

MISEN ENERGY AB (publ.)

556526-3968



**Annual report and consolidated financial statements
for the financial year 2019**

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 2019.

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

The Misen Energy Group

About the company

Misen Energy AB (publ) ("**Parent Company**" or "**Company**") is a Swedish public limited liability company with its registered offices in Stockholm. The address of the head office is Kungsporsavenyen 32, 411 36 Gothenburg. The Company is listed at Nasdaq First North Stockholm. The Misen Group ("**Misen Group**" or "**Group**") comprises Misen Energy AB (publ) and the partially owned subsidiaries LLC Karpatygas (Ukraine) and Misen Enterprises AB (Sweden).

In June 2016, in July 2017 and in November 2017, the Parent Company sold respectively 37.5%, 8% and 2% of Misen Enterprises AB shares to the Hong Kong based company Powerful United Limited ("**PUL**"). The same owners that control the Company's shareholder TCT Holding AB also control PUL. In March 2018, the Company sold 2% of Misen Enterprises AB shares to Mr. Konstantin Guenevski, Bulgarian citizen, who is a senior trader of one of the world's leading independent commodity trading and logistics houses. Misen Energy AB (publ) remain the owner of 50.5% of Misen Enterprises AB shares and maintain full control of the company. Misen Enterprises AB is consolidated in the Misen Group accounts and the remaining 49.5% held by other investors are accounted for as a non-controlling interest.

Joint Activity and Joint Activity Agreement

Misen Group together with PUL and Mr. Konstantin Guenevski had a 50.01% participation interest in the Joint Activity ("**JA**") dedicated to the hydrocarbon production and sales business in Ukraine. The remaining 49.99% interest in JA was held by the Joint Stock Company Ukrgasvydobuvannya ("**JSC Ukrgasvydobuvannya**" or "**UGV**") (Ukraine), a wholly owned subsidiary of the National Joint Stock Company Naftogaz of Ukraine (Ukraine). JA was governed by the Joint Activity Agreement No.3, dated 10 June 2002 ("**JAA**" or "**JAA No.3**") (as further restated and amended). JAA No.3 was terminated by the Partial Final Award rendered 11 July 2018 by the Arbitral Tribunal in the arbitration proceeding under Arbitration Rules of the Arbitration Institute of the Stockholm Chamber of Commerce. Misen Enterprises AB, LLC Karpatygas and JSC Ukrgasvydobuvannya endeavour to take all steps necessary and appropriate to given a practical effect to termination of the JAA No.3.

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 Karpatygas, 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% of all shares. Through this, IFRS rules for reverse acquisitions in preparing the consolidated financial statements were applied.

Joint Activity

The Company's partially owned subsidiaries Misen Enterprises AB and LLC Karpatygas 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 JSC Ukrigasvydobuvannya. The net profit from the gas and oil production project attributable to the parties was calculated based on the production volumes assigned to JA in accordance to JAA No.3. These volumes were 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 Ukraine through sustainable growth in production of natural gas, what was the primary objective of JSC Ukrigasvydobuvannya when entering JAA No.3. The project was managed and supervised by the so-called Management Committee consisting of authorized representatives of the participants of JAA No.3. It was the supreme management body of JA that approved and monitored implementation of Annual Programs in accordance to JAA No.3. Misen Group was represented at the Management Committee of JA by the authorised representatives.

In August 2016 JSC Ukrigasvydobuvannya 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 JAA No.3. In May 2017, Misen Enterprises AB and LLC Karpatygas 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. The Arbitral Tribunal decided that JAA No.3 shall be terminated as of 11 July 2018 due to material change in circumstances and impossibility to achieve the purpose of JAA No.3. In the ongoing arbitration proceeding, Misen Enterprises AB and LLC Karpatygas seek compensation for their share in the Joint Activity upon termination of JAA No.3.

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 38-41 as well as in note 22.

Essential Events during 2019

Accounting treatment of the Joint Activity

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

On 11 July 2018, the Arbitral Tribunal rendered Final Partial Award in the arbitration proceeding commenced under JAA No.3 in accordance to Arbitration Rules of the Arbitration Institute of the Stockholm Chamber of Commerce. This award is a final award on those issues that were decided at this stage of the proceeding. The Arbitral Tribunal fully rejected the JAA's invalidity arguments, as well as the overwhelming majority of JSC Ukrgasvydobuvannya's arguments concerning Misen Enterprises AB and LLC Karpatygaz alleged "breaches". In specific, Final Partial Award acknowledges the following:

1. **The Arbitral Tribunal has fully, unanimously and unequivocally dismissed all the claims submitted by JSC Ukrgasvydobuvannya in relation to alleged invalidity of the JAA.** The Arbitral Tribunal found no corruption or collusion in the negotiation and approval of the JAA. The Tribunal did not establish any wrongdoing of present and/or former shareholders (beneficial owners) of Misen Enterprises AB and Karpatygaz LLC. Also, there was no wrongdoing of management of Misen Enterprises AB and Karpatygaz LLC. The JAA complied with all relevant Ukrainian legislation. Specifically, the Arbitral Tribunal found that there is no basis to conclude that the JAA breached Article 7(4) of the Pipeline Transport Law or public policy. The Arbitral Tribunal established that JSC Ukrgasvydobuvannya retained full rights to access and use its wells and there was no misappropriation of this of JSC Ukrgasvydobuvannya's property. Further, the Arbitral Tribunal has rejected claims of JSC Ukrgasvydobuvannya that the JAA breached the prohibition on the sale of gas other than to PJSC NJSC Naftogaz of Ukraine pursuant to Article 10 of the Law on the Functioning of the Gas Market.

Summarizing the Arbitral Tribunal findings on the above mentioned issues, the Tribunal confirmed that the JAA is a legal and fully binding contract, which gave rise to substantial benefits for JSC Ukrgasvydobuvannya (notably the ability to commercialise its gas at higher, unregulated prices, the obligation of Misen Enterprises AB to ensure additional financing to implement the Joint Activity Programs, and the revenues earned by providing services to the Joint Activity under the Services Agreement). The JAA was concluded in the interests of JSC Ukrgasvydobuvannya, not contrary to its interests.

2. **Performing their respective contractual obligations, Misen Enterprises AB and / or LLC Karpatygaz did not make any material breaches of the JAA, and, therefore, the Arbitral Tribunal has fully, unanimously and unequivocally dismissed all the claims submitted by JSC Ukrgasvydobuvannya to terminate the JAA on the ground that Misen Enterprises AB and LLC Karpatygaz allegedly breached their contractual obligations.** Specifically, the Arbitral Tribunal found that Misen Enterprises AB made no breach of its obligation to provide additional financing to implement the Joint Activity Programs; LLC Karpatygaz made no breaches of the JAA by entering into any of the sale of gas agreements; there was no failure to contribute know-how to the Joint Activity; there were no unjustified "threats" to stop operation of certain booster compressor stations; LLC Karpatygaz had a right to enter into settlement agreements with respect to certain debts owed to the Joint Activity; and, finally, the Arbitral Tribunal declared that LLC Karpatygaz complied with its obligations

under the JAA with respect to commissioning the booster compressor stations (including the major Khrestyshchenska BCS) and conducting repair works of the wells.

3. **The only instance where the Arbitral Tribunal partially endorsed the position of JSC Ukrgasvydobuvannya is the Tribunal's findings that Misen Enterprises did not meet its obligation to make part of its contribution in the amount of approximately MUSD 8.5 by 31 December 2015 and that Karpatygaz was late under the JAA in equipping certain wells with metering stations.** However, the Arbitral Tribunal decided that these breaches, whether considered alone or together, cannot be characterised as substantially depriving JSC Ukrgasvydobuvannya of what it expected to receive when making the JAA and do not give right for JSC Ukrgasvydobuvannya to terminate the JAA. Moreover, while the Arbitral Tribunal indicated that a failure to make the remaining part of Misen Enterprises AB contribution may lead to making appropriate adjustments to the JAA participant's share of the joint property upon termination of the JAA, this does not result in the rescission of the parties' original agreement on the value of their contributions. Thus, the Arbitral Tribunal upheld that, as was contractually agreed, JAA entitled Misen Enterprises AB and LLC Karpatygaz to a 50,01% share in the joint property.
4. **However, 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 JAA, the Arbitral Tribunal concluded that the JAA must be terminated as of 11 July 2018 solely on these grounds.** As previously reported, Misen Enterprises AB and LLC Karpatygaz agreed on termination of the JAA particularly on these grounds. Again, the Arbitral Tribunal has fully upheld Misen Enterprises AB and LLC Karpatygaz pleadings in this respect.
5. **Therefore, the Arbitral Tribunal obliged Misen Enterprises AB, LLC Karpatygaz and JSC Ukrgasvydobuvannya to take all steps necessary and appropriate to give practical effect to termination of the JAA.** The parties agree that, following termination, the Joint Activity's assets should be transferred to JSC Ukrgasvydobuvannya, with Misen Enterprises AB and LLC Karpatygaz receiving compensation for their interests in those assets. If after the Final Partial Award the parties will not be able to agree on the valuation of Misen Enterprises AB and LLC Karpatygaz share, this issue will be decided by the Arbitral Tribunal in its final award.

JSC Ukrgasvydobuvannya, Misen Enterprises AB and LLC Karpatygaz agree that, following termination, the JA's assets should be transferred to JSC Ukrgasvydobuvannya, with Misen Enterprises AB and Karpatygaz LLC receiving compensation for their interests in those assets. The parties assigned LLC Karpatygaz, a former Operator under JAA, to facilitate transfer of the JA's assets to JSC Ukrgasvydobuvannya. The Arbitral Tribunal shall decide on compensation for the assets of Misen Enterprises AB and LLC Karpatygaz in Joint Activity.

Misen Enterprises AB, LLC Karpatygaz and JSC Ukrgasvydobuvannya started the second phase of the arbitration proceeding. JSC Ukrgasvydobuvannya filed its submission in March 2019. JSC Ukrgasvydobuvannya 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 Ukrgasvydobuvannya allegedly suffered due to non-fundamental breaches of JAA No.3. Misen Enterprises and LLC Karpatygaz filed their submission in June 2019. They requested the Arbitral Tribunal to dismiss all the claims submitted by JSC Ukrgasvydobuvannya in their entirety and order to Ukrgasvydobuvannya to pay to Misen Enterprises AB and LLC Karpatygaz compensation for their share of the Joint Activity.

In November 2019, JSC Ukrgasvydobuvannya, Misen Enterprises AB and LLC Karpatygaz filed their

statements on costs. Misen Enterprises AB and LLC Karpatygas claim that JSC Ukrgasvydobuvannya should at a minimum bear the full costs of the first phase of the arbitration and reimburse Misen Enterprises AB and LLC Karpatygas all costs related thereto given that JSC Ukrgasvydobuvannya's arguments concerning alleged "fundamental breaches", "malicious arrangement" and "invalidity" under Ukrainian law unnecessarily burdened phase one of the arbitration proceeding and were rejected in their entirety in the Partial Final Award. The Arbitral Tribunal should have issued the Final Award by the end of January 2020.

