

Interim report January - June 2017

1. Summary

MISEN ENERGY AB (publ)

Reg. No. 556526-3968

Group definition

Misen Energy AB (publ) (herein after referred to as “**Parent Company**” or “**Company**”) is a Swedish public limited liability company with its registered offices in Stockholm. The address of the Head Office is Kungssportsavenyen 32, 411 36 Gothenburg. The Company is listed at Nasdaq First North Stockholm. On 29 May 2017, the Board of the Parent Company approved the sale of up to 12 % of the shares and shares capital in its subsidiary Misen Enterprises AB to the Hong Kong based company Powerful United Limited (“**PUL**”). The same owners that control the shareholder TCT Holding AB also control PUL. Misen Energy AB (publ) closed the sale of 8% of the shares and shares capital in its subsidiary Misen Enterprises AB on 3 July 2017. Misen Energy AB (publ) remains the owner of 54,5% of Misen Enterprises AB shares and maintains full control of the company. The Misen group (“**Misen Group**” or “**Group**”) comprises Misen Energy AB (publ) and the partially owned subsidiaries LLC Karpatygaz (Ukraine) and Misen Enterprises AB (Sweden). Misen Enterprises AB is consolidated in the Misen Group accounts and the 45,5% held by PUL is accounted for as a non-controlling interest within equity.

Joint Activity and Joint Activity Agreement

Misen Group together with PUL, as a shareholder of Misen Enterprises AB, has a 50.01% participation interest in the Joint Activity (“**JA**”) dedicated to the hydrocarbon production and sales business in Ukraine. The remaining 49.99% interest in JA is held by the Public Joint Stock Company Ukrugasvydobuvannya (“**PJSC Ukrugasvydobuvannya**” or “**UGV**”) (Ukraine), a wholly owned subsidiary of the National Joint Stock Company Naftogaz of Ukraine (Ukraine). JA is governed by the Joint Activity Agreement No. 3, dated 10 June 2002 (“**JAA**” or “**JAA No.3**”) (as further restated and amended) signed by PJSC Ukrugasvydobuvannya and LLC Karpatygaz. Misen Enterprises AB entered into JAA together with PJSC Ukrugasvydobuvannya and LLC Karpatygaz on 25 February 2011.

The Misen Group operates solely in Ukraine, where it’s partially owned subsidiary LLC Karpatygaz, as the operator of JA, performs all industrial operations within a framework of JAA.

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

Consolidated operating group income	KSEK -18,995 (12,524)
Consolidated group net turnover	KSEK 10,179 (185,922)
Earnings per share	SEK -0.10 (0,02)
Parent company operating loss	KSEK -10,132 (-3,518)
Parent company net turnover	KSEK 1,395 (30)

Results for January – June 2017 (“**H1 2017**”) (within brackets same period 2016)

Consolidated operating group income	KSEK -45,649 (41,102)
Consolidated group net turnover	KSEK 14,033 (393,412)
Earnings per share	SEK -0.22 (0.11)
Parent company operating loss	KSEK -13,897 (-8,262)
Parent company net turnover	KSEK 2,789 (60)

2. Essential Events during the H1 2017

The Group's financial position

In July 2015, the JA defaulted to pay KUSD 2,240 (KSEK 20,316) of a total of KUSD 12,250 (KSEK 111,104) to Sberbank Russia. In August 2015, the JA defaulted to pay the remaining debt of KUSD 10,010 (KSEK 90,787) of a total of KUSD 12,250 (KSEK 111,104). In conjunction with this, the JA reached an agreement with Sberbank Russia to restructure the debt with new repayment terms. However, the restructuring agreement had not been signed as of the end of June 2017 due to agreement not having been reached between the JAA participants. Sberbank Russia therefore could impose punitive interest on the JA amounting to KUAH 29,424 (KSEK 9,497). This punitive interest is recognized in the Misen Group's financial statements and, as of 30 June 2017, Misen's share of the provision in the Group's balance sheet for this purpose amounts to KSEK 4,749.

JA is subject to certain terms and conditions associated with its loans. As of 30 June 2017, the JA had not fully satisfied these conditions in its agreement with PJSC Sberbank. These loans are classified as current liabilities as of 30 June 2017.

As of 30 June 2017 outstanding debt to PJSC Sberbank amounted to KUSD 6,650 (KSEK 56,198).

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

In April 2016 and July 2016, higher courts dismissed Sberbank Leasing's claims on the JA regarding the alleged violations of the leaseback agreement. Subsequently, Sberbank Leasing requested the Supreme Economic Court of Ukraine to invalidate the previous verdicts. On 13 October 2016, the Supreme Economic Court of Ukraine voided the verdicts of the lower courts and ordered them to retry the case.

On the 6 and 13 of December 2016 new court proceedings were held. The court instructed the parties to submit additional information and postponed the proceedings to 28 February 2017 and then to 21 March 2017. On 21 March 2017, the court partially sustained the application made by Sberbank Leasing, which changed the name of legal entity to Center of Financial Leasing LLC on 20-th March 2017, and ordered Misen Enterprises AB, LLC Karpatygas and PJSC Ukrgasvydobuvannya to compensate approximately MUSD 37 (MSEK 313) to Sberbank Leasing. On 31 March 2017 and 3 April 2017, LLC Karpatygas and PJSC Ukrgasvydobuvannya respectively filed appeals with the court. The court hearings were scheduled on 16 April 2017, 1 June 2017 and then postponed to 12 July 2017.

