		-	-	-	-	-	-
Translation differences	-	-	-19,671	-	-19,671	-4,721	-24,392
Total comprehensive income	**0**	**0**	**-19,671**	**-7,230**	**-26,901**	**-14,139**	**-41,040**
Other transactions with non-controlling interests	-	-	-	-3,265	-3,265	3,265	-
Sale of shares in subsidiary	-	-	-	-12,331	-12,331	178,510	166,179
Total transactions with non-controlling interests	**-**	**-**	**-**	**-15,596**	**-15,596**	**181,775**	**138,684**
Closing equity 31 Dec. 2016	**290,136**	**-274,435**	**-549,324**	**830,544**	**296,921**	**167,636**	**464,557**
Opening equity 1 Jan. 2017	**290,136**	**-274,435**	**-549,324**	**830,544**	**296,921**	**167,636**	**464,557**
Net result							
Net profit/loss for the year	-	-	-	-573,232	-573,232	-498,986	-1,072,218
Other comprehensive income		-	-	-	-	-	-
Reversed translation differences	-	-	589,848	-262,755	327,093	295,941	623,034
Translation differences	-	-	-40,761	-	-40,761	-33,185	-73,946
Total comprehensive income	**0**	**0**	**549,087**	**-835,987**	**-286,900**	**-236,230**	**-523,130**
Transactions with holders of non-controlling interests							
Sales of participations in subsidiaries	-	-	-	-1,362	-1,362	39,990	38,628
Total transactions with holders of non-controlling interests	**0**	**0**	**-**	**-1,362**	**-1,362**	**39,990**	**38,628**
Closing equity 31 Dec. 2017	**290,136**	**-274,435**	**-237**	**-6,805**	**8,659**	**-28,604**	**-19,945**

Cash flow statement for the Group

	Note	2017	2016
Operating activities			
Operating profit/loss before financial items		-1,071,529	18,832
Adjustment for non-cash items	26	1,002,869	70,066
Interest and dividends received		156	2,714
Interest paid		-5,461	-7,390
Income tax paid		-1,711	-9,807
		-75,676	74,415
Cash flow from changes in working capital			
Increase/decrease Inventories		103	2,437
Increase/decrease Other current receivables		2,065	1,105
Increase/decrease Other current operating liabilities		33,298	-62,746
Cash flow from operating activities		-40,210	15,211
Investment activities			
Investments in intangible fixed assets		-	-86
Investments in tangible fixed assets		-7,654	-14,422
Tangible fixed assets sold		583	1,464
Proceeds from sales of shares in subsidiaries		27,591	25,517
Investments in Joint Activity		-	-
Cash flow from investing activities		20,520	12,473
Financing activities			
Loans raised	26	9,598	12,874
Repayment of loan		-	-35,204
Cash flow from financing activities		9,598	-22,330
Cash flow for the year		-10,092	5,354
Cash and cash equivalents at the beginning of the year		12,498	7,413
Exchange rate differences in cash and cash equivalents		-225	-269
Cash and cash equivalents at year-end		2,181	12,498

Income statement for the Parent Company

	Note	2017	2016
Other operating income	1	5,577	5,577
Operating expenses			
Other external expenses	4, 5	-14,465	-12,796
Personnel expenses	6, 7	-6,146	-8,583
Total operating expenses		-20,611	-21,379
Operating profit/loss		-15,034	-15,802
Profit/loss from financial items			
Result from participations in Group companies		-9,562	-9,309
Other interest income and similar profit/loss items	10	-	1
Interest expenses and similar profit/loss items	11	-1,441	-7,970
Total profit/loss from financial items		-11,003	-17,278
Profit/loss after financial items		-26,037	-33,080
Net loss for the year		-26,037	-33,080

Statement of comprehensive income - Parent Company

		2017	2016
Net profit/loss for the year		-26,037	-33,080
Other comprehensive income for the year		-	-
Total comprehensive income for the year		-26,037	-33,080

Balance sheet for the Parent Company

	Note	31 Dec 2017	31 Dec 2016
Assets			
Fixed assets			
Financial fixed assets			
Shares in subsidiaries	27	252,997	301,287
Total fixed assets		252,997	301,287
Current assets			
Current receivables			
Receivables from Group companies	17, 28	69,849	17,265
Other short-term receivables	19	177	-
Prepaid expenses	20	354	269
		70,380	17,534
Cash and bank	17	1,644	7,034
Total current assets		72,024	24,568
Total assets		325,021	325,855
Equity and liabilities			
Equity			
Restricted equity			
Share capital	21	290,136	290,136
Statutory reserves		345	345
		290,481	290,481
Non-restricted equity			
Share premium reserve		714,285	714,285
Profit/loss brought forward		-684,658	-651,580
Net loss for the year		-26,037	-33,080
		3,590	29,625
Total equity		294,071	320,106
Non-current liabilities			
Liabilities to Group companies	17, 23, 28	90	92
Total non-current liabilities		90	92
Current liabilities			
Accounts payable - trade	17	17,457	730
Other short-term liabilities		10,616	406
Accrued expenses and deferred income	25	2,787	4,521
Total current liabilities		30,860	5,657
Total equity and liabilities		325,021	325,855

Statement of changes in equity - Parent Company

	Share capital	Statutory reserves	Share premium reserve	Profit/Loss brought forward	Total equity
Opening equity 1 Jan. 2016	**290,136**	**345**	**714,285**	**-651,580**	**353,186**
Net result					
Net profit/loss for the year	-	-	-	-33,080	-33,080
Total comprehensive income	**0**	**0**	**0**	**-33,080**	**-33,080**
Closing equity 31 Dec. 2016	**290,136**	**345**	**714,285**	**-684,660**	**320,106**
Opening equity 1 Jan. 2017	**290,136**	**345**	**714,285**	**-684,660**	**320,106**
Net result					
Net profit/loss for the year	-	-	-	-26,037	-26,037
Total comprehensive income	**0**	**0**	**0**	**-26,037**	**-26,037**
Closing equity 31 Dec. 2017	**290,136**	**345**	**714,285**	**-710,697**	**294,069**

Cash flow statement for the Parent Company

	Note	2017	2016
Operating activities			
Operating profit/loss before financial items		-15,034	-15,801
Interest paid		-2	-
		-15,036	-15,801
Increase/decrease Other current receivables		-52,745	-2,158
Increase/decrease Accounts payable - trade		16,727	-4,205
Increase/decrease Other current operating liabilities		8,476	-9,796
Cash flow from operating activities		-42,578	-31,960
Investment activities			
Shareholders' contribution - paid		27,590	25,517
Cash flow from investing activities		27,590	25,517
Financing activities			
Increase in long-term liabilities	26	9,598	11,774
Cash flow from financing activities		9,598	11,774
Cash flow for the year		-5,390	5,331
Cash and cash equivalents at the beginning of the year		7,034	1,703
Cash and cash equivalents at year-end		1,644	7,034

Supplementary information

General disclosures

General information

The Group's operations involve 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, Sweden. The Parent Company's shares are listed on First North.

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

The Board of Directors and the Managing Director have, on 5 April 2018, approved this annual report and consolidated financial statements for publication. The Board of Directors propose that the retained earnings of the Parent Company will be retained, and no dividend is paid.

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

Summary of important accounting principles

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

Basis of preparation of the financial statements
The consolidated financial statements for the Misen 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 judgement in applying the Group's accounting principles. Areas involving a high level of judgement, which are complex, or areas where assumptions and estimates are of substantial significance to the consolidated financial statements are commented on, where applicable, in the notes.

Group definition

Misen Energy AB (publ) (herein after referred to as "**Parent Company**" or "**Company**") is a Swedish public limited liability company with its registered offices in Stockholm. The Company is listed at NASDAQ First North Stockholm.

On 16 June 2016 the Board of Misen Energy AB (publ) approved the sale of 37.5 per cent of the shares in Misen Enterprises AB to the Hong Kong-based company Powerful United Limited (hereinafter referred to as "PUL"). PUL is controlled by the Swedish company TCT Holding AB, which is a 11.41 per cent shareholder in Misen Energy AB (publ). The deal was finalised on 5 July 2016.

