

# CORRAL PETROLEUM HOLDINGS AB (publ)

## REPORT FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2017

No. of pages 14

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This report includes unaudited consolidated financial information of Corral Petroleum Holdings AB (publ) (“Corral Petroleum Holdings”) and its consolidated subsidiaries, for the third quarter of 2017, the comparative period in 2016 and for the other periods indicated. Note that due to the rounding of figures in the tables to the nearest SEK million, the sum is not always exactly equal to the sum of all components.

### Financial highlights – Third Quarter 2017

- Sales revenue for the third quarter of 2017 amounted to 16,325 MSEK compared to 13,964 MSEK in the third quarter of 2016.
- EBITDA<sup>1</sup> for the third quarter of 2017 amounted to 1,544 MSEK compared to 545 MSEK in the third quarter of 2016.
- Adjusted EBITDA<sup>1</sup> for the third quarter of 2017 amounted to 1,428 MSEK compared to 589 MSEK in the third quarter of 2016.
- Operating profit for the third quarter of 2017 amounted to 1,297 MSEK compared to a profit of 295 MSEK in the third quarter of 2016.
- Net profit for the third quarter of 2017 amounted to 971 MSEK compared to a net loss of 290 MSEK in the third quarter of 2016.
- Cash flow from operating activities for the third quarter of 2017 amounted to 482 MSEK compared to 747 MSEK in the third quarter of 2016.
- Weighted refining margin for the third quarter of 2017 was 6.85 \$/bbl compared to 3.25 \$/bbl in the third quarter of 2016.

MSEK	Jul 1 - Sep 30		Jan 1 - Sep 30		Full year
	2017	2016	2017	2016	2016
Sales revenue	16,325	13,964	49,596	38,215	56,041
Gross profit	1,653	602	3,509	3,106	5,112
EBITDA <sup>1</sup>	1,544	545	3,401	2,921	4,800
Adjusted EBITDA <sup>1</sup>	1,428	589	3,301	2,085	3,399
Operating profit	1,297	295	2,661	2,177	3,800
Profit/loss before taxes	1,253	-357	2,226	402	-291
Net profit/loss	971	-290	1,738	293	-631

<sup>1</sup> For a reconciliation of our operating profit to EBITDA and EBITDA to Adjusted EBITDA, please see the financial statements section on page 14.

Key indicators

	Jul 1 - Sep 30		Jan 1 - Sep 30		Full year
	2017	2016	2017	2016	2016
Weighted refining margin, \$/bbl	6.85	3.25	5.78	3.90	4.53
Average Brent Dated crude oil, \$/bbl	52	45	52	42	44
Feedstock throughput, thousand bbls	28,398	27,927	83,906	82,661	115,072
Average exchange rate SEK/USD	8.14	8.52	8.62	8.40	8.56
Closing exchange rate SEK/USD	8.11	8.62	8.11	8.62	9.10

**Market Overview – Third Quarter 2017**

The price of Dated Brent traded in a range of 46-48 \$/bbl in the early part of June but increased to a range of 57-59 \$/bbl in the later part of September. By the end of the third quarter of 2017, the production cut from crude oil producers and increased global demand for products had begun to be reflected in reduced global inventory levels. The market turned into a backwardation market structure, where current prices are higher than future prices which is suggestive of good demand and a belief in a more balanced market to come.

The average price in the third quarter 2017 was 52 \$/bbl, compared to an average price of 50 \$/bbl in the second quarter 2017. In the third quarter of 2016 the average price was 45 \$/bbl.

The average price differential for Russian crude oil (“Urals”) versus Dated Brent was -1.0 \$/bbl in the third quarter of 2017, compared to -1.5 \$/bbl in the second quarter of 2017 and -2.4 \$/bbl in the third quarter of 2016. Urals traded stronger than -1.0 \$/bbl during the first half of the third quarter 2017, sometimes close to parity with Dated Brent. Low export volumes from Russia due to export system maintenance combined with the effects of reductions in production of, to a large extent, high sulphur crude oil, pushed the price differential to higher levels. Later in the quarter when availability of Russian export volumes increased and the market structure gave incentive to buy “just in time” the market weakened to below -2 \$/bbl.

European refining margins improved during the third quarter of 2017. The support for the margins was due to increasing demand globally for products. The harsh hurricane season in the Mexican Gulf negatively affected production in the refining industry in the US, reducing supply and specially strengthening the gasoline margin.

