

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.

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.

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 net realisable value is estimated at the normal selling price less selling and completion expenses.

Provisions

Provisions 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 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

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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

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presented below. Unless otherwise stated, these principles have been consistently applied for all years disclosed.

Financial instruments

The parent company applies the paragraphs in RFR 2 (IFRS 9 Financial instruments p 3-10), whereby financial instruments are measured at cost. Financial instruments of short term nature are subsequently measured at the lower of cost and fair value. For the calculation of the net realizable value of receivables recorded as current assets the principles of impairment and expected credit loss in IFRS 9 shall be used. The parent company has only inter-company receivables where the expected credit loss risk is deemed insignificant.

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

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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 Ukrigasvydobuvannya

After closing statement in the ongoing arbitration proceeding commenced by PJSC Ukrigasvydobuvannya 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 21). It cannot be excluded that any negative outcome of this arbitration proceeding 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. The Arbitral Tribunal shall decide, among other issues, on valuation of the JA's assets and compensation to be paid for Misen Enterprises AB and LLC Karpatygaz for their share in those assets.

- 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.

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 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 JA accrued before 1 January 2015 will not be subject to Swedish tax, that the holding in 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 be utilised through group contributions from Misen Enterprises AB.

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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.

Valuation of shares in Misen Enterprises

The value of the Parent Company's shares in Misen Enterprises AB at the balance sheet date amounts to MSEK 313 (MSEK 253). The Parent Company owns 50.5% of the total outstanding shares in Misen Enterprises AB.

The value of Misen Enterprises AB is dependent on the value of the assets that were held by JA at the date of the Arbitral Tribunal's decision to terminate JAA No.3 as of 11 July 2018. In accordance with the Final Partial Award issued by the Arbitral Tribunal, the assets shall be transferred to the JA's participant UGV with Misen Enterprises AB and LLC Karpatygaz receiving compensation for their share of those assets. The Arbitral Tribunal shall decide on the size of the compensation for the assets of Misen Enterprises AB and LLC Karpatygaz in the Joint Activity. The size of the compensation has not yet been decided.

The Board of Directors has performed valuations in accordance with generally accepted valuation techniques for the assets held by JA as of 11 July 2018 based on realistic scenarios. These valuations show that the value of the Parent Company's shares in Misen Enterprises AB can be supported. As the final value of the assets are dependent on the decision by the Arbitral Tribunal, there is a risk that another value will be decided by the Arbitral Tribunal.

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.

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 had 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.

After the events during 2013-2014 a new platform was introduced 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 increased from 0.2891 on 31 December 2017 to 0.3192 on 31 December 2018, an increase of 10 percent. The primary reason for this was the resumption of the cooperation with the International Monetary Fund (IMF). Since the Misen Group's all assets are located in Ukraine, this has had a positive impact on the equity of the Misen Group.

Currency restrictions risk

In December 2014, the government implemented several temporary "anti-crisis" currency restrictions aimed at regulating the foreign currency exchange market and preventing capital outflows from Ukraine. In 2017 and 2018 the National Bank of Ukraine (NBU) gradually liberalized these restrictions to:

- Decrease the mandatory sale of foreign currency proceeds received from foreign entities (except banks) from 75 to 50 percent.
- Partially lift the ban on the repatriation of unrestricted dividends for 2017, allowing companies to repatriate up to USD 7 million per company per month.
- Ukrainian borrowers are no longer required to sell 50 percent of the foreign currency proceeds that they receive in connection with cross-border loans for the purposes of refinancing existing loans or loans from non-residents or Ukrainian banks.
- Ukrainian borrowers are now allowed to make early repayments of cross-border loans in an amount of up to USD 2 million per month.

In addition, in 2018 the new Law on Currency and Exchange Transactions was adopted by parliament, which significantly liberalizes currency control system in Ukraine.

The National Bank of Ukraine has approved and promulgated all regulations, serving as the basis for a new liberal system of foreign currency controls. The new currency control system was launched on 7 February 2019, the same day as the Law of Ukraine on Currency and Exchange Transactions came into force. The changes are aimed at deregulation, facilitating cross-border transactions with foreign currency and expanding the list of available foreign currency transactions.

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With the new currency control system, the National Bank of Ukraine is making a transition from the system of total currency control over each transaction to a system of foreign currency supervision.

For example, the requirement for registration of cross-border loans granted by non-residents has been cancelled. The procedure for registration, amendment and cancellation of registration of cross-border foreign currency loans obtained by residents will be fully automated. Such procedures shall be initiated by an authorized bank by sending a respective electronic document to the NBU, on the basis of which the NBU will perform the required automated verification.

Moreover, the NBU has lifted the restriction on early repayment of cross-border loans. This will enable businesses to more effectively manage their debt obligations to non-residents.