On 29 December 2016, Sberbank Leasing filed another lawsuit against the JA, according to which the JA allegedly committed further violations of the leaseback agreement. According to this lawsuit, Sberbank Leasing's claim amounted to KUAH 1,397,704 (KSEK 451,144). On 21 June 2017 Center of Financial Leasing LLC filed a claim, in which it increased requested compensation amount up to MUSD 37 (MSEK 313) and MUAH 974 (MSEK 314) including fines, interests and lost profits. Court hearings were schedule on 22 June 2017 and then postponed to 17 August 2017. The JA maintains that the non-delivery could be justified given that Sberbank Leasing (currently Center of Financial Leasing LLC) has not fulfilled its obligations in accordance with the leaseback agreement (full payment of the value of the equipment) at the time the agreement came into effect. Furthermore, the JA claims that it already has repaid the amount of the advance, within the framework of the leaseback agreement. The JA also refutes all claims based on the depreciation of the Ukrainian

currency, as no such provisions exist in the leaseback agreement for the amounts of the advance that was received from Sberbank Leasing.

For further information, please also refer to chapter Essential events after the end of the H1 2017.

Financing of the Group's Swedish operations

On 10 May 2017, the Company signed a loan agreement with PUL for a loan of EUR 1 million with a fixed loan fee KEUR 150. The Company had to repay the loan and the loan fee by 30 June 2017. For further information, please also refer to chapter Essential events after the end of H1 2017.

Operation of the Booster Compressor Stations (BCSs)

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

In early 2016, the JAA's participants agreed that the JA would lease Khrestyschenska BCS to PJSC Ukrgezvydobuvannya. UGV has operated this BCS for its sole benefit and paid the corresponding fuel gas costs acquired during the lease period since 1 January 2016. The Lease Agreement was renewed In May 2017, although on different terms, and JA transferred Khrestyschenska BCS to PJSC Ukrgezvydobuvannya use until 30 April 2018.

In addition, given UGV's refusal to allocate the power supply costs as well as the JA's unavailability to sell hydrocarbons, Misen Enterprises AB and LLC Karpatygas could not properly implement the JAA No.3. Under the circumstances, on 10 May 2017 the Joint Activity leased additional 6 BCSs to PJSC Ukrgezvydobuvannya. The following BCSs were transferred to the use until 30 April 2018 to PJSC Ukrgezvydobuvannya:

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

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

For further information, please also refer to chapter Essential events after the end of H1 2017.

Subsoil use charge

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

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

At the start of October 2015, the Company submitted a notice of investment dispute to the Government of Ukraine in accordance to the Agreement between the Government of the Kingdom of

Sweden and the Government of the Ukraine on the Promotion and Reciprocal Protection of Investments. During H1 2017, the Government of Ukraine continued to impose the exorbitant subsoil charge for the joint activities conducted in accordance with the JAA No. 3.

As of the end of H1 2017, the Company has reached no amicable resolution of the dispute with the Government of Ukraine.

Tax payments in Ukraine

Despite being prevented from selling hydrocarbons, JA continued paying value added tax and corporate profit tax in H1 2017. During H1 2017, JA paid KUAH 37,735 (adjusted KSEK 12,399) as value added tax and corporate profit tax. Since 2011 JA has contributed to Ukraine KUAH 11,157,996 (adjusted KSEK 5,261,045) as subsoil use charge, value added tax and corporate profit tax.

Ukraine's economy

GDP Growth. In the first quarter of 2017 GDP growth slowed from 4.8% in fourth quarter of 2016 to 2.5% compared to the same periods of the previous year, which is in line with International Monetary Fund GDP growth projections for 2017 of 2.0%. The slower growth is mainly explained by the fact that in the first quarter of 2017 agricultural production has no positive contribution to GDP growth since the crop production data is reflected in agricultural output statistics only from June through December. The positive dynamic in economic activity is mainly explained by growth in fixed investments. Construction grew by 15.6% and 21.3% in fourth quarter of 2016 and first quarter of 2017 compared to the same periods of the previous year. Growth in the trade sector also accelerated to 3.1% compared to the same period of previous year, driven by a pick-up in retail trade.

Industrial production. Ukraine's industrial output has gradually recovered since the active phase of the Russian military aggression in 2014–2015. Industrial production was affected on the downside due to creation of the territories still frozen in conflict in the east of the country, which is part of a supply chain of the broader industrial zone of the Eastern Ukraine. Despite this fact in H1 2017 industrial production fell by 0.4%. This was mainly due to the cargo transportation blockade of the area that is currently beyond the control of the Government of Ukraine. The blockade was enacted by National Security Council of Ukraine in the beginning of March 2017. Because of the halted freight traffic, the coal production decreased by 11.2% in H1 2017 compared to the same period of previous year. At the same time in H1 2017 natural gas production increased by 3% compared to the same period of the previous year.

Inflation. In H1 2017 consumer inflation made up 13.8% compared to the same period of the previous year. Reduced inflationary pressure was of fundamental nature: the stable exchange rate and weak domestic demand (despite upward trend). Upward pressure on prices is exerted by growing levels of utility tariffs. The food prices grew by 8.2% in H1 2017 compared to the same period of the previous year, utility tariffs rose by 36.6% in H1 2017 compared to the same period of the previous year. The increase in commodity prices in global markets along with the stable Ukrainian currency caused industrial inflation to accelerate by 33.6% in H1 2017 compared to the same period of the previous year.

Exchange rate. During H1 2017, the rate for UAH towards SEK has decreased from 0.3301 on 31 December 2016 to 0.3228 on 30 June 2017, or by -2.7%. Main contributor was current account deficit, which was mainly covered from National Bank of Ukraine foreign currency reserves. Since the Misen Group's operations and net assets are almost entirely located in Ukraine this has negatively affected the Group's equity, decreasing it by KSEK 10,625.