For further information, please also refer to chapter Essential events after the end of 2019.

Given that JAA No. 3 was terminated as of 11 July 2018, the Company believes that control over the specific assets owed by JA no longer exists when preparing this annual report for 2019. Control is required to consolidate the assets as well as the future results of the JA in the Group accounts.

The claims against JSC Ukrgasvydobuvannya may not be accounted for as an asset in the Group financial statements as the outcome of the arbitration proceeding in relation to compensation for Misen Enterprises AB and LLC Karpatygas for their share of JA is still uncertain at the date of this report.

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

Under JAA No.3 Misen Group operated solely in Ukraine.

Pre-trial Investigations in Criminal Cases

Misen Enterprises and LLC Karpatygas has no information about the pre-trial investigations in criminal cases commenced by the General Prosecutor Office of Ukraine respectively in 2014 and 2017, as supplemented with the JSC Ukrgasvydobuvannya's criminal complaint dated 5 September 2016 and JSC Ukrgasvydobuvannya's motion and notice of commitment of criminal offence dated 21 and 22 February 2017. Any pre-trial investigations in criminal cases are not public under the laws of Ukraine.

In September 2017, JSC Ukrgasvydobuvannya submitted another criminal complaint to the National Anticorruption Bureau of Ukraine (thereafter as "NABU"). In September 2017, NABU finished its pre-trial investigation and submitted a claim to the Commercial Court of Kiev. NABU requested the court to invalidate the Amendment No.4 to the JAA No.3 and the agreement for the provision of services on production, collection, treatment and transportation of natural gas, oil and gas condensate that LLC Karpatygas concluded with JSC Ukrgasvydobuvannya in April 2011. The court instituted a legal proceeding in October 2017. The preparatory hearings were held in May-August 2018. The Court dismissed jurisdictional objections raised by Misen Enterprises AB and LLC Karpatygas and moved the case to the consideration phase of the legal proceeding. The Court did not provide reasons for that dismissal.

The hearing was held in October 2018. The Kyiv Economic Court dismissed a claim what regards, among other issues, invalidation of JAA in their entirety. NABU and JSC Ukrgasvydobuvannya appealed against the decision. The appeal court hearing was held in May 2019. The North Economic Court of Appeal dismissed appeal claims submitted by NABU and JSC Ukrgasvydobuvannya. The Court upheld the decision of the first instance court.

On 5 June 2019, the Constitutional Court of Ukraine decided that NABU has no authority to challenge validity of any such agreements. Specifically, the Court decided that “paragraph 13 of part one of Article 17 of the Law of Ukraine “On the National Anti-Corruption Bureau of Ukraine” dated 14 October 2014 No. 1698-VII under which the National Anti-Corruption Bureau of Ukraine is vested with the right “in presence of the grounds provided for by law, to file claims with the court seeking to invalidate transactions according to the procedure established by the laws of Ukraine” be recognized as incompatible with the Constitution of Ukraine (unconstitutional).“ The decision of the Constitutional Court of Ukraine is final and binding.

Disregarding the above decision of the Constitutional Court of Ukraine, NABU and JSC Ukrigasvydobuvannya appealed against the decision rendered by the North Economic Court of Appeal. NABU and JSC Ukrigasvydobuvannya claimed, among other issues, that the North Economic Court of Appeal had illegally upheld that Amendment No.4 of JAA No.3 was valid until its termination. In July 2019, the Supreme Court of Ukraine decided to open the cassation proceeding.

On 4 December 2019 the Supreme Court of Ukraine upheld cassation appeal of NABU and partially upheld cassation appeal of JSC Ukrigasvydobuvannya. At the same time the court cancelled rulings of Kyiv Economic Court and North Economic Court and sent the case for reconsideration in a new circle.

At any event, LLC Karpatygas and Misen Enterprises AB consider the criminal allegations to be ungrounded and deny them in their entirety. Misen’s position is that the Arbitral Tribunal had the exclusive jurisdiction to determine validity of JAA No.3.

For further information, please also refer to chapter Essential events after the end of 2019.

Contribution to the JA

Following termination of the JAA No. 3, Misen Enterprises AB considers that no further contributions can be made under JAA No.3. At the ongoing arbitration proceeding, Misen Enterprises AB agrees that damages for the breach of clause of the JAA regarding contribution is the only available remedy, however, argues that JSC Ukrigasvydobuvannya failed to prove loss and causation.

The liability regarding the remaining contribution, previously accounted for in Misen Group, has been reversed as a part of the deconsolidation of JA as of 31 December 2017.

Operations in the JA during 2019

Production report

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

	12M 2019	12M 2018	12M 2017	12M 2016	12M 2015	12M 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	6.1	-

During 2019 the production attributable to the JA was at zero level due to termination of JAA.

For further information, please also refer to chapter Essential events after the end of 2019.

Agreements with Solar Turbines CIS LLC and GEA Luftkuhler GmbH

In June 2013 and in 2015, Karpatygaz LLC in its capacity as Operator of the Joint Activity and Solar Turbines CIS LLC entered into the agreements for equipment supply and maintenance services (as further amended). Solar Turbines CIS LLC provided services and supplied equipment, however the Joint Activity failed to pay for the services mainly due to the halted operations of the Joint Activity. As of 31 December 2019, outstanding debt to Solar Turbines CIS LLC amounted to KUSD 969.6 (KSEK 9,054.9).

In May 2015 Karpatygaz LLC in its capacity as Operator of the Joint Activity and GEA Luftkuhler GmbH entered into the agreements for equipment supply (as further amended). GEA Luftkuhler GmbH supplied agreed equipment, however the Joint Activity failed to pay for the services mainly due to the halted operations of the Joint Activity. As of 31 December 2019, outstanding debt to GEA Luftkuhler GmbH amounted to KEUR 991.4 (KSEK 10,383.9).

Misen Enterprises, Karpatygaz and JSC Ukrgasvydobuvannya discuss settlement of the debt to Solar Turbines CIS LLC and GEA Luftkuhler GmbH. JSC Ukrgasvydobuvannya, Misen Enterprises AB and LLC Karpatygaz are jointly and severally liable for the JA's debts to the services providers. This obligation is included as a contingent liability.

Operation of the Booster Compressor Stations

Misen Enterprises AB and LLC Karpatygaz believe that starting from 11 July 2018, when the Arbitral Tribunal decided to terminate JAA No.3, the BCSs lease agreements ceased to exist. In the Final Partial Award, the Arbitral Tribunal decided that the parties are to take all actions necessary and appropriate to termination of JAA No.3. In essence, JSC Ukrgasvydobuvannya operates the booster compression stations. Misen Enterprises AB and LLC Karpatygaz still partially own the assets. As of 31 December 2019 no agreement what regards transfer of the booster compressor stations to JSC Ukrgasvydobuvannya in accordance to the Final Partial Award was reached.

Subsoil use charge

As previously reported, due to the 70% subsoil use charge applicable to JA, in 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. The Government of Ukraine continued to impose the exorbitant subsoil charge to the Joint Activity until termination of JAA No.3 on 11 July 2018. Up until termination of the JAA No.3 on 11 July 2018, the Company reached no amicable resolution of the dispute with the Government of Ukraine.

Misen Energy AB (publ) reserves all its rights in this respect.

Tax payments in Ukraine

Since 2011, JA and its participants have contributed to Ukraine KUAH 11,174,511 (adjusted KSEK 5,243,935) as subsoil use charge, value added tax and corporate profit tax. Despite termination of JAA No.3 on 11 July 2018 JA is still registered as taxpayer with tax authorities of Ukraine. Since 11 July 2018 JA paid KUAH 4,098 (adjusted KSEK 1,300) in VAT related to the lease services till 11 July 2018 (please see section Operation of the Booster Compressor Stations).

Sale of hydrocarbons

During 2019 JSC Ukrgasvydobuvannya continued, as the Company believes, manifestly unlawful actions and refused to provide services in respect of production, collection, treatment and transportation of hydrocarbons to JA.

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LLC Karpatygaz, in its capacity as Operator of the Joint Activity, commenced a few court proceedings and requested the court to order JSC Ukrgasvydobuvannya to provide services in respect of production, collection, treatment and transportation of hydrocarbons to the JA.

In December 2017, the proceedings in both cases were halted until the final court ruling on case initiated by NABU, as described in the section “Pre-trial Investigations in Criminal Cases” above.

For further information, please also refer to chapter Essential events after the end of 2019.

Investment program report

Due to financial constraints imposed by the increased subsoil use taxation as well as JSC Ukrgasvydobuvannya, as the Company believes, manifestly unlawful actions, since 2017 Misen Group almost completely halted investments into the development program of JA.

Since 2011 and until termination of JAA No.3, the Company has reached the following major milestones:

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

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

Court proceeding in Case No. 910/21720/15

In 2015, LLC Sberbank Leasing Ukraine (“Sberbank Leasing” later as Financial Leasing Center) initiated the court proceeding against JSC Ukrgasvydobuvannya, LLC Karpatygaz and Misen Enterprises AB seeking to enforce the contract and recover penalties. Sberbank Leasing claims that JA failed to deliver the equipment within the terms of the contract and, therefore, Sberbank Leasing is entitled to recover penalties. Contrary to this, LLC Karpatygaz claims that the Joint Activity could suspend delivery of the equipment and, therefore, the Joint Activity had committed no violations. In October 2016, the Supreme Economic Court of Ukraine reversed decisions of the lower courts. The Ukrainian courts considered the case in a new circle. In February 2017 Sberbank Leasing changed its claims seeking now to recover USD 37,219,502 (SEK 365,350,651) of advance payment and UAH 352,987,638 (SEK 142,111,411) as foreign exchange losses and fines.

In June 2018, Kyiv Economic Court ruled to halt the proceeding until the court finally decides on the claims brought by NABU. Financial Leasing Center appealed against the ruling of Kyiv Economic Court in June 2018. In July 2018 Kyiv Economic Court of Appeal upheld the decision taken by Kyiv Economic Court.

In July 2019 the Kyiv Commercial Court resolved to re-open the proceeding in the case. LLC Karpatygaz filed a claim to the Kyiv Commercial Court and requested the Court to return the submission of Center of Financial Leasing without consideration. 11 November 2019, Kyiv Commercial Court rendered a judgment granting the claims of Financial Leasing Center for recovery USD 37,219,201.00 (UAH 911,948,019.95) from JSC Ukrgasvydobuvannya, Misen Enterprises AB and LLC Karpatygaz. LLC Karpatygaz and JSC Ukrgasvydobuvannya appealed the judgment. In December 2019, the North Economic Court of Appeal halted the proceeding initiated by JSC Ukrgasvydobuvannya and ruled to amend appeal according to Code of Civil Procedures of Ukraine.

For further information, please also refer to chapter Essential events after the end of 2019.