Other key amendments include:

- the maximum term established for export and import contracts has been doubled – up to 365 days (earlier 180 days);
- export and import operations under UAH 150,000 shall no longer be subject to currency control. Instead, the NBU, fiscal authorities and other competent bodies will exercise currency supervision over transactions over UAH 150,000 in order to ensure compliance with the currency legislation requirements;
- legal entities may now freely use accounts abroad (except for transactions for the transfer of funds from Ukraine to such accounts);
- sanctions for failure to meet payment deadlines in the form of suspension of foreign economic activity have been abolished;
- transactions on accounts of non-resident legal entities in Ukrainian banks shall be allowed; banks are allowed to sell government securities denominated in foreign currencies to their clients for foreign currency;
- banks may enter into currency swaps with residents and non-residents; limit on foreign currency transfers abroad by individuals without opening an account has been increased from UAH 15,000 to UAH 150,000 per year;
- dual control over export operations shall no longer be applied: currency supervision will be exercised only by the bank, having received the information on the respective customs declaration.

The above mentioned changes are aimed at lifting all existing restrictions and enabling the transition to free capital movement, which will be the basis for facilitating business and investment opportunities in Ukraine,

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.

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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 payments corresponding to their share in JAA No.3. Risks may also emerge in connection with the ongoing arbitration proceeding commenced by JSC Ukrgasvydobuvannya in August 2016. The Misen Group could be liable to pay damages for non-material breaches of JAA No.3 claimed by JSC Ukrgasvydobuvannya and/or face challenges in relation to enforcement of the final award before Ukrainian courts.

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 22.

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 until 31 December 2017.

Notes, common for Parent Company and Group

Note 1 Revenue distribution

	Group		Parent Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Income included in net sales:				
Natural gas		7,938	-	-
Other	<u>297</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>297</u>	<u>7,938</u>	<u>-</u>	<u>-</u>

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 2018	31 Dec 2017
Net sales, external		
Ukraine	297	7,938
Fixed assets		
Ukraine	296	4

Note 3 Other operating income

	Group		Parent Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Invoiced leasing fees	-	17,760	-	-
Invoiced employee expenses	6,610	-	-	-
Translation differences	-	1,513	-	-
Received fines and penalties	-	1,492	-	-
In previous periods, penalty charges which were not realised were expensed	-	6,049	-	-
Receivables recovered	6,327	-	-	-
Capital contribution in accordance with financing agreement	13,283	-	2,043	-
Management fee	-	-	5,577	5,577
Other	<u>8</u>	<u>797</u>	<u>-</u>	<u>-</u>
Total	<u>26,228</u>	<u>27,611</u>	<u>7,620</u>	<u>5,577</u>

Capital Contribution in accordance with financing agreement

In November 2018, Misen Energy AB (publ) and Misen Enterprises AB signed the Financing Agreement with Powerful United Limited (PUL) for the maximum sum of up to 12 MEUR. The Agreement obliges PUL to provide financing for the Swedish operation and an arbitration proceeding commented by JSC Ukrkazvydobuvannya under Arbitration Rules of the Arbitration Institute of Stockholm Chamber of Commerce in July 2016 against Misen Enterprises AB and LLC Karpatygaz, both are partly owned subsidiaries of Misen Energy Ab (publ) The Agreement does not obligate PUL to cover any contingent liabilities.

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Under the Financing Agreement, PUL agreed to provide financing on a non-recourse, unsecured and unguaranteed basis. Misen Energy AB (publ) agreed to repay received financing and pay 20 % of any final settlement of the arbitration claim to PUL. Such fee shall only become payable upon a final settlement of the arbitration claim. If Misen Energy AB (publ) does not achieve success in the arbitration proceeding, PUL shall not be entitled to any fee. The capital contribution has therefore entirely been recorded as Other operating income.

Misen Energy AB (publ) will continue to have a complete control over the arbitration proceeding and have the right to settle with JSC Ukgazvydobuvannya, discontinue proceeding, pursue the proceeding to trial and take any action Misen Energy AB (publ) considers appropriate to enforce a final award.

For information about recovered receivables, see note 17.

Note 4 Remuneration of auditors

	Group		Parent Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>PwC</u>				
Audit assignment	847	1,068	847	1,068
Tax advisory services	90	442	90	442
Other services	-	<u>65</u>	-	<u>65</u>
Total	<u>937</u>	<u>1,575</u>	<u>937</u>	<u>1,575</u>

Note 5 Other external expenses

	Group		Parent Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Extraction/trading expenses	-	7,747	-	-
Production and transport expenses	177	-	-	-
Refinery expenses	-	-	-	-
Change in inventories	-	103	-	-
Legal costs	6,772	43,031	210	224
Other	<u>10,547</u>	<u>12,717</u>	<u>8,176</u>	<u>14,241</u>
Total	17,496	63,598	8,386	14,465

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

Note 6 Salaries and remuneration to the Board and Company management

	Basic salary / Director's fee remuneration	Other	Benefits	Pension	Total
2018					
Group					
Göran Wolff, MD	1,816	-	28	426	2,270
Andrius Smaliukas, Chairman of the Board	378	-	-	-	378
Oleg Batyuk, Board of Directors	163	-	-	-	163
Dimitrios Dimitriadis, Board of Directors	163	-	-	-	163
Pavel Prysiazhniuk, Board of Directors	72	-	-	-	72
Other senior executives, 3 individuals	<u>2,581</u>	-	-	<u>146</u>	<u>2,727</u>
Total	<u>5,173</u>	<u>0</u>	<u>28</u>	<u>572</u>	<u>5,773</u>
	Basic salary / Director's fee	Variable remuneration	Benefits	Pension	Total
2017					
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	48	26	-	-	74
Other senior executives, 3 individuals	<u>2,314</u>	-	-	<u>190</u>	<u>2,504</u>
Total	<u>4,537</u>	<u>62</u>	<u>41</u>	<u>463</u>	<u>5,103</u>