On 3 July 2017 Misen Energy AB (publ) closed the sale of 8 per cent of the shares in Misen Enterprises AB to PUL.

On 26 November 2017 Misen Energy AB (publ) closed the sale of additional 2 per cent of the shares in Misen Enterprises AB to PUL.

Standards, amendments and interpretations to existing standards that entered into effect in 2017
During the year, no standards, amendments or interpretations to existing standards entered into effect that had any material impact on the Group's financial statements.

New standards and interpretations not yet applied by the Group
A number of new standards and interpretations effective for financial years beginning after 1 January 2017 have not been applied in preparing these consolidated financial statements.

IFRS 9 *Financial instruments* and IFRS 15 *Revenue from contracts with customers* are effective from 1 January 2018. As the Joint Activity participants have agreed to terminate the agreement to perform joint operations (JAA No 3) in 2018 and a the joint operations were deconsolidated as per 31 December 2017 there will be no significant financial assets and liabilities or revenue to be accounted for according to IFRS 9 and IFRS 15 respectively. The implementation of these standards is therefore not deemed to have any material effect on the Group's financial statements.

IFRS 16 Leases

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

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

Consolidated financial statements

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

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

Acquisition-related costs are expensed as incurred.

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

Joint activities
Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has only one holding in a Joint Activity (JA). The Group's interests in jointly controlled entities are recognised by proportionate consolidation. The Group combines its share of income and expenses, assets and liabilities and cash flows of the joint arrangement, with the corresponding items in its own consolidated financial statements. The Group recognises the portion of gains or losses from its sale of assets to a joint arrangement which corresponds to the other participants' ownership share. The Group does not recognise any share of profits or losses in a joint arrangement which result from the Group's purchase of assets from the joint arrangement until the assets are sold on to an independent party. Nevertheless, if a transaction involves a loss, it is recognised immediately, provided that the loss is incurred due to overvaluation of an asset.

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

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 associate 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. Dividends from associates are recognised as a decrease in the investment's carrying amount.

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision- maker. The chief operating decision-maker is the function responsible for allocating resources and assessing the performance of operating segments. In the Group, this function has been identified as the Board of Directors and Group Management.

The Board and Group management does not follow the operations in any dimension other than the operations as a whole, which is why no separate segment reporting is prepared.

Translation of foreign currencies

Functional currency and presentation currency

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

Transactions and balance sheet items

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

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

Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

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

Currency	**Income statement**	**Balance sheet**
EUR	9.96	9.83
UAH	0.32	0.29
USD	8.54	8.21

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 invoicing of services and expenses. The revenue from the Company's sale of goods is recognised as income when the significant risks and rewards of ownership of the goods pass to the buyer.

The Group recognises 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.

Current and deferred income tax

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

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

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

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

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

Current and deferred tax are recognised in the income statement, except when the tax relates to items recognised in other comprehensive income or directly in equity. In such cases, tax is also recognised in other comprehensive income or equity.

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

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 liabilities and Current liabilities. 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 finance leases are impaired over the shorter period of the asset’s useful life and the lease term.

Intangible assets
Intangible assets are recognised at acquisition cost less accumulated amortisation. Intangible assets relate entirely to extraction licences and technical documentation. The development licences are amortised 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 licences with expiration dates prior to 2031 while technical documentation is amortised straight-line over four years.

- Amortisation of development licences 8% per year
- Amortisation of technical documentation 25% per year

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

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

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

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

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

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

Financial assets

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 - trade
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. The fair value of current receivables corresponds to their carrying amounts since the discount effect is not material. 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 an impairment requirement 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, they 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 bank balances
Cash and cash equivalents include cash, bank deposits and other short-term investments with maturities of three months or less.

Financial liabilities

Accounts payable - trade
Accounts payable are commitments to pay for goods or services which have been purchased from the supplier in the course of the day-to-day operations. Accounts payable are classified as current liabilities if they are due for payment within one year or less. If this is not the case, they are reported as non-current liabilities. Accounts payable are initially recognised at fair value and subsequently measured at amortised cost by applying the effective interest method. The fair value of current accounts payable and other current liabilities corresponds to their carrying amounts as the discount effect is immaterial.

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowing costs are charged to profit or loss for the period to which they relate.

Borrowing expenses
General and specific borrowing expenses which are directly attributable to the purchase, establishment or production of qualified assets, that is, assets which necessarily require a considerable amount of time to prepare for their intended purpose or sale, are recognised as a portion of their acquisition cost. Capitalisation ceases when all activities required to prepare the asset for its intended use or sale have largely been completed. 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 expensed as they arise.

Write-downs
The Group determines at each reporting date whether there is any objective evidence that an impairment requirement exists for a financial asset or a group of financial assets. A financial asset or group of financial assets has an impairment requirement and is written down only if there is objective

evidence of an impairment requirement as a result of one or more events occurring after initial recognition of the asset (a "loss event") and this event (or events) has an impact on the estimated future cash flows for the financial asset or group of financial assets that can be reliably estimated.

Inventories
Inventories are valued at the lower of acquisition cost and net realisable value, whereby the FIFO principle is applied. The net realisable value has been calculated as the selling price after deductions for estimated selling expenses. The inventory value comprises produced gas, other hydrocarbons and spare parts for future use. The inventory value comprises direct personnel costs, subsoil use charges, other direct expenses and a reasonable share of overhead costs excluding borrowing expenses. The net realisable value is estimated at the normal selling price less selling and completion expenses.

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.

Remuneration of employees

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

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

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

Earnings per share

Profit/loss per share before dilution

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

Profit/loss per share after dilution

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

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

Parent Company accounting principles

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

The Parent Company accordingly applies the principles presented above except for the exemptions presented below. Unless otherwise stated, these principles have been consistently applied for all years disclosed.

Presentation

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

Borrowing expenses

The Parent Company immediately expenses all borrowing expenses.

Participations in subsidiaries

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

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

Taxes

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

Group contributions

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

Significant estimates and assumptions for accounting purposes

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

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

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

- Request for Arbitration from PJSC Ukrgasvydobuvannya

After closing statement in the ongoing arbitration proceeding commenced by PJSC Ukrgasvydobuvannya in August 2016, where the parties confirmed their agreement to terminate JAA No. 3, the Group no longer reports its share of the assets or liabilities related to JAA No 3 in the balance sheet as management view is that the IFRS requirements for control are no longer met. The assessed potential Group exposure to debts in JA are shown as contingent liabilities (see note 22). It cannot be excluded that any negative outcome of this arbitration may have a material effect on the Group's financial results in the future, including costs related to claims from the counterpart or other parties.

- Other legal cases

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

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 judgement based upon experience with similar assets. In determining the useful life of an asset, management considers the expected production volumes and remaining gas reserves, expected technical development, physical wear and tear and the physical environment in which the asset is operated. Changes in these conditions can affect future depreciation periods. All of the Company's depreciable assets follow a straight-line depreciation plan.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for 2017 would be to increase it by KSEK 3,173 or decrease it by KSEK 2,595 (for 2016 increase by KSEK 4,637 or decrease by KSEK 3,794).

Accounting for joint arrangements and associated companies
The Group holds a 50.01% share in the Joint Activity (JA) 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 JA 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.

As of 31 December 2017, the JA was deconsolidated as described above.

During 2016, the Group also had a 10% share in the joint operation according to Joint Activity Agreement #493 (JAA #493). The Group's joint operation, JAA #493, was structured without a legal personality. The Group assessed that it had significant influence in the joint operation even if the share was below 20%. This joint operation was therefore accounted for as an associated company in the Group's consolidated financial statements by the end of 2016. By the end of 2016, JA #493 was cancelled and the Group's receivable from the cancellation of JAA #493 was reported under Other receivables.

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

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

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

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

In January-December, the JA paid KUAH 10,881 (KSEK 3,434) on behalf of Misen Enterprises AB to Ukrainian authorities.

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

Impairment requirements for shares in subsidiaries

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

As of end of 2017 the Company's management conducted impairment test of the shares in Misen Enterprises AB held by the Parent Company according to the IAS 36 Impairment of Assets. The calculations are based on the value of the JA's assets as assessed by an external expert. The test indicated that there is no impairment in shares of subsidiaries held by the Parent Company as of 31 December 2017. The value of the JA's assets and the Group's share in those assets shall be finally determined by the Arbitral Tribunal in the arbitration proceeding.