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Court proceeding in Case No. 910/24412/16

In December 2016, Sberbank Leasing initiated another case against JSC Ukrgasvydobuvannya, LLC Karpatygaz and Misen Enterprises AB seeking to recover UAH 1,397,704,127 (SEK 562,710,091). Financial Leasing Center claims that the Joint Activity failed to deliver the equipment within the terms of the contract and thereby Financial Leasing Center was deprived of profit under the leaseback agreement. In September 2017, Financial Leasing Center filed additional claim to recover USD 10,170,581 (SEK 99,835,522) of lost profit.

In February 2019, the Supreme Economic Court partially upheld cassation appeals of JSC Ukrgasvydobuvannya, LLC Karpatygaz and Misen Enterprises AB and annulled rulings of the lower instance courts. The Court send Financial Leasing Center's claim to recover lost profits for a retrial to a court of first instance. On 10 September 2019 the Kyiv Commercial Court suspended the court proceedings in that case upon a request of LLC Karpatygaz, until the court renders a final judgment in the case no. 910/21720/15.

Financing of the Group's Swedish operations

In November 2018, Misen Energy AB (publ) signed the Financing Agreement with PUL for the maximum sum of up to 12 million Euros. The Agreement obliges PUL to provide financing for the Swedish operation and an arbitration proceeding commented by JSC Ukrgasvydobuvannya under Arbitration Rules of the Arbitration Institute of Stockholm Chamber of Commerce in July 2016 against Misen Enterprises AB and LLC Karpatygaz.

Under the Financing Agreement, PUL agreed to provide financing on a non-recourse, unsecured and unguaranteed basis. Misen Energy AB (publ) agreed to pay an amount equal to the PUL's outlay on the arbitration proceeding at the date of payment plus 20 % of any final settlement at the arbitration proceeding to PUL. Such fee shall only become payable upon any 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 or repayment of any outlay. The contribution from PUL in accordance with the Financing Agreement is recorded as „Other operating income“.

Misen Energy AB (publ) has a complete control over the arbitration proceeding and has the right to settle with JSC Ukrgasvydobuvannya, discontinue proceeding, pursue the proceeding to trial and take any action Misen Energy AB (publ) considers appropriate to enforce the Final Award.

During 2019 PUL has provided additional financing for the arbitration proceeding and the operation of the Swedish companies. For 2018 and 2019 the capital contribution amounts to KEUR 3,380 (KSEK 35,273). For further information see essential events after 2019.

In the event of a negative outcome of the ongoing court negotiations described above, additional financing may need to be added to ensure the Group's continued operation. Considering the significant uncertainties in the ongoing legal proceeding and the risk of a negative outcome there are significant uncertainties that may cast significant doubt about going concern for the Group.

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Essential events after the end of 2019

Ongoing arbitration under JAA No.3

Following the request of the Arbitral Tribunal, the Arbitration Institute of the Stockholm Chamber of Commerce decided that the Final Award shall be rendered by 29 May 2020.

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

On 11 January 2020 the Kyiv Commercial Court resolved to open the court proceeding. The court hearing will be held on 19 May 2020.

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

Court proceeding in Case No. 910/21720/15

The North Economic Court resolved to open appeal procedure initiated by JSC Ukgazvydobuvannya on 2 January 2020 and appeal procedure initiated by LLC Karpatygas on 13 January 2020. The court hearing will be held on 21 May 2020.

Loan Agreement with SP Holdings Limited

On 12 February 2020, Misen, PUL and SP Holdings signed an additional agreement to the Financing Agreement dated 28 November 2018 whereby from 1 October 2019 all rights and obligations of SP Holdings Limited deriving from the Loan Agreement have acquired PUL's Capital Partner's rights and obligations under the Financing Agreement. As a result of that, SP Holding Limited is not entitled to a lenders fee alongside with repayment of the loan amount. Instead, SP Holdings will be entitled to a portion of any final settlement of the arbitration claim. The loan amount and all accrued interest will be accounted for as Other operating income in line with the accounting treatment of the contribution from PUL

Misen Energy Concluded an Additional Financing Agreement

On 13 March 2020 Misen Energy AB (publ) signed the Financing Agreement with a new financial partner, thus strengthening its financial position in the light of ongoing SCC Arbitration. A new financial partner is a United States based international businessman Mr Edvardas Jatautas, who will fund Misen in addition to the existing financial facility with Powerful United Limited.

Under the Financing Agreement, Misen Energy AB (publ) is entitled to up to 1 million EUR to fund the Swedish operation and the ongoing arbitration proceeding commented by JSC Ukgazvydobuvannya in July 2016. If Misen Energy AB decides to use the new credit facility the Company shall pay a fee equal to the funder's outlay plus an outlay multiplied by three. Powerful United Limited, a funder under the Financing Agreement concluded with Misen Energy AB (publ) in November 2018, has a priority right to provide financing to Misen Energy AB (publ).

Misen Enterprises AB and LLC Karpatygaz Received a Consent Award

Misen Enterprises AB and LLC Karpatygaz, two partially owned subsidiaries of Misen Energy AB (publ), received a Consent Award from the Arbitral Tribunal in the ongoing commercial arbitration proceeding. In accordance to Article 39(1) of the SCC Rules, the Arbitral Tribunal approved and confirmed the Settlement Agreement regarding the settlement of certain legal relations concluded between JSC Ukrgasvydobuvannya, Misen Enterprises AB and LLC Karpatygaz (the “Parties”) on 23 July 2019 (the “Settlement Agreement”). Approval of the Arbitral Tribunal was a necessary condition for the Settlement Agreement to be valid under the applicable law.

Under the Settlement Agreement, all hydrocarbons produced from 1 December 2016 to 10 July 2018 (termination of JAA No.3) from the wells specified in the Joint Activity projects under JAA No.3, and with the use of the booster compression stations, belong to JSC Ukrgasvydobuvannya. A total cost for the use by JSC Ukrgasvydobuvannya of the Parties’ joint property amounts to UAH 1.2 bln. This amount includes all lease payments owed by JSC Ukrgasvydobuvannya to the Joint Activity for the use of the Parties’ joint property from 1 December 2016. JSC Ukrgasvydobuvannya is solely responsible for gas storage costs and any other charges and taxes related to the production, storage and processing costs of the hydrocarbons.

Pursuant to the Settlement Agreement, JSC Ukrgasvydobuvannya shall pay a compensation to Misen Enterprises AB and LLC Karpatygaz for their share of total costs for the use of the Parties’ joint property. The Parties disagree on the size of shares (reflected as percentage) in the joint property under JAA No.3 based on which the compensation shall be calculated. Misen Enterprises AB and LLC Karpatygaz claim that they are entitled to 50.01% of a total costs for the use of the Parties’ joint property. The Parties also disagree on the currency of such compensation to Misen Enterprises AB and LLC Karpatygaz. As a result, the Parties referred these disagreements to the Arbitral Tribunal to decide in a final award. At any event, under the Settlement Agreement, JSC Ukrgasvydobuvannya shall pay the compensation amounts to Misen Enterprises AB and LLC Karpatygaz within thirty calendar days of the date of a final award.

The Settlement Agreement does not regulate and not affect the value of the booster compression stations and/or the value of other fixed assets that are disputed by the Parties in the ongoing arbitration proceeding. Misen Enterprises AB and LLC Karpatygaz are entitled to compensation for their share in that assets in addition to the compensation amounts under the Settlement Agreement. The value of these assets will be determined by the Arbitral Tribunal in a final award.

Ownership structure

Major shareholders as of 31 December 2019:

Shareholder	Shares and votes, no.	Shares and votes, %
Norchamo Ltd. (CY)	43,057,475	29.68
Nellston Holdings 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)	13,200,000	9.10
Total, major shareholders	142,295,818	98.09
Others	2,772,404	1.91
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 Group are presented.

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

	2019	2018	2017	2016	2015
The Group					
Net sales, KSEK	347	297	7 938	653,122	853,359
EBITDA, KSEK	-13,259	Neg.	Neg.	60,566	49,454
Financial expenses	8,038	629	6 900	31,096	74,182
Profit/loss after financial items, KSEK	-21,326	-4,320	-1,071,791	-5,509	-48,687
Earnings per share before dilution*, SEK	-0.05	-0.03	-3.95	-0.05	-0.23
Earnings per share after dilution*, SEK	-0.05	-0.03	-3.95	-0.05	-0.23
Return on equity, %	Neg.	Neg.	Neg.	Neg.	Neg.
Return on capital employed, %	Neg.	Neg.	Neg.	5,1 %	Neg.
Balance sheet total, KSEK	9,396	12,002	5,880	592,433	670,407
Equity/assets ratio, %	Neg.	Neg.	Neg.	78,4 %	50,6 %
Proportion of risk-bearing capital, %	Neg.	Neg.	Neg.	78,4 %	50,6 %
Debt/equity ratio, %	Neg.	Neg.	-	6,4 %	52,6 %
Number of employees	46	69	105	133	118

	2019	2018	2017	2016	2015
Parent Company					
Net sales, KSEK	-	-	-	-	-
EBITDA, KSEK	5,636	Neg.	Neg.	Neg.	Neg.
Profit/loss after financial items, KSEK	5,694	- 6,402	-26,037	-33,080	-583,804
Return on equity, %	2,0%	Neg.	Neg.	Neg.	Neg.
Return on capital employed, %	1,9%	Neg.	Neg.	Neg.	Neg.
Balance sheet total, KSEK	332,671	313 734	325 021	325 855	473 881
Equity/assets ratio, %	88,2%	91,9%	90,4 %	98,2 %	74,5 %
Debt/equity ratio, %	0,8%	0,9%	-	0,0 %	28,9 %
Number of employees	3	3	3	4	4

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

Results – Misen Group and the Company

Misen Group net turnover for 2019 was KSEK 28,071 (KSEK 26,525) and the Parent Company net turnover for this period was KSEK 20,333 (KSEK 7,620) including capital contribution from PUL of KSEK 21,877 (KSEK 13,283). The parent company received KSEK 14,745 (KSEK 2,043) from PUL.

For 2019 loss after financial items for the Misen Group was KSEK -21,326 (KSEK -4,320) the Parent Company profit after financial items made up KSEK 5,694 (loss of KSEK -6,402).

Since 31 December 2017, JA is no longer consolidated into the accounts of Misen Energy since control ceased to exist. JAA No.3 was terminated on 11 July 2018.

During 2019, due to termination of JAA, the production of hydrocarbons attributable to JA was zero (zero level during the same period 2018 due to violation by JSC Ukrkazvydobuvannya of JAA).

Financial assets and liabilities

As of date of termination JAA, JA has KUAH 168,779 (KSEK 65,846) of written off bad debts. The subsidiary LLC Karpatygas, as the Operator of JA, is engaged in constructive negotiations with the debtors. The settlement of these outstanding obligations is also sought through the court proceedings in Ukraine.

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

Cash position

As of 31 December 2019, the cash balance of the Misen Group was KSEK 130 (KSEK 42). The cash flow from operations after changes in working capital for 2019 was KSEK -112 (KSEK -14,537).

Capital expenditure

The Misen Group's capital expenditure on equipment for gas production in Ukraine related to the JA activity during 2019 was at zero level due to deconsolidation as described above.