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

	Group <u>2018</u>	<u>2017</u>	Parent Company <u>2018</u>	<u>2017</u>
Average number of employees				
Women	25	29	1	1
Men	<u>44</u>	<u>76</u>	<u>2</u>	<u>2</u>
Total	<u>69</u>	<u>105</u>	<u>3</u>	<u>3</u>
Employees per country				
Sweden	3	3	3	3
of which men	2	2	2	2
Ukraine	66	102	-	-
of which men	<u>42</u>	<u>74</u>	=	=
Total	69	105	3	3
of which men	44	76	2	2
	Group <u>2018</u>	<u>2017</u>	Parent Company <u>2018</u>	<u>2017</u>
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	5,173	5,830	4,669	4,616
Salaries and remuneration of other employees	<u>5,347</u>	<u>3,530</u>	-	<u>214</u>
	10,520	9,360	4,669	4,830
Statutory and contractual social security contributions	1,956	1,167	804	853
Pension costs for Board of Directors, Managing Director or other senior executives	572	604	396	463
Total	<u>13,048</u>	<u>11,131</u>	<u>5,869</u>	<u>6,146</u>

No agreements regarding severance pay are in place.

The MD has a period of notice of 24 months with retained fixed remuneration.

Wages, salaries and other remuneration by country and between management staff and other employees

Management staff, Sweden	4,936	5,365	4,669	4,830
Management staff, Ukraine	237	99	-	-
Other employees, Ukraine	5,347	3,530	-	-

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	Group		Parent Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Members of the Board and senior executives				
No. of members of the Board at balance sheet date				
Men	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
Total	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
No. of Managing Directors and other senior executives				
Women	1	1	1	1
Men	<u>3</u>	<u>3</u>	<u>2</u>	<u>2</u>
Total	<u>4</u>	<u>4</u>	<u>3</u>	<u>3</u>

Note 8 Depreciation/amortisation and write-downs

	Group	
	<u>2018</u>	<u>2017</u>
Depreciation, amortisation and write-downs of tangible and intangible assets		
Amortisation of intangible assets	-	140
Depreciation of equipment and buildings	<u>71</u>	<u>28,422</u>
Total	<u>71</u>	<u>28,562</u>

Note 9 Other operating expenses

	Group		Parent Company	
	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Maintenance costs Booster Compressor Station 1)	-	746	-	-
Maintenance costs for other Booster Compressor Stations	-	5,436	-	-
Bad debt losses	-	10,910	-	-
Fines and penalties	50	1,853	-	-
Other operating expenses	-	<u>773</u>	-	-
Total	<u>50</u>	<u>19,718</u>	<u>0</u>	<u>0</u>

1) Pertains to operating costs for Khrestyschenska Booster Compressor Station

Note 10 Other interest income and similar profit/loss items

	Group		Parent Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Interest income	4	156	-	-
Translation Differences	<u>445</u>	<u>6,482</u>	-	-
Total	<u>449</u>	<u>6,638</u>	=	=

Note 11 Other interest income and similar profit/loss items

	Group		Parent Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Other interest expenses	629	5,461	53	1,441
Other financial expenses	=	<u>1,439</u>	<u>202</u>	=
Total	629	6,900	255	1,441

Note 12 Tax on profit for the year

Distribution of income tax	Group	Group	Parent	Parent
	2018	2017	Company	Company
			2018	2017
Current tax	-	-	-	-
Deferred taxes	=	<u>-427</u>	=	=
Total	0	-427	0	0

	Group		Parent Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Reported profit before taxes	-4,320	-1,071,791	-6,402	-26,036
Tax according to national tax rates	1,175	234,650	1,408	5,728
Effect of non-deductible expenses	-493	-216,847	-41	-2,917
Effect of non-taxable income	1,520	222	107	-
Increase in tax deficits not recognized	-2,202	-18,317	-1,474	-2,811
<u>Adjustment in prior year tax</u>	=	<u>-135</u>	=	=
Tax expenses for the year	=	<u>-427</u>	=	=

Weighted average tax rate was 21% (2017: 20%).

Deferred tax assets related to tax losses carried forward for the Group and the parent company have not been recognized since the possibility to use these assets to reduce future tax payments is uncertain.

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Note 13 Rights and licences

	Group	
	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Opening acquisition value	1	43,553
Translation differences	-	-222
Sales and scrapping	-	-11
Deconsolidation	-	<u>-43,319</u>
Closing accumulated acquisition value	1	1
Opening amortisation/depreciation	-	-14,602
Deconsolidation	-	14,645
Depreciation/amortisation for the year	-	-140
Translation differences	-	<u>97</u>
Closing accumulated depreciation/amortisation	0	0
Closing residual value according to plan	<u>1</u>	<u>1</u>