Request for Arbitration from PJSC Ukrgasvydobuvannya

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

In accordance to the procedural timetable determined by the Tribunal, the disputing parties shall submit their positions on the merits. Misén Enterprises AB and LLC Karpatygaz received Statement of Claim from PJSC Ukrgasvydobuvannya in February 2017 and submitted its Statement on Defence in May 2017. Therewith, Misén Enterprises and LLC Karpatygaz agreed with PJSC Ukrgasvydobuvannya on termination of the Joint Activity Agreement and requested the Tribunal to order PJSC Ukrgasvydobuvannya to compensate their share of the Joint Activity.

Please also refer to the chapter Essential events after the end of H1 2017.

Criminal investigation

The criminal investigation commenced by the General Prosecutor Office of Ukraine in 2014 and supplemented with the UGV's complaint dated 5 September 2016 was ongoing in H1 2017.

On 21 and 22 February 2017, PJSC Ukrgasvydobuvannya filed respectively a motion and a notice of commitment of criminal offence before the General Prosecutor's Office. As a result, on 23 February 2017 a District Court in Kyiv arrested the booster compressor stations that form part of the JA's assets. The court ruling prevented LLC Karpatygaz, a partially owned subsidiary of Misén Energy AB (publ), from operating the BCSs and obliged to transfer the BCSs to PJSC Ukrgasvydobuvannya, wholly owned by the Ukrainian State. The court ruling was effective from the date on which it was made. As a result, LLC Karpatygaz could not perform its daily operations and properly implement JAA No. 3. LLC Karpatygaz was ready to comply with the court ruling in accordance with Ukrainian law. However, on 27 March 2017 the court partially sustained appeal submitted by LLC Karpatygaz and annulled the ruling dated 23 February 2017 to the extent it obliged LLC Karpatygaz to transfer the BCS to PJSC Ukrgasvydobuvannya for safe keeping.

LLC Karpatygaz and Misén Enterprises AB consider the criminal allegations to be ungrounded, deny them in their entirety, consider that all court rulings issued in this context are illegal and amount to expropriation of their assets. Misén Group has been always cooperative with the investigation authorities and are ready to evidence the legitimate nature of the JAA No.3 in Ukraine.

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

In November 2016, Misén Enterprises AB and LLC Karpatygaz submitted a request for interim measures to the Tribunal constituted under the JAA No. 3. Misén Enterprises AB and LLC Karpatygaz requested the Tribunal, among other things, to declare that it has exclusive jurisdiction to decide disputes arising out or in connection with the JAA No. 3. Misén Enterprises AB and LLC Karpatygaz also requested that the Tribunal to instruct PJSC Ukrgasvydobuvannya to refrain from any further or future actions before the Ukrainian authorities in relation to the dispute regarding JAA No. 3 pending the rendering of a final award by the Tribunal. On 26 May 2017, a hearing for the request of interim measures was held. As of 30 June 2017, the Tribunal did not render an award on the request for interim measures.

Please also refer to the chapter Essential events after the end of H1 2017.

Sale of hydrocarbons

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

In 2016, LLC Karpatygaz commenced a court proceeding and requested the court to order PJSC Ukrgasvydobuvannya to provide services in respect of production, collection, treatment and transportation of hydrocarbons to the JA. The hearing was held on 23 December 2016. The court obliged UGV to provide the respective services, however PJSC Ukrgasvydobuvannya appealed against the ruling. The Appeal Court hearing was held on 6 June 2017. The court maintained the decision of the first instance court. Subsequently, PJSC Ukrgasvydobuvannya filed a cassation appeal with the Supreme Economic Court of Ukraine. The hearing was scheduled on the 14 August 2017.

In addition, LLC Karpatygaz commenced another court proceeding and requested the court to order PJSC Ukrgasvydobuvannya to deliver hydrocarbons produced by JA during the period from December 2016 to February 2017. The court hearing was held on 29 May and 26 June 2017. The court obliged PJSC Ukrgasvydobuvannya to deliver respective volumes of hydrocarbons. It also dismissed PJSC Ukrgasvydobuvannya's counterclaim against JA regarding reimbursement of debt and penalties under the services agreements. PJSC Ukrgasvydobuvannya appealed against this court ruling. The hearing was held on 17 August 2017.

For further information, please also refer to chapter Essential events after the end of H1 2017.

Contribution to the JA

During H1 2017, Misen Enterprises AB did not contribute any funds towards its commitment to JA for MUSD 12.5 (MSEK 113,1). The total amount contributed remains at KUSD 3,930 (KSEK 33,212). It was indicated that for any contributions to be made, PJSC Ukrgasvydobuvannya first should remedy its violations of the JAA No. 3, and that the direct and indirect shareholders of PJSC Ukrgasvydobuvannya cease targeting JA with the 70 % subsoil use charge.

Investment program report

Due to financial constraints imposed by the increased subsoil use taxation as well as PJSC Ukrgasvydobuvannya, as the Company believes, manifestly unlawful actions, Misen Group almost completely halted investments into the development program in H1 2017.

During this period, Misen invested KSEK 557 (KSEK 23,501) in the JA development programmes (compared with the same period in 2016).

As of 30 June 2017, the Company has reached the following major milestones:

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

Production report

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

	H1 2017	H1 2016	H1 2015	H1 2014
Natural Gas (mmcm)	-	333	339	346
Gas Condensate (ktons*)	-	17.7	16.2	15.1
Oil (ktons)	-	3.3	5.2	10.7
LPG (ktons)	-	5.5	1.5	-

* thousand tons

Essential events after the end of the H1 2017

Sberbank Leasing case

On 12 July 2017, the Appeal Court sustained the ruling of the first instance court, which ordered Misen Enterprises AB, LLC Karpatygaz and PJSC Ukgasvydobuvannya to compensate approximately MUSD 37 (MSEK 313) to Sberbank Leasing. LLC Karpatygaz and PJSC Ukgasvydobuvannya submitted a cassation appeal. On 31 July 2017, the higher commercial court suspended implementation of the appeal court ruling. The hearing is scheduled on 31 August 2017.