The average gasoline margin versus Dated Brent was 15 \$/bbl in the third quarter of 2017, unchanged from the second quarter of 2017. In the third quarter of 2016 the average gasoline margin was 11 \$/bbl. During a period in the third quarter the margin was above 20 \$/bbl. The global demand growth for gasoline has reduced the inventory levels of gasoline to levels below those seen in the Atlantic region in the last years. Refinery problems in Latin America and in the US have attracted gasoline supply from Europe leading to stronger gasoline margins.

The average diesel margin versus Dated Brent strengthened to 13 \$/bbl in the third quarter of 2017, compared to 12 \$/bbl the second quarter of 2017. In the third quarter of 2016 the average diesel margin was 10 \$/bbl. Global diesel demand growth is expected to further increase in the coming quarters due to a strong global economy and the arrival of winter in the

northern hemisphere. With the refinery outages and good demand on a global scale today the inventory levels are reduced.

The average margin for high sulphur fuel oil versus Dated Brent continued to strengthen during the third quarter of 2017. The high sulphur fuel oil margin was on average -4 \$/bbl, compared to -7 \$/bbl in the second quarter of 2017. The margin was -10 \$/bbl in the third quarter of 2016. The fuel oil supply was limited due to refinery outages, structural changes in the industry with more upgrading of fuel oil to more valuable products and the season for bitumen production for use on road pavements. Good demand from the bunker market and also for electrical power production in regions where very hot weather occurred kept the margin versus Dated Brent at much stronger levels than typically seen for this product.

### **Sales and Results – Third Quarter 2017**

Sales revenue in the third quarter of 2017 amounted to 16,325 MSEK compared to 13,964 MSEK in the third quarter of 2016, an increase of 2,361 MSEK. The increase in sales revenue is primarily a result of higher crude and product prices as well as higher sales volumes compared to the same period for 2016.

Operating profit for the third quarter of 2017 amounted to 1,297 MSEK, an increase of 1,002 MSEK, compared to 295 MSEK for the third quarter of 2016. The refining margins in the third quarter of 2017 increased significantly compared to the third quarter of 2016, from 3.25 \$/bbl to 6.85 \$/bbl. A rising market price for crude oil resulted in a large increase of inventory value in the third quarter of 2017, resulting in profits of 1,014 MSEK compared to profits of 33 MSEK in the third quarter of 2016. The exchange rate for krona against the dollar fell in the third quarter of 2017, reducing the result by 9 MSEK in 2017.

### **Segment reporting**

The Group divides its business into two segments – Supply & Refining and Marketing. The sales revenue and operating profit for both of these segments are shown below. In the below table, exchange rate differences included in operating profit/loss consist of foreign exchange gains or losses related to our inventory and our trade payables/receivables. Other expenses consist mainly of administrative and personnel-related expenses in our corporate cost center.

#### Sales Revenue

	<b>Jul 1 - Sep 30</b>		<b>Jan 1 - Sep 30</b>		<b>Full year</b>
<b>MSEK</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
Supply & Refining	15,816	13,449	48,059	36,641	53,808
Marketing	4,607	3,715	13,212	10,477	14,776
Exchange rate differences	-54	22	-138	34	95
Group eliminations	-4,044	-3,222	-11,538	-8,937	-12,638
<b>Total Sales Revenue</b>	<b>16,325</b>	<b>13,964</b>	<b>49,596</b>	<b>38,215</b>	<b>56,041</b>

Operating profit

<b>MSEK</b>	<b>Jul 1 - Sep 30</b>		<b>Jan 1 - Sep 30</b>		<b>Full year</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
Supply & Refining	1,354	181	2,889	2,161	3,779
Marketing	148	158	382	435	590
Total Segment Operating profit	1,502	339	3,270	2,596	4,369
Exchange rate differences	-9	102	-216	36	122
Other expenses	-196	-147	-394	-455	-691
Total Operating profit	<b>1,297</b>	<b>295</b>	<b>2,661</b>	<b>2,177</b>	<b>3,800</b>

Supply & Refining

Our Supply & Refining segment reported an operating profit of 1,354 MSEK for the third quarter of 2017, an increase of 1,173 MSEK, compared to 181 MSEK for the third quarter of 2016. The weighted refining margin increased to 6.85 \$/bbl for the third quarter of 2017 compared to 3.25 \$/bbl for the third quarter of 2016. The price gain in inventory reported in the third quarter of 2017 amounted to 125 MSEK compared to a price loss on inventory of 146 MSEK in the third quarter of 2016. Excluding price effects, operating profit amounted to 1,228 MSEK in the third quarter of 2017, an increase of 901 MSEK, compared to 327 MSEK in the third quarter of 2016.