Business risks

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

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

During the summer of 2014, the subsoil use charge to be paid in connection with production was increased from 25% to 55% and in 2016, this tax was 70% for JAs with private partners. This has a negative effect on the Group and complicates implementation of the investment program.

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

Economic risks
Ukraine's transformation from a rigid, centrally planned economy to a market economy has been hampered by strong economic and political special interests. A small number of people with substantial wealth have had a dominant position in the country and have influenced policies in a negative way. 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 led to some 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 support from the IMF, EU and US is being offered, provided country accelerates the major reforms of its economy.

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

Foreign exchange risk

During the year, the exchange rate between UAH and SEK decreased from 0.3301 on 31 December 2016 to 0.2891 on 31 December 2017, a decrease of -12.4 per cent. The primary reason for this was deficits in the balance of payments, essentially covered by the National Bank of Ukraine's currency reserves. Since the Misen Group's all assets are located in Ukraine, this has had a negative impact on the equity of the Misen Group.

Currency restrictions risk

In 2017, the National Bank of Ukraine (NBU) continued to implement significant easing of the currency restrictions introduced in 2014. As of end of 2017 time limits on the repatriation of dividends to foreign shareholders of Ukrainian companies were removed. The monthly cap on repatriation of dividends for the period up to and including 2013 was set at the equivalent of USD 2 million. The monthly cap on repatriation of dividends for 2014-2016 set equivalent to USD 5 million. Still, the share of revenue in foreign currencies that has to be sold to the NBU constituted 50 per cent, the payment period for import-export transactions made up 180 days.

Tax risk

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

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

Risks from litigation and claims

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

Financial risks and risk management

The Group is exposed to financial risks including market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. For a description of the Group's exposure and risk management regarding these risks, please see Note 23

Definitions of key ratios

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

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

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

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

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

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

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

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

9. Number of outstanding shares at full dilution is defined as the number of outstanding shares including maximum utilisation of warrants as well as outstanding paid subscribed shares.

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

Notes, common for Parent Company and Group

Note 1 Revenue distribution

	Group		Parent Company	
	2017	2016	2017	2016
Income included in net sales:				
Natural gas	7,938	588,893	-	-
Oil products	-	64,201	-	-
Other	-	28	5,577	5,577
Total	7,938	653,122	5,577	5,577

Note 2 Segment information - Group

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

Geographical area	31 Dec 2017	31 Dec 2016
Net sales, external		
Ukraine	7,938	653,122
Fixed assets		
Ukraine	4	531,010

Note 3 Other operating income

	Group		Parent Company	
	2017	2016	2017	2016
Invoiced leasing fees	17,760	-	-	-
Translation differences	1,513	3,638	-	-
Received fines and penalties	1,492	4,631	-	-
In previous periods, penalty charges which were not realised were expensed	6,049	9,190	-	-
Other	797	4,409	-	-
Total	27,611	21,868	0	0

Note 4 Remuneration of auditors

	Group		Parent Company	
	2017	2016	2017	2016
PwC				
Audit assignment	1 068	1,416	1 068	1,416
Audit services in addition to the audit engagement	-	456	-	456
Tax advisory services	442	258	442	258
Other services	65	46	65	46
Total	1 575	2,176	1 575	2,176

Note 5 Other external expenses

	Group		Parent Company	
	2017	2016	2017	2016
Extraction/trading expenses	7,747	436,356	-	-
Production and transport expenses	-	69,063	-	-
Refinery expenses	-	2,491	-	-
Change in inventories	103	2,437	-	-
Legal costs	43,031	7,412	224	3,638
Other	12,717	31,760	14,241	9,157
Total	63,598	549,519	14,465	12,795

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

Note 6 Salaries and remuneration to the Board and Company management

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

	Basic salary / Director's fee	Variable remuneration	Benefits	Pension	Total
2016					
Parent Company and Group					
Göran Wolff, MD	1,829	679	41	296	2,845
Andrius Smaliukas, Chairman of the Board	294	-	-	-	294
Dimitrios Dimitriadis, Board of Directors	98	-	-	-	98
Hans Lundgren, Board of Directors	245	-	-	-	245
Oleg Batyuk, Board of Directors	98	-	-	-	98
Pavel Prysiazhniuk	10		-	-	10
Other senior executives, 2	2,061	476	-	159	2,696
Total	**4,635**	**1,155**	**41**	**455**	**6,286**

There was no variable remuneration in 2017.
Bonus is payable to senior executives according to rules established by the Board from year to year.

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

	Group		Parent Company	
	2017	2016	2017	2016
Average number of employees				
Women	29	31	1	2
Men	76	102	2	2
Total	105	133	3	4
Employees per country				
Sweden	3	4	3	4
of which men	2	2	2	2
Ukraine	102	129	-	-
of which men	74	100	-	-
Total	105	133	3	4
of which men	76	102	2	2

	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Total wages, salaries, other remuneration, social security contributions and pension costs				
Salaries and remuneration of the Board of Directors, Managing Director and other senior executives	5,830	5,922	4,616	5,613
Salaries and remuneration of other employees	3,530	8,158	214	1,162
	9,360	14,080	4,830	6,775
Statutory and contractual social security contributions	1,167	1,380	853	1,316
Pension costs for Board of Directors, Managing Director or other senior executives	604	490	463	455
Pension costs for other employees	-	25	-	25
Total	11,131	15,975	6,146	8,571

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

	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Wages, salaries and other remuneration by country and between management staff and other employees				
Management staff, Sweden	5,365	5,222	4,830	5,045
of which variable remuneration	-	1,155	38	1,155
Management staff, Ukraine	99	132	-	-
Other employees, Sweden	-	1,162	-	1,162
Other employees, Ukraine	3,530	6,996	-	-
of which variable remuneration	-	226	-	226
Members of the Board and senior executives				
No. of members of the Board at balance sheet date				
Men	4	5	4	5
Total	4	5	4	5
No. of Managing Directors and other senior executives				
Women	1	1	1	1
Men	3	2	2	2
Total	4	3	3	3

Note 8 Depreciation/amortisation and write-downs

	Group	
	2017	2016
Depreciation, amortisation and write-downs of tangible and intangible assets		
Amortisation of intangible assets	140	2,934
Depreciation of equipment and buildings	28,422	38,800
Total	28,562	41,734

Note 9 Other operating expenses

	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Maintenance costs Booster Compressor Station 1)	746	12,800	-	-
Maintenance costs for other Booster Compressor Stations	5,436	-	-	-
Bad debt losses	10,910	33,088	-	-
Fines and penalties	1,853	1,547	-	-
Other operating expenses	773	1,646	-	-
Total	19,718	49,081	0	0

1) Pertains to operating costs for Khrestyschenska Booster Compressor Station

Note 10 Other interest income and similar profit/loss items

	Group		Parent Company	
	2017	2016	2017	2016
Interest income	156	6,755	-	1
Translation Differences	6,482	-	-	-
Total	6,638	6,755	0	1

Note 11 Other interest income and similar profit/loss items

	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Other interest expenses	5,461	17,605	1,441	7,971
Translation differences	-	13,491	-	-
Other financial expenses	1,439	-	-	-
Total	6,900	31,096	1,441	7,971

Note 12 Tax on profit for the year

Distribution of income tax	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Current tax	-	-7,298	-	-
Deferred taxes	-427	-3,841	-	-
Total	**-427**	**-11,139**	**0**	**0**

	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Reported profit before taxes	-1 071 791	-5,509	-26,036	-33,080
Tax according to national tax rates	234 650	2,770	5,728	7,278
Participations in Associated companies	-	-63	-	-
Tax related to non-taxable income	222	6,860	-	-
Tax regarding non-deductible costs	-216 847	-9,025	-2,917	-2,062
Fiscal losses for which no deferred tax asset is recognised	-18 317	-9,156	-2,811	-5,216
Adjustment regarding earlier years' tax	-135	3,521	-	-
Change in tax legislation	-	-7,359	-	-
Other	-	1,313	-	-
Tax expenses for the year	-427	-11,139	0	0

Weighted average tax rate was 22% (2016: 20%).