Note 14 Equipment, tools, fixtures and fittings

	Group		Parent Company	
	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Opening acquisition value	58	443,032	403	403
Purchases	536	-	-	-
Translation differences	9	-55,940	-	-
Sales and scrapping	-178	-88	-	-
Deconsolidation	-	-396,767	-	-
Reclassifications	-	<u>9,821</u>	-	-
Closing accumulated acquisition value	425	58	403	403
Opening amortisation/depreciation	-55	-93,729	-403	-403
Sales and scrapping	3	36	-	-
Deconsolidation	-	108,054	-	-
Depreciation/amortisation for the year	-71	-28,421	-	-
Translation differences	<u>-7</u>	<u>14,005</u>	-	-
Closing accumulated depreciation/amortisation	-130	-55	-403	-403
Closing residual value according to plan	<u>295</u>	<u>3</u>	<u>0</u>	<u>0</u>

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Note 15 Inventories

	Group	
	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Valued at acquisition value		
Goods for resale	95	-
Total	<u>95</u>	<u>0</u>

Note 16 Financial instruments by category

	Group		Parent Company	
	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Assets				
<i>Amortized cost / Loans and receivables</i>				
Accounts receivable, external	8,384	397	-	-
Receivables from Group companies	-	-	-	69,849
Cash and bank balances	<u>42</u>	<u>2,181</u>	<u>35</u>	<u>1,644</u>
Total	8,426	2,578	35	71,493
Liabilities				
<i>Other financial expenses</i>				
Borrowing (excluding liabilities attributable to financial leasing)	2,553	-	2,553	-
Liabilities to Group companies	-	-	8,114	-
Accounts payable and other liabilities excluding non-financial liabilities	<u>17,918</u>	<u>22,384</u>	<u>10,602</u>	<u>17,547</u>
	20,471	22,384	21,269	17,547

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Note 17 Accounts receivable - trade

	Group	
	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Accounts receivable, external	<u>8,384</u>	<u>397</u>
Total	8,384	397

As per 31 December 2018, Accounts receivable (excluding doubtful debts) amounted to KSEK 8,384 (2017: KSEK 397) less write-downs, totalling KSEK 0 (KSEK 10,910).

Maturity analysis of accounts receivable:

Not overdue	8,384	397
Total	8,384	397

Impairment of accounts receivables

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Trade receivables are written-off when there is no reasonable possibility of repayment. Since the termination of the JA, the Group has only remaining accounts receivables from the prior operations. The Group has reversed the prior recognized impairment of these receivables since an agreement with the customer has been reached including a plan for repayment. Management's view is that these receivables will be paid in full and no expected credit loss has been recorded.

Note 18 Other receivables

	Group		Parent Company	
	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
VAT recoverable	232	725	-	60
Receivable JA 493	2,100	1,902	-	-
Tax assets	7	-	-	-
Other receivables	<u>495</u>	<u>316</u>	<u>1</u>	<u>117</u>
Total	2,834	2,943	1	177

Management's assessment is that these receivables will be paid in full and no expected credit loss has been recorded.

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Note 19 Prepaid expenses

	Group		Parent Company	
	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Other prepaid expenses	<u>351</u>	<u>355</u>	<u>339</u>	<u>354</u>
Total	<u>351</u>	<u>355</u>	<u>339</u>	<u>354</u>

Note 20 Share capital

Share information	2018	2017
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 21 Contingent liabilities

	Group		Parent Company	
	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Guarantee commitment JA	27,027	72,022	-	-
Total contingent liabilities	<u>27,027</u>	<u>72,022</u>	<u>0</u>	<u>0</u>

As of 31 December 2018, the Misen Group contingent liabilities amounted to KSEK 27,027 (KSEK 72,022 as of 31 December 2017), the change is mainly explained by the repayment of the loan to PJSC Sberbank, subsidiary bank of Sberbank of Russia. 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 JA's partner JSC Ukrigasvydobuvannya and provisions for decommissioning costs, have been included as contingent liabilities. Any liabilities to JSC Ukrigasvydobuvannya are expected to be settled in connection with the termination of JAA No.3 in the arbitration proceeding.

As described in the administration report, the Group is also involved in two court proceedings with Center of Financial Leasing LLC (Court proceeding in Case No. 910/21720/15 and Court proceeding in Case No. 910/24412/16). The outcome of these court proceedings is uncertain at the date of this annual report.

Note 22 Financial risk management and borrowing

Financial risk management

Financial risk factors

Before the termination of JAA No 3, the Group was subject to various financial risks: Market risk (comprehensive foreign exchange risk, interest rate risk and price risk), credit risks and liquidity risks. After the termination of JA No 3, these risks are considered limited. The Group strives for awareness of potentially negative effects on the Group's financial performance. The financing costs comprise only a fixed borrowing fee. No foreign exchange hedging has been undertaken during 2018.

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 2018, SEK 6 million and SEK 1 million, respectively, were denominated in UAH, implying that a +/- 10% change in the UAH exchange rate would affect the Group's profit by SEK +/- 0,5 million.

The Group's net assets with UAH as reporting currency amounted to SEK 4 million. Thereby, a +/- 10% change in the UAH exchange rate would affect the Group's equity by SEK +/- 0,4 million.

Interest rate risk

As described above, the Group had as at 31 December 2018 only borrowings with fixed fees amounting to MSEK 3. Therefore a change in the market interest rates would have no impact on the Group's financial costs.

Price risk

Since the Group's sales of hydrocarbons has ceased since the termination of JA No 3, the Group is no longer exposed for price risks.