Operation of the Booster Compression Stations (BCSs)

In accordance to the lease agreements concluded in May, Karpatygaz transferred the BCSs to the use until 30 April 2018 to PJSC Ukgazvydobuvannya. As of publishing of this report, PJSC Ukgazvydobuvannya failed to make the lease payments to JA.

Sale of hydrocarbons

As of publishing of this report, PJSC Ukgazvydobuvannya refused to deliver to JA hydrocarbons extracted since December 2016 until July 2017. Being prevented from selling the hydrocarbons Misen Group could not properly implement JAA No.3.

On 17 August 2017, the Kyiv Commercial Court of Appeal obliged PJSC Ukgazvydobuvannya to deliver hydrocarbons produced by JA during the period from December 2016 to April 2017. This court ruling is subject to immediate execution, however, could be appealed by PJSC Ukgazvydobuvannya before the Supreme Court of Ukraine.

Request for Arbitration from PJSC Ukgasvydobuvannya

Misen Enterprises AB and LLC Karpatygaz received the Statement of Reply from PJSC Ukgazvydobuvannya in July 2017. Therewith, PJSC Ukgazvydobuvannya maintained its claims for termination or, alternatively, invalidation of the JAA No.3. In accordance to the procedural schedule determined by the Tribunal, Misen Enterprises AB and LLC Karpatygaz shall submit their Statement of Rejoinder by 27 October 2017. The hearing on the merits is to be held on 5-8 December 2017.

Request for interim measures submitted by Misen Enterprises AB and LLC Karpatygaz

In July 2017, Misen Enterprises AB and LLC Karpatygaz updated the Tribunal constituted under the JAA No.3 that PJSC Ukgazvydobuvannya has failed to pay in the accordance to the agreements for the lease of booster compression stations. Misen Enterprises AB and LLC Karpatygaz look forward to receiving a decision on the request for interim measures that should be issued within reasonable time, however without unjustified delays.

Financing of the Group's Swedish operations

On July 3 2017, Misen Energy AB (publ) closed the sale of 8% of the shares and shares capital in Misen Enterprises AB to PUL. The purchase sum amounted to MEUR 3 and was paid by PUL taking over the Company's existing debt plus cash payment amounting to MEUR 1.85. As a result, Misen Energy AB (publ) became debt-free and has financing for the Swedish operation secured for the period till July 2018.

The agreement comprises conditions that allow the Company to repurchase the sold shares from PUL for the purchase price multiplied by 3 (three). The Company could exercise this right till earlier of (i) 30 April 2018 or (ii) the date of the general meeting of shareholders of Misen Enterprises AB which

would consider payment of dividends. Similarly, the agreement comprises conditions that allow PUL to require the Company to purchase back all or part of the shares from PUL within 24 months. The price of the shares would be equal to the purchase price multiplied by 3 less the amount of any dividends received by PUL from the shares in 24 months. The Company would be required to repurchase the shares only if it has financial capability to pay the shares price without the need to obtain third party funding.

Because of the deal, 8 % of the future dividends from operations in Ukraine will go to PUL. At the same time, since Misen Energy AB (publ) will remain the owner of 54.5% of Misen Enterprises AB shares, Misen Energy AB (publ) shall maintain full control of the company.

Exchange rate fluctuations

From 1 July to mid-August 2017, UAH was relatively stable against SEK, depreciating by 1.23 per cent from 0.3228 to 0.3188.

3. Results – the Misen Group and the Company

The Misen Group accounted for an operating loss of KSEK -45,649 in H1 2017 (income of KSEK 41,102 for the same period 2016). Loss after financial items for the period was KSEK -42,181 (income of KSEK 23,849 for the same period 2016). The lower operating results and results after financial items are explained by refusal to deliver hydrocarbons by PJSC Ukrgasvydobuvannya since December 2016.

In the second quarter loss after financial items for the Parent Company made up KSEK -11,579 (KSEK -3,518). The higher losses are mainly explained by increased arbitration costs related to the proceeding commenced by PJSC Ukrgasvydobuvannya. Loss after financial items for the Parent Company in H1 2017 amounted to KSEK -15,338 (KSEK -16,232).

Misen Group net turnover for Q2 2017 was KSEK 10,179 (KSEK 185,622) and the Parent Company net turnover for this period was KSEK 1,395 (KSEK 30). During H1 2017, the Misen Group net turnover amounted to KSEK 14,033 (KSEK 393,412) while the Parent Company revenue in the same period amounted to KSEK 2,789 (KSEK 60).

During H1 2017, due to violation of JAA by PJSC Ukrgasvydobuvannya, the JA production of natural gas was at zero level (333 mmcm during the same period 2016).

Amendments to the tax code

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

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

After the sale of 45.5% of the shares in Misen Enterprises AB the Parent Company can no longer utilize the tax losses carried forward through group contribution from Misen Enterprises AB.

During H1 2017 JA paid KUAH 10,881 (KSEK 3,575) as CPT on behalf of Misen Group to Ukrainian tax authorities.

Financial assets and liabilities

During H1 2017 JA wrote-off KUAH 91,379 (KSEK 30,025) in bad debt. Out of the total amount, 50.01% has affected the Misen Groups’ result. Subsidiary LLC Karpatygas as the operator of JA is engaged in constructive negotiations with the debtors. The settlement of these outstanding obligations is also sought through the legal proceedings in Ukraine.

Book value of financial assets and liabilities is equal to fair value.

Cash position

As of 30 June 2017, the cash balance of the Misen Group was KSEK 2,915 (KSEK 45,337). The cash flow from operations after changes in working capital was KSEK -18,852 in H1 2017 (KSEK 62,452).

