CORRAL PETROLEUM HOLDINGS AB (PUBL)

ANNUAL REPORT AND ACCOUNTS
2012

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "intends," "may," "will" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, our financial condition and liquidity, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this Annual Report. In addition, even if our results of operations, our financial condition and liquidity, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Annual Report, those results or developments may not be indicative of results, conditions or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- our substantial indebtedness and limitations on our operational flexibility arising under agreements governing our debt;
- volatility in refining margins and in market prices for crude oil and refined products;
- changes in global economic conditions and capital markets;
- our ability to obtain sufficient short-term credit to finance our spot market crude oil purchases and long-term credit to finance our future capital expenditures;
- the competitive nature of our industry;
- operational hazards and our dependence on key refinery assets;
- our ability to comply with existing or newly implemented environmental regimes in the countries in which we operate;
- our liability for violations, known and unknown, under environmental, occupational health and safety, and other laws;
- our ability to remediate contaminated sites within budgeted amounts;
- our ability to hedge against currency, commodity and interest rate risks;
- loss of key management;
- labor disruptions; and
- economic disruptions in the countries in which we, our suppliers and our customers operate.

We urge you to read the sections of this Annual Report entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Annual Report may not occur.

All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements. We undertake no obligation to publicly update or publicly revise any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Annual Report.

PRESENTATION OF INDUSTRY AND MARKET DATA

We have generally obtained the market and competitive position data in this Annual Report from industry publications and from surveys or studies conducted by third party sources that we believe to be reliable, including Solomon's Fuels Refinery Performance Analysis, the Swedish Petroleum Institute, the Swedish Statistical Central Bureau, Bloomberg and Platts. Where we have sourced information from any third party, this information has been accurately reproduced and, as far as we are aware and are able to ascertain from information published by such third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

In addition, in many cases we have made statements in this Annual Report regarding our industry and our position in the industry based on our experience and our own investigation of market conditions. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information has been verified by any independent sources.

CURRENCY PRESENTATION AND DEFINITIONS

Currency Presentation

In this Annual Report:

- "$," "dollar" or "U.S. dollar" refers to the lawful currency of the United States;
- "€" or "euro" refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time; and
- "SEK," "krona" or "kronor" refers to the lawful currency of Sweden.

Definitions

In this Annual Report, unless otherwise provided below:

- "2008 Credit Facility" refers to the combined SEK 7,200 million and $1,783 million revolving credit and term loan facility for Preem pursuant to a facilities agreement dated September 17, 2008, among Preem, as borrower, Merchant Banking, Skandinaviska Enskilda Banken AB (publ), Handelsbanken Capital Markets and Svenska Handelsbanken (AB) (publ), as mandated lead arrangers, and certain other financial institutions as lenders; Merchant Banking and Skandinaviska Enskilda Banken AB (publ), as facility agent (the "Facility Agent"), Skandinaviska Enskilda Banken AB (publ) as factoring bank and Svenska Handelsbanken AB (publ) as issuing bank, as amended and supplemented from time to time, and which was canceled and repaid in full on September 14, 2011;
- "2011 Credit Facility" refers to the $1,850 million (equivalent) revolving credit facilities (of which $73 million (equivalent) is uncommitted working capital facilities) and $650 million (equivalent) term loan facilities for Preem pursuant to a facilities agreement dated September 14, 2011 among Preem, as borrower, Danske Bank A/S Danmark, Sweden Branch, DnB NOR Bank ASA, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ), Svenska Handelsbanken AB (publ) and Swedbank AB (publ) as coordinating mandated lead arrangers and lenders, Skandinaviska Enskilda Banken AB (publ), as facility agent, Skandinaviska Enskilda Banken AB (publ) as factoring bank and Svenska Handelsbanken AB (publ) as fronting bank;
- "2011 Notes" refers to the dollar-denominated Varying Rate Senior Secured Notes due 2011 issued by Corral Petroleum Holdings on May 6, 2010 and the euro-denominated Varying Rate Senior Secured Notes due 2011 issued by Corral Petroleum Holdings on May 6, 2010, a portion of which were exchanged for 2017 Notes pursuant to the Refinancing Transactions on September 14, 2011 and the remainder of which were repaid on September 19, 2011;
- "2017 Dollar Notes" refers to the approximately $168.5 million in original principal amount of 15% Senior Dollar Notes due 2017 issued by Corral Petroleum Holdings on September 14, 2011;
- "2017 Euro Notes" refers to the approximately €135.6 million in original principal amount of 15% Senior Euro Notes due 2017 issued by Corral Petroleum Holdings on September 14, 2011;

- "2017 Notes" refers to the 2017 Dollar Notes and 2017 Euro Notes;
- "2019 Subordinated Notes" refers to the euro denominated Varying Rate Subordinated Notes due 2019 (originally issued in an aggregate principal amount of €78,588,101) and to the dollar denominated Varying Rate Subordinated Notes due 2019 (originally issued in an aggregate principal amount of $35,058,579) issued by Corral Petroleum Holdings;
- "Additional 2017 Notes" refers to the 2017 Notes issued under the Indenture either in payment of PIK Interest on the 2017 Notes or in payment of Additional Amounts (in each case, in accordance with the terms of the Indenture) and having the same terms and conditions as the 2017 Notes;
- "Affiliate" of any specified person refers to any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "control" when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing; provided that beneficial ownership of 10% or more of the voting stock of a person shall be deemed to be control;
- "Cash Interest" refers to the 2% interest rate on the 2017 Notes that is payable in cash from January 1, 2013 through and including December 31, 2013;
- "CMH" refers to Corral Morocco Holdings AB, a wholly owned subsidiary of Corral Morocco Gas & Oil;
- "Collateral" or "Share Pledge" refers to pledge in favor of the holders of the 2017 Notes over the shares of Corral Petroleum Holdings;
- "Corral Morocco Gas & Oil" refers to Corral Morocco Gas & Oil AB, a wholly owned subsidiary of Moroncha Holdings;
- "Corral Petroleum Holdings" or "CPH" refers to Corral Petroleum Holdings AB (publ);
- "EU" refers to the European Union;
- "Exchange Offer and Consent Solicitation" refers to the Exchange Offer and Consent Solicitation in connection with the 2011 Notes that closed on September 14, 2011;
- "Former Corral Petroleum Holdings" refers to the direct, wholly owned subsidiary of Corral Petroleum Holdings, which was merged into Preem on October 30, 2008;
- "IFRS" refers to the International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB") as adopted by the EU;
- "Indenture" refers to the indenture governing the 2017 Notes dated September 14, 2011 by and among, *inter alios*, Corral Petroleum Holdings, Deutsche Trustee Company Limited, as Trustee, Deutsche Bank AG, London Branch, as Principal Paying Agent, Transfer Agent and Security Agent, Deutsche Bank Trust Company Americas as U.S. Paying Agent, U.S. Registrar and Transfer Agent and Deutsche Bank Luxembourg S.A. as Registrar and Luxembourg Paying Agent;
- "Intercreditor Agreement" refers to the intercreditor agreement dated September 14, 2011 by and among, *inter alios*, Preem, the Trustee, the Security Agent, the facility agent and security agent under the New Credit Facility;
- "Moroncha Holdings" refers to Moroncha Holdings Co. Limited, the parent company of Corral Petroleum Holdings;
- "Preem" refers to Preem AB (publ), the direct, wholly owned subsidiary of Corral Petroleum Holdings;
- "Preem group" refers to Preem and all of its subsidiaries;
- "Refinancing Transactions" refers to (i) the Exchange Offer and Consent Solicitation, including the issuance of the 2017 Notes, which closed on September 14, 2011 (ii) the contribution in cash of $600 million by the Ultimate Shareholder to the Group, by way of a subordinated loan; (iii) the refinancing of the 2008 Credit Facility with the proceeds of the 2011 Credit Facility and a portion of the proceeds of the $600

million of cash contribution by the Ultimate Shareholder to the Group and (iv) the 2019 Subordinated Notes Amendment;

- "Subordinated Indenture" refers to the indenture governing the 2019 Subordinated Notes;
- "Trustee" refers to Deutsche Trustee Company Limited;
- "Ultimate Shareholder" refers to Mohammed Hussein Al-Amoudi;
- "United States" or the "U.S." refers to the United States of America; and
- "we," "us," "our," "Group" and other similar terms refer to Corral Petroleum Holdings and its consolidated subsidiaries, including Preem, except where the context otherwise requires.

In the petroleum refining industry, crude oil and refined product amounts are generally stated in cubic meters ("m^3") or barrels, each of which is a unit of volume, or in metric tonnes ("tons"), a unit of weight, depending on the product and the reason for which the amount is being measured. These volumes may be expressed in terms of barrels. A barrel ("bbl") contains 42 U.S. gallons. We have converted cubic meters to barrels at the rate of 1 cubic meter=6.2898 barrels.

PRESENTATION OF FINANCIAL INFORMATION

This Annual Report includes our audited consolidated financial statements as of and for the years ended December 31, 2011 and 2012, and for comparative purposes, our audited consolidated financial information as of and for the year ended December 31, 2010. Our consolidated financial statements have been prepared in accordance with international financial reporting standards, adopted pursuant to the procedure of Article I of Regulation (EC) No. 1606/2002 ("IFRS").

Our consolidated financial statements are presented in Swedish kronor.

Non-IFRS Financial Measures

This Annual Report contains non-IFRS measures, including EBITDA, Adjusted EBITDA and net debt that are not required by, or presented in accordance with, IFRS. We present non-IFRS measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures 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. Non-IFRS measures such as EBITDA, Adjusted EBITDA and net debt are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to operating income 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.

Some financial information in this Annual Report has been rounded and, as a result, the numerical figures shown as totals in this Annual Report may vary slightly from the exact arithmetic aggregation of the figures that precede them.

EXCHANGE RATE INFORMATION

We publish our financial statements in kronor. For your convenience, this Annual Report presents translations into euro of certain krona amounts at the Swedish Central Bank's exchange rate for the krona against the euro on December 31, 2012 of €1.00=SEK 8.6166. The following chart shows, for the period from January 1, 2010 through December 31, 2012, the period end, average, high and low Swedish Central Bank foreign exchange reference rate for cable transfers of euro expressed as kronor per €1.00.

	SEK per €1.00			
	High	**Low**	**Period average(1)**	**Period end**
Year				
2010	10.2735	8.9630	9.5413	9.0020
2011	9.3006	8.7095	9.0335	8.9447
2012	9.1575	8.2065	8.7053	8.6166

(1) With respect to each year, the average represents the average exchange rates on the last business day of each month during the relevant period.

On December 31, 2012, the Swedish Central Bank's exchange rate for the krona against the dollar was $1.00=SEK 6.5156. The following chart shows, for the period from January 1, 2010 through December 31, 2012, the period end, average, high and low Swedish Central Bank foreign exchange reference rate for cable transfers of dollars expressed as kronor per $1.00.

	SEK per $1.00			
	High	**Low**	**Period average(1)**	**Period end**
Year				
2010	8.0650	6.5325	7.2049	6.8025
2011	6.9759	6.0050	6.4969	6.9234
2012	7.2850	6.5005	6.7754	6.5156

(1) With respect to each year, the average represents the average exchange rates on the last business day of each month during the relevant period.

On December 31, 2012, the European Central Bank exchange rate for the euro against the dollar was €1.00=$1.3194. The following chart shows, for the period from January 1, 2010 through December 31, 2012, the period end, average, high and low European Central Bank exchange reference rate for cable transfers of euro expressed as dollars per €1.00.

	$ per €1.00			
	High	**Low**	**Period average(1)**	**Period end**
Year				
2010	1.4563	1.1942	1.3262	1.3362
2011	1.4882	1.2889	1.3919	1.2939
2012	1.3454	1.2089	1.2848	1.3194

(1) With respect to each year, the average represents the average exchange rates on the last business day of each month during the relevant period.

The rates in the above tables may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Annual Report. Our inclusion of these exchange rates is not meant to suggest that any amount of the currencies specified above has been, or could be, converted into the applicable currency at the rates indicated or any other rate.

RISK FACTORS

In addition to the other information contained in this Annual Report, you should carefully consider the following risk factors pertaining to our business. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition, results of operations, cash flows or prices of our securities. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected. The selected order in which the following risks are presented does not have any significance in regard to the likelihood of their realization or the severity of their economic impact on us.

This Annual Report also contains forward-looking statements that involve risk and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Annual Report.

Risks related to our Business

Our substantial indebtedness could adversely affect our operations or financial results and prevent us from fulfilling our debt obligations.

We have and will continue to have a substantial amount of outstanding indebtedness and obligations with respect to the servicing of such indebtedness. As of December 31, 2012, our total debt on a consolidated basis (consisting of total long-term debt and total current debt) was SEK 19,899 million (€2,309 million) (including approximately €164 million and $203 million of 2017 Notes, €109 million and $48 million of 2019 Subordinated Notes and €9 million and $649 million of shareholder loans). Our substantial indebtedness could adversely affect our operations or financial results and could have important consequences for you. For example, such indebtedness could:

- restrict our ability to borrow money in the future for working capital, capital expenditures, acquisitions or other purposes;
- expose us to the risk of increased interest rates with respect to the debt we carry at variable interest rates;
- make us more vulnerable to economic downturns and adverse developments in our business;
- reduce our flexibility in responding to changing business and economic conditions, including increased competition in the oil and gas industry;
- limit our ability to take advantage of significant business opportunities, to respond to competitive pressures and to implement our business strategies; and
- make it more difficult for us to fulfill our obligations under the 2017 Notes and other agreements to which we are a party (see "Description of Certain Indebtedness") and our failure to fulfill any such obligation could result in a breach, or otherwise a default under the related obligation which could, in turn, result in a cross-default under our other indebtedness.

We breached certain financial covenants under the 2008 Credit Facility in the past, and while the 2011 Credit Facility provides more flexibility in terms of the financial ratios and other covenants we are required to comply with compared to the 2008 Credit Facility, there can be no assurances that we will not breach such covenants, or any other related obligations in the future.

Corral Petroleum Holdings is a holding company with no revenue generating operations of its own. Corral Petroleum Holdings depends on its subsidiaries and shareholder to distribute cash to it, and its ability to pay Cash Interest on the 2017 Notes depends fully on it receiving cash from its subsidiaries.

Corral Petroleum Holdings is a holding company. As a holding company, to meet its debt service and other obligations, including payment of Cash Interest, Corral Petroleum Holdings is dependent upon dividends, permitted repayment of intercompany debt, if any, and other transfers of funds from Preem. Substantially all of Corral Petroleum Holdings' assets consist of 100% of the share capital of Preem.

Under the 2011 Credit Facility, the ability of Preem to declare dividends or otherwise transfer any funds to Corral Petroleum Holdings is subject to a number of restrictions, including, without limitation, certain liquidity requirements, as further described elsewhere in this Annual Report. See "Description of Certain Indebtedness—2011 Credit Facility."

Additional restrictions on the distribution of cash to Corral Petroleum Holdings and in particular, from Preem, arise from, among other things, applicable corporate and other laws and regulations and by the terms of other agreements to which Preem is or may become subject. Under Swedish law, Preem may only pay a dividend to the extent that it has sufficient distributable equity according to its adopted balance sheet in its latest annual report (subject to any adjustments of the distributable equity after the balance sheet date); provided, however, that any distribution of equity may not be made in any amount which, considering the requirements on the size of its equity in view of the nature, scope and risks of the business as well as the financing needs of Preem or the Preem group, including the need for consolidation, liquidity or financial position of Preem and the Preem group, would not be defendable.

As a result of the above, Corral Petroleum Holdings' ability to service Cash Interest payments or other cash needs is considerably restricted. Pursuant to the terms of the 2011 Credit Facility, Preem would not be currently permitted and is not permitted to pay a dividend until all fees under the 2011 Credit Facility have been paid in full, which is expected not to occur before June 27, 2013. If Preem is unable to pay dividends or otherwise transfer funds to Corral Petroleum Holdings and equity contributions from Corral Petroleum Holdings' parent company, Moroncha Holdings, or its shareholder, are not forthcoming, then Corral Petroleum Holdings will be unable to pay Cash Interest on the 2017 Notes and will be required to pay interest in the form of Additional 2017 Notes.

Our ability to generate cash depends on many factors beyond our control and, if we do not have enough cash to satisfy our obligations, we may be required to refinance all or part of our existing debt.

Our ability to meet our expenses and service our debt, including the payment of Cash Interest on the 2017 Notes, and the repayment of principal when due, depends particularly on dividends, permitted repayment of intercompany debt, if any, and other transfers of funds from Preem, and our ability to repay principal on the 2017 Notes when due may depend on equity contributions from Corral Petroleum Holdings' parent company, Moroncha Holdings, or its shareholder. Preem, our principal operating subsidiary, is affected by financial, business, economic and other factors, many of which we are not able to control. Moreover, the money generated from our subsidiaries' operations may not be sufficient to allow Preem to make dividends or other payments to Corral Petroleum Holdings, if so permitted in the future. In addition, tax and other considerations may effectively limit or restrict any future ability to receive dividends from Preem. If we do not receive sufficient equity contributions, if Preem continues to be unable to transfer funds to Corral Petroleum Holdings, including through dividends, or if we otherwise do not have enough money to repay the 2017 Notes when due, we may be required to refinance all or part of our existing debt, sell assets or borrow more money. If such a scenario were to occur, we may not be able to refinance our debt, sell assets or borrow more money on terms acceptable to us or at all. In addition, the terms of existing or future debt agreements, or potential joint venture, partnership or other alliance agreements, may restrict us from adopting any of these alternatives.

Prices for crude oil and refined products are subject to rapid and substantial volatility which may adversely affect our margins and our ability to obtain necessary crude oil supply.

Our results of operations from refining are influenced by the relationship between market prices for crude oil and refined products. We are dependent on third parties for continued access to crude oil and other raw materials and supplies.

We will not generate operating profit or positive cash flow from our refining operations unless we are able to buy crude oil and sell refined products at margins sufficient to cover the fixed and variable costs of our refineries. In recent years, both crude oil and refined product prices have fluctuated substantially. Based on data from Platts, in 2010 the price of Dated Brent crude oil increased from $79 per barrel at the beginning of 2010 to $93 per barrel at the end of December 2010. In 2011, the price of Dated Brent crude oil increased from $94 per barrel at the beginning of 2011 to $107 per barrel at the end of December 2011. In 2012, the price of Dated Brent crude oil has increased to $110 per barrel as of December 31, 2012. The price of Dated Brent crude oil was impacted in the spring and summer of 2012 reaching a high of approximately $128 per barrel due to several factors, including geopolitical events in Iran. During the summer of 2012, the price of Dated Brent crude oil declined in connection with concerns over the sovereign debt crisis in the Eurozone, with the price stabilizing at approximately $110 per barrel in the fall. As a result, our inventory of crude oil and refined products was exposed to fluctuations in price. We expect this volatility to continue. These fluctuations have had and will continue to have an impact on our results and on our compliance with the financial covenants of our lending arrangements. See "Description of Certain Indebtedness—2011 Credit Facility—Financial Covenants."

Prices of crude oil and refined products depend on numerous factors, including global and regional demand for, and supply of, crude oil and refined products, and regulatory, legislative and emergency actions of national, regional and local agencies and governments. Decreases in the supply of crude oil or the demand for refined products may adversely affect our liquidity and capital resources.

Supply and demand of crude oil and refined products depend on a variety of factors. These factors include:

- changes in global economic conditions, including exchange rate fluctuations;
- global demand for oil and refined oil products, such as diesel;
- political, geographic and economic stability in major oil-producing countries and regions in which we obtain our crude oil supplies, such as the North Sea and Russia;
- the ability and willingness of OPEC to regulate and influence crude oil production levels and prices;
- the cost of exploring for, developing, producing, processing and marketing crude oil, gas, refined products and petrochemical products;
- the availability and worldwide inventory levels of crude oil and refined products;
- increased trading by financial institutions in the commodity markets;
- the availability, price and suitability of competitive fuels;
- evolution of worldwide capacity and, in particular, refining capacity that relates to the petroleum products we refine;
- the extent of government regulation, in particular, as it relates to environmental policy;
- changes in the mandatory product specifications of the European Union and governmental authorities for refined petroleum products such as the EU Fuel Quality Directive;
- market imperfections caused by regional price differentials;
- local market conditions and the level of operations of other refineries in Europe;
- the cost and availability of transportation for feedstocks and for refined petroleum products and the ability of suppliers, transporters and purchasers to perform on a timely basis or at all under their agreements (including risks associated with physical delivery);
- seasonal demand fluctuations;
- expected and actual weather conditions and natural disasters;
- changes in technology; and
- the impact of environmental regulations.

These external factors and the volatile nature of the energy markets make oil-refining margins volatile. We estimate that a change of $1.00 per barrel in our refining margins would result in a corresponding change in our EBITDA of approximately SEK 800 million. During periods of rising crude oil prices, the cost of replenishing our crude oil inventories increases and, thus, our working capital requirements similarly increase. Generally, an increase or decrease in the price of crude oil results in a corresponding increase or decrease in the price of refined products, although the timing and magnitude of these increases and decreases may not correspond. During periods of excess inventories of refined products, crude oil prices can increase significantly without corresponding increases in refined products prices and, in such a case, refining margins will be adversely affected. Differentials in the timing and magnitude of movements in crude oil and refined product prices could have a significant short-term impact on our refining margins and our business, financial condition and results of operations.

In addition, the volatility in costs of fuel and other utility services, principally electricity, used by our refineries affects operating costs. Fuel and utility prices have been, and will continue to be, affected by factors outside our control, such as supply and demand for fuel and utility services in both local and regional markets. Future increases in fuel and utility prices may have a negative effect on our business, financial condition or results of operations.

We depend upon a small number of suppliers and rely on trade credit from our suppliers to provide a significant amount of our working capital.

We depend upon a small number of suppliers and expect to continue to rely on trade credit from our suppliers to provide a significant amount of our working capital. We buy 100% of our crude oil on the spot or term market. In the future, if our suppliers fail to provide us with sufficient trade credit in a timely manner, we may have to use our cash on hand or other sources of financing, which may not be readily available or, if available, may not be on terms acceptable or favorable to us which could have a material adverse effect on our business, financial condition or results of operations.

Increases in global refining and conversion capacity could increase the competition we face and harm our business.

Positive trends in the market for petroleum products in recent years have encouraged companies to increase their refining and conversion capacity. Although the implementation of any such capacity increases requires some time, further increases in global refining and conversion capacity that are not matched by increased demand can be expected to result in heightened competition, which could have a material adverse effect on our business, financial condition or results of operations.

Unfavorable general economic conditions have had and may continue to have a negative effect on our business, results of operations, financial condition, and future growth prospects.

The economies of Europe and elsewhere have experienced extreme pressure and disruption since August 2007, due largely to the stresses affecting the global financial system, which accelerated significantly in the second half of 2008 and into the first quarter of 2009, and then again in 2011 as concerns about the debt burden of certain Eurozone countries and the overall stability of the euro increased. Most major European countries, the United States and Japan suffered severe recessions that have had (and may continue to have) an adverse effect on consumer and business confidence and expenditure. During 2012, long term structural deficits in numerous European nations coupled with the deterioration of the economic outlook continued to subject weaker European nations to an ongoing liquidity and solvency crisis. Eurozone leaders have made numerous attempts to solve this debt crisis; but, to date, a sustainable long term solution has not been implemented and much uncertainty remains. Indeed, lower levels of economic activity during periods of recession often result in declines in energy consumption, including declines in the demand for and consumption of our refined products. This has caused and could continue to cause our revenues and margins to decline and could negatively affect our refining margins and our business, financial condition and results of operations. Although major economies started a recovery in late 2009 and continued to grow in 2010, should the global economy relapse into recession or should a new global and long-lasting economic recession occur, our business, strategy, and future prospects could be negatively affected with consequent further negative impacts on our business, financial condition or results of operations.

Our business is very competitive and increased competition could adversely affect our financial condition and results of operations.

We operate in a highly competitive industry and actions of our competitors could reduce our market share or profitability. Competition is based on the ability to obtain and process crude oil and other feedstocks at the lowest cost, refinery efficiency, refinery product mix and product distribution. We are not engaged in the petroleum exploration and production business and therefore do not produce any of our crude oil feedstocks. Competitors that have their own production are at times able to offset losses from refining operations with profits from production operations, and may be better positioned to withstand periods of depressed refining margins or feedstock shortages. In order to remain competitive, we must continue to upgrade our facilities, and we must monitor shifts in product demand. Our supply and refining segment competes principally with, among others, ST1 Refinery AB and AB Svenska Statoil, as well as with Neste Oil Corporation, who also have facilities to process larger volumes of lower-priced, high-sulphur heavy Russian crude. Our marketing segment, which includes the station and consumer division through which we sell gasoline and other refined products to retail customers, competes primarily with AB Svenska Statoil, OK-Q8 AB, ST1 Energy AB and ST1 Sverige AB. In addition, we compete with other industries that provide alternative means to satisfy the energy and fuel requirements of our industrial, commercial and individual consumers. Inability to compete effectively with these competitors or increased competition in the oil refining industry could result in a decrease in our market share or negatively impact on our refining margins, either of which could have a material adverse effect on our business, financial condition or results of operations.

We are faced with operational hazards as well as potential interruptions that could have a material adverse effect on our financial condition and results of operations.

Our operations are subject to all of the risks normally associated with oil refining, storage, transportation and distribution, including fire, mechanical failure and equipment shutdowns and other unforeseen events. In any of these situations, undamaged refinery processing units may be dependent on or interact with damaged sections of our refineries and, accordingly, are also subject to being shut down. In addition, damage to the pipelines transporting products to and from each of our refineries' processing facilities could cause an interruption in production at those facilities. Any of these risks could result in damage to or loss of property, suspension of operations, injury or death to personnel or third parties, or damage or harm to the environment. We depend on the cash flows from production from Preemraff Lysekil and Preemraff Gothenburg. Therefore, a prolonged interruption in production at either refinery would have a material adverse impact on our business, financial condition, results of operations and cash flow. As protection against these hazards, we maintain property, casualty, and business interruption insurance in accordance with industry standards. Although there can be no assurance that the amount of insurance carried by us is sufficient to protect us fully in all events, all such insurance is carried at levels of coverage and deductibles that we consider financially prudent. However, a major loss for which we are underinsured or uninsured could have a material adverse effect on our business, financial condition or results of operations.

In the future, we may not be able to maintain or obtain insurance of the type and amount we desire at reasonable rates. As a result of factors affecting the insurance market, insurance premiums with respect to renewed insurance policies may increase significantly compared to what we are currently paying. In addition, some forms of insurance may become unavailable in the future, or unavailable on the terms we believe are economically acceptable, the level of coverage provided by renewed policies may decrease, while deductibles and/or waiting periods may increase, compared to our existing insurance policies.

We are subject to governmental laws and regulations, including environmental laws, occupational health and safety laws, competition laws, energy laws and tax laws in Sweden and elsewhere, which may impact our business and results of operations.

We are subject to various supranational, national, regional and local environmental laws and regulations relating to emissions standards for, and the safe storage and transportation of, our products. We are also subject to EU and Swedish environmental regulations concerning refined products. Sweden has among the strictest environmental specifications in the EU. We are subject to strict EU environmental regulations. These regulations restrict the sulphur content of both gasoline and diesel and the aromatic content of gasoline and impose a CO2 emissions trading program. Manufacture of refined petroleum products has been included in the European Union list of sectors that are at risk of "carbon leakage." The issue of carbon leakage relates to the risk that companies in sectors subject to strong international competition might relocate from the European Union to third countries with less stringent constraints on greenhouse gas emissions. Without that definition there would not have been the possibility for free emission credits during the post-Kyoto period (2013–2020). On April 27, 2011, the European Commission adopted a decision on how free allowances that industrial installations will receive should be allocated from 2013. The decision sets out the rules, including the benchmarks of greenhouse gas emissions performance, to be used by Member States in calculating the number of allowances to be allocated for free annually in the industrial sector. The allowance allocation in the EU has not yet been determined, but we believe that the allocation of emission credits will be sufficient for the Preem refineries' total emissions of carbon dioxide. In addition, the EU adopted even stricter restrictions on the sulphur content of gasoline and diesel, which took effect on January 1, 2009. Although we already produce diesel and gasoline in compliance with the EU's 2009 specifications, we may be required to incur additional capital expenditures if more stringent standards are implemented in the future.

We are also subject to laws and regulations relating to, among other things, the production, discharge, storage, treatment, handling, disposal and remediation of crude oil and refined petroleum products and certain materials, substances and wastes used in our operations and other decontamination and remedial costs. For example, the system in the European Union for registration, evaluation and authorization of chemicals ("REACH") is among the most significant environmental issues affecting our operations. REACH required companies, including us, to register and perform risk assessments in relation to certain regulated substances. All of the substances Preem manufactures and sells into the European market were registered in 2010 as required under REACH. However, some of the substances we use or manufacture may become subject to authorization or additional restrictions for use under REACH, thereby making it more difficult or expensive to obtain and use them, in the case of substances we use, or to sell them, in the case of substances we manufacture. Our failure to comply with any of these requirements, which in some cases would constitute a criminal offense, would subject us (including individual members of management) to fines and penalties and may force us to modify our operations. In addition, we require a variety of permits to conduct our operations. From time to time, we must obtain, comply with, expand and renew permits to operate our facilities. Failure to do so could subject us to civil penalties, criminal sanctions and closure of our facilities. The risk exists that we will be unable to obtain or renew material permits or that obtaining or renewing material permits will require adopting controls or conditions that would result in additional capital expenditures or increased operating costs.

Our oil refining transportation and distribution activities are also subject to a wide range of supranational, national, regional and local occupational health and safety laws and regulations in each jurisdiction in which we operate. These health and safety laws change frequently, as do the priorities of those who enforce them. Any failure to comply with these health and safety laws could lead to criminal sanctions, civil fines and changes in the way we operate our facilities, which could increase the costs of operating our business.

We are subject to strict Swedish and European competition laws, which limit the types of supply, sales, marketing and cooperation arrangements we can enter into, and may subject us to fines, damages and invalidity of such agreements or certain provisions thereof. Legal action by the Swedish Competition Authority, other regulatory authorities or any related third party claims may expose us to liability for fines and damages.

Changes in legislation or regulations and actions by Swedish and other regulators, including changes in tax laws or administration and enforcement policies, may from time to time require operational improvements or modifications at, or possibly the closure of, various facilities or the payment of additional expenses, fines or penalties. We cannot predict the nature, scope or effect of legislation or regulatory requirements that could be adopted in the future or how existing or future laws or regulations will be administered or interpreted in the future.

From January 1, 2009, each of our refineries has been classified as an electricity intensive business. In 2012, pursuant to energy legislation, we submitted an application to Energimyndigheten (the Energy Authority) in order to maintain the classification of each of our refineries as an electricity intensive business, which was approved, and is valid from the beginning of 2013 through 2015. As a result, we will not need to purchase electricity certificates during that time period, which we estimate would otherwise cost us approximately SEK 30 million per annum. In addition, an extension of Preem’s dispension from obligation under Swedish law has been granted, allowing it to provide renewable fuel at 167 of its service stations. Preem has applied to renew its dispensation from obligation for an additional 18 stations through June 30, 2014. However, the dispensation will expire for 58 stations as of June 30, 2013 and will expire for the remaining 91 stations as of December 30, 2013. While we believe that this area of Swedish law may change in the near future, there can be no assurances that such changes will take effect in the near future or at all. Preem will apply for further extensions of these dispensations, but there can be no assurances that such extensions will be granted or that Preem will not have to make substantial capital expenditures to upgrade these stations upon expiration of the applicable dispensation. We estimate that the investment required would average approximately SEK 500,000 (€55,000) per station.

We expect that the refining business will continue to be subject to increasingly stringent environmental and other laws and regulations that may increase the costs of operating our refineries above currently projected levels and require future capital expenditures, including increased costs associated with more stringent standards for air emissions, wastewater discharges and the remediation of contamination. Consequently, we may need to make additional and potentially significant expenditures in the future to comply with new or amended environmental and energy laws and regulations. We may not have sufficient funds to make the necessary capital expenditures. Failure to make these capital expenditures could negatively impact our business, financial condition and results of operations. It is difficult to predict the effect of future laws and regulations on our financial condition or results of operations. We cannot assure you that environmental or health and safety liabilities and expenses will not have a material adverse effect on our business, financial condition or results of operations.

We may be liable for environmental damages, which could adversely affect our business or financial results and reduce our ability to pay interest and principal due on the 2017 Notes.

We believe that the risk of significant environmental liability is inherent in our business. We are subject to risks relating to crude oil or refined product spills, discharge of hazardous materials into the soil, air and water, and other environmental damage. Our feedstock and refined products are shipped to and from our refineries in tankers that pass through environmentally sensitive areas. An oil spill from a tanker in such areas would have an adverse impact on the environment, and could impact our reputation and our business. In our industry, there is an ever-present risk of accidental discharges of hazardous materials and of the assertion of claims by third parties (including governmental authorities) against us for violation of applicable law and/or damages arising out of any past or future contamination. In addition, construction of a motorway near the Sundsvall harbor is currently underway where we have non-operational storage chambers. We may be required to fund a portion of the costs associated with the remediation of the area; however, no claims or requests for remediation payments have been made to date. Environmental regulators may become aware of and, in some cases, investigate the existence of soil and groundwater contamination at our refineries, at some of our depot sites and at some sites where we previously had operations, which could lead to legal proceedings being initiated against us. The County Administrative Board of Västra Götelands Län may hold us partly liable for certain clean-up costs related to a drainage ditch on our property in Gothenburg. While we are unable to confirm the extent of any liability and associated potential clean-up costs until a ground investigation is performed, we do not expect such costs to be material.

Should there be any successful claim against us, we may have to pay substantial amounts in fees and penalties, for remediation, or as compensation to third parties, in each case, in respect of past or future operations, acquisitions or disposals. Any amounts paid in fees and penalties, for remediation, or as compensation to third parties would reduce, and could eliminate, the funds available for paying interest or principal on the 2017 Notes and for financing our normal operations and planned development.

We may be liable for environmental damage caused by previous owners of operations or properties that we have acquired, use or have used. We may be liable for decontamination and other remedial costs at, and in the vicinity of, most of the sites we operate or own and that we (and companies with which we have merged) have operated or owned, including following the closure or sale of, or expiration of leases for, such sites. We may be liable for decontamination and other remedial costs as a result of contamination caused in connection with the transportation and distribution of our products. In some instances, such as the closure of a number of our depots, we are currently unable to accurately estimate the costs of necessary remediation and may face significant unexpected costs, which could have a material adverse effect on our business, financial condition or results of operations.

Certain of our indebtedness bear interest at floating rates that could rise significantly, increasing our interest cost and debt and reducing our cash flow.

Borrowings under the 2011 Credit Facility bear interest at per annum rates equal to EURIBOR, LIBOR or STIBOR, adjusted periodically, (or in the case of short-term loans with a term of less than one week, at a base rate determined by reference to the factoring bank's cost of funds) plus a spread and mandatory costs. These interest rates could rise significantly in the future, increasing Preem's interest expense associated with these obligations and thus our debt, reducing cash flow available for capital expenditures and hindering Preem's ability to make payments on the 2017 Notes.

We are exposed to currency and commodity price fluctuations, which could adversely affect our financial results, liquidity and ability to pay interest and principal due on the 2017 Notes.

Our crude oil purchases are primarily denominated in dollars. Our revenues are primarily denominated in dollars and kronor. We publish our financial statements in kronor. As of December 31, 2012, our krona-denominated indebtedness totaled SEK 4,903 million (€569 million), our dollar-denominated indebtedness totaled $1,928 million (including approximately $252 million of 2017 Dollar Notes and 2019 Subordinated Notes and $649 million of shareholder loans) and our euro-denominated indebtedness totaled €282 million (including €272 million 2017 Euro Notes and 2019 Subordinated Notes and €9 million of shareholder loans).

As a result, fluctuations of these currencies against each other or against other currencies in which we do business or have indebtedness could have a material adverse effect on our business and financial results. We estimate that a 10% change in the U.S. dollar to kronor exchange rate would result in a corresponding change in our EBITDA of approximately SEK 400 million. From time to time, we use forward exchange contracts and, to a lesser extent, currency swaps to manage our foreign currency risk. We engage in hedging activities from time to time that could expose us to losses should markets move against our hedged position. Present or future management of foreign exchange risk may not be adequate and exchange rate fluctuations may have a material adverse effect on our business, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Fluctuations in Foreign Currency Exchange Rates."

Changes in the price of commodities, such as crude oil, can affect our cost of goods sold and the price of our refined products. Commodity price changes can also trigger a price effect on inventory, which can affect our revenues, gross profit and operating income. We enter into commodity derivative contracts from time to time to manage our price exposure for our inventory positions and our purchases of crude oil in the refining process, and to fix margins on certain future production. On occasion, we also enter into certain derivative contracts that are classified as "speculative" transactions.

To the extent these derivative contracts protect us against fluctuations in oil prices, they do so only for a limited period of time. Derivative contracts can also result in a reduction in possible revenue if the contract price is less than the market price at the time of settlement. Moreover, our decision to enter into a given contract is based upon market assumptions. If these assumptions are not met, significant losses or lost opportunities for significant gains may result. In all, the use of derivative contracts may result in significant losses or prevent us from realizing the positive impact of any subsequent fluctuation in the price of oil. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk."

Given the highly specialized and technical nature of our business, we depend on key management personnel that we may not be able to replace if they leave our company.

Our industry and our specific operations are highly specialized and technical and require a management team with industry-specific knowledge and experience. Our continued success is highly dependent on the personal efforts and abilities of our executive officers and refining managers, who have trained and worked in the oil refining industry for many years. Our operations and financial condition could be adversely affected if certain of our executive officers become unable to continue in or devote adequate time to their present roles, or if we are unable to attract and retain other skilled management personnel.

A substantial portion of our workforce is unionized, and we may face labor disruptions that would interfere with our refinery operations.

Our operations may be affected by labor disruptions involving our employees and employees of third-parties. Substantially all of our employees are represented by trade unions under collective bargaining agreements. We have maintained good relationships with the trade unions representing our employees in Sweden and have renegotiated many of our employee contracts in order to streamline our various employee agreements and create greater efficiency. We may be affected by strikes, lockouts or other significant work stoppages in the future, any of which could have a material adverse effect on our business, financial condition or results of operations.

We may be exposed to economic disruptions in the various countries in which we operate and in which our suppliers and customers are located, which could adversely affect our operations, tax treatment under foreign laws and our financial results.