Operating profit increased in the third quarter as refineries were able to capture the effect of high refining margins due to good operational performance and high utilization. In the third quarter of 2017 throughput was 4.5 million m<sup>3</sup> compared to 4.4 million m<sup>3</sup> in the third quarter of 2016. In September the Gothenburg refinery was shut down for a planned major turnaround.

Marketing

Our Marketing segment reported an operating profit of 148 MSEK for the third quarter of 2017 compared to 158 MSEK for the third quarter 2016, a decrease of 10 MSEK. The decrease in operating profit is mainly attributable to decreased profitability from HVO (Hydrogenated Vegetable Oil). Last year the profit from HVO was very high and it still remains high so far this year, however it has decreased versus last year's record high figure. Sales volumes were 11% higher in the third quarter of 2017 compared to the third quarter of the previous year driven by new major contracts within our business-to-business segment as well as our expansion in Norway.

**Depreciation**

Total depreciation in the third quarter of 2017 amounted to 247 MSEK compared to 250 MSEK in the third quarter of 2016.

**Financing**

Financial net for the third quarter of 2017 improved by 608 MSEK to an expense of 44 MSEK compared to an expense of 652 MSEK for the third quarter of 2016. Other financial net

amounted to 298 MSEK for the third quarter of 2017 which was mostly impacted by exchange rate gains compared to an expense 298 MSEK for the same period in 2016.

Total interest expense for the third quarter of 2017 amounted to 343 MSEK compared to 356 MSEK for the same period in 2016 of which depreciation of loan expenditures amounted to 41 MSEK for the third quarter in 2017 compared to 40 MSEK in the same period in 2016. Cash interest paid was 402 MSEK for the third quarter of 2017 compared to 52 MSEK for the third quarter of 2016. The increase in cash interest paid consists of the coupon payment on the Corral Petroleum Holdings' PIK toggle Senior Notes due 2021, made in July 2017.

### **Nine months ended September 30, 2017**

- Sales revenue for the first nine months of 2017 amounted to 49,596 MSEK compared to 38,215 MSEK for the first nine months of 2016.
- EBITDA<sup>1</sup> for the first nine months of 2017 amounted to 3,401 MSEK compared to 2,921 MSEK for the first nine months of 2016.
- Adjusted EBITDA<sup>1</sup> for the first nine months of 2017 amounted to 3,301 MSEK compared to 2,085 MSEK for the first nine months of 2016.
- Depreciation for the first nine months of 2017 amounted to 740 MSEK compared to 744 MSEK for the first nine months of 2016.
- Operating profit for the first nine months of 2017 amounted to 2,661 MSEK compared to operating profit of 2,177 MSEK for the first nine months of 2016.
- Net profit for the first nine months of 2017 amounted to 1,738 MSEK compared to net profit of 293 MSEK for the first nine months of 2016.
- Cash flow from operating activities for the first nine months of 2017 amounted to 1,779 MSEK compared to 2,881 MSEK for the first nine months of 2016.
- Weighted refining margin for the first nine months of 2017 was 5.78 \$/bbl compared to 3.90 \$/bbl for the first nine months of 2016.

### **Cash flow**

Profit before taxes, amounted to 2,226 MSEK for the first nine months of 2017 compared to profit before taxes of 402 MSEK for the same period in 2016, an increase of 1,824 MSEK. Cash flow from operating activities amounted to 1,779 MSEK for the first nine months of 2017 compared to cash flow from operating activities of 2,881 MSEK for the same period in 2016, a decrease of 1,102 MSEK. Adjustments for non-cash items had a positive impact of 1,017 MSEK for the first nine months of 2017 compared to a positive impact of 1,903 MSEK for the same period in 2016, a decrease of 886 MSEK. Please refer to page 11 for further specification of items not included in cash flow.

Taxes paid amounted to -2 MSEK in 2017 compared to 0 MSEK in 2016.

Cash flow was negatively impacted by movements in working capital of 1,462 MSEK for the first nine months of 2017 compared to a positive impact of 576 MSEK for the first nine months of 2016. Cash flow from inventories amounted to 1,597 MSEK for the first nine months of 2017, primarily due to lower inventory volume. In the first nine months of 2016 cash flow used in inventories amounted to 941 MSEK. Cash flow used in operating receivables amounted to 250 MSEK for the first nine months of 2017, primarily due to higher prices on refined products. In the first nine months of 2016 cash flow from operating

receivables amounted to 345 MSEK. Cash flow used in operating liabilities for the first nine months of 2017 amounted to 2,808 MSEK primarily due to there being fewer outstanding crude payables. For the same period in 2016 cash flow from operating liabilities amounted to 1,171 MSEK.