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.

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. LLC Karpatygaz 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 JSC 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 2019 will be handled through the financing agreement with PUL. The major part of the current assets comprise receivables accounted for at amortized cost.

The table below shows liabilities at 31 December 2018 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows including gross loan commitments. Such undiscounted cash flows may 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.

Payment dates for financial liabilities as per 31 December 2018	< 1 month	1 month - 1 year	1 year - 2	> 2 years	Total
Liabilities to credit institutions		2,553			2,553
Accounts payable and other financial liabilities	<u>17,918</u>	-	-	-	<u>17,918</u>
Total	17,918	2,553	-	-	20,471
Payment dates for financial liabilities as per 31 December 2017					
Accounts payable and other financial liabilities	<u>21,603</u>	-	-	-	<u>21,603</u>
Total	21,603	-	-	-	21,603

	Group		Parent Company	
	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Interest-bearing liabilities				
<u>Non-current liabilities</u>				
Liabilities attributable to finance leases	=	=	=	=
Total	0	0	0	0
<u>Current liabilities</u>				
Liabilities to credit institutions	-	-	-	-
Liabilities attributable to finance leases	=	=	=	=
Total	=	-	=	=
Total interest-bearing liabilities	=	=	=	=

Interests

Weighted average effective interest rates on borrowing amounted to:

	Group		Parent Company	
	2018	2017	2018	2017
Long-term liabilities to credit institutions	-	-	-	-
Current liabilities to credit institutions	-	12.0%	-	-
Liabilities to Group companies	ET	ET	-	-

Currencies

	Group		Parent Company	
	<u>31 Dec. 2018</u>	<u>31 Dec. 2017</u>	<u>31 Dec. 2018</u>	<u>31 Dec. 2017</u>
Interest-bearing liabilities per currency				
EUR	-	-	-	-
Total	-	-	-	-

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. The borrowing costs for the Group and the Parent company comprise only a borrowing fee.

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Note 23 Pledged assets

	Group		Parent Company	
	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
For the Group's and the Company's own liabilities				
Total pledged assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Note 24 Accrued expenses and deferred income

	Group		Parent Company	
	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Accrued interest charges	576	-	576	-
Accrued salaries and other staff expenses	350	654	-	-
Accrued holiday pay	1,152	1,003	1,018	1,003
Accrued social security contributions	-	131	134	131
Other items	<u>3,677</u>	<u>1,653</u>	<u>2,565</u>	<u>1,653</u>
Total	<u>5,755</u>	<u>3,441</u>	<u>4,293</u>	<u>2,787</u>

Note 25 Adjustment for non-cash items

	Group		Parent Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Depreciation/amortisation	71	28,562	-	-
Result from deconsolidation excl. cash	-	983,822	-	-
Profit/loss from sales of fixed assets	-72	675	-	-
Unpaid leasing income	-	-17,760	-	-
Bad debt loss	432	10,910	-	-
Change in provisions	-	3,889	-	-
Unrealised exchange rate differences	-8,804	-	-	-
Other non-cash items	=	<u>-7,229</u>	=	=
Total	-8,373	1,002,869	0	0

	Group		Parent Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Change in financial liabilities				
Opening financial liabilities	0	29,848	0	-
Loans raised	2,553	9,598	2,553	9,598
<i>Total cash items</i>	2,553	9,598	2,553	9,598
Settlement of loans on the sale of shares	-	-9,598	-	-9,598
Deconsolidation	-	-29,457	-	-
Translation differences	-	-391	-	-
<i>Total non-cash items</i>	0	-39,446	-	-9,598
Closing financial liabilities	2,553	0	2,553	0

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Note 26 Participations in Group companies

<u>Group</u>	<u>Corp. ID no.</u>	<u>Domicile</u>	<u>Share of equity (%)</u>
Misen Enterprises AB	556526-3968	Sweden	50,5%
Capital Oil Resources Sweden AB	556754-4878	Sweden	100%
LLC Karpatygaz	30162340	Ukraine	100%

<u>Parent Company</u>	Share of equity %	Share of votes %	No. of shares	Book value, 31 Dec. 2018	Book value, 31 Dec. 2017
Misen Enterprises AB	<u>50.5</u>	<u>50.5</u>	<u>25,250</u>	<u>313,359</u>	<u>252,997</u>
Total				<u>313,359</u>	<u>252,997</u>

The Group's participation in the JA	2018	2017
<i>Income Statement</i>		
Income	-	1,647
Expenses	-	31,435
<i>Balance sheet</i>		
Fixed assets	-	-
Current assets	-	-
Non-current liabilities	-	-
Current liabilities	-	-
	<u>2018</u>	<u>2017</u>

<u>Participations in Group companies</u>		
Opening acquisition value	252,997	301,287
Capital contribution	70,000	-
Sales of participations	<u>-9,638</u>	<u>-48,290</u>
Closing accumulated acquisition value	313,359	252,997
Closing book value	<u>313,359</u>	<u>252,997</u>

Note 27 Transactions with related parties

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Sales to related parties				
Misen Enterprises AB	-	-	5,577	5,577
Powerful United Ltd capital contribution	13,283	-	2,043	-
Ukrgezvydobuvannya 2)	-	<u>35,503</u>	-	-
Total	13,283	35,503	7,620	5,577
Purchases and interest from related parties				
Ukrgezvydobuvannya 2)	-	9,491	-	-
Balit LLC 4)	2,362	2,157	2,362	2,157
Dentons 1)	6,230	21,006	-	14
Lexford Investment 1)	47	-	47	26
AIM Partners 1)	-	119	-	-
Powerful United Ltd 5)	-	1,439	-	-
SP Holdings 5)	<u>574</u>	-	-	-
Total	9,213	34,212	2,409	2,197

Operating receivables/liabilities attributable to related parties

Receivables/liabilities from the sale/purchase of goods/services are stated below.