Although we operate primarily in Sweden, our operations extend beyond Sweden. Through our supply and refining segment, we export refined products to certain countries in northwestern Europe, including Scandinavia, the United Kingdom, Germany, and the United States and, to a lesser extent, other markets. Additionally, we purchase the crude oil that we refine predominantly from Russia and the North Sea area. Accordingly, we are subject to legal, economic and market risks associated with operating internationally, purchasing crude oil and supplies from other countries and selling refined products to them. These risks include:

- interruption of crude oil supply;
- devaluations and fluctuations in currency exchange rates;
- imposition of limitations on conversion of foreign currencies or remittance of dividends and other payments by our foreign subsidiaries;
- imposition or increase of withholding and other taxes on remittances by foreign subsidiaries;
- imposition or increase of investment and other restrictions by foreign governments;
- failure to comply with a wide variety of foreign laws; and
- unexpected changes in regulatory environments and government policies.

It is difficult to compare our results of operations from period to period, which may result in misleading or inaccurate financial indicators and data relating to our business.

It is difficult to make period-to-period comparisons of our results of operations as a result of, among other things, changes in our business, fluctuations in crude oil and refined product prices, which are denominated in dollars, and fluctuations in our capital expenditures, which are primarily denominated in kronor. As a result, our results of operations from period to period are subject to currency exchange rate fluctuations, in addition to typical period-to-period fluctuations. In addition, we hold, on average, approximately 12 million barrels (gross volume) of crude oil and refined products on hand. Fluctuations in oil prices therefore have a direct effect on the valuation of our inventory and these fluctuations may impact our results for a given period. For these reasons, a period-to-period comparison of our results of operations may not be meaningful.

We may incur liabilities in connection with our pension plans.

We have defined benefit and defined contribution pension plans under which we have an obligation to provide agreed benefits to current and former employees. The defined benefit plans, which are non-active, are both unfunded and funded. As of December 31, 2012, the unfunded benefit pension plan amounts to approximately SEK 112 million in respect of former, and to some extent, current employees. We pay approximately SEK 10 million per year, which has an impact on our cash and cash equivalents. The actuarial valuation, which is conducted annually according to IAS 19, shows approximately the same value. We also have a non-active funded defined benefit pension plan in respect of current and former employees. The actuarial valuation, which is conducted annually in accordance with IAS 19, resulted in a positive value on our consolidated balance sheet for the year ended December 31, 2012. However, our net liabilities under the pension plans may be significantly affected by changes in the expected return on the plans' assets, the rate of increase in salaries and pension contributions, changes in demographic variables or other events and circumstances. Changes to local legislation and regulation relating to pension plan funding requirements may result in significant deviations in the timing and size of the expected cash contributions under such plans. On May 27, 2010, we executed a guarantee for Preem's obligations under the defined pension plan to the insurance company that insures the unfunded amounts. There can be no assurance that we will not incur liabilities relating to our pension plans, and these additional liabilities could have a material adverse effect on our business, financial condition or results of operations.

Terrorist attacks and threats of war and actual conflict may negatively impact our business.

Terrorist attacks, events occurring in response to terrorist attacks, rumors, threats of war and actual conflict may adversely impact our suppliers, our customers and oil markets generally and disrupt our operations. As a result, there could be delays or losses in the delivery of supplies and raw materials to us, decreased sales of our products and delays in our customers' payment of our trade receivables. Energy-related assets, including oil refineries like ours, may be at greater risk of terrorist attack than other targets. It is possible that occurrences of terrorist attacks or the threat of war or actual conflict could result in government-imposed price controls. These occurrences could have an adverse impact on energy prices, including prices for our products, which could drive down demand for our products. In addition, disruption or significant increases in energy prices could result in government-imposed price controls. Any or a combination of these occurrences could have a material adverse effect on our business, financial condition or results of operations.

Risks related to our Capital Structure

The 2017 Notes are structurally subordinated to our subsidiaries' debt and other liabilities.

As of December 31, 2012, Corral Petroleum Holdings had total consolidated debt (consisting of long-term debt and total current debt) of SEK 19,899 million (€2,309 million), of which SEK 11,603 million (€1,347 million) was borrowed by wholly owned subsidiaries. Generally, creditors of a subsidiary will have a claim on the assets and earnings of that subsidiary superior to that of creditors of its parent company, except to the extent that the claims of the parent's creditors are guaranteed by a subsidiary. None of Preem or any other subsidiary of Corral Petroleum Holdings will guarantee the 2017 Notes. The 2017 Notes are structurally subordinated in right of payment to the existing and future debt and other liabilities of Preem and each of the other subsidiaries of Corral Petroleum Holdings.

In the event of any bankruptcy, liquidation or reorganization or similar proceeding relating to any of Corral Petroleum Holdings' subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Corral Petroleum Holdings. The 2017 Notes, therefore, are structurally subordinated to creditors of all direct and indirect subsidiaries of Corral Petroleum Holdings, whether or not the claims of such creditors are secured.

Your ability to benefit from the pledge of the shares of Corral Petroleum Holdings may be limited due to security interests granted to lenders under the 2011 Credit Facility and the principles regarding enforcement of collateral pursuant to the Intercreditor Agreement.

Our obligation to make payments on the 2017 Notes is secured only by a first priority pledge of all outstanding shares of capital stock of Corral Petroleum Holdings and, specifically, does not include a lien on the physical assets which comprise Preemraff Lysekil or Preemraff Gothenburg, or any other assets generating cash, or a pledge over the outstanding shares of capital stock of Preem, our principal operating subsidiary. Because the outstanding capital stock of Preem as well as a substantial portion of the assets of Preem, including Preem's refineries in Lysekil and Gothenburg as well as its inventory, insurance proceeds and trade receives are pledged under the 2011 Credit Facility, if you are a holder of 2017 Notes, your ability to recover assets based on the value of the pledge of the outstanding shares of capital stock of Corral Petroleum Holdings or any enforcement against the shares will be adversely affected to the extent creditors with claims against the shares of Preem, or assets of Preem, including the refineries, enforce their security interest, which will reduce the value remaining in the pledged shares of Corral Petroleum Holdings. In addition, pursuant to the terms of the Intercreditor Agreement, the Holders, or the Trustee acting on behalf of the Holders, will be subject to a 30-day standstill period prior to the enforcement of the Collateral for the 2017 Notes from the date of any event of default under the Indenture. The lenders under the 2011 Credit Facility will be subject to a reciprocal 30-day standstill period prior to the enforcement of the pledge over the shares in Preem by such lenders. For further details, see "Description of Certain Indebtedness—Intercreditor Agreement." In addition, upon an event of default under the 2011 Credit Facility, the lenders may enforce any and all of their security interests and dispose of the capital stock of Preem, foreclose on Preem's refineries in Lysekil and Gothenburg and enforce other security interests. In each case, Preem may be unable to operate its business.

The 2017 Notes and the 2011 Credit Facility contain a number of restrictive covenants, which may not allow us to repay or repurchase the 2017 Notes.

Our ability to comply with the restrictive covenants set forth in the Indenture, and the restrictive covenants set forth in the 2011 Credit Facility, may be affected by events beyond our control and we may not be able to meet these obligations. A breach of any of these covenants could result in a default under the Indenture or the 2011 Credit Facility and, potentially, an acceleration of our obligation to repay the 2017 Notes, amounts outstanding under the 2011 Credit Facility or the 2019 Subordinated Notes, and we may not have sufficient funds to repay such amounts, including the 2017 Notes.

If Corral Petroleum Holdings experiences a Change of Control, as defined in the Indenture, each holder of the 2017 Notes may require Corral Petroleum Holdings to repurchase all or a portion of that holder's 2017 Notes. At maturity, or if a Change of Control occurs, we may not have the funds to fulfill our obligations and may not be able to arrange for additional financing. If the maturity date or Change of Control or other obligation to offer to purchase the 2017 Notes occurs at a time when other arrangements prohibit us from repaying or repurchasing the 2017 Notes, we would try to obtain waivers of such prohibitions from the lenders under those arrangements, or we could attempt to refinance the borrowings that contain the restrictions. If we could not obtain the waivers or refinance these borrowings, we would be unable to repay or repurchase the 2017 Notes. Our failure to repay or repurchase the 2017 Notes would be an event of default under the Indenture and would, therefore, have a material adverse effect on us.

Corral Petroleum Holdings and its subsidiaries, including Preem, may be able to incur substantially more debt, which could further exacerbate the risks described above.

Preem is the borrower under the 2011 Credit Facility. Although the agreements governing many of our financing arrangements contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions. Thus, our subsidiaries may be able to incur substantial additional debt, including secured debt. Any future indebtedness of Preem or any other subsidiaries of Corral Petroleum Holdings whether or not secured will be structurally senior to the 2017 Notes. In addition, to the extent we incur additional indebtedness, the substantial leverage risks described above would increase.

We are controlled by one shareholder whose interests as they relate to us may conflict with your interests.

All of the share capital of Corral Petroleum Holdings is owned by Moroncha Holdings, and all of the share capital of Moroncha Holdings is owned by Mr. Mohammed Hussein Al-Amoudi. Our board of directors consists of designees of Moroncha Holdings, whose board of directors consists of designees of Mr. Al-Amoudi. Mr. Al-Amoudi is also the Chairman of the board of directors of Corral Petroleum Holdings and Preem. As a result, Mr. Al-Amoudi indirectly controls our operations and has the power to approve any action requiring shareholder approval (including adopting amendments to our articles of association and approving mergers or sales of all or substantially all of our assets). It is possible that the interests of Moroncha Holdings and Mr. Al-Amoudi, including as shareholders of Corral Petroleum Holdings, may conflict with your interests as noteholders.

If we incur substantial operating losses or a reduction in the value of our assets, we may be subject to liquidation under Swedish law, which would severely restrict our ability to meet our debt obligations.

In light of the several possible risks to our business discussed herein, including our debt denominated in foreign currency, we may record losses that would reduce our share capital. To the extent these reductions are substantial, we would need to take measures to avoid liquidation under the Swedish Companies Act (*Sw: Aktiebolagslagen (2005:551)*. Such measures could include, among other things, raising more equity from Mr. Al-Amoudi, who is under no obligation to contribute more equity. Losses to our share capital may lead to our liquidation under Swedish company law, which would constitute an event of default under the Indenture related to the 2017 Notes.

Under Swedish law, whenever a company's board of directors has a reason to assume that, as a result of losses or reductions in the value of the company's assets or any other event, the company's equity is less than half the registered share capital, the company's board of directors shall immediately prepare a special balance sheet (*Sw: kontrollbalansräkning*) and have the auditors examine it. The same obligation arises if the company in connection with enforcement pursuant to Chapter 4 of the Swedish Enforcement Code (*Sw: Utsökningsbalken (1981:774)* is found to lack seizable assets.

If the special balance sheet shows that the equity of such company is less than half of the registered share capital, the board of directors shall, as soon as possible, issue notice to call a general meeting which shall consider whether the company shall go into liquidation (*initial general meeting*). The special balance sheet and an auditor's report with respect thereto shall be presented at the initial general meeting.

If the special balance sheet presented at the initial general meeting fails to show that, on the date of such meeting, the equity of the company amounts to the registered share capital and the initial general meeting has not resolved that the company shall go into liquidation, the general meeting shall, within eight months of the initial general meeting, reconsider the issue whether the company shall go into liquidation (*second general meeting*). Prior to the second general meeting, the board of directors shall prepare a new special balance sheet and cause such to be reviewed by the company's auditors. The new special balance sheet and an auditor's report thereon shall be presented at the second general meeting.

A court of general jurisdiction shall order that the company go into liquidation where (i) a second general meeting is not held within the period of time stated above; or (ii) the new special balance sheet which was presented at the second general meeting was not reviewed by the company's auditor or fails to show that, on the date of such meeting, the equity of the company amounts to at least the registered share capital and the general meeting did not resolve that the company shall go into liquidation.

In such cases as referred to in the paragraph above, the board of directors shall petition the court for a liquidation order. The petition shall be submitted within two weeks from the second general meeting or, where such meeting has not been held, from the latest date on which the meeting should have been held. The issue of liquidation may also be considered upon petition by a member of the board of directors, the managing director, an auditor of the company or a shareholder.

English insolvency laws differ from U.S. insolvency laws and your rights as our creditor may not be as strong under English insolvency laws, which, in the event of our insolvency, may result in your claims remaining unsatisfied.

Corral Petroleum Holdings conducts some of its business on a regular basis in England and Wales. On that basis, an English court may be likely to conclude that Corral Petroleum Holdings has a "sufficient connection" with the United Kingdom and will have the requisite jurisdiction to exercise its discretion as to whether it should sanction a scheme of arrangement under Part 26 of the Companies Act 2006 (UK) pursuant to which Corral Petroleum Holdings enters into a compromise or arrangement with is creditors. A scheme is governed by English company law. English company law may differ from U.S. company law and your rights as our creditor may not be as strong under English company law as they may be under U.S. company law.

It is also possible that Corral Petroleum Holdings is held to have its "centre of main interest" ("CoMI") in the UK and to this extent, it may be able to pursue a company voluntary arrangement under Part I of the

Insolvency Act 1986. Moreover, the relevant English insolvency statutes empower English courts to make an administration order in respect of a company with its CoMI in England. An administration order can be made if the court is satisfied that the relevant company is or is likely to become "unable to pay its debts" and that the administration order is reasonably likely to achieve the purpose of administration. A company with its CoMI in England or the directors of such company may also appoint an administrator out of court, although the company must be unable to pay its debts at the time of such appointment. The purpose of an administration is comprised of three parts which must be looked at successively: rescuing the company as a going concern or, if that is not reasonably practicable, achieving a better result for the company's creditors as a whole or, if neither of those objectives are reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby, realizing property to make a distribution to secured or preferred creditors.

The rights of creditors, including secured creditors, are particularly curtailed in an administration. During the administration, no proceedings or other legal process may be commenced or continued against Corral Petroleum Holdings, except with leave of the court or consent of the administrator. In particular, upon the appointment of an administrator, no step may be taken to enforce security over the company's property, except with the consent of the administrator or the leave of the court.

In addition, an administrator is given wide powers to conduct the business and, subject to certain requirements under the Insolvency Act 1986, dispose of the property of a company in administration.

However, the general prohibition against enforcement by secured creditors without consent of the administrator or leave of the Court, and the administrators' powers with respect to floating and other security, does not apply to any security interest created or arising under a financial collateral arrangement within the meaning of the Financial Collateral Arrangements (No. 2) Regulations 2003 (UK). A financial collateral arrangement includes (subject to certain other conditions) a pledge over shares in a company, where both the collateral provider and collateral taker are non-natural persons.

Certain preferential claims, including unpaid contributions to occupational pension schemes in respect of the twelve month period prior to insolvency, and unpaid employees' remuneration in respect of the four month period prior to insolvency, will, while ranking behind the claims of holders of fixed security, rank ahead of floating charges under English insolvency law. In addition, a prescribed part of floating charge realizations (being 50% of the first £10,000 of net realizations and 20% of the net realizations hereafter, up to a maximum of £600,000) is required to be set aside for the benefit of unsecured creditors and, as such, ranks ahead of the relevant floating charge.

The English court may be likely to determine that it has jurisdiction to wind up Corral Petroleum Holdings as an unregistered company provided that the English court is satisfied that there is no other more appropriate jurisdiction for the winding up to take place and there will be a reasonable benefit to the creditors from the winding up in the English jurisdiction. The winding up of a company by the English court would involve the appointment of a liquidator under the Insolvency Act 1986 (UK).

Under English insolvency law, a transaction entered into by a company may be invalid or voidable in certain circumstances. The liquidator of a company may, among other things, apply to the court to unwind a transaction entered into by a company, if such company were unable to pay its debts (as defined in Section 123 of the Insolvency Act 1986 (UK)) at the time of, or as a result of, the transaction and enters into liquidation proceedings within two years of the completion of the transaction. A transaction might also be subject to a challenge in the following instances: (i) pursuant to Section 238 of the Insolvency Act 1986 (UK) if it was entered into by a company "at an undervalue," that is, it involved a gift by the company, or the company received consideration of significantly less value than the benefit given by such company; and/or (ii) pursuant to Section 239 of the Insolvency Act 1986 (UK) if it could be said that the transaction constituted a "preference." A company gives a preference to a person if (a) that person is one of the company's creditors or a surety or guarantor for any of such company's debts or other liabilities, and (b) that company does anything or suffers anything to be done which (in either case) has the effect of putting that person into a position which, in the event of a company going into insolvent liquidation, will be better than the position he would have been in if that thing had not been done.

A court generally will not intervene, however, if a company entered into the transaction in good faith for the purpose of carrying on its business, and that at the time it did so there were reasonable grounds for believing the transaction would benefit such company. We believe that the 2017 Notes are not be issued on terms that would amount to a transaction at an undervalue, and further, that the offering is in good faith for the purposes of carrying on our business, and that there are reasonable grounds for believing that the transaction will benefit us. We cannot assure you, however, that the issuance of the 2017 Notes will not be challenged by a liquidator or that a court would support our analysis.

Under English insolvency law, any interest accruing under or in respect of the 2017 Notes for any period from the date of commencement of liquidation proceedings could be recovered by holders of the 2017 Notes only from any surplus remaining after payment of all other debts proven in the liquidation.

Swedish insolvency laws differ from U.S. insolvency laws and your rights as our creditor may not be as strong under Swedish insolvency laws, which, in the event of our insolvency, may result in your claims remaining unsatisfied.

In any main insolvency proceedings initiated in Sweden against us, the insolvency laws of Sweden would normally apply to us. Under Swedish law, there is no consolidation in bankruptcies of the assets and liabilities of a group of companies. Each individual company would thus be treated separately by a bankruptcy administrator appointed by the local district court. The assets of our subsidiaries would first be used to satisfy the debts of each respective subsidiary and only the surplus (if any) would then benefit the parent company and the parent company's creditors. As a result, your ability to protect your interests as potential creditors of a parent of such subsidiary may not be as strong under Swedish law as it would be under U.S. law.

Rules of recovery under Swedish law may protect other creditors to your disadvantage.

Under Swedish law relating to recovery, it is possible that other creditors may claim that payments under the 2017 Notes should be voided as recoverable transactions. Under Swedish law, in the case of bankruptcy or company reorganization proceedings affecting Corral Petroleum Holdings, payments under the 2017 Notes (of principal or interest or otherwise) that are made less than three months before the application for bankruptcy or company reorganization proceedings is filed with the competent court may, in certain circumstances, be recovered if the payment is carried out:

- using unusual means of payment;
- prematurely; or
- in an amount that has caused a material deterioration of the debtor's financial position.

Payments that are deemed to be customary, having regard to the circumstances, are, however, permissible. It should be noted that this recovery provision also applies to any set-off if the creditor was not entitled to set-off in the debtor's bankruptcy.

Under Swedish law relating to recovery, any security granted may be recovered if (i) it was not provided for at the time the debt was created or if it was not transferred to the secured party without delay following the creation of such debt unless the security can nevertheless be considered ordinary having regard to the circumstances and (ii) it was transferred less than three months before the application for bankruptcy or reorganization. Should the secured party be considered to be closely related to the grantor, the relevant time period is less than two years before the application for bankruptcy or reorganization, but in that case the security will be recovered unless it is shown that the grantor was not, and did not by that measure become, insolvent.

A Swedish court could also determine that a recoverable transaction has taken place under the general provision on recovery whereby a payment under the 2017 Notes could be revoked if an agreement, transaction or other act, such as the issuance of the 2017 Notes is held to favor a creditor in an undue manner to the detriment of another creditor or to transfer property out of reach of the creditors or to increase the debt to the detriment of the creditors, provided that:

- the debtor was insolvent at the time the agreement, transaction or other act was concluded or the debtor became insolvent as a result of the transaction, by itself or combined with other circumstances; and
- the other party knew or should have known of the insolvency, as well as of the circumstances due to which the payment under the 2017 Notes favored a creditor in an undue manner.

However, under Swedish law, if such an agreement, transaction or other act is concluded earlier than five years before the application for bankruptcy or company reorganization was filed, the payment under the 2017 Notes could be revoked only if the party to the agreement, transaction or other act was someone related to the bankrupt or reorganized party, such as a group company.

Cypriot insolvency laws differ from U.S. insolvency laws and your rights against Moroncha Holdings may not be as strong under Cypriot insolvency laws, which, in the event of Moroncha Holdings' insolvency, may result in your claims remaining unsatisfied.

Moroncha Holdings, the parent company of Corral Petroleum Holdings, is a private company limited by shares, incorporated under the laws of Cyprus. Moroncha Holdings is in law a separate and distinct legal entity from its subsidiaries and its parent and is not liable for the debts incurred by a member of the group unless and to the extent it has secured such debts or if it has participated in the conduct of the subsidiaries' business with intent to defraud its creditors within the meaning of the companies law applicable to Cyprus ("Cyprus Companies Law").

The holders of the 2017 Notes take the risk that Moroncha Holdings might be wound up (declared insolvent). In the event of a Cyprus company's insolvency, persons in whose favor the company has pledged the shares it owns in other companies will (subject to issues related to fraudulent preferences) be secured creditors of the company and will have priority against unsecured creditors, provided, that the pledge has been validly constituted and registered with the Registry Office in Cyprus against Moroncha Holdings. Subject to the qualifications set out below, the commencement of insolvency proceedings against a Cyprus entity will not affect the validity of the security granted by it to the creditor and the creditor will be entitled to preferential satisfaction, but only out of the proceeds of the realization of the security interest and only after that the debts specified in Section 300 of the Cyprus Companies Law as having priority were satisfied. Under Section 300 of the Cyprus Companies Law, the following debts shall be paid in priority to all other debts of an insolvent company:

- local rates and government taxes and dues from the company;
- wages or salary due to persons in the employment of the company;
- compensation payable by the company to its employees for personal injuries sustained in the course of their employment; and
- accrued holiday remuneration becoming payable to the employees of the company.

Moreover, under the Cyprus Companies Law, any conveyance, charge, pledge, mortgage, delivery of goods, payment, execution or other transaction relating to company property made or done by or against a Cyprus company within six months before the commencement of its winding up by a court shall be deemed a fraudulent preference and be invalid, provided that the main purpose of the company was to prefer a particular creditor over other creditors and the transaction was voluntary. The transaction will be deemed to be fraudulent regardless of whether any moral blame attaches to the company. The risks of a transaction being invalidated as a fraudulent preference are greater where the transaction is made without any consideration or any pressure from the creditor sought to be preferred or are not commercially beneficial to the company. If the company is being wound up, the liquidator may challenge the payment or other transaction as fraudulent and unenforceable and seek to recover the payment made to the preferred creditor/invalidate the transaction.

Under Cyprus Companies Law, in a winding up of a company by the Court, any disposition of the property of the company, including shares in other companies and things in action made after the commencement of the winding up shall, unless the Court otherwise orders, be void. Where a company is being wound up by the Court, any attachment, sequestration, distress or execution put in force against the estate or effects of the company, including shares in other companies, after the commencement of the winding up shall be void to all intents. When a winding up order has been made or a provisional liquidator has been appointed in respect of a Cyprus company, no action or proceeding shall be proceeded with or commenced against the company except by leave of the Court and subject to such terms as the Court may impose.

Because Moroncha Holdings is a Cyprus company, it may be difficult for you to effect service of process or enforce judgments against it or its director.

Moroncha Holdings is incorporated under the laws of Cyprus as a holding company and its assets consist of shareholdings in subsidiaries which are located outside the United States and its sole director is not resident of the United States. As a result it may not be possible for investors to effect service of process within the United States upon Moroncha Holdings or its director, or to enforce against Moroncha Holdings judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws. We have been advised by our Cyprus counsel that the United States and Cyprus are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. According to such counsel, an enforceable judgment for the payment of monies rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not directly be enforceable in Cyprus. See “Service of Process and Enforcement of Civil Liabilities.”

Because Corral Petroleum Holdings is a Swedish company, it may be difficult for you to effect service of process or enforce judgments against it or any of its executive officers or directors.

Corral Petroleum Holdings is incorporated under the laws of Sweden and none of its directors and executive officers are residents of the United States. Furthermore, a substantial portion of the assets of Corral Petroleum Holdings and of the assets of such persons are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon Corral Petroleum Holdings or those persons, or to enforce against Corral Petroleum Holdings judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws. We have been advised by our Swedish counsel that the United States and Sweden are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments. According to such counsel, an enforceable judgment for the payment of monies rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not be automatically enforceable in Sweden.

CAPITALIZATION

The following table sets out the historic consolidated capitalization and cash and cash equivalents of Corral Petroleum Holdings as of December 31, 2012. You should read this table in conjunction with "Selected Consolidated Financial Data," "Description of Certain Indebtedness," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and the related notes, which are included elsewhere in this Annual Report.

	As of December 31, 2012		
	SEK	**€(1)**	**$(1)**
		(*in millions*)	
Cash and cash equivalents	646	75	99
Current Debt:			
2011 Credit Facility	1,428	166	219
Total current debt(2)	1,428	166	219
Long-term debt:			
2011 Credit Facility	10,176	1,181	1,558
2017 Notes	2,737	318	419
2019 Subordinated Notes	1,251	145	192
Shareholder loans	4,307	500	659
Total debt	19,899	2,309	3,047
Net debt	19,253	2,234	2,948
Total Equity	3,458	401	529
Total Capitalization	**22,711**	**2,636**	**3,478**

(1) We have translated kronor into euro at a rate of €1.00=SEK 8.6166 (exchange rate as of December 31, 2012 according to Swedish Central Bank) and euro into U.S. dollars at a rate of €1.00=$1.3194 (exchange rate as of December 31, 2012 according to European Central Bank). We have provided this translation solely for your convenience.

(2) Total current debt represents all debt under the 2011 Credit Facility that is due within 12 months.

SELECTED CONSOLIDATED FINANCIAL DATA

The following table presents our selected financial and other data as of and for the periods presented. The selected consolidated historical financial data presented in this section as of and for the years ended December 31, 2010, 2011 and 2012 have been derived from our audited consolidated financial statements and the related notes. Our audited consolidated financial statements as of and for the years ended December 31, 2011 and 2012, and, for comparative purposes, our audited consolidated financial information as of and for the year ended December 31, 2010, have been prepared in accordance with IFRS as adopted by the EU. The audited financial statements have been audited by KPMG AB, independent accountants.

You should read the data below together with the information included under the headings "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements as of and for the years ended December 31, 2011 and 2012 and the related notes, which are included elsewhere in this Annual Report.

	Year ended December 31, 2010		Year ended December 31, 2011		Year ended December 31, 2012	
	SEK	**€[1]**	**SEK**	**€[1]**	**SEK**	**€[1]**
			(in millions) (*audited*)			
Consolidated Statement of Operations Data:						
Net sales:	87,004	10,097	101,747	11,808	114,947	13,340
Excise duties	(9,748)	(1,131)	(10,193)	(1,183)	(9,859)	(1,144)
Sales revenue	**77,256**	**8,966**	**91,554**	**10,625**	**105,089**	**12,196**
Cost of goods sold	(74,204)	(8,612)	(89,470)	(10,383)	(101,514)	(11,781)
Gross profit/(loss)	**3,052**	**354**	**2,084**	**242**	**3,575**	**415**
Selling expenses	(656)	(76)	(716)	(83)	(694)	(81)
Administrative expenses	(495)	(57)	(497)	(58)	(559)	(65)
Other operating income	369	43	409	47	447	52
Other operating expenses	—	—	(306)	(36)	—	—
Operating profit/(loss)	**2,271**	**264**	**974**	**113**	**2,770**	**321**
Interest income	170	20	173	20	175	20
Other financial income[2]	46	5	11	1	(9)	(1)
Interest expense	(1,259)	(146)	(1,498)	(174)	(1,366)	(159)
Other financial expense[3]	516	60	(488)	(57)	712	83
Profit/(Loss) before taxes	**1,743**	**202**	**(828)**	**(96)**	**2,283**	**265**
Income taxes	(466)	(54)	211	24	(411)	(48)
Net profit/(loss)	**1,277**	**148**	**(617)**	**(72)**	**1,872**	217

	As of December 31, 2010		As of December 31, 2011		As of December 31, 2012	
	SEK	**€[1]**	**SEK**	**€[1]**	**SEK**	**€[1]**
			(in millions, except share data) (*audited*)			
Consolidated Balance Sheet Data:						
Cash and cash equivalents	603	70	355	41	646	75
Total tangible fixed assets, net	9,326	1,082	8,958	1,040	8,503	987
Total assets	27,683	3,213	30,445	3,533	29,274	3,397
Total current debt[4]	13,618	1,580	439	51	1,428	166
Total long-term debt[5]	1,012	117	18,055	2,095	18,471	2,144
Non-controlling interests	9	1	9	1	9	1
Shareholders' equity	2,196	255	1,578	183	3,449	400

	As of and for the year ended December 31, 2010		As of and for the year ended December 31, 2011		As of and for the year ended December 31, 2012	
	SEK	**€[1]**	**SEK**	**€[1]**	**SEK**	**€[1]**
			(in millions) (*audited*)			
Other Financial Data:						
EBITDA[6]	3,257	378	1,963	228	3,762	437
Adjusted EBITDA[7]	2,426	282	1,124	130	4,158	483
Depreciation	986	114	989	115	993	115
Total interest expense	1,259	146	1,498	174	1,366	159
Capital expenditure	710	82	948	110	575	67
Cash flow from operating activities	3,647	423	(1,616)	(188)	(221)	(26)
Total Preem debt[8]	9,671	1,122	10,503	1,219	11,603	1,347
Total Corral Petroleum Holdings AB debt[9]	4,959	576	7,991	927	8,295	963
Total debt[10]	14,630	1,698	18,494	2,146	19,899	2,309

(1) We have translated kronor into euro at the rate of €1.00=SEK 8.6166 (the exchange rate on December 31, 2012). We have provided this translation solely for your convenience.

(2) Other financial income includes exchange rate gains and miscellaneous financial income.

(3) Other financial expense includes exchange rate losses and miscellaneous expenses.

(4) Total current debt represents debt that is due within 12 months under 2011 Credit Facility. In our audited annual consolidated financial statements, total current debt is represented under current liabilities as "Borrowings."

(5) Total long-term debt excludes the current portion of long-term debt.

(6) EBITDA, which we define to mean operating income before depreciation and amortization, is not a measure of liquidity or performance calculated in accordance with IFRS and should not be considered as a substitute for operating earnings, net profit, cash flows from operating activities or other statements of operations or cash flow data computed in accordance with IFRS. We believe that EBITDA provides useful information to investors because it is a measure of cash flow and an indicator of our ability to finance our operations, capital expenditures and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Funds depicted by this measure may not be available for management's discretionary use or for service of payment of interest or principle on our outstanding indebtedness. Because all companies do not calculate EBITDA identically, the presentation of EBITDA may not be comparable to similarly entitled measures of other companies. EBITDA is also calculated differently from "Consolidated EBITDA" for purposes of various covenants applicable to us under the 2017 Notes. The following table presents a reconciliation of net income to EBITDA.

	Year ended December 31,		
	2010	**2011**	**2012**
		(*in millions SEK*)	
Net profit/(loss)	**1,277**	**(617)**	**1,872**
Add back:			
Income tax	466	(211)	411
Profit/(Loss) before taxes	**1,743**	**(828)**	**2,283**
Adjustments for:			
Depreciation and amortization	986	989	993
Other financial expense	(516)	488	(712)
Total interest expense	1,259	1,498	1,366
Interest income	(170)	(173)	(175)
Other financial income	(46)	(11)	9
EBITDA	**3,257**	**1,963**	**3,762**

(7) Adjusted EBITDA is defined as EBITDA further adjusted to exclude inventory gains and losses and foreign currency gains and losses and reflects the adjustments permitted in calculating covenant compliance under the 2011 Credit Facility. We believe that the inclusion of supplemental adjustments to EBITDA applied in presenting Adjusted EBITDA are appropriate to provide additional information to investors about certain material normalizing items and create a useful indicator of our ability to finance our operations, capital expenditures and other investments and our ability to incur and service debt. Funds depicted by this measure may not be available for management's discretionary use or for service of payment of interest or principle on our outstanding indebtedness. Because all companies do not calculate Adjusted EBITDA identically, the presentation of Adjusted EBITDA may not be comparable to similarly entitled measures of other companies. The following table presents a reconciliation of EBITDA to Adjusted EBITDA.

	Year ended December 31,		
	2010	**2011**	**2012**
		(*in millions SEK*)	
EBITDA	**3,257**	**1,963**	**3,762**
Add back:			
Inventory (gains)/ losses	(1,212)	(878)	85
Foreign currency (gains)/losses	381	(267)	311
Non-recurring items[(a)]	—	306	—
Adjusted EBITDA	**2,426**	**1,124**	**4,158**

(a) The Hydro Cracker project at Preemraff Lysekil was terminated in the fourth quarter of 2011 resulting in an expense of 306 MSEK.

(8) Total Preem debt includes total long-term debt and total current debt of Preem to credit institutions.

(9) 2017 Notes and 2019 Subordinated Notes issued by Corral Petroleum Holdings.

(10) Our total debt on a consolidated basis includes total long-term debt and total current debt to credit institutions and note holders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of our results of operations and financial condition for the years ended December 31, 2010, 2011 and 2012. The discussions regarding our results of operations are based on the audited consolidated financial statements as of and for the years ended December 31, 2011 and 2012, and for comparative purposes, our audited consolidated financial information as of and for the year ended December 31, 2010.

You should read this discussion in conjunction with our audited annual consolidated financial statements and the related notes, which audited consolidated financial statements as of and for the years ended December 31, 2011 and 2012 are included elsewhere in this Annual Report. We have prepared our consolidated financial statements in accordance with IFRS as adopted by the EU. The following analysis contains forward-looking statements about our future revenue, operating results and expectations that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of numerous factors, including the risks discussed in "Risk Factors" and elsewhere in this Annual Report.

Overview of the Business

We are the largest oil refining company in the Nordic region in terms of capacity. We conduct our business through our wholly owned operating company, Preem, which operates its business through two segments, a supply and refining segment and a marketing segment. We refine crude oil in Sweden and then market and sell refined products primarily in Sweden and other northwestern European markets, including Scandinavia, France, Germany and the United Kingdom, as well as the United States and, to a lesser extent, other markets. Our refineries represented approximately 80% of the refining capacity in Sweden and approximately 30% of the refining capacity in the Nordic region in 2012. We sell more refined products in Sweden than any of our competitors. In Sweden, we had the leading market share in 2012 in terms of sales volume of diesel, heating oil and fuel oil with approximately 36% of diesel sales, 41% of heating oil sales and 58% of fuel oil sales, according to the Swedish Statistical Central Bureau. In addition, our marketing segment's share of the Swedish retail gasoline and diesel markets in terms of sales volume were approximately 12% and 25%, respectively, in 2012, based on data from the Swedish Statistical Central Bureau.

Our supply and refining segment purchases and refines crude oil and then sells refined products wholesale to our marketing segment and to third parties. We also own a strategically located network of storage depots in Sweden. In 2012, our supply and refining segment sold approximately 82% (by value) of its products to third parties and 18% (by value) to our marketing segment as compared to 79% (by value) and 21% (by value), respectively, in 2011. For the years ended December 31, 2012, 2011 and 2010, our supply and refining segment had sales revenue of SEK 103,596 million (€ 12,023 million), SEK 90,052 million (€10,451 million) and SEK 76,050 million (€8,826 million) and operating income of SEK 3,095 million (€ 359 million), SEK 1,004 million (€117 million) and SEK 2,693 million (€313 million), respectively.

Our marketing segment consists of two divisions: a business-to-business division and a station and consumer division. The marketing segment resells refined products, wholesale, primarily in Sweden. We also sell our gasoline and diesel through approximately 360 Preem-branded manned and unmanned service stations, which are company-owned and dealer-operated, along with approximately 180 company-owned Såifa-branded diesel truck stops. For the years ended December 31, 2012, 2011 and 2010, our marketing segment had sales revenue of SEK 20,575 million (€2,388 million), SEK 20,528 million (€2,382 million) and SEK 16,822 million (€1,952 million) and operating income of SEK 433 million (€50 million), SEK 412 million (€48 million) and SEK 349 million (€41 million), respectively.

Key Factors Affecting Results of Operations

Our results of operations during the period under consideration have been primarily affected by the following factors.

Refining Margins

Oil refineries measure the financial performance of their operations by their margins. Prices for crude oil and refined products are subject to frequent and significant fluctuations. As a result, a refinery's sales revenue and cost of goods sold can vary significantly from period to period, even when the volume of crude oil purchased and refined products sold remain relatively constant. A refinery's sales revenue depends on refined product prices, currency fluctuations and throughput, which is a function of refining capacity and utilization. The cyclicality of refined product prices results in high volatility of sales revenue. Consequently, sales revenue, viewed alone, is not indicative of an oil refining company's results. Earnings and cash flow from refining are largely driven by gross and net margins, and a successful refinery strives to maintain its profit margins from year to year, notwithstanding fluctuations in the prices of crude oil and refined products. See "Business—Supply and Refining Operations—Raw Materials" and "—Quantitative and Qualitative Disclosures about Market Risk—Commodity Price Risk" elsewhere in this Annual Report.

"*Gross refining margin*" is the difference between the sales revenue received from the sale of refined products produced by a refinery and the cost of crude oil and (where relevant) other intermediate feedstocks processed by it. While crude oil costs in general are a function of supply and demand, there are many grades of crude oil and their relative prices vary. Like crude oil, different refined products vary in price. A refinery's gross refining margin is a measure of both the sophistication of the plant's design and its crude oil purchasing strategy (its ability to produce the most valuable refined product mix from the least costly crude oil). Thus, a refinery with a cracking facility, such as Preemraff Lysekil, that can produce a higher percentage of the lighter, higher-value fractions, will generally have a higher gross refining margin than a less complex facility, such as Preemraff Gothenburg.

"*Refining margin*" measures the ability of a refinery to cover the variable refining costs of its refining process in addition to the cost of crude oil purchases. Variable refining costs consist of volume-related costs, such as the cost of energy, catalysts, chemicals and additives.

"*Business margin*" is the difference between the cost of crude oil valued at the actual crude purchase price, plus variable refining costs in a given month, and the average market prices for refined products. The difference between refining margin and business margin is "timing effects." The timing inventory effect occurs due to the fact that we buy crude oil in the spot market, while the refining margin corresponds to average market prices.

"*Net cash margin*" is the business margin less the refinery's fixed expenses plus "sales other," such as storage tickets and harbor fees, excluding depreciation and other non-cash costs. Fixed expenses consist of, among others, personnel, maintenance, insurance and property costs. Net cash margin indicates the cash-generating capability of the refinery.

"*Net margin*" is the net cash margin less depreciation and reflects the overall profitability of the refinery.

Our refining margins are affected by numerous factors beyond our control, including the supply of and demand for crude oil and refined products, which, in turn, depend on a variety of factors, including the following:

- changes in global economic conditions, including exchange rate fluctuations;
- global demand for oil and refined oil products, such as diesel;
- political, geographic and economic stability in major oil-producing countries and regions in which we obtain our crude oil supplies, such as the North Sea and Russia;
- actions by OPEC to regulate crude oil production levels;
- the availability of crude oil and refined product imports;
- worldwide inventory levels of crude oil and refined products;
- the availability and suitability of competitive fuels;
- the extent of government regulation, in particular, as it relates to environmental policy;
- market imperfections caused by regional price differentials;
- local market conditions and the level of operations of other refineries in Europe;
- the ability of suppliers, transporters and purchasers to perform on a timely basis or at all under their agreements (including risks associated with physical delivery);
- seasonal demand fluctuations;

- expected and actual weather conditions;
- changes in technology; and
- the impact of environmental regulations.