Capital expenditure

The Misen Group's capital expenditure on equipment for gas production in Ukraine related to the JA activity during H1 2017 amounted to KSEK 557 (KSEK 14,584).

As of 30 June 2017 capital expenditure orders not yet delivered have been placed at an aggregate value of KSEK 3,786. The capital expenditures are equipment, project works, constructions and constructions in progress for extraction of natural gas.

Expected future development of the Company and going concern

Increased subsoil charges to 70% and PJSC Ukrgasvydobuvannya refusal to deliver hydrocarbons will continue to give a negative effect to the Misen Group's results during 2017.

Provided that the subsoil charge remains at the level of 70% and PJSC Ukrgasvydobuvannya will continue to violate JAA the result and cash flow for the remaining life time of the project will be seriously reduced. Deteriorating financial situation resulted in decision to write down the value of Misen Enterprises in the Company as presented in the annual report 2016.

Depending on how the arbitration cases develop, where the Misen Group is involved, a need for increased financing of the Swedish operations might arise in 2018. Any need for funding will primarily be handled through new credits.

Based on the abovementioned facts related to the arbitration proceedings with UGV, ongoing criminal investigation as well as issues with sale of hydrocarbons, there is a material uncertainty related to events or conditions that may cast significant doubt on the Misen Group's ability to continue as a going concern. Therefore, Misen Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

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

Environmental impact

The JA operations have an impact on the environment in Ukraine, which is governed by laws and conventions, which in turn control the JA's operations as regards to the environment. Oil and natural gas operations are subject to extensive regulations with respect to the environment at both international and national levels. Environmental legislation covers the control of water and air pollution, waste, licensing requirements, restrictions on operations in environmentally sensitive and coastal areas. Environmental regulations are expected to become more stringent over time, which will most likely result in increasing costs. The Misen Group meets the environmental requirements in order to maintain existing licenses or obtain new ones.

Accounting principles

This report is prepared according to the International Financial Reporting Standards (IFRS), as adopted by EU. This report is prepared according to IAS 34 and The Swedish Annual Accounts Act as

well as RFR 2, Accounting for legal entities. The accounting principles for the Misen Group as well as for the Company are identical to the last annual and quarterly reports.

Financial and other risks

Misen Group focuses on increasing the local hydrocarbons production in Ukraine by undertaking a large-scale investment program focused on development and modernization of gas production infrastructure. In this activity, the Group works with a complex set of industry-specific risks such as price trends for oil and gas, currency risk and interest rate risks, regulatory matters relating to investigations, processing and environment and uncertainty in the value of the completed exploration work and the subsequent field development. With operations being focused on production rather than exploration, the risk exposure could be considered as being moderate.

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

First North

Misen Energy AB (publ) is listed on First North, which is an alternative market place operated by Nasdaq First North Stockholm and the Company adheres to the rules and regulations for First North. The Certified Adviser of the Company is Erik Penser Bank AB.

Sector information - the Misen Group

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

Geographical area

	30 June 2017	30 June 2016	31 Dec 2016
<i>(All amounts in KSEK)</i>			
Net sales, external:			
Sweden	--	--	--
Ukraine	865	379,915	653,122
Fixed assets:			
Sweden	--	--	--
Ukraine	503,146	569,305	508,677

Transactions with related parties

	30 June 2017	30 June 2016	31 Dec 2016
<i>(All amounts in KSEK)</i>			
Ukr gasvydobuvannya:			
Sale		26,341	43,503
Purchase	7,394	69,255	128,208
Short-term receivables	12,018		--
Short-term debts	36	11,405	72
Management, Board and major Shareholders:			
Purchase of services	10,246	2,142	7,759
Interest	1,439	686	1,632
Salaries and remunerations	2,462	2,107	5,608
Short-term debts	7,500	23,684	1,862
Long-term debts			--

Publication of the January - June 2017 interim report

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

This information is information that Misen Energy AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08:00 CET on 31 August 2017.

Future reports

Next report, the January-September 2017 interim report, will be published on 30 November 2017.

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

Stockholm, 31 August 2017.

Misen Energy AB (publ)

The Board and Managing Director

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Misen Energy AB (publ) (formerly Svenska Capital Oil AB (publ)) is a Swedish upstream oil and gas company with operations in Ukraine. The company was founded in 2004 and its shares are traded on Nasdaq First North since 12 June 2007.

In 2011, Misen Energy AB (publ) acquired Misen Enterprises AB and its Ukrainian subsidiary, LLC Karpatygas, including the rights to 50.01% of the revenue and profit from a gas production project in Ukraine. Under IFRS rules, this transaction is classified as a reverse takeover. In consideration of the acquisition, a new share issue was carried out. The gas producing assets were acquired by production cooperation via a joint activity project governed by a Joint Activity Agreement between at that time the wholly-owned direct and indirect subsidiaries of Misen Energy AB (publ), i.e. Misen Enterprises AB and LLC Karpatygas (together 50.01%) and PJSC Ukrgasvydobuvannya (49.99%), a subsidiary of the National Joint Stock Company Naftogaz of Ukraine. PJSC Ukrgasvydobuvannya is the largest producer of natural gas in Ukraine. The purpose of the Joint Activity Agreement is to significantly increase production of gas and oil by providing modern technologies via a large-scale investment program for the purposes of attainment of profits.

In June 2016 and in July 2017, Misen Energy AB (publ) sold respectively 37.5 % and 8 % of Misen Enterprises AB shares to the Hong Kong based company Powerful United Limited. Owning (the remaining) 54.5% of Misen Enterprises AB shares, Misen Energy AB (publ) maintains full control of the company and preserves a right to obtain 54.5% of the future dividends from the operations in Ukraine.

The registered office of Misen Energy AB (publ) is in Stockholm and the shares are traded on First North under identification ticker MISE. The Certified Adviser of the company at Nasdaq First North is Erik Penser Bank AB.