Receivables from related parties

Misen Enterprises AB	=	=	=	<u>69,849</u>
Total	0	0	0	69,849

Liabilities to related parties

Capital Oil Resources AB	-	-	88	90
Misen Enterprises AB	-	-	8,114	-
Ukrgezvydobuvannya 2)	-	-	-	-
Balit LLC 4)	422	159	422	159
Dentons 1)	890	7,524	890	7,524
TCT Holding 5)	-	-	-	-
SP Holding)	3,127	-	3,127	-
Powerful United Ltd)	-	-	-	-
Sergiy Probylov, lön 3)	718	=	=	=
Lexford Investment 1)	<u>47</u>	-	<u>47</u>	-
Total	5,204	7,683	12,668	7,773

- 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, Ukrgezvydobuvannya - 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 Ukrgezvydobuvannya. JA also compensates Ukrgezvydobuvannya for oil and gas production, processing and transportation performed by Ukrgezvydobuvannya's staff and JA's utilising of Ukrgezvydobuvannya'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.

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Note 28 Proposed appropriation of profits

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

Retained earnings and additional paid-in capital	3,587,596
Net loss for the year	<u>-6,402,429</u>
	<u>-2,814,833</u>

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

To be carried forward	<u>-2,814,833</u>
	<u>-2,814,833</u>

Note 29 Essential events after the end of 2018

Ongoing arbitration under JAA No.3

Misen Enterprises AB, LLC Karpatygaz and JSC Ukgazvydobuvannya agreed on a schedule for the second phase of the ongoing arbitration proceeding. JSC Ukgazvydobuvannya filed its submission on 14 March 2019. JSC Ukgazvydobuvannya requested the Arbitral Tribunal, among other issues, to significantly reduce participation share of Misen Enterprises AB and LLC Karpatygaz in JAA No.3 and to award compensation of damages that JSC Ukgazvydobuvannya allegedly suffered due to non-fundamental breaches of JAA No.3.

Misen Enterprises AB and LLC Karpatygaz categorically disagree with the claims submitted by JSC Ukgazvydobuvannya to the Arbitral Tribunal. Misen Enterprises AB and LLC Karpatygaz seek compensation for their share in the Joint Activity upon termination of JAA No.3. Misen Enterprises AB and LLC Karpatygaz shall file their submission by 3 July 2019. The hearing shall take place in July 2019.

Financing of the Group's Swedish operations

In 2019 the Company received a limited financing for the Swedish operations and arbitration proceeding commented by JSC Ukgazvydobuvannya from PUL in accordance to the Financing Agreement.

Court proceeding in Case No. 910/18439/17 (National Anticorruption Bureau of Ukraine)

The hearing is scheduled to be held on 21 May 2019.

Court proceeding in Case No. 910/24412/16 (Financial Leasing Center LLC)

On 27 February 2019, the Supreme Court of Ukraine decided to, among other issues, annul Ruling of the Kyiv Economic Court of Appeal dated 13 August 2018 and Decision of the Kyiv Economic Court dated 17 August 2017 in part of satisfaction of the claim of Financial Leasing Center LLC to recover lost profit. The Court send the case for a retrial to the court of first instance.

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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 25 April 2019.

Stockholm, 11 April 2019.

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 11 April 2019.

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 and Opinion

We were engaged to audit the annual accounts of Misen Energy AB (publ.) for the year 2018 and we have audited the consolidated accounts of Misen Energy AB (publ.) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 3-62 in this document.

We do not express an opinion on the accompanying annual 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.

The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the 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.

We recommend that the general meeting of shareholders adopts the income statement and balance sheet for the group.

Basis for Opinions

The assessment of the value of the parent company's shares in the subsidiary Misen Enterprises AB, which amounts to KSEK 313,353 and 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 fully dependent on the outcome of the ongoing legal processes between the participants of the JA.

Based on the material uncertainties related to the final outcome of 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 2018 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 performances, 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.

We conducted our audit of the consolidated accounts in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. 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.

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



Emphasis of Matter

As described in the administration report in the sections “Accounting treatment of the Joint Activity”, “Criminal investigation” and “Court proceedings against Center of Financial Leasing LLC (previously Sberbank Leasing)” the Group is currently part in several legal processes. The outcome of these legal processes may have a significant impact on the Group’s financial results and position. The uncertainty of the outcome of these legal processes is by the date of this report still high. We have not qualified our opinion in this regard.