These and other factors beyond our control are likely to play an important role in refining industry economics.

The following table shows the calculation of margins for Preemraff Lysekil and Preemraff Gothenburg for the years ended December 31, 2010, 2011 and 2012. In accordance with industry practice, the margins are expressed in dollars per barrel.

	Year ended December 31,				
	2010	2011	% Change	2012	% Change
	(in dollars, except % change)				
Preemraff Lysekil					
Gross refining margin $/bbl	5.80	4.90	(15)%	8.01	63%
Variable refining costs $/bbl	(0.70)	(0.82)	(18)%	(0.73)	(11)%
Refining margin $/bbl	5.10	4.08	(20)%	7.28	78%
Timing effects $/bbl	(0.02)	0.12	n/a	(0.04)	n/a
Business margin $/bbl	5.08	4.19	(17)%	7.24	73%
Sales other $/bbl	0.37	0.38	3%	0.35	(8)%
Fixed expenses excl. depr. $/bbl	(1.54)	(1.57)	(3)%	(1.45)	(8)%
Net cash margin, $/bbl	3.92	3.00	(23)%	6.14	105%
Depreciation $/bbl	(0.91)	(0.98)	(8)%	(0.92)	(6)%
Net margin, $/bbl	3.01	2.02	(33)%	5.23	159%
Total production (1,000 barrels)	70,663	74,071	5%	77,047	4%
Preemraff Gothenburg					
Gross refining margin $/bbl	2.31	0.63	(73)%	4.12	554%
Variable refining costs $/bbl	(0.50)	(0.59)	(8)%	(0.50)	(15)%
Refining margin $/bbl	1.81	0.03	(98)%	3.62	11,967%
Timing effects $/bbl	0.22	0.12	(46)%	(0.04)	n/a
Business margin $/bbl	2.03	0.15	(92)%	3.59	2,293%
Sales other $/bbl	0.11	0.21	86%	0.23	10%
Fixed expenses excl. depr $/bbl	(1.08)	(1.39)	(31)%	(1.15)	(17)%
Net cash margin, $/bbl	1.06	(1.03)	n/a	2.66	n/a
Depreciation $/bbl	(0.83)	(1.05)	(26)%	(0.84)	(20)%
Net margin, $/bbl	0.23	(2.08)	n/a	1.82	n/a
Total production (1,000 barrels)	42,135	34,564	(18)%	41,595	20%

In 2011, the global demand for refined products rose 0.8% compared to 2010 according to data from International Energy Agency. The increase is mainly attributable to the Asia/Pacific region. In 2011, our refining margins declined by 20% at Preemraff Lysekil and declined by 98% at Preemraff Gothenburg as compared to 2010. Refining margins during 2011 were negatively affected by maintenance work in Lysekil during April and weaker gasoline and fuel oil prices relative to crude oil prices.

In 2012, the global demand for refined products rose 1% compared to 2011 according to data from International Energy Agency. The increase is mainly attributable to continued growth in China. In 2012, our refining margins increased by $3.20/bbl to $7.28/bbl at Preemraff Lysekil and increased by $3.59/bbl to $3.62/bbl at Preemraff Gothenburg as compared to 2011. Refining margins in early 2012 were positively affected by a series of turnaround projects at competing refineries and the fact that Petroplus filed for insolvency. Petroplus was one of our competitors and we consider it to be the largest independent European refiner.

Price Effect on Inventories and Margins

The value of our inventories of crude oil and refined products is impacted by the effects of fluctuations in the market prices for crude oil and refined products. To the extent that crude oil and refined product prices rise in tandem, our gross profit would generally be positively affected because we compute the gross profit as the excess of sales revenue (determined at the time of sale at the higher refined product prices) over the cost of goods sold (determined at the earlier time the crude oil is purchased at lower prices). Conversely, a portion of the gross loss that we record during a period of falling prices may be attributable solely to the decrease in prices during the period after we buy the crude oil and prior to the time we finish refining it and sell it. Thus, our inventory is valued at the acquisition cost and the subsequent movements in the price of the refined product will have a corresponding impact on our gross profit. As of December 31, 2010, Dated Brent crude oil prices increased to approximately $93 per barrel, resulting in a price gain on inventory of SEK 1,212 million. In 2011, Dated Brent crude oil prices increased to approximately $107 per barrel, resulting in a price gain on inventory of SEK 878 million. In 2012, Dated Brent crude oil prices increased to approximately $110 per barrel, resulting in a price loss, after conversion into SEK, on inventory of SEK 85 million.

However, during periods of rising crude oil prices, the cost of replenishing our crude oil inventories and, thus, our working capital requirements similarly increase. Because changes in refined product prices tend to lag behind changes in crude oil prices, we generally experience the increased working capital requirements from higher crude oil prices sooner, and to a greater degree, than the benefits to our gross profit that may arise from selling products at higher refined product prices.

Depending on the rate and the duration of the increase, and the degree to which crude oil prices move more than refined prices, our gross profit margins may actually decline during periods of rising crude oil prices. During periods of declining crude oil prices, we believe that we experience the opposite effects. Both the crude oil market and the refined products markets are volatile.

We believe that, although the price effect on inventories may impact our results for a given period, over the long-term, the effects of rising and falling oil prices tend to offset each other. In addition we believe that, from a cash flow perspective, the effects of rising and falling oil prices on gross profit and working capital tend to offset each other. In comparing our results from period to period, we believe that it is important to note that these price effects on inventories are unrelated to, and do not reflect, the underlying efficiency of the refineries. We strive to minimize the impact on our profitability of the volatility in feedstock costs and refined product prices. See “Business—Supply and Refining Operations—Raw Materials” and “—Quantitative and Qualitative Disclosures about Market Risk—Commodity Price Risk.”

Fluctuations in Foreign Currency Exchange Rates

Our financial condition and results of operations are exposed to two types of risk related to foreign currency exchange rates, specifically translation risk and transaction risk. We are exposed to translation risk because a significant percentage of our sales and expenses are realized and incurred in currencies other than the krona, which is our reporting currency. We are also exposed to translation risk because certain of our assets and liabilities are denominated in currencies other than the krona. We are exposed to transaction risk because our revenues and costs are denominated in both the dollar and the krona.

Translation Risk

Revenues and Expenses. Substantial portions of our revenues and expenses are recorded in dollars and then translated into kronor for inclusion in our financial statements. Thus, a decline in the value of the dollar against the krona will have a negative effect on our revenues as reported in kronor, that is, the krona value of our dollar-denominated revenues will decline. Conversely, an increase in the value of the dollar against the krona will have a negative effect on our expenses as reported in kronor, that is, the krona value of our dollar-denominated expenses will increase.

Inventory. In the course of our ordinary operations, we store significant amounts of crude oil and refined products, the value of which is denominated in dollars because market prices for crude oil and refined products are typically denominated in dollars. Our total inventories, which are accounted for as part of our current assets, were SEK 10,069 million as of December 31, 2012. A decrease in the value of the dollar against the krona will result in a decrease in the value of our inventories, when expressed in kronor. Foreign exchange gains or losses on our inventory are included as part of cost of goods sold.

Indebtedness. As of December 31, 2012, approximately 63% of our total debt was denominated in dollars, 12% denominated in euros and 25% denominated in kronor. As a result, a decrease in the value of the dollar against the krona will result in a decrease in the krona value of our dollar-denominated indebtedness. Conversely, an increase in the value of the dollar against the krona will result in an increase in the krona value of our dollar-denominated indebtedness. Foreign exchange gains or losses on our indebtedness are included as part of financial expense, net.

Transaction risk

We are exposed to transaction risk because our revenues and expenses are denominated in both kronor and dollars. Accordingly, the relative movements of the krona/dollar exchange rate can significantly affect our results of operations. For example, an appreciation of the krona against the dollar may adversely affect our margins to the extent that our krona-denominated revenues do not cover our krona-denominated expenses. This risk is reduced by matching sales revenues and expenses in the same currency, which is generally the practice in our industry given the percentage of purchase and sales contracts that are denominated in dollars.

In addition, we are exposed to transaction risk in connection with our trade payables for crude oil purchases. If the dollar changes in value against the krona between the date of purchase and the date of payment, the difference in the krona value of our payment and the krona value of the trade payables would be recorded as a foreign exchange gain or loss in our results of operations. We face a similar risk with respect to our trade receivables for refined product sales.

Trend Information

Exchange rates. In 2010, the average value of the dollar against the krona decreased by approximately 6% and the average value of the dollar against the euro decreased by approximately 5%. In 2011, the average value of the dollar against the krona decreased by approximately 10% and the average value of the dollar against the euro increased by approximately 5%. In 2012, the average value of the dollar against the krona increased by approximately 4% and the average value of the dollar against the euro increased by approximately 8%. See "—Fluctuations in Foreign Currency Exchange Rates—Translation Risk" above.

Volatile crude oil prices. In 2010, Dated Brent crude oil prices ended the year at approximately $93 per barrel. In 2011, Dated Brent crude oil prices reached a high of approximately $127 per barrel in April and ended the year at approximately $107 per barrel. During 2012, Dated Brent crude oil prices reached a high of approximately $128 per barrel in March and ended the year at approximately $110 per barrel. Prices are expected to remain volatile in the future.

Margin outlook. Industry margins may be volatile in the future, depending primarily on price movements for crude oil and refined products, international political and economic developments.

Shift in refined product demand towards biofuels. Legislation and regulations, including with respect to taxation of refined products, have been implemented all over Europe, with Sweden in the forefront. The overall effect of such legislation has been the production of more environmentally-friendly products. An increase in transit commercial traffic and a growing trend to switch from gasoline to diesel cars in Western Europe has contributed to the increased demand for low-sulphur diesel. Furthermore, consumers have also begun to shift towards alternative heating sources. Thus, we anticipate that the demand for heating oil will continue to decrease, and, ultimately, that the market for heating oil for domestic heating will disappear. We are well-positioned to respond to these shifts in the demand for refined products by pursuing biofuel growth opportunities, which are accompanied by the added benefit of tax incentives. See "Business—Sustainable Business Initiatives." For example, during the first quarter of 2010, we shut down our mild hydrocracker at Preemraff Gothenburg for two months (until May 2010) in order to modify the unit to partly process renewable feedstock, which enables us to produce biofuel diesel, and we have decreased our production of heating oil at Preemraff Lysekil, a lower-margin product, and increased our production of virtually sulphur-free (10 parts per million) diesel, a higher-margin product, which has improved our overall refining margins.

Consolidation. Over the past several years, the Swedish oil refinery and oil retail industry has experienced noticeable consolidation as a result of industry mergers and acquisitions. The consolidation has reduced the number of competitors operating in the marketplace.

Explanation of Key Income Statement Items

Net Sales

Our net sales include excise duties, which are taxes on petroleum products that we collect at the point of sale and remit monthly, primarily to the Swedish government. The continuous collection of excise duties at the time of sale and the holding of such excise duties until we are obligated to remit them to the government enables us to use this cash to fund a significant portion of our working capital needs.

Sales Revenue

Sales revenue represents our net sales less the excise duties. Sales revenue also includes foreign exchange gains or losses on our trade receivables. In this discussion, we have provided sales revenue figures for our supply and refining segment and our marketing segment. The sales revenue of our supply and refining segment includes inter-company sales to the marketing segment and the sales revenue of our marketing segment includes the sales revenue received on the resale of such refined products. The inter-company sales between our supply and refining segment and our marketing segment are made at market rates. Since refined products are commodities, these sales could have been made to third parties at similar prices. We believe that the inclusion of these amounts in the sales revenue for our supply and refining segment properly reflects the results of these segments for purposes of comparison. These inter-company sales have been eliminated in our annual audited consolidated financial statements.

Cost of Goods Sold

Cost of goods sold consists of the cost of our crude oil and other feedstock purchases (including transportation costs) and direct production costs (including depreciation of equipment used in the refining process). Cost of goods sold also includes foreign exchange gains or losses on our inventory and our trade payables. We rely primarily on spot market purchases. We regularly monitor market conditions for various types of crude oil as well as demand for refined products.

Gross Profit/(Loss)

Gross profit/(loss) is our sales revenue less the cost of goods sold.

Selling and Administrative Expenses

Selling and administrative expenses consist primarily of the costs of sales and administrative personnel, advertising and promotions.

Other Operating Income

Other operating income consists of our sales of surplus heat, harbor fees, sales of storage certificates to other oil companies for their EU-imposed compulsory storage obligations, income from the rental of dealer-operated service stations and several other items, none of which is individually material. Our other operating income is largely attributable to our non-refining business.

Operating Profit/(Loss)

Operating profit/(loss) is gross profit net of the foregoing items and net of non-recurring items, if any. We have itemized the contributions to operating income of our supply and refining segment and our marketing segment.

Financial Expense

Financial expense, net, consists of interest income and expense, foreign exchange gains or losses on our indebtedness, and certain other items.

Income Taxes

Income taxes consist of current tax payable on the taxable profit for the year and deferred tax. We were subject to Swedish income tax of 26.3% in each of 2010, 2011 and 2012. From January 1, 2013, the income tax rate is 22.0%.

Non-controlling Interest

The non-controlling interest represents the minorities' interest in one of Preem's subsidiaries, Preem Gas. The non-controlling shareholder holds 30% of the outstanding shares of Preem Gas.

Results of Operations

Summary

The following table shows certain items from our audited consolidated financial statements for the years ended December 31, 2010, 2011 and 2012.

	Year ended December 31,				
	2010	2011	% Change	2012	% Change
	(in millions SEK, except % change)				
Consolidated Statement of Operations Data:					
Net Sales	87,004	101,747	17	114,947	13
Excise duties	(9,748)	(10,193)	5	(9,859)	(3)
Sales revenue	**77,256**	**91,554**	**19**	**105,089**	**15**
Cost of goods sold	(74,204)	(89,470)	21	(101,514)	13
Gross profit	**3,052**	**2,084**	**(32)**	**3,575**	**72**
Selling and administrative expenses	(1,150)	(1,213)	5	(1,252)	3
Other operating income	369	409	11	447	9
Other operating expenses	—	(306)	—	—	—
Operating profit	**2,271**	**974**	**(57)**	**2,770**	**184**
Financial expense, net[1]	(528)	(1,802)	241	(487)	(73)
Profit/(loss) before taxes	**1,743**	**(828)**	**N/A**	**2,283**	**N/A**
Income taxes	(466)	211	N/A	(411)	N/A
Net profit/(loss)	**1,277**	**(617)**	**N/A**	**1,872**	**N/A**

(1) Financial expense, net, consists of dividends received, interest income and expense, foreign exchange gains or losses on our indebtedness and certain other items.

The following table shows the sales revenue and operating profit for our business segments for each of the years ended December 31, 2010, 2011 and 2012.

	Year ended December 31, 2010		Year ended December 31, 2011		Year ended December 31, 2012	
	SEK	€[1]	SEK	€[1]	SEK	€[1]
	(in millions)					
Sales Revenue:						
Supply and refining[2]	76,050	8,826	90,052	10,451	103,596	12,023
Marketing	16,822	1,952	20,528	2,382	20,575	2,388
Exchange rate differences	(83)	(10)	17	2	(107)	(12)
Group eliminations	(15,533)	(1,803)	(19,043)	(2,210)	(18,976)	(2,202)
Total Sales Revenue[3]	**77,256**	**8,966**	**91,554**	**10,625**	**105,089**	**12,196**
Operating profit:						
Supply and refining	2,693	313	1,004	117	3,095	359
Marketing	349	41	412	48	433	50
Other non-allocated income (expense)[4]	(771)	(89)	(442)	(51)	(758)	(88)
Total operating profit	**2,271**	**264**	**974**	**113**	**2,770**	**321**

(1) We have translated kronor into euro at the rate of €1.00=SEK 8.6166 (the exchange rate on December 31, 2012). We have provided this translation solely for your convenience.

(2) Includes sales by our supply and refining segment to our marketing segment SEK 15,450 million (€1,793 million) for 2010, SEK 18,942 million (€2,198 million) for 2011 and SEK 18,913 million (€ 2,195 million) for 2012. These sales are made at market rates. Since refined products are commodities, these sales could have been made to third parties at similar prices. We believe that including these amounts in supply and refining segment sales revenue properly reflects the results of these segments for purposes of comparison. Such inter-company sales are eliminated in our audited annual consolidated financial statements.

(3) Total sales revenue is our net sales less excise duties, which are taxes collected at the point of sale by us and remitted to the governments of the countries in which we operate, primarily Sweden.

(4) In order to evaluate the performance of our segments, we allocate certain items as "non-allocated income (expense)." Specifically, we include in non-allocated income (expense) our "corporate cost center" and foreign exchange gains or losses related to our inventory and our trade payables/receivables. Our corporate cost center includes administrative and personnel-related expenses.

Year ended December 31, 2012 compared to the year ended December 31, 2011

Net Sales. Our net sales for the year ended December 31, 2012 were SEK 114,947 million, an increase of SEK 13,200 million, or approximately 13%, from SEK 101,747 million for the year ended December 31, 2011. This increase was primarily attributable to higher volumes sold as compared to the same period last year, and to some extent attributable to higher average exchange rates of the dollar against the krona.

Sales revenue. Sales revenue for the year ended December 31, 2012 was SEK 105,089 million, an increase of SEK 13,535 million, or approximately 15%, from SEK 91,554 million for the year ended December 31, 2011. As with net sales, this increase was primarily a result of higher volumes sold as compared to the same period last year, and to some extent attributable to higher average exchange rates of the dollar against the krona.

Sales revenue for our supply and refining segment increased by approximately 15% from SEK 90,052 million for the year ended December 31, 2011 to SEK 103,596 million for the year ended December 31, 2012 primarily as a result of higher volumes sold compared to same period last year, and to some extent attributable to higher average exchange rates of the dollar against the krona. Sales revenue for our marketing segment remained relatively constant from SEK 20,528 million for the year ended December 31, 2011 to SEK 20,575 million for the year ended December 31, 2012.

Cost of goods sold. Cost of goods sold for the year ended December 31, 2012 was SEK 101,514 million, an increase of SEK 12,044 million, or approximately 13%, from SEK 89,470 million for the year ended December 31, 2011. The increase was primarily attributable to higher volumes sold compared to same period last year, and to some extent attributable to higher average exchange rates of the dollar against the krona.

Gross profit. Gross profit for the year ended December 31, 2012 was SEK 3,575 million, an increase of SEK 1,491 million, or approximately 72%, from a gross profit of SEK 2,084 million for the year ended December 31, 2011. This increase was mainly a result of significantly higher average refining margins and to higher volume sold for the year ended December 31, 2012 compared to the year ended December 31, 2011. The price losses on inventories amounted to SEK 85 million for the year ended December 31, 2012 compared to price gains on inventories of SEK 878 million for the year ended December 31, 2011.

Selling and administrative expenses. Selling expenses for the year ended December 31, 2012 were SEK 694 million, a decrease of SEK 22 million, or approximately 3%, from SEK 716 million for the year ended December 31, 2011. The decrease in selling expenses was primarily a result of a decrease in trade receivables losses for the year ended December 31, 2012 compared to the corresponding period in 2011. Administrative expenses for the year ended December 31, 2012 were SEK 559 million, an increase of SEK 62 million, or approximately 12%, from SEK 497 million for the year ended December 31, 2011. The increase in administrative expenses was primarily a result of redundancy payments of approximately 50 MSEK in connection to the reduce of the number of positions at the refineries in Gothenburg and Lysekil for the year ended December 31, 2012 compared to the corresponding period in 2011.

Other operating income. Our other operating income for the year ended December 31, 2012 was SEK 447 million, an increase of SEK 38 million, or approximately 9%, from SEK 409 million for the year ended December 31, 2011. The increase was primarily attributable to increased sales of storage certificates for the year ended December 31, 2012 compared to the corresponding period in 2011.

Other operating expenses. Our other operating expenses for the year ended December 31, 2012 were SEK 0 million, a decrease of SEK 306 million, from SEK 306 million for the year ended December 31, 2011. The decrease is attributable to the termination of planned expenditures related to the cancellation of the Hydro Cracker project at Preemraff Lysekil in 2011.

Operating income. Operating income for the year ended December 31, 2012 was SEK 2,770 million, an increase of SEK 1,796 million, or approximately 184%, from SEK 974 million for the year ended December 31, 2011. The operating income of our supply and refining segment was SEK 3,095 million for the year ended December 31, 2012, an increase of SEK 2,091 million, or approximately 208%, from SEK 1,004 million for the year ended December 31, 2011. This increase was primarily a result of significantly higher average refining margins and to higher volume sold which were partially offset by lower price gains on inventory in 2012 compared to 2011.

Excluding price effects on inventory, our operating income amounted to SEK 2,855 million for the year ended December 31, 2012, an increase of SEK 2,759 million from SEK 96 million for the year ended December 31, 2011. The increase in our operating income was primarily attributable to significantly higher average refining margins and to higher volumes sold.

Our marketing segment generated an operating income of SEK 433 million for the year ended December 31, 2012, an increase of SEK 21 million from an operating income of SEK 412 million for the year ended December 31, 2011. The increase in the marketing segment's operating income was mainly a result of improved margins and higher volumes sold in the Station and Consumer division which were partially offset by lower volumes sold in the Business-to-Business division.

Financial expense, net. Our financial expense, net, for the year ended December 31, 2012 was SEK 487 million, a decrease of SEK 1,315 million from SEK 1,802 million for the year ended December 31, 2011. Financial expense, net, for the year ended December 31, 2012 was positively impacted by SEK 786 million in exchange rate gains, realized and unrealized, compared to an exchange rate loss of SEK 431 million for the year ended December 31, 2011. For the year ended December 31, 2012, interest expense amounted to SEK 1,366 million, a decrease of SEK 132 million from SEK 1,498 million for the year ended December 31, 2011, predominantly attributable to lower interest rates and lower average debt on our 2011 Credit Facility in Preem. Other financial expenses amounted to SEK 82 million for the year ended December 31, 2012, an increase of SEK 36 million from SEK 46 million for the year ended December 31, 2011.

Income taxes. Income taxes for the year ended December 31, 2012 were SEK 411 million, an increase of SEK 622 million from negative SEK 211 million for the year ended December 31, 2011. The increase was mainly attributable to an increase in profit before taxes for the year ended December 31, 2012 compared to the same period in 2011 which were partially offset by a reduction in tax provisions of SEK 198 million related to a decrease in tax rate from 26.3% to 22% as of January 1, 2013.

Net income/loss. Net income for the year ended December 31, 2012 was SEK 1,872 million, an increase of SEK 2,489 million from net loss of SEK 617 million for the year ended December 31, 2011 as a result of factors discussed above.

Year ended December 31, 2011 compared to the year ended December 31, 2010

Net Sales. Our net sales for the year ended December 31, 2011 were SEK 101,747 million, an increase of SEK 14,743 million, or approximately 17%, from SEK 87,004 million for the year ended December 31, 2010. This increase was primarily attributable to higher market prices for refined products compared to same period last year, which was offset to some extent by the weakening of the dollar against the krona and lower volumes sold.

Sales revenue. Sales revenue for the year ended December 31, 2011 was SEK 91,554 million, an increase of SEK 14,298 million, or approximately 19%, from SEK 77,256 million for the year ended December 31, 2010. As with net sales, this increase was primarily a result of higher market prices for refined products compared to the same period last year, which was offset to some extent by the weakening of the dollar against the krona and lower volumes sold. Sales revenue for our supply and refining segment increased by approximately 18% from SEK 76,050 million for the year ended December 31, 2010 to SEK 90,052 million for the year ended December 31, 2011 primarily as a result of higher market prices for refined products, which was offset to some extent by the weakening of the dollar against the krona and lower volumes sold. Sales revenue for our marketing segment increased by approximately 22% from SEK 16,822 million for the year ended December 31, 2010 to SEK 20,528 million for the year ended December 31, 2011. This increase was mainly attributable to higher market prices on both gasoline and diesel and higher volumes of diesel sold which was offset to some extent by lower volumes of gasoline sold.

Cost of goods sold. Cost of goods sold for the year ended December 31, 2011 was SEK 89,470 million, an increase of SEK 15,265 million, or approximately 21%, from SEK 74,205 million for the year ended December 31, 2010. The increase was primarily attributable to higher market prices for crude oil, which was offset to some extent by the weakening of the dollar against the krona.

Gross profit. Gross profit for the year ended December 31, 2011 was SEK 2,084 million, a decrease of SEK 968 million, or approximately 32%, from a gross profit of SEK 3,052 million for the year ended December 31, 2010. This decrease was mainly a result of lower average refining margins for the year ended December 31, 2011 compared to the year ended December 31, 2010, and, to a lesser extent, lower price gains for the year ended December 31, 2011 compared to the year ended December 31, 2010. The price gains amounted to SEK 878 million compared to SEK 1,212 million for the year ended December 31, 2010, representing a decrease of SEK 334 million, which was offset to some extent by the weakening of the dollar against the krona.

Selling and administrative expenses. Selling expenses for the year ended December 31, 2011 were SEK 716 million, an increase of SEK 60 million, or approximately 9%, from SEK 656 million for the year ended December 31, 2010. The increase in selling expenses was primarily a result of increases in advertising expenses mainly attributable to the marketing of a new refined product, Preem ACP Evolution Diesel. Administrative expenses for the year ended December 31, 2011 were SEK 497 million, an increase of SEK 2 million, or approximately 0.5%, from SEK 495 million for the year ended December 31, 2010. The increase in administrative expenses was primarily a result of an increase in pension costs in connection with the valuation of undefined pension plans in accordance with IAS 19 and IT costs for the year ended December 31, 2011 compared to the corresponding period in 2010.

Other operating income. Our other operating income for the year ended December 31, 2011 was SEK 409 million, an increase of SEK 40 million, or approximately 11%, from SEK 369 million for the year ended December 31, 2010. The increase was primarily attributable to increased sales of storage certificates for the year ended December 31, 2011 compared to the corresponding period in 2010.

Other operating expenses. Our other operating expenses for the year ended December 31, 2011 were SEK 306 million, an increase of SEK 306 million, from SEK 0 million for the year ended December 31, 2010. The increase is attributable to the termination of planned expenditures related to the cancellation of the Hydro Cracker project at Preemraff Lysekil.

Operating income. Operating income for the year ended December 31, 2011 was SEK 974 million, a decrease of SEK 1,297 million, or approximately 57%, from SEK 2,271 million for the year ended December 31, 2010. The operating income of our supply and refining segment was SEK 1,004 million for the year ended December 31, 2011, a decrease of SEK 1,689 million, or approximately 63%, from SEK 2,693 million for the year ended December 31, 2010. This decrease was primarily a result of lower average refining margins, lower price gains on inventory and the termination of planned expenditures amounting to SEK 306 million related to the cancellation of the Hydro Cracker project at Preemraff Lysekil.

Excluding price effects on inventory, our operating income amounted to SEK 95 million for the year ended December 31, 2011, a decrease of SEK 964 million from SEK 1,059 million for the year ended December 31, 2010. The decrease in our operating income was primarily attributable to lower average refining margins, and, to a lesser extent, lower volumes sold, a weaker dollar against the krona and the termination of planned expenditures amounting to SEK 306 million related to the cancellation of the Hydro Cracker project at Preemraff Lysekil.

Our marketing segment generated an operating income of SEK 412 million for the year ended December 31, 2011, an increase of SEK 63 million from an operating income of SEK 349 million for the year ended December 31, 2010. The increase in the marketing segment's operating income was mainly a result of improved margins and higher volumes sold in both the station and consumer division and the business-to-business division.

Financial expense, net. Our financial expense, net, for the year ended December 31, 2011 was SEK 1,802 million, an increase of SEK 1,274 million from SEK 528 million for the year ended December 31, 2010. Financial expense, net, for the year ended December 31, 2011 was negatively impacted by SEK 431 million in exchange rate losses, realized and unrealized, compared to a profit of SEK 820 million for the year ended December 31, 2010. For the year ended December 31, 2011, interest expense amounted to SEK 1,498 million, an increase of SEK 239 million from SEK 1,259 million for the year ended December 31, 2010, predominantly attributable to higher interest rates on the 2017 Notes, 2019 Subordinated Notes and the shareholder loans. Other financial expense amounted to SEK 46 million for the year ended December 31, 2011, a decrease of SEK 214 million from SEK 260 million for the year ended December 31, 2010.

Income taxes. Income taxes for the year ended December 31, 2011 were positive SEK 211 million, an increase of SEK 677 million from negative SEK 466 million for the year ended December 31, 2010. The increase was mainly attributable to a decrease in profit/loss before taxes for the year ended December 31, 2011 compared to the same period in 2010.

Net income/loss. Net loss for the year ended December 31, 2011 was SEK 617 million, a decrease of SEK 1,894 million from net income of SEK 1,277 million for the year ended December 31, 2010 as a result of factors discussed above.

Liquidity and Capital Resources

Overview

Our primary cash requirements include purchase of feedstocks, upgrade and maintenance projects, servicing indebtedness, funding construction and general working capital needs. Our primary sources of liquidity are available cash reserves, internal cash generation, long-term debt, short-term working capital financing and short-term use of excise duties collected. We operate in an environment in which liquidity and capital resources are impacted by changes in the prices for crude oil and refined products, and a variety of additional risks, including currency and regulatory risks. Historically, our cash and short-term credit have been sufficient to finance such purchases. We depend upon a small number of suppliers and expect to continue to rely on trade credit from our suppliers to provide a significant amount of our working capital. Preem benefits from up to $800 million of trade credits from a small number of suppliers for the purchase of crude oil. The trade credit lines are uncommitted and therefore there can be no assurances that Preem can continue to benefit from such credit lines.

As of December 31, 2010, 2011 and 2012, we had cash and cash equivalents of SEK 603 million (€70 million), SEK 355 million (€41 million) and SEK 646 million (€75 million), respectively. As of December 31, 2010, 2011 and 2012, our net debt was SEK 14,035 million (€1,629 million), SEK 18,138 million (€2,105 million) and SEK 19,253 million (€2,234 million), respectively. Our debt service obligations as of December 31, 2012 consisted of the 2011 Credit Facility, the 2017 Notes, the 2019 Subordinated Notes and the shareholder loans.

In line with our business plan, we believe that capital expenditures in 2013 will amount to approximately SEK 1,330 million (€154 million). We plan to make maintenance investments of approximately SEK 740 million (€86 million), including approximately SEK 500 million (€58 million), relating to the purchase of equipment that will be replaced during the 2013 turnaround at Preemraff Lysekil. We expect that profitability investments will amount to approximately SEK 370 million (€43 million), primarily related to improvements at Preemraff Lysekil. These investments include the construction of a liquefied natural gas terminal ("LNG terminal"), upgrades for increased Fluid Catalytic Cracker throughput, namely the replacement of Fluid Catalytic Cracker internals, and other improvements increasing energy efficiency. The remaining capital expenditures will be related to certain operational improvements, including investments in health, safety and environmental upgrades. Investments in safety and environmental upgrades are also required under Swedish law or by authorities. The next major turnaround maintenance is scheduled for the third quarter of 2013 at Preemraff Lysekil.

Cash flow

The table below shows a summary of our audited cash flow statements as of December 31, 2010, 2011 and 2012.

	Year ended December 31,		
	2010	**2011**	**2012**
		(in millions SEK)	
Cash flow from operating activities before changes in working capital	2,525	1,509	3,439
Cash flow in working capital:			
Decrease/ (increase) in inventories	50	(2,955)	826
Decrease/ (increase) in current receivables	(1,191)	(306)	58
(Decrease)/ increase in liabilities	2,263	136	(4,544)
Cash flow from/(used in) operating activities	**3,647**	**(1,616)**	**(221)**
Cash flow used in investment activities	(762)	(945)	(569)
Cash flow from/(used in) by financing activities	(3,090)	2,312	1,081
Total cash flow	**(205)**	**(248)**	**291**

Year ended December 31, 2012 compared to the year ended December 31, 2011

Cash flow from operating activities before changes in working capital increased by SEK 1,930 million, to SEK 3,439 million in 2012 compared to SEK 1,509 million in 2011. Adjustments for non-cash items were SEK 1,429 million in 2012 compared to SEK 2,536 million in 2011, a decrease of SEK 1,107 million. This change in adjustments for non-cash items is mainly attributable to unrealized exchange gains of SEK 612 million in 2012 compared to unrealized exchange losses of 310 in 2011, or a change of SEK 922 million. Taxes paid amounted to SEK 273 million in 2012 compared to SEK 199 million in 2011.

Cash flow used in operating activities after changes in working capital amounted to SEK 221 million in 2012 compared to cash flow used in operating activities of SEK 1,616 million in 2011, or a change of SEK 1,395 million. This change is attributable to an increase of cash flow generated from operating activities before changes in working capital as a result of higher income in 2012 compared to the same period 2011. Cash flow used in operating liabilities amounted to SEK 4,544 million in the year ended December 31, 2012 compared to cash flow from operating liabilities in 2011 of SEK 136 million, or a change of SEK 4,680 million. In 2012 operating liabilities decreased by SEK 4,544 million primarily due to lower volumes of unpaid crude oil as of December 31, 2012 compared to December 31, 2011. Cash flow from inventories amounted to SEK 826 million for the year ended December 31, 2012, primarily due to lower volumes. In 2011 cash flow used in inventories amounted to SEK 2,955 million, primarily due to higher market prices for crude oil and higher volumes held compared to December 31, 2010.

Cash flow used in investing activities in 2012 was SEK 569 million, a decrease of 376 MSEK, compared to SEK 945 million in 2011. This decrease in 2012 compared to 2011 is attributable to the planned maintenance turnaround at Preemraff Gothenburg in September 2011.

Cash flow from financing activities was SEK 1,081 million in 2012 compared to cash flow from financing activities of SEK 2,312 million in 2011. Loans (net) amounted to SEK 1,204 million in 2012 compared to repayment of loans (net) of SEK 1,145 million in 2011. No loans from shareholder were received in 2012 compared to SEK 4,091 million received in 2011.

Year ended December 31, 2011 compared to the year ended December 31, 2010

Cash flow from operating activities before changes in working capital decreased by SEK 1,016 million, from SEK 2,525 million in 2010 to SEK 1,509 million in 2011. Adjustments for non-cash items were SEK 2,536 million in 2011 as compared to SEK 789 million in 2010, an increase of SEK 1,747 million. This change in adjustments for non-cash items is mainly attributable to unrealized exchange rate losses in 2011 compared to unrealized exchange gains in 2010, the termination of planned expenditures related to the cancellation of the Hydro Cracker project and higher capitalized interest expense on the 2017 Notes as compared to the 2011 Notes. Taxes paid amounted to SEK 199 million in 2011, an increase of SEK 193 million compared to SEK 6 million for the same period in 2010, as a result of higher taxable income in 2010 paid during 2011.

Cash flow used in operating activities after changes in working capital was SEK 1,616 million in 2011, a decrease of SEK 5,263 million from cash flow from operating activities of SEK 3,647 million in 2010. The decrease in cash flow after changes in working capital is mainly attributable to an increase in inventory related to higher market prices for crude oil in 2011 as compared to the same period in 2010 and higher volumes held at December 31, 2011 as compared to December 31, 2010. The increase in inventory led to an increase in liabilities which, in turn, has been offset by large payments in 2011 for crude oil purchased late in December 2010.

Cash flow used in investing activities in 2011 was SEK 945 million, an increase of SEK 183 million, compared to SEK 762 million in 2010. The increase is primarily related to the planned maintenance turnaround at Preemraff Gothenburg of approximately SEK 300 million which was completed in October 2011.

Cash flow from financing activities was SEK 2,312 million in 2011, an increase of SEK 5,402 million, compared to cash flow used in financing activities of SEK 3,090 million in 2010. Loans, net, amounted to SEK 2,946 million in 2011 compared to amortizations of borrowings, net, which amounted to SEK 5,390 million in 2010. The increase in loans is mainly attributable to shareholder loans amounting to SEK 4,091 million in 2011 compared to SEK 8 million in 2010. Shareholder contributions in 2011 amounted to SEK 0 million compared to SEK 2,619 million in 2010.

Future Capital Needs and Resources and Capital Expenditures

Corral Petroleum Holdings' future capital needs relate primarily to the obligation to make semi-annual interest payments on the 2017 Notes (if paid in Cash Interest) and a principal payment on the 2019 Subordinated Notes. As a holding company, Corral Petroleum Holdings is dependent upon equity contributions from its parent company, Moroncha Holdings, or its shareholder, dividends, permitted repayment of intercompany debt, if any, and other transfers of funds from Preem. See "—Restrictions on Transfers of Funds" and "Risk Factors—Risks related to our Business—Corral Petroleum Holdings is a holding company with no revenue generating operations of its own. Corral Petroleum Holdings depends on its subsidiaries and shareholder to distribute cash to it, and its ability to pay Cash Interest on the 2017 Notes depends fully on it receiving cash from its subsidiaries."

As of December 31, 2012, we had approximately SEK 532 million in operating lease obligations. We continue to review opportunities for improving our refineries where returns on investment would justify these improvements. Any such investments could require considerable capital investment. We intend to fund these expenditures from equity contributions from our parent company, Moroncha Holdings, or its shareholder, available cash reserves, internally generated cash flow from operating activities and amounts available under our unutilized credit facilities.

For the year ended December 31, 2012, we made capital expenditures of SEK 575 million (€67 million) compared to SEK 948 million (€110 million) for the year ended December 31, 2011, a decrease of approximately 39%. For the year ended December 31, 2011, we made capital expenditures of SEK 948 million (€110 million), an increase of approximately 34% from SEK 710 million (€82 million) for the year ended December 31, 2010. These expenditures were funded from available cash reserves, internally generated cash flow from operating activities and long-term debt. Most of our capital expenditures in 2010 and 2011 focused primarily on maintenance and health, safety and environmental upgrades. Most of our capital expenditures in 2012 related to the construction of a new control room at Preemraff Lysekil, replacement of a power cubicle at

Preemraff Lysekil and ongoing maintenance and ordinary health, safety and environmental upgrades.

Description of Indebtedness

Indebtedness. As of December 31, 2012, we had total consolidated indebtedness (consisting of total long-term debt and total current debt) of SEK 19,899 million (€2,309 million). We also had amounts available under our unutilized credit facilities of SEK 972 million (€113 million). As of December 31, 2011, we had total consolidated indebtedness (consisting of total long-term debt and total current debt) of SEK 18,494 million (€2,146 million). As of December 31, 2011 we had amounts available under our unutilized credit facilities of SEK 3,512 million (€408 million). As of December 31, 2012, our indebtedness bore interest at a weighted average annual rate of 6.49%.