Cash flow used in investing activities in 2017 amounted to 1,663 MSEK for the first nine months of 2017, an increase of 709 MSEK, compared to 954 MSEK for the same period 2016.

Cash flow used in financing activities amounted to 318 MSEK for the first nine months of 2017 compared to cash flow used in financing activities of 1,822 MSEK for the first nine months of 2016. Cash flow used in financing activities is attributable to (net) repayment of loans under Preem's revolving credit facility as a consequence of the positive cash flow from operating activities.

### **Income taxes**

Income tax expense for the nine months ended September 30, 2017 was 488 MSEK, an increase of 379 MSEK compared to 109 MSEK in the same period in 2016. The increase was attributable to the higher operational results in the nine months ended September 30, 2017. The effective tax rate was 22% for the nine months ending September 30, 2017, compared to 27% for the nine months ending September 30, 2016. The high tax rate in 2016 is due to a non-deductible write-down of the receivable from Corral Morocco Gas and Oil.

### **Financial Debt**

On September 30, 2017, the Group's financial net debt amounted to 14,142 MSEK, compared to 15,945 MSEK September 30, 2016, a decrease of 1,803 MSEK. The decrease in financial net debt was mainly a consequence of the net effect of continued revaluation caused by the strengthening of the SEK against the USD as well as positive cash flow from operating activities. The financial debt consisted primarily of Corral Petroleum Holdings' PIK toggle Senior Notes due 2021 (the "2021 Notes"), subordinated shareholder notes, a subordinated shareholder loan (described below) and Preem's Credit Facility. Cash and cash equivalents amounted to 825 MSEK at September 30, 2017, an increase of 282 MSEK, compared to 543 MSEK for the same period in 2016. A breakdown of the Group's financial debt as at September 30, 2017 is included in the financial statements section on page 14.

### **Corral Petroleum Holdings AB (publ)**

Corral Petroleum Holdings AB (publ) is wholly owned by Moroncha Holdings Co. Ltd and is the Parent Company of the Corral Petroleum Holdings Group. Corral Petroleum Holdings incurred losses before taxes of 507 MSEK for the first nine months of 2017 compared to 1,278 MSEK for the first nine months of 2016.

Shareholder equity as at September 30, 2017 amounted to 401 MSEK compared to 296 MSEK as of December 31, 2016. Corral Petroleum Holdings had outstanding shareholder loans of 249 MUSD and 12 MEUR (2,130 MSEK) as at September 30, 2017. The shareholder loans are subordinated and carry a non-cash interest rate of 5% per annum. The interest expense related to the shareholder loans is paid in kind semi-annually. Corral Petroleum

Holdings had outstanding subordinated shareholder notes of 85 MUSD and 191 MEUR (2,524 MSEK) as at September 30, 2017. The subordinated shareholder notes carry a non-cash interest rate of 10% per annum. The interest expense related to the subordinated shareholder notes is paid in kind each quarter.

Of the shareholder's loans, a total of 500 MSEK have been converted to capital contribution during the first nine month of 2017.

### **Recent Developments**

The positive trend with inventories reducing and prices strengthening is continuing for both crude and products. Gasoline is now heading for a period of the year where demand tends to be lower, while diesel/distillates are likely to see higher demand. At the same time, diesel/distillate inventories are at lower than average levels, and many refineries in Europe and the rest of the world being shut down for maintenance. A further reduction in these inventory levels can therefore be expected, which in turn may stimulate positive price scenarios as winter approaches.

All units at the Gothenburg refinery are now back in operation after the major turnaround that took place in September and part of October (and which occurs on 6-year intervals). All work was executed according to plans, within budget and without unnecessary delays.

Preem has continued to purchase put options in accordance with its strategy to protect its balance sheet and cash flow. Current option positions have an expiry within the next couple of months. In its November 15<sup>th</sup> meeting the Preem Board approved the strategy of continuing to buy put options for 2018.

On September 29, 2017 Preem satisfied one of the required tests under the Credit Facilities to upstream excess cash to Corral Petroleum Holdings in December for the January 1, 2018 scheduled interest payment on the 2021 Notes. Pending satisfaction of other requirements, we currently expect that Preem will distribute cash sufficient to cover such interest payment.