Material Uncertainty Related to Going Concern

Without modifying our opinion above, we draw attention to the sections “Financing of the Group’s operations” and “Expected future development of the Company and going concern” stating that the Group has signed a financing agreement for the maximum sum of up to 12 million Euros for the Swedish operations. The balance sheet for the Group shows that the short term liabilities for the Group exceed the total assets of the Group with TSEK 14,615. The Group is also involved in several legal processes where the outcomes are associated with significant uncertainty and a negative outcome would result in significant costs not covered by the financing agreement. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 67-72. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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.



Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Director's and the Managing Director.
- Conclude on the appropriateness of the Board of Director's and the Managing Director's use of the going concern basis of accounting in preparing the consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Disclaimer of Opinion and Opinion

In addition to our engagement to audit the annual accounts and our audit of the 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 2018 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 loss dealt with 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 parent 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 Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Remark

Without impacting our opinion, we make note that VAT, deducted taxes and social security contributions were not paid within the prescribed time periods on a number of occasions.

Göteborg 11 April 2019

PricewaterhouseCoopers AB

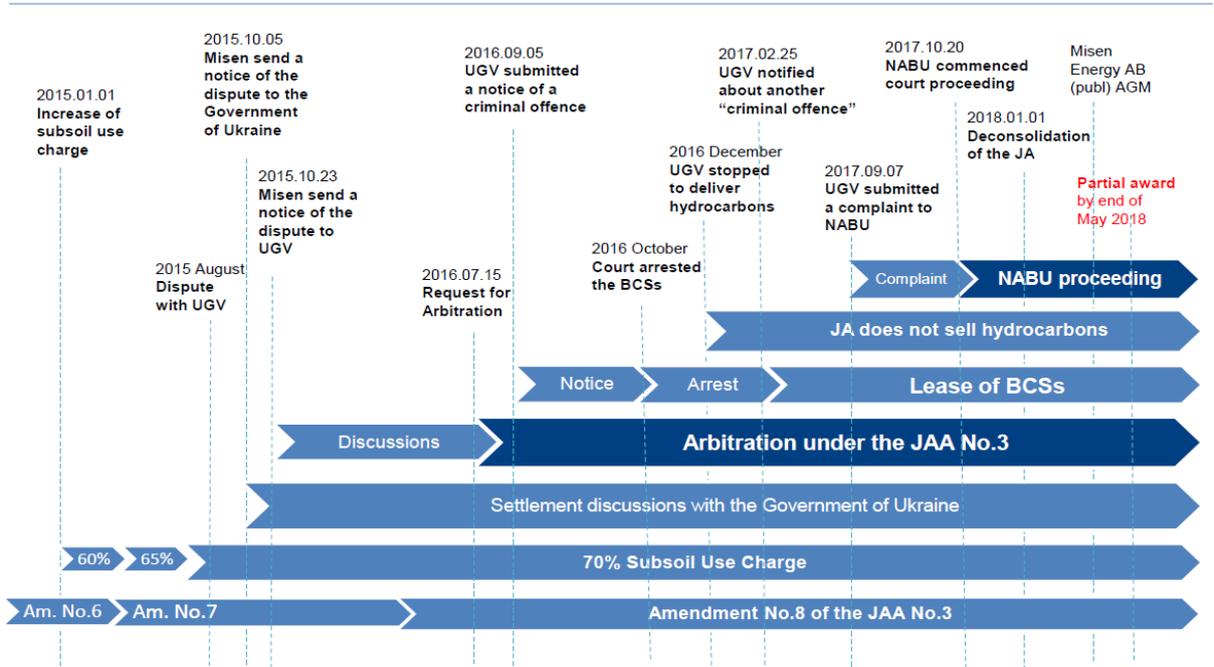
Johan Palmgren

Authorized Public Accountant

Report on Legal Proceedings

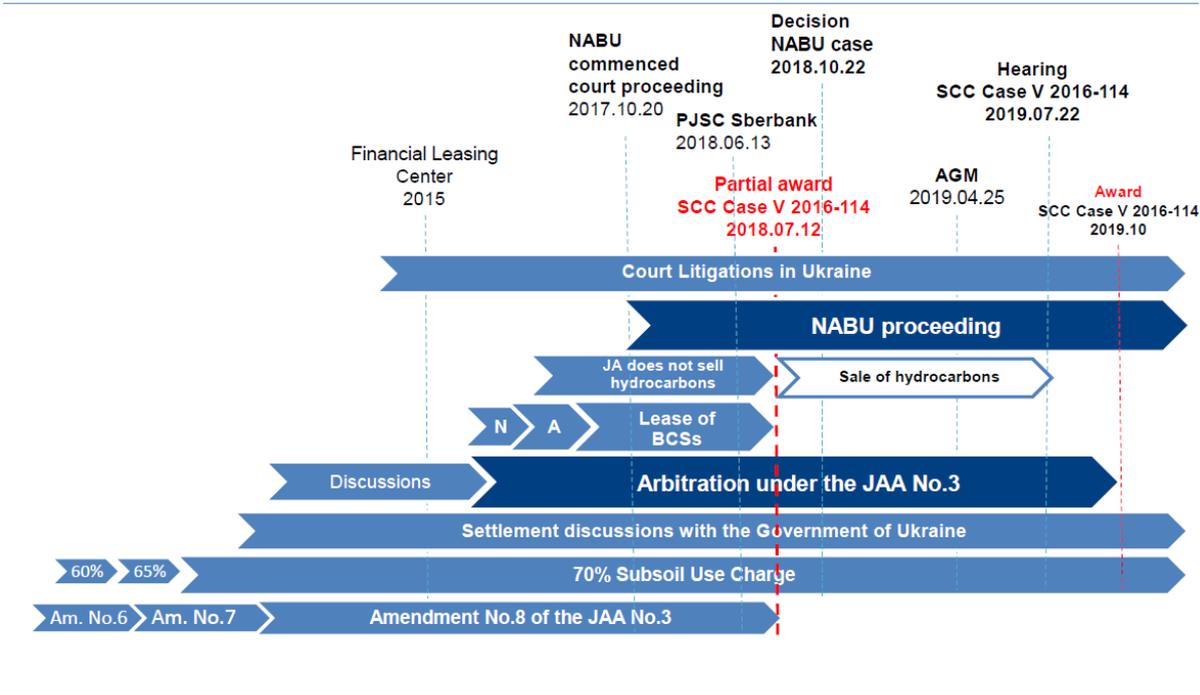
Legal Report at the AGM held on 26 April 2018