The 2011 Credit Facility provides Preem with a $650 million (equivalent) term loan and a $1,850 million (equivalent) multi-currency revolving facility, of which $73 million (equivalent) is uncommitted working capital facilities (with separate tranches denominated in both USD and SEK). For a description of the material terms of the 2011 Credit Facility, see "Description of Certain Indebtedness—2011 Credit Facility."

On September 14, 2011, we exchanged approximately $249.9 million and €220.9 million 2011 Notes for approximately $168.5 million and €135.6 million 2017 Notes. From September 14, 2011 through and including December 31, 2012, the 2017 Notes bear interest at a rate of 15.0% per annum, payable entirely through the issuance of Additional 2017 Notes having an aggregate principal amount equal to the amount of interest then due and owing ("PIK Interest"). From January 1, 2013 through and including December 31, 2013, the 2017 Notes bear interest in cash at 2.0% per annum ("Cash Interest") and 13.0% per annum PIK Interest. From January 1, 2014 to December 31, 2017, the 2017 Notes bear 4% per annum Cash Interest and 11.0% per annum PIK Interest.

The 2019 Subordinated Notes bear interest at a rate of 13.0% per annum. For as long as any amounts remain outstanding under the 2017 Notes, interest on the 2019 Subordinated Notes is payable through the issuance of Additional 2019 Subordinated Notes in a principal amount equal to such interest amount.

The shareholder loans are subordinated and bear an interest rate of 5% per annum. The interest expense related to the shareholder loans is paid in kind semi-annually.

Ranking of our indebtedness. The following table shows the breakdown of our total indebtedness as of December 31, 2012.

	December 31, 2012		
Borrower	**Current debt**	**Long-term debt**	**Total debt**
		(in millions SEK)	
Corral Petroleum Holdings	—	8,295	8,295
Preem	1,428	10,176	11,603
Total	**1,428**	**18,471**	**19,899**

Long-Term Financial Obligations

The following table summarizes the contractual principal maturities of our long-term debt, including our current portion, as of December 31, 2012.

	Payments due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
			(in millions SEK)		
2011 Credit Facility	11,603	1,428	2,336	7,840	—
2017 Notes	2,737	—	—	2,737	—
2019 Subordinated Notes	1,251	—	—	—	1,251
Total	**15,592**	**1,428**	**2,336**	**10,577**	**1,251**

In addition to our long-term financial obligations, we also have long-term commercial commitments, comprising our operating lease obligations. For a description of the amounts outstanding under our operating lease obligations as of December 31, 2012, see note 11 to our audited consolidated financial statements as of and for the year ended December 31, 2012.

Restrictions on Transfers of Funds

Corral Petroleum Holdings is a holding company. As a holding company, to meet its debt service and other obligations, Corral Petroleum Holdings is dependent upon equity contributions from its parent company, Moroncha Holdings, or its shareholder, dividends, permitted repayment of intercompany debt, if any, and other transfers of funds from Preem. Substantially all of Corral Petroleum Holdings' present assets consist of 100% of the share capital of Preem. Since 2006, Preem has not been permitted to expend any cash, declare any dividends or otherwise transfer any funds to Corral Petroleum Holdings.

The 2011 Credit Facility contains certain restrictions on Preem's ability to make dividend payments, distributions or other payments (including by way of a subordinated loan) to Corral Petroleum Holdings. At any time, Preem is permitted to make group tax contributions (*Sw: Koncernbidrag*) to Corral Petroleum Holdings by way of dividend, provided that such amount is funded by way of equity contribution or a subordinated loan and that it is effected by accounting entries only and not by movement of cash. Preem is also permitted to pay administrative costs of CPH up to a maximum amount of $500,000 in any calendar year.

At any time following payment of all arrangement fees under the 2011 Credit Facility, subject to minimum liquidity requirements of $100 million and provided that no event of default is outstanding under the 2011 Credit Facility, Preem is permitted to make a distribution, dividend or payment to Corral Petroleum Holdings to allow for the payment of cash-pay interest on the 2017 Notes up to a maximum of 4% per annum.

At any time following payment of all arrangement fees under the 2011 Credit Facility, subject to minimum liquidity requirements of $200 million and provided that (i) the term loan facility has been repaid in full, (ii) all fees due under the 2011 Credit Facility have been paid, (iii) the Total Net Debt (as defined in the 2011 Credit Facility) to consolidated EBITDA (as defined in the 2011 Credit Facility) ratio has been equal to or below 4.0x for two successive quarters and would not be breached on a pro forma basis after making the payment and (iv) no event of default is outstanding, Preem is permitted to make a distribution, dividend or payment to Corral Petroleum Holdings for any purpose.

Notwithstanding the above, the aggregate of dividends, payments or other distributions out of Preem from September 14, 2011 to the maturity date of the 2011 Credit Facility (other than with respect to group tax contributions) shall not exceed 100% of the net income of Preem arising after September 14, 2011.

Additional restrictions on the distribution of cash to Corral Petroleum Holdings arise from, among other things, applicable corporate and other laws and regulations and by the terms of other agreements to which Preem is or may become subject. Under Swedish law, Preem may only pay a dividend to the extent that it has sufficient distributable equity according to its adopted balance sheet in its latest annual report (subject to any adjustments of the distributable equity after the balance sheet date); provided, however, that any distribution of equity may not be made in any amount which, considering the requirements on the size of its equity in view of the nature, scope and risks of the business as well as the financing needs of Preem or the Preem group, including the need for consolidation, liquidity or financial position of Preem and the Preem group, would not be defendable.

As a result of the above, Corral Petroleum Holdings' ability to service cash interest payments or other cash needs is considerably restricted. Pursuant to the terms of the 2011 Credit Facility, Preem would not be currently permitted and is not permitted to pay a dividend until all fees under the 2011 Credit Facility have been paid in full, which is expected not to occur before June 27, 2013.

Quantitative and Qualitative Disclosures about Market Risk

Our primary market risk exposures are commodity price risk, foreign currency risk and interest rate risk.

Commodity Price Risk

Changes in the price of commodities, such as crude oil, can affect our cost of goods sold and the price of our refined products. Commodity price changes can trigger a price effect on inventory, which can affect our revenues, gross profit and operating income. Our inventory management strategies include the purchase and sale of exchange-traded, oil-related futures and options with a duration of twelve months or less. To a lesser extent, we also use oil swap agreements similar to those traded on international exchanges such as the Intercontinental Exchange, including "crack" spreads (which are intercommodity spreads based on the difference between the price of a refined product and crude oil) or intercommodity spreads, and options that, because they contain certain terms, such as point of delivery, customized to the market in which we sell, are better suited to hedge against the specific price movements in our markets. The number of barrels of crude oil and refined products covered by such contracts varies from time to time. Nevertheless, we seek to maintain our "normal position" of crude oil, finished products and intermediates. Our "normal position," which is 1,840,000 cubic meters (approximately 12 million barrels), is evaluated based on the average optimal inventory level in our depot system, the required inventory levels to allow for continuous flow and operations and the amount of crude oil and products that are priced, but not delivered. When the volume in our inventories deviates from the normal position, both above and below, we have used and will seek to use derivatives to restore the volume that is exposed to price fluctuations. These strategies are designed to minimize, on a short-term basis, our exposure to the risk of fluctuations in crude oil prices and refined product margins. This hedging activity is closely managed and subject to internally established risk standards. The results of these hedging activities are recognized in our financial statements as adjustments to cost of goods sold.

Dated Brent crude oil prices increased to approximately $93 per barrel as of December 31, 2010 and again increased to approximately $107 per barrel as of December 31, 2011 as a result of outages from Libya and mounting unrest in the MENA region offset a seasonal drop in refinery runs. Dated Brent crude oil prices again increased to approximately $110 per barrel as of December 31, 2012.

Our revenues and cash flows, as well as estimates of future cash flows are sensitive to changes in oil prices. Major shifts in the cost of crude oil and the price of refined products can result in significant changes in the operating margin from refining operations. The prices also determine the value of our inventory.

We enter into commodity derivative contracts from time to time to manage our price exposure to our inventory positions and our purchases of crude oil in the refining process, and to fix margins on certain future production. The commodity derivative contracts may take the form of futures contracts or price swaps and are entered into with reputable counter-parties. Derivative contracts are marked to market with gains and losses, realized and unrealized, recognized in cost of goods sold.

Hedging Activities/Hedge of Inventory

We enter into certain derivatives transactions in order to keep price risk exposure and volume exposures within limits set out in our risk policy, including a value-at-risk limit on total exposure of $5 million. See "—Trading Activities." For example, if we have a long physical exposure (i.e. we have more volume priced oil than the normal position) we can offset most of the price risk of this long physical exposure by going equally short on derivative contracts with the same (or similar) underlying commodity.

As of December 31, 2012, we had a net short position on crude oil (excluding the hedge of the normal inventory on crude oil) and refined products derivative contracts of 105,000 cubic meters (approximately 0.7 million barrels). The unrealized profit of these contracts as of December 31, 2012 was SEK 8 million.

As of December 31, 2011, we had a net long position on crude oil (excluding the hedge of the normal inventory on crude oil) and refined products derivative contracts of 12,000 cubic meters (approximately 0.1 million barrels). The unrealized profit of these contracts as of December 31, 2011 was SEK 2.8 million. In October 2011, we purchased put options equivalent to approximately 7.5 million barrels of crude oil to hedge against the price risk in relation to our inventory normal position. These contracts expired in February 2013 (6.0 million barrels) and March 2013 (1.5 million barrels), and the total cost for the hedge was approximately $15 million. The hedge contracts are valued at market value in the financial statements and the total cost has already been reflected in the income statements as of December 31, 2012.

As of December 31, 2010, we had a net long derivative position on crude oil and refined products derivative contracts of 91,000 cubic meters (approximately 0.6 million barrels) off-setting a short physical position. The unrealized profit on these contracts was SEK 116.5 million as of December 31, 2010.

Trading Activities

We also enter into derivative transactions which are unrelated to physical exposure and are therefore classified as "speculative." These transactions are monitored against profit and loss limits set out in our risk policy which do not permit trading risk greater than $0.5 million per trade. The risk amount limit for the total exposure (based on volumetric deviation from the normal position distributions) is set at $5 million. To measure the risk amount on our total exposure, we use a value-at-risk model that is updated on a daily basis. As of December 31, 2012, the unrealized profit/loss from the total net short position of Brent futures, which expired in February, was close to zero.

Foreign Currency Risk

From time to time, we use forward exchange contracts and, to a lesser extent, currency options and currency swaps to manage our foreign currency risk. See "—Fluctuations in Foreign Currency Exchange Rates" for a discussion of our exposure to changes in the dollar-krona and euro-krona exchange rates.

As of December 31, 2012, our krona-denominated variable-rate indebtedness totaled SEK 4,903 million, our dollar-denominated variable-rate indebtedness totaled $1,028 million and we had no euro-denominated variable-rate indebtedness (including short-term and long-term indebtedness). As of December 31, 2012, we had no krona-denominated fixed-rate indebtedness, our dollar-denominated fixed-rate indebtedness totaled $900 million and our euro-denominated fixed-rate indebtedness totaled €282 million (including short-term and long-term indebtedness). As of December 31, 2012, we had cash and cash equivalents in foreign currencies amounting to SEK 646 million, of which the equivalent of SEK 228 million was denominated in dollars and the equivalent of SEK 23 million was denominated in euro.

The table below presents, as of December 31, 2012, a summary of our current and long-term debt which is derived from our audited consolidated financial statements.

	December 31, 2012		
Borrower	**Current debt**	**Long-term debt**	**Total debt**
		(in millions SEK)	
Corral Petroleum Holdings	—	8,295	8,295
Preem long-term debt	771	10,176	10,947
Preem short-term debt	657	—	657
Total	1,428	18,471	19,899

The table below presents, as of December 31, 2012, a summary of our long-term financial instruments, including their current positions, by functional currency and expected maturity dates, which are derived from our audited consolidated financial statements.

	Payment Due Period								
	2013	**2014**	**2015**	**2016**	**2017**	**2018+**	**Total Value**	**Percentage of Total Long Term Debt %**	**Estimated Fair Value**
					(in millions SEK, except %)				
Krona-denominated indebtedness as of December 31, 2012:									
Fixed rate debt—amount due	—	—	—	—	—	—	—	—	—
Variable rate debt—amount due	554	872	872	2,404	—	—	4,703	24	4,703
Dollar-denominated indebtedness as of December 31, 2012:									
Fixed rate debt—amount due	—	—	—	—	1,326	4,541	5,867	31	5,867
Variable rate debt—amount due	217	296	296	5,435	—	—	6,244	32	6,244
Euro-denominated indebtedness as of December 31, 2012:									
Fixed rate debt—amount due	—	—	—	—	1,411	1,017	2,429	13	2,429
Variable rate debt—amount due	—	—	—	—	—	—	—	—	—

As of December 31, 2011, our krona-denominated variable-rate indebtedness totaled SEK 5,092 million, our dollar-denominated variable-rate indebtedness totaled $1,617 million and our euro-denominated variable-rate indebtedness totaled €246 million (including short-term and long-term indebtedness). As of December 31, 2011, we had no krona-denominated fixed-rate indebtedness, our dollar-denominated fixed-rate indebtedness totaled $836 million (including short-term and long-term indebtedness) and our euro-denominated fixed-rate indebtedness totaled €246 million (including short-term and long-term indebtedness). As of December 31, 2011, we had cash and cash equivalents in foreign currencies amounting to SEK 167 million, of which the equivalent of SEK 162 million was denominated in dollars and the equivalent of SEK 5 million was denominated in euro.

The table below presents, as of December 31, 2011, a summary of our long-term financial instruments, including their current positions, by functional currency and expected maturity dates, which are derived from our audited consolidated financial statements.

	Payment Due Period								
	2012	**2013**	**2014**	**2015**	**2016**	**2017+**	**Total Value**	**Percentage of Total Long Term Debt %**	**Estimated Fair Value**
						(in millions SEK, except %)			
Krona-denominated indebtedness as of December 31, 2011:									
Fixed rate debt—amount due ..	—	—	—	—	—	—	—	—	—
Variable rate debt—amount due......................................	139	554	872	872	2,654	—	5,092	28.0	5,092
Dollar-denominated indebtedness as of December 31, 2011:									
Fixed rate debt—amount due ..	—	—	—	—	—	5,787	5,787	32.0	5,787
Variable rate debt—amount due......................................	58	230	314	314	4,252	—	5,169	28.0	5,111
Euro-denominated indebtedness as of December 31, 2011:									
Fixed rate debt—amount due ..	—	—	—	—	—	2,203	2,203	12.0	2,203
Variable rate debt—amount due......................................	—	—	—	—	—	—	—	—	—

As of December 31, 2010, our krona-denominated variable-rate indebtedness totaled SEK 7,408 million, our dollar-denominated variable-rate indebtedness totaled $637 million and our euro-denominated variable-rate indebtedness totaled €320 million (including short-term and long-term indebtedness). As of December 31, 2010, we had cash and cash equivalents in foreign currencies amounting to SEK 364 million, of which the equivalent of SEK 362 million was denominated in dollars and the equivalent of SEK 2 million was denominated in euro.

The table below presents, as of December 31, 2010, a summary of our long-term financial instruments, including their current positions, by functional currency and expected maturity dates, which are derived from our audited consolidated financial statements.

	Payment Due Period								
	2011	**2012**	**2013**	**2014**	**2015**	**2016+**	**Total Value**	**Percentage of Total Long Term Debt %**	**Estimated Fair Value**
						(in millions SEK, except %)			
Krona-denominated indebtedness as of December 31, 2010:									
Fixed rate debt—amount due ..	—	—	—	—	—	—	—	—	—
Variable rate debt—amount due......................................	—	—	—	—	—	—	—	—	—
Dollar-denominated indebtedness as of December 31, 2010:									
Fixed rate debt—amount due ..	—	—	—	—	255	—	255	25.0	—
Variable rate debt—amount due......................................	—	—	—	—	—	—	—	—	—
Euro-denominated indebtedness as of December 31, 2010:									
Fixed rate debt—amount due ..	—	—	—	—	757	—	757	75.0	—
Variable rate debt—amount due......................................	—	—	—	—	—	—	—	—	—

The following table provides a breakdown by currency of our variable rate and fixed rate indebtedness as of December 31, 2012.

	Variable-Rate	Fixed-Rate
Krona	4,903	—
Dollar	1,028	900
Euro	—	282

Interest Rate Risk

As of December 31, 2012, SEK 11,603 million of our indebtedness required payment at variable rates (of which SEK 10,947 million were long-term loans, including the current portion of long-term loans).

The table below presents, as of December 31, 2012, principal cash flows and related weighted average interest rates by expected maturity dates, which are derived from our audited consolidated financial statements.

	2013	2014	2015	2016	2017	2018+	Total Value[(1)]	% of Total Long-Term Debt	Estimated Fair Value
				(*in millions SEK, except %*)					
As of December 31, 2012:									
Fixed rate debt-amount due	—	—	—	—	2,737	5,558	8,295	43	8,295
Weighted average interest rate (%)	—	—	—	—	15	6.8	—	—	—
Variable rate debt-amount due	771	1,168	1,168	7,840	—	—	10,947	57	10,947
Weighted average interest rate (%)	4.8	6	6	4.3	—	—	6.6	—	—

As of December 31, 2011, SEK 10,503 million of our indebtedness required payment at variable rates (of which SEK 10,261 million were long-term loans, including the current portion of long-term loans).

The table below presents, as of December 31, 2011, principal cash flows and related weighted average interest rates by expected maturity dates, which are derived from our audited consolidated financial statements.

	2012	2013	2014	2015	2016	2017+	Total Value	% of Total Long-Term Debt	Estimated Fair Value
				(*in millions SEK, except %*)					
As of December 31, 2011:									
Fixed rate debt-amount due	—	—	—	—	—	7,991	7,991	44.0	7,991
Weighted average interest rate (%)	—	—	—	—	—	9.2	—	—	—
Variable rate debt-amount due	439	785	1,187	1,187	6,906	—	10,503	56.0	10,503
Weighted average interest rate (%)	5.10	6.70	6.80	6.80	5.40	—	—	—	—

As of December 31, 2010, SEK 9,671 million of our indebtedness required payment at variable rates (of which SEK 0 million were long-term loans, including the current portion of long-term loans).

The table below presents, as of December 31, 2010, principal cash flows and related weighted average interest rates by expected maturity dates, which are derived from our audited consolidated financial statements.

	2011	2012	2013	2014	2015	2016+	Total Value	% of Total Long-Term Debt	Estimated Fair Value
				(*in millions SEK, except %*)					
As of December 31, 2010:									
Fixed rate debt-amount due	3,947	—	—	—	1,012	—	4,959	100.0	4,732
Weighted average interest rate (%)	12.5	—	—	—	10.5	—	12.1	—	—
Variable rate debt-amount due	9,671	—	—	—	—	—	9,671	—	—
Weighted average interest rate (%)	4.15	—	—	—	—	—	4.15	—	—

Critical Accounting Policies

The preparation of our consolidated financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets, liabilities and provisions at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. We have identified the accounting policies discussed below as the most critical policies upon which our financial status depends. We believe that these critical accounting policies involve management's most complex or subjective judgments and estimates used in the preparation of our consolidated financial statements that could impact our financial results.

Impairment of Long-Lived Assets

We review long-lived assets used in our business on an annual basis for impairment, or whenever events or changes in circumstances indicate that the carrying amount of an asset or a group of assets may not be recoverable. An impaired asset or a group of assets may not be recoverable. An impaired asset is written down to its estimated fair value. We estimate fair value based on independent appraisals and projected cash flows discounted at a rate determined by management to be commensurate with our business risk. The estimation of fair value using these methods is subject to numerous uncertainties, which require our significant judgment when making assumptions of revenues, operating costs, selling and administrative expenses, interest rates and general economic business conditions, among other factors.

Inventory

Our inventories are stated at the lower of cost or market. We use the FIFO ("first in, first out") method to determine the cost of our crude oil and refined product inventories. The carrying value of these inventories is sensitive to volatile market prices. If refined product prices decline compared to the acquisition value at the end of a period, then we may be required to write down the value of our inventories in future periods.

Contingencies

We record an estimated loss from a loss contingency when information available prior to issuance of our financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Accounting for contingencies such as environmental, legal and income tax matters requires us to use our judgment. While we believe that our accruals for these matters are adequate, if the actual loss from a loss contingency is significantly different than the estimated loss, our results of operations may be over- or understated.

Subsequent Events

In February of 2013, our refinery in Lysekil was forced to shut down its CDU (Crude Distillation Unit) and VDU (Vacuum Distillation Unit) units for approximately 8 days in order to replace leaking heat exchanger bundles in the crude preheat train. The shutdown and repair works were successfully implemented, without incident. The decrease in operating income from the shutdown has been estimated at approximately 75 MSEK.

On April 2, 2013, Preem AB purchased the remaining 30% of the shares in Preem Gas AB from Vattenfall AB at an amount of SEK 12.5 million (€1.5 million).

BUSINESS

Overview

We are the largest oil refining company in the Nordic region in terms of capacity. We conduct our business through our wholly owned operating company, Preem, which operates its business through two segments, a supply and refining segment and a marketing segment. We refine crude oil in Sweden and then market and sell refined products primarily in Sweden and other northwestern European markets, including Scandinavia, France, Germany and the United Kingdom, as well as the United States and, to a lesser extent, other markets. Our refineries represented approximately 80% of the refining capacity in Sweden and approximately 30% of the refining capacity in the Nordic region in 2012. We sell more refined products in Sweden than any of our competitors. In Sweden, we had the leading market share in 2012 in terms of sales volume of diesel, heating oil and fuel oil with approximately 36% of diesel sales, 41% of heating oil sales and 58% of fuel oil sales, according to the Swedish Statistical Central Bureau. In addition, our marketing segment's share of the Swedish retail gasoline and diesel markets in terms of sales volume were approximately 12% and 25%, respectively, in 2012, based on data from the Swedish Statistical Central Bureau.

Our supply and refining segment purchases and refines crude oil and then sells refined products wholesale to our marketing segment and to third parties. We also own a strategically located network of storage depots in Sweden. In 2012, our supply and refining segment sold approximately 82% (by value) of its products to third parties and 18% (by value) to our marketing segment as compared to 79% (by value) and 21% (by value), respectively, in 2011. For the years ended December 31, 2012, 2011 and 2010, our supply and refining segment had sales revenue of SEK 103,596 million (€12,023 million), SEK 90,052 million (€10,451 million) and SEK 76,050 million (€8,826 million) and operating income of SEK 3,095 million (€359 million), SEK 1,004 million (€117 million) and SEK 2,693 million (€313 million), respectively.

Our marketing segment consists of two divisions: a business-to-business division and a station and consumer division. The marketing segment resells refined products, wholesale, primarily in Sweden. We also sell our gasoline and diesel through approximately 360 Preem-branded manned and unmanned service stations, which are company-owned and dealer-operated, along with approximately 180 company-owned Såifa-branded diesel truck stops. For the years ended December 31, 2012, 2011 and 2010, our marketing segment had sales revenue of SEK 20,575 million (€2,388 million), SEK 20,528 million (€2,382 million) and SEK 16,822 million (€1,952 million) and operating income of SEK 433 million (€50 million), SEK 412 million (€48 million) and SEK 349 million (€41 million), respectively.

The following table shows the sales revenue and operating profit/(loss) for our business segments for each of the years ended December 31, 2010, 2011 and 2012.

	Year ended December 31, 2010		Year ended December 31, 2011		Year ended December 31, 2012	
	SEK	€(1)	SEK	€(1)	SEK	€(1)
			(*in millions*)			
Sales Revenue:						
Supply and refining(2)	76,050	8,826	90,052	10,451	103,596	12,023
Marketing	16,822	1,952	20,528	2,382	20,575	2,388
Exchange rate differences	(83)	(10)	17	2	(107)	(12)
Group eliminations	(15,533)	(1,803)	(19,043)	(2,210)	(18,976)	(2,202)
Total Sales Revenue(3)	**77,256**	**8,966**	**91,554**	**10,625**	**105,089**	**12,196**
Operating profit/(loss):						
Supply and refining	2,693	313	1,004	117	3,095	359
Marketing	349	41	412	48	433	50
Other non-allocated income (expense)(4)	(771)	(89)	(442)	(51)	(758)	(88)
Total operating profit/(loss)	**2,271**	**264**	**974**	**113**	**2,770**	**321**

(1) We have translated kronor into euro at the rate of €1.00=SEK 8.6166 (the exchange rate on December 31, 2012). We have provided this translation solely for your convenience.

(2) Includes sales by our supply and refining segment to our marketing segment of SEK 15,450 million (€1,793 million) for 2010, SEK 18,942 million (€2,198 million) for 2011 and SEK 18,913 million (€2,195 million) for 2012. These sales are made at market rates. Since refined products are commodities, these sales could have been made to third parties at similar prices. We believe that including these amounts in supply and refining segment sales revenue properly reflects the results of these segments for purposes of comparison. Such inter-company sales are eliminated in our audited annual consolidated financial statements.

(3) Total sales revenue is our net sales less excise duties, which are taxes collected at the point of sale by us and remitted to the governments of the countries in which we operate, primarily Sweden.

(4) In order to evaluate the performance of our segments, we allocate certain items as "non-allocated income (expense)." Specifically, we include in non-allocated income (expense) our "corporate cost center" and foreign exchange gains or losses related to our inventory and our trade payables/receivables. Our corporate cost center includes administrative and personnel-related expenses.

Supply and Refining Operations

In our supply and refining segment, we purchase and refine crude oil and then sell refined products wholesale to our marketing segment and to third parties. Our supply and refining segment operates our wholly owned Preemraff Lysekil and Preemraff Gothenburg refineries. Through these two refineries, we have an aggregate refining capacity of approximately 345,000 barrels of crude oil per calendar day. These refineries produced approximately 113 million barrels of refined products in 2010, approximately 109 million barrels of refined products in 2011 and approximately 118.6 million barrels of refined products in 2012. The refining margins (reflecting the gross margin minus variable costs) at Preemraff Lysekil were $7.28, $4.08 and $5.10 per barrel for the years ended December 31, 2012, 2011 and 2010, respectively. The refining margins at Preemraff Gothenburg were $3.62, $0.03 and $1.81 per barrel for the years ended December 31, 2012, 2011 and 2010, respectively. We also own a strategically located network of storage depots in Sweden. For the years ended December 31, 2012, 2011 and 2010, our supply and refining segment had sales revenue of SEK 103,596 (€12,023 million), SEK 90,052 million (€10,451 million) and SEK 76,050 million (€8,826 million) and operating income of SEK 3,095 (€359 million), SEK 1,004 million (€117 million) and SEK 2,693 million (€313 million), respectively.

The operations of our two refineries are combined and have been managed by one management team since January 2007. This has enabled us to reduce our operating costs, consolidate our management and administrative infrastructure and optimize investments in upgrading our refining capabilities.

Preemraff Lysekil

Preemraff Lysekil is the largest oil refinery in the Nordic region in terms of capacity, representing approximately 18% of the Nordic region's refining capacity and approximately 52% of Swedish refining capacity in 2012. Preemraff Lysekil is a complex, large-scale refinery with a strong market position producing a full range of refined products, including liquefied petroleum gas, gasoline, diesel, heating oil and fuel oil. Based on the Nelson Complexity Index, Preemraff Lysekil has a complexity index of 10. The refinery has visbreaker, fluid catalytic cracker, mild hydrocracker and hydrocracker upgrading units geared towards converting a significant portion of our residual fuel oil to lighter, higher-value products. For instance, Preemraff Lysekil is able to manufacture virtually sulphur-free (10 parts per million) diesel. Preemraff Lysekil has a total storage capacity of approximately 15 million barrels, which provides it with additional operating flexibility. The refinery is located on a 465-acre site on the west coast of Sweden, north of the city of Gothenburg. The refinery is situated on a peninsula, with direct access to the second largest harbor in Sweden in terms of capacity. The harbor, which we own, provides us with direct deep water jetty access to oil tankers and very large crude carriers ("VLCCs") for both the import of crude oil and the distribution of refined products. The refinery has a total refining capacity of approximately 220,000 barrels of crude oil per calendar day. The aggregate production of refined products at Preemraff Lysekil was approximately 77 million barrels, 74 million barrels and 71 million barrels for the years ended December 31, 2012, 2011 and 2010, respectively.

Preemraff Lysekil's facilities have been upgraded several times through large capital investments. As a result of these improvements, we believe that Preemraff Lysekil is one of the most sophisticated and flexible refineries in Europe. The following table summarizes the upgrades to Preemraff Lysekil:

Upgrade at Preemraff Lysekil	Function	Year
Visbreaker	Reduces the viscosity of the fuel oil and increases the yield of heating oil and gasoline	1982
Fluid Catalytic Cracker	Converts vacuum gasoil, a semi-finished product, and the bottom fraction from the hydrocracker into gasoline, heating oil and fuel oil	1984
Mild Hydrocracker	Desulphurizes and converts vacuum gasoil into lighter products and feedstock for the Hydrocracker	1988
Isomerization Unit	Converts light naphtha into high-octane, low-benzene gasoline components	1991
Desulphurization/Dearomatization Unit	Converts conventional heating oil or diesel into virtually sulphur- free, low-aromatic diesel	1994
Tailgas Treatment Sulphur Recovery Unit	Removes hydrogen sulphide and nitrogen oxides from refinery gases and recovers liquid sulphur	1994
Prefractionater	Reduces benzene formation in the platformer unit	1999
Propylene Recovery Unit	Removes propylene from polygasoline production and refinery fuel gas and recovers propylene	2002

Petrol Gas Recovery Unit	Recovers petrol gas in connection with the loading of products onto tankers	2003
Hydrocracker Unit	Converts vacuum gas oil to lighter, higher-value products	2006

Imported crude oil arrives at Preemraff Lysekil by way of a single jetty that can accommodate tankers of up to 500,000 dead weight tons. Approximately 110 vessels carrying crude oil arrive at Preemraff Lysekil each year. Crude oil can be unloaded at a rate of approximately 113,000 barrels per hour through pipe lines into five underground crude oil storage caverns. These caverns have been blasted out of solid rock and have an aggregate capacity of approximately 8 million barrels. They have sophisticated equipment designed to ensure efficient and environmentally safe storage.

Crude oil is pumped from four underground caverns with a total storage capacity of approximately 800,000 cubic meters into three above-ground crude "day tanks" with a total capacity of approximately 160,000 cubic meters and from there into the crude distillation unit. In a typical full day of operations, crude oil from one "day tank" is pumped into the crude distillation unit, while the depleted tank from the previous day's refining is refilled from the underground caverns.

Preemraff Lysekil operates a single crude distillation unit. During distillation, crude oil is heated until it separates into different fractions. A fraction is a mixture of liquid hydrocarbons, all of which have approximately the same boiling range. The heaviest fraction is further processed in the vacuum distillation unit to achieve the maximum volume of distillates. After the distillation, Preemraff Lysekil further refines, upgrades and processes the distillates as follows:

- *Visbreaker, Fluid Catalytic Cracker and Mild Hydrocracker.* Fuel oil can be upgraded into higher-value products in several ways. Preemraff Lysekil has invested in three upgrading units for this purpose. First, in 1982, Preemraff Lysekil invested in a visbreaker, which reduces the viscosity of the fuel oil and increases the yield of heating oil and gasoline. Second, in 1984, Preemraff Lysekil added a catalytic cracker, which, by means of a catalyst, converts vacuum gasoil, a semi-finished product, and the bottom fraction from the hydrocracker into gasoline, heating oil and fuel oil. Third, in 1988, Preemraff Lysekil invested in a mild hydrocracker, which desulphurizes vacuum gasoil and converts it into lighter products and feedstock for the Hydrocracker.

- *Isomerization Unit.* The naphtha fraction (after desulphurization) is processed in a reformer unit to increase octane. Since 1991, Preemraff Lysekil has operated an isomerization unit in which the lightest part of the naphtha is processed into high-octane and low-benzene gasoline components. "Benzene" is an aromatic compound, the presence of which in refined products is often regulated by environmental laws.

- *Desulphurization/Dearomatization Unit.* Preemraff Lysekil has a highly sophisticated diesel desulphurization/dearomatization unit that was completed in 1994. This unit enables Preemraff Lysekil to produce virtually sulphur-free (10 parts per million) diesel fuel with an aromatic content of 5%. This grade is sold with a premium as Swedish Environment Class 1 diesel ("MK1").

- *Tailgas Treatment Sulphur Recovery Unit.* Preemraff Lysekil has a sulphur recovery unit combined with a tailgas-treating unit, which removes hydrogen sulphide and nitrogen oxides from refining gases.

- *Prefractionater.* Preemraff Lysekil added a prefractionater to its platformer unit in 1999, which reduces benzene formation in the platformer.

- *Propylene Recovery Unit.* Preemraff Lysekil has a propylene recovery unit, which removes and recovers propylene from the fraction of liquefied petroleum gas produced by the fluid catalytic cracker.

- *Petrol Gas Recovery Unit.* Preemraff Lysekil installed a petrol gas recovery unit in 2003, which recovers petrol gas in connection with the loading of products onto tankers.

- *Hydrocracker Unit.* Preemraff Lysekil commissioned a hydrocracker unit in 2006, which converts vacuum gas oil to lighter, higher-value products.

After processing, Preemraff Lysekil pumps the various refined products to the refinery's 49 intermediate and finished product tanks and six additional refined product storage caverns with an aggregate capacity of approximately 6.3 million barrels. From the intermediate tanks, Preemraff Lysekil pumps components to one of four blending stations for final product mix, one station for gasoline, two for diesel, and one for fuel oil. Preemraff Lysekil stores the final products in product tanks. To the extent practicable, intermediate products are blended "online," as required, and loaded directly onto product tanker vessels, thus reducing the need for blended product storage. Preemraff Lysekil has two separate product jetties with a total of five berths at which tankers dock as many as 1,500 times per year for loading of refined products. Preemraff Lysekil distributes almost all of its products by sea for domestic and international use. Given the sheltered position of Preemraff Lysekil's berths, weather conditions over the last seven years have not caused any significant delay or disruption in either unloading crude oil or loading refined products.

Historically, every four years, Preemraff Lysekil has been completely shut down for turnaround maintenance, which includes inspection of all processing units. The total shut-down period typically lasts six to seven weeks, which includes two weeks for shut-down and start-up activities. The last major maintenance was performed in the third quarter of 2007. From September 2, 2010 to November 4, 2010, certain units at Preemraff Lysekil were shut down for catalyst replacements and minor repairs, plus required repairs to the Platformer due to damage detected during the planned maintenance process. From November 10, 2010 to December 22, 2010, two units underwent a second planned maintenance period for catalyst replacement and regulatory inspections. In March 2011, we announced that the Fluid Catalytic Cracker unit would be shut down on March 29, 2011 and that the Mild Hydrocracker unit (which converts heavy gasoil to primarily diesel) would be shut down on April 3, 2011. The Fluid Catalytic Cracker unit was shut down in order to do mandatory inspection of certain pressure vessels. The standard inspection interval for pressure vessels is four years. In the past, we have been able to extend this interval to six years by producing risk based analyses for each vessel. We applied for a delay in line with past practice; however, following discussions with the Swedish Work Environment Authority, it was decided to proceed with the inspection. The Fluid Catalytic Cracker unit was back on line on April 27, 2011. However, the Fluid Catalytic Cracker unit experienced some down time in December 2011 due to an operational problem with the main fractionator. The Mild Hydrocracker unit was shut down for catalyst replacement. A new catalyst was loaded during the autumn shut down in late 2010; yet, the performance of the catalyst was below expectations and the capacity of the unit eroded more quickly than expected. The Mild Hydrocracker unit was back on line on April 21, 2011.

The next major turnaround maintenance is scheduled for the third quarter of 2013. Both operating income and refining margins have been and will be negatively impacted by each of the planned and unplanned maintenance shut downs described above.

The following table shows Preemraff Lysekil's feedstocks and production for the periods indicated below, along with the relevant percentage of total feedstock and production.

	For the year ended December 31,				
	2010	2011		2012	
	Thousand bbls	Thousand bbls	%	Thousand bbls	%
Feedstocks LYR					
Sweet Crude Oil	3,447	0	0	10,227	13
Sour Crude Oil	64,885	71,119	94	63,941	82
Unfinished and Blend Stocks	3,219	4,286	6	3,996	5
Total Feedstock	**71,551**	**75,405**	**100**	**78,164**	**100**
Utilization Rate			**86**		**90**
Production					
Liquefied Petroleum Gas	1,866	1,500	2	2,146	3
Gasoline	19,931	22,913	31	24,682	32
Diesel	29,824	31,330	42	33,003	43
Heating Oil	—	—	—	106	0
Vacuum Gas Oil	1,540	2,331	3	810	1
Heavy Fuel Oil	14,186	15,403	21	15,521	20
Other	3,316	595	1	778	1
Total Production	**70,663**	**74,072**	**100**	**77,047**	**100**

Preem uses linear programming technology to determine the most profitable product mix for its market given the available crude oil supply. Preemraff Lysekil is able to process a high proportion of sour crude oil, which is higher in sulphur and typically lower in price compared to sweet crude oil.

Preemraff Gothenburg

We believe that Preemraff Gothenburg is one of the most competitive hydroskimming refineries in Europe and it represents approximately 9% of the Nordic region's refining capacity and approximately 28% of Swedish refining capacity in 2012. The refinery has a green hydrotreater, which enables it to upgrade FAME from biomaterials to low-sulphur biodiesel with a 25% renewable mix, bringing the customers cleaner products with lower CO_2 emissions. It also has a highly sophisticated desulphurization/dearomatization unit, which permits it to manufacture virtually sulphur-free (10 parts per million) diesel. In addition, the refinery uses its catalytic reformer and isomerization unit to convert naphtha, a portion of which is received from Preemraff Lysekil, into higher-value gasoline. Preemraff Gothenburg produces a full range of refined products, including liquefied petroleum gas, gasoline, diesel, heating oil, fuel oil, jet fuel and kerosene. The refinery also benefits from two integrated systems for the utilization of waste or surplus heat. For the year ended December 31, 2012, Preemraff Gothenburg generated additional operating profit from the sale of surplus heat of SEK 70.7 million (€8.2 million) with relatively little additional operating cost. Based on the Nelson Complexity Index, Preemraff Gothenburg has a complexity index of 6. The refinery is located on a 370-acre site near the harbor of Torshamnen, Sweden's largest harbor, in Gothenburg. Preemraff Gothenburg's proximity to this harbor, which provides for oil tanker and VLCC access, helps it to maintain low crude oil transportation costs and its proximity to the west coast inland market helps it to minimize distribution costs. Preemraff Gothenburg has a total storage capacity of approximately 12 million barrels and a total refining capacity of approximately 125,000 barrels of crude oil per calendar day. Aggregate production of refined products at Preemraff Gothenburg was approximately 42 million barrels, 35 million barrels and 42 million barrels for the years ended December 31, 2012, 2011 and 2010, respectively.