Effective on January 1<sup>st</sup> 2018 Preem will establish a new COO-position (Chief Operating Officer). The COO main responsibilities will include the Refineries, Supply & Trading, Marketing division, SHE-organization and Business Development. The COO-manager will be Stein-Ivar Bye, who has 25 years of broad refining, trading and strategic planning experience from ExxonMobil -- including positions such as Technical Manager at the Augusta refinery (5 years), Europe Product Trading and Supply Manager (3 years), and Europe Portfolio Management Executive (3 years). Stein-Ivar's most recent position was as Business Development and Strategy Executive for Europe, Africa, Middle East and Asia Pacific.

We are aware that the ultimate sole shareholder of Corral Petroleum Holdings, Sheikh Mohammed Al-Amoudi, was one of a group of Saudi leading figures detained on November 5, 2017, at the Ritz-Carlton hotel in Riyadh. No further confirmed information in the matter is available to us at the date of this report. We are unable to provide further comments other than to say that Corral Petroleum Holdings and its subsidiaries are operating on a normal basis and remain unaffected by this development. We are following the situation closely.

## **Risk factors**

For information on risks relating to our business and our capital structure, please see Corral Petroleum Holdings' Annual Report 2016, available at <http://www.preem.se/en/in-english/investors/corral/>

## **Accounting principles and legislations**

The consolidated financial information in this report has been prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 "Interim Financial Reporting". The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended December 31, 2016. For further information regarding accounting principles applied, please see Corral Petroleum Holdings Annual Report 2016, available at <http://www.preem.se/en/in-english/investors/corral/>

## **Additional information**

An international conference call for investors and analysts will be held on December 4 2017 at 3:00 pm CET. The call-in number is +46 8 5052 0110 meeting code: Preem.

The report for the fourth quarter and twelve months ending December 31, 2017 will be released on March 15, 2018.

Stockholm, November 27, 2017  
On behalf of the Board of Directors

Richard Öhman  
Managing Director

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**CONDENSED CONSOLIDATED INCOME STATEMENTS**

MSEK	Jul 1 - Sep 30		Jan 1 - Sep 30		Full year	Rolling 12 Months Oct 1 - Sep 30	
	2017	2016	2017	2016	2016	2017	2016
Net sales	18,854	16,586	57,137	45,811	66,225	77,552	62,324
Excise duties	-2,529	-2,622	-7,541	-7,596	-10,184	-10,130	-10,030
Sales revenue	16,325	13,964	49,596	38,215	56,041	67,422	52,294
Cost of goods sold	-14,672	-13,362	-46,087	-35,109	-50,929	-61,907	-49,005
<b>Gross profit</b>	<b>1,653</b>	<b>602</b>	<b>3,509</b>	<b>3,106</b>	<b>5,112</b>	<b>5,515</b>	<b>3,288</b>
Selling expenses	-203	-197	-617	-607	-820	-830	-846
Administrative expenses	-219	-177	-591	-543	-813	-860	-857
Other operating income	66	66	359	222	321	459	318
<b>Operating profit</b>	<b>1,297</b>	<b>295</b>	<b>2,661</b>	<b>2,177</b>	<b>3,800</b>	<b>4,284</b>	<b>1,904</b>
Interest income	2	2	5	4	6	6	6
Interest expense	-343	-356	-1,053	-1,209	-1,560	-1,405	-1,604
Other financial, net	298	-298	614	-570	-2,536	-1,352	-1,123
Net financial items	-44	-652	-435	-1,775	-4,090	-2,750	-2,721
<b>Profit/Loss before taxes</b>	<b>1,253</b>	<b>-357</b>	<b>2,226</b>	<b>402</b>	<b>-291</b>	<b>1,533</b>	<b>-817</b>
Taxes	-282	67	-488	-109	-340	-720	-17
<b>Net profit/loss for the year</b>	<b>971</b>	<b>-290</b>	<b>1,738</b>	<b>293</b>	<b>-631</b>	<b>813</b>	<b>-834</b>
<b>Attributable to:</b>							
Parent Company's shareholder	971	-290	1,738	293	-631	813	-834
Non-controlling interests	-	-	-	-	-	-	-
	<b>971</b>	<b>-290</b>	<b>1,738</b>	<b>293</b>	<b>-631</b>	<b>813</b>	<b>-834</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME:**