Amendments to the tax code

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

In this report it has been assumed that Misen Group with regard to the taxes related to JA will be tax payer according to Ukrainian legislation based on the presumption that it has operating activities within the country. Joint operations such as the JA in Ukraine have no clear definition in the Swedish Tax Legislation. JA has in the tax returns of Misen Enterprises since 2015 been treated as a foreign legal entity taxed by the participants (Sw. *I utlandet delägarbeskattad juridisk person*). This report has been prepared on the assumption that the income in the JA accrued before 1 January 2015 will not be subject to the 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

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from Swedish income tax.

After the sale of 49.5% of the shares in Misen Enterprises AB the Parent Company can no longer utilize the tax losses carried forward through group contribution from Misen Enterprises AB.

Despite termination of JAA No.3 on 11 July 2018 JA is still registered as taxpayer with tax authorities of Ukraine and obliged to pay taxes according to the Tax Code if such obligations will arise.

Expected future development of the Company and going concern

As described earlier in this report, JAA No.3 was terminated on 11 July 2018. Due to this fact, JA can no longer be considered a going concern. The value of the net assets and the size of the any compensation entitled to the Group as a consequence of the termination of JAA No.3 is uncertain at the date of this report. To account for an asset in accordance with IFRS the asset needs to be virtually certain which is not the case as the size of any compensation is dependent on the outcome of the arbitration.

As of 1 October 2019 all rights and obligations of SP Holdings Limited deriving from the Loan Agreement have acquired PUL's Capital Partner's rights and obligations under the Financing Agreement. For the remaining operations of the Group a long-term financing agreement with PUL was signed in November 2018 and with a new financial partner Mr Edvardas Jatautas in March 2020. Financing to be received under the financing agreements should be sufficient to cover arbitration costs and other operating expenses of the Swedish Group.

Group accounts are therefore prepared based on the going concern assumption.

Covid-19 pandemic

The current Covid-19 pandemic does not have a significant impact on the operations of Misen group since the Group's business activities were ceased when the JA No 3 was terminated in July 2018. Currently, the Group's main activities relates to the arbitration which has not been impacted by the Covid-19 pandemic. Still Covid-19 has affected the financial markets and could in the future have impact on the Group's financing possibilities.

Proposed appropriation of profits

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

Retained earnings and additional paid-in capital	-2,814,833
Net profit for the year	<u>5,694,117</u>
	<u>2,879,284</u>

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

To be carried forward	<u>2,879,284</u>
	<u>2,879,284</u>

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	2019	2018
<i>All amounts in KSEK</i>			
Net sales	1, 2	347	297
Other operating income	3, 27	<u>27,724</u>	<u>26,228</u>
		28,071	26,525
Operating expenses			
Other external expenses	4, 5, 27	-23,289	-17,496
Personnel expenses	6, 7	-13,172	-13,048
Depreciation and amortisation of tangible and intangible fixed assets	8	-97	-71
Other operating expenses	9	<u>-4,869</u>	<u>-50</u>
Total operating expenses		-41,427	-30,665
Operating profit/loss		-13,356	-4,140
Profit/loss from financial items			
Other interest income and similar profit/loss items	10	68	449
Interest expenses and similar profit/loss items	11,22	<u>-8,038</u>	<u>-629</u>
Total profit/loss from financial items		-7,970	-180
Profit/loss after financial items		-21,326	-4,320
Taxes for the year	12	=	=
Net profit/loss for the year		<u>-21,326</u>	<u>-4,320</u>
Profit/loss attributable to:			
Misen Energy AB (publ) shareholders		-7,951	-5,592
Non-controlling interests		<u>-13,375</u>	<u>1,272</u>
		-21,326	-4,320
Earnings per share, before and after dilution, SEK		-0,05	-0,03
Statement of comprehensive income - Group			
Items that may be subsequently reclassified to profit or loss			
Translation differences		582	-87
Other comprehensive income for the year, net after taxes		582	-87
Total comprehensive income for the year		-20,744	-4,407
Attributable to:			
Misen Energy AB (publ) shareholders		-7,658	-5,637
Non-controlling interests		<u>-13,086</u>	<u>1,230</u>
Total comprehensive income for the year		-20,744	-4,407

Average number of shares during the year was 145,068,222 (2018: 145,068,222).

Consolidated balance sheet	Note	31 Dec 2019	31 Dec 2018
<i>All amounts in KSEK</i>			
Assets			
Fixed assets	2		
Intangible fixed assets			
Rights and licences	13	=	<u>1</u>
		-	1
Tangible fixed assets			
Equipment, tools, fixtures and fittings	14	123	295
Total fixed assets		123	296
Current assets			
Inventories, etc.	15		
Goods for resale		<u>41</u>	<u>95</u>
Current receivables			
Accounts receivable - trade	16, 17	5,463	8,384
Other receivables	18	3,358	2,834
Prepaid expenses	19	<u>281</u>	<u>351</u>
		9,143	11,569
Cash and bank balances	16	<u>130</u>	<u>42</u>
Total current assets		<u>9,273</u>	<u>11,706</u>
TOTAL ASSETS		<u>9,396</u>	<u>12,002</u>
Equity and liabilities			
Equity			
Share capital	20	290,136	290,136
Other contributed capital		-274,435	-274,435
Other reserves		-237	-237
Profit/Loss brought forward		-52,428	-35,365
Non-controlling interests		<u>1,995</u>	<u>5,677</u>
Total equity		-34,968	-14,224
Current liabilities			
Short-term loans	16, 21, 22	2,618	2,553
Accounts payable - trade	16	23,741	15,438
Other liabilities		3,375	2,480
Accrued expenses and deferred income	24	<u>14,630</u>	<u>5,755</u>
Total current liabilities		<u>44,364</u>	<u>26,226</u>
TOTAL EQUITY AND LIABILITIES		<u>9,396</u>	<u>12,002</u>

Changes in equity for the Group*All amounts in KSEK*

	Share capital	Other contributed capital	Other reserves	Profit/Loss brought forward	Total	Non-controlling interests	Total equity
Opening equity 1 Jan. 2018	290,136	-274,435	-237	-6,805	8,659	-28,604	-19,945
Net result							
Net profit/loss for the year	-	-	-	-5,592	-5,592	1,272	-4,320
Other comprehensive income							
Translation differences	=	=	=	-45	-45	-42	-87
Total comprehensive income	0	0	0	-5,637	-5,637	1,230	-4,407
Other transactions with non-controlling interests	-	-	-	-34,271	-34,271	34,271	-
Sale of shares in subsidiary	-	-	-	11,348	11,348	-1,220	10,128
Total transactions with non-controlling interests	-	-	-	-22,923	-22,923	33,051	10,128
Closing equity 31 Dec. 2018	290,136	-274,435	-237	-35,365	-19,901	5,677	-14,224
Opening equity 1 Jan 2019	290,136	-274,435	-237	-35,365	-19,901	5,677	-14,224
Net result							
Net profit/loss for the year	-	-	-	-7,951	-7,951	-13,375	-21,326
Other comprehensive income							
Translation differences	=	=	=	295	295	287	582
Total comprehensive income	0	0	0	-7,656	-7,656	-13,088	-20,744
Transactions with holders of non-controlling interests							
Other transactions with non-controlling interests	-	-	-	-9,407	-9,407	9,407	0
Total transactions with holders of non-controlling interests	0	0	0	-9,407	-9,407	9,407	0
Closing equity 31 Dec. 2019	290,136	-274,435	-237	52,428	-36,964	1,995	-34,968

Cash flow statement for the Group	Note	2019	2018
<i>All amounts in KSEK</i>			
Operating activities			
Operating profit/loss before financial items		-13,356	-4,140
Adjustment for non-cash items	25	4,715	-8,373
Interest received		5	4
Interest paid		-5	-53
Income tax paid		<u>-87</u>	<u>-7</u>
		-8,728	-12,569
Cash flow from changes in working capital			
Increase/decrease Inventories		70	-94
Increase/decrease Other current receivables		-118	857
Increase/decrease Other current operating liabilities		<u>8,664</u>	<u>-2,731</u>
Cash flow from operating activities		-112	-14,537
Investment activities			
Investments in tangible fixed assets		-54	-536
Tangible fixed assets sold		<u>251</u>	<u>247</u>
Cash flow from investing activities		197	-289
Financing activities			
Loans raised	25	=	2,553
Proceeds from sales of shares in subsidiaries		=	<u>10,128</u>
Cash flow from financing activities		-	12,681
Cash flow for the year		85	-2,145
Cash and cash equivalents at the beginning of the year		42	2,181
Exchange rate differences in cash and cash equivalents		<u>3</u>	<u>6</u>
Cash and cash equivalents at year-end		<u>130</u>	<u>42</u>

Income statement for the Parent Company		Note	
		2019	2018
<i>All amounts in KSEK</i>			
Other operating income	3, 27	20,333	7,620
Operating expenses			
Other external expenses	4, 5	-7,801	-8,386
Personnel expenses	6, 7	<u>-6,896</u>	<u>-5,869</u>
Total operating expenses		-14,697	-14,255
Operating profit/loss		5,636	-6,635
Profit/loss from financial items			
Result from participations in Group companies		-	488
Other interest income and similar profit/loss items	10	8,096	-
Interest expenses and similar profit/loss items	11	<u>-8,038</u>	<u>-255</u>
Total profit/loss from financial items		58	233
Profit/loss after financial items		5,694	-6,402
Income tax	12	=	=
Net loss for the year		<u>5,694</u>	<u>-6,402</u>
Statement of comprehensive income - Parent Company			
Net profit/loss for the year		5,694	-6,402
Other comprehensive income for the year		=	=
Total comprehensive income for the year		5,694	-6,402

Balance sheet for the Parent**Note****Company****31 Dec 2019****31 Dec 2018***All amounts in KSEK***Assets****Fixed assets**Financial fixed assets

Shares in subsidiaries

26

332,359313,359**Total fixed assets**332,359313,359**Current assets**Current receivables

Receivables from Group companies

16

-

-

Other short-term receivables

18

7

1

Prepaid expenses

19

305339312340Cash and bank

16

-

35**Total current assets**312375**Total assets**332,671313,734**Equity and liabilities****Equity**Restricted equity

Share capital

20

290,136

290,136

Statutory reserves

345345290,481290,481Non-restricted equity

Profit/loss brought forward

-2,814

3,588

Net loss for the year

5,694-6,4022,880-2,814**Total equity**293,361287,667**Non-current liabilities**

Liabilities to Group companies

16

8888**Total non-current liabilities**8888**Current liabilities**

Accounts payable - trade

16

17,880

10,602

Liabilities to Group companies

16

5,929

8,114

Short-term loans

16, 27

2,618

2,553

Other short-term liabilities

451

417

Accrued expenses and deferred income

24

12,3444,293**Total current liabilities**39,22225,979**Total equity and liabilities**332,671313,734