Preemraff Gothenburg has been upgraded several times through large capital investments. As a result of these improvements, we believe that Preemraff Gothenburg is one of the best-performing hydroskimming refineries in Europe. The following chart summarizes upgrades to Preemraff Gothenburg:

Upgrade at Preemraff Gothenburg	Function	Year
Isomerization Unit	Produces an additional low-benzene gasoline component	1993
Desulphurization/Dearomatization Unit	Converts conventional heating oil or diesel into virtually sulphur-free, low aromatic diesel	1997
Heavy Gasoil Upgrading Unit	Upgrades heavy gasoil into heating oil for commercial use	1997
Sulphur Recovery Units	Converts hydrogen sulphide into liquid sulphur	1997
Prefractionator	Reduces benzene formation in the platformer unit	1999
Petrol Gas Recovery Unit	Recovers petrol gas in connection with the loading of products onto tankers	2000
Molex Unit	Increases the octane of the gasoline component isomerate	2002
Mild Hydrocracker Unit	Upgrades heavy oil production to low-sulphur heating oil	2003
Green Hydrotreater Unit	Production of renewable diesel from Crude Tall Oil	2010

Imported crude oil arrives by ship at the harbor of Torshamnen, which is capable of receiving crude oil carriers in excess of 200,000 dead weight tons, and is then transported to Preemraff Gothenburg by pipeline. Between 50 and 60 crude oil carriers arrive at Torshamnen each year. At Preemraff Gothenburg, the crude oil is discharged into seven above-ground storage tanks and two underground caverns with a combined storage capacity of approximately 5.6 million barrels.

Preemraff Gothenburg operates two identical crude distillation units. During distillation, the crude oil is heated until it separates into different fractions. After distillation, Preemraff Gothenburg further refines, upgrades and processes the fractions as follows:

- *Liquefied Petroleum Gas Unit.* In the liquefied petroleum gas unit, installed in 1967, Preemraff Gothenburg separates the gas fractions (butane and propane) by distillation from the high-octane component.

- *Isomerization Unit.* The naphtha fraction (after desulphurization) is processed in a reformer unit to increase octane. In Preemraff Gothenburg's isomerization unit, completed in 1993, an additional, low-benzene component for blending gasoline is produced.

- *Desulphurization/Dearomatization Unit.* Preemraff Gothenburg's highly sophisticated heating oil/diesel desulphurization/dearomatization unit was completed in 1997. This unit enables Preemraff Gothenburg to produce virtually sulphur-free (10 parts per million) and low-aromatic diesel from crude oil with high sulphur, which is typically lower in price than crude oil with low-sulphur content.

- *Heavy Gasoil Upgrading Unit.* In 1997, Preemraff Gothenburg installed a heavy gasoil-upgrading unit, which upgrades heavy gasoil into heating oil for commercial use.

- *Sulphur Recovery Units.* The hydrogen sulphide formed during the various desulphurization reactions is fed to Preemraff Gothenburg's sulphur recovery units, which were installed in 1997, and converted to liquid sulphur for resale as a feedstock to chemical companies.

- *Prefractionator.* Preemraff Gothenburg added a prefractionator to its platformer unit in 1999, which reduces benzene formation in the platformer.

- *Petrol Gas Recovery Unit.* Preemraff Gothenburg installed a petrol gas recovery unit in 2000, which recovers petrol gas in connection with the loading of products onto tankers.

- *Molex Unit.* In 2002, Preemraff Gothenburg installed a molex unit, which increases the octane of the gasoline component isomerate.

- *Mild Hydrocracker Unit.*

  - In 2003, Preemraff Gothenburg completed construction of a mild hydrocracker unit, which enables Preemraff Gothenburg to upgrade part of its heavy oil production to low-sulphur heating oil.

  - During the first quarter of 2010, we shut down our mild hydrocracker at Preemraff Gothenburg for two months (until May 2010) in order to modify the unit to partly process renewable feedstock, which enables us to produce biofuel diesel.

- *Green Hydrotreater Unit.* In 2010, Preemraff Gothenburg completed the construction of a green hydrotreater unit, which enables Preemraff Gothenburg to produce renewable diesel from Crude Tall Oil.

After processing, refined products are stored in the facility's 70 storage tanks and three underground caverns with a total capacity of approximately 6.5 million barrels. The products are pumped by pipeline from the refinery to an oil terminal in the harbor of Skarvik, two kilometers south of Preemraff Gothenburg. From there, we distribute the product to the market by ship, rail and truck.

Preemraff Gothenburg has two integrated systems for the utilization of waste or surplus heat with a total capacity in excess of 100 megawatts. These systems enable us to sell surplus heat, which would otherwise be wasted, corresponding to approximately 200,000 barrels of fuel oil per year to the district heating system of the city of Gothenburg and approximately 100,000 barrels of fuel oil per year to AB Volvo. Preemraff Gothenburg generated additional operating profit from these activities of SEK 90.4 million (€10.1 million) in 2010, SEK 75.8 million (€8.5 million) in 2011 and SEK 70.7 million (€8.2 million) in 2012 with relatively little additional operating cost.

Every six years, Preemraff Gothenburg is completely shut down for turnaround maintenance, which includes inspection of all processing units. The maintenance period typically lasts four to six weeks. The most recent major turnaround maintenance was in the third quarter of 2011 and the next major turnaround maintenance is scheduled for 2017. We aim to reduce the occurrence of these turnarounds to once in every six years going forward.

The following table shows Preemraff Gothenburg's feedstocks and production for the periods indicated below, along with the relevant percentage of total feedstock and production.

	For the year ended December 31,				
	2010	2011		2012	
	Thousand bbls	Thousand bbls	%	Thousand bbls	%
Feedstocks GOR					
Sweet Crude Oil	40,654	32,160	89	39,890	92
Sour Crude Oil	167	22	0	0	0
Unfinished and Blend Stocks	3,029	3,871	11	3,323	8
Total Feedstock	**43,850**	**36,053**	**100**	**43,213**	**100**

	For the year ended December 31,				
	2010	2011		2012	
	Thousand bbls	Thousand bbls	%	Thousand bbls	%
Utilization Rate			**66**		**79**
Production					
Liquefied Petroleum Gas	913	788	2	947	2
Gasoline	11,407	9,553	28	11,069	27
Diesel	11,879	10,120	29	13,606	33
Heating Oil	3,957	2,402	7	2,868	7
Heavy Fuel Oil	13,379	10,942	32	12,724	31
Other	600	758	2	381	1
Total Production	**42,135**	**34,564**	**100**	**41,595**	**100**

Distribution

Both Preemraff Lysekil and Preemraff Gothenburg are well situated for the efficient distribution of products to market. Transportation costs are a significant cost component of refined products. Given this, we believe that the location of our refineries on harbors in western Sweden provides us with a competitive advantage in our target markets. Preemraff Lysekil ships approximately 100% of its production, and Preemraff Gothenburg ships approximately 75% of its production, by sea to domestic and international markets. Preemraff Gothenburg's location near Gothenburg, Sweden's second largest city, also provides excellent access to truck and rail transport. We also own a strategically located network of terminals where we store inventory and operate depots in Sweden. In addition, we generate additional revenue from third parties in the form of depot throughput fees and we cooperate with other oil companies to optimize depot use and cost.

Products

Our two refineries produce liquefied petroleum gas, gasoline, diesel, heating oil and fuel oil. In addition, Preemraff Gothenburg produces jet fuel and kerosene. There are, from time to time, substantial transfers of intermediates and components between the refineries in order to optimize the profitability of the refinery system. The volume of these transfers varies considerably from month to month and from year to year depending on the market prices of the components.

Sales

Our supply and refining segment exports over one half of its products each year (approximately 64% in 2010, approximately 60% in 2011 and approximately 65% in 2012). For 2013, we anticipate that our export share will be as high as in 2012. Our exports are primarily to northwest Europe, including to other markets in Scandinavia, France, Germany and the United Kingdom. In 2012, our supply and refining segment sold approximately 82% (by value) of its products to third parties and 18% (by value) to our marketing segment. With respect to third-party sales, we sell our refined products on the spot market and pursuant to sales agreements with terms generally not exceeding 12 months. Our third-party customers are predominantly other oil companies, including AB Svenska Statoil and OK-Q8 AB. We sometimes sell liquefied petroleum gas and naphtha to petrochemical companies. All third-party sales of gasoline, jet fuel and diesel are sales to other oil companies or traders. Approximately 90% of our third-party sales of heavy fuel oil are sales to oil companies, bunker distributors in the local market and traders, with the remaining 10% sold directly to industrial customers.

Raw Materials

Supply. We purchase the majority of our crude oil on the spot market, which provides us with flexibility in obtaining a supply of crude oil that is in line with our raw material requirements. This allows us to take advantage of the rapid price fluctuations in the crude oil supply market through our crude oil purchasing strategy. This strategy involves regularly monitoring market conditions for various types of crude oil as well as demand for refined products. Our objective is to minimize production costs (cost of crude oil, transportation and refining) and maximize sales revenue from the sale of the refined products that are most in demand. We occasionally supplement this purchasing strategy with various hedging instruments and forward sales contracts on refined products when we believe it would be more beneficial to reduce the effects of fluctuations in crude or refined product prices.

Price Effect on Inventories. We hold large inventories of crude oil and refined products and, thus, our financial results are impacted by the effects of fluctuations in the market prices for crude oil and refined products. To the extent that crude oil and refined product prices rise in tandem, our gross profit would generally be positively affected because we compute the gross profit as the excess of sales revenue (determined at the time of sale at the higher refined product prices) over the cost of goods sold (determined at the earlier time the crude oil is purchased at lower prices). Conversely, a portion of the gross loss that we record during a period of falling prices may be attributable solely to the decrease in prices during the period after we buy the crude oil and prior to the time we finish refining it and sell it.

However, during periods of rising crude oil prices, the cost of replenishing our crude oil inventories and, thus, our working capital requirements similarly increase. Because changes in refined product prices tend to lag behind changes in crude oil prices, we generally experience the increased working capital requirements from higher crude oil prices sooner, and to a greater degree, than the benefits to our gross profit that may arise from selling products at higher refined product prices.

Depending on the rate and the duration of the increase, and the degree to which crude oil prices move more than refined prices, our gross profit margins may actually decline during periods of rising crude oil prices. During periods of declining crude oil prices, we believe that we experience the opposite effects. Both the crude oil market and the refined products market are volatile.

We believe that, although the price effect on inventories may impact our results for a given period, over the long-term, the effects of rising and falling oil prices tend to offset each other. In addition we believe that, from a cash flow perspective, the effects of rising and falling oil prices on gross profit and working capital tend to offset each other. Therefore, in comparing our results from period to period, we believe that it is important to note that these price effects on inventories are unrelated to, and do not reflect, the underlying efficiency of the refineries. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk—Commodity Price Risk" included elsewhere in this Annual Report.

Inventory Management. We employ several strategies to minimize the impact on our profitability of the volatility in feedstock costs and refined product prices. Our inventory management strategies include the purchase and sale of exchange-related, oil-related futures and options with a duration of 12 months or less. To a lesser extent, we also use oil swap agreements similar to those traded on international exchanges such as the ICE Futures Europe, including crack spreads and crude oil options that, because they contain certain terms customized to the market in which we sell, such as point of delivery, are better suited to hedge against the specific price movements in our markets. The number of barrels of crude oil and refined products covered by such contracts varies from time to time. Nevertheless, we seek to maintain our "normal position" of crude oil, finished products and intermediates. Our "normal position," which is 1,840,000 cubic meters (approximately 12 million barrels), is evaluated based on the average optimal inventory level in our depot system, the required inventory levels to allow for continuous flow and operations and the amount of crude oil and products that are priced, but not delivered. When the volume in our inventories deviates from the normal position, both above and below, we have used and will seek to use derivatives to restore the volume that is exposed to price fluctuations. These strategies are designed to minimize, on a short-term basis, our exposure to the risk of fluctuations in crude oil prices and refined product margins. This hedging activity is closely managed and subject to internally established risk standards. The results of these hedging activities are recognized in our financial statements as adjustments to the cost of goods sold. To the extent permitted under our financing arrangements, we participate to a small degree in "contango" trading in connection with our inventory management. "Contango" occurs when the forward prices of crude oil or refined products exceed current spot market prices. As a result of our large storage capacity, we are able to take advantage of the price curve being in contango by simultaneously entering into current spot market purchases and future sale agreements. By locking in our margin, we can realize significant profits by utilizing our substantial storage facilities to store crude oil and refined products at our existing facilities until the delivery date called for by the sale agreements.

Storage

We own a strategically located network of storage depots along the Swedish coastline. Currently, our six storage depots have a total storage capacity of 945,000 cubic meters (approximately 5.9 million barrels). Of the total storage capacity at our depots, approximately 25% is leased out, which generated SEK 12 million of rental income from third parties during 2012. Pursuant to EU and Swedish legislations, we are required to keep certain levels of compulsory storage at our refineries and depots. However, our current inventory exceeds these minimum requirements and, thus, also enables us to earn income by selling certificates for storage capacity to other oil companies for their EU-imposed compulsory storage obligations. Total storage capacity at our refineries is approximately 4,500,000 cubic meters, of which currently approximately 200,000 to 400,000 cubic meters are leased out to third parties. In addition, we have potential additional storage capacity at Aspedalen, next to our Lysekil refinery, which could increase our storage capacity by approximately 2,600,000 cubic meters (approximately 16 million barrels). However, this additional storage capacity would require substantial capital investments, which we do not expect to make in the near future. In 2012, we generated approximately SEK 183 million (€21.2 million) in the sale of storage certificates.

Marketing Operations

The marketing segment resells refined products in Sweden. Our marketing segment consists of two divisions: a business-to-business division and a station and consumer division. The marketing segment resells refined products to large and medium sized commercial customers and independent dealers, wholesale, primarily in Sweden. We also sell our gasoline and diesel through approximately 360 Preem-branded manned and unmanned service stations, which are company-owned and dealer-operated, along with approximately 180 company-owned Såifa-branded diesel truck stops. For the years ended December 31, 2010, 2011 and 2012, our marketing segment had sales revenue of SEK 16,822 million (€1,952 million), SEK 20,528 million (€2,382 million) and SEK 20,575 million (€2,388 million) and operating income of SEK 349 million (€41 million), SEK 412 million (€48 million) and SEK 433 million (€50 million), respectively. In 2010, approximately 20% (by value) of the products made by our supply and refining segment was sold to our marketing segment, and the other 80% (by value) was sold to third parties. In 2011, approximately 21% (by value) of the products made by our supply and refining segment was sold to our marketing segment, and the other 79% (by value) was sold to third parties. In 2012, approximately 18% (by value) of the products made by our supply and refining segment was sold to our marketing segment, and the other 82% (by value) was sold to third parties.

Business-to-Business Division

We previously sold refined products to a large number of commercial customers of varying size and to private consumers. As part of the restructuring of our marketing segment, we no longer sell refined products directly to small-size commercial consumers or private consumers. Instead, we have in recent years supplied our products to a network of independent dealers, who in turn sell directly to these customers. The independent dealers are contractually required to use us as their primary supplier and are responsible for sales and delivery to the end-user. Creating this network of independent dealers to handle sales to smaller commercial customers and retail consumers and focusing our sales and marketing efforts on larger commercial consumers has enabled us to reduce the size of our sales force and simplify our support functions, thereby reducing our costs. This shift in focus has enabled us to retain a very large portion of our sales volume while focusing our efforts on a smaller part of our previous customer base.

Within our business-to-business division, we have also outsourced route planning and transportation of products to the independent dealers, which has helped reduce our costs. In 2008, we created a sales staff and support team to help increase our sales of diesel by increasing our market share in the commercial road traffic segment and the fleet segment, which include company cars and light transportation.

Today, our business-to-business division concentrates on sales to large- and medium-sized commercial consumers. Our main focus is on the supply of diesel and fuel oil to the industrial sector of Sweden, as well as to the transport and agricultural sectors and to the majority of the Swedish municipalities.

Within the business-to-business division, total volumes for the year ended December 31, 2012 decreased by approximately 15% compared to year ended December 31, 2011 as a result of the decreased demand for fuel oil and heating oil.

Station and Consumer Division

Our station and consumer division consists of a network of service stations throughout Sweden. We have a network of approximately 380 service stations in Sweden operating under the Preem brand name that are company-owned and dealer-operated. This network of Preem-branded stations consists of both full-service stations, offering a variety of products through integrated convenience stores aimed at consumers who prefer "one-stop shopping," and low-cost unmanned self-service stations that sell gasoline and diesel at reduced prices for the price-sensitive customer. We also have a network of approximately 180 unmanned diesel truck stops that are company-owned and operate under the brand name "Såifa." For a majority of our company-owned stations and truck stops, we own nearly all of the fixed assets and the fuel; however, we lease the land upon which the stations are located.

The following table shows a breakdown of Preem's manned and unmanned stations as of December 31, 2012.

Type of Station	Preem[(1)]	Såifa
Manned	104	—
Unmanned	258	177
Total	362	177

(1) Two of our 362 Preem-branded stations are boat stations, all of which are manned.

We have implemented a retail strategy that has reduced our cost base, increased sales of fuels and convenience goods and improved our strength of brand. Part of this strategy involved developing a new retail concept and attractive customer offers. Our new convenience shop concept has been well received among our customers.

A key component of this strategy was to outsource the operation and management of our company-operated stations and convenience shops to independent dealer operators, which was completed in 2008.

Transferring the operation of company-operated stores to independent dealer operators was an important factor in the cost reductions achieved in connection with the restructuring of the marketing segment. We have substantially finished rolling out a new design for our stations and continue to selectively upgrade certain of our stations that have not yet undergone the change. In addition, we are standardizing relations with these independent operators by using a new partner contract, which helps us present a unified profile across our service stations.

Sustainable Business Initiatives

The demand for biofuels is increasing and our customers are systematically looking for solutions to reduce their environmental impact. As Sweden's largest producer and supplier of fuels, we have responded to this demand by expanding our offering of biofuels and partnering with various institutions in the testing and development of alternative fuels that use renewable raw materials and do not compete with global food production, reduce water assets or threaten biodiversity.

Currently throughout retail network, we offer our customers Bio100 diesel and fuel oil with 100% renewable rapeseed methyl ester, we have increased the availability of biogas, including bio-fuel E85 (which contains 85% renewable ethanol and 15% gasoline) and we offer electric car owners in certain locations a free two hour charge. In addition, following the conversion of sections of the Preemraff Gothenburg into a biorefinery, we have begun producing and marketing tall oil diesel which is the first forest-based green diesel with 16% renewable content.

We also strive to improve the sustainability of our business by employing strategies to reduce our emission levels and optimize our energy consumption at each of our refineries. Some of the effective techniques that we employ to reduce our emissions include low nitrogen oxide burners, catalytic fuel-gas cleaning, in-house produced fuel gas and energy recovery from heat exchangers. Indeed, according to the 2010 Solomon Study, our refineries emit on average 18% less carbon dioxide, 68% less nitrogen oxide and 91% less sulphur oxide than the average refinery located in Western Europe. In addition, we partnered with Skangass AB in 2012 for the delivery of liquefied natural gas ("LNG") to Preemraff Lysekil which replaced butane and Naphtha as feedstocks, resulting in reduced carbon dioxide emissions. We are currently in the process of building a LNG terminal near Preemraff Lysekil that is estimated to come into operation in early 2014.

We are also exploring alternative energy sources, including through our partnership in VindIn AB with other energy-intensive companies in Sweden that aims to identify, develop, build and run wind power stations in

Scandinavia in order to deliver electricity to those involved in the partnership.

Competition

Our supply and refining segment competes primarily with ST1 Refinery AB, which owns and operates the only other competing oil refinery in Sweden and, to a lesser degree, with Neste Oil Corporation and AB Svenska Statoil. Outside Sweden, we compete with the refineries in northwestern Europe that can serve our target markets, primarily Scandinavia, the United Kingdom and Germany. The principal competitive factors affecting our refining operations are the price and availability of crude oil and other feedstock, refinery efficiency, the refined product mix and product distribution and transportation costs. Our marketing segment competes primarily with AB Svenska Statoil, OK-Q8 AB, ST1 Energy AB and ST1 Sverige AB. The principal competitive factors affecting our marketing segment are market volume, station throughput, product price, locations of service stations and brand identification.

In 2012, we had the leading marketing share in Sweden in terms of volume of diesel, heating oil and fuel oil with approximately 36% of diesel sales, 41% of heating oil sales and 58% of fuel oil sales, according to the Swedish Statistical Bureau. In addition, our marketing segment's share of the Swedish retail gasoline market in terms of sales volume was approximately 12% in 2012, based on data from the Swedish Statistical Central Bureau. This ranked fourth behind Statoil Fuel & Retail with approximately 39% market share, OK-Q8 AB with approximately 29% market share and ST1Sverige AB with approximately 19% market share based on data from the Swedish Statistical Central Bureau.

Regulatory and Environmental Matters

We are subject to both Swedish and EU regulation on the production, storage, transportation and sale of petroleum products. Sweden was one of the first European countries to introduce strict environmental legislation, which required the Swedish petroleum industry to upgrade existing infrastructure earlier than other European refiners. Sweden has among the strictest environmental specifications in the EU. Current EU regulations allow a maximum sulphur content of 10 parts per million for gasoline and diesel, effective January 1, 2009, and an aromatic content in gasoline of 35%, effective January 1, 2005.

In 2006, we commissioned the hydrocracker unit at Preemraff Lysekil, which has enhanced Preemraff Lysekil's strong market position and enabled Preemraff Lysekil to produce more virtually sulphur-free (10 parts per million) diesel, a product for which there is increasing demand in Europe.

After the hydrocracker unit became operational, we decreased our production of heating oil, a lower margin product, and increased our production of diesel, a higher-margin product. This has substantially improved our overall refining margins. Although we have made the necessary investments to meet current EU specifications, our intention is to make additional investments to further upgrade our refineries. We have also modified the mild hydrocracker unit at the Gothenburg refinery in order to allow processing of bio-based feedstock for production of green diesel.

Intellectual Property

Preem holds the word and combined word and device trade mark registrations for Preem and the Preem bear logo in the EU and Norway. Preem also holds other Swedish trade mark registrations including "Renofin," "Minima.," "Micro," "OK Micro," "OK Micropris," "Optima," "ProMil," "SP Svenska Petroleum," "Björnkoll," "Preem Active Cleaning Power Diesel," "Preem ACP Diesel," "ACP," "EO2 DUO LS" and a three dimensional trademark portraying a Preem filling station.

Preem, directly or indirectly through its subsidiaries, also holds the following domain names: "preem," "preempetroleum," "bjornkoll," "renofin," "preemgas," "preemraff," "bjornen," "wwwpreem," "preemfinans" and "svenskaoljegrossister." The above-mentioned domain names are all held the in the top domains ".se," ".com," ".eu," ".nu," ".org," ".biz," ".info" and ".net."

Employees

We employed an average of approximately 1,250 persons in 2012 and approximately 1,300 persons in both 2011 and 2010. Substantially all of our employees are represented by trade unions under collective bargaining agreements. We believe that our relations with our employees are good. We have not been involved in any material labor disputes or experienced any disruptions in production as a result of union activities of our employees in the last five years.

Organizational structure

Preem is wholly owned by Corral Petroleum Holdings. Corral Petroleum Holdings is wholly owned by Moroncha Holdings, which, in turn, is wholly owned by Mr. Mohammed Hussein Al-Amoudi. Mr. Al-Amoudi acquired all of the outstanding shares of Preem, then called OK Petroleum, in 1994 and its name was changed to Preem Petroleum in 1996 and then to Preem in 2008.

Legal Proceedings

We have been and are involved in various legal proceedings incidental to the conduct of our business; however, we are not involved in any governmental, legal or arbitration proceedings that have had or are expected to have significant effects on our financial position or profitability.

Insurance

Our operations are subject to all of the risks normally associated with oil refining and transportation that could result in damage to or loss of property, suspension of operations, injury or death to personnel or third parties or damage to the environment.

For insurance purposes, we have two insurance companies ("captives"), which are wholly owned: Preem Insurance Company Limited, based in Ireland, and Preem Försäkrings AB, based in Sweden and formed in 2012. We intend to wind up Preem Insurance Company Limited some time during 2013, after all of its business is transferred to Preem Försäkrings AB.

Our insurance policies for property and business interruption, terrorism, offices and general liability are underwritten by Preem Insurance Company Limited or Preem Försäkrings AB and reinsured on the international reinsurance markets. Our property insurance covers sudden and accidental loss of or damage to plants, buildings, equipment, crude oil and products. We insure such assets at levels that management believes reflect their current replacement value. The refineries are also covered by business interruption insurance for interruptions beyond 45 days. Our public and product liability insurance covers loss of or damage to third party property as well as death or injury to third parties. Employees are covered by the statutory workers' compensation scheme. Our transport insurance covers loss of or damage to crude oil and products, as well as refinery spares, during transportation at our risk. Our charterers' liability insurance covers potential liability for incidents involving vessels chartered by us. Our environmental insurance for sites in operation covers both sudden and gradual environmental damage. We also have separate environmental insurance for soil contamination at closed sites. The latter is underwritten by the captives, without reinsurance.

We believe we maintain our insurance in a manner consistent with customary industry practices in the jurisdictions in which we operate and consider our insurance coverage to be financially prudent for our business. We cannot assure you, however, that our insurance coverage will adequately protect us from all risks that may arise or in amounts sufficient to prevent any material loss. A successful liability claim for which we are underinsured or uninsured could have a material adverse effect on us.

Property, plant and equipment

We own the Preemraff Gothenburg refinery and the 370 acres on which the refinery is located, and we have easements that ensure the refinery's access to the harbors of Torshamnen and Skarvik by way of pipelines. We also own the Preemraff Lysekil refinery and the 465 acres on which the refinery is located as well as the harbor at Lysekil. Our main storage facilities, which consist of a total of approximately 37 acres, are also located in Sweden. All other properties that we use are leased in accordance with normal market conditions.

MANAGEMENT

The following tables set forth certain information with respect to the current directors and executive officers of Corral Petroleum Holdings and Preem.

On April 1, 2012, Mr. Michael G:son Löw retired as Preem's President and Chief Executive Officer and was succeeded by Mr. Petter Finn Holland. Mr. Löw had been Preem's President and Chief Executive Officer since 2003. Mr. Löw is currently a member of Preem's board of directors. In addition, on April 1, 2012 Per Olsson retired as Executive Vice-President, Refining and was succeeded by Peter Abrahamsson.

Corral Petroleum Holdings

Name	Age	Position(s)
Mohammed Hussein Al-Amoudi	67	Director, Chairman of the Board
Jason Milazzo	51	Director, Vice Chairman of the Board
Richard Öhman	62	Director, Managing Director
Bassam Aburdene	65	Director

Preem

Name	Age	Position(s)
Petter Finn Holland	57	Chief Executive Officer[1]
Mohammed Hussein Al-Amoudi	67	Director, Chairman of the Board
Jason Milazzo	51	Director, Vice Chairman of the Board
Bassam Aburdene	65	Director
Per Höjgård	65	Director
Michael G:son Löw	62	Director
Lars Nelson	72	Director
Lennart Sundén	61	Director
Richard Öhman	62	Director
Malin Larsson	39	Director, Employee Representative
Cristian Mattsson	45	Director, Employee Representative
Eva Lind Grennfelt	40	Deputy Director, Employee Representative
Eivind Simonsen	47	Deputy Director, Employee Representative
Peter Abrahamsson	49	Executive Vice-President, Refining[2]
Ingrid Bodin	48	Executive Vice-President, Supply and Trading
Magnus Heimburg	46	Executive Vice-President and Chief Financial Officer
Andreas Viefhaus	50	Executive Vice-President, Sales and Marketing

(1) Petter Finn Holland succeeded Michael G:son Löw as Chief Executive Officer on April 1, 2012.
(2) Peter Abrahamsson succeeded Per Olsson as Executive Vice-President, Refining on April 1, 2012.

Mohammed Hussein Al-Amoudi was appointed director and Chairman of the Board of Preem in March 2005 and Chairman of the Board of Corral Petroleum Holdings in January 2009. Mr. Al-Amoudi is also the sole shareholder of Moroncha Holdings (the sole shareholder of Corral Petroleum Holdings and Corral Petroleum Holdings' parent company). See "Summary—Our Shareholder," "Ownership of Common Stock" and "Related Party Transactions" for additional information.

Jason Milazzo has been Vice Chairman of the Board of Corral Petroleum Holdings since November 2009. Mr. Milazzo has also been the First Vice Chairman of the Board of Preem since August 2009. Mr. Milazzo was previously with Morgan Stanley & Co. for 13 years and held various senior management positions in its Investment Banking Division, including co-head of Global Natural Resources Group and Global Head of Corporate Finance Group. Mr. Milazzo is also Vice Chairman of the Board of Svenska Petroleum Exploration AB, Chairman of the Board of Corral Morocco Gas & Oil and the Vice Chairman of SAMIR.

Richard Öhman has been a director of Corral Petroleum Holdings (formerly known as Corral Finans) since 2007. Mr. Öhman has also been a director of Preem since 1994. Mr. Öhman served as a director of the former Corral Petroleum Holdings beginning in 1994, and served as President and Chief Executive Officer of that company from April 1999 until its merger with Preem in October 2008. From 1996 to 1999, he served as President and Chief Executive Officer of Midroc Scandinavia AB, in which Mr. Al-Amoudi has a majority interest. From 1991 to 1992, Mr. Öhman was in charge of Management and Business Development at ABV Rock Group KB, based in Riyadh. From 1983 to 1991, he was involved in international project financing at ABV AB/NCC AB, Stockholm.

Bassam Aburdene has been a director of Corral Petroleum Holdings since 2007. Mr. Aburdene has also been a director of Preem since 2001. In addition, Mr. Aburdene has been a director of SAMIR since 1996 and of Fortuna Holdings Company, which is a wholly owned subsidiary of Moroncha Holdings, which, in turn, is wholly owned by Mr. Al-Amoudi, since 1995. Mr. Aburdene was also a director of Midroc Scandinavia AB until 2002. Mr. Aburdene is also a director of a number of publicly and privately held companies, including SAMIR and Corral Morocco.

Petter Finn Holland joined Preem as Chief Executive Officer in April 2012. Prior to joining Preem, Mr. Holland was Executive VP-Manufacturing at Saudi Aramco Mobil refinery in Yanbu, Saudi Arabia. In addition, Mr. Holland served in various executive positions within ExxonMobil between 1984 and 2012. Mr. Holland received his Master of Science in Mechanical Engineering from the University of Trondheim.

Per Höjgård has been a director of Preem since March 2007. Mr. Höjgård was Chief Financial Officer of Preem from 1990 until his retirement in March 31, 2007. He was succeeded by Mr. Heimburg. Mr. Höjgård has served in similar positions in several public industrial companies. Before his employment with Preem, he was a partner in a management consultancy company from 1985 to 1990.

Michael G:son Löw has been a director of Preem since January 2003. Mr. Löw served as Preem's President and Chief Executive Officer from January 2003 until April 2012. He also is a director of, Boliden AB, Concordia Maritime AB, Stena LNG Plc, Norstel AB, Västra Hamnen Energy AB, vice chairman and director of the Swedish-Russian Chamber Commerce, Svenskt Näringsliv (the Confederation of Swedish Enterprise) and vice chairman and director of IKEM AB (a service company and trade organization for the Swedish Industrial and Chemical Employers Association), member of Chalmer's University advisory board and fellow member of the Royal Swedish Academy of Engineering Sciences. Before joining Preem, Mr. Löw worked for almost 27 years for the American oil company Conoco Inc., later renamed ConocoPhillips, where he held a number of top management positions. He has been based in Europe, Asia and the United States, covering, for example, refining, supply and trading, shipping, marketing and finance. He was a member of Conoco's European and Asian leadership teams, a director of several local affiliates and joint ventures and Chairman of Conoco's Nordic downstream operations.

Lars Nelson has been a director of Preem since 1996. He was President and Chief Executive Officer of Preem from 1996 to 2003. From 1981 to 1996, he was President of Skandinaviska Raffinaderi AB Scanraff. Preem has employed Mr. Nelson in various capacities since 1974. Mr. Nelson is also a director of Midroc Rodoverken AB, a subsidiary of Midroc Scandinavia AB, and a director of Société Anonyme Marocaine de l'Industrie du Raffinage ("SAMIR"). See "Related Party Transactions."

Lennart Sundén has been a director of Preem since 2005. Mr. Sundén is presently the chairman of Aura Light International AB. He was the President and Chief Executive Officer of Sanitec Corporation from 2005 to 2006, the President and Chief Executive Officer of Swedish Match AB from 1998 to 2004, and was employed in a number of positions with AB Electrolux from 1977 to 1998.

Malin Larsson has served as an employee representative on the board of Preem since 2012. Ms. Larsson joined Preem in 2007 and works as a logistician in Stockholm.

Cristian Mattsson has served as an employee representative on the Board of Preem since 2003. Mr. Mattsson has been employed as a technician at Preemraff Lysekil since 1988.

Eva Lind Grennfelt has been employed as a technician at Gothenburg since 2003 and has served as a deputy employee representative on the board of Preem since 2008.

Eivind Simonsen has been employed as a technician at Gothenburg since 1990 and has served as a deputy employee representative on the board of Preem since 2008.

Peter Abrahamsson has served as Executive Vice-President, Refining since April 2012. Prior to assuming this role, Mr. Abrahamsson has held various positions at Preem since joining in 1991, including Preemraff Maintenance and Project Manager. In addition, he was the Managing Director at Scanlube AB from 2002 to 2006. Mr. Abrahamsson has also served as a director of SunPine AB since 2008.

Ingrid Bodin joined Preem in 1988 and has served as Manager of Production Planning and Manager of Business Development. Since 2006, she has served as Executive Vice-President, Supply & Trading. Ms. Bodin is also director and Chairman of Preem Gas AB.

Magnus Heimburg has been Executive Vice-President and Chief Financial Officer of Preem since April 30, 2007. Magnus Heimburg was the Vice-President, Corporate Control and Treasury, for Swedish Match from October 4, 1999 through April 30, 2007. Mr. Heimburg also has been a director of SunPine AB since June 11, 2008 and Chairman since May 30, 2011. Mr. Heimburg's appointment as Chairman of SunPine AB will end as of May 2, 2013.

Per Olsson retired as Executive Vice-President, Refining in April 2012 having served in the position since 2007. Since 1981, Mr. Olsson has held various positions at Preemraff Gothenburg and was Managing Director of Preemraff Gothenburg from 1992 to 2001 and Managing Director of Preemraff Lysekil from 2001 until 2007.

Andreas Viefhaus has been Executive Vice President, Head of Sales and Marketing of Preem since January 2008. He joined the company in May 2005 as head of the retail division. Before joining Preem, Mr. Viefhaus held several senior management positions as marketing director at Schwarzkopf & Henkel and Henkel KGaA. Mr. Viefhaus is a member of the Swedish-German Chamber of Commerce in Stockholm.

Board of Directors of Corral Petroleum Holdings and Preem

The board of directors of Corral Petroleum Holdings currently has four members: Bassam Aburdene, Richard Öhman as Managing Director, Jason Milazzo as Vice Chairman and Mohammed Hussein Al-Amoudi as Chairman. Under its articles of association, Corral Petroleum Holdings is required to have a minimum of three directors and a majority of the directors must be present for there to be a quorum. Directors are appointed at each annual general shareholders' meeting and serve until the end of the next annual general shareholders' meeting, unless they retire or are replaced during that period. The current directors of Corral Petroleum Holdings are designees of its parent company, Moroncha Holdings, and were elected at Corral Petroleum Holdings' 2012 annual general shareholders' meeting on March 28, 2012 and served until the end of the 2013 annual general shareholders' meeting (which was held on March 13, 2013, at which time the current directors were re-elected to serve until the end of the Corral Petroleum Holdings 2014 annual general shareholders' meeting). Directors may be removed without cause by a resolution of the shareholders. The directors of Corral Petroleum Holdings have the power to manage the business and to use all of the powers of the company not inconsistent with Corral Petroleum Holdings' articles of association and the Swedish Companies Act. Corral Petroleum Holdings has not entered into any service contracts with any of its directors or any directors of its subsidiaries providing for benefits upon termination of employment.

The board of directors of Preem currently has 12 members, including two directors who are employee representatives and two deputy members who are also employee representatives. Under its articles of association, the board of directors must have a minimum of three directors and not more than fifteen directors, with not more than eight deputy directors. A majority of the directors must be present for there to be a quorum. All directors except for two employee representatives are designees of Corral Petroleum Holdings and are appointed at each annual general shareholders' meeting and serve until the end of the next annual general shareholders' meeting, unless they retire or are replaced during that period. The two directors and the two deputy directors who are employee representatives are appointed by the labor unions that represent Preem's employees and serve until the labor unions appoint new representatives. The current directors of Preem were appointed on March 28, 2012 to serve until the end of the Preem 2013 annual general shareholders' meeting (which was held on March 13, 2013, at which time the current directors were re-elected to serve until the end of the Preem 2014 annual general shareholders' meeting). Directors elected at a shareholders' meeting may be removed without cause by a resolution of the shareholders. The directors of Preem have the power to manage the business and to use all of the powers of the company not inconsistent with Preem's articles of association and the Swedish Companies Act. Other than as described in "—Executive Compensation" below, Preem has not entered into any service contracts with any of its directors or any directors of its subsidiaries providing for benefits upon termination of employment. Its board of directors has established an audit committee. Per Höjgård was the only member in the audit committee until March 28, 2012 when Richard Öhman and Per Höjgård were elected as members for three years.

Under the Swedish Companies Act, a director may not take part in decisions relating to agreements between the company and each of the following:

- that director;
- a third party, if that director has a material interest that may conflict with the interest of the company; and
- a legal entity that is represented by that director.

If the director directly or indirectly owns all shares in the company, however, the above restrictions do not apply. Moreover, the third restriction does not apply if the counterparty to the company is a member of the same corporate group.

Compensation for the directors of Corral Petroleum Holdings and Preem is determined at their respective annual general shareholders meetings. Corral Petroleum Holdings and Preem also pay for all travel, hotel and other expenses incurred by their respective directors in connection with their attendance at board meetings or otherwise in relation to the discharge of their duties.

Executive Compensation

Corral Petroleum Holdings paid no compensation to its directors and executive officers in 2012. The company was incorporated on March 22, 2007, and has not paid any compensation to its directors or officers to date. Preem paid to its directors and executive officers aggregate compensation of SEK 19.2 million, including bonuses of SEK 1.8 in 2012; SEK 24.6 million, including bonuses of SEK 3.5 million, in 2011; and SEK 20.5 million, including bonuses of SEK 1.8 million, in 2010. Bonuses were determined by the board of directors of Preem pursuant to provisions of employment agreements between Preem and the individual executive officers.

Employment Agreements

Messrs. Abrahamsson, Bjerdén, Heimburg, Holland and Viefhaus and Ms. Bodin are each party to an employment agreement with Preem. Each of these agreements provides compensation for employment services including a fixed annual salary as specified in the agreement, an annual bonus, certain insurances and pension benefits.