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

CONDENSED INCOME STATEMENT-THE GROUP

	1 Apr - 30 June 2017 3 months	1 Apr - 30 June 2016 3 months	1 Jan - 30 June 2017 6 months	1 Jan - 30 June 2016 6 months	1 Jan - 31 Dec 2016 12 months
<i>All amounts in KSEK</i>					
Operating revenue					
Net sales	12	185,622	865	379,915	653,122
Other operating income	10,167	-42	13,168	13,155	21,868
Result from associated companies	0	342	0	342	350
	10,179	185,922	14,033	393,412	675,340
Operating expenses					
Other external expenses	-15,002	-160,523	-31,764	-324,310	-549,519
Personnel expenses	-3,248	-2,128	-6,688	-6,194	-16,174
Depreciation and amortisation of tangible and intangible fixed assets	-8,185	-8,695	-16,301	-19,328	-41,734
Other operating cost	-2,739	-2,052	-4,929	-2,478	-49,081
	-29,174	-173,398	-59,682	-352,310	-656,508
Operating income/loss	-18,995	12,524	-45,649	41,102	18,832
Financial items	3,835	-5,785	3,468	-17,253	-24,341
Profit/loss after financial items	-15,160	6,739	-42,181	23,849	-5,509
Taxes for the period	-341	-3,577	-190	-7,843	-11,139
Profit for the period	-15,501	3,162	-42,371	16,006	-16,648
Profit is attributable to:					
Owners of Misen Energy AB (publ)	-14,028	3,162	-32,234	16,006	-7,230
Non-controlling interests	-1,473	0	-10,137	0	-9,418
	-15,501	3,162	-42,371	16,006	-16,648
Statement of comprehensive income - The Group					
Net profit for the period	-15,501	3,162	-42,371	16,006	-16,648
Other comprehensive income					
Items possible for later reclassification in income statement:					
Translation differences	-6,928	48,332	-10,625	-11,804	-24,391
Other comprehensive income for the period, net after taxes	-6,928	48,332	-10,625	-11,804	-24,391
Total comprehensive income for the period	-22,429	51,494	-52,996	4,202	-41,039
Total comprehensive income for the period is attributable to:					
Owners of Misen Energy AB (publ)	-18,313	51,494	-38,830	4,202	-26,901
Non-controlling interests	-4,116	0	-14,166	0	-14,138
	-22,429	51,494	-52,996	4,202	-41,039
Net earnings per share, attributable to the owners of Misen Energy AB's (publ) (in SEK per share)					
Net earnings for the period, before and after dilution	-0.10	0.02	-0.22	0.11	-0.05
Average number of shares for the period was 145,068,222					

CONDENSED BALANCE SHEET-THE GROUP

<i>All amounts in KSEK</i>	30 June 2017	30 June 2016	31 Dec 2016
ASSETS			
Non-current assets			
Intangible fixed assets	27,443	30,377	28,951
Tangible fixed assets	475,703	536,704	502,059
Shares in associated companies	-	2,224	-
Deferred tax receivables	9,790	8,946	10,202
Total non-current assets	512,936	578,251	541,212
Current assets			
Stock	471	2,962	579
Accounts receivable	774	68,808	20,260
Other receivables	16,876	14,621	13,869
Prepaid expenses and accrued income	3,771	461	4,015
Total current assets	21,892	86,852	38,723
Cash and bank balances	2,915	45,337	12,498
Total current assets	24,807	132,189	51,221
TOTAL ASSETS	537,743	710,440	592,433

<i>All amounts in KSEK</i>	30 June 2017	30 June 2016	31 Dec 2016
EQUITY AND LIABILITIES			
Equity attributable to owners of Misen Energy AB (publ)	258,091	343,620	296,921
Non-controlling interests	153,471	-	167,637
Total equity	411,562	343,620	464,558
Non-current liabilities			
Long-term loans	-	113,069	-
Other long-term liabilities	29,406	36,917	36,197
Total non-current liabilities	29,406	149,986	36,197
Current liabilities			
Accounts payable	10,714	40,816	6,581
Tax debts	-	3,466	1,711
Short-term loans	37,614	60,803	29,848
Other short-term debt to JA	42,772	45,909	44,426
Other short-term debt	1,085	54,740	3,521
Accrued expenses and deferred income	4,590	11,100	5,591
Total current liabilities	96,775	216,834	91,678
TOTAL EQUITY AND LIABILITIES	537,743	710,440	592,433

CONDENSED STATEMENT OF CHANGES IN EQUITY - THE GROUP

	Attributable to owners of Misen Energy AB (publ)						Non-controlling interests	Total equity
	Share capital	Other equity	Other reserves	Retained earnings	Total			
<i>All amounts in KSEK</i>								
Equity brought forward 2016-01-01	290,136	-274,435	-529,653	853,370	339,418		0	339,418
Net result								
Net result of the period Jan -June 2016	-	-	-	16,006	16,006		0	16,006
Other comprehensive income								
Translation difference	-	-	-11,804	0	-11,804		0	-11,804
Total comprehensive income	0	0	-11,804	16,006	4,202		0	4,202
Equity brought forward 2016-06-30	290,136	-274,435	-541,457	869,376	343,620		0	343,620
Equity brought forward 2016-07-01	290,136	-274,435	-541,457	869,376	343,620		0	343,620
Profit for the period								
Net result of the period July - Dec 2016	-	-	-	-23,236	-23,236		-9,418	-32,654
Other comprehensive income								
Translation difference	-	-	-7,867	-	-7,867		-4,720	-12,587
Total comprehensive income	0	0	-7,867	-23,236	-31,103		-14,138	-45,241
Transactions with non-controlling interests								
Sale of shares in subsidiary	0	0	0	-12,331	-12,331		178,510	166,179
Other transactions with non-controlling interests	0	0	0	-3,265	-3,265		3,265	0
Total transactions with non-controlling interests	0	0	0	-15,596	-15,596		181,775	166,179
Equity brought forward 2016-12-31	290,136	-274,435	-549,324	830,544	296,921		167,637	464,558
Profit for the period								
Net result of the period Jan -June 2017	0	0	-32,234	-32,234	-32,234		-10,137	-42,371
Other comprehensive income								
Translation difference	0	0	-6,596	0	-6,596		-4,029	-10,625
Total comprehensive income	0	0	-6,596	-32,234	-38,830		-14,166	-52,996
Equity brought forward 2017-06-30	290,136	-274,435	-555,920	798,310	258,091		153,471	411,562