Statement of changes in equity - Parent Company*All amounts in KSEK*

	Share capital	Statutory reserves	Share premium reserve	Profit/Loss brought forward	Total equity
Opening equity 1 Jan. 2018	290,136	345	714,285	-710,697	294,069
Net result					
Net profit/loss for the year	=	=	=	-6,402	-6,402
Total comprehensive income	<u>0</u>	<u>0</u>	<u>0</u>	<u>-6,402</u>	<u>-6,402</u>
Closing equity 31 Dec. 2018	290,136	345	714,285	-717,099	287,667
Opening equity 1 Jan. 2019	290,136	345	714,285	-717,099	287,667
Net result					
Net profit/loss for the year	=	=	=	5,694	5,694
Total comprehensive income	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,694</u>	<u>5,694</u>
Closing equity 31 Dec. 2019	290,136	345	714,285	-711,405	293,361

Cash flow statement for the Parent**Company****2019****2018***All amounts in KSEK***Operating activities**

Operating profit/loss before financial items

5,636

-6,635

Interest paid

-5-53

5,631

-6,688

Increase/decrease Other current receivables

-18,972

40

Increase/decrease Accounts payable - trade

7,406

-7,057

Increase/decrease Other current operating liabilities

5,900-585**Cash flow from operating activities**

-35

-14,290

Investment activities

Shareholders' contribution - paid

=

10,128**Cash flow from investing activities**

-

10,128

Financing activities

Increase in long-term liabilities

25

=

2,553**Cash flow from financing activities**

-

2,553

Cash flow for the year

-35

-1,609

Cash and cash equivalents at the beginning of the year351,644**Cash and cash equivalents at year-end**035

Supplementary information

General disclosures

General information

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

Before the termination of JA No 3 in July 2018 the Group main business activities were extraction of hydrocarbons, with the focus of oil- and gas production in Ukraine. The Parent Company Misen Energy AB's business focus is to undertake Group-wide tasks and, together with its subsidiary Misen Enterprises AB, complete the ongoing legal processes.

The Board of Directors and the Managing Director have, on 5 May 2020, 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 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) ("Parent Company" or "Company") is a Swedish public limited liability company with its registered offices in Stockholm. The address of the Head Office is Kungsporsavenyen 32, 411 36 Gothenburg. The Company is listed at Nasdaq First North Stockholm. The Misen Group ("Misen Group" or "Group") comprises Misen Energy AB (publ) and the partially owned subsidiaries LLC Karpatygas (Ukraine) and Misen Enterprises AB (Sweden).

In June 2016, in July 2017 and in November 2017, Parent Company sold respectively 37.5%, 8% and

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2% of Misen Enterprises AB shares to the Hong Kong based company Powerful United Limited (“PUL”). The same owners that control the shareholder TCT Holding AB also control PUL.

In March 2018, Company sold 2% of Misen Enterprises AB shares to Mr. Konstantin Guenevski, Bulgarian citizen, who is a senior trader of one of the world’s leading independent commodity trading and logistics houses. Misen Energy AB (publ) remain the owner of 50.5% of Misen Enterprises AB shares and maintain full control of the company. Misen Enterprises AB is consolidated in the Misen Group accounts and the 49.5% held by other investors are accounted for as a non-controlling interest.

Standards, amendments and interpretations to existing standards that entered into effect in 2019

During the year, the following standards, amendments or interpretations to existing standards entered into effect:

- The new standard IFRS 16 Leases is applied from January 1, 2019. IFRS 16 concerns the accounting for rental and lease agreements for both lessors and lessees. For a lessee, the new standard has entailed that a right-of-use asset is recognized for the right to use the leased assets. When entering into a new lease contract the right-of-use asset is measured at cost. Short-term leases and leases of low-value assets are exempt. At the same time, a lease liability is recognized representing the obligation to pay lease payments for the leased assets. The lease liability is measured at the present value of the lease payments that are not paid at that date. When discounting the lease payments, the interest rate implicit in the lease is used at first hand. If that rate cannot be readily determined, the lessee’s incremental borrowing rate is used. After the commencement date the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses. The value of the lease liability is mainly adjusted to reflect interest on the lease liability and to reflect the lease payments made. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Parent Company does not apply IFRS 16 in the stand-alone financial statements in accordance with the exception in RFR 2.

There are no other new IFRSs or IFRIC interpretations that have a material impact on the Group.

New standards and interpretations not yet applied by the Group

There are no new standards or interpretations effective for financial years beginning after 1 January 2019 which are deemed to have a significant 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 had only one holding in the Joint Activity in 2017. 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.

As per 31 December 2017 and onwards the Group concluded that control over the specific assets under JA no longer existed. This conclusion was reached as the parties finally confirmed their agreement to terminate JAA No. 3 in the final hearing held on 24 January 2018. Control is required to consolidate the assets as well as the future results of JA in the Group accounts. The result from JA has therefore not been included in the Group accounts since 2018. The JAA No.3 was terminated on 11 July 2018.

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
UAH	0.36	0.39

Revenue recognition

Net sales comprise revenue from sales of goods and services. In accordance with IFRS 15, revenue is recognized when control of the goods/services is transferred to the customer based on a 5-step model:

1. Identify the contract with the customer
2. Identify the various performance commitments in the contract
3. Determine the transaction price
4. Allocate the transaction price to the various performance obligations.
5. Recognise revenue once the obligation has been fulfilled.

The Group recognize revenue when the Group fulfills a performance obligation by transferring goods or services to the customer that is when the customer obtains control over the asset. The performance obligation can be fulfilled either over time or at a point in time. The Group's net sales comprise mainly sales of goods. Sales of goods are recorded as revenue when the control of the goods has been transferred to the customer, which normally corresponds to the delivery of the goods. Delivery has occurred when the goods has been transported to the agreed location, the risk for the goods has been transferred to the customer and the customer has either accepted the goods in accordance with the agreement, the time for objection in accordance with the agreement has passed or the Group has objective evidence that all criteria for acceptance has been fulfilled.

Revenue for services are recognized over time. For services of short-term nature, revenue is in practice recognized when the service has been completed.

The parent company revenue comprise only intercompany revenue. The revenue is recognized over time as the services are consumed.

Financial contributions are recognized when the contributions have been received and the obligation related to the contribution has been performed.

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

As the Joint Activity's participants have agreed to terminate JAA No.3 in 2018, the remaining operations of the Group are limited from 2018 and onwards. As of this report, the impact of IFRS 16 relates only to the rental of office premises for Misen Energy AB where the financial impact is considered insignificant. Therefore the lease contract for these office premises is treated as a short-term lease with the leasing cost expensed in the income statement. All other leases in the Group are either of short-term nature or low-value leases which are also expensed in the income statement.

Intangible assets

Intangible assets are recognised at acquisition cost less accumulated amortisation. Intangible assets mainly relate to software as well as trademark and gas supply license. Amortisation of intangible assets is made with 25% per year

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation. Depreciation on furniture, fittings and equipment is based on cost on a straight-line basis of estimated useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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. 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%.

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 measurement categories: those to be measured subsequently at fair value (either through OCI or through profit or loss), and those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group determines the classification of the financial assets at initial recognition.

The Group has only financial assets in the category amortised cost.

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. 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. Interest income from these financial assets is included in finance income using the effective interest rate method. The Group's financial assets measured at amortised cost (prior Loans and receivables) comprise accounts receivables and cash and cash equivalents. Cash and cash equivalents include cash and bank deposits.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. For more information about the expected credit loss, see note 17. The expected credit losses for the parent company's receivables on Group companies is considered insignificant and no expected credit loss is therefore recorded for these receivables.

Financial liabilities

The Group classifies the financial liabilities in the following categories: liabilities measured at amortised cost and derivatives. The Group has the following liabilities measured at amortised cost:

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.

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 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.

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 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 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 (see note 21).

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.

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 332 (MSEK 313). 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 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

Public authorities in Ukraine are susceptible to corruption. Threats such as the lack of transparency and poor public ethics may be faced at all levels of government, including the local and regional levels. That affects businesses and threatens the universal access to basic services. Combating corruption, reforming Ukraine's judiciary system as well as decentralisation, deregulation and "deoligarchisation" remain among the key priorities for Ukraine.

A legal framework that provides limited security and support for foreign investors is a risk for Misen Group to recover the value of its assets in Ukraine.

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 complicated the implementation of the investment program of JA

and, finally, led to termination of the JAA due to a material change in circumstances and inability to achieve the purpose of the JAA.

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

Annexation of Crimea by Russia in March 2014 and occupation of Eastern Ukraine by pro-Russian separatists illustrate a potential threat to recover value of Misen Group's assets.

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.

In 2016 Ukraine signed Association and Free Trade Agreement with the European Union. That enabled a reorientation of foreign trade.

At the end of 2019 the external debt to GDP ratio stood at 76%. In 2019, debt repayments amounted to USD 14 billion (9% of GDP). The current account deficit has been expected to increase slightly in 2020, given that expatriates' employee compensations and remittances (9% of total GDP) coupled with road and gas transit revenues (2%) are not enough to offset debt interest and the trade deficit (10%). Meanwhile, foreign exchange reserves cover just 3 months of imports. FDI inflows amount to only 1.5% of GDP and, moreover, 20% of this is round-tripping capital. Accordingly, covering the financing requirement will depend on market involvement and the execution of the new agreement with the International Monetary Fund (IMF). Market interest will be maintained by high interest rates, while an USD 5.5 billion Extended Credit Facility over three years was concluded with the IMF at end-2019.

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 appreciated from 0.3192 on 31 December 2018 to 0.3901 on 31 December 2019, an increase of 22 percent. The primary reason for this was the resumption of the cooperation with IMF, market interest for Ukrainian sovereign as well as eorobonds. Since all assets of Misen Group are located in Ukraine, this has a positive impact on the Misen Group's assets value to be recovered.

Currency restrictions risk

Due to economic crisis in Ukraine, since 2013 the National Bank of Ukraine has toughened currency controls in Ukraine and implemented number of temporary currency control restrictions, aimed to stabilize Ukrainian economy.

Since May 2016 the National Bank of Ukraine has declared gradual elimination of temporary currency control measures introduced in 2013. Most of the currency control measures have already been eased or cancelled.

In 2018 Ukrainian Government adopted Law of Ukraine “On Currency and Currency Transactions” (effective since 7 February 2019) that established a new core principle for performing currency transactions: “everything that is not forbidden is allowed”.

As of date of publishing of the report, a number of limitations related to repatriation of foreign investments could pose a potential threat to recover value of Misen Group’s assets:

- Repatriation of dividends. Non-residents of Ukraine are allowed to repatriate dividends received from participation in Ukrainian legal entities for up to 2018 and in amount not exceeding EUR 7,000,000 per month. This limit does not apply if dividends are transferred to investment account of such non-resident, opened with Ukrainian bank (not overseas account or regular account with one of Ukrainian banks).
- Limit for repatriation of corporate investment. Non-residents of Ukraine are allowed to repatriate income from sale of shares in a Ukrainian company / as a result of withdrawal from Ukrainian company in the amount up to EUR 5,000,000 per month. This limit does not apply if the above income is transferred to investment account of such non-resident, opened with Ukrainian bank (not overseas account or regular account with one of Ukrainian banks).