Note 13 Rights and licences

	Group	
	31 Dec 2017	31 Dec 2016
Opening acquisition value	43,553	43,554
Purchases	-	86
Translation differences	-222	-87
Sales and scrapping	-11	-
Deconsolidation	-43,319	-
Closing accumulated acquisition value	1	43,553
Opening amortisation/depreciation	-14,602	-11,695
Deconsolidation	14,645	-
Depreciation/amortisation for the year	-140	-2,934
Translation differences	97	27
Closing accumulated depreciation/amortisation	0	-14,602
Closing residual value according to plan	1	28,951

Note 14 Equipment, tools, fixtures and fittings

	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Opening acquisition value	443,032	454,665	403	403
Purchases	-	1,685	-	-
Translation differences	-55,940	-22,026	-	-
Sales and scrapping	-88	-31	-	-
Deconsolidation	-396,767	-	-	-
Reclassifications	9,821	8,739	-	-
Closing accumulated acquisition value	58	443,032	403	403
Opening amortisation/depreciation	-93,729	-57,924	-403	-403
Sales and scrapping	36	30	-	-
Deconsolidation	108,054	-	-	-
Depreciation/amortisation for the year	-28,421	-38,799	-	-
Translation differences	14,005	2,964	-	-
Closing accumulated depreciation/amortisation	-55	-93,729	-403	-403
Closing residual value according to plan	3	349,303	0	0

Note 15 Construction in progress and advance payments regarding tangible fixed assets

	Group	
	31 Dec 2017	31 Dec 2016
Opening acquisition value	152,756	158,059
Expenses accrued during the year	7,658	12,734
Deconsolidation	-130,966	-
Sales	-1,207	-1,669
Reclassifications	-9,821	-8,739
Capitalised interest expenses incl. exchange rate differences	-	-11
Translation differences	-18,420	-7,618
Closing expenses accrued	0	152,756

Note 16 Inventories

	Group	
	31 Dec 2017	31 Dec 2016
Valued at acquisition value		
Spare parts	-	512
Oil products and natural gas	-	67
Total	0	579

Note 17 Financial instruments by category

	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Assets				
Loans and receivables				
Accounts receivable, external	397	20,260	-	-
Receivables from Group companies	-	-	69,849	17,265
Cash and bank balances	2,181	12,498	1,644	7,034
Total	2,578	32,758	71,493	24,299
Liabilities				
Other financial expenses				
Borrowing (excluding liabilities attributable to financial leasing)	-	29,848	-	-
Liabilities attributable to finance leases	-	-	-	-
Accounts payable and other liabilities excluding non-financial liabilities	22,384	54,528	17,547	822
	22,384	84,376	17,547	822

Note 18 Accounts receivable - trade

	Group	
	31 Dec 2017	31 Dec 2016
Accounts receivable, external	397	20,260
Total	397	20,260

As per 31 December 2017, Accounts receivable (excluding doubtful debts) amounted to KSEK 397 (2016: KSEK 20,260) less write-downs, totalling KSEK 10,910 (KSEK 33,088).

Maturity analysis of accounts receivable:		
Not overdue	397	-
< 30 days overdue	-	2,837
> 30 days overdue	-	17,423
Total	397	20,260

Note 19 Other receivables

	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
VAT recoverable	725	9,479	60	-
Receivable JA 493	1,902	2,172	-	-
Other receivables	316	115	117	-
Total	2,943	11,766	177	0

Note 20 Prepaid expenses

	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Advance to Stockholm Chamber of Commerce	-	3,355	-	-
Other prepaid expenses	355	660	354	269
Total	355	4,015	354	269

Note 21 Share capital

Share information	2017	2016
Parent Company		
Weighted average number of shares for the year	145,068,222	145,068,222
No. of outstanding shares at balance date before dilution	145,068,222	145,068,222
No. of outstanding shares at balance date after full dilution	145,068,222	145,068,222

Note 22 Contingent liabilities

	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Guarantee commitment JA	72,022	-	-	-
Attributable to liabilities in JA	-	29,837	-	-
Other contingent liabilities	-	990,249	-	-
Total contingent liabilities	72,022	1,020,086	0	0

The Group is jointly liable for liabilities arising in JA. As the JA's balance sheet is no longer consolidated in the consolidated balance sheet, 100% of the JA’s external liabilities, excluding liabilities to JAA’s partner PJSC Ukrgasvydobuvannya and provisions for decommissioning costs, have been included as contingent liabilities. Any liabilities to PJSC Ukrgasvydobuvannya are expected to be settled in connection with the termination of JAA No.3 in the arbitration proceeding.

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 2017.

Market risk

Foreign exchange risk

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

Out of the Group's total sales and expenses in 2017, SEK 8 million and SEK 36 million, respectively, were denominated in UAH, implying that a +/- 10% change in the UAH exchange rate would affect the Group's profit by SEK +/- 3 million.

The Group's net assets with UAH as reporting currency amounted to SEK -1 million. Thereby, a +/- 10% change in the UAH exchange rate would affect the Group's equity by SEK +/- 0 million.

Interest rate risk

As per 31 December 2017, the Group had interest-bearing liabilities amounting to SEK 0 million and an interest rate change of +/- 1% would affect the Group's financial expenses by SEK +/- 0 million.

Price risk

The Group's profit for the year is primarily affected by hydrocarbon prices. A +/- 10% change in hydrocarbon prices in Ukraine would affect Group income by SEK +/- 1 million. A +/- 10% change of cost level in Ukraine would affect Group expenses by SEK +/- 4 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 fulfil 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 ongoing basis and approved regularly by Management. The Joint Activity's management undertakes regular age analyses and follows up on overdue accounts receivable.

Liquidity risk

Liquidity risk refers to the risk that financing of the Group's capital requirements and the refinancing of outstanding loans is made more complicated and expensive.

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

The financing need that may arise in 2018 will be handled through credits, and if needed, additional capital from the shareholders and/or other investors. Currently the Group has no agreements regarding future financing. Refer to the administration report in the section "Company's expected future development and going concern".

The table below shows liabilities at 31 December 2017 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 loan 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 currencies other than the report currency (SEK) are reported after translation at the closing rate of exchange.

Since the deconsolidation of the JA as per 31 December 2017 the Group has no outstanding interest-bearing financial liabilities. The external liabilities in the JA where the Group is joint and several liable is presented as contingent liabilities and are not included in the table below.

Payment dates for financial liabilities as per 31 December 2017	< 1 month	1 month - 1 year	1 year - 2	> 2 years	Total
Accounts payable and other financial liabilities	21,603	-	-	-	21,603
Total	**21,603**	**0**	**0**	**0**	**21,603**
Payment dates for financial liabilities as per 31 December 2016					
Liabilities to credit institutions	40,830	-	-	-	40,830
Accounts payable and other financial liabilities	6,581	47,947	-	-	54,528
Total	**47,411**	**47,947**	**0**	**0**	**95,358**

Group Parent Company

	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Interest-bearing liabilities				
Non-current liabilities				
Liabilities attributable to finance leases	-	-	-	-
Total	0	0	0	0
Current liabilities				
Liabilities to credit institutions	-	29,848	-	-
Liabilities attributable to finance leases	-	-	-	-
Total	0	29,848	0	0
Total interest-bearing liabilities	0	29,848	0	0

Interests

Weighted average effective interest rates on borrowing amounted to:

	Group		Parent Company	
	2017	2016	2017	2016
Long-term liabilities to credit institutions	-	-		
Current liabilities to credit institutions	12.0%	12.0%	-	-
Liabilities to Group companies	ET	ET	-	-

Currencies

	Group		Parent Company	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Interest-bearing liabilities per currency				
EUR	-	-	-	-
USD	-	29,848	-	-
UAH	-	-		
SEK	-	-	-	-
Total	**-**	**29,848**	**-**	**-**

Financial liabilities valued at accrued acquisition value

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

Note 24 Pledged assets

	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
For the Group's and the Company's own liabilities				
Pledged fixed assets	-	186,469	-	-
Total pledged assets	0	186,469	0	0