Under the terms of the agreement for Mr. Holland, either party may terminate employment on 6-months' notice. Upon termination of employment by Preem, Mr. Holland would be entitled to a payment of his full salary during such 6-month notice period.

Messrs. Abrahamsson, Bjerdén, Heimburg and Viefhaus and Ms. Bodin, each have a notice period of 12 months. In addition to the payment of their salary during the 12-month notice period, each of Messrs Abrahamsson, Bjerdén, Heimburg and Viefhaus and Ms. Bodin is entitled to a severance allowance equal to 12 months' salary irrespective of new employment prospects.

However, if termination is based on gross negligence or serious breach of contract on the part of the respective employee, no termination payment is due.

In addition, the employment agreements of Messrs. Abrahamsson, Bjerdén, Heimburg and Viefhaus and Ms. Bodin provide that any other compensation that each of them may receive while they are entitled to the termination payment would reduce their respective entitlement to the termination payment by the amount of the compensation received.

Loans to Management

As of the date of this Annual Report, none of Corral Petroleum Holdings or Preem had any loans outstanding with its management.

Management's Interests

None of the directors or executive officers of Corral Petroleum Holdings or Preem (other than Mr. Al-Amoudi, who is a director and Chairman of Corral Petroleum Holdings and Preem and indirectly holds the shares in both companies) hold any shares in any of these companies, and none of these companies has granted any option rights to any of its respective directors, executive officers or employees.

OWNERSHIP OF COMMON STOCK

Corral Petroleum Holdings is wholly owned by Moroncha Holdings, which, in turn, is wholly owned by Mr. Mohammed Hussein Al-Amoudi. Through such ownership, Mr. Al-Amoudi indirectly has the right to make binding nominations for the appointment of members of the boards of directors of Corral Petroleum Holdings and Preem and to determine the outcome of any action requiring shareholder approval, including election and removal of their directors, amendments to their charters, mergers and other extraordinary corporate actions.

Mr. Al-Amoudi's holdings include a majority interest in Société Anonyme Marocaine de l'Industrie Raffinage, or SAMIR, a Moroccan oil refining company, Svenska Petroleum Exploration AB, or SPE, a petroleum exploration and production company, and a majority interest in Midroc Europe AB, a holding company of a group of companies active in the field of industrial construction, repair and maintenance. See "Related Party Transactions" for additional information.

Although these related companies currently do not directly compete with Preem in its primary markets, we cannot assure you that they will not compete with Preem in the future. Some of the directors and executive officers of Corral Petroleum Holdings and Preem also act as directors or executive officers with some of these related companies. See "Management" elsewhere in this Annual Report. Corral Petroleum Holdings and/or its subsidiaries also engage in commercial transactions with some of these related companies from time to time. See "Related Party Transactions" elsewhere in this Annual Report for details of such transactions. If Corral Petroleum Holdings or any of its subsidiaries, including Preem, enters into any such transactions with any of these related companies, it intends to do so on terms no less favorable than those it could have obtained from unrelated third parties. Nonetheless, such transactions could result in conflicting interests.

RELATED PARTY TRANSACTIONS

Capital Trust Group

Capital Trust Group, through its subsidiaries, provided certain technical and international merchant and investment banking advisory services to Preem and its subsidiaries. The contract governing these services provided for an annual fee of $2.5 million; however, this contract was terminated on December 31, 2011. In connection with the arrangement of the 2008 Credit Facility, Preem also paid Capital Trust Group a fee of $27 million.

Mr. John P. Oswald, a former director of Preem and Corral Petroleum Holdings, is a principal shareholder of Capital Trust. Mr. Bassam Aburdene, a director of Preem and Corral Petroleum Holdings, is also a principal shareholder of Capital Trust. Preem believes that the foregoing transactions were entered into on terms no less favorable to it or to its subsidiaries than those that could have been obtained from an unrelated third party.

Midroc Europe AB

Midroc Europe AB, a company in which Mr. Al-Amoudi has a majority interest, has provided and continues to provide maintenance and construction services, through its subsidiaries, including Midroc Electro AB, Midroc Engineering AB and Metalock Sweden AB to Preem (of which Mr. Al-Amoudi is also Chairman and director). For these services, we paid SEK 166 million (€19 million) in 2012, SEK 219 million (€25 million) in 2011 and SEK 175 million (€20 million) in 2010. Many of these services are provided on an as-needed basis. Accordingly, the amounts paid for these services may vary from year to year depending on the amount of services provided. Preem believes that the foregoing transactions were entered into on terms no less favorable to us than those that could have been obtained from an unrelated third party.

Huda Trading AB

Preem and Huda Trading AB entered into an agreement to conduct business involving the purchase, storage and sale of oil, specifically when the market is in “contango” meaning that forward prices of crude oil or refined products exceed current spot market prices. Huda Trading AB is 100% owned by Huda Holdings Limited, which is 100% controlled by Mr. Al-Amoudi. The agreement also includes the provision of operational and administrative support from Preem. Sales totaled SEK 441 million (€51 million) in 2012, SEK 1,558 million (€181 million) in 2011 and SEK 1,756 million (€204 million) in 2010, and purchases totaled SEK 752 million (€87 million) in 2012, SEK 2,028 million (€235 million) in 2011 and SEK 2,051 million (€238 million) in 2010.

Corral Morocco Gas & Oil

On February 6, 2006, Corral Morocco Gas & Oil, which is indirectly 100% owned by Mr. Al-Amoudi, issued and delivered a promissory note to Corral Petroleum Holdings for a principal amount of approximately SEK 3,136 million (€364 million) with an interest rate of 5.0% per annum. As of December 31, 2012, the outstanding principal, including capitalized interest, is approximately SEK 3,653 million (€424 million). Preem AB may demand repayment in full, plus all accrued and unpaid interest, upon nine months’ notice.

Constellation Holdings LLC

Constellation Holdings LLC provides strategic and investment banking advisory services and is acting as an advisor to Preem in consultative and advisory services on strategic issues. The contract governing these services will be automatically renewed on an annual basis unless terminated by either party and provides for an annual fee of $2.5 million.

Mr. Al-Amoudi is the principal shareholder of Constellation Holdings LLC. Preem and Corral Petroleum Holdings believe that the foregoing transactions were entered into on terms no less favorable to it or to its subsidiaries than those that could have been obtained from an unrelated third party.

Our ultimate shareholder

In connection with the refinancing of the 2011 Notes in May 2010, our ultimate shareholder, Mr. Al-Amoudi, made equity contributions of SEK 2,582 million (€300 million). Total contributions in 2010 were SEK 2,619 (€304 million), which included the contribution in January 2010 in connection with the January 15, 2010 interest payment on the 2011 Notes and the aforementioned contributions related to the refinancing of the 2011 Notes. In connection with interest payments on 2011 Notes, we received shareholder loans of $1.2 million due December 31, 2010, $1.6 million and €1.2 million due March 31, 2011 and €2.8 million due June 30, 2011, from our ultimate shareholder Mr. Al-Amoudi, who also owns 2019 Subordinated Notes in an aggregate amount of approximately €109 million and $48 million as of December 31, 2012. In connection with the Refinancing Transactions in 2011, Mr. Al-Amoudi made a $600 million cash contribution to the Group by way of a subordinated shareholder loan and contributed $8 million and €9 million to the payment of expenses relating to the Refinancing Transactions by way of a subordinated shareholder loan as well. The subordinated shareholder loans bear an interest rate of 5% per annum and are paid in kind semi-annually. As of December 31, 2012, the loans, including accrued interest expense, amounted to $649 million and €9 million respectively.

Conflicts of Interest

Except as described above, and in the sections “Risk Factors—Risks related to the 2017 Notes and our Capital Structure—We are controlled by one shareholder whose interests as they relate to us may conflict with your interests” and “Management,” as at the date of this Annual Report, our directors and principal executive officers do not have any potential conflicts of interest between any duties to us and their private interests or other duties.

DESCRIPTION OF CERTAIN INDEBTEDNESS

The following is a summary of the material terms of certain financing arrangements to which we are a party. The following summary is not complete and is subject to the full text of the documents described below.

2017 Notes

Corral Petroleum Holdings issued the 2017 Notes on September 14, 2011. As of December 31, 2012, approximately €164 million and $203 million of 2017 Notes were outstanding. The 2017 Notes will mature on December 31, 2017. The 2017 Notes are senior debt of Corral Petroleum Holdings and are secured by a pledge of all the shares of Corral Petroleum Holdings granted by Moroncha Holdings.

2019 Subordinated Notes

Corral Petroleum Holdings issued the 2019 Subordinated Notes pursuant to an indenture dated May 6, 2010, as amended on September 14, 2011. As of December 31, 2012, approximately €109 million and $48 million of 2019 Subordinated Notes were outstanding. The 2019 Subordinated Notes will mature on December 31, 2019. The 2019 Subordinated Notes are unsecured obligations of Corral Petroleum Holdings and are junior in right of payment to all existing and future senior debt of Corral Petroleum Holdings, including the 2017 Notes, and are structurally subordinated to the liabilities of Corral Petroleum Holdings' subsidiaries, including the 2011 Credit Facility.

Shareholder Loans

Corral Petroleum Holdings had outstanding shareholder loans of $608 million ($649 million including accrued interest expense) and €9 million (€9 million including accrued interest expense) as at December 31, 2012. Of this amount, $600 million was used to repay a portion of Preem's existing credit facility and a portion of Corral Petroleum Holdings' 2011 Notes, including related transaction costs. The shareholder loans are subordinated and bear an interest rate of 5% per annum. The interest expense related to the shareholder loans is paid in kind semi-annually.

2011 Credit Facility

Preem entered into a 2011 Credit Facility pursuant to a facilities agreement dated September 14, 2011, among Preem as borrower, Danske Bank A/S Danmark, Sweden Branch, DnB NOR Bank ASA, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ), Svenska Handelsbanken AB (publ) and Swedbank AB (publ) as coordinating mandated lead arrangers and lenders, Skandinaviska Enskilda Banken AB (publ), as facility agent, Skandinaviska Enskilda Banken AB (publ) as factoring bank and Svenska Handelsbanken AB (publ) as fronting bank.

Structure

The 2011 Credit Facility provides Preem with a $2,500 million (equivalent) term loan and multi-currency revolving facility comprising of $1,850 million (equivalent) multi-currency revolving facility, of which $73 million (equivalent) is uncommitted working capital facilities and a $650 million (equivalent) term loan facility (with separate tranches denominated in both USD and SEK).

The 2011 Credit Facility has a maturity date of five years from September 14, 2011. Loans and letters of credit under the revolving credit facilities were used to refinance amounts outstanding under the 2008 Credit Facility and may be used for general corporate purposes and working capital requirements (including, without limitation, the payment of fees, costs and expenses incurred in connection with the Refinancing Transactions and the making of permitted payments) but not for the financing of any acquisition. The proceeds of the term loan facility were used to refinance amounts outstanding under the 2008 Credit Facility.

Limits on availability

Subject to the provision of the Incremental Facility (as defined below), Preem's ability to utilize $1,577 million of the $1,777 million (equivalent) committed revolving loan and letter of credit facilities is subject to certain ongoing inventory and receivables borrowing base tests.

Incremental Facility

The equivalent of $73 million of the revolving loan and letter of credit facilities can be made available by way of an uncommitted incremental facility (the "Incremental Facility") on the same terms as the revolving loan and letter of credit facilities under the 2011 Credit Facility. If the Incremental Facility is to be provided by any lender that is not an existing lender under the 2011 Credit Facility then the provision of the Incremental Facility will be subject to the approval of such new lender by the existing lenders under the 2011 Credit Facility (such approval not to be unreasonably withheld or delayed).

Interest

Interest on loans utilized under the 2011 Credit Facility accrues at a rate equal to IBOR plus mandatory costs plus an applicable margin for each of the facilities. The revolving loan and letter of credit facilities that are subject to the borrowing base limits have a margin of 3.50 % per annum (subject to ratchet provisions to a minimum of 2.75% based on a Total Net Debt to consolidated EBITDA ratio). The revolving loan and letter of credit facilities that are not subject to the borrowing base limits have a margin of 4.50% per annum (also subject to ratchet provisions). The term loan facility has a margin of 5.00% (of which $600 million of the total term loan facility is subject to ratchet provisions to a minimum of 4.25% based on the total amount of term loan facility outstanding at the relevant time and subject to the payment of an additional 0.50% while the amounts outstanding under the term loan are greater than $400 million). "IBOR" means (a) in the case of euros, EURIBOR, (b) in the case of Swedish Kronor, STIBOR and (c) in the case of any other currency, LIBOR, in each case determined in accordance with the 2011 Credit Facility. Such interest is payable on a six-month basis, or in the case of loans with a term shorter than six months, on the last day of such term. In addition, default interest is payable on any unpaid amount, at an additional rate of 1% per annum.

Financial Covenants

Under the 2011 Credit Facility, Preem is obliged to maintain certain agreed financial ratios, such as Adjusted Net Debt (as defined below) to consolidated EBITDA and interest cover ratios as well as minimum equity levels.

Interest Cover Ratio

Under the 2011 Credit Facility, Preem must ensure that the ratio of consolidated EBITDA to consolidated interest costs (meaning, in relation to each measurement period, all interest, whether paid, payable or capitalized, incurred by the Preem group calculated on a consolidated basis), does not fall below:

(i) for the Measurement Period ending on March 31, 2012, 1.3;

(ii) for the Measurement Period ending on June 30, 2012, 1.6;

(iii) for the Measurement Period ending on September 30, 2012, 1.7;

(iv) for the Measurement Period ending on December 31, 2012, 1.7;

(v) for the Measurement Period ending on March 31, 2013, 2.4;

(vi) for the Measurement Period ending on June 30, 2013, 2.5;

(vii) for the Measurement Period ending on September 30, 2013, 2.3;

(viii) for the Measurement Period ending on December 31, 2013, 2.1;

(ix) for the Measurement Period ending on March 31, 2014, 2.3;

(x) for the Measurement Period ending on June 30, 2014, 2.4;

(xi) for the Measurement Period ending on September 30, 2014, 2.8; and

(xii) for each Measurement Period ending after December 31, 2014, 3.0.

Adjusted Net Debt to consolidated EBITDA

Under the 2011 Credit Facility, Preem must ensure that the ratio of borrowings (excluding borrowings under the working capital facilities and after deducting cash and cash equivalents) ("Adjusted Net Debt") to consolidated EBITDA does not at any time exceed:

(i) for the Measurement Period ending on March 31, 2012, 4.3;

(ii) for the Measurement Period ending on June 30, 2012, 3.3;

(iii) for the Measurement Period ending on September 30, 2012, 3.0;

(iv) for the Measurement Period ending on December 31, 2012, 2.7;

(v) for the Measurement Period ending on March 31, 2013, 1.9;

(vi) for the Measurement Period ending on June 30, 2013, 1.7;

(vii) for the Measurement Period ending on September 30, 2013, 1.7;

(viii) for the Measurement Period ending on December 31, 2013, 1.7; and

(ix) for the Measurement Period ending on and after March 31, 2014, 1.5.

Minimum Equity Covenant

Under the 2011 Credit Facility, Preem must ensure that the value of Adjusted Equity does not fall below SEK 5 billion at any time.

Equity Cure

The 2011 Credit Facility contains certain equity cure rights which can be exercised in respect of each of the financial covenants by either the prepayment of amounts outstanding under the term loan facility or to increase the value of Adjusted Equity (as applicable). The equity cure rights cannot be exercised more than three times over the life of the facilities or more than once in any financial year. In certain circumstances, equity cure rights may be exercised by the holders of the 2017 Notes. These equity cure rights may take the form of cash contributions or subordinated loans to Corral Petroleum Holdings.

Certain General Covenants

The 2011 Credit Facility also includes (with certain customary exceptions) a negative pledge, prohibitions on the disposal or acquisition of assets by the Preem group, restrictions on incurring financial indebtedness, and other restrictions typical of transactions of this nature.

The 2011 Credit Facility also provides for restrictions on capital expenditures, whereby no member of the Preem group may incur any capital expenditure which when aggregated with the capital expenditure incurred by any other member of the Preem group (other than capital expenditure for the heavy fuel oil upgrade project), exceeds the following levels in any financial year of Preem:

(i) for the financial year ending December 31, 2011, SEK 1,182 million;

(ii) for the financial year ending December 31, 2012, SEK 1,033 million;

(iii) for the financial year ending December 31, 2013, SEK 1,676 million;

(iv) for the financial year ending December 31, 2014, SEK 893 million; and

(v) for the financial year ending December 31, 2015, SEK 894 million.

Any unutilized balance of permitted capital expenditure in any financial year may be carried forward for one financial year only.

The 2011 Credit Facility also contains other restrictions and prohibitions that prevent Preem from making any distribution, or declaring or paying any dividend other than as described below.

Restrictions on Upstreaming of Cash

Preem may not make any distribution or declare or pay any dividend whatsoever unless permitted pursuant to the terms of the 2011 Credit Facility.

At any time, Preem is permitted to make group tax contributions (*Sw: Koncernbidrag*) to Corral Petroleum Holdings by way of dividend, provided that such amount is funded by way of equity contribution or a subordinated loan and that it is effected by accounting entries only and not by movement of cash. Preem is also permitted to pay administrative costs of Corral Petroleum Holdings up to a maximum amount of $500,000 in any calendar year.

At any time following payment of all arrangement fees under the 2011 Credit Facility, subject to minimum liquidity requirements of $100 million and provided that no event of default is outstanding under the 2011 Credit Facility, Preem is permitted to make a distribution, dividend or payment to Corral Petroleum

Holdings to allow for the payment of cash-pay interest on the 2017 Notes up to a maximum of 4% per annum.

At any time following payment of all arrangement fees under the 2011 Credit Facility, subject to minimum liquidity requirements of $200 million and provided that (i) the term loan facility has been repaid in full (ii) all fees due under the 2011 Credit Facility have been paid (iii) the Total Net Debt (as defined in the 2011 Credit Facility) to consolidated EBITDA ratio has been equal or below 4.0x for two successive quarters and would not be breached on a pro forma last twelve months basis after making the payment and (iv) no event of default is outstanding, Preem is permitted to make a distribution, dividend or payment to Corral Petroleum Holdings for any purpose.

The aggregate of dividends, payments or other distributions out of Preem to Corral Petroleum Holdings from September 14, 2011 to the maturity date of the 2011 Credit Facility (other than with respect to group tax contributions) shall not exceed 100% of the net income of Preem arising after September 14, 2011.

Requirement to Prepay 2011 Credit Facility

In addition to mandatory prepayment upon a change of control, sale of assets, receipt of insurance proceeds or illegality, which are typical provisions in an agreement of this nature, subject to minimum liquidity requirements of $200 million (after making the payment) and for so long as amounts remain outstanding under the term loan facility, Preem must prepay credits under the 2011 Credit Facility with a certain percentage of its excess cash flow for each financial year as follows: (i) 100% until $90 million has been applied in prepayment of the facilities pursuant to the cash sweep provisions; (ii) 75% until an amount no greater than $400 million is outstanding under the term loan facility and (iii) 50% at any time thereafter. Preem is also required to prepay credits under the 2011 Credit Facility, in order to remedy any breach of certain borrowing base limitations.

Events of Default

The 2011 Credit Facility contains various standard events of default (subject to customary materiality thresholds and in certain cases, remedy periods), including, without limitation, for non-payment, for any breach of the financial or other covenants, misrepresentation, nationalization, material litigation, cross default to other indebtedness and any amendments to the 2017 Notes such that they would fail to comply with certain agreed parameters as well as upon any change of control of Preem, Corral Petroleum Holdings or its parent company Moroncha Holdings Limited.

Security

The 2011 Credit Facility is secured by the following security package:

(i) a pledge granted by Corral Petroleum Holdings in respect of the shares in Preem;

(ii) a pledge in respect of Preem's receivables arising from goods and services supplied by Preem in the ordinary course of its business;

(iii) an English law security agreement in respect of Preem's receivables arising from goods and services supplied by Preem and which Preem at any time may have against or which may be due to Preem from any German debtor;

(iv) a mortgage agreement pursuant to which Preem grants a business mortgage (*Sw: företagshypotek*) over Preem's business, evidenced by first ranking mortgage certificates (*Sw: företagsinteckningar*) in an amount of SEK 8,000,000,000;

(v) a mortgage agreement pursuant to which Preem grants a real estate mortgage (*Sw: fastighetspant*) over the real estate properties on which Preem's refinery premises in Gothenburg are located, evidenced by first ranking mortgage certificates (*Sw: pantbrev*) in the properties Göteborg Syrhåla 2:1 and 2:2 in an aggregate amount of SEK 1,000,000,000;

(vi) a mortgage agreement pursuant to which Preem grants a real estate mortgage (*Sw: fastighetspant*) over the real estate properties on which Preem's refinery premises in Lysekil are located, evidenced by first ranking mortgage certificates (*Sw: pantbrev*) in the property Lysekil Sjöbol 2:5 in an amount of SEK 3,000,000,000;

(vi) a pledge or assignment of Preem's insurance proceeds; and

(vii) a pledge in respect of Preem's bills of lading physically delivered to the Agent.

Intercreditor Agreement

In connection with the 2011 Credit Facility and the issue of the 2017 Notes and to establish the relative rights of the Trustee, the Security Agent, the facility agent and security agent under the 2011 Credit Facility (the "Credit Facility Security Agent") and certain hedge counterparties that are expected to enter into hedging arrangements with Preem (the "Hedge Counterparties"), an intercreditor agreement was entered into on September 14, 2011 between, amongst others, Corral Petroleum Holdings, Preem, the Credit Facility Security Agent, the Trustee, the Security Agent, the lenders under the 2011 Credit Facility (the "Lenders") and the Hedge Counterparties (the "Intercreditor Agreement").

The Intercreditor Agreement primarily regulates the rights between Preem, the Credit Facility Security Agent, the Lenders and the Hedge Counterparties, however certain limited provisions are also relevant to the Trustee and the Security Agent and therefore the Holders of the 2017 Notes. The Intercreditor Agreement does not otherwise contain any additional obligations or restrictions on the Trustee or the Security Agent or on their rights with respect to the pledge over the shares in Corral Petroleum Holdings.

Pursuant to the terms of the Intercreditor Agreement, the Security Agent is not permitted to enforce the pledge over the shares in Corral Petroleum Holdings unless (i) Corral Petroleum Holdings or the Trustee has delivered a notice to the Credit Facility Security Agent that an event of default has occurred and is continuing pursuant to the terms of the Indenture and that a 2017 Notes Standstill Period has commenced in respect of that event of default and (ii) a period (the "2017 Notes Standstill Period") of not less than 30 days has elapsed from the date that notice was delivered.

The Intercreditor Agreement further provides that the Credit Facility Security Agent is also not permitted to enforce the pledge over the shares in Preem (the "Preem Share Pledge") unless (i) the Credit Facility Security Agent has delivered a notice (the "Notice") to the Trustee and the Security Agent (with a copy of the Notice to be provided to Preem) that an event of default has occurred and is continuing pursuant to the terms of the 2011 Credit Facility and that a 2011 Credit Facility Standstill Period has commenced in respect of that event of default and (ii) a period (the "2011 Credit Facility Standstill Period") of not less than 30 days has elapsed from the date the Notice was delivered. If the Trustee has not provided a copy of the Notice to the clearing systems within 5 Business Days of receipt, Preem shall undertake to post a copy of the Notice on its website on the next following Business Day.

Enforcement of the Preem Share Pledge is also subject to certain other conditions, including that the consideration received by the Credit Facility Security Agent for the shares in Preem must be wholly in cash and either: (i) in connection with such sale, the Credit Facility Security Agent has delivered to Corral Petroleum Holdings and the Trustee (each on a non-reliance basis, but subject to the following provisions of this paragraph) a copy of an opinion from an independent, internationally recognized investment bank or a reputable international third party professional firm which is regularly engaged in providing opinions of this sort (in either case selected by the Credit Facility Security Agent) that the disposal price is fair from a financial point of view after taking into account all relevant circumstances; or (ii) the sale is conducted via a public auction process where reasonable notice of the time and place of such auction has been published and where a reasonable level of information has been made available to potential bidders; or (iii) a private auction process run by an independent, international investment bank using bidding procedures which are designed to facilitate a comprehensive and competitive sales process (provided that this shall not require the Credit Facility Security Agent to breach mandatory provisions of Swedish law) and where the Trustee or its nominee is provided reasonable access to information regarding the details and status from time to time of such process. In connection with (i) above, the Credit Facility Security Agent shall seek the consent of the provider of the relevant opinion to making that opinion available to Corral Petroleum Holdings on a reliance basis, but shall be under no obligation (a) to procure that such consent is obtained or reliance is provided; (b) to offer any compensation or incur any other obligation to secure such consent or (c) to approach multiple potential opinion-providers to enable an opinion to be provided which may be relied on by Corral Petroleum Holdings.

CERTAIN INDUSTRY TERMS

Benzene	An aromatic compound, the presence of which in refined products is often regulated by applicable environmental laws.
Crude Tall Oil	A by-product from the pulp and paper industry, which is usually used as a chemical feedstock and which is planned for use in diesel production.
Diesel	A refined product from the middle range of the distillation process, used primarily as a fuel source for vehicles.
Diesel crack	The spread in dollar per barrel between 10 ppm diesel and crude oil.
Fuel oil	A refined product from the lower range of the distillation process, used primarily by industrial customers, like electric utilities, for steam and power generation.
Gasoline	A refined product from the middle range of the distillation process, used primarily as a fuel for vehicles.
Gross refining margin	The difference between the sales revenue received from the sale of refined products produced by a refinery and the cost of crude oil and (where relevant) other immediate feedstocks processed by it. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion.
Heating oil	A refined product from the lower range of the distillation process, used as a heating fuel or a fuel for combustion engines in industrial, residential, agricultural and commercial sectors.
Hydrocracking	Sophisticated refinery process that converts residual products into lighter hydrocarbons under conditions of high temperature and pressure.
Hydroskimming	A basic refining process with some limited ability to produce gasoline.
Kerosene	A refined product from the middle range of the distillation process, used either as a fuel for aviation turbines (jet engines) or as a heating fuel in smaller residential, agricultural or commercial sectors.
Liquefied petroleum gas	Liquefied petroleum gas (butane and propane or a mixture of both) used as a fuel for heating, cooking and lighting.
MK1	Swedish Environmental Class 1 (*Miljöklass*) diesel.
Naphtha	A refined product from the higher range of the distillation process, used as a solvent and as an additive for the manufacture of ethylene and other petrochemicals.
Net cash margin	Refining margin less the refinery’s fixed operating costs, excluding depreciation and other non-cash costs. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion.
Net margin	Net cash margin less depreciation. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion.
Refining margin	Gross refining margin less variable refining costs, which consist of volume-related costs, such as the cost of energy. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion.

Vacuum gasoil .... A refining feedstock, upgraded for end-user consumption by further processing.

VLCCs .... Very large crude carriers.

CORRAL PETROLEUM HOLDINGS AB (publ)

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Audited Consolidated Financial Statements as of and for the years ended December 31, 2012 and 2011

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and shareholder of
Corral Petroleum Holdings AB (publ)

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Corral Petroleum Holdings AB (publ), which comprise the consolidated balance sheets as at December 31, 2012 and 2011, and the consolidated income statements, statements of changes in equity and statements of cash flows for the two-year period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as approved by EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Corral Petroleum Holdings AB (publ) as at December 31, 2012 and 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as approved by EU.

Stockholm, Sweden
March 13, 2013

KPMG AB

Cronie Wallquist
Authorized Public Accountant

CORRAL PETROLEUM HOLDINGS AB (publ)

CONSOLIDATED INCOME STATEMENTS
FOR THE PERIODS ENDED DECEMBER 31, 2012 AND 2011

(Amounts in SEK million)

	Notes	Year ended December 31, 2012	Year ended December 31, 2011
Net sales		114,947	101,747
Excise duties	5	(9,859)	(10,193)
Sales revenue	4 and 17	**105,089**	**91,554**
Cost of goods sold	12 and 17	(101,514)	(89,470)
Gross profit	6	**3,575**	**2,084**
Selling expenses	12	(694)	(716)
Administrative expenses	12	(559)	(497)
Other operating income	13	447	409
Other operating expenses	14	–	(306)
Operating profit	7-12, 37-39	**2,770**	**974**
Financial income		167	184
Financial expenses		(653)	(1,986)
Net financial items	15 and 17	**(487)**	**(1,802)**
Profit/(Loss) before tax		**2,283**	**(828)**
Tax on profit/(loss) for the year	16	(411)	211
Profit/(Loss) for the year		**1,872**	**(617)**
Attributable to:			
Parent Company's shareholder		1,871	(618)
Non-controlling interest		1	1
		1,872	**(617)**

CORRAL PETROLEUM HOLDINGS AB (publ)

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2012 AND 2011

(Amounts in SEK million)

	Notes	As of December 31, 2012	As of December 31, 2011
Assets			
Non-current assets			
Intangible assets			
Goodwill	18	308	308
		308	308
Property, Plant and Equipment			
Land and buildings	19	1,078	1,004
Plant and machinery	19	5,964	6,348
Capitalized turnaround costs	19	323	449
Equipment, tools, fixtures and fittings	19	435	459
Constructions in progress	19	702	698
		8,503	8,958
Financial non-current assets			
Participating interests in associates	20	83	86
Receivables from related parties	21 and 36	3,653	3,496
Financial assets available for sale	22 and 36	27	25
Other non-current receivables		8	7
		3,771	3,615
Total non-current assets		12,582	12,880
Current assets			
Inventories	23	10,069	11,137
Trade receivables	24 and 36	5,015	5,102
Derivatives	31 and 36	0	11
Other receivables		738	643
Prepaid expenses and accrued income		224	316
		16,046	17,209
Cash and cash equivalents	25 and 36	646	355
Total current assets		16,693	17,565
Total assets		**29,274**	**30,445**

CORRAL PETROLEUM HOLDINGS AB (publ)

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2012 AND 2011

(Amounts in SEK million)

	Notes	As of December 31, 2012	2011
Equity and Liabilities			
Equity			
Equity attributable to Parent Company's shareholder			
Share capital		1	1
Other paid-in capital		4,178	4,178
Retained loss includes profit/(loss) for the year		(730)	(2,601)
		3,449	1,578
Non-controlling interest		9	9
Total equity	26	3,458	1,587
Liabilities			
Non-current liabilities			
Pension obligations	27	81	88
Deferred tax liability	16	1,011	1,098
Other provisions	28	64	79
Shareholders' loans	29, 30 and 36	4,307	4,354
Borrowing	29, 30 and 36	13,484	12,844
Other non-current liabilities		22	182
		18,970	18,645
Current liabilities			
Borrowing	29, 30 and 36	1,428	439
Advance payments from customers		5	7
Trade payables	36	2,497	4,906
Liabilities to associates		32	52
Current tax liabilities		284	59
Derivatives	31 and 36	0	1
Other liabilities	32 and 36	1,605	1,689
Accrued expenses and prepaid income	33	995	3,061
		6,846	10,213
Total liabilities		25,816	28,858
Total equity and liabilities		**29,274**	**30,445**
Pledged assets and contingent liabilities	34		

CORRAL PETROLEUM HOLDINGS AB (publ)

CHANGES IN EQUITY GROUP

(Amounts in SEK million)

	Attributable to Parent Company's shareholder					
	Share capital	Other paid-in capital	Retained earnings	Total	Non-controlling interest	Total equity
Opening equity 01/01/2011	**1**	**4,178**	**(1,983)**	**2,196**	**9**	**2,205**
Loss for the year	–	–	(618)	(618)	1	(617)
Dividend	–	–	–	–	(1)	(1)
Closing equity 12/31/2011	**1**	**4,178**	**(2,601)**	**1,578**	**9**	**1,587**
Profit for the year	–	–	1,871	1,871	1	1,872
Dividend	–	–	–	–	(1)	(1)
Closing equity 12/31/2012	**1**	**4,178**	**(730)**	**3,449**	**9**	**3,458**

The Board of Directors has not proposed any dividend for the current financial year.

CORRAL PETROLEUM HOLDINGS AB (publ)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED DECEMBER 31, 2012 AND 2011

(Amounts in SEK million)

	Notes	Year ended December 31, 2012	Year ended December 31, 2011
Operating activities			
Profit/(Loss) before tax		2,283	(828)
Adjustments for items not included in cash flow	35	1,429	2,536
		3,712	1,708
Tax paid		(273)	(199)
Cash flow from operating activities before changes in working capital		**3,439**	**1,509**
Cash flow from changes in working capital			
Increase (−)/Decrease (+) in inventories		826	(2,955)
Increase (−)/Decrease (+) in operating receivables		58	(306)
Increase (+)/Decrease (−) in operating liabilities		(4,544)	136
Cash flow from/used in operating activities		**(221)**	**(1,616)**
Investing activities			
Capital expenditure of property, plant and equipment		(575)	(948)
Disposal of property, plant and equipment		8	16
Increase in financial assets		(2)	(13)
Cash flow used in investing activities		**(569)**	**(945)**
Financing activities			
New loans		8,622	10,190
Repayment of loans		(7,418)	(7,244)
Expenses in connection with arrangement of loans		(122)	(633)
Dividend paid to non-controlling interest		(1)	(1)
Cash flow from/used in financing activities		**1,081**	**2,312**
Cash flow for the year		**291**	**(248)**
Opening cash and cash equivalents		355	603
Closing cash and cash equivalents		**646**	**355**

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in SEK million unless otherwise specified)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Corral Petroleum Holdings AB (publ) (the Parent Company), corp. ID no. 556726-8569, and its subsidiary constitute the largest oil company in Sweden.

The Parent Company is a joint stock company registered in and with its registered office in Sweden. The address of the head office is c/o Svenska Petroleum Exploration AB, 25/n Park Lane, W1K 1RA, London.

Corral Petroleum Holdings AB (publ) is a wholly-owned subsidiary of Moroncha Holdings Co. Limited (Cyprus).

The board of directors has on March 13, 2013, approved the consolidated income statements, the consolidated balance sheets and the consolidated cash flow statements.

The most important accounting policies that have been applied in producing these consolidated financial statements are described below. Unless otherwise specified, these policies are applied consistently.

Basis on which the statements have been produced

The consolidated financial statements for the Corral Petroleum Holdings AB Group (Corral) have been produced in accordance with the International Financial Reporting Standards (IFRS) and the interpretations issued from the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU with the exception of IAS 33, earnings per share, in view of that the Group not are listed on the stock exchange. RFR 1 "Supplementary Accounting Principles for Groups," issued by the Swedish Financial Reporting Board, has also been applied. The consolidated financial statements have been produced according to the cost method, apart from financial assets available for sale and financial assets and liabilities measured at fair value in the profit/(loss) for the year.

The production of reports in accordance with IFRS requires the use of a number of important estimates for accounting purposes. It also requires that management perform certain assessments when applying the Group's accounting policies. The areas that involve a high degree of assessment, that are complex or areas where assumptions and estimates are of significant importance for the consolidated financial statements, see note 3.

The financial reports are presented in Swedish kronor (SEK) which is also the Group's functional currency. If nothing else is stated, the rounding offs are done towards the closest million. The amount in the Groups financial consolidation system is based on thousands of SEK. The rounding of amounts in tables, to the closest million, could result that the total amount does not exactly summarize to the sum of all sub amounts.

Standards, amendments and interpretations that came into force in 2012

News that has come into force during the financial year has not had any significant impact on the Group's financial statements.

New IFRS and interpretations that have not yet come into force

A number of new or amended IFRS come into force during future financial years, and these have not been adopted in advance by the Group in preparing these financial statements. There are no plans for early adoption of new or amended standards that come into force in the future.

Upcoming amendments which is currently anticipated will have an impact on the consolidated financial statements are described below.

Amendment in IAS 19, Employee Benefits. The change implies that the Corridor Method will no longer be used. Actuarial gains and losses will be recorded in other comprehensive income. Estimated return on plan assets is based on the discount rate used in the calculation of the pension obligation. The difference between actual and estimated return on plan assets is recorded in other comprehensive income. The amendment shall be effective for financial years beginning January 1, 2013 or later with retroactive application. The change is expected to affect the Company's equity negatively by SEK 65 million after taking into account deferred taxes, of which 47 MSEK relates to adjusted transition balance as at January 1, 2012.

IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and Measurement from 2015 onwards. The standard is not complete and no parts have been adopted by the European Commission. Potential effects have not yet been evaluated.

Other upcoming changes decided by the IASB are not expected to have any significant effect on the Group's financial statements.

Classification, etc.

Non-current assets and non-current liabilities consist essentially of amounts that are expected to be recovered or paid after more than twelve months from the balance sheet date.

Current assets and current liabilities consist essentially of amounts that are expected to be recovered or paid within twelve months of the balance sheet date.

Subsidiaries

Subsidiaries are companies (including structured entities) that are under the control of Corral. "Control" means to have a direct or indirect right to formulate a company's financial and operational strategies for the purpose of receiving financial benefits. When assessing whether control exists, consideration is given to potential shares providing entitlement to vote that can be immediately used or converted. Subsidiaries are included in the consolidated financial statements as from the date on which control was transferred to the Group. They are excluded from the consolidated financial statements as from the date on which control ceases.

The acquisition method is used to record the Group's acquisition of subsidiaries. The cost of an acquisition comprises the fair value of assets given as payment, equity instruments issued and liabilities arising or assumed as of the transfer date. Transaction expenses directly attributable to the acquisition are recorded as an expense as they arise. Identifiable acquired assets and assumed liabilities and contingent liabilities in an acquisition of a business are initially measured at the fair values on the acquisition date, regardless of the scale of any possible non-controlling interest. The surplus that comprises the difference between the cost and the fair value of the Group's share of identifiable acquired assets, liabilities and contingent liabilities is recorded as goodwill. When the difference is negative, this is recorded directly in the profit/(loss) for the year.

Internal Group transactions and balance sheet items, as well as unrealized profit on transactions between Group companies, are eliminated. Unrealized losses are also eliminated, although any losses are viewed as an indication that there is a need for an impairment charge in the transferred asset. The accounting policies for subsidiaries have been amended as appropriate to guarantee a consistent application of the Group's policies.

Transactions with non-controlling interests

The Group applies the policy of recording transactions with non-controlling interests as transactions with a third party. Disposals to non-controlling interests result in profits and losses for the Group, which are recorded in the profit/(loss) for the year. In connection with the acquisition of non-controlling interests in which the purchase price paid exceeds the acquired share of the carrying amount of the subsidiary's net assets, the amount of the difference is recorded as goodwill. In connection with disposals to non-controlling interests in which the purchase price received deviates from the carrying amount of the share of the net assets disposed, a profit or loss arises. This profit or loss is recorded in the profit/(loss) for the year.