Nevertheless, taking into account that the Arbitral Tribunal’s Final Award could not be considered either dividends received from participation in Ukrainian legal entities or sale of shares in a Ukrainian company the risk of currency restrictions is low.

However, constantly changing regulatory environment bears significant risk to recovery of Misen Group’s assets value.

Tax risk

The Misen Group currently conducts activities in Sweden and, through its subsidiary Karpatygaz LLC and the prior 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 payments due to the prior participation 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

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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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Income included in net sales:				
Natural gas	-	-	-	-
Other	<u>347</u>	<u>297</u>	-	-
Total	<u>347</u>	<u>297</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 2019	31 Dec 2018
Net sales, external		
Ukraine	347	297
Fixed assets		
Ukraine	123	296

Note 3 Other operating income

	Group		Parent Company	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Invoiced employee expenses	5,832	6,610	-	-
Capital contribution in accordance with financing agreement	21,877	13,283	14,745	2,043
Receivables recovered	-	6,327	-	-
Management fee	-	-	5,577	5,577
Other	<u>15</u>	<u>8</u>	<u>11</u>	-
Total	<u>27,724</u>	<u>26,228</u>	<u>20,333</u>	<u>7,620</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 Ukgazvydobuvannya 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.

Under the Financing Agreement, PUL agreed to provide financing on a non-recourse, unsecured and unguaranteed basis, covering arbitration costs as well as corporate costs. Misen Energy AB (publ) agreed to repay received financing and pay 20 % of any final settlement of the arbitration claim to

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PUL. Such fee shall only become payable upon a final settlement of the arbitration claim. If Misen Energy AB (publ) and its subsidiaries do 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.

Note 4 Remuneration of auditors

	Group		Parent Company	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<u>PwC</u>				
Audit assignment	706	847	706	847
Tax advisory services	90	90	90	90
Other services	=	=	=	=
Total	<u>796</u>	<u>937</u>	<u>796</u>	<u>937</u>

Note 5 Other external expenses

	Group		Parent Company	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Production and transport expenses	238	177	-	-
Legal costs	13,448	6,772	133	210
Other	<u>9,603</u>	<u>10,547</u>	<u>7,668</u>	<u>8,176</u>
Total	23,289	17,496	7,801	8,386

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
2019					
Group					
Göran Wolff, MD	1,840	-	24	407	2,271
Andrius Smaliukas, Chairman of the Board	395	-	-	-	395
Oleg Batyuk, Board of Directors	171	-	-	-	171
Dimitrios Dimitriadis, Board of Directors	171	-	-	-	171
Pavel Prysiazhniuk, Board of Directors	75	-	-	-	75
Other senior executives, 2 individuals	<u>2,933</u>	-	-	<u>196</u>	<u>3,129</u>
Total	<u>5,585</u>	-	<u>24</u>	<u>603</u>	<u>6,212</u>
	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>

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

	Group <u>2019</u>	<u>2018</u>	Parent Company <u>2019</u>	<u>2018</u>
Average number of employees				
Women	20	25	1	1
Men	<u>26</u>	<u>44</u>	<u>2</u>	<u>2</u>
Total	<u>46</u>	<u>69</u>	<u>3</u>	<u>3</u>
Employees per country				
Sweden	3	3	3	3
of which men	2	2	2	2
Ukraine	43	66	-	-
of which men	<u>24</u>	<u>42</u>	=	=
Total	46	69	3	3
of which men	26	44	2	2

	Group <u>2019</u>	<u>2018</u>	Parent Company <u>2019</u>	<u>2018</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	5,585	5,173	5,454	4,669
Salaries and remuneration of other employees	<u>4,951</u>	<u>5,347</u>	-	-
	10,536	10,520	5,454	4,669
Statutory and contractual social security contributions	2,033	1,956	955	804
Pension costs for Board of Directors, Managing Director or other senior executives	603	572	472	396
Total	<u>13,172</u>	<u>13,048</u>	<u>6,881</u>	<u>5,869</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	5,585	4,936	5,454	4,669
Management staff, Ukraine	-	237	-	-
Other employees, Ukraine	4,951	5,347	-	-

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>2019</u>	<u>2018</u>
Depreciation, amortisation and write-downs of tangible and intangible assets		
Depreciation of equipment and buildings	<u>97</u>	<u>71</u>
Total	<u>97</u>	<u>71</u>

Note 9 Other operating expenses

	Group <u>31 Dec 2019</u>	<u>31 Dec 2018</u>	Parent Company <u>31 Dec 2019</u>	<u>31 Dec 2018</u>
Bad debt losses	4,690	-	-	-
Fines and penalties	168	50	-	-
Other operating expenses	<u>12</u>	=	=	=
Total	<u>4,869</u>	<u>50</u>	<u>0</u>	<u>0</u>

Note 10 Other interest income and similar profit/loss items

	Group <u>2019</u>	<u>2018</u>	Parent Company <u>2019</u>	<u>2018</u>
Interest income	5	4	8,033	-
Translation Differences	<u>63</u>	<u>445</u>	63	-
Total	<u>68</u>	<u>449</u>	<u>8,096</u>	=

100% of the interest income for the parent company refers to Group companies.

Note 11 Interest expenses and similar profit/loss items

	Group <u>2019</u>	<u>2018</u>	Parent Company <u>2019</u>	<u>2018</u>
Other interest expenses	8,038	629	8,038	53
Other financial expenses	=	=	=	<u>202</u>
Total	8,038	629	8,038	255

Note 12 Tax on profit for the year

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Distribution of income tax				
Current tax	-	-	-	-
Deferred taxes	=	=	=	=
Total	0	0	0	0

	Group <u>2019</u>	<u>2018</u>	Parent Company <u>2019</u>	<u>2018</u>
Reported result before taxes	-21 326	-4,320	5,694	-6,402
Tax according to national tax rates	4,385	1,175	-1,219	1,408
Effect of non-deductible expenses	-861	-493	-16	-41
Effect of non-taxable income	0	1,520		107
Increase in tax deficits not recognized	- 4,759	-2,202		-1,474
Utilized tax deficits not previously recognized	<u>1,235</u>	=	<u>1,235</u>	=
Tax expenses for the year	=	=	=	=

Weighted average tax rate was 21% (2018: 21%).

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. The outstanding tax losses carried forward in the Group amounts to 364,558 KSEK. The parent company outstanding tax losses amounts to 269,401 KSEK. Tax losses in Sweden represents 362,072 KSEK and may be carried forward for an unlimited time.

Note 13 Rights and licences

	Group	
	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>
Opening acquisition value	1	1
Translation differences	-	-
Sales and scrapping	-	-
Deconsolidation	=	=
Closing accumulated acquisition value	1	1
Opening amortisation/depreciation	-	-
Deconsolidation	-	-
Depreciation/amortisation for the year	-1	-
Translation differences	=	=
Closing accumulated depreciation/amortisation	-1	0
Closing residual value according to plan	<u>0</u>	<u>1</u>

Note 14 Equipment, tools, fixtures and fittings

	Group		Parent Company	
	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>
Opening acquisition value	425	58	403	403
Purchases	54	536	-	-
Translation differences	80	9	-	-
Sales and scrapping	-264	-178	-	-
Reclassifications	=	=	=	=
Closing accumulated acquisition value	295	425	403	403
Opening amortisation/depreciation	-130	-55	-403	-403
Sales and scrapping	87	3	-	-
Depreciation/amortisation for the year	-96	-71	-	-
Translation differences	<u>-33</u>	<u>-7</u>	=	=
Closing accumulated depreciation/amortisation	-172	-130	-403	-403
Closing residual value according to plan	<u>123</u>	<u>295</u>	<u>0</u>	<u>0</u>

Note 15 Inventories

	Group	
	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>
Valued at acquisition value		
Goods for resale	41	95
Total	<u>41</u>	<u>95</u>

Note 16 Financial instruments by category

	Group		Parent Company	
	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>
Assets				
<i>Amortized cost</i>				
Accounts receivable, external	5,463	8,384	-	-
Receivables from Group companies	-	-	-	-
Cash and bank balances	<u>130</u>	<u>42</u>	-	<u>35</u>
Total	5,593	8,426	-	35
Liabilities				
<i>Amortized cost</i>				
Short-term loans	2,618	2,553	2,618	2,553
Liabilities to Group companies	-	-	6,017	8,202
Accounts payable and other liabilities				
excluding non-financial liabilities	<u>27,116</u>	<u>17,918</u>	<u>17,880</u>	<u>10,602</u>
	29,734	20,471	20,498	21,269

Note 17 Accounts receivable - trade

	Group	
	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>
Accounts receivable, external	<u>5,463</u>	<u>8,384</u>
Total	5,463	8,384

As per 31 December 2019, Accounts receivable (excluding doubtful debts) amounted to KSEK 5,463 (2018: KSEK 8,384) less write-downs, totalling KSEK 0 (KSEK 10,910). According to the settlement agreement with Poltavaspecmontazh LLC, outstanding receivables in the amount of KSEK 5,302 will be paid off by 30 November 2020.

Maturity analysis of accounts receivable:

Not overdue	5,434	8,384
Overdue	29	-
Total	5,463	8,384

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 2019</u>	<u>31 Dec 2018</u>	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>
VAT recoverable	304	232	-	-
Receivable JA 493	2,567	2,100	-	-
Receivable JA 3	446	7	-	-
Other receivables	<u>41</u>	<u>495</u>	<u>7</u>	<u>1</u>
Total	3,358	2,834	7	1

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

Note 19 Prepaid expenses

	Group		Parent Company	
	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>
Other prepaid expenses	<u>281</u>	<u>351</u>	<u>305</u>	<u>339</u>
Total	<u>281</u>	<u>351</u>	<u>305</u>	<u>339</u>

Note 20 Share capital

Share information	2019	2018
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 2019</u>	<u>31 Dec 2018</u>	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>
Guarantee commitment JA	36,125	27,027	-	-
Total contingent liabilities	<u>36,125</u>	<u>27,027</u>	<u>0</u>	<u>0</u>

As of 31 December 2019, Misen group contingent liabilities amounted to KSEK 36,125 (KSEK 27,027 as of 31 December 2018), the change is mainly explained by the inventory of assets and liabilities that have taken place as a part of the ongoing arbitration proceedings.

As described above, the Group is also involved in two court proceedings with Sberbank Leasing (Court proceeding in Case No. 910/21720/15 and Court proceeding in Case No. No. 910/24412/16). The possible liability arising from these cases are not included in the amount above and the outcome of these court proceedings is uncertain at the date of this report. More information is provided in the Administration report.

Under the Financing Agreement, PUL provides financing on a non-recourse, unsecured and unguaranteed basis, covering arbitration costs as well as corporate costs. Upon success in the ongoing arbitration proceeding PUL would be entitled to its outlay on the arbitration and 20% (twenty percent) of an amount equal to the proceeds from the arbitration. Success is defined as any award or judgement in favour of Misen pursuant to which JSC Ukgazvydobuvannya becomes obliged to pay any sum of money to Misen in respect of arbitration. If Misen Energy AB (publ) and its subsidiaries do not achieve success in the arbitration proceeding, PUL shall not be entitled to any fee.