Note 25 Accrued expenses and deferred income

	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Accrued salaries and other staff expenses	654	1,023	-	789
Accrued holiday pay	1,003	521	1,003	-
Accrued social security contributions	131	403	131	403
Accrued bonuses	-	1,617	-	1,617
Other items	1,653	2,027	1,653	1,712
Total	3,441	5,591	2,787	4,521

Note 26 Adjustment for non-cash items

	Group		Parent Company	
	2017	2016	2017	2016
Depreciation/amortisation	28,562	41,734	-	-
Result from deconsolidation excl. cash	983,822	-	-	-
Profit/loss from sales of fixed assets	675	207	-	-
Participations in Associated companies	-	-350	-	-
Unpaid leasing income	-17,760	-	-	-
Bad debt loss	10,910	33,088	-	-
Change in provisions	3,889	6,973	-	-
Unrealised exchange rate differences	-	-3,790	-	-
Other non-cash items	-7,229	-7,796	-	-
Total	1,002,869	70,066	0	0

Change in financial liabilities	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Opening financial liabilities	29,848	178,572	-	99,161
Loans raised	9,598	12,874	9,598	11,774
Repayment of loan	-	-35,204	-	-
Total cash items	9,598	-22,330	9,598	11,774
Settlement of loans on the sale of shares	-9,598	-131,772	-9,598	-110,935
Deconsolidation	-29,457	-	-	-
Translation differences	-391	5,378	-	-
Total non-cash items	-39,446	-126,394	-9,598	-110,935
			-	-
Closing financial liabilities	0	29,848	0	0

Note 27 Participations in Group companies

Group	Corp. ID no.	Domicile	Share of equity (%)
Misen Enterprises AB	556526-3968	Sweden	52,5%
Capital Oil Resources Sweden AB	556754-4878	Sweden	100%
LLC Karpatygaz	30162340	Ukraine	100%
JA*	ET	Ukraine	0,01%
JA*	ET	Ukraine	50%

* 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 %	Share of votes %	No. of shares	Book value, 31 Dec. 2017 31 Dec 2017	Book value, 31 Dec. 2016 31 Dec 2016
Misen Enterprises AB	52.5	52.5	26,250	252,997	301,187
Total				252,997	301,187

The Group's participation in the JA	2017	2016

The Group's participation in the JA	2017	2016
Income Statement		
Income	1,647	596,096
Expenses	31,435	559,480
Balance sheet		
Fixed assets	-	514,740
Current assets	-	85,739
Non-current liabilities	-	36,197
Current liabilities	-	54,562

	2017	2016
Participations in Group companies		
Opening acquisition value	301,287	468,069
Capital contribution	-	8,706
Sales of participations	-48,290	-175,488
Closing accumulated acquisition value	252,997	301,287
Closing book value	252,997	301,287

Note 28 Transactions with related parties

	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Sales to related parties				
Misen Enterprises AB	-	-	5,577	5,577
Ukrgazvydobuvannya 2)	35,503	43,503	-	-
Total	35,503	43,503	5,577	5,577
Purchases and interest from related parties				
Ukrgazvydobuvannya 2)	9,491	128,208	-	-
Balit LLC 4)	2,157	2,130	2,157	-
Dentons 1)	21,006	4,890	14	-
Lexford Investment 1)	-	150	26	-
AIM Partners 1)	119	352	-	-
TCT Holding 5)	-	490	-	-
Powerful United Ltd 5)	1,439	946	-	-
Prolux 5)	-	196	-	-
Sergiy Probylov, lön 3)	-	183	-	-
Total	34,212	137,545	2,197	0

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

	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Receivables from related parties				
JA	-	-	-	3,809
Misen Enterprises AB	-	-	69,849	13,456
Total	0	0	69,849	17,265
Liabilities to related parties				
Misen Enterprises AB	-	-	-	-
Capital Oil Resources AB	-	-	90	92
Ukrgazvydobuvannya 2)	-	72	-	-
Balit LLC 4)	159	549	159	-
Dentons 1)	7,524	420	7,524	-
TCT Holding 5)	-	-	-	-
Lexford Investment 1)	-	-	-	-
Total	7,683	1,041	7,773	92

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

Affirmation

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

The income statements and balance sheets will be submitted for adoption at the Annual General Meeting on 26 April 2018.

Stockholm, 5 April 2018.

Andrius Smaliukas
Board member, Chairman

Oleg Batyuk
Board member

Dimitrios Dimitriadis
Board member

Pavel Prysiazhniuk
Board member

Göran Wolff
Managing Director

Our audit report was submitted 5 April 2018.

PricewaterhouseCoopers AB

Johan Palmgren
Authorised Public Accountant
Auditor-in-Charge

Auditor's report

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

Report on the annual accounts and consolidated accounts

Disclaimer of Opinions

We were engaged to audit the annual accounts and consolidated accounts of Misen Energy AB for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 3-64 in this document.

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

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

Basis for Opinions

The group's operations are in all material respects conducted by the Joint Activity ("JA") between PJSC Ukrgasvydobuvannya, LLC Karpatygaz and Misen Enterprises AB which is governed by the Joint Activity Agreement No. 3, dated 10 June 2002.

As described in the administration report, the group is currently part in several significant legal processes as a consequence of disputes between the participants of the JA which are vital for the group's future operations. As disclosed in the Auditor's report for the Group financial statements as of 31 December 2016 all fixed assets of the group was directly or indirectly attributable to the JA by the end of 2016.

Based on the then existed and still existing multiple material uncertainties related to the legal processes described in the administration report we have not been able to obtain sufficient appropriate audit evidence on which to base an opinion on if the value of the fixed assets of the Group was correct by the beginning of 2017.

As per 31 December 2017 the Group's share in the JA has been deconsolidated as a consequence of the parties' agreement to terminate the JA. The motives for the deconsolidation is described in the administration report in the section "Deconsolidation of the Joint Activity". Since the opening book value of fixed assets enter into the determination of the financial performance and cash flows, including the result from the deconsolidation, we were unable to determine whether adjustments might have been necessary in respect of the result for the year reported in the consolidated income statement and cash flows reported in the cash flow statement for the Group. Due to the uncertainty in the outcome of the arbitration we have not been able to obtain sufficient appropriate audit evidence to determine if additional liabilities should be included in the balance sheet of the Group. The result of the deconsolidation of KSEK -984,069 is considered both material and pervasive for the Group's financial statements as a whole.

The assessment of the value of the parent company's shares in the subsidiary Misen Enterprises AB, which amounts to KSEK 252,997, and the receivables from Misen Enterprises AB which amounts to KSEK 69,849, which together corresponds to approximately 99% of the parent company's total assets and thereby representing a significant share of the parent company's total assets, is also dependent on the outcome of the ongoing legal processes between the participants of the JA. Based on the material uncertainties related to the arbitration, we have not been able to obtain sufficient appropriate audit evidence on which to base an opinion on the opening value or the value as of 31 December 2017 of the parent company's shares in Misen Enterprises AB. Since the value of the shares in subsidiaries enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the result for the year reported in the parent company income statement and cash flows reported in the cash flow statement for the parent company.

We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Material Uncertainty Related to Going Concern

As described under the heading "Company's expected future development and going concern" further financing needs may arise with regard to continuous operations of the Swedish companies in 2018. At the date of this report, such financing is not secured.

As funding for the next twelve months is not secured there is a material uncertainty that may lead to significant doubts about the group's ability to continue its operations. In a situation where going concern no longer can be assumed, there is a risk of significant write-downs of the group's assets as well as the parent company's book value of shares in subsidiaries.

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

Report on other legal and regulatory requirements

Disclaimer of Opinion and Opinion

In addition to our engagement to audit the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Misen Energy AB (publ.) for the year 2017 and been engaged to audit the proposed appropriations of the company's profit or loss.

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

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

Basis for Opinions

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

We conducted the audit of the administration of the Board of Directors and the Managing Director in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's*

Responsibilities section. We are independent of Misen Energy AB (publ.) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

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

Göteborg 5 April 2018

PricewaterhouseCoopers AB

Johan Palmgren
Authorized Public Accountant

Report on operations

Joint Activity (JA)

The partially owned Swedish subsidiary of the Parent Company, Misen Enterprises AB, has a 50% interest in the Joint Activity ("JA") in Ukraine.