Associates

Associates are all companies in which the Group has significant but not controlling influence, which mainly applies for shareholdings that encompass between 20% and 50% of the votes. As from the date on which the significant influence is obtained, shares in associates are recorded in the consolidated financial statements according to the equity method and are measured initially at the cost. The Group's carrying amount of holdings in associates includes goodwill that is identified upon acquisition, net after any necessary impairment charges.

Any difference upon acquisition between the cost of the shareholding and the owner company's share of the fair value net of the associate's identifiable assets, liabilities and contingent liabilities is recorded according to the same principles as in connection with the acquisition of subsidiaries.

The Group's share of the profit or loss that arises in the associate after the acquisition is recorded in the profit/(loss) for the year, and its share of changes in equity after the acquisition is recorded in the "reserves" item. Accumulated changes after the acquisition are recorded as a change in the shareholding's carrying amount. When the Group's share in an associate's losses is equal to or exceeds its holding in the associate, including any unsecured receivables, the Group does not record any additional losses unless the Group has assumed obligations or made payments on behalf of the associate.

Unrealized profits on transactions between the Group and its associate are eliminated in relation to the Group's holding in the associate. Unrealized losses are also eliminated, unless the transaction constitutes evidence that there is a need for an impairment of the transferred asset.

The equity method is applied until the date on which the significant influence ceases.

Segment reporting

An operating segment is a part of the Group that carries on operations from which it can generate revenues and incur costs for which separate financial information is available. The profit/(loss) for an operating segment is monitored by the Group's senior executives to evaluate performance and to allocate resources to the operating segment. For further description regarding of the classification and presentation of the operating segments refer to note 4.

Translation of foreign currency

Functional currency and reporting currency

Items included in the financial statements for the various entities in the Group are measured in the currency used in the financial environment where each company has its main operations (functional currency). The consolidated financial statements are prepared in Swedish kronor (SEK), which is the Parent Company's functional currency and reporting currency.

Transactions and balance sheet items

Transactions in foreign currency are translated into the functional currency according to the exchange rates prevailing on the date of exchange. Exchange rate gains/losses that arise when paying for such transactions and when translating monetary assets and liabilities in foreign currency at the exchange rate on the balance sheet date are recorded in the profit/(loss) for the year. Exchange rate changes that arise during the time between invoicing of and payment for products affect the Group's gross profit/(loss). Other exchange rate changes affect the Group's net financial income/expense. The Company does not hedge transactions or investments in foreign currency. Non-monetary assets and liabilities are adopted as exchange rates prevailing on the date of exchange.

Group companies

The performance and financial position of all Group companies that have a different functional currency than the reporting currency are translated into the Group's reporting currency as follows: assets and liabilities for each of the balance sheets are translated at the exchange rate on the balance sheet date, income and expenses are translated at the average exchange rate, and all net exchange differences that arise are recorded in other comprehensive income/(loss).

In connection with consolidation, net exchange differences arising from the translation of net investments in foreign operations are posted to other comprehensive income/(loss) with an accumulated effect on equity in the balance sheet. In connection with the disposal of a foreign operation, wholly or partly, the net exchange differences recorded in equity are posted to the profit/(loss) for the year and recorded as an element of the capital gain/loss.

Goodwill and adjustments of fair value that arise in connection with the acquisition of a foreign operation are treated as assets and liabilities in this operation and are translated at the exchange rate on the balance sheet date.

Property, Plant and Equipment

All property, plant and equipment is recorded at cost minus accumulated depreciation and any impairment, apart from any relating to land, platinum and palladium, which are recorded under plant and equipment, as these are included as catalysts in the reformer and isomerization plants and are not consumed. Property, plant and equipment that consist of elements with different useful lives are treated as separate components of property, plant and equipment.

Cost includes expenses that can be directly attributed to the acquisition of the assets. Additional expenses are added to the asset's carrying amount or are recorded as a separate asset, depending on which is applicable. The expenses are added to the asset's carrying amount only if it is likely that the future economic benefits associated with the asset will flow to the Group and the asset's cost can be measured in a reliable way. The carrying amount for the replaced element is derecognized from the balance sheet. All other kinds of repairs and maintenance are recorded as expenses during the period in which they arise.

Depreciation of other assets, in order to allocate their cost to the estimated residual value across the estimated useful life, is performed on a straight-line basis as follows:

Buildings and storage chambers	20–50 years
Land installations	20 years
Plant and equipment	10–30 years
Capitalized turnaround costs for refineries	6 years
Inventories, tools, fixtures and fittings	3–10 years

The refinery installations consist of a number of components with different useful lives. The main breakdown is into plant and equipment. There are, however, several components that have different useful lives within this main breakdown. The following main component groups have been identified and form the basis of depreciation of refinery installations.

Electrical Installations and Instruments	15 years
Heat exchangers	15 years
Steam boiler	20 years
Steel installation	30 years
Pressure vessel	30 years

The residual values and useful lives of the assets are reviewed on each balance sheet date and adjusted as required.

An asset’s carrying amount is impaired immediately to its recoverable amount if the asset’s carrying amount exceeds its estimated recoverable amount. This is tested in the event of an indication of such a need.

The carrying amount of plant, property and equipment is derecognized from the balance sheet on in connection with retirement or disposal, or when no future economic benefits are expected from the use or the retirement/disposal of the asset. Profits and losses in connection with disposal are determined by means of a comparison between sales income and the carrying amount, and are recorded net in the income statement depending on the function to which the asset belongs.

Borrowing expenses directly attributable to the purchasing, design or production of an asset and that takes a significant length of time to produce for its intended use or sale are included in the cost of the asset.

Intangible assets

Goodwill

Goodwill constitutes the amount by which the cost exceeds the fair value of the Group’s share of the acquired subsidiary’s/associate’s identifiable net assets on the acquisition date. Goodwill in acquisitions of subsidiaries is recorded as intangible assets. Goodwill that is recorded separately is tested on an annual basis to identify any possible impairment need and is recorded at the cost minus accumulated impairment charges. Impairment charges of goodwill are not reversed. A profit or loss from the disposal of an entity includes the residual carrying amount of the goodwill that relates to the disposed entity.

Goodwill is allocated among cash generating units in connection with the testing of a possible need for impairment. This allocation is carried out to the cash generating units or groups of cash generating units that are expected to benefit from the business combination that gave rise to the goodwill item. The Group allocates goodwill among segments. The Group’s carrying amount of goodwill of SEK 308 million (308) is allocated in full to the Supply & Refining segment.

Other intangible assets

The Group has no other intangible assets that can be capitalized. The cost of internally generated goodwill and trademarks, for example, are recorded as expenses as they arise.

Impairment of non-financial assets

Assets with an indeterminate useful life, such as goodwill, are not amortized, but are tested annually for any possible impairment. Assets that are amortized are assessed for loss of value whenever events or changes in circumstances indicate that the carrying amount may perhaps not be recoverable. Impairment is applied at the amount by which the asset’s carrying amount exceeds its recoverable amount. Impairments impacts profit/(loss) for the year. The recoverable amount is the higher of the asset’s fair value minus cost of sales and its value in use. When assessing an impairment need, assets are grouped at the lowest levels where there are separate identifiable cash flows (cash generating units). For assets other than financial assets and goodwill that have previously been impaired, a test is performed on each balance sheet date to determine whether there should be a reversal. The carrying amount after reversal of impairments must not exceed the carrying amount that should have been recorded if no impairment had been applied.

Inventories

Inventories are recorded at the lower of the cost and the net realizable value. Cost is determined using the first in, first out method (FIFO). Cost for petroleum products, which is expressed in USD, is recorded at the exchange rate prevailing on the date of the Bill of Lading.

The cost of finished goods and work in progress consists of raw material, direct wages, other direct operating expenses and attributable indirect manufacturing expenses (based on normal manufacturing capacity). The net realizable value is the estimated sales price in operating activities less the cost of production and sales.

With regard to crude oil, the replacement cost is used as the best available measure of the net realizable value. In cases where the net realizable value is less than the cost of crude oil and there is thus a need for impairment, the impairment amount is reduced in cases where the products' net realizable value exceeds cost. The reduction in the impairment amount for the crude oil consists of the difference between the products' net realizable value and cost.

Borrowed inventory is not included in the value of inventories, and in the same way inventory out on loan is included in the value of inventories, as significant risks and benefits have not been transferred.

Current and deferred tax

The current tax expense is calculated on the basis of the tax rules adopted or adopted in practice on the balance sheet date in the countries where the Parent Company's subsidiaries and associates operate and generate taxable income. Management conducts regular assessments of claims lodged in tax returns in respect of situations in which applicable tax rules are subject to interpretation and makes, if it is considered suitable, provisions for amounts that will probably have to be paid to the Swedish Tax agency. Taxes are recorded in the consolidated income statements, except when underlying transactions are recorded directly in equity, in which case the associated tax effect is recorded in equity. Current tax is tax that must be paid or received in respect of the current year. This also includes any adjustment of current tax attributable to previous periods.

Deferred tax is recorded in full, using the balance sheet method, for all temporary differences that arise between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred tax is not, however, recorded if it arises as a consequence of a transaction that constitutes the first recording of an asset or liability that is not a business combination and that, at the time of the transaction, has no effect on either the recorded profit/(loss) or the profit/(loss) for tax purposes. Deferred income tax is calculated applying tax rates (and laws) that have been adopted or announced as of the balance sheet date and that are expected to be in force when the relevant deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recorded to the extent that it is probable that future tax surpluses will be available against which the temporary differences can be utilized. The value of deferred tax receivables is reduced when it is no longer considered likely that they can be utilized.

Provisions

Provisions for environmental restoration measures and legal requirements are recorded when the Group has a legal or an informal obligation as a consequence of earlier events, and it is likely that an outflow of resources will be required to settle the commitment and the amount can be calculated in a reliable way. The Group has made provisions for environmental restoration measures relating to the non-operational depots and approved close-down of filling stations.

Provisions are measured at the current value of the amount that is expected to be required to settle the obligation. In this context a discount rate before tax is used that reflects a current market assessment of the time-based value of money and the risks that are associated with the provision.

Contingent liabilities

A contingent liability is recorded when there is a possible commitment that originates from events that have occurred and the existence of which is only confirmed by one or more uncertain future events or when there is a commitment that is not recorded as a liability or a provision because it is not likely that an outflow of resources will be required or that the outflow cannot be calculated.

A future close-down of operations within the Group may involve a requirement for decontamination and restoration works. It is believed, however, that such an event will take place well into the future, and the future expenses cannot be reliably calculated, so this cannot therefore be considered to be a contingent liability.

Employee benefits

Pension commitments

The Group has defined benefit and defined contribution pension plans. A defined contribution pension plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal obligations to pay extra contributions if this legal entity does not have sufficient assets to pay all employee benefits that are associated with the employees' service during the current or previous periods. A defined benefit pension plan is a pension plan that is not a defined contribution plan. The feature of defined benefit plans is that they specify an amount of the pension benefit that an employee receives after retirement based on length of service and salary at retirement. The pension plans are usually financed by payments to insurance companies or funds managed by administrators in accordance with periodic actuarial calculations. The pension commitments have been secured by means of occupational pension insurance, liabilities entered into an account allocated for pensions (FPG/PRI) or payment to a pension foundation (the KP Foundation) in accordance with the provisions of the Swedish Pension Obligation Vesting Act. The defined benefit pension plans are both funded and unfunded. If the plans are funded, assets have been separated in the pension foundation (KP Foundation). These plan assets can only be used to make payments in accordance with the pension agreement. The plan assets are measured at the fair value as of the reporting date.

The liability recorded in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation on the balance sheet date minus the fair value of the plan assets, with adjustments for unrecorded actuarial gains and losses and for unrecorded expenses for service during earlier periods. The Group applies the corridor method. The defined benefit pension obligation is calculated on an annual basis by independent actuaries applying the projected unit credit method. The present value of the defined benefit obligation is defined by discounting the estimated future cash flows using the interest rate for first class government bonds issued in the same currency in which the benefits will be paid and with terms comparable to those of the relevant pension liability.

Actuarial gains and losses resulting from experience-based adjustments and changes in actuarial assumptions in excess of 10% of the value of the plan assets and 10% of the defined benefit obligation are recorded as expenses or income over the estimated average remaining period of service of the employees.

Expenses in respect of service during earlier periods are recorded directly in the profit/(loss) for the year, unless the changes in the pension plan are conditional upon the employees' remaining in service for a specified period (the qualification period). In such cases the expense is allocated in respect of service during earlier periods on a straight-line basis over the qualification period.

For defined contribution pension plans, the Group pays contributions into publicly or privately managed pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no additional payment obligations once the contributions have been paid. The Group's profit/(loss) is charged with expenses as the benefits are earned. Prepaid contributions are recorded as an asset to the extent that cash repayment or a reduction in future payments may benefit the Group.

Remuneration on notice of termination

Remuneration on notice of termination is paid when notice is served by the Group to terminate an employee's employment before normal retirement age or when an employee accepts voluntary termination in exchange for such compensation. The Group records severance payments when it has been clearly obliged either to lay off an employee according to a detailed, formal plan without any possibility of recall, or to pay compensation when serving notice as a result of an offer having been made to encourage voluntary termination.

Profit-sharing plans

The Group records a liability and an expense for profit shares based on the return on working capital. The Group records a provision when there is a legal obligation or an informal obligation based on previous practice.

Income recording

Income comprises the fair value of what has been received or will be received. Income is recorded excluding VAT, returns and discounts, and after the elimination of internal Group sales. Excise duties are included in net sales and are deducted and recorded as a separate item in sales revenue.

The Group records an item of income when its amount including attributable expenses can be measured in a reliable way and it is probable that future economic benefits will accrue to the Company. It is not considered that the income amount can be measured reliably until all obligations in respect of the sale have been fulfilled or expired. The Group bases its assessments on historical results and in doing so takes account of the type of customer, type of transaction and special circumstances in each individual case.

Sale of goods

The Group's main income originates from the sale of goods in the form of petroleum products. Products are sold to oil companies operating in Sweden and on the international market, primarily in North-western Europe. Sales of gasoline, diesel, heating oils and lubricating oils in the Swedish market to private customers, large and small companies, are conducted via our own marketing channels, Preem Partners and filling stations.

Income from sale of goods is recorded when the Group has transferred the significant risks and benefits associated with ownership of the goods to the buyer, which takes place in connection with delivery. Once the income for the sale of a product has been recorded, the Group no longer has any involvement in the ongoing administration usually associated with ownership, nor does it exercise any actual control over the goods sold.

A large proportion of the Group's sales of products take place by ship. These sales are often subject to the terms of transport CIF (cost insurance freight) and FOB (free on board), which means that these income items are normally recorded on the date on which the goods are loaded onto the ship, i.e., on the BL date (Bill of Lading). For other sales, the income item is recorded in connection with delivery to the customer, for example, Preem Partners or end consumers via filling stations operated by the Group.

Financial income and expenses

Financial income consists of interest income from invested funds (including financial assets available for sale), income from dividends, gains from the disposal of financial assets available for sale and gains from the change in value of financial assets measured at fair value through the profit/(loss) for the year. Exchange rate gains and losses on financial assets are recorded net as financial income.

Interest income from financial instruments is recorded using effective interest method. Income from dividends is recorded when entitlement to receive the dividend has been confirmed. The profit from the disposal of a financial asset is recorded when the risks and benefits associated with ownership of the instrument have been transferred to the buyer and the Group no longer exercises control over the instrument.

Financial expenses consist of interest expenses on loans including the proportion of transaction expenses in connection with the arrangement of loans that is recorded as expenses during the year, the effect of resolving calculations of the present value of provisions, losses in the change in value of financial assets measured at fair value via the profit/(loss) for the year and impairment of financial assets. Exchange rate gains and losses on financial liabilities are recorded net as financial expenses.

As a general rule, borrowing costs charge the profit/(loss) for the period to which they relate. Borrowing costs that are directly attributable to the purchasing, design or production of an asset that necessarily takes a significant length of time to produce for its intended use or sale must be included in the cost of the asset. The capitalized interest expenses for the year are SEK 5 million (3) and relate primarily to the balance sheet item “Constructions in progress”. The average interest rate applied is 6.0% (6.0%).

Leasing

Lessee

Leasing in which a significant element of the risks and benefits of ownership is retained by the lessor is classified as operational leasing. Payments made during the lease term (after deductions of any incentives from the lessor) are recorded as expenses on a straight-line basis over the lease term. Variable expenses are recorded as expenses in the periods when they arise. The Group only has operational lease agreements.

Lessor

A lease agreement is an agreement according to which a lessor gives a lessee the right to use an asset in return for payment in accordance with agreed terms and for an agreed period. Assets that are leased out under an operational lease agreement are recorded as an asset in the balance sheet. The lease charge is recorded as income on a straight-line basis over the term of the lease. The Group only has operational lease agreements.

Dividends

A dividend to the Parent Company’s shareholder is recorded in the consolidated financial statements in the period when the dividend was approved by the Parent Company’s shareholder.

Emission rights

The present period covers the period from 2008 up to and including 2012. The Group’s two refineries in Lysekil and Gothenburg have been allocated emission rights free of charge for one year at a time. Unutilized emission rights may be carried forward to subsequent years within the five-year period. Any deficit must be covered by purchase of emission rights on a market or through improvements in energy efficiency.

The allocation of emission rights within the five-year period described above does not involve any cost to the Company and neither allocation nor consumption has therefore affected the profit/(loss) for the year and the balance sheet. The sale or acquisition of emission rights is recorded in the income statement under the headings net sales or cost of goods sold. In the financial statements as of December 31, 2012, SEK 4 million has been provided for the purchase of emission rights. In 2011, 300 000 emission rights were sold to an amount of SEK 35 million.

Emission rights

Opening balance, 2012	**1,766,636**
Number of emission rights allocated in 2012	2,467,428
Number of emission rights consumed 2011 which was cancelled in 2012	(2,208,420)
Results swap of emission rights in 2012	50,000
Closing balance, 2012	**2,075,644**
Results swap of emission rights in 2013	206,052
Number of emission rights purchased 2013 relating to 2012	85,000
Prel. balance for cancellation 2013	**2,366,696**
Prel. number of emission rights consumed in 2012 which are cancelled in 2013	(2,363,000)
Prel. number of emission rights at April 30, 2013	**3,696**
Prel. number of emission rights allocated in 2013	2,243,265
Prel. balance after allocation 2013	**2,246,961**

During the next trading period of emission rights, which covers the period 2013 to 2020, the Group expects a lower allocation, but still sufficient to compensate for emissions. The final allocation has not yet been decided at the EU level. The allocation which is normally awarded in February each year, is expected to be delayed in 2013, due to the decision on the size of the allocation being delayed at EU level. For facilities which are not given a free allocation, e.g. electricity generators, or for facilities which are granted an allocation which is less than their emissions, there is a market for the purchase of emission rights. This year, the Group is not permitted to use emission rights allocated in March 2013 to cover emissions during 2012. The reason for this is that a new trading period is commencing, running from 2013 to 2020. In view of this, the Group made a provision amounted to SEK 4 million in the financial statements for purchase of emission rights during the first quarter of 2013, for the trading period ended in 2012.

Financial assets and liabilities

Financial assets are classified in the following categories: financial assets measured at fair value through the profit/(loss) for the year, loans receivable and trade receivables measured at accrued cost, and financial assets available for sale measured at fair value through other comprehensive income/(loss). The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of financial assets when they are initially recorded.

Financial liabilities are classified in the following categories: financial liabilities measured at fair value through the profit/(loss) for the year, and other financial liabilities.

Purchases and sales of financial assets are recorded on the date of exchange—the date on which the Group commits itself to buy or sell the asset. When initially recorded, financial assets and liabilities are recorded at fair value plus or minus any transaction costs if the asset or liability in question is not measured at the fair value according to the profit/(loss) for the year. Financial assets are derecognized from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred, and the Group has essentially transferred all risks and benefits associated with the right of ownership. A financial liability or part of a financial liability is derecognized from the balance sheet when the obligation in the contract has been fulfilled or otherwise cancelled.

Financial assets and liabilities measured at fair value through the profit/(loss) for the year

Financial assets and liabilities designated at fair value through the profit/(loss) for the year are financial assets available for sale. A financial asset or liability is classified in this category if it is acquired primarily with a view to selling it within a short period of time. Derivatives are classified as being available for sale if they are not identified as hedging instruments.

The Group makes use of oil derivatives that are short-term and are classified in the balance sheet either as current assets or current liabilities under the heading “derivatives” and in the income statement under the heading “cost of goods sold” compared to profit/(loss) from any other financial instruments that are accounted for within the financial net.

The Group holds derivatives but does not apply hedge accounting.

Loan receivables and trade receivables

Loan receivables and trade receivables are financial assets that are not derivatives, which have payments that are fixed or can be fixed, and that are not listed in an active market. These items are measured at the accrued cost. Trade receivables are included in current assets when there are no items with an expiry date more than 12 months after the balance sheet date. Loan receivables are included in financial non-current assets when the expiry date is after more than 12 months. The Group’s non-current loan receivables consist primarily of loans to associates.

Trade receivables are initially recorded at fair value and subsequently at accrued cost, minus any provision for impairment. A provision for impairment of trade receivables is made when there is objective evidence that the Group will not receive all amounts due under the original terms and conditions of the receivables. Indications that a debtor will be declared bankrupt or undergo financial restructuring, as well as non-payment or delayed payments, are sufficient to initiate impairment of a trade receivable. The level of provision is the difference between the asset's carrying amount and the estimated future cash flows. The asset's carrying amount is reduced by means of an impairment account, and the loss is recorded as other comprehensive income depending on the function to which the trade or other receivable relates. When a trade or other receivable cannot be collected, it is written off against the impairment account for trade receivables. Any recovery of an amount that has previously been written off is credited to the function to which it relates in the consolidated income statement.

This category also includes cash and cash equivalents, which consist of cash, bank balances and other current investments with an expiry date within three months of the acquisition date.

Financial assets available for sale

Financial assets available for sale are assets that are not derivatives and where the assets have been identified as being available for sale or have not been classified in any of the other categories. They are included in non-current assets if management does not intend to dispose of the asset within 12 months of the balance sheet date. Financial assets in this category is continuous measured as fair value with the periods fair value changes as special component of equity, although not value changes that are dependent on depreciations, not either interest on receivables instruments and income from dividends and currency differences on monetary items which is disclosed at profit/(loss) for the year.

The fair value of publicly listed securities is based on current bid prices. If the market for a financial asset is not active (and for non-listed securities), the Group confirms the fair value by applying valuation techniques such as the use of information in respect of recently completed transactions at an arms-length distance, reference to the fair value of another instrument that is essentially identical, analysis of discounted cash flows and option valuation models. In this context market information is used to as great an extent as possible, while company-specific information is used as little as possible. If the Company believes that these methods do not produce a reliable value, the assets are measured at the cost. All financial assets available for sale are measured as of the balance sheet date at cost if a reliable value cannot be calculated.

Other financial liabilities

The category "other financial liabilities" includes borrowing and other liabilities (trade payables and other current liabilities).

Borrowing

Borrowing is initially recorded at fair value, net after transaction expenses. Borrowing is subsequently recorded at accrued cost and any difference between the amount received (net after transaction expenses) and the repayment amount is recorded as "financial expenses" divided over the term of the loan.

Borrowing is classified as current liabilities unless the Group has an unconditional right to defer payment of the debt for at least 12 months after the balance sheet date.

Other liabilities

Other liabilities are initially recorded at fair value and subsequently at accrued cost.

Impairment of financial assets

On each balance sheet date the Group considers whether there is objective evidence that an impairment need exists for a financial asset or group of financial assets. With regard to shares that are classified as assets available for sale, a significant or extended impairment in the fair value of a share to a level below its cost is considered to constitute an indication that there is an impairment need. If such evidence exists for financial assets available for sale, the accumulated loss—calculated as the difference between the cost and the current fair value minus any previous impairment recorded in the profit/(loss) for the year—is removed from equity and recorded in the profit/(loss) for the year. Impairments of equity instruments, which are recorded in the profit/(loss) for the year, are not reversed via the profit/(loss) for the year. Provisions of trade receivables are described in note 24.

NOTE 2. FINANCIAL RISK MANAGEMENT

The Group is exposed to a number of different financial risks in the course of its activities: market risk (which includes currency risk, price risk, and interest rate risk in fair value and in cash flow), credit risk and liquidity risk. The Group's risk management policies focus on the unpredictability of the financial markets and strive to minimize potential adverse effects on the Group's financial results.

Risk policy and objectives

The Group's financial risk management policy aims to reduce volatility in financial results and cash flows while retaining a high level of efficiency in business activities.

All activities associated with the management of risks relating to financial instruments are handled by the Treasury Department within the subsidiary Preem, with the exception of oil derivatives, which are handled by the Supply & Refining segment. Management of financial risks is regulated by joint Group policies that are defined by the Board of Directors. The aim of the Company's trading in derivatives is to make sure that financial risks are kept within limits defined by the Board of Directors. The Group does not apply hedge accounting.

Market risk

Currency risk

The Group operates on an international level and is exposed to currency risks arising from exposure to various currencies, in particular in respect of USD. Transaction risks within the Group arise from future business transactions. Translation risk arises when revaluing recorded assets and liabilities.

Transaction risk

The Group purchase and sells oil products in USD. The refining margin is thus expressed in USD, which represents a currency risk. For example, this means that when the SEK becomes weaker against the USD, the currency effect on the refining margin will have a positive effect on the operating profit/(loss). The Group does not hedge the risk associated with individual business transactions.

The Group faces an additional currency risk that purchases of oil products take place in USD, while sales are primarily in USD and SEK. After taking the refining margin into account, there is a net deficit of USD in the Group, which is covered by daily purchases of USD against SEK. These purchases are based on a standard template, but demand can vary over time because of price changes, timing of purchases and sales, and the relationship in sales between USD and SEK.

Translation risk

The Group aims to reduce the translation risk that arises in working capital by balancing assets and liabilities in foreign currency. To minimize the translation risk in the Group's working capital in USD, the Group takes out or redeems loans in dollars. There is no defined level in respect of the size of loans arranged at any given time.

The table below explains the Group's net exposure on the balance sheet date in each currency translated into SEK in respect of monetary assets and liabilities in the form of trade receivables, cash and cash equivalents, trade payables and other loans arranged in foreign currency. Working capital includes not only trade receivables and trade payables, but also the value of the Group's inventories. The size of the net exposure for the monetary items must therefore be placed in relation to the value of inventories in USD as of the balance sheet date. As inventories are a non-monetary asset, the inventory is not translated at the exchange rate on the balance sheet date, but using the exchange rate on the purchase date. A change in the exchange rate does not normally affect the value of inventories, which means that there is only an effect in the profit/(loss) for the year when the product is sold. If a change in the exchange rate were to lead to the net realizable value of the inventories in SEK being less than the cost because of a fall in the exchange rate, there would, however, be an impairment of inventories and this would have a direct effect on the profit/(loss).

All amounts in SEK million	2012	as a %	2011	as a %
Net exposure as of balance sheet date				
EUR	(2,344)	14%	(2,128)	11%
USD	(13,958)	86%	(16,718)	89%
Others	(11)	0%	(3)	0%
Total	(16,314)	100%	(18,849)	100%

Net exposure of USD must be set in relation to the Group's normal position for inventories, which as of December 31, 2012 totaled USD 1,330 million (1,297), which is approx. SEK 8,667 million (8,981) translated at the balance sheet date.

The Group has no holdings in foreign activities, the net assets of which are exposed to currency risks, and for this reason the Group has no currency exposure for this.

If the Swedish krona were to become stronger/weaker by 10% in relation to the US dollar as of the balance sheet date, while all other variables remained constant, the profit for the year after tax as of December 31, 2012 would have been SEK 390 million (570) higher/lower as a consequence of gains/losses when translating monetary assets and liabilities according to the table above, and taking into account the indirect price effect on the Group's normal position for inventories.

Price risk

The Group is exposed to price risk in respect of inventories of crude oil and refined products. Price changes in crude oil and refined oil products affect the Group's sales income, cost of goods sold, gross profit/(loss) and operating profit/(loss). The Group has a defined normal position for inventories, which is the volume of priced oil[1] that is required to maximize the contribution from the refining system in the most efficient way without making use of derivatives. The normal position is defined as 1,840,000 m^3. The price risk at this volume is the Company's commercial risk that the Board of Directors has accepted. To counteract the price risk that arises when priced inventories deviate from the normal position, the Group trades in oil derivatives in the form of futures, options and swaps. In addition to the price risk above, the Group is protected against price risk by using oil derivatives for the part of the normal position corresponding to a volume of approx. 1 200 000 m^3 (approx. 7,5 million bbl), expiring in January 2013, for a strike of approximately 60 $/bbl.

The Board of Directors has defined risk limits that define the extent to which volume exposure may deviate from the normal position, as well as the maximum risk expressed in USD that the Group is prepared to accept in the total of these volume deviations from the normal position. The volume deviation may be +200,000 m^3 or –250,000 m^3. The highest risk expressed in USD is USD 5 million on the grand total of these deviations. The exposure that first reaches the risk limit is the one on which the Company must act. There is daily follow-up on this risk exposure.

The table below explains how the position would change in SEK million if the price were to rise/fall by 10% as of the balance sheet date. How such a change would have affected the Company's financial results in 2012 is affected by whether the effect on financial results arises in the physical position or the derivatives position. The reason for this is that inventories and derivatives are measured using different accounting policies. Over time, however, the price change in the total position will affect the Company's financial results. The total position thus constitutes the Company's price risk, but in the meantime accrual accounting effects do arise in the profit/(loss) for the year, because of the different valuation principles for inventories and derivatives, respectively.

Year	**Price change**	**Physical position**	**Derivative position**	**Total position**	**Of which normal position**
2012	10%	914	(47)	**867**	853
2012	(10)%	(914)	47	**(867)**	(853)
2011	10%	907	3	**910**	893
2011	(10)%	(907)	(3)	**(910)**	(893)

A change in the value of the derivative position will always have a direct effect in the profit/(loss) for the year, as derivatives are measured at market price as of the balance sheet date and the profit/loss is recorded via the profit/(loss) for the year.

A change in the value of the physical position does in some cases have a direct effect on the profit/(loss) and in other cases the profit/(loss) is only affected in subsequent periods. This is because inventories are measured according to the lowest value principle, i.e., the lower of the cost and the net realizable value.

In the event of a price rise, the profit/(loss) is normally only affected when a sale is made, i.e., the gains from the sale are recorded in the income statement for the year only when they have been realized. A price rise may, however, have a direct effect in the profit/(loss) for the year in the event that the original net realizable value is less than the cost. This effect may be a maximum of the previously impaired value of the inventories.

In the event of a price fall, the profit/(loss) is normally affected directly, which means that inventory impairment is performed and a product cost is recorded in the income statement. The impairment will, however, only take place at the amount by which the changed net realizable value will fall below the inventory's previous carrying amount as of the balance sheet date.

In addition to price risk management of the inventories position, the Board of Directors has defined scope for speculative trading in oil derivatives. These transactions are limited by the definition of a ceiling for a maximum gain or loss for such trading. The Group's loss may not be any higher than USD 10,000 per transaction and USD 50,000 per annum per individual trader. Transactions on which the Group makes a joint decision may amount to a maximum of a level that falls within the deviation range in normal position management, and may involve a maximum loss of up to

[1] Only priced inventories are exposed to a price risk. Purchases of crude oil and products are only included in the position when the purchased oil has been priced. The products leave the position when they are priced in connection with their sale. If a product is priced for a number of days, a percentage of the charge will be included in or taken out of the position in relation to the number of days that the charge is priced. This means that the Group's physical inventories can differ somewhat from the company's physical position.

USD 500,000 in one transaction and USD 2,500,000 per annum. These transactions must first of all always be approved by the head of the Trading Department. As of December 31, 2012, the result of the Group's exposure on speculative trading in oil derivatives amounted to USD -2 thousand.

Interest rate risk in respect of cash flows and fair values

The Group's interest rate risk arises through both borrowing and lending.

Loans with a floating interest rate expose the Group to an interest rate risk in respect of cash flow. Loans with a fixed interest rate expose the Group to an interest rate risk in respect of fair value. The Group's borrowing is at both fixed and floating interest rate. The interest rate risk in respect of cash flow is balanced to a light extent by borrowing at a fixed rate and the use of interest rate swaps. As of December 31, 2012 the remaining fixed-interest period totaled approx. 32 months. In 2012 the Group's borrowing on floating interest rate terms consisted of SEK and USD, and fixed interest rate consisted of USD and EUR for bond loans and loans to the shareholder.

The Group's interest-bearing assets are in the form of loans to associates and to a lesser extent current investments in cash and cash equivalents. Loans to associates have been issued on standard market terms at a fixed interest rate, which means that the Group is exposed to fair value risk.

The Group's outstanding borrowing as of the balance sheet date for both non-current and current loans, arranged with credit institutions, bondholders and the shareholder totals SEK 19,899 million (18,494). The Group's loan terms, effective interest rates and the maturity structure of the loans are described in note 29.

If interest rates for borrowing expressed in SEK during the year had been 1.0 per cent higher/lower, with all other variables constant, the profit/(loss) after tax for the annual period would have been SEK 146 million (138) lower/higher, mainly because of the higher/lower interest rate costs of borrowing at floating interest rates.

Credit risk

Credit risks arise through investments in cash and cash equivalents, derivatives and credit exposure to the large number of customers to which sales are made on credit. In order to limit this exposure, there are joint Group credit policies, which mean *inter alia* that only banks and financial institutions are accepted that have been given a credit rating of at least "A" by Standard and Poor's or by an equivalent independent assessor. As far as the Group's customers are concerned, a risk assessment is conducted of each customer's creditworthiness in which the customer's financial position is considered, and previous experiences and other factors are assessed. Individual risk limits are defined on the basis of internal or external credit ratings. The Group has a credit committee that handles these matters. The Group also uses securities in the form of, for example, Letters of Credit, bank guarantees, deposits and Parent Company mortgages. There is regular follow-up on the use of credit limits. The credit risk is controlled at Group level.

Most of the credit exposure in terms of amounts is towards financially strong oil companies. On the basis of the Group's ongoing analysis of its customers, the credit quality is considered to be good. During the year the Group only had provisions for doubtful receivables of SEK 24 million (44), compared with sales revenue of SEK 105,089 million (91,554). For further information see note 24.

The Group has a loan issued to Corral Morocco Gas & Oil AB (CMGO), which is an associate, of SEK 3,136 million. The loan has a standard market interest rate of 5% of the nominal loan amount. The interest income is capitalized and increases the original receivable. On December 31, 2012, the total receivable is amounted to SEK 3,653 million. The loan and capitalized interest may be terminated on nine months' notice. No security has been pledged for the Group's receivable in relation to CMGO.

Counterparties during the year for derivative trading in interest rate swaps only took place with banks and financial institutions with a credit rating of at least "A" from Standard and Poor's or an equivalent independent assessor. Other oil companies, banks and trading companies are counterparties for trading in oil derivatives. In order to limit counterparty risks when trading in oil derivatives, the Company concludes so-called ISDA contracts.

Liquidity risk

Liquidity risk is handled by means of the Group having sufficient cash and cash equivalents and current investments with a liquid market and available financing through agreed credit facilities. Every month the Group pays approx. SEK 1,400 million in the form of excise duties and VAT, which combined with fluctuations in purchasing and sales patterns, can make demands on the availability of short-term borrowing facilities.

To make sure that the Group has access to external financing at all times, both short-term and long-term credit facilities must always be available.

The table below analyzes the Group's financial liabilities and net settled derivatives that constitute financial liabilities, broken down by the term remaining after the balance sheet date until the contractual expiry date. The amounts specified in the table are the contractual, non-discounted cash flows and do not therefore correspond with the amounts in the balance sheet. The amounts that fall due within 12 months correspond with the book amounts, as the discount effect is insignificant.

It is the Group's policy that renegotiation of loans must take place no later than 12 months before expiry.

As of December 31, 2012	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowing	2,127	1,706	14,778	9,168
Oil derivatives	0	–	–	–
Trade payables	2,497	–	–	–
Other current liabilities	1,643	22	–	–

As of December 31, 2011	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowing	1,008	1,372	10,796	14,874
Oil derivatives	(10)	–	–	–
Trade payables	4,906	–	–	–
Other current liabilities	1,764	162	–	–

The Group has syndicated bank loans that are subject to a clause on the requirement to satisfy a number of key ratios (known as covenants).

Management of capital risk

The Group's objective with regard to the capital structure is to secure the Group's access to capital markets and to maintain an optimal capital structure in order to keep down the costs of capital and to balance the Company's commercial risk with the cost of the capital.

The Board of Directors constantly monitors the Group's financial position and net debt against expected future profitability and cash flow, investment and expansion plans, and developments in the interest rate and credit markets.

The Group's net debt/total capitalization ratio is shown in the table below:

(Amounts in SEK million)	2012	2011
Total borrowing	19,899	18,494
Minus cash and cash equivalents	(646)	(355)
Net debt	**19,252**	**18,138**
Total equity	3,458	1,587
Total capitalization	**22,710**	**19,726**
Net debt/total capitalization ratio	**85%**	**92%**

Calculation of fair value

The fair value of derivatives traded on an active market is based on listed market prices on the balance sheet date. The listed market price used for the Group's financial assets is the current bid price. The fair value of oil derivatives is defined using listed prices of oil futures on the balance sheet date.

The fair value of financial instruments not traded on an active market (e.g., OTC derivatives) is defined with the aid of valuation techniques. The fair value of interest rate swaps is calculated as the current value of estimated future cash flows.

The fair value of borrowing is calculated, for the purposes of disclosure, by discounting the future contracted cash flow at the current market interest rate that is available to the Group for similar financial instruments.

The book value after write-down of trade receivables and payables if any, are assumed to correspond to the fair values, as these items are short term in nature. Fair value of financial liabilities is calculated, for clarification purposes, by discounting the future contracted cash flow at the current market interest rate available to the Group for similar financial instruments.

NOTE 3. IMPORTANT ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES

Estimates and assessments are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are considered reasonable in the prevailing circumstances.

Important estimates and assumptions for accounting purposes

The Group makes estimates and assumptions about the future. The estimates for accounting purposes that are the consequence of these will, by definition, seldom correspond with the actual outcome.

The estimates and assumptions that involve a significant risk of major adjustments in recorded values of assets and liabilities for subsequent annual periods are explained in general below.

Impairment testing of goodwill

Every year the Group tests whether an impairment need exists for goodwill, in accordance with the accounting policy described in note 1 and 18. The recoverable amount of cash generating units has been defined by calculating the value in use. These calculations require certain estimates to be made, see note 18.

If the budgeted margin used when calculating the value in use of the cash generating unit that comprises Supply & Refining segment had been 20% lower than the management assessment as of December 31, 2012, the Group would not have needed to perform any impairment of goodwill.

If the estimated discount rate before tax that was applied for discounted cash flows for the cash generating unit that comprises Supply & Refining segment had been 2% higher than the management assessment, the Group would not have needed to perform any impairment of goodwill.