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 fixed borrowing fee and default interest. No foreign exchange hedging has been undertaken during 2019 or 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 2019, SEK 6 million and SEK 11 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 0 million. Thereby, a +/- 10% change in the UAH exchange rate would affect the Group's equity by SEK +/- 0 million.

Interest rate risk

As described above, the Group had as at 31 December 2019 only borrowings with fixed fees and a fixed default interest rate. All financial liabilities are of short-term nature. Therefore a change in the market interest rates would have no significant 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 Karpatygas 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 were external liabilities where the Group is joint and several liable which may require additional financing.

The financing need that may arise in 2020 will be handled through the financing agreement with PUL and other funding partners. The major part of the current assets comprise receivables accounted for at amortized cost.

The table below shows liabilities at 31 December 2019 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 2019	< 1 month	1 month - 1 year	1 year - 2	> 2 years	Total
Short-term loans	2,618	-			2,618
Accounts payable and other financial liabilities	<u>27,116</u>	=	=	=	<u>27,116</u>
Total	29,734	-	-	-	29,734
Payment dates for financial liabilities as per 31 December 2018					
Short-term loans		2,553			
Accounts payable and other financial liabilities	<u>17,918</u>	=	=	=	<u>17,918</u>
Total	17,918	2,553	-	-	20,471

The loan agreement with SP Holdings, with the principal amount of 2,618 KSEK has 12 February 2020 been renegotiated and the principal amount as well as accrued interest will be considered as other operational income in the accounts for 2020.

	Group		Parent Company	
	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>
Interest-bearing liabilities				
<u>Current liabilities</u>				
Short-term loans	2,618	-	2,618	-
Total	-	-	-	-
Total interest-bearing liabilities	<u>2,618</u>	<u>-</u>	<u>2,618</u>	<u>-</u>

Interests

Weighted average effective interest rates on borrowing amounted to:

	Group		Parent Company	
	2019	2018	2019	2018
Short-term loans	182,5%		182,5%	-
Liabilities to Group companies	ET	ET	-	-

The interest relates to default interest payable from 8 October 2019 of 0,5% per day. Interest expenses of 8,033 KSEK comprise a fixed lending fee as well as default interest. The interest rate above relates only to the default interest.

Currencies

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Interest-bearing liabilities per currency				
EUR	2,618	-	2,618	-
Total	2,618	-	2,618	-

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 a borrowing fee and default interest.

Note 23 Pledged assets

The Group has no pledged assets

Note 24 Accrued expenses and deferred income

	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Accrued interest expenses	8,608	-	8,608	576
Accrued salaries and other staff expenses	649	350	-	-
Accrued holiday pay	1,396	1,152	1,150	1,018
Accrued social security contributions	-	-	139	134
Other items	<u>3,977</u>	<u>3,677</u>	<u>2,447</u>	<u>2,565</u>
Total	<u>14,630</u>	<u>5,755</u>	<u>12,344</u>	<u>4,293</u>

Accrued interest expenses relate to the loan from SP Holding. For further information, please refer to note 22.

Note 25 Adjustment for non-cash items

	Group		Parent Company	
	2019	2018	2019	2018
Depreciation/amortisation	97	71	-	-
Profit/loss from sales of fixed assets	-72	-72	-	-
Bad debt loss	4,690	432	-	-
Unrealised exchange rate differences	-	-8,804	-	-
Total	4,715	-8,373	-	-

	Group		Parent Company	
	2019	2018	2019	2018
Change in financial liabilities				
Opening financial liabilities	2,553	-	2,553	-
Loans raised	-	2,553	-	2,553
<i>Total cash items</i>	-	2,553	-	2,553
Translation differences	65	-	65	-
<i>Total non-cash items</i>	65	-	65	-
Closing financial liabilities	2,618	2,553	2,618	2,553

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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 Karpatygas	30162340	Ukraine	100%

<u>Parent Company</u>	<u>Share of equity %</u>	<u>Share of votes %</u>	<u>No. of shares</u>	<u>Book value, 31 Dec. 2019</u>	<u>Book value, 31 Dec. 2018</u>
Misen Enterprises AB	<u>50.5</u>	<u>50.5</u>	<u>25,250</u>	<u>332,359</u>	<u>313,359</u>
Total				<u>332,359</u>	<u>313,359</u>

The Group's participation in the JA	2019	2018
<i>Income Statement</i>		
Income	-	1,647
Expenses	-	31,435
<i>Balance sheet</i>		
Fixed assets	-	-
Current assets	-	-
Non-current liabilities	-	-
Current liabilities	-	-
	<u>2019</u>	<u>2018</u>

<u>Participations in Group companies</u>		
Opening acquisition value	313,359	252,997
Capital contribution	19,000	70,000
Sales of participations	=	<u>-9,638</u>
Closing accumulated acquisition value	332,359	313,359
Closing book value	<u>332,359</u>	<u>313,359</u>

Note 27 Transactions with related parties

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Sales to related parties				
Misen Enterprises AB	-	-	5,577	5,577
Powerful United Ltd capital contribution	<u>21,877</u>	<u>13,283</u>	<u>14,745</u>	<u>2,043</u>
Total	21,877	13,283	20,322	7,620
Purchases and interest from related parties				
Balit LLC 4)	1,423	2,362	1,423	2,362
Dentons 1)	9,197	6,230	-	-
Lexford Investment 1)	546	47	546	47
AIM Partners 1)	-	-	-	-
Powerful United Ltd 5)	-	-	-	-
SP Holdings 5)	<u>8,033</u>	<u>574</u>	<u>8,033</u>	-
Total	18,653	9,213	10,002	2,409

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	=	=	=	=
Total	-	-	-	-

Liabilities to related parties

Capital Oil Resources AB	-	-	88	88
Misen Enterprises AB	-	-	5,929	8,114
Balit LLC 4)	726	422	558	422
Dentons 1)	7,209	890	7,209	890
TCT Holding 5)	-	-	-	-
SP Holding 5)	11,226	3,127	11,226	3,127
Sergiy Probylov, loan 3)	1,337	718	=	=
Lexford Investment 1)	=	<u>47</u>	=	<u>47</u>
Total	20,446	5,204	25,010	12,668

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

Proposed appropriation of profits

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

Retained earnings and additional paid-in capital	-2,814,833
Net profit for the year	<u>5,694,117</u>
	<u>2,879,284</u>

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

To be carried forward	<u>2,879,284</u>
	<u>2,879,284</u>

Note 29 Essential events after the end of 2019

Ongoing arbitration under JAA No.3

Following the request of the Arbitral Tribunal, the Arbitration Institute of the Stockholm Chamber of Commerce decided that the Final Award shall be rendered by 29 May 2020.

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

By ruling dated 11 January 2020 the Kyiv Commercial Court resolved to open the proceeding in the case and scheduled to hold preparatory hearing on 4 February 2020. The hearing will be held on 16 May 2020.

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

Court proceeding in Case No. 910/21720/15

The North Economic Court resolved to open appeal procedure initiated by JSC Ukrgazvydobuvannya on 2 January 2020 and appeal procedure initiated by LLC Karpatygas on 13 January 2020. The court hearing will be held on 21 May 2020.

Loan Agreement with SP Holdings Limited

On 12 February 2020, Misen, PUL and SP Holdings signed an additional agreement to the Financing Agreement dated 28 November 2018 whereby from 1 October 2019 all rights and obligations of SP Holdings Limited deriving from the Loan Agreement have acquired PUL's Capital Partner's rights and obligations under the Financing Agreement. As a result of that, SP Holding Limited is not entitled to a lenders fee alongside with repayment of the loan amount. Instead, SP Holdings will be entitled to a portion of any final settlement of the arbitration claim.

Misen Energy Concluded an Additional Financing Agreement

On 13 March 2020 Misen Energy AB (publ) signed a Financing Agreement with a new financial partner, thus strengthening its financial position in the light of ongoing SCC Arbitration. A new financial partner is a United States based international businessman Mr Edvardas Jatautas, who will fund Misen in

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addition to the existing financial facility with Powerful United Limited, on similar terms.

Under the Financing Agreement, Misen Energy AB (publ) is entitled to up to 1 million EUR to fund the Swedish operation and the ongoing arbitration proceeding commented by JSC Ukrgasvydobuvannya in July 2016. Powerful United Limited, a funder under the Financing Agreement concluded with Misen Energy AB (publ) in November 2018, has a priority right to provide financing to Misen Energy AB (publ).

The SCC Arbitral Tribunal Will Render a Final Award by 29 May 2020

Following the request of the Arbitral Tribunal, the Arbitration Institute of the Stockholm Chamber of Commerce decided that the Final Award shall be rendered by 29 May 2020.

Misen Enterprises AB and LLC Karpatygas received a Consent Award

Misen Enterprises AB and LLC Karpatygas, two partially owned subsidiaries of Misen Energy AB (publ), received a Consent Award from the Arbitral Tribunal in the ongoing commercial arbitration proceeding. In accordance to Article 39(1) of the SCC Rules, the Arbitral Tribunal approved and confirmed the Settlement Agreement regarding the settlement of certain legal relations concluded between JSC Ukrgasvydobuvannya, Misen Enterprises AB and LLC Karpatygas (the “Parties”) on 23 July 2019 (the “Settlement Agreement”). Approval of the Arbitral Tribunal was a necessary condition for the Settlement Agreement to be valid under the applicable law.

Under the Settlement Agreement, all hydrocarbons produced from 1 December 2016 to 10 July 2018 (termination of JAA No.3) from the wells specified in the Joint Activity projects under JAA No.3, and with the use of the booster compression stations, belong to JSC Ukrgasvydobuvannya. A total cost for the use by JSC Ukrgasvydobuvannya of the Parties’ joint property amounts to UAH 1.2 bln. This amount includes all lease payments owed by JSC Ukrgasvydobuvannya to the Joint Activity for the use of the Parties’ joint property from 1 December 2016. JSC Ukrgasvydobuvannya is solely responsible for gas storage costs and any other charges and taxes related to the production, storage and processing costs of the hydrocarbons.

Pursuant to the Settlement Agreement, JSC Ukrgasvydobuvannya shall pay a compensation to Misen Enterprises AB and LLC Karpatygas for their share of total costs for the use of the Parties’ joint property. The Parties disagree on the size of shares (reflected as percentage) in the joint property under JAA No.3 based on which the compensation shall be calculated. Misen Enterprises AB and LLC Karpatygas claim that they are entitled to 50.01% of a total costs for the use of the Parties’ joint property. The Parties also disagree on the currency of such compensation to Misen Enterprises AB and LLC Karpatygas. As a result, the Parties referred these disagreements to the Arbitral Tribunal to decide in a final award. At any event, under the Settlement Agreement, JSC Ukrgasvydobuvannya shall pay the compensation amounts to Misen Enterprises AB and LLC Karpatygas within thirty calendar days of the date of a final award.