	Jul 1 - Sep 30		Jan 1 - Sep 30		Full year	Rolling 12 Months Oct 1 - Sep 30	
	2017	2016	2017	2016	2016	2017	2016
Net profit/loss for the year	971	-290	1,738	293	-631	813	-834
Other income	-2	0	-2	-69	-59	9	-14
<b>Comprehensive income</b>	<b>969</b>	<b>-290</b>	<b>1,736</b>	<b>224</b>	<b>-690</b>	<b>822</b>	<b>-848</b>
<b>Attributable to:</b>							
Parent Company Shareholder	969	-290	1,736	224	-690	822	-848
Non-controlling Shareholders	-	-	-	-	-	-	-
	<b>969</b>	<b>-290</b>	<b>1,736</b>	<b>224</b>	<b>-690</b>	<b>822</b>	<b>-848</b>

**CONDENSED CONSOLIDATED BALANCE SHEETS**

<b>MSEK</b>	<b>September 30 2017</b>	<b>September 30 2016</b>	<b>December 31 2016</b>
<b>ASSETS</b>			
Goodwill	308	308	308
Other intangible assets	594	196	261
Tangible assets	9,359	8,646	8,705
Financial assets	304	2,120	243
<b>Total non-current assets</b>	<b>10,564</b>	<b>11,270</b>	<b>9,516</b>
Inventories	6,860	7,274	8,452
Trade receivables	4,040	3,002	3,892
Other receivables	588	684	572
Prepaid expenses and accrued income	410	391	371
Cash and cash equivalents <sup>1</sup>	825	543	1,030
<b>Total current assets</b>	<b>12,723</b>	<b>11,895</b>	<b>14,316</b>
<b>Total assets</b>	<b>23,287</b>	<b>23,165</b>	<b>23,833</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	1	1	1
Other paid-in capital	8,328	7,328	7,828
Retained loss including net profit/loss for the year	-6,862	-7,684	-8,598
	1,467	-355	-769
Non-controlling interests	0	0	0
<b>Total equity</b>	<b>1,467</b>	<b>-355</b>	<b>-769</b>
Financial debts	14,967	16,310	15,646
Provision for deferred taxes	0	0	36
Other provisions	168	127	168
<b>Total non-current liabilities</b>	<b>15,135</b>	<b>16,437</b>	<b>15,849</b>
Financial debts	0	177	103
Trade payables	1,618	2,174	2,695
Other liabilities	2,163	1,707	1,544
Accrued expenses and deferred income	2,904	3,025	4,410
<b>Total current liabilities</b>	<b>6,685</b>	<b>7,083</b>	<b>8,752</b>
<b>Total liabilities</b>	<b>21,820</b>	<b>23,520</b>	<b>24,602</b>
<b>Total shareholders equity, provisions and liabilities</b>	<b>23,287</b>	<b>23,165</b>	<b>23,833</b>

<sup>1)</sup> 449 MSEK (42 MEUR and 52 MSEK) segregated account

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

MSEK	Jul 1 - Sep 30		Jan 1 - Sep 30		Full year 2016	Rolling 12 Months Oct 1 - Sep 30	
	2017	2016	2017	2016		2017	2016
<b>Operating activities</b>							
Profit/loss before taxes	1,253	-357	2,226	402	-291	1,533	-817
Adjustments for items not included in cash flow <sup>1)</sup>	235	748	1,017	1,903	4,075	3,189	3,383
	1,488	390	3,243	2,305	3,784	4,723	2,566
Taxes paid	0	0	-2	0	0	-2	1
	1,489	390	3,241	2,305	3,784	4,721	2,565
Decrease(+)/Increase(-) in inventories	926	-1,070	1,597	-941	-2,129	408	-457
Decrease(+)/Increase(-) in operating receivables	-261	369	-250	345	-426	-1,022	221
Decrease(-)/Increase(+) in operating liabilities	-1,672	1,057	-2,808	1,171	3,058	-921	357
Cash flow from operating activities	482	747	1,779	2,881	4,287	3,186	2,687
<b>Investing activities</b>							
Aquisition/disposal of subsidiaries	-140	0	-20	0	0	-20	0
Capital expenditure of intangible assets	-54	-29	-175	-112	-176	-240	-104
Capital expenditure of property, plant and equipment	-606	-304	-1,472	-850	-1,171	-1,794	-1,128
Disposal of property, plant and equipment	2	0	4	0	0	4	4
Decrease(+)/Increase(-) in financial assets	-6	8	0	8	-8	-16	12
Cash flow used in investing activities	-803	-326	-1,663	-954	-1,356	-2,065	-1,216
	-321	421	116	1,927	2,931	1,120	1,471
<b>Financing activities</b>							
New loans	1,543	1,216	4,955	9,447	11,367	6,875	11,120
Repayment of loans	-1,308	-1,707	-5,273	-10,590	-13,024	-7,707	-11,806
Loan expenditures	0	-2	0	-679	-679	0	-679
Cash flow from/used in financing activities	235	-493	-318	-1,822	-2,336	-832	-1,365
<b>CASH FLOW FOR THE PERIOD</b>	-86	-72	-202	105	595	288	107
Opening cash and cash equivalents	917	606	1,030	422	422	543	421
Effect of exchange rate fluctuations on cash and cash equivalents	-6	9	-3	15	12	-6	15
<b>Cash and cash equivalents at the end of the period</b>	<b>825</b>	<b>543</b>	<b>825</b>	<b>543</b>	<b>1,030</b>	<b>825</b>	<b>543</b>