Pensions

Pension obligations are based on actuarial calculations that are based on assumptions about discount rate, expected return on managed assets, future wage increases, staff turnover, inflation and expected average remaining period of service.

The expected return on managed assets is defined by considering the expected return on the assets covered by the investment policy in question. The expected return on investments with a fixed interest rate is based on the return received if these securities are held until maturity. The expected return on shares and real estate is based on the long-term return that has occurred in the market in question.

Provisions for environmental commitments

Provisions are made for environmental commitments for known and planned decontamination works. A possible future close-down of operations within the Group may involve a requirement for decontamination and restoration works. This is, however, considered to be well into the future and it is not believed that any possible future expenses for this can be calculated reliably. Such potential environmental commitments are not included in provisions in the balance sheet or accounted for as contingent liabilities.

Important assessments when applying the Company's accounting policies

Functional currency

The subsidiary Preem has significant cash flows in USD, and when assessing the Company's functional currency management has evaluated the criteria contained in IAS 21 on defining the functional currency. Having given careful consideration to all indicators, management has made the assessment that Corral's functional currency is SEK.

NOTE 4. SEGMENT REPORTING

Operating segments

The Group consists of two operating segments:

Supply & Refining—Crude oil is bought for the two refineries Preemraff Lysekil and Preemraff Gothenburg and is refined to produce finished oil products. Approx. 65 percent of production is exported, mainly to the Northern European market. The proportion of production that is sold in Sweden is sold through the Group's own market channels and through other oil companies.

Marketing—This segment sells refined oil products, which are bought from the Supply & Refining segment. Sales are channeled directly to consumers via the company's network of gas stations and to companies and consumers via direct sales.

Internal pricing

Prices are set at market levels at prices based on official listings in the oil market.

Profit per segment

Information within the Group that regularly is followed up by senior executives is presented below.

The Group 2012

Sales per segment	**Supply & Refining**	**Marketing**	**Total**
Total sales revenue	103,596	20,575	124,171
Internal sales	(18,913)	(63)	(18,976)
External sales	**84,683**	**20,512**	**105,196**
Residual, net exchange differences			(107)
Total external sales			**105,089**
Operating profit			
Operating profit per segment	3,095	433	3,528
Depreciation per segment	901	88	989

The Group 2011

Sales per segment	**Supply & Refining**	**Marketing**	**Total**
Total sales revenue	90,052	20,528	110,580
Internal sales	(18,942)	(102)	(19,043)
External sales	**71,110**	**20,427**	**91,537**
Residual, net exchange differences			17
Total external sales			**91,554**
Operating profit			
Operating profit per segment	1,004	412	1,416
Depreciation per segment	895	90	985

Reconciliation with the Group's total result

	2012	2011
Operating profit per segment	**3,528**	**1,416**
Net exchange differences on continuous payments	267	134
Currency effect on normal inventories	(578)	133
Undistributed depreciation	(3)	(4)
Other *)	(444)	(705)
Total operating profit	**2,770**	**974**
Interest income	175	173
Interest expenses	(1,366)	(1,498)
Net exchange differences	786	(431)
Other net financial items	(82)	(46)
Profit/(Loss) before tax	**2,283**	**(828)**

*) Mainly refer to Corporate Center and scrapped planned expenditures (see note 14).

Other information regarding Group's sales

Sales revenue comes for the most part from sales of oil products.

	2012	2011
Sales of oil products	105,002	91,428
Other	86	126
Total external sales revenue	**105,089**	**91,554**

Revenues of SEK 10,336 million (9,592) in 2012 refer from one separate customer and the revenue is part of the segment Supply & Refining.

Investments	Supply & Refining	Marketing	Other *)	Total
Capital expenditure in property, plant and equipment 2012	476	95	4	575
Capital expenditure in property, plant and equipment 2011	795	151	2	948
Investments in associated companies 2012	–	–	–	–
Investments in associated companies 2011	10	–	–	10

*) Mainly refer to Corporate Center.

Distribution by geographical regions

The information presented in respect of revenue relates to the geographical regions grouped according to where customers are located. Information about the segments' assets and the period's investments in non-current assets is based on geographical regions grouped according to where the assets are located. "Other Nordic" in the table below refers primarily to Denmark and Norway, and "Other countries" primarily refers to Germany, France, the UK, Holland and North America.

2012	Sweden	Other Nordic	Other countries	Total
External sales	36,620	11,990	56,479	105,089
Intangible Assets and Property, Plant and Equipment	8,810	–	–	8,810
2011				
External sales	37,149	12,295	42,110	91,554
Intangible Assets and Property, Plant and Equipment	9,266	–	–	9,266

NOTE 5. EXCISE DUTIES

Excise duties refer to energy tax, gasoline tax, carbon dioxide tax, sulfur tax and alcohol tax.

NOTE 6. GROSS PROFIT

Purchases and sales of oil products in the market are essentially dollar-based. Net exchange differences from sales are recorded under "net sales" and net exchange differences from purchases are recorded under "cost of goods sold". The Group's gross profit includes net exchange differences from purchases and sales of oil products to a net value of SEK 267 million (134).

NOTE 7. FEES TO AUDITORS

KPMG	2012	2011
Audit assignments	2	2
Audit business beyond the audit assignment	0	0
Tax consultancy	1	1
Other assignments	1	2
	4	5
SET		
Audit assignments	0	0
Audit business beyond the audit assignment	–	–
Tax consultancy	–	–
Other assignments	–	–
	0	0

NOTE 8. WAGES, SALARIES AND SOCIAL COSTS

	2012		2011	
	Wages and Other Benefits	Social Costs (of which pension costs)	Wages and Other Benefits	Social Costs (of which pension costs)
Parent Company	–	–	–	–
		(–)		(–)
Group Companies	709	354	649	358
		(104)		(123)
Group Total	**709**	**354**	**649**	**358**
		(104)[(2)]		(123)[(2)]

(2) Of the Group's pension costs, SEK 4 million (5) relates to the Group's Board, CEO and other senior executives.

NOTE 9. WAGES AND OTHER BENEFITS, ALLOCATED BY REGION AND BETWEEN BOARD/CEO AND OTHER EMPLOYEES

	2012		2011	
	Board, CEO and other senior executives	Other Employees	Board, CEO and other senior executives	Other Employees
Parent Company	–	–	–	–
Group Companies in Sweden	16	693	18	631
Group Companies Abroad	–	–	–	–
Group Total	**16**	**693**	**18**	**631**

Remuneration in the table above is based on the operating subsidiary Preem AB. No remuneration was paid to any Board members or CEO of Corral Petroleum Holdings AB.

Senior executives

"Senior executives" means both senior management and other senior executives. The group comprising senior management includes the Chairman of the Board, other Board members who receive benefits from the company in addition to the current Board fee and who are not employed by the company, and the Managing Director (MD) and CEO. The group comprising other senior executives includes 5 (5) salaried employees who are part of Preem AB's Group management together with the CEO; all are employed by Preem. The total group of senior executives in Preem consist of The Board members including the Chairmen of the Board and the CEO (9 people) and other senior executives, which is also Preem's Group Management (5 people).

Preparation and decision-making process when determining remuneration for senior executives

The terms of remuneration for the CEO and the principles for salary benefits for people in the company's Group management team are prepared in a remuneration committee appointed by the Board and consisting of the Deputy Chairman of the Board and 3 other Board members. The committee's proposals are confirmed by the Board. The annual salary review for both the CEO and for other members of Group management is confirmed by the remuneration committee.

Remuneration of senior executives

Fees are paid to the Chairman of the Board and members in accordance with the decision of the AGM. No special fee is paid for committee work. Remuneration to the CEO and other senior executives consist of basic salary, flexible remuneration, other benefits and pension. The breakdown between basic salary and flexible remuneration must be in proportion to the senior executive's responsibility and authority. For the CEO, the flexible remuneration may be a maximum of 30% of basic salary. For other senior executives, the flexible remuneration is a defined maximum percentage of basic salary. The remuneration committee does, however, define the terms of the flexible remuneration on an annual basis. Pension benefits and other benefits to the CEO and other senior executives are paid as an element of the overall remuneration package. Other benefits consist primarily of a company car.

Remuneration and benefits in 2012	**Basic Salary/ Board Fee**	**Flexible Remuneration**	**Other Benefits**	**Pension Cost**	**Other Remuneration**	**Total**
Chairman of the Board	0.5	–	–	–	–	0.5
Other Board Members (7 people)	1.3	–	–	–	–	1.3
The CEO in Preem AB	4.1	1.5	0.1	1.2	–	6.9
Other Senior Executives (5 people)	7.4	0.3	0.4	2.4	–	10.6
	13.2	1.8	0.5	3.7	–	19.2

In total SEK 1.8 million has been paid in board fees, whereof one member has received SEK 0.5 million, six members have received SEK 0.2 million and one member has received SEK 0.0 million.

Remuneration and benefits in 2011	**Basic Salary/ Board Fee**	**Flexible Remuneration**	**Other Benefits**	**Pension Cost**	**Other Remuneration**	**Total**
Chairman of the Board	0.5	–	–	–	–	0.5
Other Board Members (8 people)	1.5	–	–	–	–	1.5
The CEO in Preem AB	4.7	1.9	0.1	2.4	–	9.1
Other Senior Executives (5 people)	9.0	1.6	0.5	2.4	–	13.5
	15.7	3.5	0.6	4.8	–	24.6

In total SEK 2.0 million has been paid in board fees, whereof one member has received SEK 0.5 million, seven members have received SEK 0.2 million and one member has received SEK 0.1 million.

Pensions

The pension is a defined contribution pension. Pension premiums comprise 30% of qualifying salary in respect of retirement and survivor's pension. "Qualifying salary" means the basic salary plus an average of the last three years' flexible benefit. For other senior executives there is a general pension plan and, in certain cases, individual solutions. All pension benefits are protected, i.e., not conditional upon future employment.

Severance pay

There is a mutual period of notice between the company and the CEO of 6 months.

There is a mutual period of notice between the company and other senior executives of a maximum of 24 months and 6 months, respectively. In connection with termination by the company, paid notice of a maximum of 24 months applies. In the event of termination by the senior executive, no severance pay is paid.

NOTE 10. DEPRECIATION

Allocation of depreciation	**2012**	**2011**
Buildings and land installations	66	70
Plant and machinery	693	704
Capitalized turnaround costs	132	119
Equipment, tools, fixtures and fittings	102	95
	993	989

Allocation by function	**2012**	**2011**
Production expenses	902	896
Selling expenses	87	89
Administrative expenses	3	4
	993	989

NOTE 11. LEASING

Leasing charges in respect of operational leasing	**2012**	**2011**
Minimum lease charges	93	87
Variable charges	20	35
Total leasing expenses	114	123

Agreed future minimum lease charges	**2012**	**2011**
Within one year	117	92
Between one and five years	329	382
Longer than five years	86	52

Leasing income in respect of operational leasing	**2012**	**2011**
Minimum lease charges	71	75
Variable charges	20	21
Total leasing income	91	95

Agreed future minimum lease charges	**2012**	**2011**
Within one year	72	75
Between one and five years	355	371
Longer than five years	–	–

NOTE 12. EXPENSES BROKEN DOWN BY TYPE OF COST

	2012	**2011**
Cost of materials	98,447	86,650
Costs for employee benefits	1,063	1,007
Depreciation	993	989
Other expenses	2,264	2,037
	102,766	90,683
Reconciliation with the consolidated income statement		
Cost of goods sold	101,514	89,470
Selling expenses	694	716
Administrative expenses	559	497
	102,766	90,683

NOTE 13. OTHER OPERATING INCOME

	2012	**2011**
Heating deliveries	75	80
Rental income	91	95
Harbor income	58	52
Storage certificates	183	133
Service compensation	20	20
Other	20	29
Total	**447**	**409**

NOTE 14. OTHER OPERATING EXPENSES

Other operating expenses for 2011 amounted to SEK 306 million, related to the scrapped planned expenditures previously recorded as constructions in progress in the balance sheet (see note 19). The project related to the plans to build a so-called Hydro cracker plant at the refinery in Lysekil. In 2011, Management and the Board evaluated the project and made the decision to cancel the project.

NOTE 15. NET FINANCIAL INCOME/EXPENSES

	2012	2011
Interest income from instruments measured at accrued cost	175	173
Net exchange differences	(9)	11
Other	0	–
Financial income	**167**	**184**
Net loss		
—Instruments measured at fair value.	–	–
—Financial liabilities measured at accrued cost	–	–
Total net loss	**–**	**–**
Interest expenses from defined benefit unfunded pension obligation	(5)	(5)
Interest expenses from instruments measured at accrued cost[3]	(1,361)	(1,493)
Interest expenses from instruments measured at fair value	–	–
Net exchange change	795	(443)
Other	(82)	(46)
Financial expenses	**(653)**	**(1,986)**

(3) Of which interest rate expenses from accrued loan expenses, SEK 177 million (328).

The net loss on oil derivatives measured at fair value, recorded as cost of goods sold in the profit/(loss) for the year, totals SEK 153 million (155).

NOTE 16. TAX

Current tax expense(−)/ tax income(+)	2012	2011
Tax expense for the period	(495)	(2)
Tax expense attributable to previous years	(2)	(10)
	(497)	(13)
Deferred tax expense(−)/ tax income(+)		
Deferred tax in respect of temporary differences and loss carry-forwards	86	223
Total recorded tax expense	(411)	211

Reconciliation of effective tax	2012	2011
Profit/(Loss) before tax	2,283	(828)
Income tax calculated according to national tax rates for profit in each country	(601)	218
Adjustment due to change in tax rate	198	–
Other non-deductible expenses	(7)	(7)
Non taxable income	1	0
Tax attributable to previous years	(2)	0
Effect of different tax rates for foreign companies	0	0
Recorded tax	(411)	211

Weighted average tax rate is 18.0% (25.5%).

Deferred tax assets and tax liabilities	2012	
	Deferred tax assets	Deferred tax liabilities
Land and buildings	7	(2)
Machinery and equipment	–	(1,000)
Loss carry-forwards	0	–
Other	0	(17)
Net assets/liabilities		(1,011)
	2011	
Land and buildings	9	(1)
Machinery and equipment	–	(1,263)
Loss carry-forwards	173	–
Other	0	(15)
Net assets/liabilities		(1,098)

Change in deferred tax in temporary differences and loss carry-forwards	**Opening amount**	**Recorded in the profit/(loss) for the year**	**Other changes**	**Closing amount**
Land and buildings	8	(2)	−	5
Machinery and equipment	(1,263)	263	−	(1,000)
Other	(15)	(2)	−	(17)
Total temporary differences	*(1,270)*	*259*	−	*(1,011)*
Loss carry-forwards	173	(173)	−	0
Total	(1,098)	86	−	(1,011)

NOTE 17. NET EXCHANGE DIFFERENCES IN THE PROFIT/(LOSS) FOR THE YEAR

Net exchange differences have been recorded in the profit/(loss) for the year as follows:

	2012	**2011**
Net sales	(107)	17
Cost of goods sold	374	116
Financial items	786	(431)
Total	1,053	(298)

The estimated currency effect on the Group’s normal position on inventories was SEK −578 million (133).

NOTE 18. INTANGIBLE ASSETS

Goodwill

	2012	**2011**
Opening cost	308	308
Closing accumulated cost	308	308
Carrying amount at end of period	308	308

Impairment testing of goodwill

Identified goodwill is attributable in full to the Group’s cash generating unit (CGU) Supply & Refining and Sweden. A summary at segment level is provided below:

Supply & Refining	**2012**	**2011**
Sweden	308	308
Total	308	308

The recoverable amount of a CGU is defined on the basis of calculations of value of use. These calculations are based on estimated future cash flows before tax based on financial budgets that have been approved by company management and covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using an estimated rate of growth as explained below. The rate of growth does not exceed the long-term rate of growth for the market in which the Supply & Refining segment operates.

Significant assumptions used to calculate values of use:

	Supply & Refining
Average refining margin in dollars a barrel for the period	4.42–5.22
Average rate of growth for extrapolation beyond the budget period	1%
Discount rate before tax	8%

Management has confirmed the budgeted refining margin based on previous results and its expectations of market growth. The weighted average rate of growth used does not exceed the forecasts contained in industry reports. The discount rates that are used are specified before tax and reflect specific risks that apply for the various segments.

No impairment need has been identified for goodwill. This is true even if a change in the conditions is amended as follows: Refining margin 20% lower, rate of growth -1% and a discount rate 2% higher for each segment.

NOTE 19. PROPERTY, PLANT AND EQUIPMENT

Land and buildings	2012	2011
Opening cost	2,258	2,218
Sales/Disposals	(25)	(29)
Completion of constructions in progress	145	69
Closing accumulated cost	2,378	2,258
Opening depreciation	1,254	1,206
Sales/Disposals	(20)	(22)
Depreciation for the year	66	70
Closing accumulated depreciation	1,300	1,254
Carrying amount	1,078	1,004

Plant and machinery[4]	2012	2011
Opening cost	16,579	16,269
Sales/Disposals	(28)	(26)
Completion of constructions in progress	318	336
Re-classification	21	–
Closing accumulated cost	16,889	16,579
Opening depreciation	10,231	9,546
Sales/Disposals	(19)	(20)
Depreciation for the year	693	704
Re-classification	21	–
Closing accumulated depreciation	10,925	10,231
Carrying amount	5,964	6,348

(4) Planned residual value includes platinum and palladium at SEK 138 million (139).

Capitalized turnaround costs	2012	2011
Opening cost	754	793
Sales/Disposals	–	(342)
Completion of constructions in progress	6	303
Closing accumulated cost	760	754
Opening depreciation	305	528
Sales/Disposals	–	(342)
Depreciation for the year	132	119
Closing accumulated depreciation	437	305
Carrying amount	323	449

Equipment, tools, fixtures and fittings	2012	2011
Opening cost	1,393	1,373
Investments during the year	2	0
Sales/Disposals	(63)	(118)
Completion of constructions in progress	80	137
Re-classification	(21)	–
Closing accumulated cost	1,391	1,393
Opening depreciation	934	952
Sales/Disposals	(60)	(113)
Depreciation for the year	102	95
Re-classification	(21)	–
Closing accumulated depreciation	955	934
Carrying amount	435	459

Constructions in progress	**2012**	**2011**
Opening cost	698	905
Investments during the year	573	948
Sales/Disposals	(21)	(309)
Completion of constructions in progress	(549)	(845)
Closing accumulated cost	702	698

NOTE 20. PARTICIPATION IN ASSOCIATES

Swedish companies	**Corp. ID no.**	**Reg. office**	**No. of shares**	**Participating interest %**	**Carrying amount**
AB Djurgårdsberg	556077-3714	Stockholm	366	37	0
GöteborgsSmörjmedelsfabrik (Scanlube) AB	556287-6481	Gothenburg	50,000	50	5
SunPine AB	556682-9122	Piteå	16,685	28	78
Total					83

	2012				
	Assets	**Liabilities**	**Equity**	**Income**	**Net profit/(loss)**
AB Djurgårdsberg	2	2	0	4	0
Göteborgs Smörjmedelsfabrik (Scanlube) AB	152	142	10	537	0
SunPine AB	564	478	86	877	(13)
	2011				
	Assets	**Liabilities**	**Equity**	**Income**	**Net profit/(loss)**
AB Djurgårdsberg	2	2	0	4	0
Göteborgs Smörjmedelsfabrik (Scanlube) AB	180	170	10	523	0
SunPine AB	542	447	95	592	(19)

The disclosures in here, refers to 100% of the companies' assets, liabilities, equity, income and net profit/(loss).

	2012	**2011**
Opening balance	86	83
Investments during the year	–	10
Profit participation	(2)	(7)
Closing balance	83	86

NOTE 21. RECEIVABLES FROM RELATED PARTIES

	2012	**2011**
Opening value	3,496	3,340
Change during the year	157	157
Closing value	3,653	3,496

Receivable from related parties relates to interest-bearing receivable from the related party company Corral Morocco Gas & Oil AB (CMGO). The receivable totals SEK 3,653 million (3,496) and is subject to a market-based fixed interest rate of 5% on the original receivable of SEK 3,136 million. There is no guarantee provided towards CMGO in connection to this receivable. The loan and capitalized interest may be noticed of payment from February 6, 2013 unless otherwise agreed prior to this date.

NOTE 22. FINANCIAL ASSETS AVAILABLE FOR SALE

	2012	**2011**
Opening carrying amount	25	23
Shareholders' contribution	1	2
Profit/(Loss)	1	1
Carrying amount at end of period	27	25

Company	Corp. ID no.	Reg. office	No. of shares	Participating interest %	Carrying amount
BasEl i Sverige AB	556672-5858	Stockholm	50	5	0
Släckmedelscentralen—SMC AB	556488-8583	Stockholm	117	12	0
SPIMFAB—SPI Miljösaneringsfond AB	556539-4888	Stockholm	1	1	0
VindIn AB	556713-5172	Stockholm	100	8.6	25
Bostadsrättsföreningen Ekerum					1
Bostadsrättsföreningen Solhyllan					0
Götene E.D.F. Elföreningen, co-operative					0
SSH Svensk Servicehandel					0
Total					27

NOTE 23. INVENTORIES

	2012	2011
Raw material	4,221	4,789
Finished goods	5,848	6,348
Total	10,069	11,137

The cost of inventories in the Group includes the equivalent of SEK 71 million (41) in volumes of inventories out on loan. Volumes of inventories borrowed corresponding to a total inventory value of SEK 223 million (404) are not included in the value of inventories.

NOTE 24. TRADE RECEIVABLES

	2012	2011
Trade receivables	5,039	5,146
Reserve for doubtful receivables	(24)	(44)
Fair value of trade receivables	5,015	5,102

As a rule there are not considered to be any impairment needed for trade receivables that have been due for payment for less than three months. As of December 31, 2012 trade receivables totaling SEK 612 million (345) were due without any need for impairment being considered to exist. These relate to a number of independent customers that have not previously had any payment problems. The age analysis of these trade receivables is shown below:

	2012	2011
Less than 10 days	480	298
Between 10 and 20 days	83	9
Between 21 and 30 days	33	2
More than 30 days	16	37
Total	612	345

The reserve for doubtful trade receivables totaled SEK 24 million (44) on December 31, 2012. Receivables are recorded as doubtful receivables when objective information exists, e.g., in the form of cancelled payments or receivables not being settled after being due for 3 months.

Receivables in the reserve for doubtful trade receivables are as follows:

	2012	2011
At the beginning of the period	44	16
This year's reserve for doubtful receivables/reversed unutilized amounts	(4)	34
Confirmed losses during the year	(16)	(6)
At the end of the period	24	44

Provisions for and reversals of reserves for doubtful trade receivables are included in the functions to which they relate in the consolidated income statement. Amounts recorded in the impairment account are usually written off when the Group is not expected to recover any additional cash or cash equivalents.

Other categories within trade receivables and other receivables do not include any assets for which an impairment need exists.

The maximum exposure for credit risk on the balance sheet date is the fair value for each category of receivables mentioned above.

NOTE 25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet and the cash flow statement include the following with an expiry date less than three months after acquisition.

	2012	2011
Current investments	125	126
Cash and bank balances	522	229
	646	355

NOTE 26. EQUITY

Share capital

The company's share capital totals SEK 500,000. The number of shares is 5,000, all of which are class A shares. The shares are paid in full and the number of shares is the same at both the beginning and end of the year. The quota value is SEK 100/share.

Other paid-in capital

Other paid-in capital consists of equity paid in by the shareholder or the ultimate owner of the company.

Retained earnings

Retained earnings include the cumulative income from the Group's operations.

Dividend

No dividend was paid for either 2012 or 2011. The Group's loan conditions prevent the payment of dividends to shareholder.

NOTE 27. PENSION OBLIGATIONS

Defined benefit obligations and the value of plan assets	2012	2011
Wholly or partly funded obligations:		
Current value of defined benefit obligations	577	543
Fair value of plan assets	(543)	(522)
Net wholly or partly funded obligations	34	21
Unfunded obligations:		
Current value of unfunded defined benefit obligations	114	117
Net obligations, total, before adjustments	148	137
Adjustments:		
Accumulated unrecorded actuarial losses	(67)	(49)
Net amount in balance sheet (obligation +, asset −)	81	88
The net amount is recorded in the following items in the balance sheet:		
Provisions for pensions	81	88
The net amount is divided among the following countries:		
Sweden	81	88

Pension expense

The amounts recorded in the consolidated income statement are as follows:

Defined benefit plans	2012	2011
Interest expense	22	23
Expected return on plan assets	(18)	(18)
Settlement	−	43
Total cost of defined benefit plans	4	48

The change in the defined benefit obligation during the year is as follows:

	2012	2011
Opening gross amount in balance sheet	659	828
Payment of benefits	(21)	(18)
Interest expense	22	23
Actuarial loss (+) for the year on the obligation	31	29
Change in current value of defined obligations in relation to the settlement	–	(203)
Closing net amount in balance sheet	691	659

The change in the fair value of plan assets during the year is as follows:

	2012	2011
Opening gross amount in balance sheet	522	736
Payments of benefits	(11)	(8)
Payments from the company	1	12
Expected return	18	18
Actuarial gain (+) for the year on the plan assets	14	2
Change in plan assets in relation to the settlement	–	(238)
Closing gross amount in balance sheet	543	522

The actual return on plan assets totaled SEK 31 million (21).

Accumulated unrecorded actuarial gains or losses	2012	2011
Opening accumulated unrecorded losses	(49)	(30)
Actuarial loss (-) for the year on the obligation	(31)	(29)
Actuarial gain (+) for the year on the plan assets	14	2
Adjustments in unrecorded actuarial losses in relation to the settlement	–	7
Closing accumulated losses	(67)	(49)
Closing accumulated unrecorded losses	(67)	(49)
10% corridor's limits (of obligations' current values)	66	83
Surplus (which is recorded as an expense in line with average remaining period of service)	–	–

Actuarial assumptions	2012	2011
Discount rate	3.20%	3.40%
Expected return on plan assets	3.20%	3.40%
Future salary increases	Not applicable	Not applicable
Staff turnover	Not applicable	Not applicable
Inflation	2.0%	2.0%
Expected average remaining period of service	Not applicable	Not applicable
Plan assets consist of the following		
Interest-bearing securities	59%	61%
Shares	32%	30%
Real estate	9%	9%
Total	100%	100%

The expected return on plan assets is defined by considering the expected return on the assets that are covered by the investment policy in question. The expected return on investments with a fixed interest rate is based on the return received if these securities are held until maturity. The expected return on shares and real estate is based on the long-term return that has occurred in the market in question.

	2012	2011	2010	2009	2008
Current value of defined benefit obligation	691	659	828	812	832
Fair value of plan assets	543	522	736	721	659
Deficit/(surplus)	148	137	92	91	173

	2012	2011	2010	2009	2008
Experience-based adjustments or defined benefit obligations	(10)	7	2	(1)	(7)
Experience-based adjustments of plan assets	14	2	8	34	(69)

Contributions for defined benefit plans are estimated at SEK 0 million in 2013, as the transition to Alecta took place on January 1, 2008 and the former plan was paid-up.

NOTE 28. OTHER PROVISIONS

	Restoration for the environment[6]	Other	Total
Opening balance 2011	94	–	94
Provisions during the year	–	2	2
Amount used	(17)	–	(17)
Unutilized amounts that have been reversed	–	–	–
Closing balance 2011	77	2	79
Provisions during the year	7	3	10
Amount used	(23)	–	(23)
Unutilized amounts that have been reversed	–	(2)	(2)
Closing balance 2012	61	3	64

(6) Preem AB has paid an insurance premium via its subsidiary Preem Insurance Co Ltd of SEK 148 million for known and planned decontamination works. In 2012 SEK 23 million (17) of the reserve have been used and SEK 61 million (77) remain. During 2013 approx. SEK 16 million of the remaining reserve will be utilized.

NOTE 29. BORROWINGS

Long-term loans	2012	2011
Parent company		
Bond loans investors in EUR	1,411	1,268
Bond loans investors in USD	1,326	1,219
Bond loans shareholder in EUR	936	855
Bond loans shareholder in EUR	316	295
Shareholder loans, subordinated in EUR	82	81
Shareholder loans, subordinated in USD	4,225	4,274
Total long-term loans, Parent Company	**8,295**	**7,991**
Transaction expenses	(94)	(112)
Net total long-term loans, Parent Company	**8,202**	**7,878**
Group companies		
Loans in SEK	4,149	4,953
Loans in USD	6,027	5,111
Total long-term loans, Group companies	**10,176**	**10,064**
Transaction expenses	(586)	(745)
Net total long-term loans, Group companies	**9,589**	**9,320**
Total long-term loans, Group	**18,471**	**18,055**
Transaction expenses	(680)	(857)
Net total long-term loans, Group	**17,791**	**17,198**

Short-term loans	2012	2011
Group companies		
Loans in SEK	754	139
Loans in USD	673	300
Total short-term loans, Group companies	**1,428**	**439**
Total borrowing, Group	**19,899**	**18,494**
Net total borrowing, Group	**19,219**	**17,637**

Repayment plan	2013	2014	2015	2016	2017-	Total
	1,428	1,168	1,168	7,840	8,295	19,899

Loan conditions, effective interest rate and maturity structure:

Long-term loans	Nominal Value Local Currency	Effective Interest Rate	Less than 1 Year	1-5 Years	More than 5 Years
SEK, floating interest rate	4,149	5.55	–	4,149	–
USD, floating interest rate	925	3.52	–	6,027	–
EUR, fixed interest rate	282	14.47	–	–	2,429
USD, fixed interest rate	900	7.89	–	–	5,867
Short-term loans					
SEK, floating interest rate	754	5.88	754	–	–
USD, floating interest rate	103	3.92	673	–	–
Total borrowing			**1,428**	**10,176**	**8,295**
Transaction expenses			–	(586)	(94)
Total borrowing incl. transaction expenses			**1,428**	**9,589**	**8,202**
					19,219

The remaining average fixed-interest period as of December 31, 2012 was approx. 32 months.

Compliance with special loan conditions

Borrowing totaling SEK 11,603 million in both SEK and USD comprises a syndicated loan and is subject to a clause on a requirement to comply with conditions relating to a minimum level of adjusted equity, maximized amount of capital expenditures, interest cover ratio and adjusted net debt in relation to adjusted EBITDA. As at 31 December 2012 there are no defaults outstanding.

NOTE 30. BANK OVERDRAFT, ETC.

	2012	2011
Authorized credit limit bank overdraft	20	20
Unutilized element	20	20
Utilized credit	–	–
Other unutilized credit		
Authorized credit limit	952	3,492
Total unutilized credit	972	3,512

NOTE 31. DERIVATIVES

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Oil derivatives	0	0	11	1

Derivatives available for sale are classified as current assets or current liabilities. The full fair value of a derivative is classified as a non-current asset or non-current liability if the item's outstanding duration is more than 12 months and as a current asset or current liability if the item's outstanding duration is less than 12 months.

The maximum exposure to credit risk as of the balance sheet date is the fair value of the derivatives recorded as assets in the balance sheet.

Oil derivatives

The oil derivatives contracts are held primarily to economically hedge price changes in petroleum products. The nominal amount for oil derivative contracts sold net was SEK 498 million (purchased net 78). The total nominal amount for these outstanding oil derivative contracts is SEK 1,915 million (1,622) as of December 31, 2012.

NOTE 32. OTHER LIABILITIES

	2012	2011
Value Added Tax	512	580
Excise Duties(7)	808	835
Other Liabilities	285	274
	1,605	1,689

(7) Excise duties refer to energy tax, gasoline tax, carbon dioxide tax, sulfur tax and alcohol tax.

NOTE 33. ACCRUED EXPENSES AND PREPAID INCOME

	2012	2011
Purchases of crude oil and products	586	2,706
Personnel	283	196
Interest	6	4
Other	119	154
	995	3,061

NOTE 34. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets	2012	2011
Shares in subsidiaries	11,634	9,266
Real estate mortgages	4,000	4,000
Floating charges	8,000	8,000
Inventories	7,570	5,601
Trade receivables	3,058	3,212
Deposits	74	93
	34,336	30,172
Contingent Liabilities		
Sureties in favour of associates	78	79
Guarantees FPG/PRI	2	2
	80	81

The real estate mortgages, floating charges, inventories and trade receivables refer to pledges in regards to fulfillment of obligations the Group’s syndicated bank loans.

The deposits relate primarily to guarantees issued in connection with trade in oil derivatives. These amounts fall due for payment if the Group does not meet its commitments.

Other contingent liabilities

A future close-down of operations within Preem may involve a requirement for decontamination and restoration works. This is, however, considered to be well into the future and the future expenses cannot be calculated reliably.

Preem AB has received a tax reassessment from the Swedish Tax Agency relating to the tax assessment year 2010. The Swedish Tax Agency has decided to increase Preem AB's taxable income by SEK 239 million and imposed a tax surcharge of approximately SEK 6 million. The case relates to a valuation of an inter-company transfer of property. Preem AB has appealed the reassessment decision to the Administrative Court. Preem AB has not made a reservation for the tax surcharge of SEK 6 million in the financial statements for the year 2012. A possible reassessment of SEK 239 million results in a deductibable expense in the future of the same amount.

NOTE 35. SUPPLEMENTARY INFORMATION FOR THE CASH FLOW STATEMENT

Interest received/paid	2012	2011
Interest received	18	16
Interest paid	(450)	(1,106)
Adjustment for items not included in cash flow, etc.		
Depreciation and impairment of non-current assets	993	989
Write-down of inventories	242	35
Unrealized exchange rate losses(+)/gains(−)	(612)	310
Unrealized losses(+)/gains(−) on oil derivatives	12	(9)
Element of capitalized borrowing costs recorded as expenses	177	328
Cash interest not received	(157)	(157)
Capitalized interest cost	742	691
Provisions	0	25
Capital gain from sale or disposal of non-current assets	30	311
Other	2	13
	1,429	2,536

NOTE 36. FINANCIAL INSTRUMENTS

Financial instrument by category

Assets in balance sheet	2012 Loan, trade and other receivables	Assets measured at fair value via profit/(loss) for the year	Available for sale	Carrying amount	Fair Value
Financial assets available for sale	–	–	27	27	27
Derivatives	–	0	–	0	0
Lending to related parties	3,653	–	–	3,653	3,653
Trade and other receivables	5,761	–	–	5,761	5,761
Cash and cash equivalents	646	–	–	646	646
Total	10,060	0	27	10,087	10,087

Liabilities in balance sheet	Liabilities measured at fair value via profit/(loss) for the year	Other financial liabilities	Carrying amount	Fair Value
Borrowing	–	19,219	19,219	19,219
Derivatives	0	–	0	0
Other liabilities	–	4,162	4,162	4,162
Total	0	23,381	23,381	23,381

Assets in balance sheet	2011 Loan, trade and other receivables	Assets measured at fair value via profit/(loss) for the year	Available for sale	Carrying amount	Fair Value
Financial assets available for sale	–	–	25	25	25
Derivatives	–	11	–	11	11
Lending to related parties	3,496	–	–	3,496	3,496
Trade and other receivables	5,753	–	–	5,753	5,753
Cash and cash equivalents	355	–	–	355	355
Total	9,605	11	25	9,641	9,641

Liabilities in balance sheet	Liabilities measured at fair value via profit/(loss) for the year	Other financial liabilities	Carrying amount	Fair Value
Borrowing	–	17,637	17,637	17,637
Derivatives	1	–	1	1
Other liabilities	–	6,832	6,832	6,832
Total	1	24,469	24,470	24,470

Financial instruments measured at fair value in the balance sheet

In the below table of financial instruments, measured at a fair value in the balance sheet, is divided into three different categories:

Level 1: Fair value based on quoted market prices on an active market for the same instruments

Level 2: Fair value based on quoted market prices on an active market for similar instruments or on a valuation principle where all variables is based on quoted market prices. This category contains oil derivatives in form of swaps and options and interest rate swaps.

Level 3: Fair value is based on a valuation principle and material variables are not based on market price.

Assets in balance sheet	2012 Level 1	Level 2	Level 3
Oil derivatives	–	0	–
Total	–	0	–

Liabilities in balance sheet	Level 1	Level 2	Level 3
Oil derivatives	–	0	–
Total	–	0	–

Assets in balance sheet	2011 Level 1	Level 2	Level 3
Oil derivatives	–	11	–
Total	–	11	–

Liabilities in balance sheet	Level 1	Level 2	Level 3
Oil derivatives	–	1	–
Total	–	1	–

NOTE 37. TRANSACTIONS WITH RELATED PARTIES

Relations with related parties which imply a controlling influence.

	2012			
Transactions with Associates	**Sales**	**Purchase**	**Trade receivables**	**Current liabilities**
AB Djurgårdsberg	1	1	–	0
Göteborgs smörjmedelsfabrik (Scanlube) AB	3	161	1	4
SunPine AB	23	668	2	30
Transactions with Related parties				
Capital Trust Management Ltd	–	0	–	–
Constellation Ltd	–	17	–	–
Corral Morocco Gas and Oil AB	–	–	3,653	–
Huda Trading AB	441	752	–	–
Midroc Group in Scandinavia	2	166	0	23
Société Anonyme Marocaine de I'Industrie du Raffinage (SAMIR)	–	–	–	–
Ultimate shareholder	–	–	–	5,558

	2011			
Transactions with Associates	**Sales**	**Purchase**	**Trade receivables**	**Current liabilities**
AB Djurgårdsberg	0	1	–	0
Göteborgs smörjmedelsfabrik (Scanlube) AB	3	168	1	7
SunPine AB	21	391	4	49
Transactions with Related parties				
Capital Trust Management Ltd	–	17	–	–
Constellation Ltd	–	16	–	–
Corral Morocco Gas and Oil AB	–	–	3,496	–
Huda Trading AB	1,558	2,028	4	–
Midroc Group in Scandinavia	2	219	0	27
Société Anonyme Marocaine de I'Industrie du Raffinage (SAMIR)	–	–	7	–
Ultimate shareholder	–	–	–	5,504

NOTE 38. NUMBER OF EMPLOYEES

Average number of employees	2012 No. of employees	2012 Of which male percent	2011 No. of employees	2011 Of which male percent
Parent Company				
Sweden	–	–	–	–
Group Companies				
Sweden	1,272	76%	1,319	77%
Ireland	–	–	–	–
Group Total	**1,272**	**76%**	**1,319**	**77%**

NOTE 39. GENDER DISTRIBUTION IN COMPANY MANAGEMENT

Group Total	2012 Proportion Female	2011 Proportion Female
Board of Directors	0%	0%
Other Senior Executives	17%	17%

NOTE 40. EVENTS AFTER THE BALANCE SHEET DATE

In February 2013 the refinery in Lysekil was forced to shut down its CDU (Crude Distillation Unit) and VDU (Vacuum Distillation Unit) units for approximately 8 days in order to replace leaking heat exchanger bundles in the crude preheat train. The shutdown and repair works were successfully implemented, without incidents. The decrease in operating income from the shutdown has been estimated to approximately 75 MSEK.