CONDENSED STATEMENT OF CASH FLOWS - THE GROUP

	1 Jan-30 June 2017 6 months	1 Jan-30 June 2016 6 months	1 Jan-31 Dec 2016 12 months
<i>All amounts in KSEK</i>			
Operating activities			
Operating income	-45,649	41,102	18,832
Adjustment for non-cash items	6,919	26,117	70,066
Interest and dividends received	-	3,214	2,714
Interest paid	-1,855	-7,205	-7,390
Income tax	-3,575	-3,623	-9,807
Cash flow from operating activities before working capital changes	-44,160	59,605	74,415
Decrease(+)/increase in stocks	97	84	2,437
Decrease(+)/increase in receivables	15,110	-28,835	1,105
Decrease(-)/increase in short-term debts	10,101	31,598	-62,746
Cash-flow from operating activities	-18,852	62,452	15,211
Investing activities			
Acquisition of tangible and intangible assets	-557	-14,584	-14,508
Sale of tangible and intangible assets	-	438	1,464
Sale of share in subsidiary	0	0	25,517
Cash flow from investing activities	-557	-14,146	12,473
Financing activities			
Change in interestbearing debt (increase+)	9,856	-11,855	-22,330
Cash flow from financing activities	9,856	-11,855	-22,330
Cash flow for the period	-9,553	36,451	5,354
Cash at the beginning of the period	12,498	7,413	7,413
Exchange rate difference in cash	-30	1,473	-269
Cash at the end of the period	2,915	45,337	12,498

CONDENSED INCOME STATEMENT - PARENT COMPANY

(Misen Energy AB (publ))

	1 Apr - 30 June 2017 3 months	1 Apr - 30 June 2016 3 months	1 Jan-30 June 2017 6 months	1 Jan-30 June 2016 6 months	1 Jan-31 Dec 2016 12 months
<i>All amounts in KSEK</i>					
Operating revenue					
Net sales	1,395	30	2,789	60	5,577
	1,395	30	2,789	60	5,577
Operating expenses					
Other external expenses	-9,493	-1,519	-12,500	-4,163	-10,960
Personnel expenses	-2,034	-2,029	-4,186	-4,159	-10,418
	-11,527	-3,548	-16,686	-8,322	-21,378
Operating result	-10,132	-3,518	-13,897	-8,262	-15,801
Loss on sale of subsidiary	-	-	-	-	-9,309
Interest expense	-1,447	-	-1,441	-7,970	-7,969
	-1,447	0	-1,441	-7,970	-17,278
Profit/loss after financial items	-11,579	-3,518	-15,338	-16,232	-33,079
Taxes for the period	-	-	-	-	-
Net profit/loss	-11,579	-3,518	-15,338	-16,232	-33,079
Statement of comprehensive income - Parent company					
Net loss for the period	-11,579	-3,518	-15,338	-16,232	-33,079
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-11,579	-3,518	-15,338	-16,232	-33,079

CONDENSED BALANCE SHEET - PARENT COMPANY

(Misen Energy AB (publ))

<i>All amounts in KSEK</i>	30 June 2017	30 June 2016	31 Dec 2016
ASSETS			
Non-current assets			
Financial fixed assets			
Shares in subsidiaries	301,287	468,069	301,287
Total financial fixed assets	301,287	468,069	301,287
Total fixed assets	301,287	468,069	301,287
Total non-current assets	301,287	468,069	301,287
Current receivables			
Other receivables	-	285	-
Short-term receivables subsidiaries	20,711	3,559	17,265
Prepaid expenses and accrued income	292	285	269
	21,003	4,129	17,534
Cash and bank balances	2,172	1,733	7,034
Total current assets	23,175	5,862	24,568
TOTAL ASSETS	324,462	473,931	325,855

<i>All amounts in KSEK</i>	30 June 2017	30 June 2016	31 Dec 2016
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	290,136	290,136	290,136
Statutory reserves	345	345	345
	290,481	290,481	290,481
Non-restricted equity			
Profit/Loss brought forward	29,625	62,704	62,704
Profit/loss for the year	-15,338	-16,232	-33,079
	14,287	46,472	29,625
Total equity	304,768	336,953	320,106
Non-current liabilities			
Long-term loans	-	113,069	-
Other long-term debts to group companies	90	92	92
Total non-current liabilities	90	113,161	92
Current liabilities			
Accounts payable	6,175	3,022	730
Other short-term liabilities	405	401	406
Other short-term liabilities group	-	11,244	-
Accrued expenses and deferred income	3,426	9,150	4,521
Total current liabilities	19,604	23,817	5,657
TOTAL EQUITY AND LIABILITIES	324,462	473,931	325,855

CONDENSED STATEMENT OF CHANGES IN EQUITY - PARENT COMPANY

(Misen Energy AB (publ))