<sup>1)</sup> **Specification of items not included in cash flow**

Depreciation of property, plant and equipment	247	250	740	744	1,001	997	1,004
Disposal	0	0	71	0	0	71	0
Write-down of inventory (+)/Reversed inventory write-down(-)	8	-2	-6	-450	-439	6	-5
Gain on sale of fixed assets	-1	3	0	5	12	6	9
Gain on sale of subsidiaries	8	0	-105	0	0	-105	0
Unrealized losses(+)/gains(-) on derivatives	-13	0	39	0	0	39	-1
Unrealized exchange losses(+)/gains(-)	143	-203	84	81	-16	-13	21
Unrealized exchange losses(+)/gains(-) from financing activities	-95	375	-332	506	605	-233	289
Capitalized loan expenditures deferred as interest expenses	41	40	122	214	254	161	258
Capitalized interest cost financial debt	-92	274	449	849	1,125	725	1,136
Provision for doubtful receivables CMGO	-	-	-	0	1,567	1,567	696
Others	-12	12	-44	-46	-33	-31	-25
	<b>235</b>	<b>748</b>	<b>1,017</b>	<b>1,903</b>	<b>4,075</b>	<b>3,189</b>	<b>3,383</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<b>MSEK</b>	<b>Share capital *)</b>	<b>Other paid-in capital</b>	<b>Retained earnings</b>	<b>Total</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
<b>Opening equity January 1, 2016</b>	<b>1</b>	<b>6,228</b>	<b>-7,908</b>	<b>-1,679</b>	<b>0</b>	<b>-1,679</b>
Net profit	-	-	293	293	0	293
Other comprehensive loss <sup>1</sup>	-	-	-69	-69	0	-69
Total comprehensive profit	-	-	224	224	0	224
Shareholder contribution received	-	1,100	-	1,100	0	1,100
<b>Closing equity September 30, 2016</b>	<b>1</b>	<b>7,328</b>	<b>-7,684</b>	<b>-355</b>	<b>0</b>	<b>-355</b>
<b>Opening equity January 1, 2017</b>	<b>1</b>	<b>7,828</b>	<b>-8,598</b>	<b>-768</b>	<b>0</b>	<b>-768</b>
Net profit	-	-	1,738	1,738	0	1,738
Other comprehensive income <sup>1</sup>	-	-	-2	-2	0	-2
Total comprehensive profit	-	-	1,736	1,736	0	1,736
Shareholder contribution received	-	500	-	500	0	500
<b>Closing equity September 30, 2017</b>	<b>1</b>	<b>8,328</b>	<b>-6,862</b>	<b>1,467</b>	<b>0</b>	<b>1,467</b>

\*) 5,000 shares were issued with a par value of 100 SEK.

<sup>1</sup> Evaluation of pensions obligations according to IAS 19.

**STATEMENT OF CHANGES IN EQUITY - PARENT COMPANY**

<b>MSEK</b>	<b>Share capital *)</b>	<b>Restricted reserves</b>	<b>Unrestricted reserves</b>	<b>Total equity</b>
<b>Opening equity January 1, 2017</b>		1	296	297
Shareholder contribution received		-	500	500
Net loss		-	-396	-396
<b>Closing equity September 30, 2017</b>		1	400	401

**CONDENSED INCOME STATEMENT - PARENT COMPANY**

<b>MSEK</b>	<b>Jan 1 - Sep 30</b>		<b>Full year</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
<b>Operating loss</b>	<b>-3</b>	<b>-2</b>	<b>1</b>
Profit from investment in Group companies		-	614
Financial net	-505	-1,276	-1,722
<b>Loss before taxes</b>	<b>-507</b>	<b>-1,278</b>	<b>-1,107</b>
Taxes	112	281	-234
<b>Net loss</b>	<b>-396</b>	<b>-997</b>	<b>-1,341</b>