The partially owned Ukrainian subsidiary of Misen Enterprises AB, LLC Karpatygaz, has a 0.01% interest in the JA and is the company that runs the project.

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" or "UGV") (Ukraine), a wholly-owned subsidiary of the National Joint Stock Company Naftogaz of Ukraine (Ukraine).

JA is governed by the Joint Activity Agreement No. 3, dated 10 June 2002 (hereafter called "JAA" or "JAA No.3"), signed by PJSC Ukrgasvydobuvannya, LLC Karpatygaz and Misen Enterprises AB.

Since 2011, Misen Enterprises AB has signed five amendments and restatement agreements to the JAA No.3. In this context, the Misen Group has implemented large-scale investment programs and introduced modern know-how technology. This allowed developing infrastructure necessary to significantly increase production of hydrocarbons and contribute to making the Ukraine consumption of hydrocarbons less dependent on foreign imports, which is the primary objective of PJSC Ukrgasvydobuvannya.

The Company's partially owned subsidiaries Misen Enterprises AB and LLC Karpatygaz have a right to 50.01% of the net profits of the hydrocarbons production under the JAA No.3 that is valid until 2031. The remaining right to 49.99% of the net profits belong to PJSC Ukrgasvydobuvannya. These profits are calculated based on the production volumes assigned to JA. The production volumes are calculated as a difference between a production levels should investments be undertaken and a predetermined base line of a production that would have been produced had the project not existed (i.e. no further investment had taken place).

To provide management and supervision of the JA, a Management Committee consisting of the authorised 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.

In August 2016 PJSC Ukrgasvydobuvannya commenced an arbitration proceeding under the JAA No.3 in accordance to the Arbitration Rules of the Arbitration Institute of the Stockholm Chamber of Commerce and requested the Arbitral Tribunal to invalidate or, alternatively, terminate the JAA No.3. In May 2017, Misen Enterprises AB and LLC Karpatygaz agreed with termination of the JAA No.3 due to the material change in circumstances and impossibility to achieve the purpose of the Joint Activity. At the closing statement held in January 2018 the JAA's participants confirmed their agreement to terminate the JAA No.3. The Arbitral Tribunal will rule on this issue in the forthcoming partial award. In the ongoing arbitration proceeding, Misen Enterprises and Karpatygaz seek compensation for their share in the Joint Activity upon termination of JAA No.3.

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").

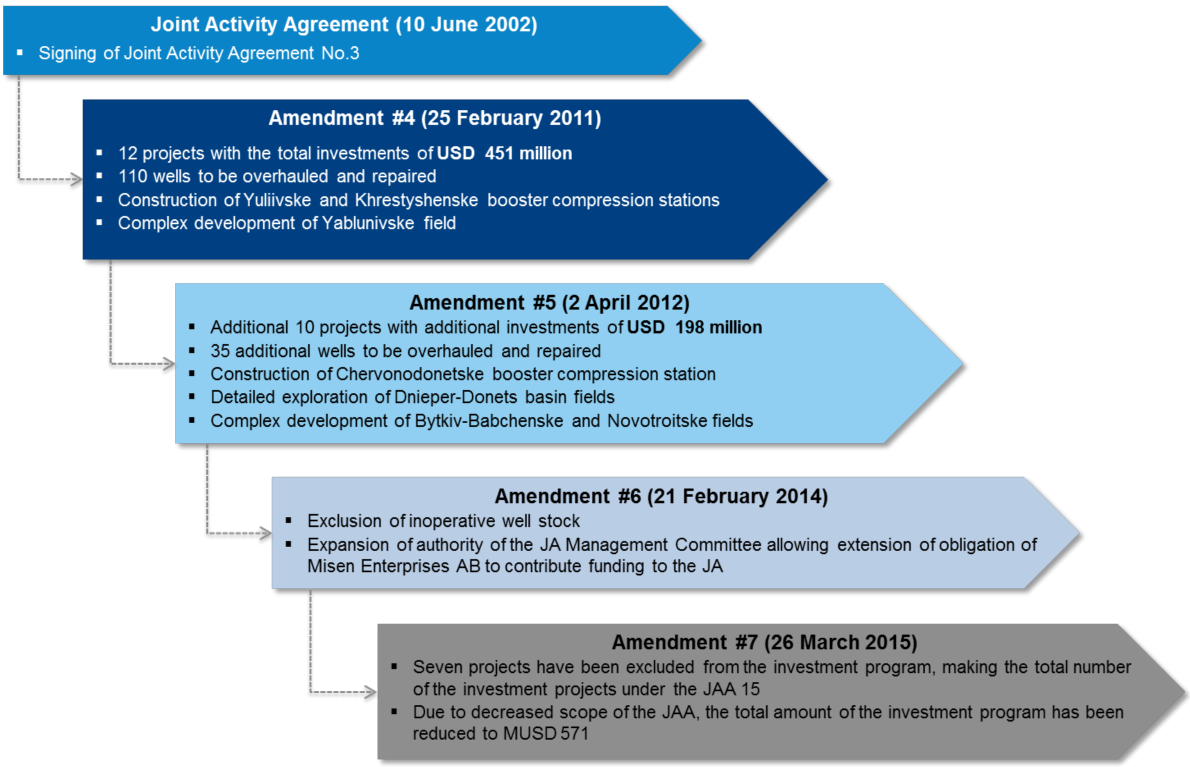
- Access to solid reserve base
  The Misen Group led JA has confirmed reserve base of 28.1-34.3 billion cubic meters ("bcm") of natural gas, 5.8-6.8 million barrels ("MMbbls") of gas condensate and 3.1-4.5 MMbbls of Liquefied Petroleum Gas ("LPG"). Numbers correspond to proven ("1P") and proven and probable reserves ("2P") assessed via the Competent Persons Report ("CPR"). The Misen Group share of net reserves is 50.01%.
  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.

- Technology driven investment program of MUSD 571.
  Investment program has been planned for 2011-2018 and as of the end of 2017 the total performed investment constituted MUSD 375.4.
  During 2017 the JA invested MUSD 0.93.
  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 "JA's financial numbers" differ due to a significant devaluation of Ukrainian currency during 2014-2017 against SEK and USD.)

- Sustainable cash flow allows supporting implementation of planned investment program
  As per the JAA No.3, participants of the JA agreed to reinvest all proceeds during 2011-2014, and this has been continued in 2015-2017.

- 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 2011-2017 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, significant increase in subsoil use charge rate in 2015 as well as the political developments in Ukraine that were coupled with the declining local economy have negatively affected the JA's investment program during 2017. This prevented the Parent Company from the broader engagement with the western capital markets during the year.

JA development stages



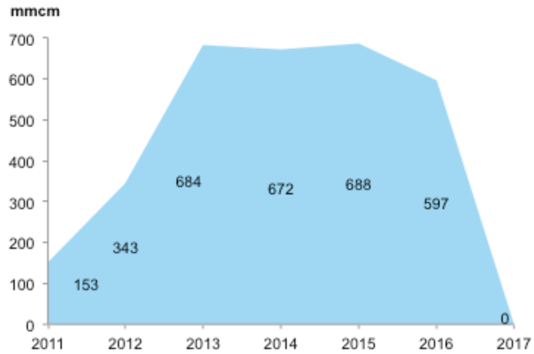
Production report

The table below sets forth the accumulated reported production indicators attributable to the JA for the specified periods. In 2017, due to violation of JAA by PJSC Ukrgasvydobuvannya, the production indicators attributable to the JA were at zero levels.