The first chart reflects chronology and a number of the most material legal proceedings initiated before the AGM held on 26 April 2018. Specifically, the first chart demonstrates that Misen Energy AB (publ) reached no amicable resolution of the dispute what regards exorbitant subsoil use charge with the Government of Ukraine. The chart further shows that Misen Enterprises AB and LLC Karpatygaz, partially owned subsidiaries of Misen Energy AB (publ) participated in the arbitration proceeding commenced by JSC Ukrgasvydobuvannya in August 2016 under JAA No.3 and vigorously defend the legitimate interests of their investors. Finally, the first chart shows that pending the arbitration proceeding, Misen Enterprises AB and LLC Karpatygaz could not properly implement the JAA No.3: JSC Ukrgasvydobuvannya refused to deliver hydrocarbons produced by JA since December 2016 and initiated a number of pre-trial investigations in criminal cases in relation to implementation of JAA No.3.



Report on Legal Proceedings after the AGM held on 26 April 2018

The second chart reflects chronology and a number of the most material legal proceedings ongoing after the AGM held on 26 April 2018 and until this Annual Report. The material event affecting the ongoing legal proceedings was the Final Partial Award issued by the Arbitral Tribunal in the arbitration proceeding commenced by JSC Ukrgasvydobuvannya in August 2016. The Arbitral Tribunal, among other issues, concluded that since the 70% royalty imposed by the Government of Ukraine brought a material change in circumstances and it is no longer possible to achieve the purpose of the Joint Activity, JAA No.3 must be terminated as of 11 July 2018. Given this, Misen Enterprises AB and LLC Karpatygaz stopped to produce hydrocarbons in Ukraine. The parties are taking all steps necessary and appropriate to give practical effect to termination of JAA No.3: performed inventory in the regions, handled (or are handling) the legal proceedings concerning the JA’s activities, continue discussions in relation to what other matters are necessary to enforce termination of JAA No.3 and etc. All pre-trial investigations in criminal cases are ongoing. In the next stage of the arbitration proceeding, the Arbitral Tribunal shall decide on compensation for the assets of Misen Enterprises AB and LLC Karpatygaz in the Joint Activity. Misen Energy AB (publ) reached no amicable resolution of the dispute what regards exorbitant subsoil use charge with the Government of Ukraine.



Board of Directors, Group Management and Auditor

Board of Directors

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



Dr. Smaliukas is Partner at Ellex, the leading Pan - Baltic law firm. He works in energy and infrastructure sectors and serves as an arbitrator 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.

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 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 Europe (formerly Salans) Ukraine practice 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 Salans and later Dentons Europe, the part of Dentons comprising at the time 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; and
- Author of numerous articles and books on Ukrainian law and practice, published in the US, UK, Netherlands, Ukraine and in other countries. Mr. Batyuk 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 Prysiazniuk, Board Member (since 2014)



Mr. Prysiazniuk 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. Prysiazniuk 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 Prysiazniuk holds a Master of Science in Electronics at the National Technical University of

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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.

Auditor

PricewaterhouseCoopersAB, auditor-in-charge Johan Palmgren.

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)

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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 at the leading Pan - Baltic law firm Valiunas Ellex in Vilnius (Lithuania).

Ms. Kundrotaite specializes in global energy and international arbitration law. She has experience on working with multimillion international investment and commercial arbitration cases on various matters in energy industry.

Ms. Kundrotaite is a candidate of LL.M in Global Energy Law at the University of Texas at Austin (the United States of America), as well as holds Master of Laws degree in International Commercial Arbitration Law from Stockholm University (Sweden) and Bachelor of Laws degree in Law and Management Program at Mykolas Romeris University (Lithuania).

Ms. Kundrotaite successfully participated at Willem C. Vis International Commercial Arbitration Moot (Hong Kong, 2016). She was also awarded a scholarship of the American Chamber of Commerce in Lithuania to participate at the 56th Philip C Jessup International Law Moot Court Competition (Washington, 2015), a grant from the United States Embassy in Lithuania to participate at FDI Moot (Los Angeles, 2014) and a scholarship of the global law firm Clyde & Co LLP to attend Paris Arbitration Academy (France, 2014).