<i>All amounts in KSEK</i>	Share capital	Statutory reserves	Share Premium reserve	Retained earnings	Total equity
Equity brought forward 2016-01-01	290,136	345	714,285	-651,581	353,185
Net result					
Net result of the period Jan -June 2016	-	-	-	-16,232	-16,232
Other comprehensive income					
Translation difference	-	-	-	-	-
Total comprehensive income	-	-	-	-16,232	-16,232
Equity brought forward 2016-06-30	290,136	345	714,285	-667,814	336,952
Equity opening balance 2016-07-01	290,136	345	714,285	-667,814	336,952
Net result					
Net result of the period July -Dec 2016	-	-	-	-16,848	-16,848
Other comprehensive income					
Translation difference	-	-	-		0
Group contribution after tax	-	-	-		0
Total comprehensive income	0	0	0	-16,848	-16,848
Equity brought forward 2016-12-31	290,136	345	714,285	-684,662	320,105
Net result					
Net result for the period Jan - June 2017	-	-	-	-15,338	-15,338
Other comprehensive income					
Translation difference	-	-	-	-	-
Total comprehensive income	-	-	-	-15,338	304,768
Equity brought forward 2017-06-30	290,136	345	714,285	-699,998	304,768

CONDENSED STATEMENT OF CASH FLOWS - PARENT COMPANY

(Misen Energy AB (publ))

	1 Jan-30 June 2017 6 months	1 Jan-30 June 2016 6 months	1 Jan-31 Dec 2016 12 months
<i>All amounts in KSEK</i>			
Operating activities			
Operating income	-13,897	-8,262	-15,801
Adjustment for non-cash items			
Interest received	-	-	-
Interest paid	-	-	-
Cash flow from operating activities before working capital changes	-13,897	-8,262	-15,801
Decrease(+)/increase in receivables	-3,469	-20	-2,158
Decrease(-)/increase in accounts payable	5,445	-1,913	-4,205
Decrease(-)/increase(+) in short term debts	-2,539	-1,549	-9,796
Cash flow from operating activities	-14,460	-11,744	-31,960
Investment activities			
Payment of shareholders contribution	-	-	-
Sale of shares in subsidiary	-	-	25,517
Cash flow from investing activities	0	0	25,517
Financing activities			
Change in interest bearing debt debt	9,598	11,774	11,774
Cash flow from financing activities	9,598	11,774	11,774
Cash flow for the period	-4,862	30	5,331
Cash at the beginning of the period	7,034	1,703	1,703
Cash at the end of the period	2,172	1,733	7,034

Alternative Performance Measures – Group

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

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

It is important to know that not all companies calculate alternative performance measures identically, therefore these measurements have limitations and should not be used as a substitute for measures of performance in accordance with IFRS. Below you find our presentation of the APMs and how we calculate these measures.

CONDENSED FINANCIAL AND OPERATIONAL KEY RATIOS

	1 Jan - 30 June 2017 6 months	1 Jan - 30 June 2016 6 months	1 Jan-31 Dec 2016 12 months
The Group			
Financial key ratios			
EBITDA (KSEK)	-29,348	60,430	60,566
Financial cost	-3,191	-20,467	31,096
Profit/loss per share before dilution SEK*	-0.22	0.11	-0.05
Profit/loss per share after dilution SEK*	-0.22	0.11	-0.05
Return on equity (ROE)	n.a.	n.a.	neg
Return on capital employed (ROCE)	n.a.	n.a.	5.1%
Debt/equity ratio	9.1%	17.7%	6.4%
Equity ratio	76.5%	48.4%	78.4%
Share of risk bearing capital	76.5%	48.4%	78.4%
Weighted average number of shares for the period*	145,068,222	145,068,222	145,068,222
Number of outstanding shares before dilution *	145,068,222	145,068,222	145,068,222
Number of outstanding shares after dilution *	145,068,222	145,068,222	145,068,222
Weighted average number of shares for the period after dilution*	145,068,222	145,068,222	145,068,222

The Parent Company (Misen Energy AB)

EBITDA (KSEK)	-13897	-8262	-15801
Profit/loss per share before dilution SEK*	-0.11	-0.11	-0.23
Profit/loss per share after dilution SEK*	-0.11	-0.11	-0.23
Return on equity (ROE)	n.a.	n.a.	neg
Return on capital employed (ROCE)	n.a.	n.a.	neg
Debt/equity ratio	3%	0.0%	28.1%
Equity ratio	93.9%	71.1%	98.2%
Share of risk bearing capital	93.9%	71.1%	98.2%
Weighted average number of shares for the period*	145,068,222	145,068,222	145,068,222
Number of outstanding shares before dilution *	145,068,222	145,068,222	145,068,222
Number of outstanding shares after dilution *	145,068,222	145,068,222	145,068,222
Weighted average number of shares for the period after dilution*	145,068,222	145,068,222	145,068,222

Definition of financial key ratios

- 1.EBITDA (profit before interest, tax, depreciation, write-downs) defined as the group and the parent company's operating profit/loss before depreciation.
2. Profit/loss per share before dilution defined as the group and the parent company's net profit/loss after tax divided by the number of outstanding shares before dilution at the end of period.
- 3.Profit/loss per share after dilution defined as the group and the parent company's net profit/loss after tax divided by the number of outstanding shares after dilution at the end of period.
- 4.Return on equity defined as the group and the parent company's profit/loss divided by total equity at the end of period.
- 5.Return on working capital is defined as the group and the parent company's profit/loss after financial items plus interest expense plus/minus exchange differences on financial items divided by total capital employed (average of the two latest periods balance sheet total with reduction for non-interest bearing debt).
- 6.Debt/equity ratio defined as the group and the parent company's interest bearing debt divided by equity.
- 7.Equity ratio defined as the group and the parent company's equity including minority owner shares divided by balance sheet total.

Share capital information

8. On the 12th of January 2012 an amalgamation of shares 100:1 was registered whereby the number of shares were reduced to 145,068,222 and the quota value became approximately 2 SEK.