**CONDENSED BALANCE SHEET - PARENT COMPANY**

<b>MSEK</b>	<b>September 30</b>	<b>September 30</b>	<b>December 31</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
<b>ASSETS</b>			
Participation in Group Companies	9,673	9,866	10,028
Deferred tax	920	1,323	808
Other receivables	1	0	1
Cash and cash equivalents <sup>1</sup>	452	454	907
<b>Total assets</b>	<b>11,046</b>	<b>11,644</b>	<b>11,744</b>
<b>EQUITY AND LIABILITIES</b>			
Restricted equity	1	1	1
Non-restricted equity	400	140	296
<b>Total equity</b>	<b>401</b>	<b>141</b>	<b>296</b>
Shareholder loans	2,130	3,083	2,829
Bond loans, subordinated notes	2,524	2,338	2,422
Bond loans, senior notes	5,733	5,710	5,688
Loan from subsidiary	55	55	55
Other short term liabilities	203	317	453
<b>Total liabilities</b>	<b>10,646</b>	<b>11,503</b>	<b>11,447</b>
<b>Total equity and liabilities</b>	<b>11,046</b>	<b>11,644</b>	<b>11,744</b>

<sup>1)</sup> 449 MSEK (42 MEUR and 52 MSEK) segregated account

## Reconciliation of operating profit to EBITDA and EBITDA to Adjusted EBITDA

We define Adjusted EBITDA as EBITDA adjusted to exclude inventory gains and losses and foreign currency gains and losses and reflect the adjustments permitted in calculating covenant compliance under Preem's 2011 Credit Facility. The following table presents a reconciliation of EBITDA to Adjusted EBITDA.

### RECONCILIATION OF OPEATING PROIFT TO EBITDA AND EBITDA TO ADJUSTED EBITDA

MSEK	Jul 1 - Sep 30		Jan 1 - Sep 30		Full year 2016	Rolling 12 months Oct 1 - Sep 30	
	2017	2016	2017	2016		2017	2016
<b>Operating profit</b>	<b>1,297</b>	<b>295</b>	<b>2,661</b>	<b>2,177</b>	<b>3,800</b>	<b>4,284</b>	<b>1,903</b>
Depreciation	247	250	740	744	1,001	997	1,004
<b>EBITDA</b>	<b>1,544</b>	<b>545</b>	<b>3,401</b>	<b>2,921</b>	<b>4,800</b>	<b>5,280</b>	<b>2,908</b>
Add back:							
Inventory price gains(-)/losses(+)	-125	146	-316	-800	-1,279	-795	-45
Foreign currency gains(-)/losses(+)	9	-102	216	-36	-122	130	-29
<b>Adjusted EBITDA</b>	<b>1,428</b>	<b>589</b>	<b>3,301</b>	<b>2,085</b>	<b>3,399</b>	<b>4,615</b>	<b>2,834</b>

Adjusted EBITDA is a non-IFRS measure. We present Adjusted EBITDA in this report because we believe that it and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. Our Adjusted EBITDA may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. In particular, Adjusted EBITDA is not a measurement of our performance or liquidity under IFRS and should not be considered as an alternative to operating profit or net profit or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

### Financial debt breakdown

MSEK	September		Full year 2016
	2017	2016	
Revolvning credit facility <sup>1</sup>	4,878	5,574	5,080
Bank overdraft	-	177	103
Transaction expenses	-316	-417	-392
Other liabilities, interest bearing	18	23	19
<b>Total Financial Debt - Preem</b>	<b>4,580</b>	<b>5,357</b>	<b>4,810</b>
Senior Notes	5,953	5,990	5,953
Transaction expenses	-220	-280	-265
Subordinated Notes	2,524	2,338	2,422
Other loans from shareholder	2,130	3,083	2,829
<b>Total Financial Debt - Corral</b>	<b>10,387</b>	<b>11,131</b>	<b>10,939</b>
<b>Total Financial Debt - Group</b>	<b>14,967</b>	<b>16,487</b>	<b>15,749</b>
Cash and cash equivalents <sup>2</sup>	-825	-543	-1,030
<b>Total Financial Net Debt</b>	<b>14,142</b>	<b>15,945</b>	<b>14,719</b>
<b>Leverage ratio<sup>3</sup></b>	<b>2.1</b>	<b>4.0</b>	<b>3.0</b>

<sup>1</sup> None is due within 12 months as at September 30, 2017

<sup>2</sup> 449 MSEK (42 MEUR and 52 MSEK) segregated account

<sup>3</sup> Transaction expenses are excluded in the leverage ratio.