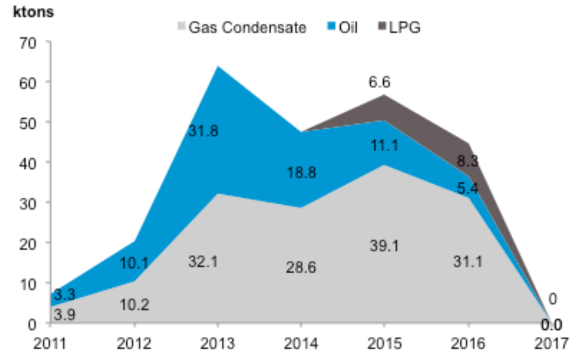
	January – December 2017	January – December 2016	January – December 2015	January – December 2014
Natural Gas (mmcm)	-	596.6	687.5	672.0
Gas Condensate (ktons*)	-	31.1	31.9	28.6
Oil (ktons)	-	5.4	11.1	18.8
LPG (ktons)	-	8.3	6.06	-

** thousand tons*

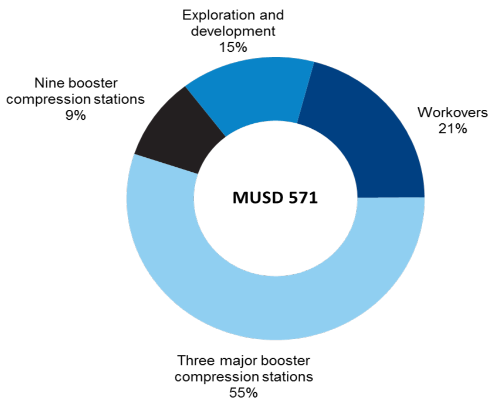
JA natural gas production



JA oil and gas condensate production



JA investment scope and areas

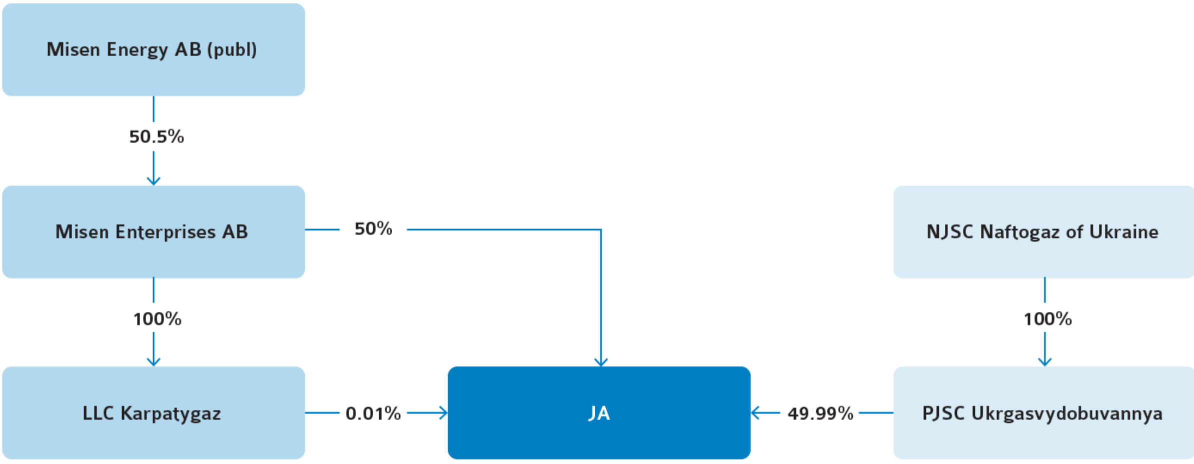


JA's Financial Numbers

The Group's particip-ation in the JA (50.01%)	2017	2016	2015	2014	2013	2012	2011
Income Statement							
Income	29,406	596,096	880,833	1 160,351	618,322	557,827	191,104
Expenses	59,195	559,480	887,628	793,252	383,551	275,557	90,491
Net Result	-29,789	36,616	-6,795	367,099	234,771	282,270	100,613
Balance Sheet							
Fixed assets	430,438	514,740	602,748	691,800	868,265	580,629	44,703
Current assets	75,633	85,739	60,745	281,116	221,890	36,463	97,336
Long-term liabilities	35,271	36,197	30,737	36,890	19,479	81,273	2,163
Current liabilities	51,601	54,562	141,058	236,476	452,074	129,008	34,329

Unaudited figures

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 fifteen 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

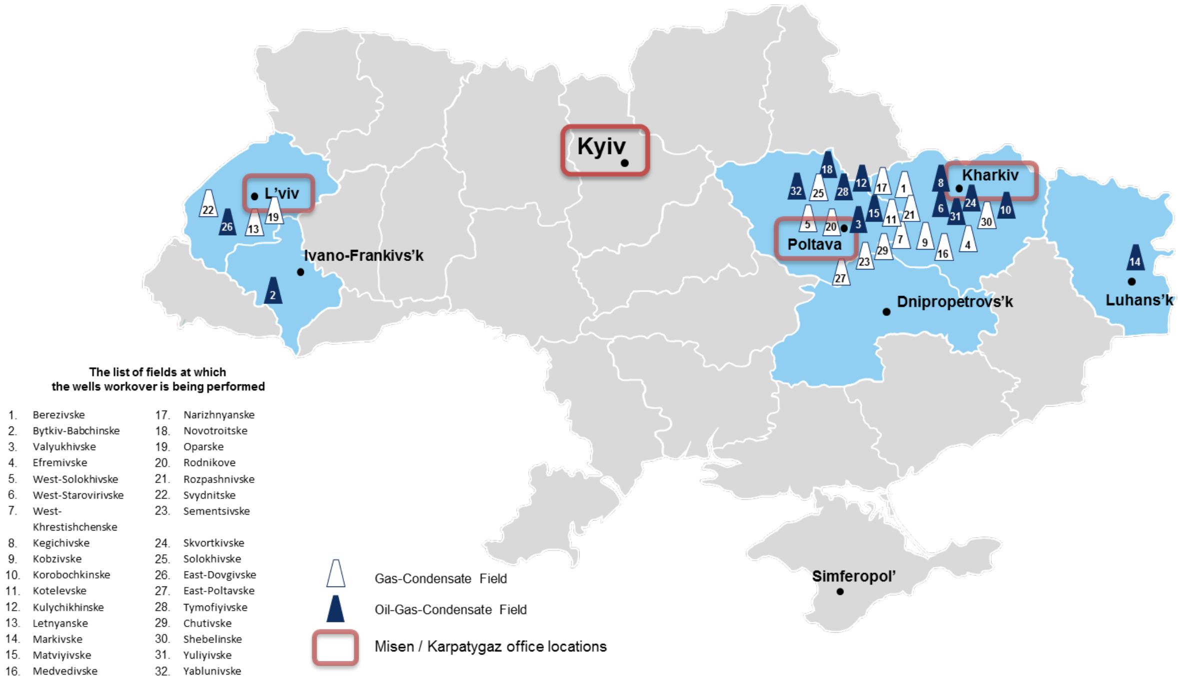
LLC Karpatygaz is the Ukrainian member of the Misen Group and is the operator of the JA. It has four offices in Ukraine – headquarters located in Kiev (Kyiv) and regional branches in Kharkov (Kharkiv), Poltava and Lvov (L'viv). A strong team of professionals caters for a profound competence in oil and 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.
For more detailed information, please refer to the official website of LLC Karpatygaz: http://karpatygaz.com.ua/en

Misen Enterprises AB is responsible for procuring from either its own resources or from third parties commercial funding for the financing of the fifteen projects if the funding is not sufficient from the cash flow from the projects. This responsibility ultimately rests with the owners of Misen Enterprises AB, Misen Energy AB (publ) and PUL.