The Settlement Agreement does not regulate and not affect the value of the booster compression stations and/or the value of other fixed assets that are disputed by the Parties in the ongoing arbitration proceeding. Misen Enterprises AB and LLC Karpatygas are entitled to compensation for their share in that assets in addition to the compensation amounts under the Settlement Agreement. The value of these assets will be determined by the Arbitral Tribunal in a final award.

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Covid-19 pandemic

The current Covid-19 pandemic does not have a significant impact on the operations of Misen group since the Group's business activities were ceased when the JA No 3 was terminated in July 2018. Currently, the Group's main activities relates to the arbitration which has not been impacted by the Covid-19 pandemic. Still Covid-19 has affected the financial markets and could in the future have impact on the Group's financing possibilities.

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 4 June 2020.

Stockholm, 5 May 2020.

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 May 2020.

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 2019 and we have audited the consolidated accounts of Misen Energy AB (publ.) for the year 2019. 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 2019 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 332,359 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 2019 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”, “Pre-trial Investigations in Criminal Cases” 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 Swedish operations”, “Expected future development of the Company and going concern” and “Misen Energy Concluded an Additional Financing Agreement” stating that the Group has signed a financing agreement for the maximum sum of up to 12 million Euros for the Swedish operations and signed a financing agreement with a new financial partner on 13 March 2020 of up to 1 million Euro. The balance sheet for the Group shows that the short term liabilities for the Group exceed the total assets of the Group with TSEK 35,091. 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 agreements. 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 67-73. 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 2019 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 taxes were not paid within the prescribed time periods on a number of occasions.

Göteborg 5 May 2020

PricewaterhouseCoopers AB

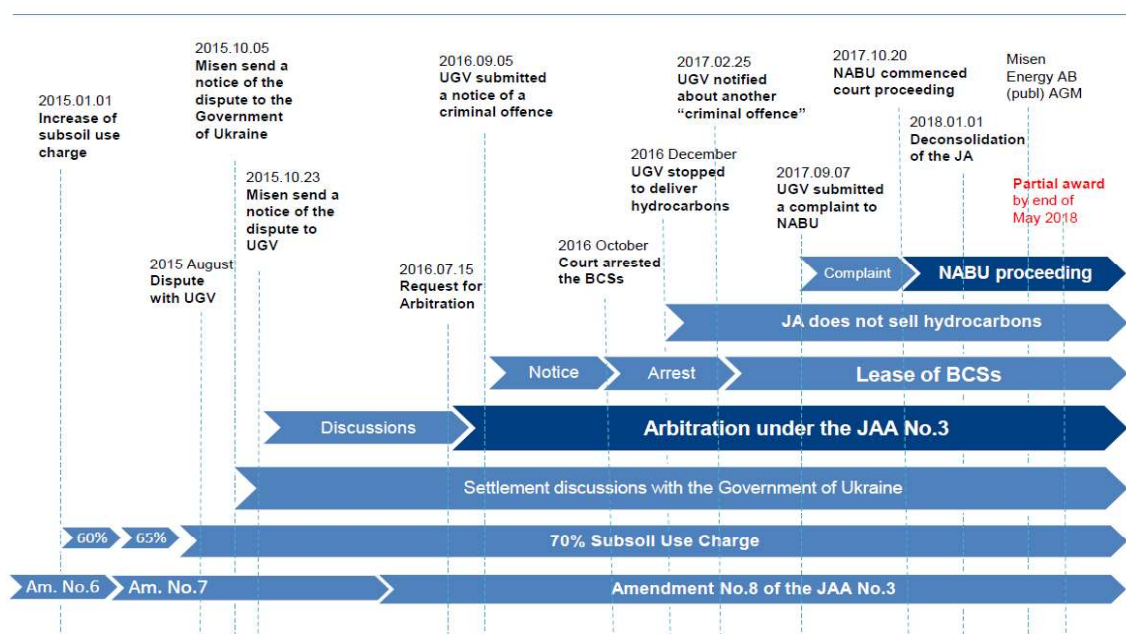
Johan Palmgren

Authorized Public Accountant

Report on Legal Proceedings

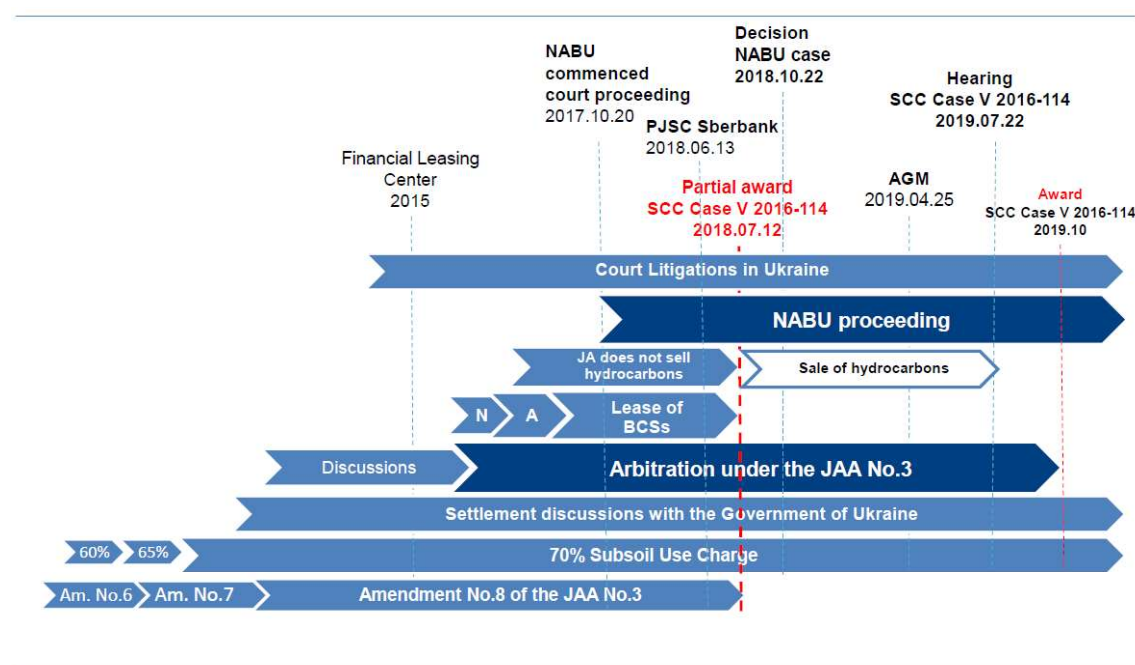
Legal Report at the AGM held on 26 April 2018

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 at the AGM held on 25 April 2019

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 Ukrigasvydobuvannya 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 Karpatygas 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 Karpatygas 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.

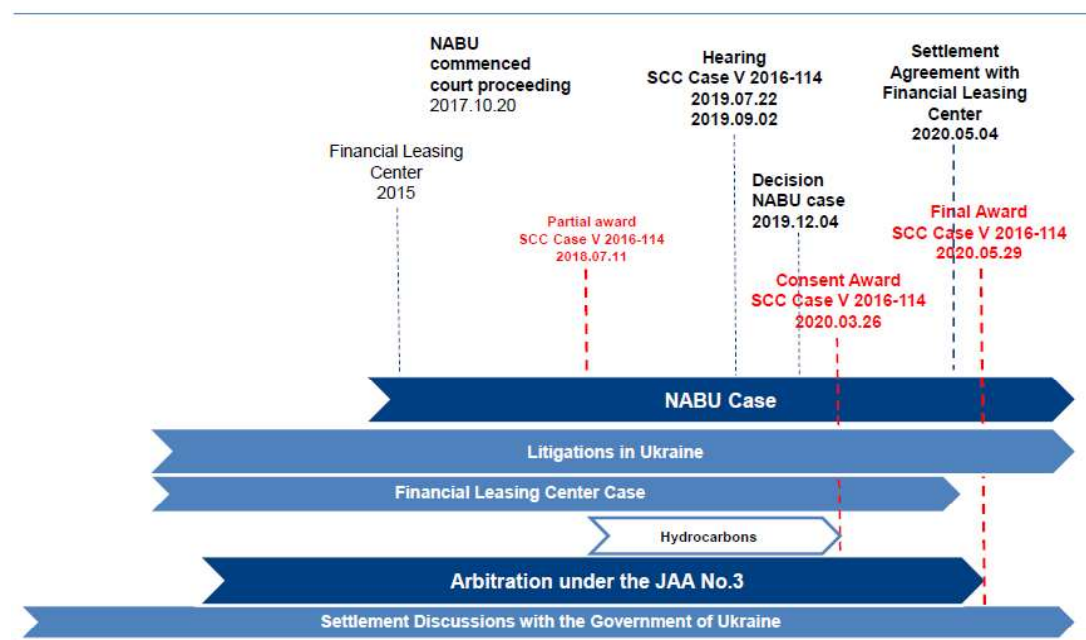


Report on Legal Proceedings

This second chart reflects chronology and a number of the most material legal proceedings ongoing at the time of publishing this report.

On 26 March 2020, the Arbitral Tribunal issued a Consent Award whereby it confirmed the Settlement Agreement regarding the settlement of certain legal relations concluded between JSC Ukrigasvydobuvannya, Misen Enterprises AB and LLC Karpatygas (the “Parties”) on 23 July 2019. Pursuant to the Settlement Agreement, JSC Ukrigasvydobuvannya shall pay a compensation to Misen Enterprises AB and LLC Karpatygas for their share of total costs for the use of the joint property. As a result of that, the Parties settled all the cases in relation to the hydrocarbons produced since December 2016.

Furthermore, at the Final Award to be rendered by 29 May 2020, the Arbitral Tribunal shall decide on compensation for the assets of Misen Enterprises AB and LLC Karpatygas in the Joint Activity. Finally, 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 a Managing Partner at Milasauskas, Martinkute, Smaliukas and Partners (Lithuania). He is also an Executive Chairman at Minexa Ltd (Singapore), a Chairman of the Board at Staticus Group UAB (Lithuania) and a board member at Asia Investment Holdings PTE (Singapore). Dr. Smaliukas frequently serves as an arbitrator at numerous international arbitration proceedings.

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;
- Chairman of AMD Telecom LLC, a global telecommunication 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.

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 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.

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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)

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 Valiunas Ellex tier one law firm in Baltics for the best overall performance in Lithuania.

For more than five years Ms Kundrotaite has been practicing corporate law, global energy law and international arbitration law. She gained experience working on multimillion international investment and commercial arbitration cases concerning energy sector in the Eastern Europe. Her responsibilities involve managing general corporate matters, arbitration and litigation disputes, as well as project finance transactions.

Ms. Kundrotaite is a headnote author at Investment Claims (Oxford University Press) and a staff editor at the Texas Journal of Oil, Gas, and Energy Law (Austin). She is a member at the Association of International Petroleum Negotiators (Houston) and a member at the Rocky Mountain Mineral Law Foundation (Colorado).

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).