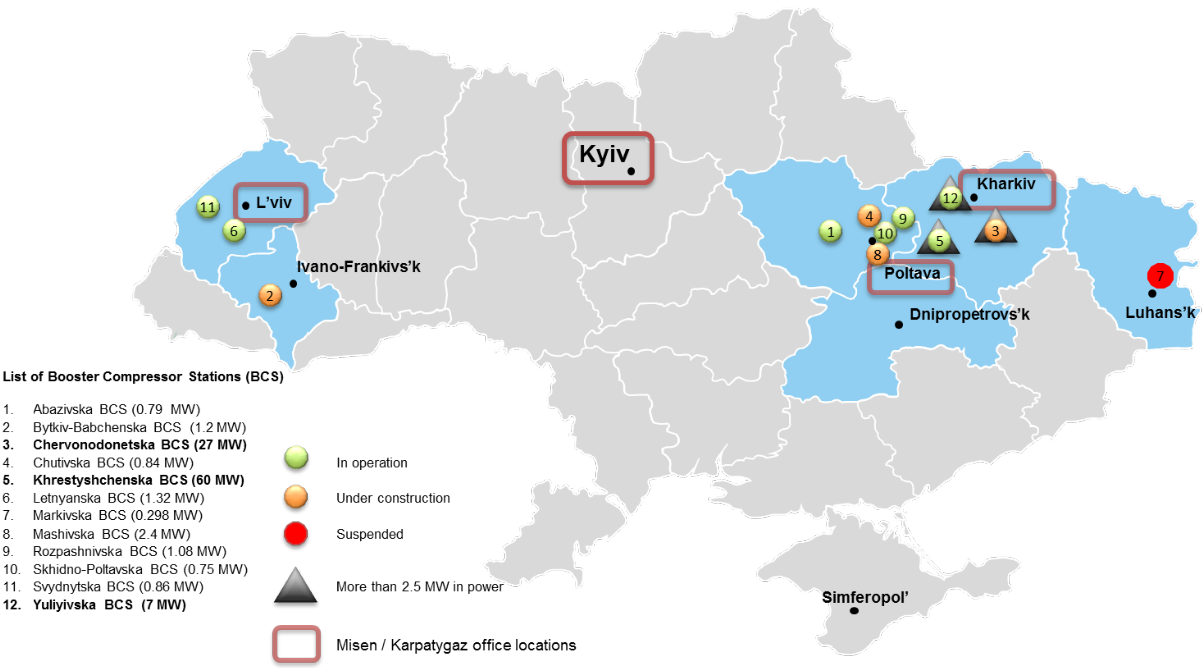
According to Amendment # 4 the participants agreed that profit for the years 2011-2014 will be reinvested into JA in full and all future profit shall be distributed to the parties pro rata to their respective interests. Profits for 2015-2016 have been also reinvested. Further decision on distribution of profits for the year ended 31 December 2017 should be taken by the Management Committee of JA.

JA geography

Geography of fields where the JA is operating



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



Operation of the Booster Compression Stations (BCSs)

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

Sale of hydrocarbons

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

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-owned 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.

Consumption

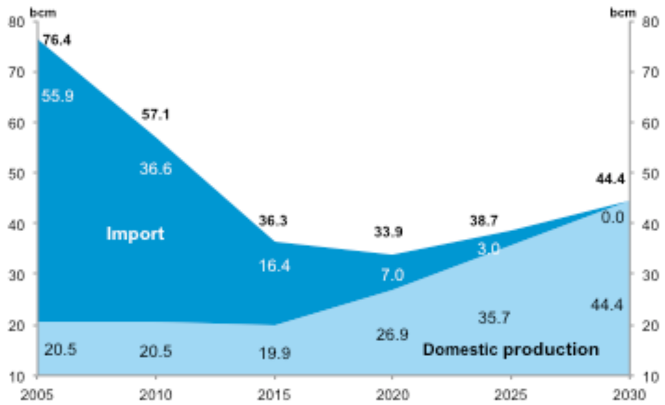
In 2017 Ukraine's natural gas consumption made up 31.9 billion cubic meters (“bcm”), what represents a 3.9% decrease compared to the previous year.

The decrease in natural gas consumption is mainly caused by reduced consumption by population (incl. heating utilities), which dropped by 10.2% from 17.6 bcm to 15.8 bcm due to implementation of energy efficiency programs. Industrial consumers decreased consumption from 9.7 bcm to 9.1 bcm or by 6.2% while technological losses increased from 3.8 bcm to 4.4 bcm or by 15.8% due to the increased gas transit from Russia in 2017.

Production and imports

Ukraine's domestic natural gas production in 2017 made up 20.8 bcm, which is 3.5% higher compared to 2016. PJSC Ukrgasvydobuvannya produced 15.2 bcm (73% market share) a 4.1% increase compared to 2016. The total gas production by private producers (excluding JAAs) in 2017 amounted to 4.4 bcm, which is 8.6% higher compared to 2016.

In 2017 Ukraine imported 14.1 bcm of natural gas or 27.0% more (by 3.0 bcm) compared to the previous year. From total volumes NJSC Naftogaz imported 8.7 bcm while private traders imported 5.4 bcm. In 2017 9.9 bcm were imported from Slovakia, 2.8 bcm from Hungary and 1.3 bcm from Poland. There were no purchases from the Russian Federation in 2017. Ukraine once again proved its commitment to strategic initiatives to diversify its imports of natural gas on a major scale and strengthen energy independence.



Source: Ukraine's Energy Strategy, Ukrgasvydobuvannya feasibility study

Pricing

Natural gas consumers in Ukraine could be divided into three distinct categories: households, utilities and industrial. Until October 1, 2015 prices and tariffs policy were determined and implemented by the National Commission for State Energy and Public Utilities Regulation ("NCSEPUR"). According to the Law of Ukraine "On natural gas market" starting from October 1, 2015 the natural gas prices are established based on free market principles. As an exception, this law also stipulates that the Cabinet of Ministers of Ukraine establishes special pricing regime for households and utilities supplying heat and hot water for household needs during transition period.

The market price is highly dependent on the price of imported natural gas under contract with Russian OJSC Gazprom as well as the prices at the European gas hubs. Currently natural gas is imported only from the European Union. The average import price per Km3 in 2017 made up SEK 1,945, which is in line with the prices at the biggest natural gas trading hubs in Europe including transportation costs.

According to the recommendations of International Monetary Fund, the Cabinet of Ministers of Ukraine several times raised the natural gas prices for households and utilities supplying heat and hot water for household needs during 2015-2017. As of end of 2017 the natural gas price for household consumers was set at the level of SEK 1,429 per thousand m3.

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 market price. 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 market prices, thus creating platform for income and investments into aging infrastructure.

Board of Directors, Group Management and Auditor

Board of Directors

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

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

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

Other assignments include:

- Board Member at Lords LB Asset Management – the leading real estate, energy and infrastructure funds manager in the Baltics;
- Member of Permanent Court of Arbitration at the Hague, appointed by the Government of the Republic of Lithuania.

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

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

Dimitrios Dimitriadis, Board member (since 2011)

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

Other assignments:

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

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

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

Oleg Batyuk, Board member (since 2014)

Oleg Batyuk is the Managing Partner of the Dentons (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. In 2012-2015 Oleg served as a member of the Dentons' Global Council. Since August 2016 Oleg has been serving as a member of the Supervisory Council of PJSC State Export-Import Bank of Ukraine (Ukreximbank).

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

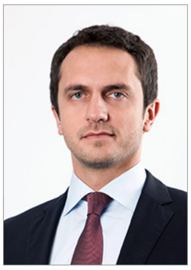
Other assignments:

- Lecturer on Ukrainian civil law at the Law faculty of Taras Shevchenko National University of Kyiv;
- 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).

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

Pavel Prysiazhniuk, Board member (since 2014)



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

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

Other assignments:

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

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

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

Board committees

Audit Committee:

- Dimitrios Dimitriadis as chair
- Pavel Prysiazhniuk as member

Remuneration Committee:

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

The AGM 2017 appointed the Nomination Committee, comprising:

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

Group management

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

Göran Wolff, Managing Director and the Company's CFO

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

Pavel Stolayev, Group Controller, ACCA, CFA

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

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

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

Raimonda Kundrotaite, Chief Legal Officer

Ms. Kundrotaite joined Misen Energy AB (publ) in November 2015. Previously she worked as a lawyers' assistant and junior associate with the law firm Valiunas Ellex (previously law firm LAWIN) in Vilnius, Lithuania.

Ms. Kundrotaite holds LL.M in International Commercial Arbitration Law from Stockholm University and specialises in international investment and commercial arbitration law.

Ms. Kundrotaite successfully participated in Willem C. Vis International Commercial Arbitration Moot (Hong Kong, 2016), Philip C. Jessup International Law Moot Court Competition (Washington, 2015) and FDI Moot (Los Angeles, 2014) and was awarded a Clyde & Co Scholarship for participation in the Paris Arbitration Academy (Paris, 2014).

Auditor

PricewaterhouseCoopersAB, auditor-in-charge Johan Palmgren.